



London N. Breed, Mayor
Kenneth A. Bukowski, Acting City Administrator



Andrico Q. Penick
Director of Real Estate

MEMORANDUM

DATE: February 1, 2021

TO: Whom It May Concern

FROM: Andrico Q Penick, Director of Property

**RE: Opinion of Value and Recommendation for No Cost Transfer
– Aerial and Bridge Easement Above Natoma Street Between 1st and 2nd Streets -
Transbay Transit Center and Parcel F**

I have been requested to provide an opinion of fair market value and recommendation for no cost transfer of the fee simple interest of a permanent aerial easement (“Aerial Easement”) and a bridge easement (“Bridge Easement”) together the “Vacation Area”. The Aerial Easement is 45 feet long and 35 feet wide totaling 1,575 square feet, with an elevation of 100 feet. In total, the Aerial Easement is 157,500 cubic feet. The Aerial Easement will be used to construct a skybridge between a proposed tower development on Parcel F which is situated on the south side of Natoma Street and a rooftop park atop the Salesforce Transbay Transit Center, which is situated on the north side of Natoma Street.

The Transbay Joint Powers Authority (TJPA) has applied to the City and County of San Francisco to vacate the Vacation Area described above. The surface of the streets will remain functioning streets subject to the Aerial Easement and Bridge Easement. TJPA has requested that the City convey the Vacated Area to the TJPA in fee simple. TJPA and the City have agreed that a quitclaim deed would be the appropriate method of conveyance. TJPA has requested that I recommend to the Board of Supervisors that these conveyances occur for a nominal sale price of \$1.00.

Under San Francisco Administrative Code Section 23.3, City property may be conveyed for a price below fair market value “where the Board determines that (i) a lesser sum will further a proper public purpose. . .” The safe and efficient operation of the Transbay Transit Center is clearly a proper public purpose for the following reasons:

1. The Transit Center will encourage and facilitate the use of public transportation by connecting local and regional transportation networks of buses, rail, transit, commuter rail and high-speed rail. The Transit Center offers access to Muni AC Transit, SamTrans, Golden Gate Transit, Greyhound, and B.ART.
2. The Transbay Transit Center Program conforms to the principles of transit-oriented development - locating public transit as close as possible to employment, shopping, education, hotels, convention centers, museums, and parks.

3. In June 2005, the City's Board of Supervisors approved the Transbay Redevelopment Plan. The Plan will provide for the revitalization of the Transbay neighborhood focused on the new Transit Center. Under the Plan, the Redevelopment Agency will convey property received from Caltrans to develop 2,600 new housing units, a third of which will be affordable, and parks and other infrastructure.
4. The City's Planning Department has proposed a new Transbay Transit Center District, also focused on the new Transit Center, that will result in rezoning of the area to increase building heights and the development of millions of square feet of offices and additional housing. The Redevelopment Plan and Transbay District will allow San Francisco to create a model of transit-oriented development for the City and beyond.

The benefits to the City of transit-oriented development are, among other things, creation of thousands of jobs, reduction in greenhouse gas emissions, reduction in traffic congestion, improved air quality, and safer and more livable neighborhoods. Accordingly, conveyance of the Vacated Area to the TIPPA without substantial costs to the TJPA will help realize this vital public project.

In forming my opinion of value, I have reviewed the Real Estate Evaluation prepared by Colliers International Valuation and Advisory Services ("Appraiser"), dated November 19, 2020. Comparable land sales indicated an adjusted range in value from \$196.72 to \$260.29 per square foot, with a median of \$208.10 per square foot. I agree with the appraiser that the total gross adjustment applied to the land comparables ranged from 9% to 41% with an average gross adjustment of 26% across all the comparables.

Based upon my review and my knowledge and experience in the real estate market, it is my opinion that the above-mentioned easements have the following fair market value:

As-Is Market Value of the Aerial Easement \$1,020,000

As-Is Market Value of the Bridge Easement \$1,020,000

Pursuant to Section 23.3 and for the public purposes described above, I recommend that the City quitclaim its interest in the Vacation Area to the Transbay Joint Powers Authority for a nominal sum of \$1.00 provided that the following conditions are met:

- A. That the vacation of the Vacated Area shall be made contingent upon and shall not be effective until final approval of the Board of Supervisors' legislation related to a Development Agreement for Transbay Parcel F;
- B. The Vacation Area shall not be conveyed to any party other than the TJPA and its successors except for assignments that the Board of Supervisors may otherwise permit; and
- C. In accordance with Streets and Highways Code Section 8341, the Vacation Area shall terminate and the public right-of-way in the Vacated Area shall be restored if the TJPA abandons the pedestrian bridge use of the Vacated Area or if construction of the bridge is not completed by the time prescribed by the Board of Supervisors.