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MEMORANDUM

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To: Christine Maher, Manager, Real Estate and Development Services
Office of Community Investment and Infrastructure as Successor Agency
to Redevelopment Agency of the City and County of San Francisco

From: Tim Kelly

Date: June 16, 2015

Subject: Transbay Block 5: Estimated 2014 Hypothetical Land Value Parcel N1

Keyser Marston Associates, Inc. (KMA) has prepared this memorandum for the Office of Community Investment and Infrastructure as Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("OCII," or the "Successor Agency"). The purpose is to provide an estimate of the hypothetical land value based on the highest and best use of the Block 5 site (Parcel N1) at the time the responses to the RFP for Block 5 were received in June 2014.

Block 5 site is an approximately 26,366 square-foot parcel on Howard Street at Beale Street. The site is next to the Transbay Transit Center that is scheduled for completion in 2017 and adjacent to the Financial District, with excellent views of San Francisco, the Bay, and the Bay Bridge. The site is also close to the Ferry Building, Yerba Buena Gardens, AT&T Ballpark and Mission Bay.

The Block 5 Transbay team (MA West LLC, a joint venture limited liability company between Golub Real Estate Corp. and The John Buck Company) was selected by OCII after a competitive request for proposals ("RFP") was issued in April 2014 and proposals were received from a total of four development teams.

The Project includes approximately 766,745 gross square feet of office space in a 550-foot-tall tower (approximately 687,463 rentable square feet). The Project also includes publicly assessable ground floor open space, underground parking, streetscape improvements including the extension of a portion of Natoma Street, ground floor retail space, and a minimum LEED Gold Level of certification for sustainability. The purchase price for the parcel is \$172,500,000 payable at the transfer of title.

This valuation analysis is a retrospective assessment of land values in 2014. At that time, the economy was accelerating with several purchases of sites for office development near Transbay and in the south of Market area. Today several major office development projects are under construction.

The Block 5 offers submitted to OCII are summarized in the following table.

<u>Development Team</u>	<u>Purchase Offer</u>	<u>Per RSF</u>
Boston Properties	\$135,212,119	\$225
Golub / The John Buck Company	\$172,500,000	\$254
Jay Paul Company	\$115,000,000	\$190
Kilroy Realty Corp.	\$107,000,000	\$164

Other high value office transactions near Transbay Terminal include:

- 535 Mission Street: An approximately 16,308 sq.ft. parcel sold for \$71 million in January 2013. The buyer was Boston Properties. The site was entitled for development. The purchase price included land with excavation of foundations complete, plans, building steel and glass curtain panel walls. The consideration paid was \$231 per square foot of FAR and \$4,354 per sq.ft. of land area. A significant downward adjustment would be appropriate because the price included plans, foundation work, and building materials.
- 101 First Street: This site is the development of the Salesforce Tower by Boston Properties / Hines. The approximately 50,000 sq.ft. site sold for \$191,816,196. The consideration paid is \$137 per square foot of FAR and \$3,836 per sq.ft. of land area.

Other land sales for office sites south of Market in 2012, such as 350 Mission Street and 505 Howard Street, were at a lower price per square foot of FAR. The considerations paid were generally in the range of \$129 to \$166 per square foot of FAR.

Conclusion

In conclusion, KMA estimates the hypothetical value estimate for Block 5: Parcel N1 to be same as the offering price of \$172.5 million.

Hypothetical Value in 2014 Under Sec 33433			
	<u>Value Estimate</u>	<u>Per RSF</u>	<u>PSF Land</u>
Block 5: Parcel N1	\$172,500,000	\$254	\$6,542