

**REPORT TO THE BOARD OF SUPERVISORS
ON THE AMENDMENT
TO THE REDEVELOPMENT PLAN FOR THE
TRANSBAY REDEVELOPMENT PROJECT AREA**

INTRODUCTION

The Board of Supervisors of the City and County of San Francisco ("Board of Supervisors") established the Transbay Redevelopment Project Area ("Project Area") and approved a Redevelopment Plan for the Project Area by Ordinance No. 124-05 (June 21, 2005) and by Ordinance No. 99-06 (May 9, 2006), as amended by Ordinance No. 84-15 (June 18, 2015) and Ordinance No. 62-16 (April 28, 2016) ("Redevelopment Plan").

The Redevelopment Plan establishes the land use controls for the Project Area and divides the Project Area into two subareas: (1) Zone One, in which the Redevelopment Plan and the Development Controls and Design Guidelines for the Transbay Redevelopment Project (as currently amended, the "Development Controls") define and regulate land uses, and (2) Zone Two, in which the San Francisco Planning Code applies.

On June 21, 2022, the Successor Agency Commission ("Commission") held a public hearing to approve and recommend to the Board of Supervisors an amendment to the Redevelopment Plan in conjunction with proposed development of Transbay Block 4 and adjacent future Tehama Street public right of way, an approximately 56,375 square-foot area generally located at 200 Main Street, bounded by Howard, Main and Beale Streets and extending approximately 205 feet southeast from Howard Street (Assessor's Block 3739 Lot 010 ("Block 4") and Lot 011 ("Tehama ROW"), and collectively the "Site"). The proposed amendment ("Plan Amendment") would modify the Redevelopment Plan as follows: increase the maximum height limit for development on Block 4 from 450 feet to 513 feet and increase the maximum building floor plate sizes applicable to Block 4: (a) from 7,500 square feet to 13,500 square feet for buildings 85 feet to 250 feet in height, and (b) from 13,000 square feet to 15,200 square feet for buildings over 500 feet in height but limited to that portion of the building that is between 85 feet and 122 feet in height. In all other respects, the land use controls of the Redevelopment Plan would remain in effect.

Pursuant to Section 33352 of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq., "CRL"), the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure or "OCII") prepared this report to the Board of Supervisors to assist its review of the Plan Amendment and, should it determine to approve said amendment, provide a basis for necessary findings under the CRL.

The Plan Amendment would help achieve the Redevelopment Plan goals and objectives, including among others, (a) strengthen the community's supply of housing and affordable housing with the deepest levels of affordability; (b) ensure that high-rise buildings reflect high quality architectural and urban design standards, (c) create a mixture of housing types and sizes to attract a diverse residential population, including families and people of all income levels; (d) maximize housing development on the former Caltrans-owned properties according to the Development Controls to

provide financial support to the Salesforce Transit Center and Caltrain Downtown Extension through tax increment and land sale revenue.

The increased height and bulk limitations will allow for a larger mixed-income residential tower and a 100 percent affordable housing mid-rise building on Block 4. This will increase the total number of residential units to be constructed on the Site, including a high percentage of the total as below-market-rate units, and will continue to provide for a tower that complements the downtown skyline while supporting OCII's affordable housing mandate for the Project Area.

SCOPE OF THIS REPORT

This Plan Amendment is a minor plan amendment.¹ Under CRL Section 33352, a Plan Amendment submitted to the legislative body for approval must be accompanied by a report containing following information:

- The reason for the Plan Amendment;
- The proposed method of financing the redevelopment of the Project Area as applicable to the Plan Amendment;
- The report and recommendation of the San Francisco Planning Commission;
- The report on the environmental review required by Section 21151 of the Public Resources Code as applicable to the Plan Amendment; and
- A neighborhood impact report.

In approving the Redevelopment Plan in 2005 and 2006, the former Redevelopment Agency of the City and County of San Francisco ("Former Agency") and the Board of Supervisors relied on information about the conditions of physical and economic blight within the Project Area, the need for tax increment financing to carry out redevelopment in the Project Area, and other factors justifying the establishment of the Project Area. The Plan Amendment does not alter the blight and financial determinations made at the time the Project Area was originally adopted, but rather provides an effective approach for alleviating blight and promoting the financial feasibility of the Redevelopment Plan.

The Plan Amendment does not contemplate changes in the specific goals, objectives or expenditures of OCII for the Project Area.

¹ Generally, minor plan amendments are those that do not propose to (a) include a tax allocation provision into a redevelopment plan which does not uses tax increment financing; (b) add new territory to the project area of a redevelopment plan that uses tax increment financing; or (c) extend the time limits for meeting housing obligations or payments to taxing entities.

Furthermore, the Plan Amendment does not trigger the need for a Project Area Committee under CRL Section 33385 because it does not provide for the acquisition of, or the authorization of public projects on, property occupied by low- and moderate-income persons.

THE REASON FOR THE PLAN AMENDMENT (CRL Section 33352(a))

The purpose of the Plan Amendment is to facilitate, on Block 4 of the Project Area, the development of a residential tower extending to a maximum height of 513 feet with a larger building base, and a larger mid-rise building, which would be consistent with the following Redevelopment Plan goals and objectives:

- Strengthen the community’s supply of housing by assisting, to the extent economically feasible, in the construction and rehabilitation of affordable housing with the deepest levels of affordability, including the development of supportive housing for the homeless. Section 2.1.
- Ensure that high-rise buildings reflect high quality architectural and urban design standards. Section 2.2.
- Create a mixture of housing types and sizes to attract a diverse residential population, including families and people of all income levels. Section 2.2.
- Develop high-density housing to capitalize on the transit-oriented opportunities within the Project Area and provide a large number of housing units close to downtown San Francisco. Section 2.2.

The Plan Amendment also allows the feasible development of sufficient residential units to satisfy affordable housing requirements under State law for total residential units within the Project Area. Specifically, in 2003, the State adopted California Public Resources Code Section 5027.1, which requires that any redevelopment plan adopted to finance, in whole or in part, the demolition of the Transbay Terminal building and the construction of a new terminal, including its associated vehicle ramps, shall ensure that at least 25% of all dwelling units developed within the Project Area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60% of the area median income, and that at least an additional 10% of all dwelling units developed within the Project Area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120% of the area median income, for a total 35% affordable housing obligation (“Transbay Affordable Housing Obligation”).

In the process of negotiating the proposed development on Block 4, it became apparent to OCII staff that development of Block 4 would likely require larger buildings to feasibly provide sufficient residential units to satisfy the Transbay Affordable Housing Obligation. Thus, OCII staff, together with representatives of Hines, the managing partner of F4 Transbay Partners LLC, a Delaware limited liability company (the “Developer”) proposed the development a project that, with an increase in the maximum allowable height and increases in bulk for towers and mid-rise buildings on Block 4, could feasibly deliver 45% of the units to be provided as affordable to households earning between 40% and 120% of Area Median Income (“AMI”).

On June 21, 2022, the Commission authorized the execution of a disposition and development agreement with the Developer and Transbay Block 4 Housing Partnership, L.P., a California

limited partnership ("Affordable Developer"), for the sale of the Block 4 and conveyance the Tehama ROW to the Developer and construction of a residential development project on the Site.

The DDA authorizes construction of 681 residential units, including 45% or 306 units of affordable to low- or moderate-income households to satisfy the current requirements of the Transbay Affordable Housing Obligation. Overall the Block 4 DDA residential development (or "Project") contemplates (a) one residential tower 513 feet in height at the roof of the last occupiable floor (plus a rooftop mechanical screening/parapet element of a maximum 39 feet in height), including an attached wing up to 71 feet in height, collectively containing 155 for-sale residential condominium units, 219 market-rate rental residential units and no fewer than 105 rental units affordable to households earning from 100 to 120 percent of AMI, approximately 1,960 square feet of neighborhood retail uses, amenities spaces, 2,200 square feet of open spaces, and related facilities; (b) an affordable residential building 163 feet in height at the roof of the last occupiable floor (plus a rooftop mechanical screening/parapet element of a maximum 16 feet in height) containing 201 rental units (and one manager's unit) affordable to households earning from 40 to 100 percent of AMI, with, approximately 3,200 square feet of neighborhood retail uses, amenities, 3,200 square feet of open spaces, and related facilities, (c) an approximately 66,496 square foot underground shared parking garage accommodating up to 275 private vehicles valet-parked and/or parked via stackers, two car share spaces and a parking for a minimum of 556 bicycles; (d) a minimum of 4,250 square feet of public open space and streetscape improvements within and surrounding the Site and including the extension of Tehama Street on the Tehama ROW.

Community Identity and Built Form

The Redevelopment Plan implements the transformation of former freeway land into a new high-rise residential district in the South of Market neighborhood. Through public workshops and meetings, in collaboration with the Transbay Citizens Advisory Committee, land in the Project Area formerly containing portions of the Embarcadero Freeway, its ramps and Terminal Separator Structure, was envisioned as a transit-oriented residential district as documented in the Transbay Redevelopment Project Area Design for Development completed in October 2003 ("Design for Development"). The Design for Development informed the creation of the Redevelopment Plan and the Development Controls, both adopted in 2005, and called for Zone One of the Project Area to become a complementary and exciting addition to the downtown skyline, designed as a grouping of slender residential towers that would visually extend the Downtown high-rise office skyline.

Since completion of the Design for Development and adoption of the Redevelopment Plan and Development Controls, height limits were increased with the adoption of the Transit Center District Plan in 2012. As a result, buildings between approximately 700 and 1000 feet in height have been constructed, including the Salesforce Tower (formerly the Transbay Terminal Tower), between Mission and Howard Streets, and 181 Fremont Street, at Fremont and Howard Streets. An affiliate of the Developer recently received approvals for construction of an 850-foot mixed-use tower on Transbay Parcel F in Zone Two, at 542-550 Howard, between First and Second Streets.

Within Zone One, two towers have recently been completed, consistent with the Redevelopment Plan and Development Controls, at heights higher than the 513 feet proposed for Block 4. Park Tower on Transbay Block 5, located at Howard and Beale Streets immediately across Howard

Street to the north of Block 4, is a 550-foot tall office building. The Avery residential building on Transbay Block 8, located at Folsom and Fremont Streets two blocks to the southwest of Block 4, is a 550-foot tall residential tower. The Plan Amendment will increase the tower height on Block 4 to 513 feet and will produce a “stepping up” effect of building heights from Block 3 Transbay Park north to the higher heights of buildings proposed and constructed in the Transit Center District Area Plan and Zone Two of the Project Area.

The Plan Amendment will also permit specific increases to maximum bulk on Block 4, with a corresponding increase in developable residential floor area on Block 4. The increase in the maximum floor plate areas will affect the lower portion of the tower and expand the maximum floor plate of the mid-rise building. The Plan Amendment will expand the floor plate of the tower base at between 85 feet and 122 feet in height, that will provide a proportional tapering of the Tower massing. The expansion of the mid-rise floor plate will result in that building being similar in size to nearby mid-rise buildings immediately surrounding Block 4.

Housing Opportunities

The Redevelopment Plan’s Planning Goals and Objectives on housing opportunities include among others, the creation of a mixture of housing types and sizes to attract a diverse residential population, including families and people of all income levels, and to develop high-density housing to capitalize on the transit-oriented opportunities within the Project Area and to provide a large number of housing units close to downtown San Francisco. Zone One is a mixed-use, high-density residential district with no maximum residential density for living units.

A 450-foot tower on Block 4, as allowed under the existing Redevelopment Plan, and podium developments at 65 feet and 85 feet, as allowed under the existing Development Controls, would result in approximately 490 total residential units. The Plan Amendment would permit a taller tower on Block 4, providing for an increase in the number of dwelling units and affordable dwelling units in the tower. The Project, as currently proposed, would increase the total number of residential units by 191 units to a total of 681, and 306 will be affordable pursuant to the terms of the Block 4 DDA. Thus, the Plan Amendment would further the attainment of the Redevelopment Plan Goals and Objectives of creating high density, mixed-income housing, and make a significant contribution to achieving the Transbay Affordable Housing Obligation.

PROPOSED METHOD OF FINANCING/ECONOMIC FEASIBILITY OF AMENDMENT (CRL Section 33352(e))

The Plan Amendment does not propose new capital expenditures by OCII, involve any new indebtedness or financial obligation of the OCII, or change OCII’s overall method of financing the redevelopment of the Project Area. The change in height and bulk restrictions applicable to Block 4 is intended to maximize developable square feet and increase dwelling unit count, which would generate more property taxes and consequently more tax increments than the existing conditions.

In addition, OCII will be provide to the Developer an affordable housing loan of Forty-Six Million Seven Hundred Forty-Nine Thousand Nine Hundred Twenty-Eight and 46/100 Dollars (\$46,749,928.46) to partially finance the construction of the mid-rise 100% affordable rental building ("Successor Agency Loan"). These funds will be initially provided to OCII by an affiliate

of the Developer pursuant to a separate agreement with the City for Developer's development of a separate residential project within Zone 2 of the Redevelopment Plan. Thus, the Successor Agency Loan is being provided at no cost to OCII. The Successor Agency Loan will have a simple interest rate from zero to 3% (to be determined based on financial feasibility) for a 57-year term. Payments of principal and interest on the Successor Agency Loan will be payable by the mid-rise project only to the extent that annual surplus cash from the mid-rise project remains from collection of rent after payment of expenses, fees, permanent loan debt service, and replenishment of reserves, as needed. There are no mandatory or scheduled payments, except for repayment at maturity, including any unpaid principal or accrued interest; provided however, that repayment does not necessarily occur at maturity since such loans may be restructured or forgiven by public funders (San Francisco Mayor's Office of Housing and Community Development/OCII) during the life of the project to ensure ongoing affordability and financial feasibility, typically concurrent with low-income housing tax credit syndication.

PLANNING COMMISSION REPORT AND RECOMMENDATIONS ON CONFORMANCE TO THE GENERAL PLAN (CRL Section 33352(h))

The Commission has referred the Plan Amendment to the Planning Commission for its report and recommendation on the Plan Amendment and its conformance with the General Plan.

The San Francisco Planning Department ("Planning Department") has determined that an amendment to the San Francisco General Plan ("General Plan") would be required.

Notice of the Planning Commission hearing on the amendment to the General Plan will be given in accordance with the Rules and Regulations of the Planning Commission. The Planning Commission's resolution regarding its report and recommendation on the Redevelopment Plan Amendment and its conformity of the amendment to the General Plan will be incorporated in a supplemental Report to the Board of Supervisors.

The Planning Commission's report and recommendation will be provided to the Board of Supervisors together with this Report to permit the Board to consider adopting an ordinance amending the Redevelopment Plan.

ENVIRONMENTAL REVIEW (CRL Section 33352(k))

In April 2004, the Final Environmental Impact Statement/Environmental Impact Report ("FEIS/EIR") for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project was certified by the Former Redevelopment Agency and the Board of Supervisors. OCII, as the Successor Agency to the Former Redevelopment Agency, has land use and California Environmental Quality Act ("CEQA") review authority of the Project Area. The maximum height limit analyzed in the FEIS/EIR for the Block 4 site was 450 feet.

CEQA Guidelines Section 15164 provides for the use of an addendum to document the basis for a lead agency's decision not to require a Subsequent or Supplemental EIR for a project that is already adequately covered in an existing certified EIR. The lead agency's decision to use an addendum must be supported by substantial evidence that the conditions that would trigger the preparation of a Subsequent EIR, as provided in CEQA Guidelines Section 15162, are not present. An addendum

documents the assessment and determination that the modified project is within the scope of the FEIS/EIR and no additional environmental review is required.

The Plan Amendment increases certain height and bulk limitations that result in an increase in the number of residential units than what otherwise be feasible with the smaller building heights and massing allowed under the Redevelopment Plan and the Development Controls. Nonetheless, the proposed number of units on Block 4 falls below the number of units analyzed on the Site under the FEIS/EIR. The modifications to building heights and bulk controls under both the Redevelopment Plan and the Development Controls do require an additional evaluation of which impacts could worsen due to additional building height and bulk. These topics include wind and shadow. All other features of the Block 4 development, including demolition, land use types, building square footage, retail square footage, and number of dwelling units, would be consistent with the Redevelopment Plan and the FEIS/EIR. The Addendum presents an update to the FEIS/EIR's transportation study and applies the utilization of the Vehicle Miles Traveled ("VMT") methodology for transportation effects, as the VMT methodology did not exist at the time of the publication of the FEIS/EIR, and it is now the sole methodology allowed to be used in accordance with state law.

Accordingly, OCII, in consultation with the Planning Department, prepared the ninth addendum to the FEIS/EIR dated June 13, 2022, focusing on transportation, wind and shadow ("Addendum"). The shadow study that was conducted as part of the Addendum process focused its analysis of potential shadow impacts generated by the proposed development on Block 4 onto three parks located within the shadow fan of Block 4: Transbay Park Block 3, Rincon Park and Salesforce Park. The shadow analysis found that the Block 4 development would not cast shadow on any parks or open spaces subject to Section 295 of the San Francisco Planning Code.² The maximum shadow size at any park would grow by less than one percent due to the proposed height and bulk increases. The additional shadow duration on the maximum days would range from 15 minutes to 1 hour and 15 minutes due to the proposed height and bulk increase. Activities in the affected portions of the parks and open spaces consisted primarily of passive activities, such as eating lunch, resting, and making phone calls. Areas that would be newly shaded would, in most cases, be located at the edges of the affected parks and open spaces. Given the limited increase in shadow size and duration, the proposed height and bulk increases on Block 4 would not create new shadow in a manner that substantially affects outdoor recreation facilities or other public areas.

The Addendum determined the Plan Amendment and Project would not cause new significant impacts not identified in the FEIS/EIR, nor would the Project cause significant impacts previously identified in the FEIS/EIR to become substantially more severe. No new mitigation measures would be necessary to reduce significant impacts. No changes have occurred with respect to circumstances surrounding the proposed Project that would cause significant environmental impacts to which the Project would contribute considerably, and no new information has become available that shows that the Project would cause significant environmental impacts. Therefore, the analyses conducted and the conclusions reached in the Final FEIS/EIR certified on April 22, 2004 remain valid and no supplemental environmental review is required beyond this Addendum.

² Section 295 of the Planning Code only applies to public parks and open spaces that are under the jurisdiction of the San Francisco Recreation and Park Commission.

NEIGHBORHOOD IMPACT REPORT (CRL Section 33352(m))

At the time of Redevelopment Plan adoption, the Project Area did not contain low- or moderate-income housing. Since then, OCII has started implementing the affordable housing requirements under the Transbay Affordable Housing Obligation. Based on residential projects complete, under construction, approved and in process, the number of housing units currently anticipated to be built in the Project Area is approximately 4,200 units, of which 1,470 (or 35 percent) will be affordable. The means of financing the low- and moderate-income housing units are developer-subsidized below-market-rate inclusionary units, tax increment financing, revenue from the sales of public properties within the Project Area, and development fees.

Currently, seven affordable housing developments in Zone One of the Project Area have been completed and are now occupied. The Rene Cazenave development (120 affordable units) is now occupied by formerly homeless households at 25 Essex Street. Other completed and occupied affordable housing development include Block 1 (391 units including 156 affordable units), Block 6/7 podium building (70 affordable units), Block 6 tower (409 market rate units), Block 7 (120 affordable units), Block 8 (546 total units including 150 affordable units), and Block 9 (545 total units including 109 affordable units). In process and planned future projects within Zone 1 are Blocks 2, 4 and 12 which collectively provide for approximately 705 affordable units.

The Plan Amendment, by facilitating a greater density of development at a site designated for residential use, will increase the supply of housing and affordable housing in the Project Area. The Plan Amendment does not adversely affect the physical and social quality of the neighborhood. The Plan Amendment will not cause the destruction or removal of housing units from the low- and moderate-income housing market and will not cause the displacement of low- or moderate-income.