



February 4, 2021

Ms. Angela Calvillo, Clerk  
Honorable Supervisor Matt Haney  
Board of Supervisors  
City and County of San Francisco  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Re: Transmittal of Planning Department Case Number 2016-013312PRJ:  
542-550 Howard Street (Transbay Parcel F)  
Board File Nos. 201385 & 201386  
Planning Commission Recommendation: Approval

Dear Ms. Calvillo and Supervisor Haney,

On January 28, 2021 the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed ordinance, introduced by Supervisor Haney, associated with the proposed mixed-use project ("Project") located at 542-550 Howard Street (Transbay Parcel F). The Project includes the construction of a new 61-story mixed-use building reaching a height of approximately 750 feet (approximately 800 feet inclusive of rooftop screening/mechanical equipment). The Project would include 165 dwelling units, 189 hotel rooms, 275,674 square feet of office use floor area, approximately 9,000 square feet of retail space, approximately 20,000 square feet of open space, 178 Class 1 and 34 Class 2 bicycle parking spaces, and four below-grade levels that would accommodate up to 183 vehicle parking spaces provided for the residential, hotel, and office uses. The Project also would construct a pedestrian bridge providing public access to Salesforce Park located on the roof of the Transbay Transit Center.

Board File No. 201385 is an ordinance that would amend the Planning Code and Zoning Maps to rezone and reclassify a portion of the Project Site ("Site") (Assessor's Parcel lock No. 3721, Lots 016, 135, 136, and 138), as shown on Figure 1 of the Transit Center District Plan, specifically to rezone a portion of the Site from the P (Public) District to the C-3-O(SD) Downtown Office Special Development District and to reclassify the height and bulk district designations for a portion of the Site; waiving certain provisions of the Planning Code to allow the project to satisfy its affordable housing requirement through payment of an in-lieu affordable housing fee to the Office of Community Investment and Infrastructure for use within the Transbay Redevelopment Project Area, subject to certain conditions, to modify timing for payment of fees, and to permit the footprint of the portion of the project site dedicated to dwellings to exceed 15,000 square feet.

Board File No. 201386, as companion legislation, is an ordinance that would approve a Development Agreement between the City and County of San Francisco and Parcel F Owner, LLC, a Delaware limited liability company, for the development of the Project. The Development Agreement outlines terms for the Project's

affordable inclusionary housing provisions. Specifically, the Development Agreement stipulates a payment, from the Project Sponsor to the Office of Community Investment and Infrastructure (“OCII”), an in-lieu affordable housing fee at an amount equal to 150% of the inclusionary housing fee that Section 415.5 of the Planning Code would otherwise require.

At the hearing the Planning Commission recommended approval of both ordinances without modifications.

Please find attached documents relating to the actions of the Commission. If you have any questions or require further information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron D. Starr". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Aaron D. Starr  
Manager of Legislative Affairs

cc:

John Malamut, Deputy City Attorney  
Abigail Rivamonte Mesa, Aide to Supervisor Matt Haney  
Erica Major, Office of the Clerk of the Board

Attachments:

Planning Commission Resolution No. R-20841 (Development Agreement Ordinance)  
Planning Commission Resolution No. R-20842 (Planning Code Amendment Ordinance)  
Planning Department Executive Summary

**Planning Commission Resolution No. 20841  
(Development Agreement Ordinance)**



# PLANNING COMMISSION RESOLUTION NO. 20841

**HEARING DATE: JANUARY 28, 2021**

**Record No.:** 2016-013312DVA  
**Project Address:** 542-550 Howard Street (Transbay Parcel F)  
**Zoning:** C-3-O(SD) Downtown-Office (Special Development) Zoning District  
750-S-2 and 450-S Height and Bulk District  
Transit Center C-3-O(SD) Commercial and  
Transbay C-3 Special Use Districts  
Downtown and Transit Center District Plan Areas  
**Block/Lots:** 3721/016, 135, 136, 138  
**Project Sponsor:** Parcel F Owner, LLC  
101 California Street, Suite 1000  
San Francisco, CA 94111  
**Property Owner:** Parcel F Owner, LLC  
101 California Street, Suite 1000  
San Francisco, CA 94111  
**Staff Contact:** Nicholas Foster, AICP, LEED GA – (628) 652-7330  
[nicholas.foster@sfgov.org](mailto:nicholas.foster@sfgov.org)

**RESOLUTION RECOMMENDING THAT THE BOARD OF SUPERVISORS APPROVE A DEVELOPMENT AGREEMENT BETWEEN THE CITY AND COUNTY OF SAN FRANCISCO AND PARCEL F OWNER, LLC, FOR CERTAIN REAL PROPERTY LOCATED AT 542-550 HOWARD STREET (ALSO KNOWN AS TRANSBAY PARCEL F), CONSISTING OF FOUR PARCELS TOTALING APPROXIMATELY 0.74 ACRES, LOCATED ON THE NORTH SIDE OF HOWARD STREET, BETWEEN 1ST AND 2ND STREETS, COMPRISED OF ASSESSOR’S BLOCK NO. 3721, LOT NOS. 016, 135, 136, AND 138, AND ADOPTING VARIOUS FINDINGS, INCLUDING FINDINGS UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND PLANNING CODE SECTION 101.1.**

WHEREAS, California Government Code Section 65864 et seq. authorizes any city, county, or city and county to enter into an agreement for the development of real property within the jurisdiction of the city, county, or city and county.

WHEREAS, Chapter 56 of the San Francisco Administrative Code sets forth the procedure by which a request for a development agreement will be processed and approved in the City and County of San Francisco.

WHEREAS, Parcel F Owner, LLC (“Project Sponsor”) submitted applications with the Planning Department (“Department”) including Environmental Review, General Plan Amendment, Planning Code Text and Map Amendments, Development Agreement, Shadow Findings, Downtown Project Authorization, Office Development Allocation, and Conditional Use Authorization associated with the proposed mixed-use project (“Project”) located at 542-550 Howard Street (Transbay Parcel F), Lots 016, 135, 136, and 137 within Assessor’s Block 3721 (the “Project Site” or “Site”).

WHEREAS, in furtherance of the Project and the City’s role in subsequent approval actions relating to the Project, the City and the Project Sponsor negotiated a development agreement for development of the Project, a copy of which is attached as Exhibit A (“Development Agreement”).

WHEREAS, the Development Agreement would enable the Project. The Project includes the construction of a new 61-story mixed-use building reaching a height of 749’-10” tall (799’-9” inclusive of rooftop screening/mechanical equipment). The Project would include 165 dwelling units, 189 hotel rooms, 275,674 square feet of office use floor area, approximately 9,000 square feet of retail space, approximately 20,000 square feet of open space, 178 Class 1 and 34 Class 2 bicycle parking spaces, and four below-grade levels that would accommodate up to 183 vehicle parking spaces provided for the residential, hotel, and office uses. The Project also would construct a pedestrian bridge providing public access to Salesforce Park located on the roof of the Transbay Transit Center.

WHEREAS, On January 9, 2020, the Planning Commission (“Commission”) conducted a duly noticed public hearing at a regularly scheduled meeting and took the following actions (collectively, “Approvals”) on related applications: through Resolution No. 20613 approved a General Plan Amendment; through Resolution No. 20614 approved Planning Code Text and Map Amendments; through Motion No. 20615 adopted Shadow Findings; through Motion No. 20616 approved Downtown Project Authorization; through Motion No. 20617 approved an Office Development Allocation; and through Motion No. 20618 approved Conditional Use Authorization.

WHEREAS, The environmental effects of the original Project were determined by the Department to have been fully reviewed under the Transit Center District Plan Environmental Impact Report (hereinafter “EIR”). The EIR was prepared, circulated for public review and comment, and, at a public hearing on May 24, 2012, by Motion No. 18628, certified by the Commission as complying with the California Environmental Quality Act (Cal. Pub. Res. Code Section 21000 et seq., (“CEQA”). The Commission has reviewed the Final EIR, which has been available for this Commissions review as well as public review.

WHEREAS, The Transit Center District Plan EIR is a Program EIR. Pursuant to CEQA Guideline 15168(c)(2), if the lead agency finds that no new effects could occur or no new mitigation measures would be required of a proposed project, the agency may approve the project as being within the scope of the project covered by the program EIR, and no additional or new environmental review is required. In approving the Transit Center District Plan, the Commission adopted CEQA Findings in its Motion No. 18629 and hereby incorporates such Findings by reference.

WHEREAS, State CEQA Guidelines Section 15183 provides a streamlined environmental review for projects that are consistent with the development density established by existing zoning, community plan or general plan policies for which an EIR was certified, except as might be necessary to examine whether there are project-specific effects which are peculiar to the project or its site. Section 15183 specifies that examination of environmental effects shall be limited to those effects that (a) are peculiar to the project or parcel on which the project would be located, (b) were not analyzed as significant effects in a prior EIR on the zoning action, general plan or community plan with which the project is consistent, (c) are potentially significant off-site and cumulative impacts which were not discussed in the underlying EIR, or (d) are previously identified in the EIR, but which are determined to have a more severe adverse impact than that discussed in the underlying EIR. Section 15183(c) specifies that if an impact is not peculiar to the parcel or to the proposed project, then an EIR need not be prepared for that project solely on the basis of that impact.

WHEREAS, On August 27, 2019, the Planning Department issued a Community Plan Exemption Determination (“CPE”) determining that the environmental effects of the Project, including the actions contemplated herein, were adequately analyzed in the FEIR and that no further environmental review is required in accordance with CEQA and Administrative Code Chapter 31. The Project is consistent with the adopted zoning controls in the Transit Center District Plan and was encompassed within the analysis contained in the Transit Center District Plan FEIR. Since the Transit Center District Plan FEIR was finalized, there have been no substantial changes to the Transit Center District Plan and no substantial changes in circumstances that would require major revisions to the FEIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the FEIR. The file for this Project, including the Transit Center District Plan FEIR and the Community Plan Exemption certificate, is available for review at the San Francisco Planning Department, 49 South Van Ness Avenue, Suite 1400, San Francisco, California, 94103

WHEREAS, On December 17, 2020, the Project Sponsor filed a request with the Office of Community Investment and Infrastructure (“OCII”) for a Plan Variation pursuant to Section 3.5.5 of the Transbay Project Area Redevelopment Plan (the “Plan”) for a variation from the on-site affordable housing requirements of Section 4.9.3 of the Plan (the “Plan’s Inclusionary Housing Obligation”) as well as a request to the City’s Planning Department for a waiver of Sections 249.28(b)(6)(B), 249.28(b)(6)(C), 402, 409, and 415 et seq. of the Planning Code, through a Planning Code Text and Map Amendment (Record No. 2016-013312PCA/MAP-02), (collectively, the “Requested Variations from On-Site Affordable Housing”).

WHEREAS, The Project Sponsor has submitted these companion requests for variation (“Variation Request”) from the on-site affordable housing requirements of the Plan in exchange for a payment to OCII to be used to fund development of affordable housing within the Project Area, as proposed in the Development Agreement.

WHEREAS, The Variation Request concludes that the application of the on-site affordable housing requirement to the Project would create practical difficulties for maintaining the affordability of the units because homeowners association (“HOA”) fees, which are already high in such developments, will likely increase over time such that the original residents would not be able to afford the payments. Non-payment of HOA fees by affordable residents would lead to legal actions by the HOA to recover unpaid amounts, including action to place liens on the units themselves, and ultimately to the loss of the units by the residents. Thus, undue hardship would be created for both the Project Sponsor and the owners of the inclusionary housing units and undermine the intent of the Plan to provide affordable units to low- and moderate-income households.

WHEREAS, On December 28, 2020, the Project Sponsor filed a series of companion applications to amend conditions of approval of the previously approved Downtown Project Authorization (Motion No. 20616), Office Allocation (Motion No. 20617), and Conditional Use Authorization (Motion No. 20618), as well as applications for Planning Code Text and Map Amendments and a Development Agreement, to enable delivery of the Project as amended through the Variation Request.

WHEREAS, Because the City is entering into a Development Agreement with the Project Sponsor addressing, among other issues, the amount of the Project Sponsor's affordable housing contribution, the Project is consistent with Charter Section 16.110(h)(1)(B)(i) (adopted as part of the Housing Trust Fund, Proposition C, November 6, 2012).

WHEREAS, If the Development Agreement is approved by the Board of Supervisors, the Project Sponsor would contribute an in-lieu affordable housing fee at an amount equal to 150% of the inclusionary housing fee required in Section 415.5 of the Planning Code would otherwise require. Therefore, the effective inclusionary rate for the Project is 49.5%. For reference, the base inclusionary housing fee that would otherwise have applied to the Project if payment of the standard, in-lieu affordable housing fee were otherwise available would be 33%, or approximately \$30 million. Instead, the Development Agreement dictates that the Project Sponsor pay an affordable housing fee at a rate of 150% of the base inclusionary housing fee, estimated at \$45-47 million (an increase of approximately \$15 million over the base fee). This affordable housing fee is intended to assist OCII in meeting its Transbay Affordable Housing Obligation, which, may include the use of the funds for the development of affordable housing units at Transbay Block 4, located on Howard Street between Beale and Main Streets, approximately three blocks east of the Site (and within one (1) mile radius of the principal project).

WHEREAS, The City has determined that as a result of the development of the Project Site in accordance with the Development Agreement, clear benefits to the public will accrue that could not be obtained through application of existing City ordinances, regulations, and policies, as more particularly described in the Development Agreement. Specifically, the Development Agreement will provide a housing contribution that will significantly exceed the amount required for similar projects in the City, and that will provide OCII with the ability to subsidize permanently affordable housing units within the Transbay Redevelopment Project Area.

WHEREAS, If the Development Agreement is approved by the Board of Supervisors, upon receipt of the payment of City's costs billed to the Project Sponsor, the Director of Planning is authorized to execute and deliver the Development Agreement, and the Director of Planning and other applicable City officials are authorized to take all actions reasonably necessary or prudent to perform the City's obligations under the Development Agreement in accordance with the terms of the Development Agreement and Chapter 56, as applicable. The Director of Planning, at the Director's discretion and in consultation with the City Attorney, is authorized to enter into any additions, amendments, or other modifications to the Development Agreement that the Director of Planning determines are in the best interests of the City and that do not materially increase the obligations or liabilities of the City or materially decrease the benefits to the City under the Development Agreement, subject to the approval of any affected City agency as more particularly described in the Development Agreement.

WHEREAS, the Board of Supervisors will be taking a number of actions in furtherance of the Project, including approval of the Planning Code Text and Map Amendments (Board File No. 201385), thereby waiving certain provisions of the Planning Code to allow the project to satisfy its affordable housing requirement through payment of an in-lieu affordable housing fee to the Office of Community Investment and Infrastructure for use within the Transbay Redevelopment Project Area, to modify timing for payment of fees, and to permit the footprint of the portion of the project site dedicated to dwellings to exceed 15,000 square feet; rezoning and reclassifying a portion of the Project Site from the split P (Public) District/C-3-O (SD) to the C-3-O (SD) Downtown Office Special Development District; and reclassifying the height and bulk district designations for a portion of the Project Site.

WHEREAS, The Director of Planning scheduled, and the Commission held a public hearing on January 28, 2021 as required by Administrative Code Section 56.4(c). The Planning Department gave notice as required by Planning Code Section 306.3 and mailed such as required by Administrative Code Section 56.8(b).

WHEREAS, The Commission has had available to it for its review and consideration studies, case reports, letters, plans, and other materials pertaining to the Project contained in the Department's case files, and has reviewed and heard testimony and received materials from interested parties during the public hearings on the Project.

NOW, THEREFORE BE IT RESOLVED THAT, the Commission finds, based upon the entire Record, the submissions by the Applicant, the staff of the Department, and other interested parties, the oral testimony presented to the Commission at the public hearing, and all other written materials submitted by all parties, that the public necessity, convenience and general welfare require that the Development Agreement to exempt the Project from the on-site affordable housing requirements of Section 249.28, and to enable the payment of a fee toward the creation of other affordable housing opportunities elsewhere in the Transbay Redevelopment Project Area, for the reasons set forth in Motion No. 20616 (Record No. 2016-013312DNX, Downtown Project Authorization), and as amended by Motion No. 20843 (Record No. 2016-013312DNX-02, amended Downtown Project Authorization), the Development Agreement and related approval actions.

The actions contemplated in this Resolution do not constitute a project under the California Environmental Quality Act ("CEQA"), CEQA Guidelines (California Code of Regulations Title 14) Sections 15378 (b)(4) and 15378(b)(5) because it merely creates a government funding mechanism that does not involve any commitment to a specific project and is an administrative activity of the government with no physical impact.

AND BE IT FURTHER RESOLVED that the Planning Commission recommends the Board of Supervisors approve the proposed Development Agreement, in substantially the form, subject to any additions and modifications that may be made by the Board of Supervisors.

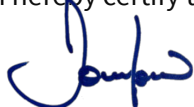
AND BE IT FURTHER RESOLVED that the Commission finds that the application, public notice, Planning Commission hearing, and Planning Director reporting requirements regarding the Development Agreement negotiations contained in Administrative Code Chapter 56 have been substantially satisfied in light of the public hearings by the Planning Department staff at the Planning Commission, the provision of required public notices, and the information contained in the Director's Report.



AND BE IT FURTHER RESOLVED, that Commission hereby finds, for the reasons set forth in Motion No. 20616 (Record No. 2016-013312DNX, Downtown Project Authorization), and as amended by Motion No. 20843 (Record No. 2016-013312DNX-02, amended Downtown Project Authorization), that the Development Agreement and related approval actions are, on balance, consistent with the General Plan including any area plans, and are consistent with the Planning Code Priority Policies of Planning Code Section 101.1(b).

AND BE IT FURTHER RESOLVED, that the Commission authorizes the Planning Director to take such actions and make such changes as deemed necessary and appropriate to implement this Commission's recommendation of approval and to incorporate recommendations or changes from other City agencies and/or the Board of Supervisors, provided that such changes do not materially increase any obligations of the City or materially decrease any benefits to the City contained in the Development Agreement.

I hereby certify that the Planning Commission ADOPTED the foregoing Resolution on January 28, 2021.



Jonas P. Ionin  
Commission Secretary

AYES: Tanner, Chan, Diamond, Fung, Imperial, Moore, Koppel

NAYS: None

ABSENT: None

ADOPTED: January 28, 2021

**Exhibit A:**  
**Development Agreement**

RECORDING REQUESTED BY  
CLERK OF THE BOARD OF SUPERVISORS  
OF THE CITY AND COUNTY OF SAN FRANCISCO

(Exempt from Recording Fees  
Pursuant to Government Code  
Section 27383)

AND WHEN RECORDED MAIL TO:

Angela Calvillo, Clerk of the Board of Supervisors  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**DEVELOPMENT AGREEMENT  
BY AND BETWEEN  
THE CITY AND COUNTY OF SAN FRANCISCO  
AND PARCEL F OWNER, LLC,  
RELATIVE TO THE DEVELOPMENT KNOWN AS  
542-550 HOWARD STREET (TRANSBAY PARCEL F) DEVELOPMENT PROJECT**

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## **Exhibits**

- A Variation Request
- B CCII Resolution
- C CFD Rate and Method of Apportionment
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**DEVELOPMENT AGREEMENT  
BY AND BETWEEN  
THE CITY AND COUNTY OF SAN FRANCISCO  
AND PARCEL F OWNER, LLC, A DELAWARE LIMITED LIABILITY COMPANY,  
RELATIVE TO THE DEVELOPMENT KNOWN AS  
THE 181 FREMONT DEVELOPMENT PROJECT**

THIS DEVELOPMENT AGREEMENT (this “**Agreement**”) dated for reference purposes only as of this \_\_\_\_\_ day of \_\_\_\_\_, 2021, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a political subdivision and municipal corporation of the State of California (the “**City**”), acting by and through its Planning Department, and Parcel F Owner, LLC, a Delaware limited liability company, its permitted successors and assigns (the “**Developer**”), pursuant to the authority of Section 65864 *et seq.* of the California Government Code.

**RECITALS**

This Agreement is made with reference to the following facts:

A. Developer is the owner of that certain property known as 542-550 Howard Street (Transbay Parcel F) (the “**Project Site**”) which is an irregularly shaped property formed by four parcels measuring a total of approximately 32,229 square feet, located on the north side of Howard Street, between 1<sup>st</sup> Street and 2<sup>nd</sup> Street. The Project Site is within the C-3-0 (SD) District, the 750-S-2 and 450-S Height and Bulk Districts, the Transit Center C-3-0 (SD) Commercial Special Use District, the Transbay C-3 Special Use District, the Transit Center District Plan area (the “**TCDP**”) and in Zone 2 of the Transbay Redevelopment Project Area (the “**Project Area**”).

B. Developer submitted development applications for a proposal to construct on the Project Site a new 61-story mixed use building reaching a height of approximately 750 feet (approximately 800 feet including rooftop screen/mechanical equipment), and including 165 dwelling units, 189 hotel rooms, 275,674 gross square feet of office use floor area, approximately 9,000 square feet of retail space, approximately 20,000 square feet of open space, 178 Class 1 and 34 Class 2 bicycle parking spaces, and four below-grade levels to accommodate up to 183 vehicle parking spaces for the residential, hotel, and office uses (the “**Project**”).

C. The Redevelopment Plan for the Project Area (“**Plan**”) establishes land use controls and imposes other requirements on development within the Project Area. Notably, the Plan incorporates, in section 4.9.2, state law requirements that 25 percent of the residential units developed in the Project Area “shall be available to” low-income households, and an additional 10 percent “shall be available to” moderate income households. Cal. Public Resources Code § 5027.1 (the “**Transbay Affordable Housing Obligation**”). To fulfill the Transbay Affordable Housing Obligation, the Plan requires that all housing developments within the Project Area contain a minimum of 15 percent on-site affordable housing. Redevelopment Plan, § 4.9.3. A similar requirement in § 249.28(b)(6) of the San Francisco Planning Code (the “**Planning Code**”) provides that housing developments must provide the higher of (i) the 15 percent on-site affordable housing set forth in the Plan, or (ii) the amount required by Planning Code Section 415.6 (the “**On-Site Requirement**”). As of the date of this Agreement, Planning Code Section 415.6 would require 20 percent on-site affordable housing in connection with the Project, or 33 units. Neither the Redevelopment Plan nor the Planning Code authorize off-site affordable housing construction or an “in-lieu” fee payment as an alternative to the On-Site Requirement in the Project Area.

D. The Plan provides that the land use controls for Zone 2 of the Project Area shall be the Planning Code, as amended from time to time, so long as any amendments to the Planning Code are consistent with the Plan. Through a Delegation Agreement, the former Redevelopment Agency of the City and County of San Francisco (the “**Former Agency**”) delegated jurisdiction for permitting of projects in Zone 2 (including the Project Site) to the Planning Department, with the Planning Code governing development, except for certain projects that require Redevelopment Agency action. The Plan also provides that exactions imposed by the Planning Code on development within the Project Area shall be administered by the Successor Agency to the Former Agency or provide direct benefits to the Project Area.

E. However, pursuant to Section 3.5.5 of the Plan, the Commission on Community Investment and Infrastructure (“**CCII**”) (as the Commission to the Successor Agency to the Former Agency, a public body organized and existing under the laws of the State of California, also known as the Office of Community Investment and Infrastructure (“**Successor Agency**” or “**OCII**”)) has the authority to grant a variation from the Plan and the associated Transbay Development Controls and Design Guidelines, or the Planning Code where the enforcement of these controls would otherwise result in practical difficulties for development creating undue hardship for the property owner and constitute an unreasonable limitation beyond the intent of the Plan, the Transbay Design for Development or the Transbay Development Controls and Design Guidelines.

F. Where a variation or other action of the Successor Agency materially changes the Successor Agency’s obligations to provide affordable housing, the Board of Supervisors (“**Board**”) must approve that action. San Francisco Ordinance No. 215-12, § 6(a) (Oct. 4, 2012).

G. On [REDACTED], 2020, OCII received a request from the Developer for a variation from the On-Site Requirement. Letter, C. Higley, Farella Braun + Martel on behalf of Parcel F Owner, LLC, to N. Sesay, OCII ([REDACTED], 2020) (“**Variation Request**”), attached to this Agreement as Exhibit A.

H. The Variation Request concludes that the application of the On-Site Requirement to the Project would create practical difficulties for maintaining the affordability of the units because homeowners association (“HOA”) fees, which are already high in such developments, will likely increase over time such that the original residents would not be able to afford the payments. Non-payment of HOA fees by affordable residents would lead to legal actions by the HOA to recover unpaid amounts, including action to place liens on the units themselves, and ultimately to the loss of the units by the residents. Thus, undue hardship would be created for both the Project Sponsor and the owners of the inclusionary housing units and undermine the intent of the Plan to provide affordable units to low- and moderate-income households.

I. In order to strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development, the Legislature of the State of California adopted Government Code Section 65864 et seq. (the “**Development Agreement Statute**”), which authorizes the City to enter into a development agreement with any person having a legal or equitable interest in real property related to the development of such property. Pursuant to the Development Agreement Statute, the City adopted Chapter 56 (“**Chapter 56**”) of the San Francisco Administrative Code establishing procedures and requirements for entering into a development agreement. The Parties are entering into this Agreement in accordance with the Development Agreement Statute and Chapter 56.

J. It is the intent of the Parties that all acts referred to in this Agreement shall be accomplished in a way as to fully comply with CEQA, the CEQA Guidelines, Chapters 31 and 56 of the San Francisco Administrative Code, the Development Agreement Statute, the Enacting Ordinance and all



other applicable laws as of the Effective Date. This Agreement does not limit the City's obligation to comply with applicable environmental laws, including CEQA, before taking any discretionary action regarding the Project, or Developer's obligation to comply with all applicable laws in connection with the development of the Project

K. The San Francisco Planning Department, in compliance with the California Environmental Quality Act (CEQA), issued a Community Plan Exemption (CPE) certificate for the Project on August 27, 2019. F

L. On January 9, 2020, the San Francisco Planning Commission held a public hearing on the Project, and approved Motions 20613 (recommending approval of certain General Plan amendments), 20614 (recommending approval of certain Zoning Map, Height Map, and Planning Code amendments), 20615 (adopting Shadow Findings), 20616 (approving Downtown Project Authorization), 20617 (approving an Office Development Allocation), and 20618 (approving a Condition Use Authorization for hotel development). The Project approvals required compliance with the On-Site Requirement.

M. On June 5, 2020 the Zoning Administrator issued a variance decision to allow bike parking to be located on the 4<sup>th</sup> story of the Project.

N. On \_\_\_\_\_, the CCII held a public hearing on the Variation Request and approved, pursuant to Resolution No. \_\_\_\_\_, a variation pursuant to Section 3.5.5 of the Plan, attached as Exhibit B (the “**OCII Variation**”) on the condition that the Developer contribute to OCII an amount equal to one hundred fifty percent (150%) of the inclusionary housing fee that Section 415.5 of the Planning Code would otherwise require if the Project were not subject to the On-Site Requirement, pursuant to the terms in Section 2.1 of this Agreement (the “**Affordable Housing Fee**”).

O. On \_\_\_\_\_, the Planning Commission held a public hearing on the Project, duly noticed and conducted under the Development Agreement Statute and Chapter 56, to consider revisions to the previously recommended zoning legislation, as well as this Agreement. Following the public hearing, the Planning Commission made General Plan Consistency Findings with respect to the zoning changes and this Agreement, and approved Motion \_\_\_\_\_ (recommending approval of revisions to the previously endorsed Planning Code amendments), and Motion \_\_\_\_\_ (recommending adoption of an ordinance approving this Agreement).

P. On \_\_\_\_\_, the Board, in its capacity as the governing body of OCII, reviewed the OCII Variation under the authority that it reserved to itself in Ordinance No. 215-12 to approve material changes to the Successor Agency’s affordable housing program and approved, by Board of Supervisors Resolution No. \_\_\_\_\_, the actions of OCII in granting the OCII Variation.

Q. The City has determined that as a result of the development of the Project in accordance with this Agreement additional, clear benefits to the public will accrue that could not be obtained through application of existing City ordinances, regulations, and policies because the payment of the Affordable Housing Fee at an amount equal to 150% of the inclusionary housing fee that Section 415.5 of the Planning Code would otherwise require and its use thereof in accordance with this Agreement rather than compliance with the On-Site Requirements will result in more affordable housing units within the Project Area while maintaining land values necessary for the financing assumptions of the Transbay Joint Powers Authority (the “**TJPA**”). The basis for this determination is the following:

- To achieve the overall goal of at least 35% affordability of all new housing development units within the Project Area, there must be both inclusionary units and stand-alone affordable housing developments in the Project Area.

- The Plan’s 2005 report set a goal of 388 inclusionary units and approximately 795 stand-alone affordable housing units but at the time of the Plan’s adoption, mixed-use, high-rise developments were not contemplated within the Project Area.
- The Project Area covers 40 acres and includes blocks programmed for: (i) stand-alone affordable housing developments; (ii) all or a majority of office space; and (iii) a combination of market and affordable housing.
- The TJPA established specific land value goals for each block in its funding plan for the Transbay Transit Center (the “TTC”) and there are a limited number of publicly-owned blocks (including Transbay Block 4) remaining upon which affordable housing may be built to meet the Plan’s 35% affordability requirement.
- Adding affordable housing to blocks that must be sold to finance the TTC is not feasible without significantly reducing the land value and thereby creating shortfalls in the TTC funding.
- The Affordable Housing Fee is intended to assist OCII in meeting its Transbay Affordable Housing Obligation, which may include the use of the funds for the development of affordable housing units at Transbay Block 4.

R. On \_\_\_\_\_, the Board, having received the Planning Commission recommendations, adopted Ordinance No. \_\_\_\_\_, amending the Zoning Map, Height Map, and Planning Code, and Ordinance No. \_\_\_\_\_, approving this Agreement (File No. \_\_\_\_\_), and authorizing the Planning Director to execute this Agreement on behalf of the City (the “**Enacting Ordinance**”). The Enacting Ordinance took effect on \_\_\_\_\_. The above described actions are referred to in this Agreement as the “**Approvals**” for the Project.

Now therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## AGREEMENT

### 1. GENERAL PROVISIONS

1.1. **Incorporation of Preamble, Recitals and Exhibits.** The preamble paragraph, Recitals, and Exhibits, and all defined terms contained therein, are hereby incorporated into this Agreement as if set forth in full.

1.2. **Definitions.** In addition to the definitions set forth in the above preamble paragraph, Recitals and elsewhere in this Agreement, the following definitions shall apply to this Agreement:

1.2.1. “**Administrative Code**” shall mean the San Francisco Administrative Code.

1.2.2. “**Affiliate**” shall mean any entity controlling, controlled by, or under common control with Developer (and ‘control’ and its correlative terms ‘controlling’, ‘controlled by’ or ‘under common control with’ mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of Developer, whether through the ownership of voting securities, by contract or otherwise).

1.2.3. “**Affordable Housing Fee**” shall mean the payment, pursuant to Section 2.1 of this Agreement, from the Developer to OCII of an amount that is equal to one hundred fifty percent (150%) of the inclusionary housing fee that Section 415.5 of the Planning Code would otherwise require

if the Project were not subject to the On-Site Requirement (based on the published fee schedule applicable to calendar year 2021).

1.2.4. **“Board of Supervisors”** or **“Board”** shall mean the Board of Supervisors of the City and County of San Francisco.

1.2.5. **“CCII”** shall mean the Commission on Community Investment and Infrastructure.

1.2.6. **“City”** shall have the meaning set forth in the preamble paragraph. Unless the context or text specifically provides otherwise, references to the City shall mean the City acting by and through the Planning Director or, as necessary, the Planning Commission or the Board of Supervisors. The City’s approval of this Agreement will be evidenced by the signatures of the Planning Director and the Clerk of the Board of Supervisors [need to confirm if the Clerk needs to sign].

1.2.7. **“City Agency”** or **“City Agencies”** shall mean, where appropriate, all City departments, agencies, boards, commissions, and bureaus that execute or consent to this Agreement and that have subdivision or other permit, entitlement or approval authority or jurisdiction over the Project or the Project Site, together with any successor City agency, department, board, or commission.

1.2.8. **“City Attorney’s Office”** shall mean the Office of the City Attorney of the City and County of San Francisco.

1.2.9. **“Director”** or **“Planning Director”** shall mean the Director of Planning of the City and County of San Francisco.

1.2.10. **“Impact Fees and Exactions”** shall mean any fees, contributions, special taxes, exactions, impositions, and dedications charged by the City, whether as of the date of this Agreement or at any time thereafter during the Term, in connection with the development of the Project, including but not limited to transportation and transit fees, child care requirements or in-lieu fees, housing (including affordable housing) requirements or fees, dedication or reservation requirements, and obligations for on- or off-site improvements. For development within the Project Area, Section 5.9 of the Plan requires that the Jobs-Housing Program Linkage Fee and the Downtown Park Fee shall be administered by the Successor Agency and that all Impact Fees and Exactions must provide direct benefits to the Project Area.. Impact Fees and Exactions shall not include the Mitigation Measures, Processing Fees, taxes or special assessments or school district fees, SFPUC Capacity Charges, Transit Center District Plan Transit Delay Mitigation Fee (Planning Code Section 424.7.2(c)) and any fees, taxes, assessments impositions imposed by any non-City agency, all of which shall be due and payable by Developer as and when due in accordance with applicable Laws.

1.2.11. **“Indemnify”** shall mean to indemnify, defend, reimburse, and hold harmless.

1.2.12. **“OCII”** shall mean Office of Community Investment and Infrastructure.

1.2.13. **“Official Records”** shall mean the official real estate records of the City and County of San Francisco, as maintained by the City’s Recorder’s Office.

1.2.14. **“On-Site Requirement”** is defined in Recital B.

1.2.15. **“Party”** means, individually or collectively as the context requires, the City and Developer (and, as Developer, any Transferee that is made a Party to this Agreement under the terms of an Assignment and Assumption Agreement). **“Parties”** shall have a correlative meaning.

1.2.16. **“Plan”** shall mean the Transbay Project Area Redevelopment Plan, Approved by Ordinance No. 124-05, Adopted by the Board of Supervisors on June 21, 2005 and Ordinance No. 99-06 adopted by the Board of Supervisors May 9, 2006, as amended from time to time.

1.2.17. **“Planning Code”** shall mean the San Francisco Planning Code.

1.2.18. “**Planning Commission**” or “**Commission**” shall mean the Planning Commission of the City and County of San Francisco.

1.2.19. “**Planning Department**” shall mean the Planning Department of the City and County of San Francisco.

1.3. **Effective Date.** This Agreement shall take effect upon the later of (i) the full execution of this Agreement by the Parties and (ii) the effective date of the Enacting Ordinance (“**Effective Date**”). The Effective Date is \_\_\_\_\_.

1.4. **Term.** The term of this Agreement shall commence upon the Effective Date and shall continue in full force and effect for the earlier of (i) Project completion (as evidenced by issuance of the Temporary Certificate of Occupancy) or (ii) ten (10) years after the effective date., unless extended or earlier terminated as provided herein (“**Term**”). Following expiration of the Term, this Agreement shall be deemed terminated and of no further force and effect except for any provisions which, by their express terms, survive the expiration or termination of this Agreement.

## **2. PROJECT CONTROLS AND VESTING**

### **2.1. Affordable Housing Fee; Impact Fees.**

2.1.1. During the term of this Agreement, Developer shall have the vested right to develop the Project Site in accordance with the Approvals, provided Developer shall pay the Affordable Housing Fee to OCII to fund OCII’s obligation to fulfill the Transbay Affordable Housing Obligation on the earlier to occur of: (a) issuance of the temporary certificate of occupancy associated with the residential portions of the Project; or (b) on the date that is two years after the effective date of this Agreement (but only if the “first construction document,” as defined in Section 401 of the Planning Code and Section 107A.13.1 of the Building Code, has been issued for the Project). The fee collection procedure set forth in Section 402 of the Planning Code shall not apply to the Project, nor shall any other provision of the San Francisco Municipal Code that conflicts with the fee collection and timing described in this Section 2.1.1. In addition, within thirty (30) days after the effective date of the Disposition and Development Agreement between OCII and Developer or an entity affiliated with Developer for Transbay Block 4, Developer shall submit to OCII an enforceable letter of credit on commercially reasonable terms for the full amount of the Affordable Housing Fee, substantially in the form attached to this Agreement as Exhibit \_\_\_\_.

2.1.2. Developer shall pay applicable Impact Fees and Exactions calculated on the basis of the schedule of fees published by the City for calendar year 2021. Planning Code Section 409(b), regarding annual escalation of Impact Fees and Exactions, shall not apply to the Project.

2.2. **Vested Rights.** The City, by entering into this Agreement, is limiting its future discretion with respect to Project approvals that are consistent with this Agreement during the Term. Consequently, the City shall not use its discretionary authority in considering any application to change the policy decisions reflected by the Agreement or otherwise to prevent or to delay development of the Project as set forth in the Agreement. Instead, implementing approvals that substantially conform to or implement the Agreement shall be issued by the City so long as they substantially comply with and conform to this Agreement. The City shall not use its discretionary authority to change the policy decisions reflected by this Agreement or otherwise to prevent or to delay development of the Project as contemplated in this Agreement. The City shall take no action under this Agreement nor impose any condition on the Project that would conflict with this Agreement.

2.3. **Changes in Federal or State Laws.** If Federal or State Laws issued, enacted, promulgated, adopted, passed, approved, made, implemented, amended, or interpreted after the Effective Date have gone into effect and (i) preclude or prevent compliance with one or more provisions of this Agreement, or

(ii) materially and adversely affect Developer's or the City's rights, benefits or obligations, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such Federal or State Law. In such event, this Agreement shall be modified only to the extent necessary or required to comply with such Law. If any such changes in Federal or State Laws would materially and adversely affect the construction, development, use, operation or occupancy of the Project such that the Development becomes economically infeasible, then Developer shall notify the City and propose amendments or solutions that would maintain the benefit of the bargain (that is this Agreement) for both Parties.

2.4. Changes to Development Agreement Statute. This Agreement has been entered into in reliance upon the provisions of the Development Agreement Statute. No amendment of or addition to the Development Agreement Statute which would affect the interpretation or enforceability of this Agreement or increase the obligations or diminish the development rights of Developer hereunder, or increase the obligations or diminish the benefits to the City hereunder shall be applicable to this Agreement unless such amendment or addition is specifically required by Law or is mandated by a court of competent jurisdiction. If such amendment or change is permissive rather than mandatory, this Agreement shall not be affected.

2.5. Taxes. Nothing in this Agreement limits the City's ability to impose new or increased taxes or special assessments, or any equivalent or substitute tax or assessment.

### **3. DEVELOPER REPRESENTATIONS, WARRANTIES AND COVENANTS**

3.1. Interest of Developer; Due Organization and Standing. Developer represents that it is the legal owner of the Project Site, and that all other persons with an ownership or security interest in the Project Site have consented to this Agreement. Developer is a Delaware limited liability company. Developer has all requisite power to own its property and authority to conduct its business as presently conducted. Developer has made all required state filings required to conduct business in the State of California and is in good standing in the State of California.

3.2. No Conflict with Other Agreements; No Further Approvals; No Suits. Developer warrants and represents that it is not a party to any other agreement that would conflict with Developer's obligations under this Agreement. Neither Developer's articles of organization, bylaws, or operating agreement, as applicable, nor any other agreement or law in any way prohibits, limits or otherwise affects the right or power of Developer to enter into and perform all of the terms and covenants of this Agreement. No consent, authorization or approval of, or other action by, and no notice to or filing with, any governmental authority, regulatory body or any other person is required for the due execution, delivery and performance by Developer of this Agreement or any of the terms and covenants contained in this Agreement. To Developer's knowledge, there are no pending or threatened suits or proceedings or undischarged judgments affecting Developer or any of its members before any court, governmental agency, or arbitrator which might materially adversely affect Developer's business, operations, or assets or Developer's ability to perform under this Agreement.

3.3. No Inability to Perform; Valid Execution. Developer warrants and represents that it has no knowledge of any inability to perform its obligations under this Agreement. The execution and delivery of this Agreement and the agreements contemplated hereby by Developer have been duly and validly authorized by all necessary action. This Agreement will be a legal, valid and binding obligation of Developer, enforceable against Developer in accordance with its terms.

3.4. Conflict of Interest. Through its execution of this Agreement, Developer acknowledges that it is familiar with the provisions of Section 15.103 of the City's Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the California Government Code, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the Term.

3.5. Notification of Limitations on Contributions. Through execution of this Agreement, Developer acknowledges that it is familiar with Section 1.126 of City's Campaign and Governmental

Conduct Code, which prohibits any person who contracts with the City, whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for a contract as defined under Section 1.126 of the Campaign and Governmental Conduct Code until six (6) months after the date the contract is approved by the City elective officer or the board on which that City elective officer serves. San Francisco Ethics Commission Regulation 1.126 1 provides that negotiations are commenced when a prospective contractor first communicates with a City officer or employee about the possibility of obtaining a specific contract. This communication may occur in person, by telephone or in writing, and may be initiated by the prospective contractor or a City officer or employee. Negotiations are completed when a contract is finalized and signed by the City and the contractor. Negotiations are terminated when the City and/or the prospective contractor end the negotiation process before a final decision is made to award the contract.

3.6. Other Documents. No document furnished or to be furnished by Developer to the City in connection with this Agreement contains or will contain to Developer's knowledge any untrue statement of material fact or omits or will omit a material fact necessary to make the statements contained therein not misleading under the circumstances under which any such statement shall have been made.

3.7. No Suspension or Debarment. Neither Developer, nor any of its officers, have been suspended, disciplined or debarred by, or prohibited from contracting with, the U.S. General Services Administration or any federal, state or local governmental agency.

3.8. No Bankruptcy. Developer represents and warrants to City that Developer has neither filed nor is the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Developer's knowledge, no such filing is threatened.

3.9. Taxes. Without waiving any of its rights to seek administrative or judicial relief from such charges and levies, Developer shall pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property before the date on which penalties attach thereto, and all lawful claims which, if unpaid, would become a lien upon the Project Site.

3.10. Notification. Developer shall promptly notify City in writing of the occurrence of any event which might materially and adversely affect Developer or Developer's business, or that would make any of the representations and warranties herein untrue, or that would, with the giving of notice or passage of time over the Term, constitute a default under this Agreement.

3.11. Nexus/Reasonable Relationship Waiver. Developer consents to, and waives any rights it may have now or in the future, to challenge with respect to the Project, the legal validity of, the conditions, requirements, policies, or programs required by this Agreement, including, without limitation, any claim that they constitute an abuse of police power, violate substantive due process, deny equal protection of the laws, effect a taking of property without payment of just compensation, or impose an unlawful tax.

3.12. Indemnification of City. Developer shall Indemnify the City and OCII (each an "Indemnified Party") and the Indemnified Party's officers, agents and employees from and, if requested, shall defend them against any and all loss, cost, damage, injury, liability, and claims ("Losses") arising or resulting directly or indirectly from this Agreement and Developer's performance (or nonperformance) of this Agreement, regardless of the negligence of and regardless of whether liability without fault is imposed or sought to be imposed on an Indemnified Party, except to the extent that such Indemnity is void or otherwise unenforceable under applicable law, and except to the extent such Loss is the result of the active negligence or willful misconduct of an Indemnified Party. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs, and the Indemnified Party's cost of investigating any claims against the Indemnified Party. All Indemnifications set forth in this Agreement shall survive the expiration or termination of this Agreement.

3.13. Payment of Fees and Costs.

3.13.1. Developer shall pay to the City all City Costs (defined below) during the Term within thirty (30) days following receipt of a written invoice from the City. Each City Agency shall submit to the Planning Department or another City agency as designated by the Planning Department monthly or quarterly invoices for all City Costs incurred by the City Agency for reimbursement under this Agreement, and the Planning Department or its designee shall gather all such invoices so as to submit one City bill to Developer each month or quarter. To the extent that a City Agency fails to submit such invoices, then the Planning Department or its designee shall request and gather such billing information, and any City Cost that is not invoiced to Developer within eighteen (18) months from the date the City Cost was incurred shall not be recoverable. For purposes of this Agreement, “**City Costs**” means the actual and reasonable costs incurred by a City Agency or OCII in preparing, adopting or amending this Agreement, in performing its obligations or defending its actions under this Agreement or otherwise contemplated by this Agreement, as determined on a time and materials basis, including reasonable attorneys' fees and costs but excluding work, hearings, costs or other activities contemplated or covered by the standard fee(s) (i.e., processing fees) imposed by the City upon the submission of an application for a permit or approval, other than impact fees or exactions, in accordance with City practice on a City-wide basis.

3.13.2. The City shall not be required to process any requests for approval or take other actions under this Agreement during any period in which payments from Developer are past due. If such failure to make payment continues for a period of more than sixty (60) days following notice, it shall be a Default for which the City shall have all rights and remedies as set forth in Section 7.4.

3.14. Mello-Roos Community Facilities District. The Project shall be subject to the provisions of the proposed City and County of San Francisco Transbay Center District Plan [Mello-Roos] Community Facilities District No. 2014-1 (Transbay Transit Center) (“**CFD**”), once established, to help pay the costs of constructing the new Transbay Transit Center, the Downtown Rail Extension (“**DTX**”), and other improvements in the Transit Center District Plan area. The special tax rate has been established, as included in the CFD Rate and Method of Apportionment (“**RMA**”) attached hereto as Exhibit C.

3.14.1. If the Project is not subject to a CFD that will help pay the costs of constructing the new Transbay Transit Center, the DTX, and other improvements in the Transit Center District Plan area on the date that a Final C of O is issued to the Developer, then the Developer will be required to pay to the City for transmittal to the TJPA, and retention by the City as applicable, of the estimated CFD taxes amount that would otherwise be due to the San Francisco Office of the Assessor-Recorder (“**Assessor-Recorder**”) if the CFD had been established in accordance with the rates established in the RMA.

3.14.2. The “amount that would otherwise be due” under 3.14(i) above shall be based on the RMA attached hereto as Exhibit C, calculated as if the Project were subject to the RMA from the date of issuance of the Final C of O until the Project is subject to the CFD.

3.14.3. If the City proposes a CFD covering the Site, Developer agrees to cast its vote in favor of the CFD, provided that the tax rates are not greater than the Base Special Tax rates in the RMA attached as Exhibit C to this Agreement.

#### **4. MUTUAL OBLIGATIONS**

4.1. Notice of Completion or Revocation. Upon the Parties’ completion of performance or revocation of this Agreement, a written statement acknowledging such completion or revocation, signed by the appropriate agents of City and Developer, shall be recorded in the Official Records.

4.2. Estoppel Certificate. Developer may, at any time, and from time to time, deliver written notice to the Planning Director requesting that the Planning Director certify in writing that to the best of his or her knowledge: (i) this Agreement is in full force and effect and a binding obligation of the Parties; (ii) this Agreement has not been amended or modified either orally or in writing, and if so amended or modified, identifying the amendments or modifications and stating their date and nature; (iii) Developer is not in default in the performance of its obligations under this Agreement, or if in default, describing therein the nature and amount of any such defaults; and (iv) the findings of the City with respect to the most recent annual review performed pursuant to Section 9.2 below. The Planning Director shall execute

and return such certificate within forty-five (45) days following receipt of the request. Each Party acknowledges that any mortgagee with a mortgage on all or part of the Project Site, acting in good faith, may rely upon such a certificate. A certificate provided by the City establishing the status of this Agreement with respect to any lot or parcel shall be in recordable form and may be recorded with respect to the affected lot or parcel at the expense of the recording party. Cooperation in the Event of Third-Party Challenge.

4.3.1. In the event any legal action or proceeding is instituted challenging the validity of any provision of this Agreement, the Parties shall cooperate in defending against such challenge. The City shall promptly notify Developer of any Third-Party Challenge instituted against the City.

4.3.2. Developer shall assist and cooperate with the City at its own expense in connection with any Third-Party Challenge. The City Attorney's Office may use its own legal staff or outside counsel in connection with defense of the Third-Party Challenge, at the City Attorney's sole discretion. Developer shall reimburse the City for its actual costs in defense of the action or proceeding, including but not limited to the time and expenses of the City Attorney's Office and any consultants; *provided, however*, Developer shall have the right to receive monthly invoices for all such costs. Developer shall Indemnify the City from any other liability incurred by the City, its officers, and its employees as the result of any Third-Party Challenge, including any award to opposing counsel of attorneys' fees or costs, except where such award is the result of the willful misconduct of the City or its officers or employees. This section shall survive any judgment invalidating all or any part of this Agreement.

4.3.3. Affordable Housing Fee Challenge. The Parties agree that if a Third-Party Challenge is initiated regarding the validity or enforceability of this Agreement or, specifically of the Affordable Housing Fee, Developer shall not sell or lease the residential units designated for and required to complete the On-Site Requirements until the validity and enforceability of this Agreement, including payment of the Affordable Housing Fee, has been finally determined and upheld. If this Agreement or the Affordable Housing Fee is not upheld (on any final appeal), then Developer will satisfy the On-Site Requirements with the designated residential units.

4.4. Good Faith and Fair Dealing. The Parties shall cooperate with each other and act in good faith in complying with the provisions of this Agreement. In their course of performance under this Agreement, the Parties shall cooperate and shall undertake such actions as may be reasonably necessary to implement the Project as contemplated by this Agreement.

4.5. Agreement to Cooperate: Other Necessary Acts. The Parties agree to cooperate with one another to expeditiously implement the Project in accordance with this Agreement, and to undertake and complete all actions or proceedings reasonably necessary or appropriate to ensure that the objectives of the Agreement are fulfilled during the Term. Each Party shall use good faith efforts to take such further actions as may be reasonably necessary to carry out this Agreement, in accordance with the terms of this Agreement (and subject to all applicable laws) in order to provide and secure to each Party the full and complete enjoyment of its rights and privileges hereunder.

## 5. PERIODIC REVIEW OF DEVELOPER'S COMPLIANCE

5.1. Annual Review. Pursuant to Section 65865.1 of the Development Agreement Statute, at the beginning of the second week of each January following final adoption of this Agreement and for so long as the Agreement is in effect (the "**Annual Review Date**"), the Planning Director shall commence a review to ascertain whether Developer has, in good faith, complied with the Agreement. The failure to commence such review in January shall not waive the Planning Director's right to do so later in the calendar year. The Planning Director may elect to forego an annual review if no significant construction work occurred on the Project Site during that year, or if such review is otherwise not deemed necessary.

5.2. Review Procedure. In conducting the required initial and annual reviews of Developer's compliance with this Agreement, the Planning Director shall follow the process set forth in this Section. Required Information from Developer. Upon request by the Planning Director but not more than sixty (60) days and not less than forty-five (45) days before the Annual Review Date, Developer shall



provide a letter to the Planning Director confirming, with appropriate backup documentation, Developer's compliance with this Agreement for the preceding calendar year. The Planning Director shall post a copy of Developer's submittals on the Planning Department's website.

5.2.2. City Compliance Review. The Planning Director shall notify Developer in writing whether Developer has complied with the terms of this Agreement (the "City Report"), and post the City Report on the Planning Department's website. If the Planning Director finds Developer not in compliance with this Agreement, then the City may pursue available rights and remedies in accordance with this Agreement and Chapter 56. The City's failure to initiate or to timely complete the annual review shall not be a Default and shall not be deemed to be a waiver of the right to do so at a later date. All costs incurred by the City under this section shall be included in the City Costs.

## **6. AMENDMENT; TERMINATION; EXTENSION OF TERM**

6.1. Amendment or Termination. Except as provided in Section XX (Changes in State and Federal Rules and Regulations) and Section XXX (Remedies), this Agreement may only be amended or terminated with the mutual written consent of the Parties. Except as provided in this Agreement to the contrary, the amendment or termination, and any required notice thereof, shall be accomplished in the manner provided in the Development Agreement Statute and Chapter 56. Extension Due to Legal Action, Referendum, or Excusable Delay. If any litigation is filed challenging this Agreement or the validity of this Agreement or any of its provisions and it directly or indirectly delays this Agreement, then the Term shall be extended for the number of days equal to the period starting from the commencement of the litigation or the suspension to the end of such litigation or suspension (a "Litigation Extension"). The Parties shall document the start and end of a Litigation Extension in writing within thirty (30) days from the applicable dates.

6.2.2. In the event of changes in State or Federal Laws or regulations, inclement weather, delays due to strikes, inability to obtain materials, civil commotion, war, acts of terrorism, fire, acts of God, litigation, lack of availability of commercially-reasonable project financing (as a general matter and not specifically tied to Developer), or other circumstances beyond the control of Developer and not proximately caused by the acts or omissions of Developer that substantially interfere with carrying out the obligations under this Agreement ("Excusable Delay"), the Parties agree to extend the time periods for performance, as such time periods have been agreed to by Developer, of Developer's obligations impacted by the Excusable Delay. In the event that an Excusable Delay occurs, Developer shall notify the City in writing of such occurrence and the manner in which such occurrence substantially interferes with the ability of Developer to perform under this Agreement. In the event of the occurrence of any such Excusable Delay, the time or times for performance of the obligations of Developer, will be extended for the period of the Excusable Delay if Developer cannot, through commercially reasonable and diligent efforts, make up for the Excusable Delay within the time period remaining before the applicable completion date; *provided, however*, within thirty (30) days after the beginning of any such Excusable Delay, Developer shall have first notified City of the cause or causes of such Excusable Delay and claimed an extension for the reasonably estimated period of the Excusable Delay. In the event that Developer stops any work as a result of an Excusable Delay, Developer must take commercially reasonable measures to ensure that the affected real property is returned to a safe condition and remains in a safe condition for the duration of the Excusable Delay.

6.2.3. The foregoing Section 6.2.2 notwithstanding, Developer may not seek to delay the payment of the Affordable Housing Fee as a result of an Excusable Delay related to the lack of availability of commercially reasonable project financing.

## **7. ENFORCEMENT OF AGREEMENT; REMEDIES FOR DEFAULT; DISPUTE RESOLUTION**

7.1. Enforcement. The only Parties to this Agreement are the City and Developer. This Agreement is not intended, and shall not be construed, to benefit or be enforceable by any other person or entity whatsoever.

7.2. Default. For purposes of this Agreement, the following shall constitute an event of default (an “**Event of Default**”) under this Agreement: (i) except as otherwise specified in this Agreement, the failure to make any payment within ninety (90) calendar days of when due; and (ii) the failure to perform or fulfill any other material term, provision, obligation, or covenant hereunder, including complying with all terms of the Conditions of Approval, attached hereto as Exhibit D, and the continuation of such failure for a period of thirty (30) calendar days following a written notice of default and demand for compliance (a “**Notice of Default**”); *provided, however*, if a cure cannot reasonably be completed within thirty (30) days, then it shall not be considered a default if a cure is commenced within said 30-day period and diligently prosecuted to completion thereafter.

7.3. Notice of Default. Prior to the initiation of any action for relief specified in Section XX below, the Party claiming default shall deliver to the other Party a Notice of Default. The Notice of Default shall specify the reasons for the allegation of default with reasonable specificity. If the alleged defaulting Party disputes the allegations in the Notice of Default, then that Party, within twenty-one (21) calendar days of receipt of the Notice of Default, shall deliver to the other Party a notice of non-default which sets forth with specificity the reasons that a default has not occurred. The Parties shall meet to discuss resolution of the alleged default within thirty (30) calendar days of the delivery of the notice of non-default. If, after good faith negotiation, the Parties fail to resolve the alleged default within thirty (30) calendar days, then the Party alleging a default may (i) institute legal proceedings pursuant to Section XX to enforce the terms of this Agreement or (ii) send a written notice to terminate this Agreement pursuant to Section XX. The Parties may mutually agree in writing to extend the time periods set forth in this Section. Remedies.

7.4.1. Specific Performance; Termination. In the event of an Event of Default under this Agreement, the remedies available to a Party shall include specific performance of the Agreement in addition to any other remedy available at law or in equity (subject to the limitation on damages set forth in Section XX below). In the event of an Event of Default under this Agreement, and following a public hearing at the Board of Supervisors regarding such Event of Default and proposed termination, the non-defaulting Party may terminate this Agreement by sending a notice of termination to the other Party setting forth the basis for the termination. The Party alleging a material breach shall provide a notice of termination to the breaching Party, which notice of termination shall state the material breach. The Agreement will be considered terminated effective upon the date set forth in the notice of termination, which shall in no event be earlier than ninety (90) days following delivery of the notice. The Party receiving the notice of termination may take legal action available at law or in equity if it believes the other Party’s decision to terminate was not legally supportable.

7.4.2. Actual Damages. Developer agrees that the City shall not be liable to Developer for damages under this Agreement, and the City agrees that Developer shall not be liable to the City for damages under this Agreement, and each covenants not to sue the other for or claim any damages under this Agreement and expressly waives its right to recover damages under this Agreement, except as follows: (1) the City shall have the right to recover actual damages only (and not consequential, punitive or special damages, each of which is hereby expressly waived) for (a) Developer’s failure to pay sums to the City as and when due under this Agreement, but subject to any express conditions for such payment set forth in this Agreement, and (b) Developer’s failure to make payment due under any Indemnity in this Agreement, and (2) either Party shall have the right to recover attorneys’ fees and costs as set forth in Section XX, when awarded by an arbitrator or a court with jurisdiction. For purposes of the foregoing, “actual damages” shall mean the actual amount of the sum due and owing under this Agreement, with interest as provided by law, together with such judgment collection activities as may be ordered by the judgment, and no additional sums.

7.5. Dispute Resolution. The Parties recognize that disputes may arise from time to time regarding application to the Project. Accordingly, in addition and not by way of limitation to all other remedies available to the Parties under the terms of this Agreement, including legal action, the Parties agree to follow the dispute resolution procedure in Section XX that is designed to expedite the resolution of such disputes. If, from time to time, a dispute arises between the Parties relating to application to the Project the dispute shall initially be presented by Planning Department staff to the Planning Director, for

resolution. If the Planning Director decides the dispute to Developer's satisfaction, such decision shall be deemed to have resolved the matter. Nothing in this section shall limit the rights of the Parties to seek judicial relief in the event that they cannot resolve disputes through the above process.

7.6. Dispute Resolution Related to Changes in State and Federal Rules and Regulations. The Parties agree to follow the dispute resolution procedure in this Section XX for disputes regarding the effect of changes to State and federal rules and regulations to the Project pursuant to Section XX. Good Faith Meet and Confer Requirement. The Parties shall make a good faith effort to resolve the dispute before non-binding arbitration. Within five (5) business days after a request to confer regarding an identified matter, representatives of the Parties who are vested with decision-making authority shall meet to resolve the dispute. If the Parties are unable to resolve the dispute at the meeting, the matter shall immediately be submitted to the arbitration process set forth in Section XX.

7.6.2. Non-Binding Arbitration. The Parties shall mutually agree on the selection of an arbiter at JAMS in San Francisco or other mutually agreed to Arbiter to serve for the purposes of this dispute. The arbiter appointed must meet the Arbiters' Qualifications. The "Arbiters' Qualifications" shall be defined as at least ten (10) years of experience in a real property professional capacity, such as a real estate appraiser, broker, real estate economist, or attorney, in the Bay Area. The disputing Party(ies) shall, within ten (10) business days after submittal of the dispute to non-binding arbitration, submit a brief with all supporting evidence to the arbiter with copies to all Parties. Evidence may include, but is not limited to, expert or consultant opinions, any form of graphic evidence, including photos, maps or graphs and any other evidence the Parties may choose to submit in their discretion to assist the arbiter in resolving the dispute. In either case, any interested Party may submit an additional brief within ten (10) business days after distribution of the initial brief. The arbiter thereafter shall hold a telephonic hearing and issue a decision in the matter promptly, but in any event within five (5) business days after the submittal of the last brief, unless the arbiter determines that further briefing is necessary, in which case the additional brief(s) addressing only those items or issues identified by the arbiter shall be submitted to the arbiter (with copies to all Parties) within five (5) business days after the arbiter's request, and thereafter the arbiter shall hold a telephonic hearing and issue a decision promptly but in any event not sooner than two (2) business days after submission of such additional briefs, and no later than thirty-two (32) business days after initiation of the non-binding arbitration. Each Party will give due consideration to the arbiter's decision before pursuing further legal action, which decision to pursue further legal action shall be made in each Party's sole and absolute discretion.

7.7. Attorneys' Fees. Should legal action be brought by either Party against the other for an Event of Default under this Agreement or to enforce any provision herein, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees and costs. For purposes of this Agreement, "reasonable attorneys' fees and costs" shall mean the fees and expenses of counsel to the Party, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, librarians and others not admitted to the bar but performing services under the supervision of an attorney. The term "reasonable attorneys' fees and costs" shall also include, without limitation, all such fees and expenses incurred with respect to appeals, mediation, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees and costs were incurred. For the purposes of this Agreement, the reasonable fees of attorneys of City Attorney's Office shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's Office's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the City Attorney's Office.

7.8. No Waiver. Failure or delay in giving a Notice of Default shall not constitute a waiver of such Event of Default, nor shall it change the time of such Event of Default. Except as otherwise expressly provided in this Agreement, any failure or delay by a Party in asserting any of its rights or remedies as to any Event of Default shall not operate as a waiver of any Event of Default or of any such rights or remedies, nor shall it deprive any such Party of its right to institute and maintain any actions or proceedings that it may deem necessary to protect, assert, or enforce any such rights or remedies.

7.9. Future Changes to Existing Standards. Pursuant to Section 65865.4 of the Development Agreement Statute, unless this Agreement is terminated by mutual agreement of the Parties or terminated for default as set forth in Section XX, either Party may enforce this Agreement notwithstanding any change in any applicable general or specific plan, zoning, subdivision, or building regulation adopted by the City or the voters by initiative or referendum (excluding any initiative or referendum that successfully defeats the enforceability or effectiveness of this Agreement itself).

7.10. Joint and Several Liability. If Developer consists of more than one person or entity with respect to any real property within the Project Site or any obligation under this Agreement, then the obligations of each such person and/or entity shall be joint and several.

## **8. MISCELLANEOUS PROVISIONS**

8.1. Entire Agreement. This Agreement, including the preamble paragraph, Recitals and Exhibits, constitute the entire understanding and agreement between the Parties with respect to the subject matter contained herein.

8.2. Binding Covenants; Run With the Land. Pursuant to Section 65868 of the Development Agreement Statute, from and after recordation of this Agreement, all of the provisions, agreements, rights, powers, standards, terms, covenants and obligations contained in this Agreement shall be binding upon the Parties and, subject to Article XX above, their respective heirs, successors (by merger, consolidation, or otherwise) and assigns, and all persons or entities acquiring the Project Site, or any portion thereof, or any interest therein, whether by sale, operation of law, or in any manner whatsoever, and shall inure to the benefit of the Parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns. All provisions of this Agreement shall be enforceable during the Term as equitable servitudes and constitute covenants and benefits running with the land pursuant to applicable law, including but not limited to California Civil Code section 1468.

8.3. Applicable Law and Venue. This Agreement has been executed and delivered in and shall be interpreted, construed, and enforced in accordance with the laws of the State of California. All rights and obligations of the Parties under this Agreement are to be performed in the City and County of San Francisco, and such City and County shall be the venue for any legal action or proceeding that may be brought, or arise out of, in connection with or by reason of this Agreement.Construction of Agreement. The Parties have mutually negotiated the terms and conditions of this Agreement and its terms and provisions have been reviewed and revised by legal counsel for both the City and Developer. Accordingly, no presumption or rule that ambiguities shall be construed against the drafting Party shall apply to the interpretation or enforcement of this Agreement. Language in this Agreement shall be construed as a whole and in accordance with its true meaning. The captions of the paragraphs and subparagraphs of this Agreement are for convenience only and shall not be considered or referred to in resolving questions of construction. Each reference in this Agreement or to this Agreement shall be deemed to refer to the Agreement as amended from time to time pursuant to the provisions of the Agreement, whether or not the particular reference refers to such possible amendment.Project Is a Private Undertaking; No Joint Venture or Partnership.

8.5.1. The Project is a private development and no portion shall be deemed a public work. The City has no interest in, responsibility for, or duty to third persons concerning the Project. Developer shall exercise full dominion and control over the Project Site, subject only to the limitations and obligations of Developer contained in this Agreement.

8.5.2. Nothing contained in this Agreement, or in any document executed in connection with this Agreement, shall be construed as creating a joint venture or partnership between the City and Developer. Neither Party is acting as the agent of the other Party in any respect hereunder. Developer is not a state or governmental actor with respect to any activity conducted by Developer hereunder.

8.6. Recordation. Pursuant to Section 65868.5 of the Development Agreement Statute, the clerk of the Board shall cause a copy of this Agreement or any amendment thereto to be recorded in the

Official Records within ten (10) business days after the Effective Date of this Agreement or any amendment thereto, as applicable, with costs to be borne by Developer.

8.7. Obligations Not Dischargeable in Bankruptcy. Developer's obligations under this Agreement are not dischargeable in bankruptcy. Signature in Counterparts. This Agreement may be executed in duplicate counterpart originals, each of which is deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

8.9. Time of the Essence. Time is of the essence in the performance of each and every covenant and obligation to be performed by the Parties under this Agreement.

8.10. Notices. Any notice or communication required or authorized by this Agreement shall be in writing and may be delivered personally or by registered mail, return receipt requested. Notice, whether given by personal delivery or registered mail, shall be deemed to have been given and received upon the actual receipt by any of the addressees designated below as the person to whom notices are to be sent. Either Party to this Agreement may at any time, upon written notice to the other Party, designate any other person or address in substitution of the person and address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

**To City:**

Rich Hillis  
Director of Planning  
San Francisco Planning Department  
1650 Mission Street, Suite 400  
San Francisco, California 94102

with a copy to:

Dennis J. Herrera, Esq.  
City Attorney  
City Hall, Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, California 94102

**To Developer:**

Parcel F Owner, LLC  
c/o Hines  
101 California Street, Suite 1000  
San Francisco, CA 94111  
Attn: Cameron Falconer  
Telephone: (415) 982-6200

with a copy to:

Charles J. Higley, Esq.  
Farella Braun + Martel LLP  
235 Montgomery Street, 17th Floor  
San Francisco, California, 94104

8.11. Limitations on Actions. Pursuant to Section 56.19 of the Administrative Code, any decision of the Board of Supervisors made pursuant to Chapter 56 shall be final. Any court action or proceeding to attack, review, set aside, void, or annul any final decision or determination by the Board shall be commenced within ninety (90) days after such decision or determination is final and effective. Any court action or proceeding to attack, review, set aside, void or annul any final decision by (i) the Planning Director made pursuant to Administrative Code Section 56.15(d)(3) or (ii) the Planning Commission pursuant to Administrative Code Section 56.17(e) shall be commenced within ninety (90) days after said decision is final.Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, or if any such term, provision, covenant, or condition does not become effective until the approval of any Non-City Responsible Agency, the remaining provisions of this Agreement shall continue in full force and effect unless enforcement of the remaining portions of the Agreement would be unreasonable or grossly inequitable under all the circumstances or would frustrate the purposes of this Agreement. Notwithstanding the foregoing, the Developer and the City agree that the Agreement will terminate and be on no force or effect if Section 2.1 herein is found invalid, void or unenforceable.

8.13. Sunshine. Developer understands and agrees that under the City's Sunshine Ordinance (Administrative Code, Chapter 67) and the California Public Records Act (California Government Code section 6250 *et seq.*), this Agreement and any and all records, information, and materials submitted to the City hereunder are public records subject to public disclosure. To the extent that Developer in good faith believes that any financial materials reasonably requested by the City constitutes a trade secret or confidential proprietary information protected from disclosure under the Sunshine Ordinance and other applicable laws, Developer shall mark any such materials as such, . When a City official or employee receives a request for information that has been so marked or designated, the City may request further evidence or explanation from Developer. If the City determines that the information does not constitute a trade secret or proprietary information protected from disclosure, the City shall notify Developer of that conclusion and that the information will be released by a specified date in order to provide Developer an opportunity to obtain a court order prohibiting disclosure.

8.14. OCII an Intended Third Party Beneficiary. OCII is an express third party beneficiary of this Agreement and shall be entitled to enforce the provisions of this Agreement as if it were a party hereto.

*[Remainder of Page Intentionally Blank;  
Signature Page Follows]*

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement as of the day and year first above written.

**CITY**

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

Approved as to form:  
Dennis J. Herrera, City Attorney

By: \_\_\_\_\_  
Director of Planning

By: \_\_\_\_\_  
Heidi J. Gewertz  
Deputy City Attorney

Approved on \_\_\_\_\_  
Board of Supervisors Ordinance No. \_\_\_\_\_

**DEVELOPER**

Parcel F Owner, LLC, a Delaware limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

DRAFT FOR NEGOTIATION PURPOSES ONLY – SUBJECT TO CHANGE

**Planning Commission Resolution No. 20842**  
**(Planning Code Amendment Ordinance)**





# PLANNING COMMISSION RESOLUTION NO. 20842

**HEARING DATE: JANUARY 28, 2021**

**Record No.:** 2016-013312PCA/MAP  
**Project Address:** 542-550 Howard Street (Transbay Parcel F)  
**Zoning:** C-3-O(SD) Downtown-Office (Special Development) Zoning District  
750-S-2 and 450-S Height and Bulk District  
Transit Center C-3-O(SD) Commercial and  
Transbay C-3 Special Use Districts  
Downtown and Transit Center District Plan Areas  
**Block/Lots:** 3721/016, 135, 136, 138  
**Project Sponsor:** Parcel F Owner, LLC  
101 California Street, Suite 1000  
San Francisco, CA 94111  
**Property Owner:** Parcel F Owner, LLC  
101 California Street, Suite 1000  
San Francisco, CA 94111  
**Staff Contact:** Nicholas Foster, AICP, LEED GA – (628) 652-7330  
[nicholas.foster@sfgov.org](mailto:nicholas.foster@sfgov.org)

**RESOLUTION APPROVING A PROPOSED ORDINANCE AMENDING THE PLANNING CODE AND ZONING MAP TO REZONE AND RECLASSIFY A PORTION OF THE 542-550 HOWARD STREET PROJECT SITE (ASSESSOR'S PARCEL BLOCK NO. 3721, LOT NOS. 016, 135, 136, AND 138, ALSO KNOWN AS TRANSBAY PARCEL F) AND AS SHOWN ON FIGURE 1 OF THE TRANSIT CENTER DISTRICT PLAN, SPECIFICALLY TO REZONE A PORTION OF THE PROJECT SITE FROM THE SPLIT P (PUBLIC) DISTRICT/C-3-O (SD) TO THE C-3-O (SD) DOWNTOWN OFFICE SPECIAL DEVELOPMENT DISTRICT AND TO RECLASSIFY THE HEIGHT AND BULK DISTRICT DESIGNATIONS FOR A PORTION OF THE PROJECT SITE; WAIVING CERTAIN PROVISIONS OF THE PLANNING CODE TO ALLOW THE PROJECT TO SATISFY ITS AFFORDABLE HOUSING REQUIREMENT THROUGH PAYMENT OF AN IN-LIEU AFFORDABLE HOUSING FEE TO THE OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE FOR USE WITHIN THE TRANSBAY REDEVELOPMENT PROJECT AREA, TO MODIFY TIMING FOR PAYMENT OF FEES, AND TO PERMIT THE FOOTPRINT OF THE PORTION OF THE PROJECT SITE DEDICATED TO DWELLINGS TO EXCEED 15,000 SQUARE FEET; ADOPTING FINDINGS UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN, AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE, SECTION 101.1; AND ADOPTING FINDINGS OF PUBLIC NECESSITY, CONVENIENCE, AND WELFARE UNDER PLANNING CODE, SECTION 302.**

WHEREAS, on December 15, 2020, pursuant to Planning Code section 302(b), Supervisor Matt Haney introduced an ordinance amending the Planning Code and Zoning Map to rezone and reclassify a portion of the 542-550 Howard Street project site (Assessor's Parcel Block No. 3721, Lot Nos. 016, 135, 136, and 138, also known as Transbay Parcel F) and as shown on Figure 1 of the Transit Center District Plan, specifically to rezone a portion of the Project site from the split P (Public) District/C-3-O (SD) to the C-3-O (SD) Downtown Office Special Development District and to reclassify the height and bulk district designations for a portion of the project site; waiving certain provisions of the Planning Code to allow the project to satisfy its affordable housing requirement through payment of an in-lieu affordable housing fee to the Office of Community Investment and Infrastructure for use within the Transbay Redevelopment Project Area, to modify timing for payment of fees, and to permit the footprint of the portion of the project site dedicated to dwellings to exceed 15,000 square feet; adopting findings under the California Environmental Quality Act; making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and adopting findings of public necessity, convenience, and welfare under Planning Code, Section 302.

WHEREAS, the Ordinance would enable the Project. The Project includes the construction of a new 61-story mixed-use building reaching a height of 749'-10" tall (800' inclusive of rooftop screening/mechanical equipment). The Project would include 165 dwelling units, 189 hotel rooms, approximately 276,000 square feet of office use floor area, approximately 79,000 square feet of floor area devoted to shared amenity space, approximately 9,000 square feet of retail space, approximately 20,000 square feet of open space, 177 Class 1 and 39 Class 2 bicycle parking spaces, and four below-grade levels that would accommodate up to 183 vehicle parking spaces provided for the residential, hotel, and office uses. The Project also would construct a pedestrian bridge providing public access to Salesforce Park located on the roof of the Transbay Transit Center.

WHEREAS, the Project Site is encumbered by the placement of an underground train box that will facilitate future rail service at the adjacent Salesforce Transit Center, current zoning does not accommodate the Project at the height and density required for the creation of new housing or job opportunities.

WHEREAS, the proposed Ordinance is intended to resolve the aforementioned issues by amending the Planning Code and Zoning Maps in order to facilitate the Project; and

WHEREAS, this Resolution recommending the approval of the Ordinance is related to two companion ordinances concerning: (1) a General Plan amendment to modify the Downtown Plan element height map and other General Plan provisions and (2) approval of a Development Agreement establishing the means for compliance with the Project's affordable housing obligations. The companion ordinances are on file with the Clerk of the Board of Supervisors in Board File No. 200058 (the "General Plan Amendment") and Board File No. 201386 (the "Development Agreement Ordinance"), respectively.

WHEREAS, the environmental effects of the Project were determined by the San Francisco Planning Department to have been fully reviewed under the Transit Center District Plan Environmental Impact Report (hereinafter "EIR"). On May 24, 2012, the Commission reviewed and considered the Final EIR ("FEIR") and found that the contents of said report and the procedures through which the FEIR was prepared, publicized, and reviewed complied with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.) ("CEQA"), 14 California Code of Regulations Sections 15000 et seq. ("the CEQA Guidelines"), and Chapter 31 of the San Francisco Administrative Code ("Chapter 31").

WHEREAS, On August 27, 2019, the Department determined that the proposed application did not require further environmental review under Section 15183 of the CEQA Guidelines and Public Resources Code Section 21083.3. The Project is consistent with the adopted zoning controls in the Transit Center District Plan and was encompassed within the analysis contained in the Transit Center District Plan FEIR. Since the Transit Center District Plan FEIR was finalized, there have been no substantial changes to the Transit Center District Plan and no substantial changes in circumstances that would require major revisions to the FEIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the FEIR. The file for this Project, including the Transit Center District Plan FEIR and the Community Plan Exemption certificate, is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, San Francisco, California.

WHEREAS, Planning Department staff prepared a Mitigation Monitoring and Reporting Program (MMRP) setting forth mitigation measures that were identified in the Transit Center District Plan FEIR that are applicable to the project. These mitigation measures are set forth in their entirety in the MMRP attached to the draft Motion for the Downtown Project Authorization Case No. 2016-013312DNX, as Exhibit C.

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the Custodian of Records, at 49 South Van Ness Avenue, Suite 1400, San Francisco, CA 94103; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed amendment; and

MOVED, that the Planning Commission hereby **approves** the proposed ordinance.

## FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. The Ordinance would give effect to the Project, thereby facilitating the development of currently under-utilized land for much-needed housing, commercial office space, tourist hotel guest rooms, as well as a new open space. These new uses would create a new mixed-use development that would strengthen and complement nearby neighborhoods.
2. The Ordinance would enable construction of new housing, on the Site including in addition to the payment of an in-lieu affordable housing fee to the Office of Community Investment and Infrastructure for use within the Transbay Redevelopment Project Area.
3. The Ordinance would help ensure a vibrant neighborhood with active streets and open spaces, a high quality and well-designed building, and thoughtful relationships between the building and the public realm. This new development would integrate with the surrounding city fabric and the existing neighborhood and would constitute a beneficial development.
4. The Ordinance would give effect to the Project, which in turn will provide employment opportunities for local residents during construction and post-occupancy.
5. **General Plan Compliance.** The Project is, on balance, consistent with the following Objectives and Policies of the General Plan, the Transit Center District Plan (“TCDP”) (a sub-area of the Downtown Area Plan), and the Downtown Area Plan as follows:

### GENERAL PLAN: HOUSING ELEMENT

#### Objectives and Policies

##### OBJECTIVE 1

IDENTIFY AND MAKE AVAILABLE FOR DEVELOPMENT ADEQUATE SITES TO MEET THE CITY’S HOUSING NEEDS, ESPECIALLY PERMANENTLY AFFORDABLE HOUSING.

##### Policy 1.1

Plan for the full range of housing needs in the City and County of San Francisco, especially affordable housing.

##### Policy 1.8

Promote mixed use development, and include housing, particularly permanently affordable housing, in new commercial, institutional or other single use development projects.

##### Policy 1.10

Support new housing projects, especially affordable housing, where households can easily rely on public transportation, walking and bicycling for the majority of daily trips.

**OBJECTIVE 4**

FOSTER A HOUSING STOCK THAT MEETS THE NEEDS OF ALL RESIDENTS ACROSS LIFECYCLES.

Policy 4.1

Develop new housing, and encourage the remodeling of existing housing, for families with children.

Policy 4.5

Ensure that new permanently affordable housing is located in all of the City's neighborhoods, and encourage integrated neighborhoods, with a diversity of unit types provided at a range of income levels.

**OBJECTIVE 5**

ENSURE THAT ALL RESIDENTS HAVE EQUAL ACCESS TO AVAILABLE UNITS.

Policy 5.4

Provide a range of unit types for all segments of need, and work to move residents between unit types as their needs change.

**OBJECTIVE 11**

SUPPORT AND RESPECT THE DIVERSE AND DISTINCT CHARACTER OF SAN FRANCISCO'S NEIGHBORHOODS.

Policy 11.1

Promote the construction and rehabilitation of well-designed housing that emphasizes beauty, flexibility, and innovative design, and respects existing neighborhood character.

Policy 11.2

Ensure implementation of accepted design standards in project approvals.

Policy 11.3

Ensure growth is accommodated without substantially and adversely impacting existing residential neighborhood character.

Policy 11.4

Continue to utilize zoning districts which conform to a generalized residential land use and density plan and the General Plan.

Policy 11.6

Foster a sense of community through architectural design, using features that promote community interaction.

Policy 11.8

Consider a neighborhood's character when integrating new uses, and minimize disruption caused by expansion of institutions into residential areas.

**OBJECTIVE 12**

BALANCE HOUSING GROWTH WITH ADEQUATE INFRASTRUCTURE THAT SERVES THE CITY'S GROWING POPULATION.

Policy 12.1

Encourage new housing that relies on transit use and environmentally sustainable patterns of movement.

Policy 12.2

Consider the proximity of quality-of-life elements, such as open space, childcare, and neighborhood services, when developing new housing units.

Policy 12.3

Ensure new housing is sustainably supported by the City's public infrastructure systems.

**OBJECTIVE 13**

PRIORITIZE SUSTAINABLE DEVELOPMENT IN PLANNING FOR AND CONSTRUCTING NEW HOUSING.

Policy 13.3

Promote sustainable land use patterns that integrate housing with transportation in order to increase transit, pedestrian, and bicycle mode share.

**GENERAL PLAN: URBAN DESIGN ELEMENT**

**Objectives and Policies**

**OBJECTIVE 1**

EMPHASIS OF THE CHARACTERISTIC PATTERN WHICH GIVES TO THE CITY AND ITS NEIGHBORHOODS AN IMAGE, A SENSE OF PURPOSE, AND A MEANS OF ORIENTATION.

Policy 1.3

Recognize that buildings, when seen together, produce a total effect that characterizes the city and its districts.

Policy 1.7

Recognize the natural boundaries of districts, and promote connections between districts.

**OBJECTIVE 3**

MODERATION OF MAJOR NEW DEVELOPMENT TO COMPLEMENT THE CITY PATTERN, THE RESOURCES TO BE CONSERVED, AND THE NEIGHBORHOOD ENVIRONMENT.

Policy 3.1

Promote harmony in the visual relationships and transitions between new and older buildings.

Policy 3.2

Promote harmony in the visual relationships and transitions between new and older buildings.

Policy 3.3

Promote efforts to achieve high quality of design for buildings to be constructed at prominent locations.

**GENERAL PLAN: COMMERCE AND INDUSTRY ELEMENT**

**Objectives and Policies**

**OBJECTIVE 1**

MANAGE ECONOMIC GROWTH AND CHANGE TO ENSURE ENHANCEMENT OF THE TOTAL CITY LIVING AND WORKING ENVIRONMENT.

Policy 1.1

Encourage development which provides substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences that cannot be mitigated.

Policy 1.2

Assure that all commercial and industrial uses meet minimum, reasonable performance standards.

Policy 1.3

Locate commercial and industrial activities according to a generalized commercial and industrial land use plan.

**OBJECTIVE 3**

PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

Policy 3.1

Promote the attraction, retention and expansion of commercial and industrial firms which provide employment improvement opportunities for unskilled and semi-skilled workers.

Policy 3.2

Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

**OBJECTIVE 8**

ENHANCE SAN FRANCISCO'S POSITION AS A NATIONAL CENTER FOR CONVENTIONS AND VISITOR TRADE.

Policy 8.1

Guide the location of additional tourist related activities to minimize their adverse impacts on existing residential, commercial, and industrial activities.

**GENERAL PLAN: TRANSPORTATION ELEMENT**

**Objectives and Policies**

**OBJECTIVE 1**

MEET THE NEEDS OF ALL RESIDENTS AND VISITORS FOR SAFE, CONVENIENT, AND INEXPENSIVE TRAVEL WITHIN SAN FRANCISCO AND BETWEEN THE CITY AND OTHER PARTS OF THE REGION WHILE MAINTAINING THE HIGH-QUALITY LIVING ENVIRONMENT OF THE BAY AREA.

Policy 1.2

Ensure the safety and comfort of pedestrians throughout the city.

Policy 1.3

Give priority to public transit and other alternatives to the private automobile as the means of meeting San Francisco's transportation needs particularly those of commuters.

Policy 1.6

Ensure choices among modes of travel and accommodate each mode when and where it is most appropriate.

**OBJECTIVE 2**

USE THE EXISTING TRANSPORTATION INFRASTRUCTURE AS A MEANS FOR GUIDING DEVELOPMENT AND IMPROVING THE ENVIRONMENT.

Policy 2.1

Use rapid transit and other transportation improvements in the city and region as the catalyst for desirable development and coordinate new facilities with public and private development.

**DOWNTOWN AREA PLAN**

**Objectives and Policies**

**OBJECTIVE 1**

MANAGE ECONOMIC GROWTH AND CHANGE TO ENSURE ENHANCEMENT OF THE TOTAL CITY LIVING AND WORKING ENVIRONMENT.

Policy 1.1

Encourage development which produces substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences which cannot be mitigated.

**OBJECTIVE 2**

MAINTAIN AND IMPROVE SAN FRANCISCO'S POSITION AS A PRIME LOCATION FOR FINANCIAL, ADMINISTRATIVE, CORPORATE, AND PROFESSIONAL ACTIVITY.

Policy 2.1

Encourage prime downtown office activities to grow as long as undesirable consequences of growth can be controlled.



Policy 2.2

Guide location of office development to maintain a compact downtown core and minimize displacement of other uses.

**OBJECTIVE 4**

**ENHANCE SAN FRANCISCO'S ROLE AS A TOURIST AND VISITOR CENTER**

Policy 4.1

Guide the location of new hotels to minimize their adverse impacts on circulation, existing uses, and scale of development.

**OBJECTIVE 6**

**WITHIN ACCEPTABLE LEVELS OF DENSITY, PROVIDE SPACE FOR FUTURE OFFICE, RETAIL, HOTEL, SERVICE AND RELATED USES IN DOWNTOWN SAN FRANCISCO.**

Policy 6.1

Adopt a downtown land use and density plan which establishes subareas of downtown with individualized controls to guide the density and location of permitted land use.

**OBJECTIVE 7**

**EXPAND THE SUPPLY OF HOUSING IN AND ADJACENT TO DOWNTOWN.**

Policy 7.1

Promote the inclusion of housing in downtown commercial developments.

Policy 7.2

Facilitate conversion of underused industrial and commercial areas to residential use.

**OBJECTIVE 10:**

**ASSURE THAT OPEN SPACES ARE ACCESSIBLE AND USABLE.**

Policy 10.2

Encourage the creation of new open spaces that become a part of an interconnected pedestrian network.

**OBJECTIVE 13:**

**CREATE AN URBAN FORM FOR DOWNTOWN THAT ENHANCES SAN FRANCISCO'S STATURE AS ONE OF THE WORLD'S MOST VISUALLY ATTRACTIVE CITIES.**

Policy 13.1

Relate the height of buildings to important attributes of the city pattern and to the height and character of existing and proposed development.

**TRANSIT CENTER DISTRICT PLAN: LAND USE**

**Objectives and Policies**

**OBJECTIVE 1.1**

MAINTAIN DOWNTOWN SAN FRANCISCO AS THE REGION'S PREMIER LOCATION FOR TRANSIT-ORIENTED JOB GROWTH WITHIN THE BAY AREA.

**OBJECTIVE 1.2:**

REINFORCE THE ROLE OF DOWNTOWN WITHIN THE CITY AS ITS MAJOR JOB CENTER BY PROTECTING AND ENHANCING THE CENTRAL DISTRICT'S REMAINING CAPACITY, PRINCIPALLY FOR EMPLOYMENT GROWTH.

**OBJECTIVE 1.3:**

CONTINUE TO FOSTER A MIX OF LAND USES TO REINFORCE THE 24-HOUR CHARACTER OF THE AREA.

Policy 1.1

Increase the overall capacity of the Transit Center District for additional growth.

Policy 1.2

Revise height and bulk districts in the Plan Area consistent with other Plan objectives and considerations.

Policy 1.4

Prevent long-term under-building in the area by requiring minimum building intensities for new development on major sites.

Policy 1.5

Consider the complexity and size of projects in establishing the duration for entitlements for large development projects.

**TRANSIT CENTER DISTRICT PLAN: URBAN FORM**

**Objectives and Policies**

**OBJECTIVE 2.3:**

FORM THE DOWNTOWN SKYLINE TO EMPHASIZE THE TRANSIT CENTER AS THE CENTER OF DOWNTOWN, REINFORCING THE PRIMACY OF PUBLIC TRANSIT IN ORGANIZING THE CITY'S DEVELOPMENT PATTERN, AND RECOGNIZING THE LOCATION'S IMPORTANCE IN LOCAL AND REGIONAL ACCESSIBILITY, ACTIVITY, AND DENSITY.

Policy 2.3

Create a balanced skyline by permitting a limited number of tall buildings to rise above the dense cluster that forms the downtown core, stepping down from the Transit Tower in significant height increments.

**TRANSIT CENTER DISTRICT PLAN: PUBLIC REALM**

**Objectives and Policies**

**OBJECTIVE 3.8:**

ENSURE THAT NEW DEVELOPMENT ENHANCES THE PEDESTRIAN NETWORK AND REDUCES THE SCALE OF LONG BLOCKS BY MAINTAINING AND IMPROVING PUBLIC ACCESS ALONG EXISTING ALLEYS AND CREATING NEW THROUGH-BLOCK PEDESTRIAN CONNECTIONS WHERE NONE EXIST.

Policy 3.11

Prohibit the elimination of existing alleys within the District. Consider the benefits of shifting or re-configuring alley alignments if the proposal provides an equivalent or greater degree of public circulation.

Policy 3.12

Design new and improved through-block pedestrian passages to make them attractive and functional parts of the public pedestrian network.

**OBJECTIVE 4.1:**

THE DISTRICT'S TRANSPORTATION SYSTEM WILL PRIORITIZE AND INCENTIVIZE THE USE OF TRANSIT. PUBLIC TRANSPORTATION WILL BE THE MAIN, NON-PEDESTRIAN MODE FOR MOVING INTO AND BETWEEN DESTINATIONS IN THE TRANSIT CENTER DISTRICT.

Policy 4.5:

Support funding and construction of the Transbay Transit Center project to further goals of the District Plan, including completion of the Downtown Extension for Caltrain and High-Speed Rail.

*The Project is located within an existing high-density downtown area which was re-zoned as part of an area plan to design development around the Transbay Transit Center. The Transbay Transit Center is designed to be the Bay Area's hub of intermodal public transportation, with corresponding infrastructure improvements in this area of downtown. The overarching premise of the Transit Center District Plan ("TCDP") is to continue the concentration of additional growth where it is most responsible and productive to do so—in proximity to San Francisco's greatest concentration of public transit service. The increase in development, in turn, will provide additional revenue for the Transit Center project and for the necessary improvements and infrastructure in the District. Meanwhile, the well-established Downtown Plan envisions a series of high-density residential areas ringing the area, enabling people to live within walking distance of the central business district. The integration of housing reduces the burden on the transit systems, and helps to enliven the central district. This Project implements the vision of both Plans through the construction of 165 dwelling units, 189 hotel rooms, and approximately 275,000 gross square feet of office use located within walking distance of the Transbay Transit Center, as well as the Downtown Core.*

*One of the specific goals of the Transit Center Plan is to leverage increased development intensity to generate revenue that will enable the construction of new transportation facilities, including support for the Transbay Transit Center, including the Downtown Rail Extension. These revenues will also be directed toward improvements to sidewalks and other important pedestrian infrastructure to create a public realm that is conducive to, and supportive of pedestrian travel. With approximately 435,000 gross square feet of residential uses, approximately 275,000 gross square feet of office use, and approximately 240,000 gross square feet of hotel use, including approximately 9,800 gross square feet of retail uses, the Project will contribute substantial financial resources toward these improvements, and will also serve to*

*leverage these investments by focusing intense employment growth within the core of planned transportation services.*

*The Project would add a significant amount of housing to a site that is currently undeveloped, well-served by existing and future transit, and is within walking distance of substantial goods and services. Future residents can walk, bike, or access BART, MUNI, or regional bus service from the Site, including all future modes of public transportation proposed to terminate at the Salesforce Transit Center, located immediately adjacent to the Site.*

**6. Planning Code Section 101.1(b) Findings.** The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

- A. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses be enhanced.

*The Project would have a positive effect on existing neighborhood-serving retail uses because it would bring additional residents to the neighborhood, thus increasing the customer base of existing neighborhood-serving retail. The Project will provide significant employment opportunities with the addition of a full-service hotel and various retail uses at the ground level and at level 5, where the Project connects to Salesforce Park, atop the Salesforce Transit Center. Moreover, the Project would not displace any existing neighborhood-serving retail uses.*

- B. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.

*The Project would not negatively affect the existing housing and neighborhood character. The Project site is currently vacant and does not, therefore, contain any existing housing. The Project's unique mixed-use program provides outstanding amenities to visitors and residents, and contributes significantly to the 24-hour neighborhood character envisioned by the Transit Center District Plan.*

- C. That the City's supply of affordable housing be preserved and enhanced,

*The Project would not displace any housing given the Site is currently undeveloped. The Project would improve the existing character of the neighborhood by developing a high-density, mixed-use building containing 165 dwelling units. In addition, the Project would furnish a payment, from the Project Sponsor to OCII, an in-lieu affordable housing fee at an amount equal to 150% of the inclusionary housing fee that Section 415.5 of the Planning Code would otherwise require, as negotiated through a Development Agreement (Board File No. 201386).*

- D. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

*The Project would not impede MUNI transit service or overburden local streets or parking. The Project is located in the most transit-rich environs in the city and would therefore promote rather than impede the use of MUNI transit service. Future residents and employees of the Project could*

*access both the existing MUNI rail and bus services. The Project also provides a minimum amount of off-street parking for future residents so that neighborhood parking will not be overburdened by the addition of new residents.*

- E. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced.

*The mixed-use Project would not negatively affect the industrial and service sectors, nor would it displace any existing industrial uses. The Project would also be consistent with the character of existing development in the neighborhood, which is characterized by neighborhood serving retail and residential high-rise buildings.*

- F. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

*The Project will be designed and will be constructed to conform to the structural and seismic safety requirements of the Building Code. This proposal will not impact the property's ability to withstand an earthquake.*

- G. That landmarks and historic buildings be preserved.

*Currently, the Site does not contain any City Landmarks or historic buildings.*

- H. That our parks and open space and their access to sunlight and vistas be protected from development.

*A Shadow Study indicated the Project may cast a shadow on both Union Square Plaza and Willie "Woo Woo" Wong Park, properties under the jurisdiction of the San Francisco Recreation and Park Department. However, based upon the amount and duration of new shadow and the importance of sunlight to each of the open spaces analyzed, the Project would not substantially affect, in an adverse manner, the use or enjoyment of these open spaces beyond what was analyzed and disclosed in the TCDP FEIR. The Project's new shadow on Union Square Plaza and Willie "Woo Woo" Wong Playground would contribute considerably to the significant and unavoidable impact identified in the TCDP FEIR with respect to the need to increase the Absolute Cumulative Limit of downtown parks. Shadow from the proposed Project on public plazas, and other publicly-accessible spaces other than those protected under Section 295 would be generally be limited to certain days of the year and would be limited in duration on those days.*

NOW THEREFORE BE IT RESOLVED that the Commission hereby APPROVES the proposed Ordinance as described in this Resolution.

I hereby certify that the Planning Commission ADOPTED the foregoing Resolution on January 28, 2021.



Jonas P. Ionin  
Commission Secretary

AYES: Tanner, Chan, Diamond, Fung, Imperial, Moore, Koppel

NAYS: None

ABSENT: None

ADOPTED: January 28, 2021

**Planning Department Executive Summary**  
**Record No. 2016-013312PRJ**  
**(Parcel F Mixed-Use Project)**



# EXECUTIVE SUMMARY

## DEVELOPMENT AGREEMENT / PLANNING CODE TEXT AND MAP AMENDMENTS / DOWNTOWN PROJECT AUTHORIZATION / CONDITIONAL USE AUTHORIZATION / OFFICE ALLOCATION

**HEARING DATE: JANUARY 28, 2021**

**Record No.:** 2016-013312PRJ  
**Project Address:** 542-550 Howard Street (Transbay Parcel F)  
**Zoning:** C-3-O(SD) Downtown-Office (Special Development) Zoning District  
750-S-2 and 450-S Height and Bulk District  
Transit Center C-3-O(SD) Commercial and  
Transbay C-3 Special Use Districts  
Downtown and Transit Center District Plan Areas  
**Block/Lots:** 3721/016, 135, 136, 138  
**Project Sponsor:** Parcel F Owner, LLC  
101 California Street, Suite 1000  
San Francisco, CA 94111  
**Property Owner:** Parcel F Owner, LLC  
101 California Street, Suite 1000  
San Francisco, CA 94111  
**Staff Contact:** Nicholas Foster, AICP, LEED GA – (628) 652-7330  
[nicholas.foster@sfgov.org](mailto:nicholas.foster@sfgov.org)

**Recommendation:** Approval with Conditions

### Project Background

On January 9, 2020, the Planning Commission took the following actions on related applications: through Resolution No. 20613 approved a General Plan Amendment; through Resolution No. 20614 approved Planning Code Text and Map Amendments; through Motion No. 20615 adopted Shadow Findings; through Motion No. 20616 approved Downtown Project Authorization; through Motion No. 20617 approved an Office Development; and through Motion No. 20618 approved Conditional Use Authorization. On June 5, 2020, the Zoning Administrator issued a Variance Decision Letter formally granting the requested Variances sought.



These approval actions are associated with the proposed project (“Project”) located at 542-550 Howard Street (Transbay Parcel F), Lots 016, 135, 136, and 137 within Assessor’s Block 3721. The Project includes the construction of a new 61-story mixed-use building reaching a height of 749’-10” tall (799’-9” inclusive of rooftop screening/mechanical equipment). The Project would include 165 dwelling units, 189 hotel rooms, 275,674 square feet of office use floor area, approximately 9,000 square feet of retail space, approximately 20,000 square feet of open space, 178 Class 1 and 34 Class 2 bicycle parking spaces, and four below-grade levels that would accommodate up to 183 vehicle parking spaces provided for the residential, hotel, and office uses. The Project also would construct a pedestrian bridge providing public access to Salesforce Park located on the roof of the Transbay Transit Center.

## Proposed Amendment

- **Affordable Housing Delivery (Previous Project).** As approved by the Commission on January 9, 2020, the Project previously relied on a legislative amendment that provided relief from the on-site affordable housing requirements of the Transbay C-3 Special Use District (SUD) (Planning Code Section 249.28). The Project was afforded the option to satisfy its inclusionary affordable housing requirement through the off-site provision, at a location within the Transbay Redevelopment Plan Area, potentially located in a future building on Transbay Block 4 on Howard Street between Beale and Main Streets, approximately three blocks east of the Site and within one (1) mile radius of the principal project).
- **Affordable Housing Delivery (Amended Project).** The Project would still rely on a legislative amendment that provides relief from the on-site affordable housing requirements of the Transbay C-3 Special Use District (SUD) (Planning Code Section 249.28). However, instead of the providing affordable housing units off-site, at another site within the Transbay Redevelopment Plan Area, the Amended Project would be waived of its inclusionary affordable housing requirements in exchange for entering into a Development Agreement with the City to provide an in-lieu affordable housing fee at an amount equal to 150% of the inclusionary housing fee that Section 415.5 of the Planning Code would otherwise require.

In service of the proposed Project Amendment, the Project Sponsor filed a request with the Office of Community Investment and Infrastructure (“OCII”) for a Plan Variation pursuant to Section 3.5.5 of the Transbay Project Area Redevelopment Plan (the “Plan”) for a variation from the on-site affordable housing requirements of Section 4.9.3 of the Plan (the “Plan’s Inclusionary Housing Obligation”). The Project Sponsor also entered into a Development Agreement (“Development Agreement”) with the City and County of San Francisco (pursuant to Chapter 56 of the San Francisco Administrative Code) to enable the payment of the in-lieu fee as stipulated within the Development Agreement. Lastly, the Project Sponsor filed amended applications with the Planning Department (“Department”), to amend the conditions of approval for the previously approved Downtown Project Authorization, Office Allocation, and Conditional Use Authorization to reflect the change in affordable housing delivery.

## Related Legislative Actions

The Project Amendment relies on approval of companion legislation by the Board of Supervisors: (1) Planning Code Text and Zoning Map Amendment (Board File No. 201385); and (2) the Development Agreement (Board File No. 201386); and (3) a Resolution (Board File. No. 201387) consenting to the provisions of the Plan Variation decision by the Commission on Community Investment and Infrastructure (“CCII”).

- **Planning Code Text and Map Amendments (Board File No. 201385).** On December 15, 2020, District 6 Supervisor Matt Haney introduced an ordinance amending the Planning Code and Zoning Map to rezone and reclassify a portion of the Project Site as shown on Figure 1 of the Transit Center District Plan, specifically to rezone a portion of the Project site from the split P (Public) District/C-3-O (SD) to the C-3-O (SD) Downtown Office Special Development District and to reclassify the height and bulk district designations for a portion of the project site; waiving certain provisions of the Planning Code to allow the project to satisfy its affordable housing requirement through payment of an in-lieu affordable housing fee to the Office of Community Investment and Infrastructure for use within the Transbay Redevelopment Project Area, to modify timing for payment of fees, and to permit the footprint of the portion of the project site dedicated to dwellings to exceed 15,000 square feet.
- **Development agreement (Board File No. 201386).** Under the terms of the Development Agreement, the provisions of Section 415 do not apply to the Project for as long as the Development Agreement is in effect. The Development Agreement outlines terms for the Project's affordable inclusionary housing provisions. Specifically, the Development Agreement stipulates a payment, from the Project Sponsor to OCII, an in-lieu affordable housing fee at an amount equal to 150% of the inclusionary housing fee that Section 415.5 of the Planning Code would otherwise require. Therefore, the effective inclusionary rate for the Project is 49.5%. For reference, the base inclusionary housing fee that would otherwise have applied to the Project if payment of the standard, in-lieu affordable housing fee were otherwise available would be 33%, or approximately \$30 million. Instead, the Development Agreement dictates that the Project Sponsor pay an affordable housing fee at a rate of 150% of the base inclusionary housing fee, estimated at \$45-47 million (an increase of approximately \$15 million over the base fee). *NOTE: The in-lieu affordable housing fee negotiated through the Development Agreement relies on the Inclusionary Affordable Housing Program Fee, which, is based on the Planning Department's Development Impact Fee Schedule ("Fee Schedule"). The 2021 Fee Schedule, updated on December 1, 2020, with rates effective as of January 11, 2021, included annual indexing for most development impact fees (up to 3.5%). However, the Inclusionary Affordable Housing Program Fee has yet to be adjusted from the fee amount listed in the 2020 Fee Schedule. While the annual adjustment to the Inclusionary Affordable Housing Program Fee is not yet finalized, the Development Agreement nevertheless relies on the 2021 Fee Schedule, including the finalized Inclusionary Affordable Housing Program Fee.*
- **Redevelopment Plan Variation (Board File No. 201387).** On January 19, 2021, the Commission on Community Investment and Infrastructure ("CCII"), as the Commission to the OCII, conditionally approved the Project Sponsor's requested Plan Variation and the change to the Plan's Inclusionary Housing Obligation attributed to the infeasibility of maintaining affordable units in the Project and the payment to OCII for affordable housing. Given that the CCII's conditional approval of the Plan Variation potentially removes the on-site affordable housing requirements of Section 4.9.3 of the Plan from the Project, the Board of Supervisors, acting as the legislative body for OCII, must then approve the change to the Plan's Inclusionary Housing Obligation. Board File No. 201387 is a resolution that states that the Board of Supervisors, acting in its capacity as the legislative body to the Successor Agency to the former Redevelopment Agency of the City and County of San Francisco, approves provisions of a variation decision by the Commission on Community Investment and Infrastructure, modifying the on-site

affordable housing requirement for the Project.

## Environmental Review

On August 27, 2019, the Planning Department issued a Community Plan Exemption Determination (“CPE”) determining that the environmental effects of the Project, including the actions contemplated herein, were adequately analyzed in the FEIR and that no further environmental review is required in accordance with CEQA and Administrative Code Chapter 31. The Project is consistent with the adopted zoning controls in the Transit Center District Plan and was encompassed within the analysis contained in the Transit Center District Plan FEIR.

Planning Department staff prepared a Mitigation Monitoring and Reporting Program (MMRP) setting forth mitigation measures that were identified in the Transit Center District Plan FEIR that are applicable to the Project. These mitigation measures are set forth in their entirety in the MMRP attached to Motion 20616 as Exhibit C, and were made conditions of approval of the original Project.

The CPE issued in 2019 anticipated the potential need for a variation the 2005 Transbay Redevelopment Plan, to allow the Project the ability to satisfy its affordable housing obligation by payment of an in-lieu fee through a “variation” from the 2005 Transbay Redevelopment Plan. The issued CPE noted a “Variation from Transbay Redevelopment Plan for off-site inclusionary affordable housing (section 4.9.3 of Redevelopment Plan; Planning Code section 249.28)” by the Office of Community Investment and Infrastructure, and “Consent to Variation from Transbay Redevelopment Plan for off-site inclusionary affordable housing (section 4.9.3 of Redevelopment Plan)” by the Board of Supervisors as two of the approval actions necessary for the proposed project.

The payment of an affordable housing fee instead of off-site dedication and the addition of a Development Agreement would not cause new significant impacts or result in a substantial increase in the severity of the impacts identified in the FEIR and the subsequent CPE, and no new or revised mitigation measures would be required. The proposed variation and Development Agreement would not directly or indirectly result in any construction or operational impacts, as no specific affordable housing project has been identified at this time. Once identified, the affordable housing project would require its own project-specific environmental review and approvals. None of the other project components would be affected by the proposed modifications as the modifications do not propose any additional residential units or non-residential space that would increase or cause a change to population, employment, or housing projections as compared to CPE assumptions.

Because the variation and the Development Agreement would be well within the scope of the project’s construction and operation, as identified in the CPE, their impacts are considered to be covered within the overall project scope of the CPE and the TCDP FEIR. Moreover, implementation of this project revision would not result in any new significant environmental effects, would not trigger any mitigation measures not already required for the proposed development project, and would not require additional environmental review. It is expected that the proposed variation would not change any of the conclusions identified in the CPE and all mitigation measures discussed in the CPE would continue to be applicable to this project. Given the limited nature of the proposed modifications, no new or more severe environmental impacts related to all topics covered in the FEIR and CPE would be expected.

## Required Commission Action

The following is a summary of actions that the Commission will consider at the hearing, which are required to implement the Project:

1. Adopt findings to approve a Downtown Project Authorization pursuant to Planning Code Section 309, modifying Conditions of Approval of the previously approved Project under Motion No. 20616,
2. Adopt findings related to an Office Development Allocation, pursuant to Planning Code Sections 320 through 325; modifying Conditions of Approval of the previously approved Project under Motion No. 20617,
3. Adopt findings to approve a Conditional Use Authorization pursuant to Planning Code Sections 210.2 and 303(g), modifying Conditions of Approval of the previously approved Project under Motion No. 20618,
4. Recommend that the Board of Supervisors approve an ordinance that would amend San Francisco Zoning Maps ZN-01 and HT-01 for height and bulk classification and zoning designation; uncodified legislative amendments for: the residential footprint requirement per Section 248(d)(2); and authorization to relieve the Project of the on-site affordable housing requirements pursuant to Section 249.28(b)(6)(B)(C); and
5. Recommend that the Board of Supervisors approve a Development Agreement (“DA”).

## Basis for Recommendation

The Department finds that the proposed changes to the Project are, on balance, consistent with the Objectives and Policies of the General Plan. The Project implements the vision of the Downtown and Transit Center District Plans through the construction of 165 dwelling units, 189 hotel rooms, and approximately 276,000 square feet of office space located directly across from the Salesforce Transit Center, and within walking distance of the Downtown Core. The Project would contribute to the city’s housing supply, providing 165 dwelling units on-site in addition to the payment of a significant in-lieu affordable housing fee at an amount equal to 150% of the inclusionary housing fee that Section 415.5 of the Planning Code would otherwise require, to the Office of Community Investment and Infrastructure for use within the Transbay Redevelopment Project Area. The Project’s commercial uses (hotel, office, and retail) will provide new employment opportunities within an intense, walkable urban context. The proposed ground-floor commercial retail spaces located along both the Howard Street and Natoma Street frontages, along with the commercial retail space located on Level 5 (connected to the adjacent Salesforce Park via a pedestrian bridge), will expand the spectrum of retail goods and services available in the area, and will activate the street frontages at-grade and Salesforce Park located above-grade. The Project is designed to contribute an elegant, iconic, and complementary massing to the city’s downtown skyline as shaped by the cluster of new high-rise buildings in the Transbay Redevelopment Plan Area. The Department finds the project to be necessary, desirable, and compatible with the surrounding neighborhood, and not to be detrimental to persons or adjacent properties in the vicinity.

## Attachments:

- Draft Motion – Amended Downtown Project Authorization, Exhibit A: Conditions of Approval
- Draft Motion – Amended Conditional Use Authorization, Exhibit A: Conditions of Approval
- Draft Motion – Amended Office Allocation Authorization, Exhibit A: Conditions of Approval
- Draft Resolution – Planning Code Text and Map Amendments, Draft Planning Code Text and Map Ordinance
- Draft Resolution – Adoption of Development Agreement, Exhibit A: Development Agreement, Draft Development Agreement Ordinance
- Exhibit D – Development Agreement Application, and Director’s Report on Development Agreement Negotiations
- Exhibit E – Previous Commission Approvals (*provided for reference*): Motion No. 20616, Downtown Project Authorization; Motion No. 20617, Office Development Allocation; and Motion No. 20618, Conditional Use Authorization
- Exhibit F – Public Correspondence
- Exhibit B – Plans and Renderings (*provided for reference*)