

**Office of Community  
Investment and Infrastructure**  
(Successor to the San Francisco  
Redevelopment Agency)

One South Van Ness Avenue  
San Francisco, CA 94103  
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair  
Marily Mondejar  
Darshan Singh

Tiffany Bohee, Executive Director

June 17, 2015

**33433 Report**

This report is submitted consistent with the requirements of Section 33433 of the California Health and Safety Code. Specifically, Section 33433 states that before any property that was acquired, in whole or in part, with tax increment funds is sold or leased for development, the sale or lease shall first be approved by the legislative body by resolution after a public hearing. The Board of Supervisors is the legislative body for purposes of Section 33433. The property that is the subject of this report was not acquired with tax increment funds. However, the Redevelopment Plan for the Transbay Redevelopment Project Area ("Redevelopment Plan") requires that the Board of Supervisors shall approve the sale or lease of any property acquired by the Former San Francisco Redevelopment Agency ("Former Agency") or the Office of Community Investment and Infrastructure, as the Successor Agency to the Former Agency ("OCII" or the "Successor Agency"), pursuant to the Option Agreement for the Purchase and Sale of Real Property ("Option Agreement") between the Former Agency, the City and County of San Francisco ("City"), and the Transbay Joint Powers Authority ("TJPA") in a manner consistent with the standards and procedures that govern the disposition of property acquired with tax increment funds and that appear in Section 33433 of the California Health and Safety Code.

On June 16, 2015, the Commission on Community Investment and Infrastructure ("CCII") approved a disposition and development agreement ("DDA") between the Successor Agency and MA West LLC, a Delaware limited liability company, a joint venture between affiliates of Golub Real Estate Corp., an Illinois corporation, and The John Buck Company, a Delaware limited liability company ("Developer"), for the development of a proposed commercial office project consisting of approximately 766,745 gross square feet of office area and 8,642 square feet of retail area in a 550-foot-tall tower on Transbay Block 5. Transbay Block 5 is located on Howard Street between Beale and Main Streets in the Transbay Redevelopment Project Area ("Project Area"), and is comprised of Assessor's Block 3718, Lot 012 and portions of Lot 025 and 027. The project also includes streetscape improvements, including the extension of Natoma Street from Beale to Main Streets, public open space, underground parking, relocation of the pavilion currently located at 195 Beale Street, and a minimum LEED Gold Level of certification for sustainability. The Developer was selected by the Successor Agency after a competitive request for proposals ("RFP") was issued in April 2014 and proposals were received from a total of four development teams.

Pursuant to Section 33433, a copy of the DDA is included with this report as Attachment 1 and both the DDA and this report have been submitted to the Clerk of the Board and made available for public inspection and copying on June 26, 2015, in advance of the date of the first publication of the notice of the public hearing on June 28, 2015. Below is a summary of the agreement, as required by Section 33433, Subsections (2)(B)(i-v):

**(2)(B)(i): The cost of the agreement to the agency, including the land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreement.**

Block 5 is comprised of Assessor's Block 3718, Lot 012 and portions of Lot 025 and 027. The component of Block 5 that is the site of the tower is a portion of Lot 025, also known as "Parcel N1" or the "Public Parcel". The Public Parcel will be conveyed from the TJPA to OCII at no cost pursuant to the Option Agreement, and then conveyed to Developer. The component of Block 5 that is the site of the required open space for the project is a portion of Lot 025 and a portion of Lot 027, also known as "Parcel M1" and "Parcel N3"; is owned by the TJPA and will be made available to the Developer for construction and maintenance of a portion of the required open space pursuant to an agreement with the TJPA. All clearance costs will be paid by the Developer, pursuant to the DDA, and there are no relocation costs. All improvements will be constructed at the development team's cost. The project is required to be part of the Transbay Center District Plan [Mello-Roos] Community Facilities District No. 2014-1 ("CFD"), to help pay the costs of constructing the new Transbay Transit Center, the Downtown Rail Extension, and other infrastructure in the Transit Center District Plan area and will be subject to a special tax pursuant to the CFD.

**(2)(B)(ii) The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the plan.**

The highest and best use value of the parcel at the time the responses to the RFP were received in June 2014 has been estimated by Keyser Marston Associates, Inc. ("KMA") to be \$172.5 million. The highest and best use value is the value of parcel as a high rise office tower. A memorandum summarizing the highest and best use value calculated by KMA is included with this report as Attachment 2.

**(2)(B)(iii) The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference.**

The purchase offer of \$172.5 million by the Developer is not less than the fair market value of the interest to be conveyed. Four competitive proposals from national and regional office developers were received and the Developer's proposal was the highest.

**(2)(B)(iv) An explanation of why the sale or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.**

Block 5 was formerly occupied by a portion of the Embarcadero Freeway, which was demolished after the 1989 Loma Prieta Earthquake. After the freeway was demolished, Block 5 was a surface parking lot operated by the State of California, and has more recently been used by the TJPA for construction staging. Surface parking was identified as an economic indicator of blight in the 2005 Report on the Redevelopment Plan for the Transbay Redevelopment Project, which was prepared as part of the adoption materials for the Board of Supervisors. The section of the Report on the Redevelopment Plan titled "Underutilized Areas and Vacant Lots" on Page V-8 states, "Given the Project Area's density and location in the Financial District, surface parking lots do not maximize the economic and development potential of the lot or area." Block 5 is identified as an "Underutilized Area" on Figure V-3 in the Report on the Redevelopment Plan. The Developer's project on Block 5 will assist in the elimination of blight by converting a surface parking lot/construction staging area into a major office development.

Prepared by: Shane Hart, Transbay Project Manager

Attachment 1: Disposition and Development Agreement, June 16, 2015

Attachment 2: Keyser Marston Associates, Inc., Memorandum, June 16, 2015