

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

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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 "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 April 21, 2015, the Commission on Community Investment and Infrastructure ("CCII") approved a disposition and development agreement between the Successor Agency and Transbay 8 Urban Housing, LLC and Tenderloin Neighborhood Development Corporation ("Development Team"), for the development of a residential project with 404 market-rate units and 150 affordable units on Transbay Block 8. Transbay Block 8 is a 49,673 square foot parcel located on Folsom and Fremont Streets in the Transbay Redevelopment Project Area ("Project Area"). The development program for Block 8 includes (a) a market-rate for-sale residential component consisting of approximately 124 residential units on floors thirty-two to fifty-five of an up to 550-foot residential tower (the "Market-Rate Condo Project"); (b) an "80/20" mixed-income component consisting of approximately 280 market-rate rental units on floors eight to thirty-one and approximately 70 affordable rental units on floors one to seven in the residential tower ("80/20 Project"); (c) an affordable project with approximately 80 rental residential units ("Affordable Project") in a podium building and townhouses along Clementina Street; (d) streetscape improvements including the extension of Clementina Street on the northern edge of the site and a 25-foot wide Folsom Street sidewalk; (e) ground-floor retail space along Folsom Street of approximately 8,345 square feet and a possible grocery store on the basement level; (f) a shared approximately 6,500-square-foot mid-

block open space and paseo; and (g) shared underground parking with approximately 204 stalls. The 70 affordable rental units in the 80/20 Project will be affordable to households earning up to 40% and 50% of Area Median Income ("AMI"), and the 80 rental units in the Affordable Project will be affordable to households earning up to 50% of AMI. The Affordable Project will be subsidized by OCII funding. The Block 8 Transbay team was selected by the Successor Agency after a competitive request for proposals ("RFP") was issued in November 2013 and proposals were received from a total of three development teams.

Assembly Bill 812 mandates that a total of 35 percent of all units developed in the Project Area be affordable to low- and moderate-income households. Even though Block 8 will have 27 percent inclusionary affordable units (the combined affordable units in the 80/20 Project and the Affordable Project), the Project Area overall is on target for meeting the 35% mandate.

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 8 is currently owned by the State Department of Transportation ("Caltrans") and will be transferred to the City and then OCII pursuant to the Option Agreement at no cost, and then to the Development Team pursuant to the DDA. All clearance costs will be paid by the Development Team, 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 Block 8 at the time of the responses to the RFP were received in February 2014 has been estimated by Keyser Marston Associates, Inc. ("KMA") to be \$71 million. The estimated value of the interest to be conveyed is the same as the offer by the Development Team. The value is approximately \$150,000 per unit in the tower, including the BMR units, and \$1,429 per square foot of land area. 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 price in the DDA for Block 8 is \$71 million. The purchase price was the highest of the three offers. The price is approximately \$150,000 per unit, including BMR units, and \$1,429 per square foot of land area. The sale price is not less than the fair market value of the interest to be conveyed at the highest and best use consistent with the Redevelopment Plan, which in this case is residential.

(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 8 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 8 was a surface parking lot operated by the State of California. 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 8 is identified as an "Underutilized Area" on Figure V-3 in the Report on the Redevelopment Plan. The Developer's project on Block 8 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, April 21, 2015

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