

1 [Owner Participation/Disposition and Development Agreement - Successor Agency to the San
2 Francisco Redevelopment Agency Land - Block One Property Holder, L.P. - Transbay Block
3 One]

4 **Resolution approving the disposition of land located on the southern one-third of the**
5 **block bounded by Howard, Spear, Folsom, and Main Streets, Assessor's Parcel Block**
6 **No. 3740, Lot No. 027, by the Office of Community Investment and Infrastructure, as**
7 **Successor Agency to the San Francisco Redevelopment Agency, to Block One**
8 **Property Holder, L.P, a Delaware limited partnership and an affiliate of Tishman Speyer,**
9 **for the purpose of developing affordable for-sale housing for low and moderate income**
10 **households; and making findings under California Health and Safety Code,**
11 **Section 33433.**

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13 WHEREAS, The Board of Supervisors of the City and County of San Francisco (the
14 "Board of Supervisors") adopted, by Ordinance Nos. 124-05 (June 23, 2005) and 99-06 (May
15 19, 2006), the Redevelopment Plan for the Transbay Redevelopment Project Area, (the
16 "Project Area") and has amended it from time to time (the "Redevelopment Plan"), to
17 undertake a variety of projects and activities to alleviate blighting conditions and to provide
18 affordable housing; and

19 WHEREAS, The Board of Supervisors, as the legislative body for the City and County
20 of San Francisco, shall approve, under Section 33433 of California's Health and Safety Code
21 ("Health and Safety Code"), the sale or lease of parcels that a redevelopment agency
22 acquired with tax increment moneys; and

23 WHEREAS, In 2003, the Redevelopment Agency of the City and County of San
24 Francisco ("Former Agency") acquired Assessor's Parcel Block No. 3740, Lot No. 027, with
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1 tax increment moneys from the Low and Moderate Income Housing Fund for the purpose of
2 developing affordable housing for low and moderate income households; and

3 WHEREAS, In 2003 the State of California Legislature enacted Assembly Bill 812
4 (“AB 812”) authorizing the demolition of the then-existing Transbay Terminal building and the
5 construction of the new Transbay Transit Center (the “Transit Center”) (Stat. 2003, Chapter
6 99, codified at Section 5027.1 of the California Public Resources Code) and requiring 25% of
7 the residential units developed in the Project Area be for low income households and an
8 additional 10% for moderate income households (the “Transbay Affordable Housing
9 Obligation”); and

10 WHEREAS, In 2005, the Transbay Joint Powers Authority (the “TJPA”) and the Former
11 Agency entered into an agreement to facilitate the implementation of the Redevelopment Plan
12 (“Implementation Agreement”), which required the Former Agency to 1) prepare and sell
13 certain State-owned Parcels to third parties, 2) deposit the sales proceeds into a trust account
14 to help finance the Transit Center and infrastructure, 3) implement the Redevelopment Plan,
15 and 4) fulfill the Transbay Affordable Housing Obligation; and

16 WHEREAS, On February 1, 2012, the Former Agency was dissolved under
17 Redevelopment Dissolution Law, California Health and Safety Code, Sections 34170 et seq.
18 and the Successor Agency to the Redevelopment Agency of the City and County of San
19 Francisco, commonly known as the Office of Community Investment and Infrastructure
20 (“Successor Agency” or “OCII”), assumed certain assets, rights and obligations of the Former
21 Agency; and

22 WHEREAS, On April 15, 2013, the California Department of Finance (“DOF”)
23 determined “finally and conclusively,” under Cal. Health & Safety Code, Section 34177.5 (i),
24 that the Implementation Agreement, the Transbay Affordable Housing Obligation, and the
25 Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge

1 Agreement (“Pledge Agreement”) are enforceable obligations that survived the dissolution of
2 the Former Agency and became the responsibility of the Successor Agency; and

3 WHEREAS, The Implementation Agreement and other Transbay obligations require
4 OCII to take the actions proposed by this Resolution; and

5 WHEREAS, The owners of private property in the Project Area may participate in the
6 redevelopment of their property under the Rules Governing Participation by Property Owners,
7 adopted by Redevelopment Agency Resolution No. 17-2005 (Jan. 25, 2005) (the “Owner
8 Participation Rules”); and

9 WHEREAS, The Owner Participation Rules require that the owners of private property
10 agree to conform to the Redevelopment Plan and provide that certain individual parcels
11 should be aggregated to create efficient and marketable parcels to accomplish the purposes
12 of, and conform to, the Redevelopment Plan; and

13 WHEREAS, The development site commonly known as Block 1 is a 54,098 square foot
14 site on Folsom Street between Main and Spear Streets (“Site”), two blocks south and two
15 blocks east of the future Transbay Transit Center; and

16 WHEREAS, The site consists of Assessor’s Parcel Block No. 3740, Lot Nos. 027, 029,
17 030, 031, and 032; and

18 WHEREAS, Lot No. 027 is a 34,133 square foot parcel owned by OCII (the “Public
19 Parcel”); Lot Nos. 029, 030, 031, and 032 are owned by Block One Property Holder, L.P., a
20 Delaware limited partnership, and an affiliate of Tishman Speyer (“Developer”) and consist
21 of 19,965 square feet (the “Private Parcel”) (together, “Block 1”); and

22 WHEREAS, In conformance with the Redevelopment Plan and the Owner Participation
23 Rules, the Development Controls require that the Public Parcel be aggregated with the Private
24 Parcel for suitable development on Block 1; and

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1 WHEREAS, On November 18, 2014, the Commission on Community Investment and
2 Infrastructure (the “Commission”) unanimously approved by Resolution No. 94-2014, an
3 Exclusive Negotiation Agreement (the “ENA”) between the Developer and OCII so the parties
4 could negotiate the terms of the sale of the Public Parcel and development of Block 1; and

5 WHEREAS, Block 1 is planned for a residential development including the following: 1)
6 a market-rate residential component consisting of approximately 235 for-sale residential units
7 in an up to 400-foot residential tower and adjacent townhomes; 2) an inclusionary affordable
8 housing component consisting of 80 for-sale units in the tower and adjacent townhomes, 50 of
9 which will be affordable to households earning 100% of area median income and 30 of which
10 will be affordable to households earning 120% of area median income; 3) an OCII-subsidized
11 affordable housing component consisting of 76 for-sale units all of which will be affordable to
12 households earning 80 to 100% of area median income, with no more than an average of
13 90% of area median income; and 4) 10,210 square feet of ground floor retail (“Project”); and

14 WHEREAS, The development program for the Site conforms to the Redevelopment
15 Plan, the Implementation Plan, the Transbay Affordable Housing Obligation, the Development
16 Controls as amended, and the Transbay Redevelopment Project Area Streetscape and Open
17 Space Concept Plan; and

18 WHEREAS, The development program for the Site required an amendment to the
19 Redevelopment Plan to increase the maximum height limit of the residential tower from 300
20 feet to 400 feet (the “Plan Amendment”), as well as a corresponding amendment to the
21 Development Controls to reflect the Plan Amendment; and

22 WHEREAS, In accordance with those provisions of the Community Redevelopment
23 Law, as amended by Redevelopment Dissolution Law, that authorize an amendment to a
24 redevelopment plan, Cal. Health & Safety Code, Sections 33450 et seq., the Commission
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1 approved the Plan Amendment by Resolution No. 2-2016 (January 19, 2016) and
2 amendments to the Development Controls by Resolution No. 28-2016 (June 21, 2016); and

3 WHEREAS, On February 25, 2016, the San Francisco Planning Commission
4 determined by Motion No. 19573 that the Plan Amendment conforms to the San Francisco
5 General Plan; and

6 WHEREAS, On April 26, 2016, the San Francisco Board of Supervisors adopted
7 Ordinance No. 062-16 approving the Plan Amendment; and

8 WHEREAS, On June 21, 2016, after holding a duly-noticed public hearing under
9 Section 33431 of the California Health and Safety Code, the Commission approved, by
10 Resolution No. 29-2016, an owner participation/ disposition and development agreement (the
11 “Block 1 Agreement”) for the sale of the Public Parcel, the Developer’s owner participation in
12 the development of Block 1, and development of the Site; and

13 WHEREAS, The Block 1 Agreement is on file with the Clerk of the Board in File
14 No. 160755; and

15 WHEREAS, The consideration negotiated by OCII under the Block 1 Agreement for the
16 Public Parcel consists of several components that meet or exceed \$50,180,000; and

17 WHEREAS, These components include: 1) the purchase price, based on an appraised
18 value of \$19,180,000, that will not be paid in cash at close of escrow but instead will be
19 applied to the cost of development of the 76 units of affordable housing in the OCII Affordable
20 Project; 2) a percentage of affordable units and dispersal of affordable units within the Project
21 that exceed the ENA requirements and that result in the loss of Developer revenues of
22 approximately \$17,000,000 (specifically, the number of affordable units increased from 141 to
23 156, resulting in a change in the overall level of Project affordability from 35% to 40%, and the
24 location of the units in the Developer Affordable Project changed from the lower floors of the
25 tower, as agreed upon in the ENA, to the first 26 floors of the tower); and 3) the Developer’s

1 obligation to fund the full cost of the construction of the OCII Affordable Project, which results
2 in a net cost to the Developer of approximately \$14,000,000 because the construction costs
3 exceed the projected sales revenues for these units; and

4 WHEREAS, The Block 1 Agreement includes other terms and conditions such as a
5 \$2,000,000 good faith deposit by the Developer to be refunded upon commencement of
6 substantial construction; the right of OCII to record a reversionary quitclaim deed to take title
7 to the Public Parcel at no cost to OCII if the Developer does not meet certain terms of the
8 Block 1 Agreement, including reaching commencement of substantial construction within the
9 timeline memorialized in the Block 1 Agreement; and Developer contribution of \$225,000 to
10 OCII or its designee for the purpose of protecting the residents of the Affordable Housing
11 Units from excessive and/or increasing Homeowners Association (“HOA”) costs; and

12 WHEREAS, Because the Public Parcel was acquired with tax increment moneys,
13 Section 33433 of the California Health and Safety Code requires the Board of Supervisors’
14 approval of its sale, after public hearing, and a determination that the sales price meets or
15 exceeds the standards for fair market value or fair reuse value in Section 33433; and

16 WHEREAS, The Board of Supervisors held a public hearing on this matter on July 25,
17 2016, and notice of the public hearing was published consistent with Health and Safety Code,
18 Section 33433; and

19 WHEREAS, OCII prepared and submitted a report consistent with the requirements of
20 Health and Safety Code, Section 33433, and a summary of the transaction describing the cost
21 of the Block 1 Agreement to OCII, the value of the property interest to be conveyed, the
22 purchase price and other information, a copy of which is on file with the Clerk of the Board in
23 File No. 160755 and was made available for public inspection; now, therefore, be it

24 RESOLVED, That the Board of Supervisors does hereby find and determine that the
25 consideration that OCII will receive under the Block 1 Agreement is not less than the fair

1 reuse value at the use and with the covenants and conditions and development costs
2 authorized by the sale of the Public Parcel, based upon the following: 1) the Project consists
3 of 156 below market rate homeownership units, which is 40% of the overall Project unit count;
4 2) Developer will construct, at its sole cost and expense, no fewer than 80 permanently
5 affordable, for-sale units in the Project's tower and adjacent townhomes, 50 of which will be
6 affordable to households earning no more than 100% of area median income and 30 of which
7 will be affordable to households earning no more than 120% of area median income; and 3)
8 Developer will construct, with no OCII subsidy, 76 for-sale units that are permanently
9 affordable to households earning no more than an average of 90% of area median income in
10 two connected podium buildings; and, be it

11 FUTURE RESOLVED, That the Board of Supervisors does hereby find and determine
12 that the Block 1 Agreement will assist in the elimination of blight by converting an existing
13 underdeveloped site into a high-density, mixed-use, mixed-income residential development;
14 and, be it

15 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
16 authorizes OCII to execute the Block 1 Agreement for the sale of the Public Parcel by the
17 Office of Community Investment and Infrastructure to the Block One Property Holder, L.P, a
18 Delaware limited partnership and an affiliate of Tishman Speyer, substantially in the form of
19 the Block 1 Agreement lodged with OCII's General Counsel, and to take such further actions
20 and execute such documents as are necessary and appropriate to implement the Block 1
21 Agreement on behalf of OCII.

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