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Transbay Block 4- Option Agreement

**Commission on Community Investment and
Infrastructure**

April 19, 2016



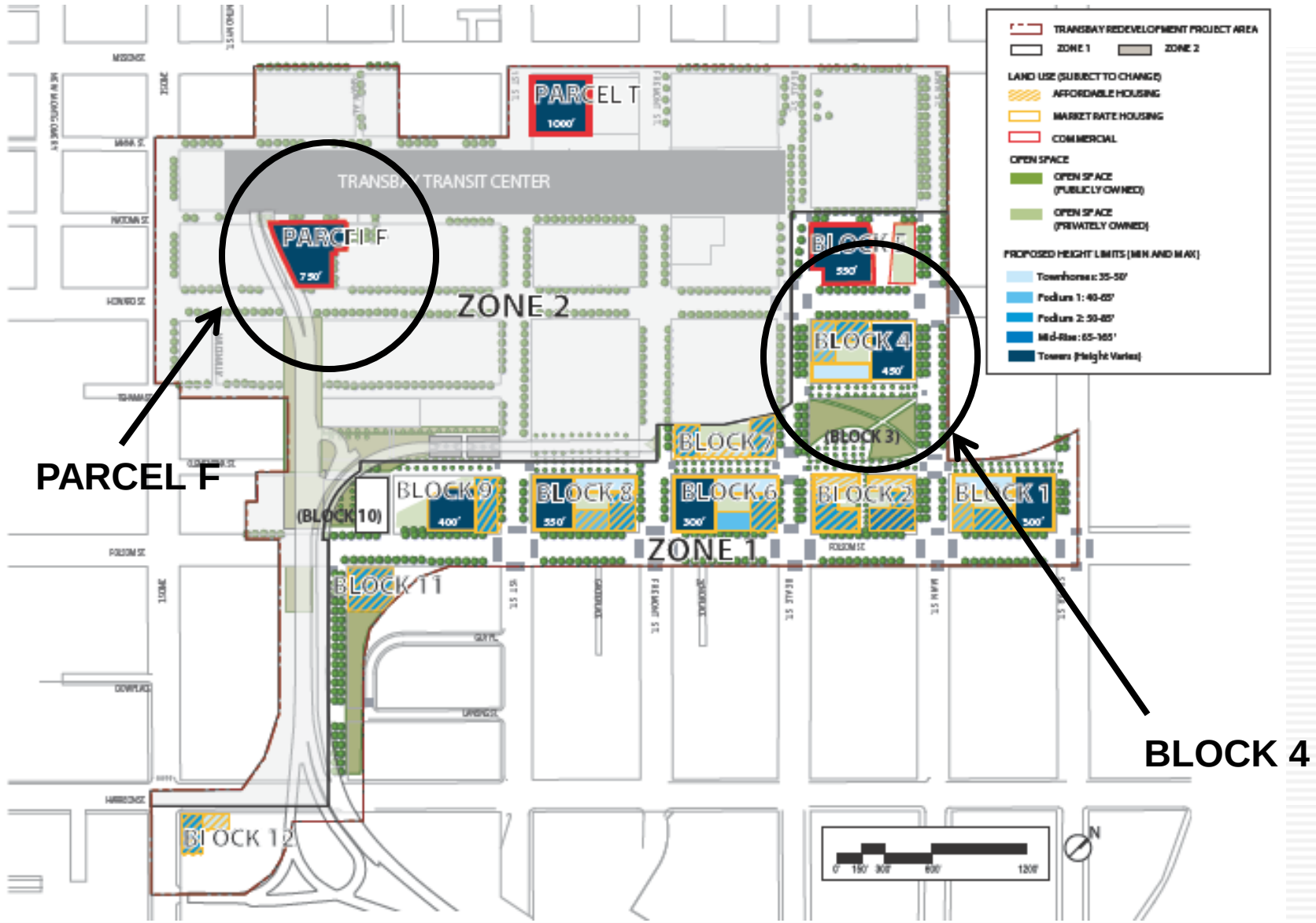
Agenda

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- Background on Block 4 and Parcel F
- Proposed Option Terms
- Staff Analysis
- Next Steps

Transbay Block 4 & Parcel F

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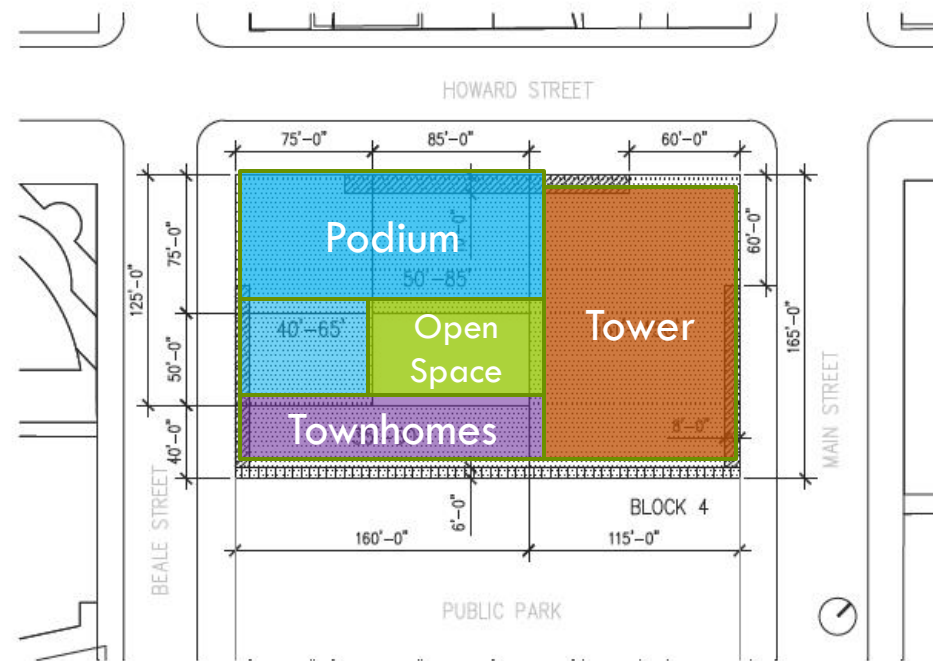
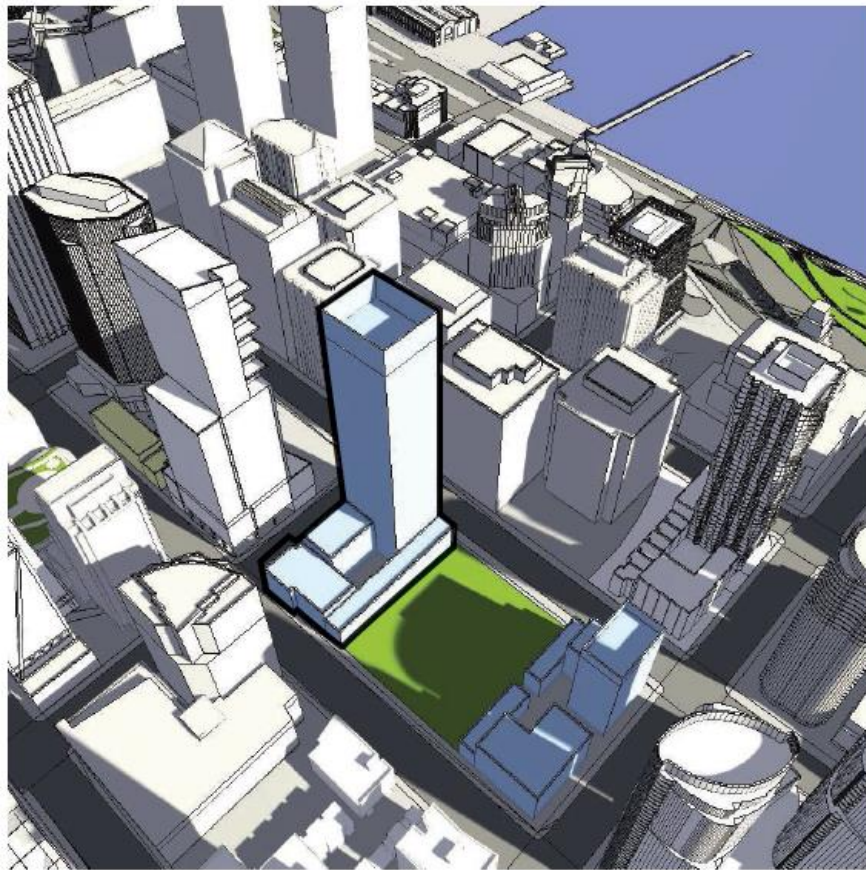
Background – Block 4

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- Block 4 is in Zone 1 (OCII jurisdiction) and currently site of Temporary Terminal
- Zoned for up to 450' residential tower, adjacent 85' & 65' podium buildings, 50' townhomes; shared open space and parking
- Block 4 is a mixed-income market rate/affordable parcel in Zone 1
 - Affordable housing sufficient to keep district in balance for 35% Project Area Requirement
 - Block 4 could need to provide over 50% of its units as affordable housing

Block 4 massing - Transbay DCDG

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Background – Parcel F

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- Parcel F is in Zone 2 (Planning Department jurisdiction through OCII delegation) and owned by TJPA
- Zoned for 750' mixed use tower
- Subject of TJPA auction process in 2015 with pre-qualified bidders – one of which was Urban Pacific
- Auction was not held, but TJPA continued discussions with bidders
- Urban Pacific brought on Hines + Broad Street (Goldman Sachs) to create F4 Transbay Partners
 - Submitted offer for Parcel F and Block 4 together
 - Parcel F program: residential/hotel/office
- TJPA Board approved Purchase & Sale Agreement with Developer for Parcel F for \$160 million
 - Condition of purchase is option to purchase Block 4 from OCII

Proposed Block 4 Option Agreement

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- Purchase price: Up to \$45 million
 - Price could be lowered through negotiation or appraisal
 - If ready to close by June 2018 but can't transfer site (e.g. Temporary Terminal still there), \$3m Extension Discount
 - Ultimate purchase price must be equal or greater than "Fair Market Value" (*Board of Supervisors approval*)
- Developer will deposit \$500k to cover OCII costs during Option period; additional \$100k available if needed
- Developer will pay for at least 45% affordable housing with no OCII subsidy

Other Considerations

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- Option lasts until October 2018
- During that time, OCII and Developer would negotiate Schematic Design and Disposition and Developer Agreement
- OCII would have approval rights over Parcel F's residential component
 - Could include review of proposal to off-site affordable housing from F to Block 4, subject to OCII/Board of Supervisor Approval
- Developer would need to bring on affordable housing developer for Block 4
 - Subject to Commission approval

Community Benefits

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- DDA negotiations will include provision of community benefits program focusing on issues such as:
 - Best practices for housing for Certificate of Preference Holders and other impacted communities
 - Maximizing workforce development & contracting opportunities, particularly for economically disadvantaged San Francisco residents and businesses
 - Inclusion of community-serving space & commercial space that is available to local non-profit organizations/small businesses at below-market rates to create a diverse and inclusive neighborhood

Community Outreach & Noticing

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- Block 4 Option Agreement approved by the Transbay CAC on April 14, 2016
- CAC comments:
 - Interested in how affordable units will be integrated into Block 4, along with how OCII will deal with Block 2
 - Transbay Block 3 (Transbay Park) should have high quality children's programming
 - High quality design – exterior and unit design for affordable residents
- Today's hearing was publicly noticed for 2 weeks in San Francisco Chronicle

Staff Analysis and Recommendation

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- Facilitates sale of Parcel F, paydown of TJPA Bridge Loan, & drawdown of TIFIA Loan → critical to Transit Center Funding
- Purchase Price of \$45 million is very strong offer given high % of affordable units
- Developer subsidy of at least 45% affordable units is highest level of Developer subsidy to date
- Developer acknowledges costs to survey COP Holders is a project cost; paid with a portion of \$500k deposit
- All other terms subject to future OCII approvals
 - Affordable Developer
 - Design concept
 - DDA terms
- Staff recommends approval of the Option Agreement

Next Steps: Estimated Timing

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- **May 2016:** Board of Supervisors Hearings on Fair Market Value Determination of Option
- **June 2016:** TJPA and Developer close Parcel F sale
- **Summer 2016:**
 - Selection of Affordable Developer
 - Schedule & Design concept discussions
- **2017:** Design review and DDA negotiations
- **2018:** Block 4 available for construction after Temporary Terminal removed

THANK YOU

