office of COMMUNITY INVESTMENT and INFRASTRUCTURE

108-0082024-002

Agenda Item **Nos. 5(f) & 5(g)**
Meeting of April 15, 2025

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Authorizing the Successor Agency's acquisition of an art deco pavilion building previously located at Transbay Block 5 for future placement in the Transbay Under Ramp Park consistent with the park's Schematic Design Approval; Authorizing a Fee Agreement in the amount of $178,652.00 with Park Tower Owner, LLC in satisfaction of certain obligations under the Transbay Block 5 Owner Participation/Disposition and Development Agreement; Transbay Redevelopment Project Area

Authorizing the Successor Agency's execution of a lease for an initial term of two years with three one-year option periods in an amount not to exceed $169,200.00 with Sheedy Drayage Company, a California corporation, to store an art deco pavilion building until its relocation to Under Ramp Park; Transbay Redevelopment Project Area

EXECUTIVE SUMMARY

In 2015, the Successor Agency Commission approved, by Resolution 37-2015 (June 16, 2015), a commercial office project with retail space and open space at Transbay Block 5 on property acquired by OCII and private property owned by the developer. An Art Deco pavilion was located on a portion of the site at 195 Beale Street on the northeast corner of the intersection of Howard and Beale Streets ("Pavilion"). The Transbay Block 5 Owner Participation/Disposition and Development Agreement ("OPA/DDA") between the Successor Agency and MA West LLC ("MA West" or "Developer"), dated June 16, 2015, requires the Developer to relocate and install the Pavilion. Specifically, the Developer may fulfill its obligation by relocating and installing the Pavilion in a public open space or park site within San Francisco. Given that a permanent site for the Pavilion had not been identified at the time of the OPA/DDA's execution, OCII permitted the Developer to temporarily store the Pavilion while the Developer searched for a potential new permanent relocation site.

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In 2015, before the commencement of the construction of Transbay Block 5, the Pavilion was relocated to the Sheedy Drayage Company, LLC ("Sheedy") storage yard at 1215 Michigan Street in the City's Dogpatch neighborhood, where it continues to be stored, first at the Developer's expense, and now at the expense of Park Tower Owner LLC ("Park Tower Owner"), the current owner of Transbay Block 5, and the entity currently bound by the OPA/DDA. The Developer, and later Park Tower Owner, engaged in a multi-year outreach effort communicating with numerous parties about their potential interest in accepting the Pavilion at no cost, but ultimately, none was interested. The Developer and Park Tower Owner provided OCII with the documentation confirming that they have continuously paid for the Pavilion to be stored at the Sheedy storage yard since 2015 and had met the OP/DDA obligation to pursue a new permanent location for the Pavilion, but found none.

The Park Tower Owner has requested OCII to allow for termination of the OPA/DDA's relocation and installation obligations given that the Developer and Park Tower Owner satisfied the OP/DDA's Pavilion requirements by storing the Pavilion for multiple years while making good faith efforts to identify a new permanent relocation site for the Pavilion at open space or a park within San Francisco, even though none was found.

Before considering this request, OCII performed two feasibility analyses evaluating whether the Pavilion could be incorporated into either of OCII's two Transbay park projects: Block 3 Park or Under Ramp Park. Ultimately, OCII's Under Ramp Park design team determined that the Pavilion could be repurposed as the concession building at the heart of the Under Ramp Park.

Park Tower Owner is obligated to pay for relocating the Pavilion to its new permanent home, but construction of Under Ramp Park is not expected to commence until mid-2026. Park Tower Owner and OCII staff agreed that Park Tower Owner may satisfy its OPA/DDA Pavilion obligations by making a fee-out payment in lieu of Park Tower Owner's continued storage of the Pavilion and its relocation. Park Tower Owner and OCII negotiated and established a value of $178,652.00 for the in-lieu fee payment ("In-Lieu Fee"). The ownership of the Pavilion will transfer from Park Tower Owner to the Successor Agency through the execution of a bill of sale ("Bill of Sale") at no cost to OCII, and OCII will enter into a lease with Sheedy ("Lease") in an amount not to exceed $169,200 to continue storage of the Pavilion at the Sheedy yard for two years, with three one-year options, until the construction of the Under Ramp Park is underway and the park site is ready for the Pavilion's installation.

STAFF RECOMMENDATION

OCII staff recommends authorizing OCII to acquire the Pavilion and accept payment in the amount of $178,652.00 from Park Tower Owner to satisfy the Transbay Block 5 OPA/DDA Pavilion obligations, and authorizing a two-year lease at a cost not to exceed $169,200.00 with the Sheedy Drayage Company for the Pavilion's storage, with three one-year options to extend the lease.

BACKGROUND

The Pavilion was built in 1931 as part of a gas station at the corner of Larkin and Pacific Streets. In April 1990, it was moved to the northeast corner of Beale and Howard Streets when the gas station was demolished for the development of a residential project. The Pavilion was eventually rehabilitated in 2001, after which it served as a South of Market hot dog stand for many years. In October 2015, the Developer moved the Pavilion to Sheedy's storage yard as part of the clearance of the Transbay Block 5 site for development. While the Pavilion is not a historically designated building, its distinct Zig-Zag Moderne motifs and Art Deco style have long garnered interest.

OPA/DDA Section 9.06 specifies the Developer's and its successors', if any, responsibilities for the Pavilion, which include removing, transporting, and installing the Pavilion and assuming all associated costs for a period of time. The Developer was required to prepare a conditions assessment, relocation, and structural stabilization plan before moving the Pavilion, and it met these obligations. Furthermore, the Developer was required to use good faith efforts to locate a permanent site for the structure, subject to OCII's review and approval, in consultation with Planning Department Preservation staff. These good-faith efforts had to include working with the Successor Agency, the Planning Department, and Transbay Joint Powers Authority for the possible relocation of the structure to a future park.

The Developer, and its successor, Park Tower Owner, undertook a multi-year outreach effort to engage numerous parties about their potential interest in accepting the Pavilion at no cost. They conducted discussions with the following entities, among others:

1. City of San Francisco's:
    a. Planning Department,
    b. Recreation and Parks Department ("RPD"),
    c. Department of Public Works, and
    d. San Francisco Port;
2. Lessee of the City's Gleneagles Golf Course;
3. Treasure Island Development Authority; and
4. University of San Francisco

The Developer and Park Tower Owner also contacted the Transbay Citizens Advisory Committee and East Cut Community Benefit District to advise them of the existence of the Pavilion and the offer to provide it at no cost. No party expressed interest in accepting the Pavilion.

Park Tower Owner provided OCII with the documentation confirming that the Developer and owner had paid for the Pavilion to be stored at Sheedy's storage yard since 2015 and had met the obligation to pursue a new permanent location for the Pavilion and found none. As such, Park Tower Owner asked OCII to allow for the termination of the obligations under OPA/DDA Section 9.06 upon the transfer of Pavilion's ownership from Park Tower Owner to OCII and making an In-Lieu Fee payment to cover

OCII's ongoing storage costs of the Pavilion. In mid-2022, OCII determined that Park Tower Owner had satisfied the Developer's OPA/DDA requirements to use "commercially reasonable efforts…to locate an alternative receiver site," for the Pavilion. However, before considering Park Tower Owner's request for the termination of its obligations under OPA/DDA Section 9.06, OCII commissioned two feasibility analyses to evaluate whether the Pavilion could be incorporated into either its Transbay Block 3 Park or Under Ramp Park projects. Ultimately, relocation to Block 3 Park was deemed infeasible with its design, but OCII's Under Ramp Park design team led by CMG Landscape Architecture, determined that the Pavilion is structurally sound and therefore appropriate for reuse, and could be reprogrammed as the concession building at the heart of the URP park.

While this was positive news for Park Tower Owner, OCII, and the Transbay/East Cut community, it also posed a challenge for Park Tower Owner. Park Tower Owner's (and the Developer's) obligation is to pay for the relocation and installation of the Pavilion if a new permanent home is found; however, construction of Under Ramp Park is not expected to commence until mid-2026. The Park Tower Owner has asked OCII staff if it could satisfy its obligation by paying an In-Lieu Fee that would cover OCII's cost to relocate the Pavilion to the Under Ramp Park site when construction of the park was underway. OCII and Park Tower Owner negotiated and established the In-Lieu Fee value of $178,652.00. The negotiated value for the In-Lieu Fee was established by multiplying the Sheedy Drayage Co. Pavilion relocation cost of $150,000.00 by 6% (3% escalation plus 3% contingency) compounded over 3 years.

OCII will not, however, use the In- Lieu Fee for relocation, but instead will apply it to the costs of storing the Pavilion at its current location. The Park Tower Owner will make a direct payment to Sheedy of $112,800.00 to fund the storage of the Pavilion for two years. Park Tower Owner will pay the balance of $65,852.00 to OCII, which will be used for other Under Ramp Park costs. Staff believes that Park Tower Owner's payment of the In-Lieu Fee is a reasonable approach for Park Tower Owner to fulfill the Developer/owner's OP/DDA pavilion relocation requirement.

DISCUSSION

Bill of Sale

OCII and the Developer will execute the Bill of Sale to effectuate the transfer of the Pavilion from Park Tower Owner to OCII. The transfer will be at no cost to OCII, but OCII will need to procure property insurance coverage before the execution of the Bill of Sale. The Pavilion's value has been estimated to be approximately $250,000.00, and OCII's insurance broker, Alliant Insurance Services, Inc. ("Alliant"), estimates the cost for property insurance coverage for the Pavilion will be $450 per year.

Lease

The Lease term is for two years ("Initial Lease Term"), with three one-year options. The monthly lease rent is $4,700, but the Pavilion's storage for the Initial Lease Term will be paid directly by the Park Tower Owner to Sheedy in the amount of $112,800. OCII may terminate the Lease without cause upon 60 days' written notice. OCII anticipates construction of Under Ramp Park to begin in mid-2026, but the park site will not be ready to receive the Pavilion immediately.

ENVIRONMENTAL REVIEW

Acquisition of the Pavilion and the Sheedy Lease do not constitute a “project” as defined by the California Environmental Quality Act (“CEQA”) Guidelines Section 15378(b)(5). The execution of the Bill of Sale and the Lease are Successor Agency activities that do not constitute a “project” as defined by the CEQA Guidelines Section 15378(b)(5) because they are administrative activities of government and will not independently result in a physical change in the environment, and as such, are not subject to environmental review under CEQA.

NEXT STEPS

Upon Commission authorization, OCIII will acquire the Pavilion from the Park Tower Owner; accept the In-Lieu Fee payment in the amount of $178,652.00 from Park Tower Owner; and enter into the Lease with Sheedy for a two-year term in the amount of $112,800.00 with three one-year options to extend.

(Originated by Benjamin Brandin, Transbay Project Manager)

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Thor Kaslofsky
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Thor Kaslofsky
Executive Director

Attachment 1: In-Lieu Fee Agreement

Attachment 2: Photo(s) of the Pavilion as-is (“now”) and rendering of the building repurposed in URP

Park Tower Owner, LLC
c/o MetLife Investment Management, LLC
425 Market Street, Suite 1050
San Francisco, CA 94105

________________, 2025

Successor Agency to the San Francisco Redevelopment Agency
One South Van Ness Avenue, Fifth Floor
San Francisco, California 94103
Attention: Executive Director

Re: Owner Participation/Disposition and Development Agreement by and among SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body organized and existing under the laws of the State of California, commonly known as the Office of Community Investment and Infrastructure ("Successor Agency" or "OCII"), PARK TOWER OWNER, LLC (as successor-by-assignment to MA WEST LLC) ("MA West" or "Developer"), dated June 16, 2015, and recorded as of September 23, 2015, as Document No. 2015-K135873-00 in the San Francisco Assessor Recorder's Office (the "DDA") relative to the sale and development of Transbay Block 5, San Francisco, California.

Ladies and Gentlemen:

Reference is made to the DDA. Capitalized terms not defined herein shall have the meanings ascribed to them in the DDA. We are writing to confirm Developer's satisfaction of Developer's obligations with respect to Section 9.06 of the DDA.

Pursuant to Section 9.06 of the DDA, Developer has certain obligations to relocate and install the art deco pavilion located on the Private Parcel (the "Pavilion"). Developer and Successor Agency acknowledge and agree that upon payment by Developer to Successor Agency of the amount of One Hundred Seventy-Eight Thousand Six Hundred Fifty-Two and 00/100ths Dollars ($178,652.00) (the "Pavilion Relocation Fee"), Developer shall have fully, finally and completely satisfied Developer's obligations under Section 9.06 of the DDA and Developer shall have no further obligations under Section 9.06 of the DDA. Further, Successor Agency acknowledges that it hereby directs Developer to pay the Pavilion Relocation Fee as follows: $112,800.00 directly to Sheedy Drayage Company for continuing storage of the Pavilion under Successor Agency's separate agreement with Sheedy Drayage Company, and $65,852.00 to Successor Agency. Further, Successor Agency acknowledges and agrees that concurrently herewith, ownership of the Pavilion is transferred to Successor Agency pursuant to that certain Bill of Sale dated on or about the date hereof.

Except as provided herein, the DDA remains in full force and effect without change.

Please acknowledge your agreement to the terms of this letter by countersigning below.

Sincerely,

Park Tower Owner, LLC

____
Name: ________________________
Title: Chief Executive Officer and President

Acknowledged and agreed as of the date written below:

SUCCESSOR AGENCY TO THE REDEVELOPMENT
AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO,
a public body, organized and existing under the laws of the State
of California, commonly known as the Office of Community
Investment and Infrastructure

By:______________________________
Thurston Kaslofsky
Executive Director

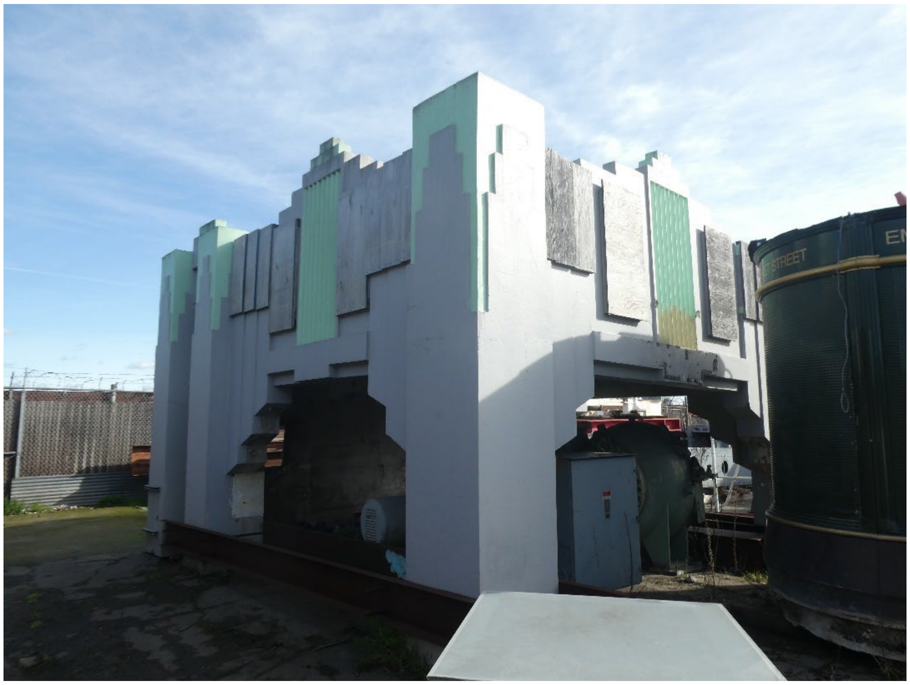
APPROVED AS TO FORM:

By:______________________________
James Morales
General Counsel

Date:__________________

Attachment 2: Photo of the Pavilion as-is and
Rendering of the building repurposed in Under Ramp Park

View of the pavilion at current storage location in Sheedy Drayage Co. yard. *Page & Turnbull, 2023.*



Art Deco Pavilion repurposed as the concession building in Under Ramp Park