OCII

Transbay Block 4

Third Amendment to Option Request

OCII Commission

June 15, 2021

Current Request

Approval of Third Amendment to Option Agreement to:

- Extend the Outside Option Exercise date, based on proposed revised affordable housing terms, to September 30, 2021 to reach agreement on affordable housing program terms

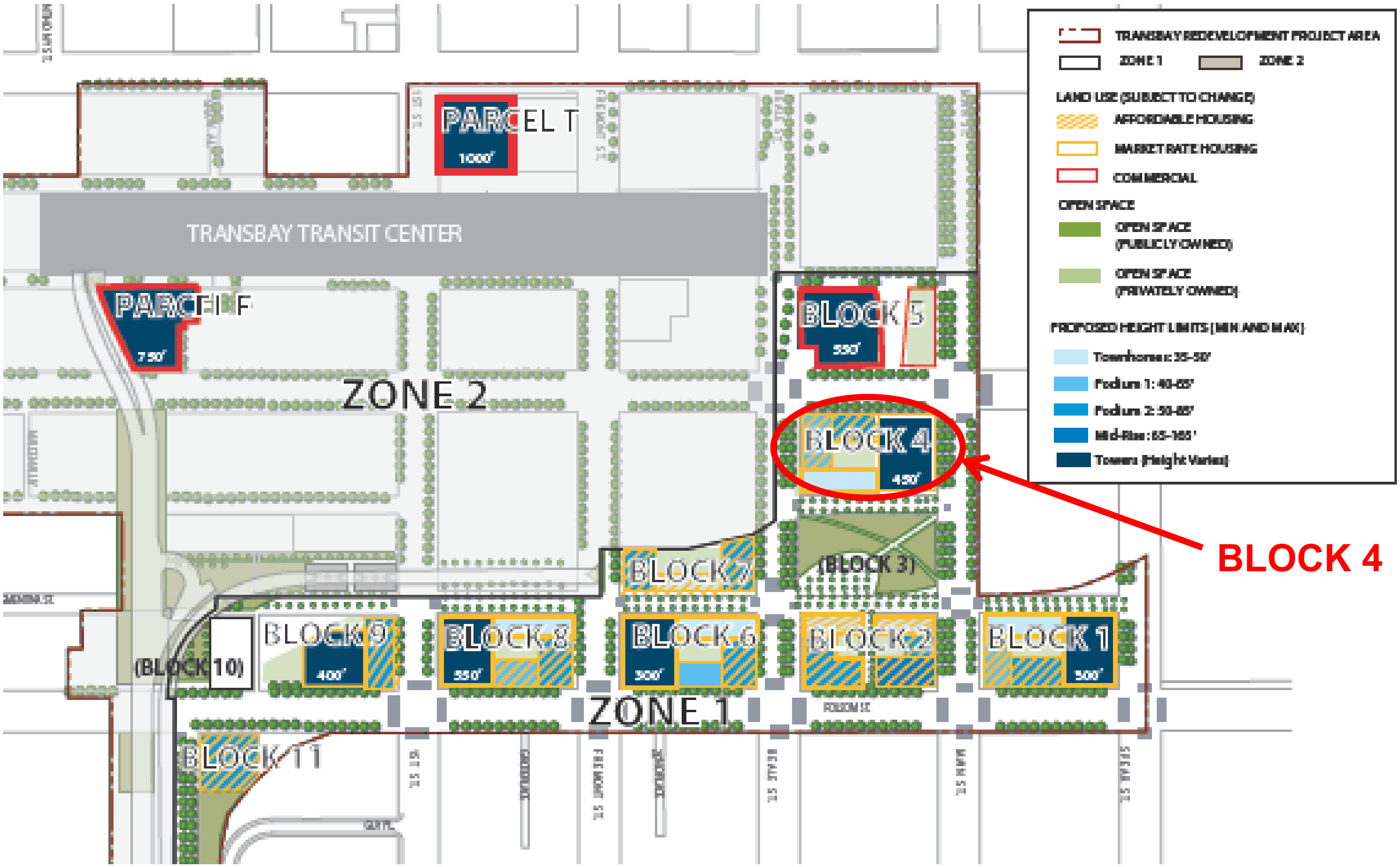
- An additional extension (fourth) will be required prior to DDA/SD approval request

Note that the project overview presented today is preliminary and informational, final project terms will be presented for Commission consideration with the DDA and Schematic Design.

Overview

- Option Agreement Background
- Preliminary project overview
- Proposed housing program and community benefits
- Proposed action and next steps

Site Location



Project Background

- **Parcel F connection:**
  - Block 4 Option sole sourced to Hines/Urban Pacific/Goldman (F4 Transbay Partners) as condition of TJPA's 2016 sale of Parcel F to Hines for premium price of $160 million
  - Option Agreement called for Parcel F to off-site required affordable units to Block 4
  - Parcel F (approved Q1 2021) now will pay $47.6 million in-lieu fee to OCII; OCII will provide $47.6 million loan to Block 4 mid-rise affordable project
- **Block 4 Development program:** mixed-income residential
  - Block 4 serves as "balancing" parcel to ensure 35% overall affordability in TB Zones 1 and 2 (Redevelopment Plan requirement)

Option Agreement

- Timeline:
  - 2016 initial Option Agreement
  - 2018 1st Amendment/Terms Sheet
  - 2019 12-month extension
  - 2020 6 months COVID force majeure, then 2nd Amendment
- Sets land valuation process (price at $45M, subject to negotiation/appraisal)
- DDA negotiations based on non-binding Terms Sheet
  - Height increase of tower from 450’ to 501’
  - Housing program - 49% affordable, unit mix, income levels
  - Off-site Parcel F BMRs to Block 4
  - Community benefits package

Proposed Project Overview

Preliminary project rendering, Schematic Design subject to Commission review and approval

- Mixed–Income Housing
  - 685 total units
    - 202 in 100% affordable mid-rise
    - 346 in mixed-income tower rentals
    - 137 condos in tower and townhomes
- Commercial/retail:
  - 6,095 SF community commercial (rent at 50% of market rate)
  - 1,955 SF unrestricted retail
- Underground valet vehicle parking
- Streetscape improvements and build-out of Tehama Street

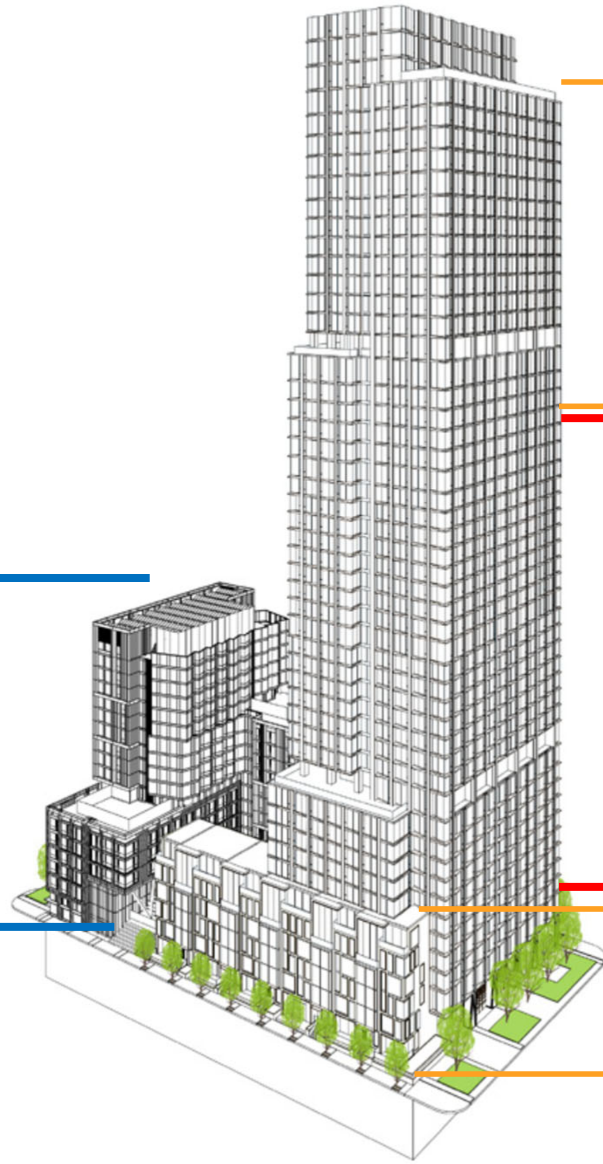
Design Preview

Preliminary project renderings, Schematic Design subject to Commission review and approval

DDA/Negotiations Status

- Schematic Design submittal complete (November 2020), substantive comments pending response from Hines
- Working draft DDA, negotiations ongoing
- Developer asserts that Terms Sheet 49% affordability and $45M land price are **not** feasible
- OCII engaged consultant for financial review
- Developer provided proposals for a modified program
  - March 2021 proposal at ~ 39% affordable
  - June 4, 2021 proposal at ~ 40% affordable (current proposal)

Residential Units



Tower Condos
117 units
all market rate

Tower Rental: 346 total units

273 market rate

73 affordable*
100% - 120% AMI

**21% of Tower Rental, 15% of Tower/TH Building*

Mid-Rise Affordable
202 units
1 mgr unit
201 affordable (100%)
40% - 100% AMI

Tower Townhome Condos
20 units
all market rate

Housing Program

	2018 Terms Sheet	March Proposal	Current Proposal
Tower rental units	376	340	346
Market rate units	220	273	273
BMR units	156 (41% of Tower rental)	67 (20% of Tower rental)	73 (21% of Tower rental)
Mid-Rise Affordable Project (100% affordable)	191	192*	202*
Tower/townhome condo units (all market rate)	146	137	137
Total housing units	**713**	**669**	**685**
Total affordable units	**347 (49%)**	**258 (39%)**	**274 (40%)**

** For the March and current proposals, the unit count in the Mid-Rise Affordable Project includes an unrestricted manager's unit. Note that the manager's unit is not included in the total affordable units.*

Tower Rental BMR Units

	2018 Terms Sheet	March Proposal	Current Proposal
BMR units	156 (41% of Tower rental)	67 (20% of Tower rental)	73 (21% of Tower rental)
Unit Types			
Studio	0 (0%)	0 (0%)	6 (8%)
1-bed	78 (50%)	34 (50%)	36 (50%)
2-bed	47 (30%)	20 (30%)	22 (30%)
3-bed	31 (20%)	13 (20%)	9 (12%)
Income Levels (% of AMI)			
100%	52 (33%)	22 (33%)	20 (27%)
110%	52 (33%)	23 (34%)	19 (26%)
120%	52 (33%)	22 (33%)	34 (47%)

Mid-Rise Affordable

		2018 Terms Sheet	March Proposal	Current Proposal
BMR units		191	192*	202*
Unit Types	Studio	0 (0%)	0 (0%)	20 (10%)
	1-bed	97 (50%)	97 (50%)	73 (36%)
	2-bed	57 (30%)	57 (30%)	87 (44%)
	3-bed	38 (20%)	38 (20%)	21 (10%)
Income Levels (% of AMI)	40%	0 (0%)	0 (0%)	20 (10%)
	45%	10 (5%)	10 (5%)	10 (5%)
	50%	10 (5%)	10 (5%)	10 (5%)
	60%	50 (26%)	50 (26%)	50 (25%)
	75%	70 (36%)	70 (36%)	60 (30%)
	90%	26 (14%)	26 (14%)	26 (13%)
	100%	25 (13%)	25 (13%)	25 (12%)
Average AMI		73%	73%	70%

** Includes one unrestricted manager's unit*

Community Benefits

- Community-serving commercial at 50% of market rents
- $100,000 to OCII for SBE capacity study
- $25,000 per year for 3 years to existing technical assistance/ training program
- Block 3 Park maintenance funding through 0.5% fee on condo resales

COP Outreach

- Developer commitment to plan innovative strategies for early outreach and marketing that exceed current marketing practices
- Mercy to lead for Mid-Rise Affordable Project
- Hines to lead for Tower BMR rentals
- Preliminary plan includes:
  - In-person/virtual tours of mock-up units
  - In-person/virtual neighborhood tours
  - Social media campaigns
  - Dedicated websites
- Complete plan attached to DDA for Commission consideration

Proposed Option Amendment/Next Steps

- Limited extension through September 30, 2021 to review and assess housing program
- Return to Commission prior to September 30 with final proposed housing plan
- Seek final extension to determine land price (through process established in Option) and finalize DDA and schematic design

Transbay Block 4

Questions/Comments