Transbay Block 4

Fourth Amendment to Option Request

OCII Commission

September 21, 2021

Current Request

Approval of Fourth Amendment to Option Agreement:

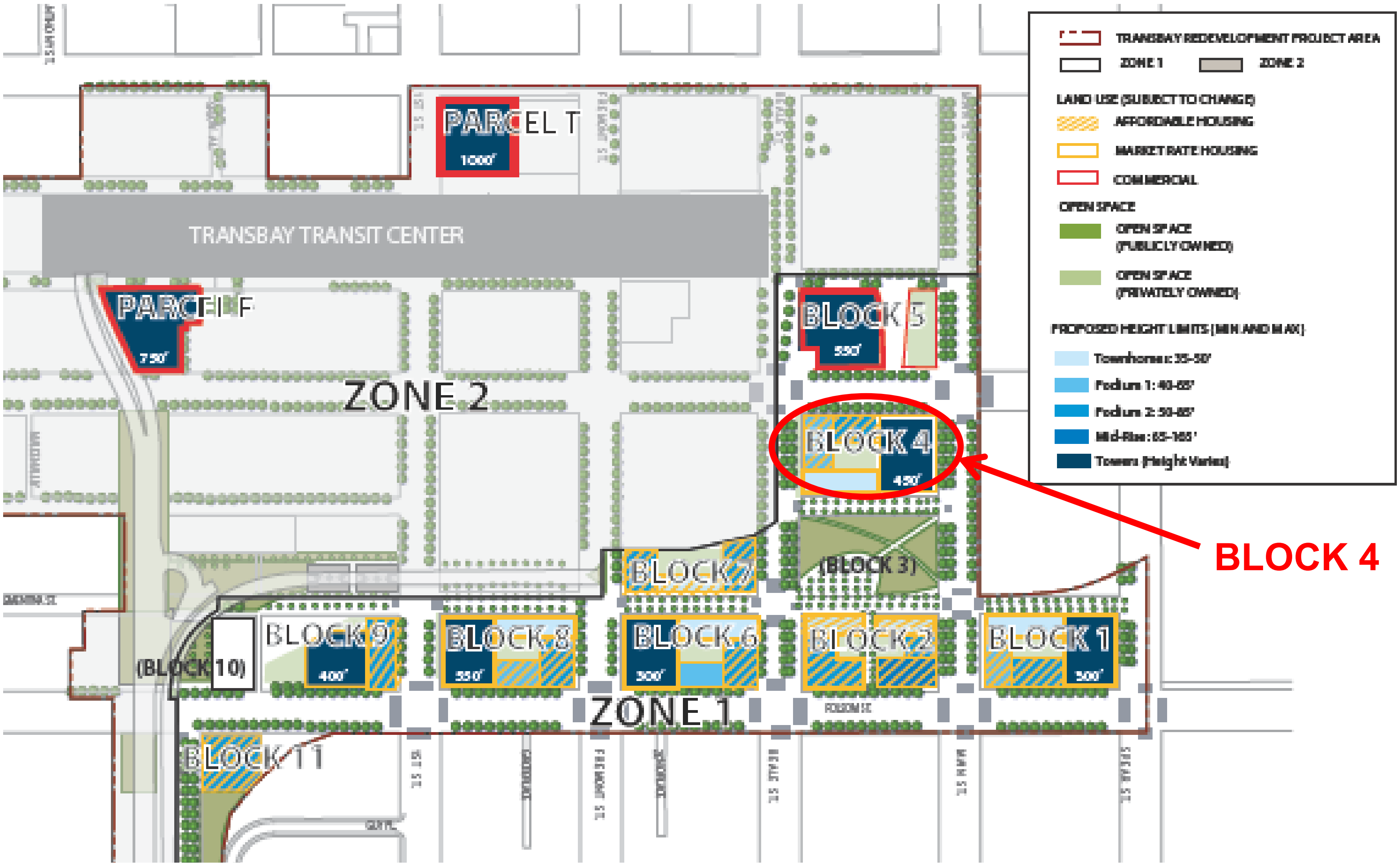
- Good faith timeframe, within 45 days:
  - finalize DDA
  - resolve key schematic design items
- Includes update and replacement of the 2018 “Term Sheet” with “Program for Appraisal” to reflect current project program
- Extend Outside Option Exercise date to March 31, 2022 to reach agreement on the land price
- Authorize the Executive Director to further extend the Outside Option Exercise date to June 30, 2022, if necessary

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

- Project Background
- Option Agreement Background
- Negotiations status update
- Housing Program Detail
- Community serving commercial
- Certificate of preference holder outreach
- 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
  - 2021 3-month extension to determine housing program
- Sets land valuation process (price at $45M, subject to negotiation/appraisal)
- DDA negotiations to date based on non-binding 2018 Term 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
  - 681 total units
    - 202 in 100% affordable mid-rise
    - 324 in mixed-income tower rentals
    - 155 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

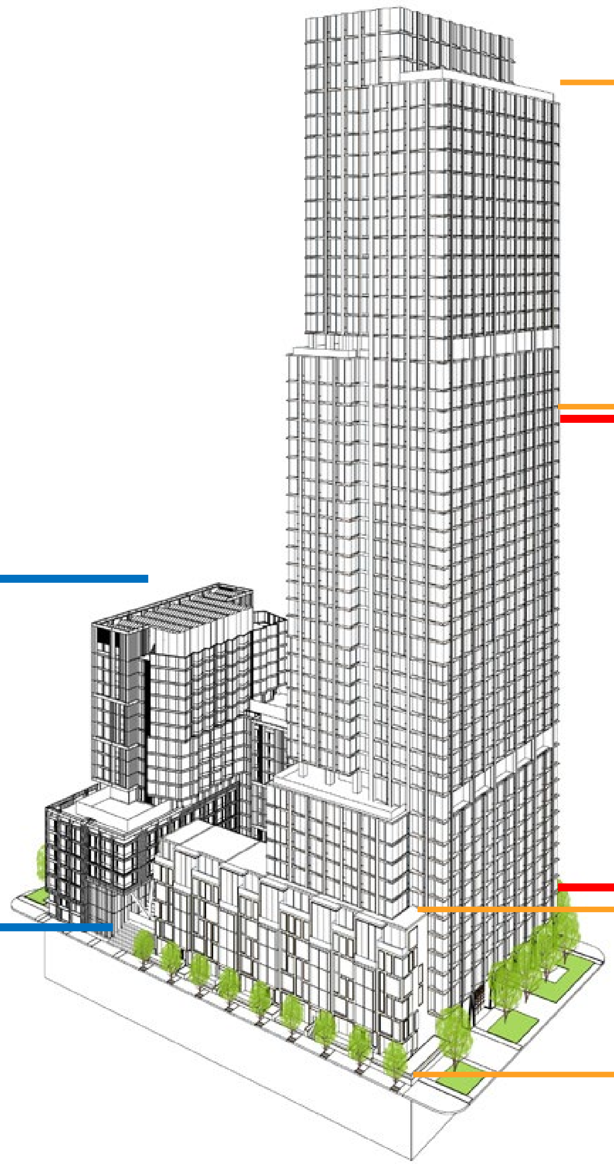
Negotiations Status

- Developer asserts that 2018 Terms Sheet 49% affordability and $45M land price are **not** feasible
- OCII engaged economic consultant for financial review
- Developer provided proposals for a modified program
  - March 2021 at ~ 39% affordable
  - June 2021 at ~ 40% affordable (presented to Commission on June 15)
  - September 2021 ~ 45% affordable

Negotiations Status continued

- OCII consultant findings:
  - Project can support up to 45% affordable units based on Developer financial model, based on:
    - Conversion of two top floors of apartments to condominiums; and
    - Increase assumption regarding economic occupancy; **or**
    - Reduce controllable operating expenses
  - Developer agrees to pursue a program at 45% affordable for appraisal purposes to determine land price
    - Developer does NOT agree or represent that 45% affordable is financially feasible

Residential Units



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

Tower Condos
135 units
all market rate

Tower Rental: 324 total units

219 market rate

105 affordable*
100% - 120% AMI

**32% of Tower Rental, 22% of Tower/TH Building*

Tower Townhome Condos
20 units
all market rate

Housing Program

	2018 Term Sheet	June Proposal	Current Proposal
Tower rental units	376	346	324
Market rate units	220	273	219
BMR units	156 (41% of Tower rental)	73 (21% of Tower rental)	105 (32% of Tower rental)
Mid-Rise Affordable Project (100% affordable)	191	202*	202*
Tower/townhome condo units (all market rate)	146	137	155
Total housing units	**713**	**685**	**681**
Total affordable units	**347 (49%)**	**274 (40%)**	**306 (45%)**

** For the June 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 Term Sheet	June Proposal	Current Proposal
BMR units	156 (41% of Tower rental)	73 (21% of Tower rental)	105 (32% of Tower rental)
Unit Types Studio	0 (0%)	6 (8%)	12 (11%)
1-bed	78 (50%)	36 (50%)	45 (43%)
2-bed	47 (30%)	22 (30%)	36 (35%)
3-bed	31 (20%)	9 (12%)	12 (11%)
Income Levels (% of AMI) 100%	52 (33%)	20 (27%)	21 (20%)
110%	52 (33%)	19 (26%)	22 (21%)
120%	52 (33%)	34 (47%)	62 (59%)

Community Serving Commercial

- Approximately 6,000 square feet in Mid-Rise Affordable Project
- Mercy Housing to procure tenants, curate and manage
- Rents at or below 50% of market rate commercial rents
- Intended to provide opportunities for local businesses and non-profit organizations

COP Outreach

- Developer commitment to enhanced strategies for early outreach
- Mercy lead for Mid-Rise Affordable Project; Hines lead for Tower BMRs
- Draft plan includes:
  - Diverse lease-up teams staffed early in lease-up
  - In-person tours of off-site mock-up units, and virtual unit tours
  - In-person/virtual neighborhood tours, presentations held near Project and in COP communities
  - Social media and text message campaigns
  - Dedicated websites: floor plans, interior design images, qualification/application information
  - Targeted outreach and assistance for COP holders who have applied to but not secured other housing opportunities
- Complete plan to be attached to DDA for Commission consideration

Proposed Option Amendment/Next Steps

- Within 45 days: resolve key DDA and schematic design items
- Determine land price through two-party appraisal process
- Option extension through March 31, 2022
- Three-month extension at Executive Director’s discretion to finalize DDA, schematic design, and related documents
- Return to Commission to seek approval of DDA and schematic design prior to June 30, 2022

Transbay Block 4

Questions/Comments

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- Press *3 to submit your request to speak
- Wait for your line to be unmuted
- You will have 3 minutes to provide a comment

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