INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell
Executive Director

SUBJECT: Updating the Commission on the status of the construction of the new Transbay Transit Center and staff’s intention to issue a Request for Proposals to propose, design, and develop a high-density residential project on Blocks 6 and 7, located on Folsom Street between Fremont and Beale Streets; Transbay Redevelopment Project Area

EXECUTIVE SUMMARY

Construction of the new Transbay Transit Center, one of the primary goals of the Transbay Redevelopment Project Area (“Project Area”), began in 2010. At the same time, Agency staff is preparing the first of a series of Request for Proposals (“RFPs”) for high-density residential projects on Folsom Street, which will generate land sales and tax increment revenue to help pay for the cost of the new Transit Center. The purpose of this memorandum is to update the Commission on these developments and provide background on the residential development blocks on Folsom Street.

TRANSBAY TRANSIT CENTER

The TJPA began demolition of the existing Transbay Terminal in August 2010. The East Loop Ramp to the Terminal has been completely removed and the main facility and remaining West Loop Ramp will be gone by March 2011. In place of the existing Terminal, the TJPA is constructing the $4 billion Transbay Transit Center. The new facility will be a state-of-the-art, multi-modal transit hub with both bus and rail service connecting the entire Bay Area.

The new Transit Center is being constructed in two phases. Phase I, which includes the entire above-ground facility, a new bus ramp to and from the Bay Bridge, and a “box” for an underground rail station, will be completed and open in 2017. Phase II, which includes the build-out of the underground rail station and the extension of the rail line from the current terminus at Fourth and King Streets, is only partially funded. The TJPA expects to secure additional funding and begin construction on Phase II by 2014.

The above-ground portion of the new Transit Center will provide bus service for AC Transit, SamTrans, Golden Gate Transit and San Francisco Muni buses. AC Transit buses will access the
new facility directly from the Bay Bridge via a new bus ramp on roughly the same alignment as the current West Loop Ramp. The below-ground rail station will provide six tracks which will be shared by Caltrain commuter trains serving the Peninsula and high-speed rail trains going all the way to Southern California. The Transbay Transit Center has been designated as the northern terminus of the first phase of the California High-Speed Rail system, which will run from Los Angeles Union Station to San Francisco.

The design of the new Transit Center, which was presented to the Commission in April 2009, responds well to the goals of the Redevelopment Plan. It emphasizes ground-floor retail, ease of access for pedestrians, and world-class architecture. The design, which was completed by Pelli Clarke Pelli Architects, also includes a 5-acre rooftop park, which has been dubbed “City Park.” Agency staff has been working closely with the TJPA and its architects to refine both the retail and rooftop park elements in advance of construction.

**RFP FOR BLOCKS 6 AND 7**

Agency staff is preparing and intends to issue a Request for Proposals (“RFP”) for development teams for a mixed-use residential project on Blocks 6 and 7, located on Folsom Street between Fremont and Beale Streets in the Project Area, as shown in Attachment 1, in February 2011. As shown on the table in Attachment 2, Blocks 6 and 7 will be developed as approximately 500 residential units, including 150 affordable units in several stand-alone podium buildings, and ground-floor retail. As shown in Attachment 3, the plan for Block 6 includes a 300-foot residential tower and adjacent townhouse and podium buildings. Block 7 is a small parcel that includes only townhouse and podium buildings.

Agency staff is currently preparing an RFP for Block 6 and 7, which will be provided to the Commission along with an informational memorandum in February 2011.

**Background**

The Redevelopment Plan was adopted in May 2006 and the Project Area is divided into two land use zones, as shown on the map in Attachment 1: 1) Zone One, which was rezoned with the adoption of the Redevelopment Plan and is under the primary jurisdiction of the Agency, and 2) Zone Two, which is under the primary jurisdiction of the San Francisco Planning Department (the “Planning Department”). Zone One consists mostly of parcels that are currently owned by the State of California (the “State-owned parcels”) and were formerly occupied by a portion of the Embarcadero Freeway, which was demolished after the 1989 Loma Prieta Earthquake. In 2007, the State of California’s Department of Transportation (“Caltrans”) gave final approval to a Cooperative Agreement, which will facilitate the transfer of the State-owned parcels in Zone One to the Agency for disposition and development.

Caltrans agreed to transfer the State-owned parcels in Zone One to the Agency because their development will help to support the construction of the new Transbay Transit Center by the TJPA. The Cooperative Agreement requires that all of the revenue generated from the sale of the State-owned parcels and all of the net tax increment revenue (after statutory passthroughs and
the 20 percent affordable housing set-aside) generated by their development be used to help pay the cost of constructing the new Transbay Transit Center. As a result, through the Redevelopment Plan and supporting agreements approved by the Agency, all of the sales proceeds and net tax increment generated by the State-owned parcels has been pledged to the TJPA.

In connection with the transfer of the State-owned parcels, California State law was amended prior to the adoption of the Redevelopment Plan to require that for any redevelopment plan adopted to finance the demolition of the Transbay Terminal and the construction of a new terminal, 35 percent of all the residential units constructed in the Project Area must be affordable to very low-, low-, and moderate-income households. Note that this requirement applies to the Project Area as a whole, not to individual blocks or parcels within the Project Area. Thus some individual blocks and parcels may have less than 35 percent affordable housing while others may have more than 35 percent affordable housing.

Other RFPs and Market Conditions

As shown on the map in Attachment 1, there are twelve development blocks in Zone One of the Project Area. Agency staff issued separate RFPs for Blocks 8 and 11 in October 2008. Block 11 is a 100-percent affordable housing project for formerly homeless individuals and families. The schematic design and predevelopment funding for Block 11 has been approved by the Commission and the project is expected to begin construction in 2011.

Block 8 is a market-rate and affordable housing project with a 550-foot tower and adjacent low- and mid-rise buildings. After receiving bids from two development teams for Block 8, Agency staff determined that the recession, which began in October 2008, was depressing land prices to such a significant extent that it would be better to suspend the RFP and reissue it after economic conditions improved.

Based on current market conditions, Agency staff and the TJPA have decided not to reissue the RFP for Block 8 at this time. Instead, Agency staff is preparing an RFP for Blocks 6 and 7. Agency staff has been working with The Concord Group and Keyser Marston Associates, real estate consultants under contract with the TJPA and the Agency, respectively. Based on their analysis, Agency staff believes that Block 6, which has a smaller tower than Block 8, will be easier to finance and develop under current market conditions. In addition, the TJPA is using Block 8 for construction and demolition staging related to the construction of the new Transit Center.

Agency staff intends to reissue the RFP for Block 8, as well as an RFP for another residential project on Block 9, within the next 2 to 3 years, depending on market conditions.

Developer Selection and Disposition Process

It is anticipated that developers responding to the Blocks 6 and 7 RFP will form teams which include both a market-rate developer (the lead developer) to develop the market-rate housing and a non-profit affordable housing developer to develop the affordable residential units in the
podium buildings. Each developer will also have specific responsibilities for the development of the shared facilities on the block. The market-rate developer will be responsible for developing the shared underground parking garage, with the non-profit affordable housing developer contributing its share of the cost. The non-profit affordable housing developer will be responsible for providing a shell for a child care facility in one of the podium developments. All of the developments on the block will share the cost of ongoing operations and maintenance of the shared facilities, in proportion to their use of the facilities.

The selection process for the RFP will include review of written proposals and pre-schematic designs as well as interviews as staff prepares a recommendation for the Commission. The financial proposals will include a purchase offer for the market-rate project and a requested subsidy for the affordable project. Based on current market conditions, Agency staff will be proposing that the purchase offer for the market-rate project include a structured payment and a participation formula in order to allow the market-rate developer to defer a portion of the land payment until after the project has been completed.

The disposition process for the parcel will involve the sale of the entire site to the market-rate developer in order to facilitate the construction of the shared underground parking garage. The market-rate developer will give the air rights parcels (above the shared underground parking garage) associated with the stand-alone affordable housing, including the shared open space parcel, to the Agency. The Agency will then in turn enter into a long term “Air Rights Lease” with the non-profit affordable housing developer.

Schedule

As described above, the RFP for Blocks 6 and 7 will be issued in February 2011. The complete RFP will be transmitted to the Commission, along with an information memorandum, before it is issued. Agency staff expects to complete the selection process by June 2011. Construction of the development would most likely begin in 2013.

(Originated by Mike Grisso, Senior Project Manager, Transbay Project Area)

Fred Blackwell
Executive Director

Attachments:

1. Transbay Project Area Zoning Map
2. Transbay Zone One Development Projections
3. Transbay Zone One Plan Map