MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Authorizing the issuance of a request for proposals from qualified development teams to design and develop an approximately 700,000-square-foot commercial office building on Block 5, located on Howard Street between Main and Beale Streets; Transbay Redevelopment Project Area

EXECUTIVE SUMMARY

Pursuant to the Transbay Redevelopment Project Implementation Agreement ("Implementation Agreement"), staff has prepared a request for proposals ("RFP") from qualified development teams to design and develop an approximately 700,000-square-foot commercial office building on Block 5, located on Howard Street between Main and Beale Streets, in the Transbay Redevelopment Project Area ("Project Area"). If the Commission authorizes the issuance of the RFP, staff will publish the RFP on the Office of Community Investment and Infrastructure ("OCII") and City and County of San Francisco ("City") websites and publicize the availability of the RFP to developers and consulting firms through direct mailing, newspapers of general circulation, and community newspapers.

As with previous RFPs issued for Blocks 6, 7, 8, and 9, the Block 5 RFP incorporates all of OCII's contracting and workforce policies, in addition to summarizing the development opportunity and the selection process. In addition, the Block 5 RFP incorporates special requirements associated with large commercial office developments. The Implementation Agreement requires OCII to prepare and sell the parcels formerly owned by the State of California ("State-Owned Parcels") within the Project Area. All land sale and net tax increment revenue from the State-Owned Parcels has been pledged to the Transbay Joint Powers Authority ("TJPA") to help pay the cost of constructing the new Transbay Transit Center ("TTC"). Therefore, pursuant to the Implementation Agreement, the TJPA pays all OCII staff costs for issuing RFPs and selecting developers for the State-Owned Parcels. Once the selection process is complete, the selected developer pays all additional OCII staff costs.

Staff recommends authorizing the issuance of the RFP for Block 5.

BACKGROUND

The Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of State-Owned Parcels in order to generate funding for the TJPA to construct the new TTC. The Implementation Agreement is an enforceable obligation that requires OCII, as the Successor Agency to the former San Francisco Redevelopment Agency, to "prepare and sell [certain State-owned parcels that OCII is authorized to acquire] to third parties." (Section 2.1 (a) of
the Implementation Agreement at p. 4). On April 15, 2013, the California Department of Finance ("DOF") determined "finally and conclusively" that the Implementation Agreement, along with other Transbay-related documents, is an enforceable obligation that will not require additional DOF review in the future, although expenditures under the Implementation Agreement are subject to continuing DOF review. All land sale and net tax increment revenue from the State-Owned Parcels has been pledged to the TJPA to help pay the cost of constructing the new TTC. Therefore, pursuant to the Implementation Agreement, the TJPA pays all OCII staff costs for issuing RFPs and selecting developers for the State-Owned Parcels. Once the selection process is complete, the selected developer pays all additional OCII staff costs.

DISCUSSION

The development opportunity is located on Howard between Main and Beale Streets ("Site"). It is comprised of a portion of Block 3740, Lot 025, which is currently owned by the TJPA and for which OCII has an option to purchase through the Option Agreement for the Purchase and Sale of Real Property between the TJPA and OCII. The Site will be developed with an approximately 700,000 square foot commercial office building with ground floor retail ("Project"). The development program for the Project consists of a 550-foot office tower above an underground parking garage. The Project also comprises construction of streetscape improvements including a portion of Natoma Street and open space on nearby parcels that will be retained by the TJPA. This development program was included in the Final Environmental Impact Statement/Environmental Impact Report for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project ("Final EIS/EIR"), which was certified in 2004.

The Block 5 RFP seeks proposals from development teams to design and develop the Project. Development teams must submit team qualifications, conceptual designs, and a financial proposal, including a purchase offer for the land. As with previous RFPs, the Block 5 RFP incorporates all of OCII’s contracting and workforce policies, which under Section 4.1.3 of the Transbay Redevelopment Plan must “meet or exceed City policies regarding workforce development, contracting opportunities, and equal opportunity, particularly for economically-disadvantaged San Francisco residents and businesses.” In addition, the Block 5 RFP summarizes the development opportunity and the selection process and incorporates special standards relating to large commercial office developments in the downtown area. These include the requirement under Section 164 of the San Francisco Planning Code for a local employment program and the application of the First Source Hiring Program to the employers who will be leasing space in the office building.

The Block 5 RFP also incorporates a new requirement that development teams prepare a Workforce and Contracting Action Plan ("WCAP") describing the specific steps that the development team will take to meet or exceed the contracting and workforce obligations in Section 6 of the RFP. Although the contracting and workforce obligations in Section 6 of the RFP are similar to those included in previous RFPs, the WCAP will force the development teams to understand the requirements at the beginning of the development process and create an implementation plan that will help to improve contracting and workforce achievement levels for the Project.
Proposals will be reviewed and the development teams will be interviewed by a selection panel comprised of OCII staff, a member of the Transbay Citizens Advisory Committee, and a representative from the San Francisco Planning Department. The interview will include a presentation and question and answer session. The teams will then be scored based on the selection criteria outlined in the RFP. The team with the highest score after the interview will be recommended for selection by the Commission for exclusive negotiations. Staff anticipates returning to the Commission with an Exclusive Negotiations Agreement ("ENA") with the recommended development team in August 2014.

If the Commission authorizes the issuance of the RFP, staff will release the RFP to the public on April 2, 2014. It will be publicized to developers and consulting firms through the OCII and City websites, direct mailing, newspapers of general circulation and community newspapers.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

This development program for Block 5 was included in the Final EIS/EIR for the Project Area, which was certified in 2004. Authorization to issue the RFP will allow for the selection of a development team to design and develop the Site. The selection process itself would have no resultant significant impacts on the physical environment, and thus the issuance of the RFP is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Sections 15061 (b)(3) and 15262.

(Originated by Mike Grisso, Senior Project Manager)

Attachment: Request for Proposals: Transbay Block 5