INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Informational Memorandum on the results of the initial phase of the selection process for evaluating the proposals submitted in response to the Transbay Block 5 Request for Proposals; Transbay Redevelopment Project Area

PURPOSE OF INFORMATION

The purpose of this informational memorandum is to inform the Commission of the results of the initial phase of the selection process for evaluating the proposals submitted in response to the Transbay Block 5 Request for Proposals ("RFP") issued on April 2, 2014. Proposals from 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 (the "Project Area"), were due on June 25, 2014. Development teams were asked to submit qualifications, a basic development concept, and a financial proposal.

Four proposals were received from the following development teams (listed alphabetically by lead developer):

1. Boston Properties, Kohn Pedersen Fox Architects ("KPF") and Marivic Bamba (together, the "Boston Team");

2. Golub Real Estate Corp. ("Golub") with The John Buck Company ("John Buck"), Goettsch Partners ("Goettsh") with Solomon Cordwell Buenz Architects ("SCB"), and Butler Enterprise Group ("Butler") (together, the "Golub Team");

3. Jay Paul Company ("Jay Paul"), Skidmore, Owings & Merrill LLP ("SOM"), and Monica Wilson/Community + Real Estate Development ("Monica Wilson") and Bringing Underemployed Individuals to Local Developers ("B.U.I.L.D.") (together, the "Jay Paul Team"); and

4. Kilroy Realty Corp. ("Kilroy"), Pelli Clarke Pelli Architects ("Pelli"), and Project Management Advisors ("PMA") (together, the "Kilroy Team").

The proposals were evaluated by a selection panel comprised of OCII staff, a Transbay Citizens Advisory Committee ("CAC") member, a representative from the Transbay Joint Powers Authority ("TJPA"), and a representative from the San Francisco Planning Department ("SF Planning"), (collectively referred to as the "Selection Panel"), with input from OCII Contract Compliance staff, an architect at SF Planning, and a professional real estate consulting firm,
Keyser Marston Associates ("KMA"), under contract with OCII. The Selection Panel reviewed the proposals, interviewed the development teams, and scored each team based on the criteria outlined in the RFP. The Selection Panel scored the Golub Team the highest. OCII staff will work with the Golub Team to draft an Exclusive Negotiation Agreement ("ENA") to be considered by the Commission in September 2014.

The multiple objectives of the RFP were to select a proposal that achieves the highest purchase price, meets or exceeds OCII/City policies for participation by economically-disadvantaged businesses and workers and local businesses and workers, and architecturally adds to the burgeoning neighborhood. Based on an evaluation of the written proposals, as well as interviews with each team, the Selection Panel scored the proposals in the following order (listed from highest score to lowest score): 1) the Golub Team; 2) the Boston Team; 3) the Jay Paul Team; and 4) the Kilroy Team.

The proposal from the Golub Team included a purchase price of $172,500,000 payable at the transfer of title and approximately 665,000 rentable square feet of office space in a 550-foot tall tower. The development program from the Golub Team also includes:

- 15,000 square feet of publicly accessible ground floor open space;
- an underground parking facility with 117 parking spaces in mechanical stackers;
- streetscape improvements including the extension of a portion of Natoma Street;
- ground-floor retail space of approximately 5,000 square feet; and,
- a minimum LEED Gold level of certification for sustainability.

Based on the outcome of the selection process, staff will be taking the Selection Panel recommendation to the CAC on August 14th to get its recommendation. Shortly thereafter, staff will present its recommendation to authorize the Executive Director to execute an ENA with the Golub Team summarizing the terms set forth in the proposal and setting a timeline to design and develop the project. After the Commission has approved the ENA, staff will start negotiations with the Golub Team and return to the Commission at a later date for approval of a schematic design and a disposition and development agreement ("DDA").

BACKGROUND

Block 5 is part of the Project Area, a 40-acre redevelopment district at the foot of Rincon Hill which includes the Transbay Transit Center ("TTC") and approximately 10 acres of property owned by the State of California (the "State-owned parcels"). Block 5 is a 26,300-square-foot parcel on Howard Street at the corner of Beale Street, adjacent to the future TTC. The Project Area was established in June 2005 with the adoption of the Redevelopment Plan for the Transbay Project Area (the "Redevelopment Plan") by the Board of Supervisors. In addition, the former San Francisco Redevelopment Agency (the "SFRA") entered into several agreements to implement the Redevelopment Plan, including, among others, the Transbay Redevelopment Project Area Implementation Agreement (the "Implementation Agreement"), the Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement (the "Pledge Agreement"), and the Option Agreement for the Purchase and Sale of Real Property (the
"Option Agreement"). Pursuant to the Pledge Agreement, all of the land sales proceeds and net tax increment from Block 5 have been pledged to the Transbay Joint Powers Authority ("TJPA") to help pay the cost of constructing the new TTC. The Implementation Agreement is an enforceable obligation that requires OCII, as the successor agency to the SFRA (the "Successor 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. The Option Agreement provides the means by which OCII can fulfill its obligations under the Implementation Agreement to prepare and sell the State-owned parcels. The Option Agreement grants to OCII "the exclusive and irrevocable option to purchase" the former State-owned parcels in the Project Area that are programmed for development, which are listed in the Option Agreement, including Blocks 2-12 and Parcel F (Section 2.1 of the Option Agreement at p. 4).

The Implementation Agreement requires OCII to take the lead role in facilitating the development of the State-owned parcels. Specifically, the Implementation Agreement requires OCII to: (1) prepare and sell the State-owned parcels to third parties, (2) deposit the sale proceeds into a trust account to help the TJPA pay the cost of constructing the TTC, (3) implement the Redevelopment Plan to enhance the financial feasibility of the redevelopment project, and (4) fund the state-mandated affordable housing program.

DISCUSSION

On April 2, 2014, pursuant to the Implementation Agreement, staff issued the RFP to development teams to design and develop an approximately 700,000-square-foot commercial project on a portion of Block 5 (the "Site"). The Site is comprised of a portion of Block 3740, Lot 025, which is currently owned by the TJPA and for which the OCII has an option to purchase. The development program for the Site consists of a 550-foot office tower above an underground parking garage. Site development also includes 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 Environmental Impact Statement/Environmental Impact Report for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project ("EIS/EIR"), which was certified in 2004.

The RFP was publicized to developers, architects, and real estate professionals, including small business enterprises ("SBEs"), through direct mailing, advertisements in newspapers of general circulation and community newspapers, and postings on OCII’s and the City of San Francisco’s (the "City’s") websites. Development teams were asked to submit qualifications, a basic development concept, and a financial proposal.

The multiple objectives of the RFP were to select a proposal that:
achieves the highest purchase price,
meets or exceeds OCII/City policies for participation by economically-disadvantaged businesses and workers and local businesses and workers, and
architecturally adds to the burgeoning neighborhood.

The RFP also stated that the selected development team would be required to comply with all of OCII’s relevant policies, including the Certificate of Preference Program, SBE Program, Minimum Compensation Policy, Health Care Accountability Policy, Construction Workforce Agreement, Permanent Workforce Agreement, and Prevailing Wage Policy.

Selection Process and Criteria

The proposals were reviewed and evaluated by the Selection Panel. KMA, the SF Planning Architect, and OCII Contract Compliance staff advised the Selection Panel throughout the review process and produced final summary analyses, which are attached to this memorandum. After the reviews were completed, the teams were interviewed by the Selection Panel. Each team made a 30-minute presentation and spent 30 minutes answering questions and providing supplemental information to help the Selection Panel complete its evaluation. Proposals were evaluated using the selection criteria and point system set forth in the RFP, as presented below:

1. **Financial Proposal – 75 Points**
   - Proposed total purchase price (70 Points)
   - Overall financial feasibility of proposal (5 Points)

2. **Development Concept – 15 Points**
   - Proposed massing concept, including design quality, sustainability, constructability, earthquake resilience, proposed concept for ground floor uses, and consistency with the Transbay Development Controls and Design Guidelines (“the DCDG”).

3. **Development Team Experience – 5 Points**
   - Developer and architect experience in designing and developing projects comparable to the proposed project. History and experience working with OCII, the SFRA, the TJPA, and the City.

4. **Workforce and Contracting Action Plan – 5 Points**
   - Development team’s knowledge and familiarity with OCII/City policies and programs, the steps proposed to meet the goals for participation by economically-disadvantaged and local businesses and workers, and any specific implementation actions that the development team proposes to achieve the best results for meeting or exceeding the goals.

Summary of Proposals

Four proposals were received, as follows (listed alphabetically by developer):
### Results of the Selection Process

Based on evaluation of the proposals as well as interviews with each development team, the Selection Panel scored the proposals in the following order (highest score to lowest score), as detailed in the table on the following page: (1) The Golub Team; (2) the Boston Team; (3) the Jay Paul Team; and, (4) the Kilroy Team. All five members of the Selection Panel awarded the highest total score to the Golub Team. The average total score for the Golub Team was 11 points higher than for the second place team, the Boston Team. The total cumulative score for the Golub Team was 55 points higher than the Boston Team.
### Analysis of Results

The following briefly summarizes the Selection Panel’s analysis of the proposals:

1. **Financial Proposal (75 points).** The purchase price was determined solely by current market conditions as there was no minimum purchase price included in the RFP. There was a large spread between purchase offers with the highest purchase offer $65.5 million more than the lowest. The highest purchase price of $172,500,000 was offered by the Golub Team with the Boston Team, the next highest bidder, offering $37 million less at $135,212,119. The number of points allocated to the purchase price was 70 out of 100, with each team receiving scores that were proportionally lower than the highest price offered. The large difference between the Golub Team and the Boston Team offers resulted in scores of 70 and 55, respectively, for purchase price. The Jay Paul Team scored 47 points and the Kilroy Team scored 43 points in this category.

Up to five additional points were allocated based on overall feasibility of each team’s financial proposals as analyzed by KMA. As described in Attachment 1, KMA analyzed all four proposals in detail to ensure that their assumptions and market data were reasonable and that the proposed projects were feasible. All of the teams demonstrated a strong capacity to deliver the project. All four teams have experience developing high-rise residential buildings in the San Francisco Bay Area and more specifically in San Francisco. Specifically, Golub has experience working with OCII on Transbay Block 6 and John Buck has experience delivering commercial towers throughout the world. All four teams received five out of five points from all panelists for financial feasibility.

2. **Development Concept (15 points).** Per the RFP, the development concept for the Site must include a commercial tower of up to 550 feet in height, conforming to the bulk requirements for C-3-O (SD) districts as outlined in the SF Planning Code. Subsequent to execution of the ENA and prior to execution of a DDA, the selected development team will be responsible for seeking and obtaining a Redevelopment Plan amendment which includes approval by the Commission and the Board of Supervisors to include bulk controls that are appropriate for a commercial office building. The Transbay DCDG must also be amended and approved by the Commission to remain consistent with the Redevelopment Plan and to update the open space and parking requirements for commercial development in Zone One of the Project Area.

The SF Planning Architect evaluated the proposed development concepts for each submittal, including the quality of the design, sustainability features (minimum of LEED Silver), the proposed concept for ground floor uses, and consistency with the DCDG as.
amended. Her analysis is included as Attachment 2. All of the proposals included innovative design concepts that create a vibrant urban community, achieve a minimum LEED Silver certification, and advance the goals of the Project Area.

The proposals received average scores for the development concept of between 7 and 14 points, out of a maximum of 15 points. The average development concept scores ranged from a high of 14 for the Kilroy/Pelli Clarke Pelli design and a low of 7 for the Golub/SCB and Goettsch design. Jay Paul/SOM received 13 points and Boston Properties/KPF received 10 points. The panel responded favorably to the sky balconies in the Golub Team’s proposal; however, had some concerns about the overall design concept of the tower and specifically the ground floor programming. The Golub Team has received detailed design comments and will be required to work with OCII staff to improve the building massing, cladding, and ground-floor plane.

3. Development Team Experience (5 points). The Selection Panel scored the proposals based upon the experience of the developer, architects, and workforce consultant, with comparable commercial towers. All of the development teams were qualified, with varying levels of experience and all scored an average of between 3 and 4 points in this category. The Golub Team has experience with OCII in developing the 300-foot residential tower and podium buildings on Transbay Block 6 and John Buck has significant experience building high-rise commercial buildings throughout the world. The Golub Team included two architects, one with experience designing high-rise commercial buildings in Chicago (Goettsch) and the other with a significant amount of experience designing high-rise residential projects in San Francisco.

4. Workforce and Contracting Action Plan (5 points). The Selection Panel scored the Workforce and Contracting Action Plan (“WCAP”) included in the proposals based upon a detailed summary prepared by OCII Contract Compliance staff, included as Attachment 3. All four teams scored 4 points in this category. Butler Enterprises has demonstrated experience in procurement during the construction phase, however will have to work closely with OCII Contract Compliance staff to achieve the SBE goals for professional services during the pre-development phase. Staff and the Selection Panel are confident that the WCAP provided by the Golub Team will help them succeed in meeting or exceeding OCII/City policies and goals.

Proposed Project Summary

The proposal from the Golub Team included a purchase price of $172,500,000 payable at the transfer of title and approximately 665,000 rentable square feet of office space in a 550-foot tall tower. The development program also includes:

- 15,000 square feet of publicly accessible ground floor open space;
- an underground parking facility with 117 parking spaces in mechanical stackers;
- streetscape improvements including the extension of a portion of Natoma Street;
- ground-floor retail space of approximately 5,000 square feet; and,
- a minimum LEED Gold level of certification for sustainability.
The development program proposed by the Golub Team for Block 5 conforms to the goals and requirements of the Redevelopment Plan, the DCDG, and the Transbay Redevelopment Project Area Streetscape and Open Space Concept Plan as proposed to be amended.

NEXT STEPS

Based on the outcome of the selection process, staff will be taking the Selection Panel recommendation to the CAC on August 14th to get its recommendation. Shortly thereafter, staff will present its recommendation to authorize the Executive Director to execute an ENA with the Golub Team summarizing the terms set forth in the proposal and setting a timeline to design and develop the project. Once the Commission has approved the ENA, staff will start negotiations with the development team and return to the Commission at a later date for approval of a schematic design and a DDA.

(Originated by Courtney Pash, Assistant Project Manager, Transbay)

Attachment 1: Keyser Marston Associates, Block 5 Proposal Review – Financial Proposal
Attachment 2: SF Planning Department, Block 5 Proposal Review – Development Concept
Attachment 3: OCII Contract Compliance Specialist, Block 5 Proposal Review – Workforce and Contracting Action Plan
MEMORANDUM

To: Courtney Pash  
Successor Agency to the San Francisco Redevelopment Agency

From: Tim Kelly

Date: July 8, 2014

Subject: Block 5 Proposal Review

Keyser Marston Associates (KMA) has reviewed the following developer proposals to design and develop a fully-entitled 550 foot office tower on Block 5 in the Transbay Redevelopment Project Area.

<table>
<thead>
<tr>
<th>Development Team</th>
<th>Purchase Offer</th>
<th>Per RSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston Properties</td>
<td>$135,212,119</td>
<td>$225</td>
</tr>
<tr>
<td>Golub / The John Buck Company</td>
<td>$172,500,000</td>
<td>$258</td>
</tr>
<tr>
<td>Jay Paul Company</td>
<td>$115,000,000</td>
<td>$190</td>
</tr>
<tr>
<td>Kilroy Realty Corp.</td>
<td>$107,000,000</td>
<td>$164</td>
</tr>
</tbody>
</table>

KMA’s summary of the proposals is presented in the attached tables. The tables highlight each team’s development programs, development costs, revenue projections, and financing assumptions.

Table 1  Development Program Comparison
Table 2  Project Development Costs
Table 3  Net Operating Income

Development Teams

Boston Properties
Boston Properties, Inc., incorporated on March 24, 1997, is an integrated, self-administered and self-managed real estate investment trust (REIT). The Company is an owner and developer of office properties in the United States. The Company’s properties are concentrated in five markets: Boston, New York, Princeton, San Francisco and...
Washington, DC. Market capitalization is approximately $18 billion. As of December 31, 2012, the Company owned or had interests in 157 properties, totaling approximately 44.4 million net rentable square feet.

In San Francisco, Boston Properties owns the Embarcadero Center with 3.3 million square feet and has the following projects under construction:
- 415 Mission (Salesforce Tower): 1.4 million square feet; $1.13 billion
- 680 Folsom: 524,000 square feet; $340 million
- 535 Mission: 307,000 square feet; $215 million

**Golub and John Buck Company**

Golub & Company is a privately held firm based in Chicago. Golub has been providing commercial and residential real estate services throughout the United States and across Central and Eastern Europe for 50 years. The Company has developed, owned or managed more than 45 million square feet of commercial space and 50,000 multifamily units within the United States and abroad.


The John Buck Company (JPC) is a privately held firm founded in 1981 and is based in Chicago with operations in Chicago, New York, Washington, and Philadelphia. The Company engages in the investment, development, management, and lease of real estate properties. It develops office, residential, hospitality, mixed-use projects in the United States. Completed projects total more than 40 million square feet representing more than $10 billion in financing. Completed office towers include 111 South Wacker Drive, Chicago (1 million square feet project; 2005), 155 North Wacker Drive (1.15 million square feet; 2009), the North Bridge District in Chicago (mixed use project; 1990-2010). Office developments in the pipeline include 151 N Franklin, Chicago (776,400 square feet; $310 million). Other Chicago projects include $150 million residential tower.

**Jay Paul Company**

Jay Paul Company, Inc., a real estate firm, engages in the acquisition, development, and management of commercial office spaces in California. The company was founded in 1975 and is based in San Francisco, California. With a specific focus on creating office projects for leading technology firms, Jay Paul Company has successfully developed over eight million square feet of institutional quality space with an additional six million square feet in its active development pipeline.
- 181 Fremont, San Francisco: 703,000 square (office and residential)
- Moffett Place, Sunnyvale: under development 1.9 million square feet
- Moffett Gateway, Sunnyvale: under development 593,484 square feet
- Moffett Towers, Sunnyvale: 1.8 million square feet
- Technology Corners, Sunnyvale: 949,000 square feet

**Kilroy Realty Corp.**

Kilroy Realty Corporation, incorporated on September 13, 1996, is a self-administered real estate investment trust (REIT). The Company focuses on office and industrial submarkets along the West Coast. The Company owns, develops, acquires and manages real estate assets, consisting primarily of Class A real estate properties in the coastal regions of Los Angeles, Orange County, San Diego County, the San Francisco Bay Area and greater Seattle. Market capitalization is over $5 billion.

Kilroy owns 2.1 million square feet of office space in San Francisco. San Francisco projects under construction or in the pipeline include:

- 350 Mission St. (Salesforce): 450,000 square feet; $276 million
- 333 Brannan (Dropbox): 185,000 square feet
- Mission Bay: 680,000 square feet

**Office Tower Proposals**

The various programs for the office tower are presented in Table 1, which is attached to this memorandum. In summary:

<table>
<thead>
<tr>
<th></th>
<th>GSF</th>
<th>RSF</th>
<th>Height</th>
<th>Floors</th>
<th>Parking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston Properties</td>
<td>646,175</td>
<td>600,943</td>
<td>550 ft</td>
<td>39</td>
<td>3 levels (69 sp.)</td>
</tr>
<tr>
<td>Golub / John Buck Co.</td>
<td>763,530</td>
<td>669,779</td>
<td>550 ft</td>
<td>43</td>
<td>1 level (117 sp.)</td>
</tr>
<tr>
<td>Jay Paul Company</td>
<td>713,000</td>
<td>603,754</td>
<td>550 ft</td>
<td>42</td>
<td>3 levels (140 sp.)</td>
</tr>
<tr>
<td>Kilroy Realty Corp.</td>
<td>709,651</td>
<td>653,927</td>
<td>550 ft</td>
<td>45</td>
<td>3 levels (65 sp.)</td>
</tr>
</tbody>
</table>

*excluding parking garage.

**Boston Properties** proposal is a 39 floor tower with 600,943 square feet of RSF. The floor height is 16’ on both the ground floor and on the 24th floor. The typical floor height in the tower is 14’. Parking for 69 spaces is provided in a 3 level below grade garage.

**Golub and John Buck Company** proposal is a 43 floor tower with 669,779 square feet of RSF. The height on the first floor is 27’. The typical floor height is 12’ to 13’. Parking is one level below grade. The proposal discusses parking lifts with 3 stalls each. The lifts enable total parking of 117 stalls.
Jay Paul Company proposal is a 42 floor tower with 603,754 square feet of RSF. The height on the first floor is 22’9”. The typical floor height is 12’9” to 13’3”. Parking for 140 spaces is provided in three levels below grade. Each level in the garage is accessed by an elevator. It is anticipated that valet parking would be used.

Kilroy Realty Corp. proposal is a 39 floor tower with 653,927 square feet of RSF. The floor height is 22’1” on the ground floor. The typical floor height in the tower is 12’. Parking for 65 spaces is provided in a 3 level below grade garage.

Projected Development Costs

Development costs for the market rate tower are presented on Table 2. Pre-development pro formas are conceptual and include assumptions and judgments that are refined as the project gets closer to construction. In summary:

Boston Properties tower is approximately $417 million, which averages about $645 per square foot of Gross Square Feet (GSF and excludes parking) and $694 per square foot of Rentable Square Feet (RSF). Direct construction costs are $278 million, which averages $431 per GSF and $463 per RSF.

Golub and John Buck Co. tower is approximately $424 million, which averages about $555 per GSF and $633 per RSF. Direct construction costs are $298 million, which averages $391 per GSF and $445 per RSF.

Jay Paul Company tower is approximately $569 million, which averages about $799 per GSF and $943 per RSF. Direct construction costs are $435 million, which averages $611 per GSF and $772 per RSF.

Kilroy Realty Corp. tower is approximately $469 million, which averages about $661 per GSF and $717 per RSF. Direct construction costs are $314 million, which averages $443 per GSF and $481 per RSF.

Development Cost (Not Including Land and Acquisition Costs)

<table>
<thead>
<tr>
<th></th>
<th>Development Cost</th>
<th>Per GSF</th>
<th>Per RSF</th>
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<tr>
<td>Boston Properties</td>
<td>$416,962,218</td>
<td>$645</td>
<td>$694</td>
</tr>
<tr>
<td>Golub / John Buck Co.</td>
<td>$424,133,599</td>
<td>$555</td>
<td>$633</td>
</tr>
<tr>
<td>Jay Paul Company</td>
<td>$569,611,355</td>
<td>$799</td>
<td>$943</td>
</tr>
<tr>
<td>Kilroy Realty Corp.</td>
<td>$469,060,228</td>
<td>$661</td>
<td>$717</td>
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Direct Costs (Tower, Parking, Sitework, Tenant Improvements)

<table>
<thead>
<tr>
<th>Direct Costs</th>
<th>Per GSF</th>
<th>Per RSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston Properties</td>
<td>$278,241,545</td>
<td>$431</td>
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<tr>
<td>Golub / John Buck Co.</td>
<td>$298,259,088</td>
<td>$391</td>
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<td>Jay Paul Company</td>
<td>$435,700,166</td>
<td>$611</td>
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<tr>
<td>Kilroy Realty Corp.</td>
<td>$314,664,801</td>
<td>$443</td>
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Projected Revenues And Net Operating Income

The projected revenues and NOI are presented on Table 3.

Office Income

<table>
<thead>
<tr>
<th>Per RSF</th>
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<tbody>
<tr>
<td>Boston Properties</td>
</tr>
<tr>
<td>Golub / John Buck Co.</td>
</tr>
<tr>
<td>Jay Paul Company</td>
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<tr>
<td>Kilroy Realty Corp.</td>
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</table>

Ground Floor Income

<table>
<thead>
<tr>
<th>Per RSF</th>
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</thead>
<tbody>
<tr>
<td>Boston Properties</td>
</tr>
<tr>
<td>Golub / John Buck Co.</td>
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<tr>
<td>Jay Paul Company</td>
</tr>
<tr>
<td>Kilroy Realty Corp.</td>
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Net Operating Income

<table>
<thead>
<tr>
<th>NOI</th>
<th>RSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston Properties</td>
<td>$36,839,839</td>
</tr>
<tr>
<td>Golub / John Buck Co.</td>
<td>$38,728,789</td>
</tr>
<tr>
<td>Jay Paul Company</td>
<td>$41,229,543</td>
</tr>
<tr>
<td>Kilroy Realty Corp.</td>
<td>$39,066,616</td>
</tr>
</tbody>
</table>

Feasibility

Feasibility is measured by projected return on cost and the differential between the capitalization rate and the return on cost. The differential is a measure of the potential profit. The return on cost is the net operating income divided by the project cost. As shown in the table below, the return on cost ranges from 6.02% to 6.77%. The capitalization rate is from Integra Realty Resources (IRR). IRR specializes in real estate valuation and is one of the largest such firms in North America, with over 200 MAI-designated members. Its annual report, Viewpoint, is widely used by real estate
professionals. In its Viewpoint 2014 report, the capitalization rate in San Francisco for Class A CBD office is reported to be 4.75%.

The differential, which is a measure of potential profit, ranges from 26% to 42%.\(^1\) Therefore, all four proposals are deemed to be financially feasible based the information provided in the pre-development pro formas and the projected rate of return on cost. Pre-development pro formas are conceptual and include assumptions and judgments that are refined as the project gets closer to construction. It is important to note that KMA’s analysis is not an independent assessment of feasibility but rather relies upon projections provided and the reasonableness of the projections.

### Net Operating Income and Project Return

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Per RSF</th>
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</thead>
<tbody>
<tr>
<td><strong>Boston Properties</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$36,839,839</td>
<td>$60</td>
</tr>
<tr>
<td>Total Project Costs</td>
<td>$558,021,772</td>
<td>$929</td>
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<tr>
<td>Return on Cost</td>
<td>6.60%</td>
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<tr>
<td><strong>Golub / John Buck Co.</strong></td>
<td></td>
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<tr>
<td>Net Operating Income</td>
<td>$38,728,789</td>
<td>$58</td>
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<tr>
<td>Total Project Costs</td>
<td>$601,877,349</td>
<td>$899</td>
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<tr>
<td>Return on Cost</td>
<td>6.43%</td>
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<tr>
<td><strong>Jay Paul Company</strong></td>
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<tr>
<td>Net Operating Income</td>
<td>$41,229,543</td>
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<td>Total Project Costs</td>
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<td>Return on Cost</td>
<td>6.02%</td>
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</tr>
<tr>
<td><strong>Kilroy Realty Corp.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$39,066,616</td>
<td>$60</td>
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<tr>
<td>Total Project Costs</td>
<td>$576,918,146</td>
<td>$882</td>
</tr>
<tr>
<td>Return on Cost</td>
<td>6.77%</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Calculations are as follows:

\[26\% = \frac{(6.02\%-4.75\%)}{4.75\%}\]

\[42\% = \frac{(6.77\%-4.75\%)}{4.75\%}\]
Source of Funds: Land Acquisition

_Boston Properties_ is a REIT with a market capitalization of approximately $18 billion and indicates that it will fund 100% of the land acquisition cost. “Boston Properties LP intends to use 100% of its own capital for the acquisition of Block 5, and does not intend to partner without outside equity or debt providers at this point.”

The proposer states: “This purchase price will be contingent on receiving Prop M allocation and obtaining final approval of the Plan Amendment and schematic design. This is an all cash offer. No capital partners or lenders required to close.”

_Golub and John Buck Company_ are two privately held companies.

The proposer states: “The Project will be funded by a combination of equity from partners of MA West (Golub and JBC) as well as strategically selected institutional capital partner.” With respect to the land acquisition offer of $172.5 million, information submitted would indicate that an investment partner is necessary to close on the acquisition. The point of clarification would be: when and what conditions must be met for an investment partner to be committed based on the proposal offered?

The proposer states that the offer is contingent on "the successful execution of the Disposition and Development Agreement, approval of the Plan Amendment, approval of the Development Controls Amendment and Proposition M allocation for the project." “This offer assumes the following:

- Streetscape Improvements. MA West assumes OCII will reimburse the developer for $2,500,000 of actual costs related to building the streetscape improvements along Natoma, Howard, Main and Beale Streets upon completion of the improvements.
- Soil Remediation: MA West has assumed $1,000,000 to remedy any unknown environmental conditions which may be discovered in a phase I or phase II environmental assessment.”

_Jay Paul Company_ is a privately held company. The Company states that it will fund 100% of the land acquisition cost. “The required equity of $115 million to facilitate the acquisition of Block 5 parcel will contributed entirely by Beale-Howard LLC’s sole member (Jay Paul Company) with no outside sources.”

General assumptions in the Jay Paul proposal include:

- “This offer is subject to Beale-Howard LLC having completed its standard due diligence review of the Property as provided in Section 5.E.2 of the RFP
- Obtaining final approval of the Plan Amendment and conforming amendments to the Development Controls
- The parties will have executed a mutually acceptable Development and Disposition Agreement
- No material changes in the substantive conditions and assumptions in the RFP; and
- The proposed purchase price is a guaranteed fixed payment that is not contingent on project performance.

*Kilroy Realty Corp.* is a REIT with a market capitalization of over $5 billion and indicates that it will fund 100% of the land acquisition cost. “This purchase price will be contingent on receiving Prop M allocation and obtaining final approval of the Plan Amendment and schematic design. This is an all cash offer. No capital partners or lenders required to close.”

**Sources of Funds: Office Tower**

The proposers are requested in the RFP to:

1. Identify specific sources of debt/equity capital, including relationship to the developer (outside lender, parent company, etc.) and contact information
2. Provide a written statement from each financing source that the equity and/or mortgage capital is available or will be made available for funding the proposed project, and that the proposed project is consistent with the source’s investment criteria for a project of this type and size. In lieu of commitment letter(s) for the proposed project, respondents may submit written statements from their financing source(s), describing past projects which the source has financed for the respondent. Such written statements shall detail the amount of capital, the size of the proposed project and any other pertinent information that will assist OCII in determining the availability of equity or mortgage capital to find the proposed project.

*Boston Properties*

The proposer states: “Boston Properties LP intends to use 100% of its own capital for the acquisition of Block 5, and does not intend to partner without outside equity or debt providers at this point.” A point of clarification would be: what conditions must be met for the proposed $558 million project to be fully funded and approved to be built? One example of a condition would be pre-leasing requirement.

Boston Properties has demonstrated its ability to fund new development. It has $3.15 billion in the “pipeline” with $1.76 billion funded to date. These figures include the $1.31 billion Salesforce Tower at 415 Mission.
**Golub and John Buck Company.**

The proposer states: “The Project will be funded will be funded by a combination of equity from partners of MA West (Golub and JBC) as well as strategically selected institutional capital partner.” Total project cost is estimated to be $601.87 million. Equity investment is estimated to be $301 million (50%). A point of clarification would be: when and what conditions must be met for an investment partner to be committed based on the proposal offered? How soon can the financing contingency be removed; equity financing is in place and construction lender summary of terms and conditions are available?

Golub and John Buck Company have prepared a significant list of institutional relationships. For the $211 million residential tower at 299 Fremont (Transbay Block 6), Bentall Kennedy is the investment partner. Bentall Kennedy is an investment fund with over $9 billion in assets under management, including office and residential investments. The CIM Group is an investment partner in a $130 million Chicago residential tower. Golub lists other active developments of luxury residential towers in Chicago and Florida (over $.5 billion in 4 new projects)

The John Buck Company list for its Chicago office tower (776,400 square foot and $310 million): National Real Estate Advisors and the Canada Plan Pension Plan Investment Board.

Letters from CIM and from Wanxiang America Real Estate Group expressed interest in the project.

**Jay Paul Company**

The proposer states: “the total projected equity of $171.1 million to complete the proposed Block 5 development will also be contributed solely by the Beale-Howard LLC’s sole member.”

Total project costs of $684.6 million anticipate approximately $513.5 million construction debt. The proposer states: “This proposed capitalization is based on the financing terms received from multiple lending institutions for the 181 Fremont Street speculative development. “ Letters from US Bank, Wells Fargo Bank, and Starwood Property Trust, Inc. expressed interest in the project. A point of clarification would be: after the execution of the DDA, how soon can the financing contingency be removed and construction lender summary of terms and conditions are available?
Kilroy Realty Corp.

Kilroy states, “Of the $1.5 B under construction, approximately 50% is funded given (Kilroy’s) flexible capital structure and access to liquidity. We have sufficient funds to fund our development pipeline as well as Block 5.” “KRC’s flexible capital structure is complimented by its unparalleled access to capital, with $1.2 billion in near term liquidity.”

In summary, as submitted by the proposers:

**Sources of Financing**

<table>
<thead>
<tr>
<th>Source</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Boston Properties</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Loan</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Boston Properties</td>
<td>$558,021,772</td>
<td>100%</td>
</tr>
<tr>
<td>Total Financing</td>
<td>$558,021,772</td>
<td></td>
</tr>
<tr>
<td><strong>Golub / John Buck Co.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Loan</td>
<td>$300,821,757</td>
<td>50%</td>
</tr>
<tr>
<td>Golub / John Buck Co / Institutional Partner</td>
<td>$301,055,593</td>
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</tr>
<tr>
<td>Total Financing</td>
<td>$601,877,350</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Jay Paul Company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Loan</td>
<td>$513,458,516</td>
<td>75%</td>
</tr>
<tr>
<td>Jay Paul Company</td>
<td>$171,152,839</td>
<td>25%</td>
</tr>
<tr>
<td>Total Financing</td>
<td>$684,611,355</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Kilroy Realty Corp.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Loan</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Kilroy Realty Corp.</td>
<td>$576,918,146</td>
<td>100%</td>
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<tr>
<td>Total Financing</td>
<td>$576,918,146</td>
<td></td>
</tr>
</tbody>
</table>

**Clarifications and Questions**

In addition to comments above for each of the proposers, the following clarifications and questions are suggested:

**Purchase Offer**

1. What are the assumptions behind the financial proposals
   a. If Streetscape Improvements exceed $2.5 million, it is an obligation of proposer?
b. What are assumptions behind remediation and site excavation? Obligation of proposer with no caps?

2. Confirm that proposer has sufficient funds (without the requirement of third party financing) available to satisfy the financial obligations for closing and acquisition of the land. If not, how long before this condition can be met?

3. Will force majeure in the DDA exclude financial and market conditions?

**Capital Structure**

1. Discuss the challenges to having committed funds with approval to fund project and to place it into service. Preleasing would be an example.

2. Upon the execution of the DDA, can the proposer confirm it will have sufficient funds with approval to fund the entire project? If not, what conditions need to be met and what would be the expected timeline?

3. Will force majeure exclude financial and market conditions?

4. Would proposer be willing to accept a property tax increment guarantee of a minimum annual payment in the event that development is delayed?
Table 1
Development Program Comparison
Block 5 Development Proposals
Office of Community Investment and Infrastructure, City of San Francisco

Shaded cells calculated by KMA

<table>
<thead>
<tr>
<th></th>
<th>Boston Properties</th>
<th>Golub / John Buck Co.</th>
<th>Jay Paul Company</th>
<th>Kilroy Realty Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Land</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Price</td>
<td>$135,212,119</td>
<td>$172,500,000</td>
<td>$115,000,000</td>
<td>$107,000,000</td>
</tr>
<tr>
<td>Per Gross Square Foot</td>
<td>$209 per GSF</td>
<td>$226 per GSF</td>
<td>$161 per GSF</td>
<td>$151 per GSF</td>
</tr>
<tr>
<td>Per Rentable Square Foot</td>
<td>$225 per RSF</td>
<td>$258 per RSF</td>
<td>$190 per RSF</td>
<td>$164 per RSF</td>
</tr>
<tr>
<td><strong>II. Building</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Height (ft.) Floors</td>
<td>550.0 1 39</td>
<td>550.0 2 43</td>
<td>550.0 3 42</td>
<td>550.0 4 45</td>
</tr>
<tr>
<td>Office Space</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Building Area</td>
<td>611,230 GSF</td>
<td>n/s GSF</td>
<td>n/s GSF</td>
<td>696,551 GSF</td>
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<tr>
<td>Rentable Building Area</td>
<td>590,564 RSF</td>
<td>664,004 RSF</td>
<td>582,321 RSF 5</td>
<td>640,827 RSF</td>
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<tr>
<td>Ground Floor Retail Space</td>
<td>10,379 RSF</td>
<td>5,775 RSF</td>
<td>21,433 RSF incl. lobby</td>
<td>13,100 RSF</td>
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<tr>
<td><strong>Total Building, excluding Parking</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Building Area</td>
<td>646,175 GSF</td>
<td>763,530 GSF 6</td>
<td>713,000 GSF 7</td>
<td>709,651 GSF</td>
</tr>
<tr>
<td>Rentable Building Area</td>
<td>600,943 RSF</td>
<td>669,779 RSF</td>
<td>603,754 RSF 5</td>
<td>653,927 RSF</td>
</tr>
<tr>
<td></td>
<td>93%</td>
<td>88%</td>
<td>85%</td>
<td>92%</td>
</tr>
<tr>
<td><strong>III. Underground Garage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levels Below Grade</td>
<td>3 Levels</td>
<td>1 Level plus mezz.</td>
<td>3 Levels</td>
<td>3 Levels</td>
</tr>
<tr>
<td>Parking Spaces</td>
<td>69 Stalls</td>
<td>117 Stalls (w/stacking)</td>
<td>140 Stalls</td>
<td>65 Stalls</td>
</tr>
</tbody>
</table>

**Notes**

1 Boston Properties Tower Height: Top floor of tower is 550 ft. The top of the mechanical is 605 ft.
2 Golub Tower Height: Top floor of tower is 550 ft. The top of the tower is 605 ft.
3 Jay Paul Company Tower Height: Top floor of tower is 550 ft. The top of the mechanical is 605 ft.
4 Kilroy Tower Height: Top floor of tower is 550 ft. The top of the mechanical is 600 ft.
5 Includes rented common areas.
6 Estimated by subtracting the gross square footage of the parking level and the mezzanine level from the total gross building area (803,520 sf less 29,060 sf less 10,930 sf = 763,530 s).
7 Per development cost budget and Design Concept text; operating expense detail sheet indicates 698,370 gsf.

Prepared by Keyser Marston Associates, Inc.
\Sf-fs2\wp\19\19066\009\Block 5 Proposal Comparison 7_03_14; hgr
Table 2
Project Development Costs
Block 5 Development Proposals
Office of Community Investment and Infrastructure, City of San Francisco

<table>
<thead>
<tr>
<th>Program</th>
<th>Boston Properties</th>
<th>Golub / John Buck Co.</th>
<th>Jay Paul Company</th>
<th>Kilroy Realty Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square Footage (from Table 1)</td>
<td>646,175 600,943</td>
<td>763,530 669,779</td>
<td>713,000 603,754</td>
<td>709,651 653,927</td>
</tr>
</tbody>
</table>

A. Development Costs

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Per GSF</th>
<th>Per RSF</th>
<th>Total</th>
<th>Per GSF</th>
<th>Per RSF</th>
<th>Total</th>
<th>Per GSF</th>
<th>Per RSF</th>
<th>Total</th>
<th>Per GSF</th>
<th>Per RSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sitework/Offsites</td>
<td>$2,510,884</td>
<td>$4</td>
<td></td>
<td>$2,500,000</td>
<td>$4</td>
<td></td>
<td>$4,533,241</td>
<td>$8</td>
<td></td>
<td>$2,707,092</td>
<td>$4</td>
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<tr>
<td>Streetscape Reimbursement</td>
<td>$(2,500,000)</td>
<td>$(4)</td>
<td></td>
<td>$(2,500,000)</td>
<td>$(4)</td>
<td></td>
<td>$(2,500,000)</td>
<td>$(4)</td>
<td></td>
<td>$1,942,908</td>
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<tr>
<td>Soil Remediation</td>
<td>$569,500</td>
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<td>$1,000,000</td>
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<td></td>
<td>n/s</td>
<td></td>
<td></td>
<td>$308,251,997</td>
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<td>$283,475,904</td>
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<td>$683</td>
<td>$238,354,132</td>
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<td>$364</td>
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<tr>
<td>Parking Garage</td>
<td>$13,542,011</td>
<td>$23</td>
<td>n/s</td>
<td>$13,783,184</td>
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<td>$16,309,011</td>
<td>$27</td>
<td></td>
<td>n/s</td>
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<tr>
<td>Direct Cost Contingency</td>
<td>$5,604,048</td>
<td>$9</td>
<td>n/s</td>
<td>$13,783,184</td>
<td>$21</td>
<td></td>
<td>$16,309,011</td>
<td>$27</td>
<td></td>
<td>n/s</td>
<td></td>
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<tr>
<td>Subtotal</td>
<td>$211,005,080</td>
<td>$327</td>
<td>$351</td>
<td>$298,259,088</td>
<td>$391</td>
<td>$445</td>
<td>$373,960,565</td>
<td>$524</td>
<td>$619</td>
<td>$267,841,917</td>
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<td>$410</td>
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<tr>
<td>Direct Cost Escalation</td>
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<td>n/s</td>
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<td>$25,514,361</td>
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<td>n/s</td>
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<tr>
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<td>$298,259,088</td>
<td>$391</td>
<td>$445</td>
<td>$394,474,926</td>
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<td>$662</td>
<td>$267,841,917</td>
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<td>$410</td>
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<td>Tenant Improvements</td>
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<td>n/s</td>
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<td>$46,822,884</td>
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<tr>
<td>Total Direct Costs</td>
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<td>$298,259,088</td>
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<td>$445</td>
<td>$435,700,166</td>
<td>$524</td>
<td>$622</td>
<td>$314,664,801</td>
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<tr>
<td>Indirect Costs</td>
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<td>$67,238,523</td>
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<td>$47,032,080</td>
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<td>$46,909,882</td>
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</tr>
<tr>
<td>Permits and Fees</td>
<td>$30,821,162</td>
<td>$51</td>
<td></td>
<td>$39,071,197</td>
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<td>$34,136,000</td>
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<td></td>
<td>$36,895,736</td>
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<tr>
<td>Financing Costs</td>
<td>$59,907,689</td>
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<td>$19,564,791</td>
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<td>$49,240,109</td>
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<td>$54,303,035</td>
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<tr>
<td>Indirect Cost Contingency</td>
<td>$10,941,603</td>
<td>$18</td>
<td>n/s</td>
<td>$3,503,000</td>
<td>$6</td>
<td></td>
<td>$16,286,774</td>
<td>$25</td>
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<td>$16,286,774</td>
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<tr>
<td>Subtotal</td>
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<td>$188</td>
<td>$133,911,189</td>
<td>$188</td>
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<td>$154,395,427</td>
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<td>$236</td>
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<tr>
<td>Total Cost, excl. Land and Acq. Costs</td>
<td>$416,962,218</td>
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<td>$633</td>
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<td>$943</td>
<td>$469,060,228</td>
<td>$661</td>
<td>$717</td>
</tr>
<tr>
<td>Land Costs</td>
<td>$135,212,119</td>
<td>$209</td>
<td>$225</td>
<td>$172,500,000</td>
<td>$226</td>
<td>$258</td>
<td>$115,000,000</td>
<td>$161</td>
<td>$190</td>
<td>$107,000,000</td>
<td>$151</td>
<td>$164</td>
</tr>
<tr>
<td>Acquisition Costs</td>
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<td>n/s</td>
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<td>n/s</td>
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<td></td>
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<tr>
<td>Subtotal</td>
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<td>$235</td>
<td>$177,743,750</td>
<td>$233</td>
<td>$265</td>
<td>$115,000,000</td>
<td>$161</td>
<td>$190</td>
<td>$107,857,918</td>
<td>$152</td>
<td>$165</td>
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<tr>
<td>Total Cost incl. Land and Acq. Costs</td>
<td>$558,021,772</td>
<td>$864</td>
<td>$929</td>
<td>$601,877,349</td>
<td>$788</td>
<td>$899</td>
<td>$684,611,355</td>
<td>$960</td>
<td>$1,134</td>
<td>$576,918,146</td>
<td>$813</td>
<td>$882</td>
</tr>
</tbody>
</table>

B. Sources of Funds

<table>
<thead>
<tr>
<th></th>
<th>Total Sources of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Loan</td>
<td>$0</td>
</tr>
<tr>
<td>Equity</td>
<td>$558,021,772 100%</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>$558,021,772</td>
</tr>
</tbody>
</table>

n/s = not stated in pro forma.

### Table 3
**Net Operating Income**
**Block 5 Development Proposals**
**Office of Community Investment and Infrastructure, City of San Francisco**

Shaded cells calculated by KMA

<table>
<thead>
<tr>
<th></th>
<th>Boston Properties</th>
<th>Golub / John Buck Co.</th>
<th>Jay Paul Company</th>
<th>Kilroy Realty Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Program and Rental Rates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office RSF</td>
<td>598,566 RSF¹</td>
<td>664,004 RSF</td>
<td>582,321 RSF</td>
<td>640,827 RSF</td>
</tr>
<tr>
<td>Retail RSF</td>
<td>10,746 RSF¹</td>
<td>5,775 RSF</td>
<td>21,433 RSF, incl. lobby</td>
<td>13,100 RSF</td>
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<tr>
<td>Common Area RSF</td>
<td>incl. in above</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Rentable SF</td>
<td>609,312 ¹</td>
<td>669,779</td>
<td>603,754</td>
<td>653,927</td>
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<tr>
<td>Parking Spaces</td>
<td>69 spaces</td>
<td>117 spaces</td>
<td>140 spaces</td>
<td>65 spaces</td>
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<tr>
<td>Office Rent Year 1</td>
<td>$60 /sf NNN</td>
<td>$65 /sf NNN</td>
<td>$66 /sf NNN</td>
<td>$75 - $95 /sf FSG</td>
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<tr>
<td>Retail Rent</td>
<td>$87 /sf NNN</td>
<td>$75 /sf NNN</td>
<td>$56 /sf, incl. lobby</td>
<td>$55 /sf NNN</td>
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<tr>
<td>Common Area</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking Rate</td>
<td>$500 /month</td>
<td>$526 /month</td>
<td>$850 /month</td>
<td>$450 /month</td>
</tr>
<tr>
<td><strong>B. Net Operating Income and Return on Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>Stabilized, YE March 2021</td>
<td>Stabilized, Year 3</td>
<td>June 2019</td>
<td>Stabilized, YE May 2021</td>
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<tr>
<td></td>
<td>$36,839,839</td>
<td>$38,728,789</td>
<td>$41,229,543</td>
<td>$39,066,616</td>
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¹ For the purposes of calculating lease income, Boston Properties allocates a pro rata share of common areas to office and retail space; total rentable area is 609,312 sf when estimating project inc
Block 5 / PROPOSALS REVIEW

Jay Paul Company / SOM
Boston Properties / KPF
Kilroy Realty / Pelli Clarke Pelli
Golub / The John Buck Company / Goettsch / SCB / Butler Enterprise Group

This review of Block 5 Proposals evaluates them in terms of the following criteria:

Concept
- Design Concept
- Open Space
- Ground Floor
- Parking
- Sustainability

Compliance with Applicable Planning Code
- Building Height
- Bulk Controls
- Open Space
- Parking (TBD)

10 July 2014
MAIA SMALL, SAN FRANCISCO PLANNING DEPARTMENT
Design Concept
This proposal does not express a larger conceptual idea that establishes its overall architectural language, massing, or site relationships. Instead, it has a set of smaller concepts for each.

Architectural language: The proposal uses a conventional glass curtain wall system to create a façade that expresses a normative rhythm of floorplates and vertical divisions. The exterior primarily reads as a continuous skin.

The design proposal includes three distinct design elements: a curved corner, the veranda rooms, and the building crown. While small and elegant, the curved corner turns between the adjacent driveway and Natoma and will not be viewed likely from the pedestrian level but may be read from afar. The veranda rooms are not very perceptible as a design feature—as a ripple of operable windows—but do provide a nice amenity to building tenants. The highlight feature of this design is the building top which is designed as a crystalline inverted shape read through an open frame. While the frame is the same size as the rest of the upper tower, it will help the tower read as if it diminishes. From afar, this effect will likely work well and give some subtle identity to the project but most of the delicate design intent will not be visible as it is deep into the frame and not viewable from the ground level.

Massing: The proposal conforms to and nearly replicates the given mass and bulk parameters. The mass breaks define open spaces at two levels. Overall the building reads as a stoic and heavy mass.

Site Relationships: The project conforms to expected ground floor use and general district access. The one innovative idea is that the large retail space on Howard can be fully opened up via large folding doors to the public realm. The relationship to Natoma is underdeveloped.

Open Space
Open space is provided on the ground, 11th and 26th levels. The upper levels do not offer distinguishing features or identities. The publicly-accessible open space on parcel M1 is nicely programmed and designed while Parcel N3 is underdeveloped.

Ground Floor
The ground floor consists of primarily retail and lobby space. Both the Beal Street and Howard Street retail/lobby spaces are well connected to the public realm, the latter just turning the corner towards the adjacent driveway. The retail adjacent to Natoma Street does not have any openings to the street and only serves the lobby. The lobby—although there may be a retail component?-- is very large and takes up the entire frontage of Beale Street (considerably longer than the preferred maximum dimension of 40′ or 25%).

Parking
The 140 parking spaces and loading are all accommodated in the three-level below-grade garage.

Sustainability
The project proposes an ambitious sustainability goal of LEED Platinum with a set of systems that include: daylight harvesting, natural ventilation, automated internal shading systems, water reuse, and other technical systems for energy use reduction.

Conclusions
This project is a simple and conforming project without an overall compelling design, programmatic, or material idea. The result is a heavy building with a monotonous façade that has an elegant top and a mostly well-performing ground level.

Planning Code Considerations
Office use: 698,370 SF
Retail use: 9,500 SF (approx.)

Building Height
The project complies.

Bulk Controls
The project complies with the upper and lower tower portions. They do not indicate the gross square footage of the upper base floors.

Open Space
The project complies as it exceeds 13,967 SF of publicly-accessible open space.
Boston Properties / KPF
Team Proposal

Design Concept
The project concept creates a set of four distinct volumes that break down the overall identity of the building, help it relate to the lower scale fabric of the neighborhood, and provide three unique and textural cladding systems. While the concept achieves these goals, the overall form lacks elegance.

Architectural language: The three components to the design are expressed through different cladding systems which intend to reference local materials and effects. The base is horizontally proportioned with a deeper frame to respond to the more historic South of Market cladding types; the mid portion references the copper found on other historic structures in the city; and the upper level is more contemporary, light in color and atmospheric like the Bay Area fog. Each of these systems is appealing but they do not support a cohesive design.

Massing: The massing strategy is an inventive way to address the bulk controls without mimicking them and provides open space as well. Still, the collection of the elements lacks a gracefulness or programmatic benefit.

Site Relationships: The project conforms to expected ground floor use and access. There are no larger ideas expressed about connecting to the larger district and the relationship to Natoma is underdeveloped.

Open Space
Open space is provided on the ground, 8th, 10th, 11th, and 25th levels. The conceptual design for the publicly-accessible open space at Main and Howard Streets appears inventive, playful, and interactive. It uses landscape to address storm water retention. These ideas are replicated on the outdoor terraces on the tower as well.

Ground Floor
The ground floor includes two retail spaces, at 3,915 SF and 8,670 SF respectively. The latter is larger than the preferred maximum 5,000 SF space. The retail spaces are not well connected to either the corner open space or Natoma Street. They also are currently showing a loading bay adjacent to Natoma Street which should be located underground through the garage entrance.

Parking
The proposed 67 parking spaces are located in three levels of below-grade parking. The loading dock is at street level adjacent to Natoma.

Sustainability
The proposal does not indicate its LEED certification goals. The proposal describes one architectural element, the curtain wall system, which will use a deep frame to create exterior shading. The proposed landscape includes green walls, storm water collection systems, bioswales, and light-colored paving.

Conclusions
The design executes a clear concept. The result is a materially appealing but formally awkward design. Of the four, this proposal offers the most inventive and well-considered ground level open space landscape design for Parcels M1 and N3.

Planning Code Considerations
Office use: 633,590 SF
Retail use: 12,585 SF

Building Height
The project complies.

Bulk Controls
The project complies.

Open Space
The project complies as it exceeds 12,672 SF of publicly-accessible open space.
Kilroy Realty / Pelli Clarke Pelli
Team Proposal

Design Concept
The design concept is a set of rotating and interlocking volumes that provide views and open space at different levels. The cladding enhances this effect by creating a pattern of angled lids that increase the sense of rotation. The “walking” columns located at the ground level are intended to enhance this effect as well.

Architectural language: The project expresses its idea at small, medium, and large scales through material, spatial, and formal choices. The effect creates, at the big scale, an overall form that is dynamic and, at the small scale, more detailed material choices that give the pedestrian a heightened experience. The patterned cladding of the tower is inventive and three-dimensionally textured. The base element is clad with a more fine grain material to offer a more detailed effect where it would be seen close up.

Massing: The rotating volumes are intended to connect to specific viewpoints towards the Golden Gate Bridge, the Bay Bridge, and the Transbay Park. The effect is a more dynamic set of forms that are shaped at both top and bottom ends to indicate a shearing effect.

Site Relationships: The project proposes significant retail and access points along all facades (assumed but not shown on Beale and Natoma Streets) creating the potential for a vibrant ground level and active interface between the inside and the outside. It also provides public environments on both sides of the off-site driveway offering a compelling visual bracket. This better connects the open spaces and creates a more seamless and continuous public realm environment that extends to Natoma Street.

Open Space
The open space at Howard and Main Streets, although conceptual and diagrammatic, is well programmed and connected to the larger identity of the site. The project also offers compelling and protected open spaces at the 8th, 29th, and 45th levels.

Ground Floor
The ground level use is primarily retail with an appropriately-sized lobby and building core elements. The southeast corner retail is well connected to the public realm and wraps around towards the driveway side allowing it to have a direct visual interface with the nearby open space. The retail in the opposite corner along Beale Street is large, perhaps just over the preferred 5,000 SF size, and is not shown to have openings along the street edge. It does appear to wrap overly around to Natoma with the potential for a connected interface. The Natoma frontage is almost entirely retail with the preferred one garage and loading entry. Of the four proposals, this project has the best and most playful ground level design.

Parking
The 65 parking spaces are located underground in three levels of garage. Loading is located on the ground level but not at the street edge.

Sustainability
The project seeks LEED Platinum certification above the required level. Sustainability features include: a rain garden, high performance façade, sun-shading devices that are integrated into the cladding system, and bioremediation.

Conclusions
This is a compelling project with both strong architectural and ground floor concepts. One important reservation, however, is that while the project expresses a clear idea, the resulting architectural aesthetic results in a slightly geometrically mannerist or stylistic affectation that would need further refinement. While the idea is contemporary, this sense of style over conceptual depth is not.

Planning Code Considerations
Office use: 696,551 SF
Retail use: 13,100 SF

Building Height
The project complies.

Bulk Controls
The building does not meet the mass and bulk controls. The lower tower has an average floorplate of 17,400 SF.

Open Space
The project complies as it exceeds 13,931 SF of publicly-accessible open space.
**Design Concept**

This proposal does not express a larger conceptual idea that establishes its overall architectural language, massing, or site relationships.

Architectural language: The design proposal expresses conventional and homogenous curtainwall cladding modulated only by changes in massing and a horizontal band every five levels. The design does not change its architectural expression where the tower meets the ground level; it merely stops two floors above the street level and misses the opportunity to change in scale to meet the pedestrian environment. The entry and ground level façade is unremarkable. The one unique feature in the design proposal is the set of six outdoor balconies on the tower at the northern corner of the building. This is a provocative idea to provide large open spaces for occupants and requires careful study and programming to assure its benefit. It results in interesting amenities and may provide an interesting aesthetic from afar, but will likely not be compelling from a pedestrian viewpoint.

Massing: The massing concept begins with a serrated volume resulting in a set of conjoined elements. These are then reduced in height to create different floor plate sizes appropriate to the bulk and massing requirements. This results in a larger bulk at the base that establishes the streetwall and a significant reduction of mass towards the top of the tower. The massing reads as a set of conjoined elements formed through the extrusion of plan shapes. As the elements are not clearly distinguished from one another as interlocking, conjoined, or adjacent through further articulation or material detailing, the overall configuration is awkward and inconsistent. The massing does not offer any performative effects other than to provide space for the balconies and to reduce the mass at the top.

Site Relationships: Lacking an innovative site idea, the project conforms to expected ground floor use although the lobby is excessively large reducing the retail area. The relationships between the two corner open spaces are underdeveloped and inadequate. There are no larger or interesting ideas expressed about connecting to the larger district and the relationship to Natoma is underdeveloped.

Open Space

The project offers additional outdoor space with the inclusion of a series of 1,200 SF balconies every five floors in the tower that adds 18,500 SF of common open space. There are also open spaces on the 13th and 28th floors. The proposed design for the Main Street and Howard Street open space is not well connected to Howard Street, nor is it programmed or designed to encourage active use. The design would need significant conceptual, spatial, and programmatic development.

Ground Floor

The proposed ground floor includes a large lobby, two small retail spaces, four loading docks and a garage entry along Natoma Street. The lobby is excessively large (well beyond the preferred maximum 40' or 25% of frontage) and not well connected to the corner open space at Howard and Beale Streets. The retail spaces are minimal and their connections to both the lobby and both streets are unclear. The loading is excessive and should be located underground and accessible from the parking garage entry. Currently, the loading and garage entries in combination result in nearly 70' (over 50% of the entire elevation) of curb cut and driveway access on Natoma Street.

Parking

The 114 parking spaces are located in two below-grade garage levels.

Sustainability

The project proposes LEED Gold certification which is the minimum required. Sustainability features include water use reduction systems, solar shading, recycled, renewable or regional materials use, and the balconies for additional fresh air.

**Conclusions**

Overall, this design proposal is unimaginative, and would result in an unremarkable addition to the district. The ground floor would need significant improvement to appropriately contribute to the public realm. The balconies, the one inventive feature, would need to thoughtfully considered and designed to work successfully.

**Planning Code Considerations**

Office use: 744,630 SF
Retail use: 4,650 SF (approx.)

Building Height

The project complies.

Bulk Controls

The project complies.

Open Space

The project complies as it exceeds 14,892 SF of publicly-accessible open space.
MEMORANDUM

To: Courtney Pash, Project Manager

From: George Bridges, Contract Compliance Specialist

Subject: Review of the Transbay Block 5 Workforce and Contracting Action Plan (WCAP)

Golub / The John Buck Company - 4 points

Butler Enterprises is the WCAP consultant proposed by the Golub team. The plan demonstrated a clear understanding of how to implement OCII’s SBE Program and Construction and Permanent Workforce Programs during the construction phase of the project. In describing the WCAP, the experience of Butler Enterprises team was conveyed and proves to meet the objectives of the WCAP. Since I have not known Butler to have administered the SBE Program to secure professional consultants on OCII projects, I recommend Butler be teamed with a more experienced consultant for the first phase of the project.

Jay Paul Company – 4 points

Jay Paul Company’s WCAP will be led by the team of Monica Wilson and Alex Francois. The team clearly describes their knowledge of OCII’s SBE and Construction Workforce Programs as well as working with other stakeholder such as CityBuild/First Source and Community-based Organizations (CBOs). Their proposal thoroughly outlines the necessary steps needed in the process of securing a team of professional services consultants. Monica and Alex both have experience with the construction phase on OCII projects with regards to workforce compliance but it was unclear what experience their construction partners will bring to the project since I have not known them to have worked on past OCII or SFRA projects. The Community Benefits plan introduced for this development would be a pilot program and well designed.

Kilroy / Pelli – 4 points

Project Management Advisors (PMA) will take the lead in implementing the WCAP for this development. PMA details a clear understanding of working on OCII projects during the professional services and construction stage of the project. In the past, PMA has been pro-active in their approach to securing SBEs for professional services and construction contracts. In my opinion, the Kilroy /Pelli WCAP lacks knowledge in working with CityBuild and First Source during the construction workforce and permanent employment phases since there was little information on the current process for linking job opportunities through an existing referral system on OCII projects.

Boston Properties / KPF – 4 points

Ms. Marivic Bamba will serve as the WCAP consultant for this development. The Boston Properties plan details general knowledge of OCII’s process during all phases of development. Ms. Bamba has extensive knowledge of the outreach efforts, key stakeholders and process necessary to achieve the desired outcomes. While I do not believe Ms. Bamba has previously worked on OCII or former SFRA projects, her proposal adequately addresses the objectives of the WCAP.