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 ("Goettsch") 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.

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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)*

![Signature](signature.png)

Tiffany Bohsoe
Executive Director

**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