ATTACHMENT 3

PROPOSED DDA FOR BLOCKS 6/7

Project Description

Blocks 6/7, a formerly State-owned parcel in the Project Area, is the first design approval and land transaction in the Project Area that will be considered by the new Commission. The staff is working with the development team to prepare a schematic design and a DDA for the Commission’s consideration in March 2013. Pursuant to the Implementation Agreement, the Redevelopment Agency issued an RFP for Blocks 6/7 on July 6, 2011. After a competitive selection process, the development team lead by Golub/Mercy was selected to develop Blocks 6/7 by the Redevelopment Agency Commission on December 6, 2011, along with Solomon Cordwell and Buenz (“SCB”) as the lead architect for the market-rate component of the development and Santos Prescott and Associates (“Santos Prescott”) as the architect for the affordable component. The RFP set a goal of maximizing the participation of Small Business Enterprises (“SBEs”) on the selected development team. Santos Prescott is a Redevelopment Agency-certified SBE and the development team has brought SBE subcontractors on board since their selection in 2011. Due to the dissolution of the Redevelopment Agency on February 1, 2012, and the challenges that created for funding the affordable component of the development, the scope and design of the development has changed since Golub/Mercy was selected in 2011.

Blocks 6/7 comprise two adjacent development sites connected by a proposed extension of Clementina Street, as shown on the map in Attachment 1. Block 6 is a 42,625-square-foot parcel on Folsom Street between Fremont and Beale Streets, two blocks south of the TTC. Block 7 is a 27,728-square-foot parcel located between Fremont and Beale Streets, immediately north of Block 6. Per the DCDG and the RFP, the two sites will share a common, underground parking garage.

The development program for Blocks 6/7 conforms to the goals and requirements of the Redevelopment Plan, the DCDG, and the Streetscape and Open Space Plan. The development program as proposed by Golub/Mercy for Blocks 6/7, as shown in the site plan and renderings in Attachment 4, includes:

- A market-rate residential project on Block 6, consisting of a 32-story tower on the west end of the block and an attached six-story podium building on Folsom Street with a combined 402 units and a row of two-story townhouses on the south side of Clementina Street with 7 units, for a total of 409 market-rate units (“Market-Rate Project”);
- An affordable project on Block 6, consisting of an eight-story podium building on the east end of the block with 70 units (“Block 6 Affordable Project”);
- An affordable project on Block 7, consisting of four-story buildings on the east and west ends of the block and a four-story row of stacked townhouses along the north side of Clementina Street, with a total of 77 units (“Block 7 Affordable Project”);
- A shared, underground parking garage, entirely under Block 6, which will accommodate parking for the Market-Rate Project, the Block 6 Affordable Project and the Block 7 Affordable Project;
- A shared open space on Block 6, which will be used by both the Market-Rate Project and the Block 6 Affordable Project, and which will be open to the public during daytime hours;
- A child care facility at the ground floor of the podium building at the east end of Block 7, which will be open to all children of appropriate age (an operator will be selected at a future date during the development process for Block 7);
- A shared open space on Block 7, which will be shared by the residents of the Block 6 Affordable Project, the Block 7 Affordable Project and the child care facility on Block 7 and which will not be open to the public; and
- Streetscape improvements conforming to the Streetscape and Open Space Plan, as revised by CMG’s most recent designs for Folsom Street.

Selection Process and Dissolution

The Agency issued the RFP on July 6, 2011. The RFP was publicized to developers, architects, and real estate professionals, including SBEs from the Redevelopment Agency’s certified SBE list, through direct mailing, advertisements in newspapers of general circulation and community newspapers, and postings on the Redevelopment Agency’s and City’s websites. The RFP asked development teams to submit a land purchase offer and a development concept for Blocks 6/7, including the required affordable housing component. The stated goals of the RFP were to: 1) achieve the highest purchase price for the market-rate component of the development, 2) maximize the total number of units in the affordable component of the development, 3) achieve the lowest possible per unit subsidy for the affordable component of the project, and 4) maximize efficiencies and cost savings across the entire project. The RFP also stated that the selected development team would be required to comply with all of the Redevelopment Agency’s policies, including the SBE Program, Minimum Compensation Policy, Health Care Accountability Policy, Construction Workforce Policy, Permanent Workforce Policy and Prevailing Wage Policy. As a formerly State-owned parcel, all of the land sale proceeds and net tax increment generated by the sale and development of Blocks 6/7 has been pledged to the TJPA for use in constructing the new TTC.

The scoring criteria in the RFP included a total of 100 points, including points for the market-rate financial proposal (40 points), the affordable component financial proposal (15 points), the development concepts for the market-rate and affordable components (15 points each), the market-rate development team experience (10 points), and the affordable development team experience (5 points). The proposals were reviewed and evaluated by a selection panel consisting of Redevelopment Agency staff, a member of the CAC, and a representative of the San Francisco Planning Department. The selection panel received assistance from Keyser Marston Associates, a real estate consulting firm, which produced an analysis of the financial proposals submitted by the teams. Four proposals were submitted to the Redevelopment Agency and the Golub/Mercy team received the highest total score. On December 6, 2011, staff recommended and the Redevelopment Agency Commission approved the selection of Golub/Mercy as the development team for Blocks 6/7.

After the dissolution of the Redevelopment Agency on February 1, 2012, the Successor Agency staff, working with MOH, worked with Golub/Mercy to change some aspects of their development proposal. The RFP had contemplated that the market-rate component of the
development would include 15 percent affordable inclusionary housing within the market-rate tower and townhouses and that the affordable component of the development would be subsidized by the Redevelopment Agency. However, after the dissolution of the Redevelopment Agency, the Successor Agency no longer had any funding available to subsidize the affordable component of the development. As a result, the Successor Agency negotiated a new deal with Golub/Mercy under which the market-rate component of the development would not be required to build any inclusionary housing within the tower and townhouses and instead would pay a fee to cover a portion of the anticipated Redevelopment Agency subsidy for the affordable component of the development.

In the proposal submitted by Golub/Mercy in response to the RFP, the Market-Rate Project consisting of the tower, podium and townhouses with a total of 409 residential units, including 61 inclusionary units and an Affordable Project consisting of the podium building on Block 6 and two podium buildings and townhouses on Block 7 with a total of 136 units. The revised proposal, described above, has the Market-Rate Project and the Affordable Project in the same buildings as originally proposed. However, instead of building 61 inclusionary units in the Market-Rate Project, Golub will pay an affordable housing fee of $24.3 million to the Successor Agency, which will cover the entire subsidy for the Block 6 Affordable Project and a large portion of the subsidy for the Block 7 Affordable Project. The land purchase price, $30 million, for the Market-Rate Project has not changed from the original proposal submitted by Golub in response to the RFP. Because the purchase price has been pledged to the TJPA and the TJPA had relied on the original purchase offer that Golub proposed, the purchase price could not be changed.

In addition to the changes in the affordable housing component of the development described above, due to the lack of funding available for the Block 7 Affordable Project, the construction of Blocks 6/7 will be phased. Block 6, including the Market-Rate Project, the Block 6 Affordable Project, the shared open space on Block 6, and the shared underground parking garage, will be constructed first. The Block 7 Affordable Project, including the child care facility and the shared open space on Block 7, will be constructed at a future date, when additional affordable housing funding becomes available.

Proposed DDA Terms

Based on the proposal submitted by Golub/Mercy in response to the RFP as revised in response to the dissolution of the Redevelopment Agency, the Successor Agency staff has negotiated the essential terms of a DDA for the sale of Block 6 to Golub and the construction of the Market-Rate Project, the Block 6 Affordable Project, the shared open space on Block 6 and the shared underground parking garage. Due to the lack of funding for affordable housing, Block 7 will be constructed later and subject to a separate agreement between the Successor Agency and Mercy. The proposed Block 6 DDA terms include:

- A non-refundable negotiation deposit of $350,000, which Golub shall pay to the Successor Agency within five days of the effective date of the DDA and which shall be used by the Successor Agency to fund its staffing costs;
• A good faith deposit of $2,000,000, which Golub shall pay to the Successor Agency within 30 days of the effective date of the DDA and which shall be applied to the purchase price;
• A purchase price for Block 6 of $30,000,000, which Golub shall pay to the Successor Agency at or prior to close of escrow;
• An affordable housing fee of $24,300,000 ("Affordable Housing Fee"), which Golub shall pay to the Successor Agency at or prior to close of escrow. The affordable housing fee shall be allocated as follows: 1) $13,020,000 for the Block 6 Affordable Project (or $186,000 per unit, the amount of the subsidy requested in Golub/Mercy’s original response to the RFP) and 2) $11,280,000 for the Block 7 Affordable Project. Note that this amount is not enough to fully fund the Block 7 Affordable Project and therefore that project must be phased to begin construction at a future date when additional public funding is available.
• Predevelopment activities for the Block 6 Affordable Project and the Block 7 Affordable Project, which shall be funded by Golub in advance of the payment of the Affordable Housing Fee as follows: 1) an amount not to exceed $3,000,000 for completion of predevelopment activities for the Block 6 Affordable Project and 2) an amount not to exceed $2,000,000 for predevelopment activities for the Block 7 Affordable Project. Golub shall be reimbursed for predevelopment activities funding pursuant to this section, which shall be tracked and submitted to the Successor Agency for review and approval, after payment of the Affordable Housing Fee;
• Construction of the Block 6 improvements by Golub, including the Market-Rate Project, the Block 6 Affordable Project, the shared open space on Block 6, the streetscape improvements, and the shared underground parking garage, which shall include parking spaces for the future Block 7 Affordable Project. Golub shall be responsible for hiring the construction contractor, in compliance with the Successor Agency’s contracting policies, and for paying its pro-rata share of the cost of the shared improvements, including the open space, the streetscape improvements and the underground parking garage. The Block 6 Affordable Project will be funded with the Affordable Housing Fee, as well as other affordable housing funding sources, and will pay its pro-rata share of the cost of the shared improvements. The Block 7 share of the cost of the underground parking garage shall be paid out of the Affordable Housing Fee for the Block 7 Affordable Project.

The final DDA will include additional terms, including a detailed schedule of performance and remedies in the event that the schedule is not met. The essential terms described above were approved by the CAC at its January 10, 2013, meeting. The staff of the Successor Agency is still negotiating the final DDA with Golub, which is anticipated to be ready for the Commission’s consideration in March 2013.

Design

The Successor Agency staff has requested that the development team complete the schematic design for Blocks 6/7 all at once, even though Block 7 will be constructed later. The DCDG and the original RFP envisioned both parcels being developed as a fully integrated project, so that the blocks will complement each other and work together, even though they are being designed by different architects. The development team has agreed and SCB and Santos Prescott have been
working together and with Successor Agency staff to prepare a unified schematic design for the Commission’s consideration at a future meeting. The draft schematic design was reviewed and approved by the CAC at its January 10, 2013, meeting.

As shown in the site plan and renderings in Attachment 3, the proposed design for Blocks 6/7 includes a sleek, elegant residential tower alongside podium buildings and ground-floor townhouses lining the proposed new Clementina Street. Per the requirements of the DCDG and the RFP, the different buildings have been designed by different architects in order to provide variety and visual interest in the architecture of the project. SCB is responsible for the Market-Rate Project, which is on Block 6 and includes the tower and an attached podium building, as well as townhouses on the south side of Clementina Street. Santos Prescott is responsible for the Block 6 Affordable Project, which is a podium building, and the Block 7 Affordable Project, which includes two podium buildings and townhouses on the north side of Clementina Street.

In addition to an attractive, modern design, the Blocks 6/7 project focuses on two key goals: 1) creating opportunities for social interaction between the residents of the different buildings and 2) creating an innovative sustainable design program. Unlike other high-density developments, where residents only interact in elevators and lobbies, the Blocks 6/7 project attempts to create a true community by providing access to large, open balconies and roof decks in addition to the shared open space at the ground level. As shown in the renderings in Attachment 4, the tower will include “sky parks” – shared balconies – at every third floor, in lieu of private balconies, where residents of the tower can meet informally in much the same way a front porch or a pocket park creates chance meetings in other neighborhoods. In the same way, the roof decks and shared ground floor open space provide attractive areas for social interaction that will draw people together. In fact, the Block 6 shared open space will be open to the public, and therefore will serve as a neighborhood meeting place, in addition to an amenity for the residents. The Blocks 6/7 design will be LEED Gold rated and centers around an integrated, high-performance façade that reduces energy consumption, substantially reduces the first cost and operating cost of the mechanical systems, and produces up to 70 percent of the energy needed for domestic hot water and heating.

As required by the DCDG, the design for Blocks 6/7 includes ground-floor retail on Folsom Street, which will activate this new neighborhood “main street” with pedestrian activity. Also, as required by the DCDG, the design includes individually-accessible townhouses on Clementina Street, in order to create a more pedestrian-friendly neighborhood environment. Finally, as required by the RFP, the Block 7 Affordable Project includes a child care facility, along with an associated open space, which can be used by the residents of the Block 6 Affordable Project and the Block 7 Affordable Project during evenings and weekends.

The Market-Rate Project will be a rental development and includes 65 studio/junior 1-bedroom units, 247 1-bedroom/1-bedroom + den units and 97 2-bedroom units. There are no requirements for any particular unit sizes for market-rate developments in the Project Area, due to the need to maximize land values and generate needed funding for the TJPA. Both the Block 6 Affordable Project and the Block 7 Affordable Project units will be rentals and available to households earning 50 percent of area median income. The Block 6 Affordable Project includes 56 1-bedroom units and 14 2-bedroom units. The Block 7 Affordable Project includes 30 1-bedroom units, 30 2-bedroom units and 17 3-bedroom units.
Workforce Policies and Next Steps

Blocks 6/7 will generate 860 job-years of construction jobs and will be subject to all of the Successor Agency’s contracting policies, including the SBE Program, Minimum Compensation Policy, Health Care Accountability Policy, Construction Workforce Policy, Permanent Workforce Policy and Prevailing Wage Policy. The development team has already brought several SBEs on board, including Santos Prescott, the lead architect for the Block 6 Affordable Project and the Block 7 Affordable Project. During construction, the Successor Agency requires that the developer ensure equal opportunities for minority group persons and women and sets a 50 percent goal for hiring San Francisco residents.

The staff has completed its review of the schematic design and is currently in final negotiations with Golub/Mercy on the terms of the DDA. For the Commission’s review of the schematic design, the development team will prepare a detailed presentation, including a physical model of the proposed design. Staff anticipates that these items will be considered by the Commission in March 2013.