Transbay Block 2 West

Commission on Community Investment and Infrastructure
January 16, 2024

Requested Actions

- 5(d) Authorization of an Amended and Restated Loan Agreement for an aggregate loan amount of $62M and a Community Commercial Loan Agreement in an amount not to exceed $3M
- 5(e) Authorization of a Residential Ground Lease and a Community Commercial Ground Lease

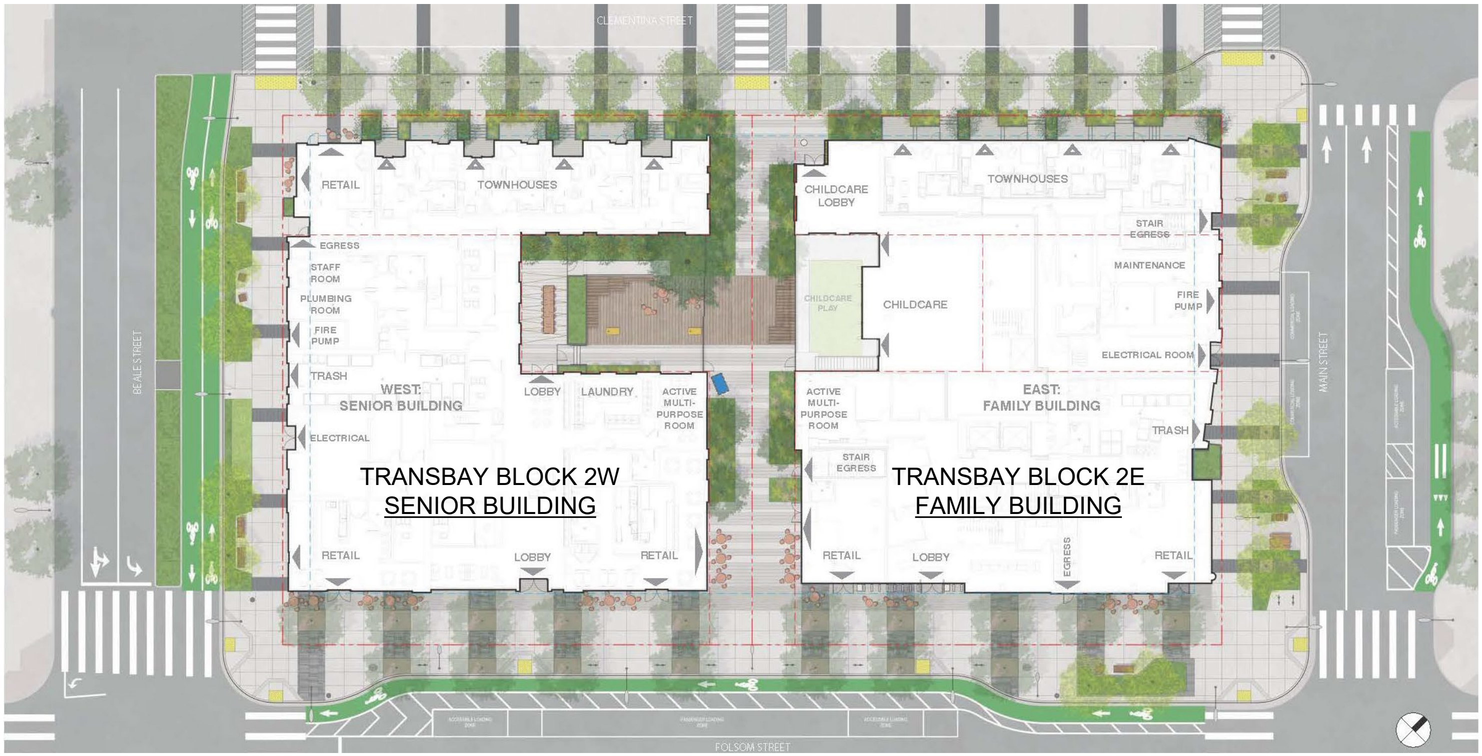
Transbay Plan Area Background

- Transbay Redevelopment Plan Area created in 2005
- Purpose:
  - Create a new mixed-use, mixed-income neighborhood
  - Alleviate blight caused by freeway demolition post 1989 earthquake
  - Generate funding for construction of Salesforce Transit Center
- Project Area split into two zones:
  - Zone 1: OCII has land use authority
  - Zone 2: SF Planning Department has land use authority
- Zone 1 development to date
  - 2,196 total residential units
  - 721 affordable units

Block 2 Background

- June 2020: request for proposals
- April 2021: Commission approved Exclusive Negotiations Agreement and Predevelopment Loan Agreements for 2 West and 2 East
- November 2022: Commission approved schematic designs and related actions
- May 2023: Commission approved gap loan commitment and additional predevelopment funding for 2 West financing
- August 2023: Commission approved short-term Horizontal Ground Lease for Block 2 site prep

Block 2 West Development Team



Developer/Operator/Services Provider: Chinatown Community Development Center

Architect: Mithun

Associate Architect: Kerman Morris Architects

Landscape architect: Plural Studio

General Contractor: Swinerton-Rubecon JV

Design


MILLENNIUM
75 HOWARD
PARK TOWER
MIRA
181 FREMONT
TB 4
TB 2
INFINITY
2 East
2 West
LUMINA
SOLAIRE
AVERY
399 FREMONT

Design

Design

Anchoring Retail

Development Program

Total Units	**151** (including one manager's unit)
Population Served	Seniors, seniors experiencing homelessness (30 units)
Income Levels (MOHCD)	15% AMI – 30 units (SOS*) (20%) 25% AMI – 30 units (SOS) (20%) 30% AMI – 54 units (including 30 LOSP) (36%) 50% AMI – 36 units (24%)
Unit Mix	39 studio (26%) 111 one-bed (74%) 1 two-bed (manager's unit)
Commercial	2,933 sf retail (3 spaces) Vendor cart pad
Parking	0 vehicle 12 class I bicycle

** While SOS units are restricted at 60% MOHCD AMI per program guidelines, the units will be marketed to households at 15%/25% MOHCD AMI*

Project Financing

Total OCII Funding: $65,011,065
Total Project Costs: $125,426,669

OCII Funding	
OCII permanent residential gap loan	$62,064,785
OCII permanent community commercial loan	$2,946,280
Total OCII Funding	**$65,011,065**

Residential Component	
OCII permanent residential gap loan (includes predevelopment funds)	$62,064,785
Low-Income Housing Tax Credit equity	$59,351,143
Deferred interest	$1,064,461
Residential Total	**$122,480,389**
Residential Total Per Unit	$811,128

Commercial Component	
OCII permanent community commercial loan	$2,946,280
Commercial Total	**$2,946,280**

Amended and Restated Loan Agreement (Residential Component)

- **Predevelopment Loan Agreement:**
  - $3,500,000 loan amount
  - Approved by Commission and executed April 2021
- **First Amendment to the Predevelopment Loan Agreement:**
  - Additional $3,086,119 for a total aggregate Predevelopment Loan of $6,586,119
  - Approved by Commission and executed May 2023
- **Amended and Restated Loan Agreement (this request):**
  - $62,064,785 allocated to construction of the Residential Component (amount subject to adjustment prior to construction start based on final costs, as long as total OCII subsidy does not exceed $65,011,065)
  - Total OCII subsidy for both Residential Component & Commercial Component=$65,011,065

Community Commercial Loan Agreement (Commercial Component)

- **This request:**
  - $2,946,280 allocated to construction of the Commercial Component to a warm shell condition (amount subject to adjustment prior to construction start based on final costs, as long as total OCII subsidy does not exceed $65,011,065)
  - Total OCII subsidy for both Residential Component & Commercial Component=$65,011,065
- **Declaration of Restrictions:**
  - Leases for Commercial Units restricted to Public Benefit Use or Community Serving Use
    - Public Benefit Use – Typically programs or services, primarily benefitting low-income persons, implemented by a non-profit.
    - Community Serving Use – Typically retail or other sales & services, provides a direct benefit to the community.

Residential Ground Lease

- **Term:** 75 years (with option to extend additional 24 years)
- **Base Rent:** $15,000 annual payments
- **Affordability:** Rent/income restrictions between 15% to 50% of AMI
- **Construction/Operations:** Project constructed and operated in compliance with approved documents

Community Commercial Ground Lease

- **Term:** 75 years (with option to extend additional 24 years)
- **Base Rent:** $1.00 annual payments
- **Restrictions:** Public Benefit Use or Community-Serving Use
- **Construction/Operations:** Project constructed and operated in compliance with approved documents

Community Commercial Units

- **Base Rent:** $2.75/sf per month, escalating 3% per year
- **Restrictions:** Public Benefit Use or Community-Serving Use
- **Construction:**
  - Warm Shell finish – restrooms with fixtures and accessories, finished floors, HVAC ductwork, water & electrical meters
  - Tenant Improvements - $150/sf allowance (subject to adjustment prior to construction start based on final costs and market study findings in the Commercial Plan)

Community Commercial Unit	Size	Features	Target Uses
Unit A (SE corner @ Folsom/Mews)	1,409 sf	Infrastructure to accommodate a type 1 hood for cooking	Restaurant serving affordable food or a social enterprise restaurant
Unit B (SW corner @ Folsom/Beale)	905 sf	Infrastructure to accommodate a type 2 hood for cooking	Bakery, fitness use, affordable salon, nonprofit use
Unit C (NW corner @ Beale/Clementina)	619 sf	Infrastructure to accommodate a type 2 hood for cooking	Café, pizza or sandwich shop, community exercise

Marketing – Commercial Units

- **Commercial Activities lead by Mercy Commercial California**
  - Commercial Plan
  - Retail marketing, outreach & leasing support
  - Support for commercial tenant during TI work
  - Support for releasing space
- **Updated Commercial Plan**
  - Outreach to prospective tenants
  - Community benefits
  - Racial equity efforts
  - Third-party market study
  - Additional resources for TI
- **Leasing preferences**
  - Small, local businesses
  - POC-owned
  - Affordable price points, meeting the needs of affordable housing residents
- **Outreach efforts to date**

OCII-Mercy Commercial Portfolio

OCII-Mercy Commercial Portfolio Snapshot	
Total Units	15
Total Leases	14
Total Vacant Units	1
Current Vacancy Rate	6.7%
Total Concessions 3/2020-12/2023	$756,744.15
Average % Change in Base Rent 3/2020-1/2024 (only tenants with COVID agreements)	-24.09%
Total Nonprofit/Government Tenants	5
Total Retail Tenants	9
Retail Average Gross Rent PSF/Month	$3.87
Average Tenure of Current Tenants	9 years
Range of Tenure of Current Tenants	1 year to 19 years

Locations:

- Mission Creek Senior – 201 Berry
- Sister Lillian Murphy Community – 691 China Basin
- Transbay Block 6 – 299 Fremont
- Natalie Gubb Apartments – 222 Beale
- 1180 4th Street

Marketing – Residential Units

- **Occupancy Preferences (includes SOS Units)**
  - Original COP holders and Descendant COP holders
  - Displaced Tenant Housing Preference holders (20% of lottery units)
  - Neighborhood Resident Housing Preference holders (25% of lottery units)
  - San Francisco Residents or Workers
- **LOSP Units referred by HSH through Coordinated Entry System**
- **Early Outreach and Marketing Plans**
  - Early Outreach Plan submitted to OCII one month after construction starts (construction scheduled to begin March 2024)
  - COP outreach
  - Rental readiness counseling, technical assistance, and marketing/application collection process

Contracting and Workforce Compliance

- **Professional services**
  - 88.3% Small Business Enterprise (“SBE”)
  - 83.7% San Francisco SBE
  - 9% Minority-Owned SBE
  - 65.9% Women-Owned SBE
- **Workforce**
  - Developer selected Swinerton Builders and Rubecon Builders (a minority-owned San Francisco-based SBE) joint venture as the general contractor for the Project.
  - Prevailing wages
  - 50% local construction workforce hiring goal

Community Outreach

- **Regular updates to Transbay Citizens Advisory Committee (“CAC”) since RFP issuance in 2020:**
  - August 2022 – Informational overview of Transbay Block 2 West and 2 East
  - September 2022 – CAC voted to recommend OCII Commission approve schematic designs
  - October 2023 – Informational update on Transbay Block 2 West and 2 East
- **Project presentations at meetings of East Cut Community Benefits District and IDEATE**
- **Future outreach:**
  - Continue to provide community updates
  - Return to CAC at key milestones (start of construction, launch of marketing)
  - Expand outreach to SOMA Pilipinas, South Beach/Rincon/Mission Bay Neighborhood Association, and other neighborhood groups
  - Community newsletter
  - Website established to provide ongoing project updates: www.transbayblock2.org

Schedule

Timeframe	Milestone
Sep 2023 – Jan 2024	Demolition/site preparation work
Jan – Mar 2024	Submit updated Commercial Plan
March 2024	Close of financing (CDLAC deadline to close March 4, 2024), start construction Begin developing marketing package for commercial units
March 2024	*Family Project: Commission action*
April 2024	Early outreach plan, start of COP affirmative marketing
May 2024	*Family Project: Close of financing, start construction*
June/July 2024	*Family Project: Early outreach plan, start of COP affirmative marketing*
Throughout 2025	Actively market commercial units (begin 1yr prior to TCO)
January 2026	Senior Project: Construction complete (Residential Component)
Throughout 2026-2027	Negotiate LOIs and commercial leases, TI buildouts (Commercial Component)
April 2026	*Family Project: Construction complete*

Thank you!