Transbay Block 4

Commission on Community Investment & Infrastructure
May 2, 2023

Requested Action

- 5(e) Authorize Option Agreement with F4 Transbay Partners LLC for the Option to Purchase Transbay Block 4

Transbay Plan Area Background

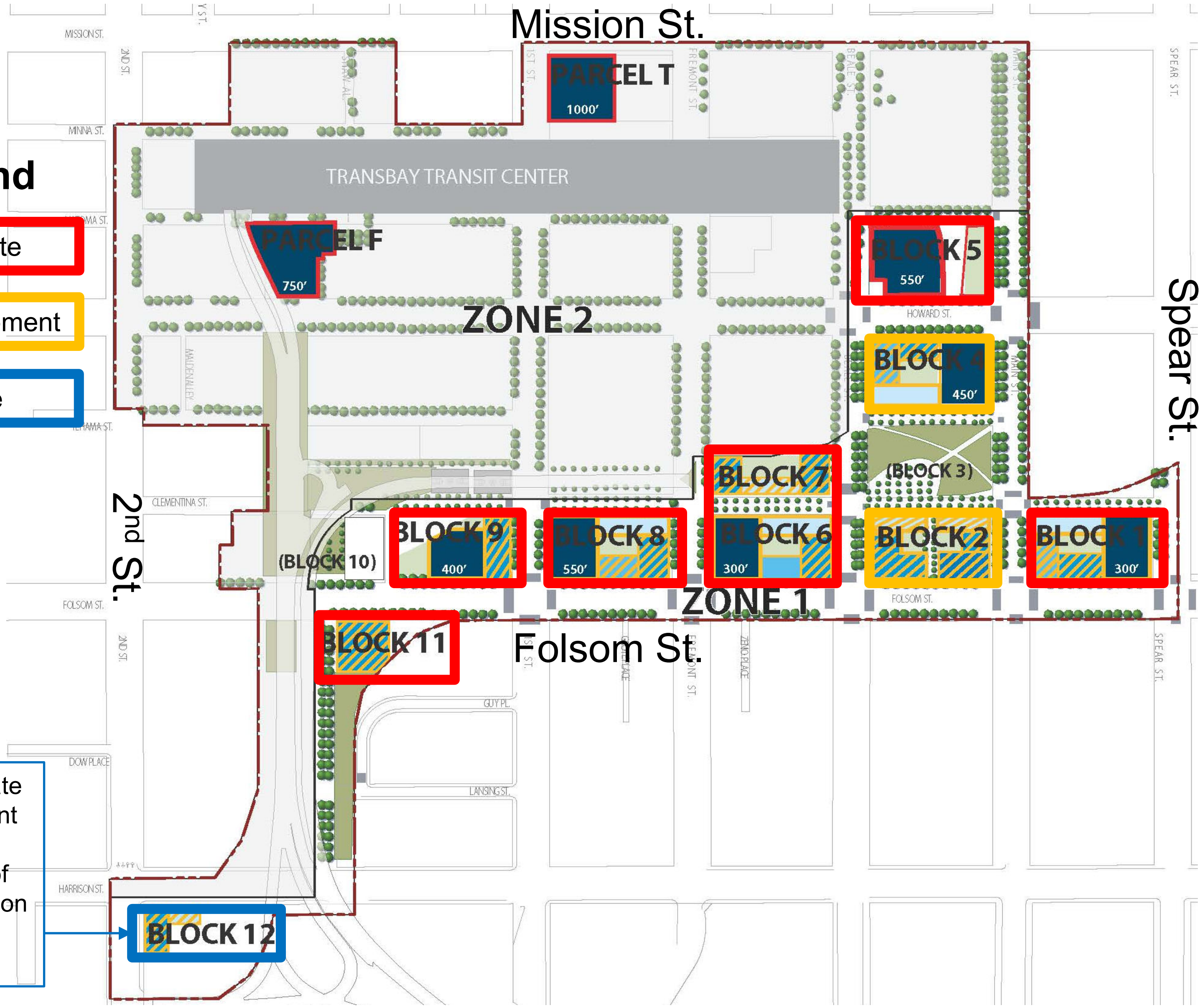
- Transbay Redevelopment Plan Area created in 2005
- Purpose:
  - Create a new mixed-use, mixed-income neighborhood
  - Alleviate blight caused by freeway demolition post 1989 earthquake
  - Generate funding for construction of Salesforce Transit Center
- Project Area split into two zones:
  - Zone 1: 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
  - ~1,086 remaining units*

** Assumes 681 units at Block 4 (per DDA), 335 units at Block 2 (per approved schematic designs), and 70 units at Block 12 (per preliminary fit test)*

Zone 1 Status

Legend

- Complete
- Predevelopment
- Future



FY 26-27: initiate predevelopment (pending assessment of Caltrain extension infrastructure needs)

Block 4 Background

2016	OCII approval of Prior Option with F4 Transbay Partners
2018	First Amendment to prior Option - established Term Sheet
2020	Second Amendment to prior Option - extended negotiation period
2021	• Parcel F Project approved • Third Amendment to Prior Option - short term extension to determine feasible affordable housing percentage • Fourth Amendment to Prior Option – replaced Term Sheet with Program for Appraisal at 45% affordable; added time
June 21, 2022	Commission Approvals: • Environmental review findings (FEIS/EIR Addendum) • Redevelopment Plan amendment • Conditional Development Controls amendment • Disposition and Development Agreement (“DDA”) • Conditional Schematic Design

Block 4 Background continued

Jul. 28, 2022	Planning Commission Approvals: • General Plan amendment • Zoning Map amendment • Redevelopment Plan amendment
Nov. 1, 2022	Board of Supervisors Actions: • Redevelopment Plan amendment, DDA and Air Rights Lease, Zoning Map amendment referred to Land Use and Transportation Committee (held to the call of the Chair) • General Plan amendment disapproved at request of OCII/Developer
Dec. 6, 2022	Commission Informational Memorandum • Describing pause in development of Parcel F and Block 4 • Outlining proposals for modified deal terms *OCII staff and Developer do not recommend the proposed changes*

DDA Project Overview

Mixed-Income Housing	• 681 total units, 306 affordable (45%) ○ 202 in 100% affordable Mid-Rise ○ 324 in mixed-income Tower rentals ○ 155 market-rate condos in Tower and Townhouses
Retail	• 8,389 sf ground floor retail space • 6,431 sf community/public benefit retail
Open Space	• Raised courtyard public open space with connected park-view terrace seating on Tehama Street • Resident-serving terraces throughout the Project
Parking	• Up to 275 vehicles • 556 secured bicycle spaces
Street/ Streetscape	• New Tehama Street segment Streetscape improvements on all sides

Key DDA Terms

Mid-Rise Affordable Project	• Financed with low-income housing tax credits, tax exempt bonds, and potential state sources • OCII loan of approx. $46.7M (funded by Developer in-lieu fee), at typical affordable housing loan terms
Land Sale Price	$6M as determined through appraisal process set forth in prior Option Agreement
Schedule of Performance	Key milestones: • DDA effective date: date of Redevelopment Plan amendment (90 days after Mayor signs legislation) • Close of escrow on land purchase: within 18 mos. of Effective Date • Close of financing: within 30 days of close of escrow • Construction commencement: within 30 days of close of financing • Construction completion: within 48 months of construction commencement

Option Agreement Terms

Option Term	• 6 months, with two available 6-month extensions at OCII Executive Director's discretion (cumulative term of up to 18 months); • Two additional 3-month extensions to allow for legislative hearing approvals (one automatic if Developer formally restarts approval process with the Planning Department, one discretionary)
Exclusivity	• Sponsor has exclusive right to develop the Site in accordance with the DDA • OCII will not solicit proposals or negotiate with any other parties • OCII may study alternative development scenarios for the Site to inform future solicitations if Option terminates
Quarterly Reporting	Sponsor will monitor real estate financing market conditions and provide quarterly reports to OCII
Option Payment	• \$115,385 as consideration for the Option • An additional \$115,385 for each granted six-month extension
Option Exercise	To exercise the Option, Sponsor must complete BOS legislative approvals
Agency Costs	Sponsor is not responsible for OCII staff costs during the Option Term

Next Steps

- Developer:
  - Monitor market conditions, provide quarterly reports
  - If/when project becomes feasible, initiate legislative actions
- OCII staff:
  - Examine market conditions and financial feasiblity (engage financial consultant)
  - Study alternative development options to expedite affordable housing

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Questions/Comments