Resolution approving an option agreement for the potential sale of Transbay Block 4 (the northern one-third of the block bounded by Beale, Howard, Main, and Folsom Streets) by the Successor Agency to the San Francisco Redevelopment Agency to F4 Transbay Partners, LLC, a Delaware limited liability company, for $45,000,000; and making findings under Health and Safety Code, Section 33433.

WHEREAS, Pursuant to the Redevelopment Plan for the Transbay Redevelopment Project Area, as adopted by Ordinance No. 124-05 (June 23, 2005) and by Ordinance No. 99-06 (May 19, 2006) ("Redevelopment Plan"), the Board of Supervisors of the City and County of San Francisco, as the legislative body for the City and County of San Francisco, shall approve the sale or lease of certain parcels by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, commonly known as the Office of Community Investment and Infrastructure ("OCII"), under the standards of Section 33433 of California’s Health and Safety Code ("Health and Safety Code"); and

WHEREAS, The Redevelopment Plan divides the Transbay Redevelopment Project Area into two sub-areas: Zone One, in which the Development Controls and Design Guidelines for the Transbay Redevelopment Project ("Development Controls") define the development standards, and Zone Two, in which the San Francisco Planning Code applies through a delegation agreement with the Planning Department; and

WHEREAS, In 2003 the State of California Legislature enacted Assembly Bill 812 ("AB 812") authorizing the demolition of the then-existing Transbay Terminal building and the construction of the new Transbay Transit Center (the "Transit Center") (Stat. 2003, Chapter 99, codified at Section 5027.1 of the California Public Resources Code) and requiring 25% of
the residential units developed in the project area be for low income households and an
additional 10% for moderate income households (the "Transbay Affordable Housing
Obligation"); and

WHEREAS, In 2003, the Transbay Joint Powers Authority ("TJPA"), the City, and the
State of California entered into a cooperative agreement under which the State agreed to
transfer to the City or TJPA certain State-owned parcels ("State-owned Parcels") near the
Transit Center, and the City committed net property tax increment from the State-owned
parcels for development of the Transit Center and Project Area infrastructure (the
"Cooperative Agreement"); and

WHEREAS, In 2005, the TJPA and the Redevelopment Agency of the City and County
of San Francisco (the "Former Agency") entered into an agreement to facilitate the
implementation of the Redevelopment Plan ("Implementation Agreement"), with the Former
Agency taking the lead role in facilitating development of the State-owned Parcels; and

WHEREAS, Specifically, the Implementation Agreement required the Former Agency
to (1) prepare and sell the State-owned Parcels to third parties, (2) deposit the sales proceeds
into a trust account to help finance the Transit Center and infrastructure, (3) implement the
Redevelopment Plan, and (4) fund the Transbay Affordable Housing Obligation; and

WHEREAS, In 2008, the City, the Former Agency and the TJPA entered into an
agreement to give the Former Agency options to acquire the State-owned Parcels, arrange for
disposition and development of the State-owned Parcels, and distribute the net property tax
increment to the TJPA for the Transit Center ("2008 Option Agreement"); and

WHEREAS, The 2008 Option Agreement provided the means by which the Former
Agency could fulfill its obligations under the Implementation Agreement to prepare and sell the
State-owned parcels and to ensure satisfaction of the Transbay Affordable Housing
Obligation; and
WHEREAS, On February 1, 2012, the Former Agency was dissolved pursuant to the provisions of California State Assembly Bill No. 1X 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26"), codified in relevant part in Health and Safety Code, Sections 34161-34168 and upheld by the California Supreme Court in California Redevelopment Assoc. v. Matosantos, No. S194861 (Dec. 29, 2011); and

WHEREAS, On June 27, 2012, AB 26 was subsequently amended in part by California State Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"); and

WHEREAS, Together, AB 26 and AB 1484, are primarily codified in Sections 34170 et seq. of the Health and Safety Code, which sections, as amended from time to time, are referred to as the "Redevelopment Dissolution Law," and

WHEREAS, Pursuant to the Redevelopment Dissolution Law, all of the Former Agency's assets (other than certain housing assets) and obligations were transferred to OCII; and

WHEREAS, Block 4 is an approximately 45,375 square foot parcel, which is the northern one-third of the block bounded by Howard Street to the North, Main Street to the East, Beale Street to the West, and the future Tehama Street to the South (APN 3739-008), one block south of the Transit Center, and is generally known as 200 Main Street; and

WHEREAS, The TJPA is currently using Block 4 for a temporary bus terminal (the "Temporary Terminal"); and

WHEREAS, The TJPA will close the Temporary Terminal when the Transit Center is completed and bus traffic is transferred to the Transit Center; and

WHEREAS, Under the Redevelopment Plan and the Development Controls, Block 4 is planned for residential development permitting a tower up to 450', two mid-rise podium buildings up to 85' and 65' respectively, and low-rise townhouses up to 50', situated around shared open space and on top of shared parking; and
WHEREAS, Block 4 will include both market rate and affordable units, and will be relied upon to ensure that OCII meets the 35% Transbay Affordable Housing Obligation for the whole Project Area; and

WHEREAS, Based on Zone 1 unit totals and projections of private residential development in Zone 2, OCII estimates that Block 4 may need to include over 50% of its units as affordable in order to meet the Transbay Affordable Housing Obligation; and

WHEREAS, Parcel F is another State-owned parcel, located in Zone 2 under planning jurisdiction as delegated by OCII, and is currently owned by the TJPA; and

WHEREAS, Parcel F is adjacent to the western end of the Transit Center site, between Howard and Natoma Streets; and

WHEREAS, In 2015, the TJPA requested that OCII cancel its right to acquire Parcel F under the 2008 Option Agreement in order to allow the TJPA to hold an auction of the site to generate maximum proceeds for the Transit Center; and

WHEREAS, The TJPA ultimately canceled the auction, and in late 2015 began negotiations with the pre-qualified development teams to sell Parcel F; and

WHEREAS, One of those pre-qualified development teams, Urban Pacific Development, LLC, created F4 Transbay Partners, LLC along with Hines F4 Associates Limited Partnership, and Broad Street Principal Investments, LLC, an affiliate of Goldman Sachs (collectively, the "Developer"), and submitted an offer to the TJPA to purchase both Parcel F and Block 4; and

WHEREAS, On March 10, 2016, the TJPA Board of Directors approved a purchase and sale agreement for Parcel F with the Developer for $160,000,000 (the "Parcel F Purchase Price"), and the Developer submitted a $10,000,000 good faith deposit; and

WHEREAS, Receipt of the Parcel F Purchase Price will enable the TJPA to pay off its $171,000,000 bridge loan with Goldman Sachs and to immediately draw down on a
$171,000,000 federal TIFIA loan, which is needed to continue work on and complete
construction of the Transit Center; and

WHEREAS, A condition of the Developer’s obligation to close on Parcel F is the receipt
of final approvals for an option agreement between OCII and the Developer for Block 4, a
copy of which is on file with the Clerk of the Board in File No. 160388 (the “Block 4 Option
Agreement”); and

WHEREAS, The Block 4 Option Agreement provides the Developer with an exclusive
right to negotiate for a disposition and development agreement (“DDA”), but provides that
OCII has the sole and absolute discretion to consider all terms and conditions of the DDA,
other than the purchase price for the land, including, but not limited to, the following: (i) the
affordable housing program for Block 4, including the percentage of affordable housing units
required for a housing development project on Block 4, the types and affordability levels for
the units, the tenure of the units, and all other terms of the affordability of the units; (ii) OCII’s
selection of a qualified non-profit housing developer to partner with the Buyer, or develop on
its own, some or all of the affordable units required for Block 4; (iii) a community benefits
program designed to implement the requirements and objectives of the Redevelopment Plan,
including the provision of housing for households displaced by the previous actions of the
Redevelopment Agency, the adoption and implementation of programs that meet or exceed
City policies regarding workforce development, contracting opportunities and equal
opportunity, particularly for economically disadvantaged San Francisco residents and
businesses, and the provision of community-serving space and commercial space that is
available to local non-profit organizations and businesses at below-market rates; (iv) a
schedule of performance and outside dates for completion; (v) design of the Block 4 Project
consistent with the Redevelopment Plan, the Transbay Development Controls and Design
Guidelines, and the Transbay Affordable Housing Obligation; (vi) conditions of closing;
WHEREAS, The Block 4 Option Agreement also provides that the Developer would subsidize at least 45% of the units as affordable units, without any public or OCII subsidy; and

WHEREAS, The Block 4 Option Agreement requires the Developer to deposit, within 30 days of its effective date, Five Hundred Thousand Dollars ($500,000) in cash for use by OCII for staff and other costs relating to the Block 4 Option Agreement and DDA negotiations, and for marketing and outreach to persons who were displaced by the activities of the Former Agency and are eligible for OCII's Certificate of Preference Program, including a survey of Certificate holders to aid OCII in evaluating how best to meet their needs; and

WHEREAS, If a DDA is successfully negotiated and approved, the Developer would have the right to purchase Block 4 for (1) $45,000,000, or (2) a price determined by negotiation with OCII after the parties have agreed on all terms of the DDA except price (the "Negotiation Option"), or (3) the fair market value of Block 4, taking into account the affordable housing requirements and the requirements of the DDA, as determined by appraisal ( the "Appraisal Option"); and

WHEREAS, If all other conditions to the closing of Block 4 have been met by June 30, 2018, but OCII is not prepared to transfer Block 4 by that date for any reason including a delay in the removal of the Temporary Terminal, the purchase price for Block 4 will be reduced by $3,000,000 (the "Block 4 Extension Discount"); and

WHEREAS, The purchase price of $45,000,000, subject to the potential Block 4 Extension Discount, or the price resulting from the Negotiation Option or the Appraisal Option, will become the final purchase price under the Block 4 Option Agreement at the time the DDA is presented to the OCII Commission for consideration; and

WHEREAS, If the price for Block 4 is $45,000,000 or more, the OCII Commission and Board of Supervisors will have previously approved the price; and
WHEREAS, If the purchase price is determined through the Developer's election of the Negotiation Option or the Appraisal Option, the Board of Supervisors will then be required to make a new finding under Health and Safety Code, Section 33433 that the resulting Block 4 purchase price is not less than the fair market value or fair reuse value for Block 4; and

WHEREAS, The Block 4 sales proceeds will be transmitted to the TJPA for the Transit Center construction; and

WHEREAS, The Block 4 Option Agreement is a potential sole source sale of Block 4; and

WHEREAS, To approve the sale of Block 4 without a public bid, the OCII Commission followed the procedural requirements for notice and public hearing under Section 33431 of the Health and Safety Code; and

WHEREAS, On April 19, 2016 after holding a duly-noticed public hearing, the OCII Commission approved Resolution No. 18-2016, approving the Block 4 Option Agreement, a copy of which is on file with the Clerk of the Board in File No. 160388; and

WHEREAS, The Block 4 Option will authorize OCII and the Developer to enter into exclusive negotiations for the design of a project that will be subsequently reviewed and considered for approval in the sole and absolute discretion of OCII, and the Block 4 Option Agreement will not independently result in significant physical effects on the environment; and

WHEREAS, Because the Block 4 Option Agreement establishes the sales price for Block 4, OCII cannot enter into the contract unless the Board of Supervisors determines that the sales price meets or exceeds the standards for fair market value or fair reuse value in Health and Safety Code, Section 33433, as incorporated into the Redevelopment Plan Section 4.7.2; and
WHEREAS, The Board of Supervisors held a public hearing on this matter on May 16, 2016, and notice of the public hearing was published consistent with Health and Safety Code, Section 33433; and

WHEREAS, OCII prepared and submitted a report consistent with the requirements of Health and Safety Code, Section 33433, and a summary of the transaction describing the cost of the Block 4 Option Agreement to OCII, the value of the property interest to be conveyed, the purchase price and other information, a copy of which is on file with the Clerk of the Board in File No. 160388 and was made available for public inspection; now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco does hereby approve the Block 4 Option Agreement; and, be it

FURTHER RESOLVED, That the Board of Supervisors finds that the Block 4 purchase price of $45,000,000, subject to the Block 4 Extension Discount, as described in the Block 4 Option Agreement is not less than the fair market value at the highest and best use of the property in accordance with the Redevelopment Plan, based upon the following: (1) Developer will subsidize at least 45% of the units as affordable units, without any public or OCII subsidy, (2) OCII will have sole and absolute discretion to determine the total number and type of affordable units in the Block 4 project, as well as all other terms in the DOA, including various workforce and community benefits, but not the sales price, which is determined by the Block 4 Option Agreement; and (3) once the DDA is finalized and the affordable housing requirements for Block 4 are set, the purchase price of Block 4 may decrease under the Negotiation Option or the Appraisal Option, but it cannot decrease to an amount that is lower than the fair market value or the fair reuse value, and any such decrease will require the approval of the OCII Commission and the Board of Supervisors under Health and Safety Code, Section 33433; and, be it
FURTHER RESOLVED, If the final purchase price under the Block 4 Option Agreement remains $45,000,000 (or $42,000,000 under the Block 4 Extension Discount), then no further action is required by the Board of Supervisors in connection with the sale of Block 4 to Developer, but if the final Block 4 purchase price is reduced under the Negotiation Option or the Appraisal Option, then such final price is subject to the prior review and approval of the OCII Commission and the Board of Supervisors; and, be it

FURTHER RESOLVED, The approval of the Block 4 Option Agreement will enable the sale of Parcel F and the continuation of construction of the Transit Center, and the proposed development of Parcel F and Block 4 will assist in the elimination of blight by the development of vacant property consistent with the Redevelopment Plan; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes OCII to execute the Block 4 Option Agreement with the Developer, substantially in the form of the Block 4 Option Agreement on file with the Clerk of the Board, and to take such further actions and execute such documents as are necessary and appropriate to implement the Option Agreement on behalf of OCII.
Resolution approving an option agreement for the potential sale of Transbay Block 4 (the northern one-third of the block bounded by Beale, Howard, Main, and Folsom Streets) by the Successor Agency to the San Francisco Redevelopment Agency to F4 Transbay Partners, LLC, a Delaware limited liability company, for $45,000,000; and making findings under Health and Safety Code, Section 33433.

May 16, 2016 Land Use and Transportation Committee - RECOMMENDED AS COMMITTEE REPORT

May 17, 2016 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

I hereby certify that the foregoing Resolution was ADOPTED on 5/17/2016 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

Date Approved