108-072.11-002 Meeting of July 5, 2011

INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell, Executive Director

SUBJECT: Notice of intent to issue a Request for Proposals to design and develop a high-density residential project on Blocks 6/7, located on Folsom Street between Fremont and Beale Streets, with final approval of a development team conditioned upon the re-establishment of redevelopment agency authority as provided for in ABx1 27 or upon a successor agency assuming authority necessary to complete the RFP process; Transbay Redevelopment Project Area

PURPOSE OF INFORMATION

The purpose of this Informational Memorandum is to inform the Commission of Agency staff's intention to issue a Request for Proposals ("RFP") from development teams to design and develop a high-density residential project on Blocks 6/7 in the Transbay Redevelopment Project Area (see Attachment 1). The development program for Blocks 6/7 includes approximately 350 market-rate and inclusionary housing units, approximately 150 affordable housing units, neighborhood serving retail, and a child care facility integrated into two master-planned blocks. Recently, state law suspended new redevelopment activities unless and until the Board of Supervisors of the City and County of San Francisco adopts an ordinance agreeing to make certain remittances for education and other purposes. During this suspension, the Agency will solicit proposals and review them, but will not select or approve a development team. If the suspension is not lifted and the Agency is terminated, a successor agency may select and approve a development team.

Unless the Commission objects, the RFP will be released to the public on July 6, 2011. Staff anticipates returning to the Commission with a recommended developer by the end of the year if the suspension of new redevelopment activities is lifted.

DISCUSSION

Background

The site consists of two development blocks. Block 6 is a 42,625-square-foot parcel on Folsom Street between Fremont and Beale Streets, adjacent to the Financial District and two blocks south of the future Transbay Transit Center. Block 7 is a 27,728-square-foot parcel located between Fremont and Beale Streets, immediately adjacent to Block 6. The blocks will be separated by a new extension of Clementina Alley.

In conformity with the controls and guidelines adopted by the Agency in the Redevelopment Plan for the Transbay Redevelopment Project Area, the Development Controls and Design Guidelines for the Transbay Redevelopment Project, and the Transbay Redevelopment Project Area Streetscape and Open Space Concept Plan, the development program for Blocks 6/7 includes (1) a market-rate residential project, consisting of both market rate-units and inclusionary housing units (the "Market-Rate Project") and (2) an affordable residential project (the "Affordable Project) in two master-planned blocks. The Market-Rate Project includes approximately 345 residential units in a 300-foot tower and one 50-foot townhouse development on Block 6. A minimum of 15% of these units must be inclusionary housing units. The Affordable Project includes a range of 100 (minimum) to approximately 150 family rental units in multiple buildings ranging from 35 to 85 feet on Blocks 6 and 7. It will include a mix of one-, two-, and three-bedroom units affordable to families whose incomes do not exceed 50% of the unadjusted area median income.

The development program will also include:

- an open space parcel in the center of each block, which will be shared by all buildings on both blocks;
- a single, shared underground parking facility;
- a child care facility that will serve a mixed-income population, as well as a mix of children from the Blocks 6/7 development and from the rest of the city;
- streetscape improvements, including the extension of Clementina Alley between Fremont and Beale Streets;
- ground-floor retail spaces along the Folsom Boulevard frontage; and
- a minimum LEED Silver level of certification.

The Request for Proposals

The Blocks 6/7 RFP seeks proposals from developers to develop and build a project that meets the parameters outlined above. It is anticipated that development teams will include (1) a for-profit developer to serve as the project lead and develop the Market-Rate Project, (2) a non-profit affordable housing developer to develop the Affordable Project, (3) a lead architect to design the residential tower and Block 6 townhouses and coordinate the master planning of the entire project, (4) one or more architects for the Affordable Project, to be subcontracted to the lead architect, and (5) a property manager for the Affordable Project. In order to achieve economies of scale, it is also expected that the entire project will be constructed by a single general contractor, to be managed by the market-rate developer. Development teams are also encouraged to explore alternative ownership structures, such as having one entity own the entire project, in order to achieve additional cost savings.

Based on independent analyses of current market conditions by real estate economics consultants hired by the Agency and the Transbay Joint Powers Authority (“TJPA”), the RFP seeks proposals that include a minimum total purchase price for the land attributable to the Market-Rate Project of $18 million or higher, which the Agency will transfer to the TJPA to help pay the cost of constructing the new Transbay Transit Center. Proposals must also seek to maximize the total number of units in the Affordable Project, within the constraints of a maximum Agency

subsidy of $200,000 per affordable unit. Additionally, each development team will need to demonstrate its ability to successfully finance, construct, and operate the project.

The selection process for the RFP will include interviews and a review of basic qualifications, a financial proposal, and pre-schematic designs by a selection panel comprised of Agency staff, one representative from the Transbay Citizen's Advisory Committee (the "Transbay CAC"), and one representative from the City's Planning Department. The team with the highest score, based on the criteria in the RFP, will be recommended to the Commission for exclusive negotiations.

The RFP was reviewed by the Transbay CAC last spring. Unless the Commission objects, the RFP will be released to the public on July 6, 2011. It will be publicized to developers and consulting firms through direct mailing, newspapers of general circulation, community newspapers, and the Agency's and City's websites. Staff anticipates returning to the Commission by the end of the year with a recommended development team.

Agency Policy on Disclosure of Outside Communications

The RFP is a major development opportunity and it is likely that Commissioners will be contacted by prospective developers. Agency policy does not prohibit such contact. However, Agency policy does require Commissioners to disclose any contacts with members of the public about matters within the Commission's jurisdiction. On February 6, 2001, by Resolution No. 10-2001, the Agency adopted the Policy and Procedure: Disclosure of Outside Communications by Agency Commissioners and Officers (the "Policy and Procedure"). The Policy and Procedure states: "No Agency Commissioner or Officer shall make, participate in making, or otherwise attempt to influence a Commission decision about which the Agency Commissioner or Officer has knowingly had an Outside Communication that has not been reported as described herein." As defined in the Policy and Procedure, "Outside Communication" does not include communication during public meetings or communication limited entirely to procedural or ministerial issues. The Policy and Procedure includes a form that Commissioners and Officers are required to complete within five (5) days after the communication.

(Originated by Christine Maher, Development Specialist, and Michael J. Grisso, Senior Project Manager)

Fred Blackwell
Executive Director

Attachment:
1. Request for Proposals: Transbay Blocks 6/7