

Edwin M. Lee
MAYOR

Tiffany Bohee
EXECUTIVE DIRECTOR



Mara Rosales
CHAIR

Miguel Bustos
Marilyn Mondejar
Leah Pimentel
Darshan Singh
COMMISSIONERS

Agenda Item **5(a)**
Meeting of May 17, 2016

**MINUTES OF A REGULAR MEETING OF THE
COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE
OF THE CITY AND COUNTY OF SAN FRANCISCO HELD ON THE
19th DAY OF APRIL 2016**

The members of the Commission on Community Investment and Infrastructure of the City and County of San Francisco met in a regular meeting at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 416, in the City of San Francisco, California, at 1:00 p.m. on the 19th day of April 2016, at the place and date duly established for holding of such a meeting.

REGULAR MEETING AGENDA

1. Recognition of a Quorum

Meeting was called to order at 1:05 p.m. Roll call was taken.

Commissioner Bustos - absent
Vice-Chair Mondejar - present
Commissioner Pimentel - present
Commissioner Singh - present
Chair Rosales – present

Commissioner Bustos arrived late; all other Commission members were present.

2. Announcements

A. The next scheduled Commission meeting will be a regular meeting held on Tuesday, May 3, 2016 at 1:00 p.m. (City Hall, Room 416).

B. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

C. Announcement of Time Allotment for Public Comments

3. Report on actions taken at previous Closed Session meeting - None

4. Matters of Unfinished Business – None

5. Matters of New Business:

CONSENT AGENDA

- a) Approval of Minutes: Regular Meetings of February 16, March 1, and March 15, 2016

PUBLIC COMMENT – None

Vice-Chair Mondejar motioned to move Item 5(a) and Commissioner Pimentel seconded that motion.

Secretary Guerra called for a voice vote on Item 5(a).

Commissioner Bustos - absent
Vice-Chair Mondejar - yes
Commissioner Pimentel - yes
Commissioner Singh - yes
Chair Rosales - yes

ADOPTION: IT WAS VOTED BY FOUR COMMISSIONERS WITH ONE ABSENCE THAT Approval of the minutes for the regular meetings of February 16, March 1, and March 15, 2016, BE ADOPTED.

REGULAR AGENDA

- b) Authorizing an Option Agreement with F4 Transbay Partners LLC, a Delaware Limited Liability Company, for the purchase of Block 4 located in the Transbay Redevelopment Project Area on the Northern one-third of the block bounded by Beale, Howard, Main, and Folsom Streets, Assessor's Parcel No. 3739, Portion of Lot 008; Transbay Redevelopment Project Area (Discussion and Action) (Resolution No. 18-2016)

Presenters: Tiffany Bohee, Executive Director, OCII; Sally Oerth, Deputy Director, OCII; Chris Collins, Principal and Co-Owner, Urban Pacific Development for Transbay Partners; Cameron Falconer, Senior Managing Director, Hines Corporation, San Francisco

PUBLIC COMMENT – None

Commissioner Singh stated this item seemed to be very straight-forward and was pleased with the project. He inquired about what other residential projects Urban Pacific had done in San Francisco; inquired about how long it would take to finish the project

Mr. Collins responded Urban Pacific had worked on One Rincon Hill starting in 2002 and prior to that had developed One Embarcadero South before the ballpark was built at the intersection of 2nd and King. He explained they had also worked on the City Front Terrace project in San Diego and other projects in Chicago. Mr. Collins reported that his own experience included working on both towers of One Rincon starting in 2007 and had worked on institutional and large-scale urban project experience since the 1990's.

Chair Rosales added that on the Salesforce Tower, their general contractor (GC) was also a Transbay (TB) contractor.

Mr. Falconer responded Hines had been an active developer in San Francisco since 1979 with 101 California. He also listed other projects in San Francisco, such as 343 Sansome Street, 580 California Street, the Civic Center State Office Building, the JP Morgan Chase Building at 560 Mission, the entitlements for 499 Illinois Street in Mission Bay and the design of the Transit Center, which they handed over to the TJPA for development, the Salesforce Tower and 33 Tahoma, a 400-unit high-rise building for rent and 525 Harrison Street, a 205-unit residential project in Rincon Hill. Mr. Falconer responded that for a project of this scale it would take 2-3 years to complete. The plan was to work through the process to complete the design, development, the approvals and the disposition agreement so they could start construction as soon as the temporary terminal was transferred over to the new transit center, which was tracking for end of 2017. Mr. Falconer anticipated starting construction in 2018 with a final construction completion date in 2021.

Commissioner Pimentel inquired about what type of children's programming would be on this Transbay Block.

Ms. Oerth responded they had not gotten into the details of designing that park yet, but explained that, as with other open space, there would be a combination of active and passive spaces, landscaping and/or specific playground equipment, and that they would be looking at a number of different options.

Vice-Chair Mondejar inquired about the lack of competitive bidding on this project and inquired about the option of cancelling Block 4, if this was not feasible for the developer.

Executive Director Bohee responded that, under the option agreement, the Transbay Joint Powers Authority (TJPA) had asked OCII to cancel its option on Parcel F so the TJPA could quickly dispose of and sell Parcel F, but that did not go through as the TJPA had envisioned. She explained that Parcel F originally was a very large site, but had been reduced due to the Transit Center construction and now was a very tight space. Ms. Bohee reported that originally there were five pre-qualified bidders, including Urban Pacific. However, due to the site challenges and the early close requirements, as well as the fact that the TJPA was asking for money upfront, which was unusual and atypical, most of the bidders had fallen out. The TJPA board originally selected Crescent Heights for Parcel F, which was going to develop a 100% residential under the Planning Code, but that bidder fell out. Ms. Bohee pointed out that this was a unique opportunity with 90% equity represented by Goldman with a bridge loan secured by the Block 4 property. Goldman had offered an unsolicited proposal allowing OCII to advance both Block 4 and Parcel F and also provide for significant community benefits. So this solution presented cash up front for Parcel F as well as 45% affordable on Block 4. Ms. Bohee explained that, in this unique case, the developer had offered a floor of 45% affordable with no subsidy from OCII which would bring the affordable on faster and allow OCII to develop affordable housing and not negatively impact the taxpayers.

Chair Rosales inquired about whether there were any other unsolicited offers from any of the other competitors on Parcel F.

Executive Director Bohee responded in the negative and added that a number of other competitors were offered the same opportunity to develop both sites together and they had all declined.

Vice-Chair Mondejar stated since they had had several closed sessions on this matter, and after many questions being raised, she felt confident in moving this resolution forward.

For the record Chair Rosales requested an explanation for the marriage between Parcel F and Block 4 in order to understand why this was such an important package.

Ms. Oerth responded that the way the developer looked at this project was that Parcel F and Block 4 worked together as complementary projects, especially looking at the residential component, because it would be very challenging to provide affordable units at the top of the tower. She explained that Block 4 highlighted affordable housing with onsite affordable services and indicated that the developer may propose to move offsite all the affordable housing on Parcel F. However, for now they were required to put 15% of residential affordable onsite. If the offsite move were proposed, they would discuss that proposal and it would have to go before the Board of Supervisors for approval, so there would more work involved.

Mr. Falconer responded that the combination of Parcel F and Block 4 was attractive because it allowed them to provide the required affording housing and effectively exceed it. He explained that Parcel F was a tall 750' tower with residential at the top presenting a challenging design because of seismic and wind issues and the vertical transportation need. Therefore, the design with the office at the base, hotel in the middle with a high end residential component at the top turned out to be the best solution. Mr. Falconer referred to 181 Fremont as the precedent example for this, stating that even if affordable housing were offered at the top of a residential tower, there were challenges for the residents involved such as being able to afford the HOA's, etc. Therefore, having the ability to provide more and better affordable housing on Block 4 was the best option and allowed them to close Parcel F up front. Mr. Falconer added that the other reason this project was attractive was because they wanted to be involved in Block 4 itself, which was a significant project and be able to design high quality community serving projects. He concluded that the link between the two was the ability to provide the affordable housing across both projects.

Chair Rosales inquired about the card check required by the TJPA on Parcel F and inquired about whether there was any other social project requirement on Parcel F; inquired about whether the TJPA had an SBE or local hire policy; inquired about whether the Planning commission would impose any SBE requirements on their approvals; inquired about whether OCII had any jurisdiction to require SBE policies on the Parcel F project.

Ms. Oerth responded that for Parcel F, the project would follow the City's First Source requirement but there were no other specific workforce programs in effect for the project.

Mr. Morales responded in the negative since this was a private owner on public land and was not City land. He responded in the negative to whether OCII had any jurisdiction to require SBE policies.

Chair Rosales suggested that they strongly urge the development team to apply the same workforce and SBE policies that are set for Block 4 on Parcel F as well. She inquired about the amount of time that it would take between approvals and the final DDA which was two years.

Ms. Oerth responded that in order to be in detailed negotiations on the DDA by 2017 would require spending the rest of 2016 refining the concept, working on the design and coming up with terms that would be within the DDA. She explained that the work would begin this year and would culminate in the final document and approvals by next year.

Chair Rosales inquired about when they would return to present this project before OCII. She acknowledged that the CEQA process linked to Parcel F may slow things down but went on record to state that they urged the Planning Commission Director to allocate the necessary resources for the environmental review as soon as possible and to dedicate an individual from San Francisco so that the necessary environmental documents were moving along with all the other documents needed for Parcel F. Ms. Rosales commended the development team and staff on the suggestion that a portion of the project costs be allocated for the Certificate of Preference (CoP) survey, which was critically important in their residential development. She was pleased with the consideration shown for those displaced a long time ago and of keeping their needs in mind.

Ms. Oerth responded that they would return over the summer with the selection of the affordable housing developer as well as an update on the program concept and perhaps be able to present some interim milestones to ensure they were on the right track.

Vice-Chair Mondejar inquired about whether all the issues and questions regarding community benefits that had been raised in this matter would be included in the DDA.

Ms. Oerth responded in the affirmative.

Mr. Morales pointed out that the resolution should read as amended by the assignment.

Commissioner Singh motioned to move Item 5(b) and Vice-Chair Mondejar seconded that motion.

Secretary Guerra called for a voice vote on Item 5(b).

Commissioner Bustos - yes

Vice-Chair Mondejar - yes

Commissioner Pimentel - yes

Commissioner Singh - yes

Chair Rosales - yes

ADOPTION: IT WAS VOTED UNANIMOUSLY BY FIVE COMMISSIONERS THAT Resolution No. 18-2016, Authorizing an Option Agreement with F4 Transbay Partners LLC, a Delaware Limited Liability Company, for the purchase of Block 4 located in the Transbay Redevelopment Project Area on the Northern one-third of the block bounded by Beale, Howard, Main, and Folsom Streets, Assessor's Parcel No. 3739, Portion of Lot 008; Transbay Redevelopment Project Area, BE ADOPTED.

- c) Workshop #2 on OCII's Fiscal Year 2016-17 Budget, Including Administration, Debt Service, and Asset Management Obligations outside Major Approved Development Project Areas: Yerba Buena Center, Rincon Point-South Beach, Western Addition A-2, South of Market, Hunters Point, and Bayview Industrial Triangle (Discussion)

Presenters: Tiffany Bohee, Executive Director, OCII; Bree Mawhorter, Deputy Director, Finance & Administration, OCII; Christine Maher, Director, Real Estate & Development Services, OCII

PUBLIC COMMENT

Speaker: Ace Washington, Community Activist; Tom Gilberti, San Francisco Resident

Mr. Washington stated there were only a few black community activists left in San Francisco. He stated that he was reaching out for a partnership to be established between OCII and himself for the Fillmore District and the Western Addition and requested that Commissioners come to the district to meet with community members.

Mr. Gilberti stated that 72 Townsend was his next door neighbor and referred to the open space mentioned in the pamphlet that was distributed. He reported that 72 Townsend had been approved 30 years before, but pointed out that South Beach Marina, 88 King, and then 88 Townsend had been built before this last parcel, 72 Townsend, would be built. Mr. Gilberti felt that now 72 Townsend need not be built because there were neighbors on each side. He was in favor of leaving it as open space and as a park because open space was needed more. He declared that the City needed to change things so that it was 30% open market housing for development to be able to include the people that were part of the City, from the homeless to foster kids, to the elderly, veterans, etc. to bring the neighborhood together again.

Vice-Chair Mondejar inquired about whether Yoshi's was gone or had been turned over to the Mayor's Office of Housing and Community Development (MOHCD).

Ms. Maher responded that Yoshi's was part of the Fillmore Heritage Center, which included the Yoshi's space, 1300 Fillmore and a small gallery space and added that OCII owned all of that property. She reported that OCII had a master lease with Fillmore Development Commercial (FDC) for all those spaces and FDC had rented them all out. Now FDC was gone and the City had stepped in because the City had over \$5 million in HUD debt from FDC; so, in effect, MOHCD was managing those spaces although OCII owned the property. Ms. Maher reported that the Yoshi space was still there but was empty. She added that the short term activation program did not include the Yoshi's space or the restaurant for liability reasons; however, the screening room, the gallery space and the lobby could still be leased out.

Commissioner Bustos recalled that as a child he remembered seeing markers or plaques on different buildings that acknowledged the work of the City, either by the Mayor, Commissioners, or staff and inquired about whether they were still doing that. Specifically, he was thinking about acknowledging Commissioner King after all the work and dedication he had put into developing the City with buildings and projects. Mr. Bustos pointed out that many people might believe that the TB terminal was a Salesforce project, but in reality it was the people of San Francisco who were responsible for the terminal and he thought that clarification was deserved.

Executive Director Bohee responded that the use of plaques or markers as acknowledgment for housing or other projects that had funded had not been done for a long time. However, she indicated the practice could be re-instituted and staff would look into that. Ms. Bohee recalled that there had been a plaque ceremony at the carousel dedicated to Commissioner King on his 80th birthday that listed his contributions to the City.

Chair Rosales referred to the 10% administrative fee of \$99,589 and inquired about when that had come up; inquired about whether OCII would absorb this into the current budget.

Ms. Mawhorter responded they had submitted the ROPS on February 2, 2016 and were notified of the fee by City Administration Services (ADM) sometime between February 2 and 22, which was the date their budget was due to the Mayor's Budget Office. She reported that staff had inquired before the holidays from their City partners about what the fee would be, which was why it was not included at that time. Ms. Mawhorter responded that existing revenue was fully budgeted for expenditures so they had three options: They could go back to the Oversight Board (OB) and the Department of Finance (DOF) and request more property tax income for Commission operations, they could negotiate the fee with ADM or they could reduce expenditures elsewhere to accommodate that charge.

Chair Rosales inquired about the first two options and whether it would be difficult to proceed.

Ms. Mawhorter responded they would hold a workshop for OCII and then one before the OB, then meet with the OB and then submit to the DOF for their ultimate approval.

Executive Director Bohee pointed out the budget had been totally approved by the Department of Finance with nothing denied outside of the administrative fee. She added that because they were only allowed one amendment per year to the ROPS, they would not go back to the DOF for this one item but would wait until the end of September to amend the budget, if necessary.

Ms. Mawhorter added that for full disclosure, they could include this in the City budget, because they had budgetary authority to do that. However, if the DOF did not approve that expenditure, then they would have to absorb it into their current budget.

Chair Rosales inquired about whether this was a lump sum; inquired about whether there was room for negotiation.

Ms. Mawhorter responded in the affirmative and that it was presented as an annual invoice. She responded that they had a strong partnership with ADM and felt they could discuss the timing of the invoice. Also, in prior years, she reported ADM had charged \$25,000 for human resource consultations and this year, the fee was \$99,000, which was an increase of about \$75,000. So perhaps there was a middle ground where they could meet regarding the amount. Ms. Mawhorter also suggested they request an invoice at the end of the year rather than the beginning of the fiscal year, because staff would be reduced by natural attrition based on 10% of actual labor charges.

Chair Rosales inquired about whether the affordable units in the Bayview Industrial Triangle and at 72 Townsend came under OCII policy jurisdiction and, if so, whether the CoP program would apply. She recalled one similar competition where a native San Francisco CoP holder from Hunters Point who was over the 80% AMI income level and who had indicated that HP was her preference and was #1 in the lottery did not get in.

Executive Director Bohee responded in the affirmative. She explained that this was a 74-unit for sale condominium project at 95% AMI and there were seven units available at 95% AMI and subject to OCII marketing. They had contracted with MOHCD for marketing of the CoP program and this had been initiated for 72 Townsend. Ms. Bohee recalled that the applicant in question was at 100% or 110% AMI so did not qualify and stated they would follow up with MOHCD to find out her status and whether she was eventually housed.

6. Public Comment on Non-agenda Items – None

7. Report of the Chair

Chair Rosales stated that she did not have a report.

8. Report of the Executive Director

Executive Director Bohee announced that there was an informational memo in Commissioners' packets regarding a status report on the methodology to obtain contract or payment information pursuant to the request from the Chair and SBE workshops. She added that they could present more information on this topic once Commissioners had a chance to review the report.

PUBLIC COMMENT – None

9. Commissioners' Questions and Matters – None

10. Closed Session

11. Adjournment

The meeting was adjourned by Chair Rosales at 3:09 p.m.

Respectfully submitted,

Claudia Guerra, Commission Secretary

