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Resolution Authorizing the Director of Real Estate to sell 1,141,873 units of Transferable Development Rights (TDRs) from City Hall Building

This Presentation will cover:

- ❑ Request for authorization of City Hall TDR
- ❑ History of TDR Program – War Memorial
- ❑ Price and Terms for past and future sales
- ❑ Use of Proceeds
- ❑ Timeline

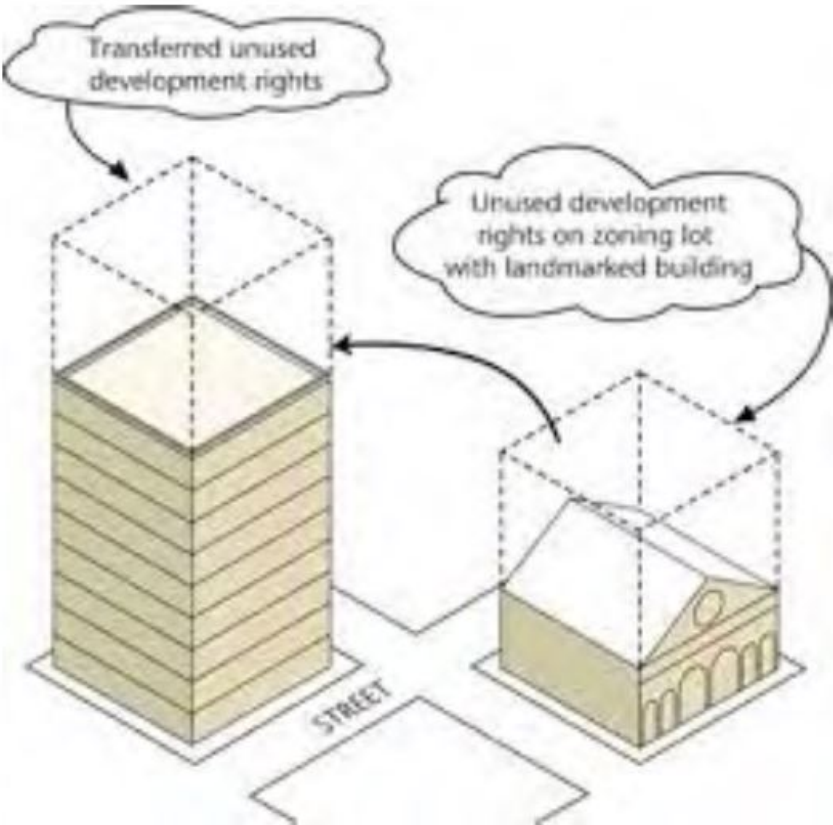
City Hall TDR Authorization Request



- ❑ The City owns certain real property located at 1 Dr. Carlton B. Goodlett Place in San Francisco at Block 0787 Lot 001 (“City Hall”).
- ❑ On behalf of the City Administrator, RED intends to seek authorization from the Board of Supervisors to sell transferrable development rights (“TDR”) from City Hall and then sell the TDR at fair market value.
- ❑ City Hall is:
 - ❑ Under the jurisdiction of the City’s Real Estate Division (“RED”)
 - ❑ Has 540,127 rsf over four floors plus a mezzanine and attic.
 - ❑ Has 1,241,873 total units of TDR available
 - ❑ Only **1,141,873** units of TDR sought
 - ❑ (100,000 units held off market in reserve in case of future development)

TDR Illustration

Transfer of Unused Development Potential



Success of War Memorial TDR Program



- ❑ We are building upon the success of the War Memorial TDR program.
- ❑ On January 20, 2014, by Resolution No. 16-14 the Board of Supervisors authorized the Director of Real Estate to sell up to 1,100,000 gross square feet (or units) of TDR divided in two tranches of 550,000 units each
- ❑ TDR can only come from C-3 zoning districts, from P zoned districts that are adjacent to a C-3 zone – and TDR can only be used by developers to increase floor area in C-3 zones.
- ❑ Between January 2014 and July 2019 we sold and closed on 550,000 TDR units.
- ❑ Between July 2019 and May 2021 we sold and **will close** on 542,218 TDR units.
- ❑ The remaining 7,782 units of War Memorial TDR will be combined with City Hall TDR and sold in the future.



Prior War Memorial Transactions

BUYER	PROJECT SITE	UNIT	PRICE	PSF	CLOSING
Pacific Eagle	1125 Market St	25,157	\$ 628,925	\$25.00	30-May-17
CIM	246 First St	8,550	\$ 213,750	\$25.00	23-Jun-17
Swig	633 Folsom St	82,619	\$ 2,065,475	\$25.00	10-Aug-17
Macy's	235 Geary St	3,000	\$ 75,000	\$25.00	23-Feb-18
St. Brides	300 Grant Ave	3,000	\$ 75,000	\$25.00	7-Mar-18
Black Creek	655 Montgomery	3,000	\$ 75,000	\$25.00	24-Apr-18
Vornado	345 Montgomery	8,500	\$ 212,500	\$25.00	30-May-18
Blatteis	120 Stockton St	3,000	\$ 75,000	\$25.00	4-Jun-18
Hines	542 Howard St	100,000	\$ 2,500,000	\$25.00	10-Dec-18
Group I	950 Market St	103,038	\$ 2,575,950	\$25.00	14-Dec-18
Boston Prop	725 Harrison St	108,834	\$ 2,992,935	\$27.50	14-Dec-18
John Hancock	95 Hawthorne St	50,800	\$ 1,397,000	\$27.50	21-Dec-18
Alexandria	88 Bluxome St	30,144	\$ 904,320	\$30.00	15-Jul-19
KR Flower Mart	640 Brannan St	359,000	\$11,667,500	\$32.50	25-Mar-20
Tishman	598 Brannan St	137,739	\$ 4,476,518	\$32.50	25-Mar-20
S.F. Centre LP	865 Market St	8,000	\$ 280,000	\$35.00	26-May-20
Tishman	598 Brannan St	40,584	\$ 1,318,980	\$32.50	30-May-21
Total		542,218	\$32,051,443		

Pricing Schedule – Past and Future

- ❑ To maintain a strong and consistent pricing structure and to encourage potential TDR buyers to commit early, we have developed a disciplined pricing schedule.
- ❑ Under this pricing schedule, the unit price for a TDR increases \$2.50 every six months in the past and will increase at \$2.50 every twelve months going forward.

PRICE	START DATE	END DATE
\$25.00	1/1/2017	6/30/2018
\$27.50	7/1/2018	12/31/2018
\$30.00	1/1/2019	6/30/2019
\$32.50	7/1/2019	12/31/2019
\$35.00	1/1/2020	6/30/2020
\$37.50	7/1/2020	6/30/2021
\$40.00	7/1/2021	6/30/2022
\$42.50	7/1/2022	6/30/2023
\$45.00	7/1/2023	6/30/2024
\$47.50	7/1/2024	6/30/2025
\$50.00	7/1/2025	6/30/2026

Benefits of Pricing Schedule

- ❑ Incentives the buyer to lock in early in order to avoid price increases.
- ❑ Guarantees the availability of TDR.
- ❑ Allows a potential buyer to calculate with certainty the cost of the TDR purchase.
- ❑ It is also advantageous to the City to get commitments early and to demonstrate to other potential buyers that TDR is selling at the current quoted price.
- ❑ Anticipated **gross** proceeds from City Hall TDR sale is estimated to be **\$41.1 MM**
- ❑ (Based upon appraisal by Runde & Partners dated March 17, 2021.)

Standard TDR Sale Terms

- ❑ Deposit of 1% due at time of contracting
- ❑ Price guarantee for 18 months
- ❑ Minimum and Maximum TDR allocation allowed
- ❑ 100% Refund only on City default

Use of City Hall TDR Proceeds

- ❑ The net sales proceeds (gross proceeds of approximately **\$41.1 MM** less taxes, escrow costs and commissions) can only be used for the rehabilitation and restoration of City Hall, which may include payment of debt service in furtherance of said restoration efforts.
- ❑ RED proposes to fund the following exterior City Hall historic preservation projects if sale of TDR is authorized:
 - ❑ **Roof and accessible dome leak repairs-Phase II: \$3 MM**
 - ❑ **Dome Revitalization of Coating, Drum Stone & Windows: \$15 MM**
 - ❑ **Exterior Perimeter Stone and Grout Refurbishments: \$7 MM**
 - ❑ **Qualifying interior historic preservation projects: \$16.1 MM**

Next Steps and Timeline

- ❑ Appraisal of FMV for TDR March 17, 2021
- ❑ Statement of Eligibility from Planning (pending) mid-April 2021
- ❑ Budget and Finance Committee end of May 2021
- ❑ Board of Supervisor's consideration end of May 2021
- ❑ Historic Preservation Plan approved by Zoning Administrator prior to first sale
- ❑ Sales of TDR over next 5 years

Questions?