

**THIS STAFF REPORT COVERS CALENDAR ITEM NO.: 10
FOR THE MEETING OF: January 13, 2011**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

A Resolution of the TJPA Board of Directors that the TJPA will assist in the development of one or more new child care centers by dedicating space in Caltrans Transfer Parcels Blocks 5 and 6/7 and Parcel F, conditioned on the availability of City and private funds necessary to construct and operate the childcare facilities at no cost to the TJPA Program.

REPORT:

The Transbay Project and the Transit Center District Plan's addition of 2,600 new homes of mixed affordability and 3 million square feet of new office space to the Transbay area may increase the demand for child care. The TJPA Staff recognizes the importance of child care for the success of the new transit-oriented development that will be created by the Transbay Project. The Staff has identified Caltrans Transfer Parcels 5 and 6/7¹ and Parcel F as potential sites for child care centers in the Transbay Project area. Staff proposes in the attached Resolution that the TJPA adopt a policy that it will work with the City and County of San Francisco (City), the San Francisco Redevelopment Agency (SFRA) and the City's Department of Children, Youth, and Their Families (DCYF) to require in the DDAs for Blocks 5 and 6/7 and Parcel F that the buildings constructed on those properties include ground floor core and shell areas designated for new child care centers, and SFRA will include the requirements for a child care center shell in the requests for proposals (RFPs) for these development sites.

Phase 1 of the Transbay Project is fully funded, but a significant portion of that funding depends on obtaining full market value for the sale of Caltrans Transfer Parcels to real estate developers under Disposition and Development Agreements (DDAs). Any requirement that the TJPA require the sponsors of buildings to be developed on Caltrans Transfer Parcels to subsidize child care on the premises would likely require a reduction in the sale price of the property, resulting in a reduction in revenue necessary to fund the Transbay Program. Due to the challenges in funding construction of the Transbay Program, the TJPA cannot afford to subsidize child care in this fashion.

Accordingly, the proposed Resolution contains several provisions to ensure that the TJPA's revenue from sale of the Transfer Parcels designated for child care centers is not diminished. To avoid imposing a cost on the developer that would result in a reduction in the sale price of the property, the TJPA would require the developers of Blocks 5 and 6/7 and Parcel F to set aside space for a child care center only where the City and DCYF irrevocably commit the proceeds from the citywide childcare development impact fees under Section 414 of the San Francisco

¹ Blocks 6 and 7 are being developed as a single project. Block 6 is larger and will be the main development site. Block 7 is immediately adjacent to Block 6 and is a secondary development site.

Planning Code (Child Care Fees) or other sources for (a) construction of all tenant improvements necessary to convert the core and shell areas in buildings the TJPA designates for child care facilities to fully operational child care centers that comply with all state and local laws; and (b) payment of all or a portion of long-term market rent to the building owner where the child care provider is unable to pay 100% of the market rent for the child care center. The Resolution makes clear that the child care provider will be responsible for paying market rent for the space set aside for the center, either from its own funds or in combination with a subsidy from the City or other source, and that the TJPA shall not subsidize the rent or operational costs for any child care center or require the developer of Blocks 5 and 6/7 and Parcel F to provide that subsidy.

Finally, the Resolution provides that the areas set aside for child care centers in the buildings on Blocks 5 and 6/7 and Parcel F will be available for development as child care centers for one year after issuance of an occupancy permit for the building, during which all parties shall use their best efforts to develop a business plan for the building to attract a child care center provider capable of leasing the space at market rent and operating the child care center on a long-term basis. If, however, no lease is signed for the child care space by a child care provider within the one-year period, then the owner of the building may convert the space to retail and the City's Child Care Fees could be redirected to another child care center.

RECOMMENDATION:

TJPA staff recommends that the TJPA Board of Directors adopt the attached Resolution providing that the TJPA will assist in the development of one or more new child care centers by dedicating space in future development on Caltrans Transfer Parcels Blocks 5 and 6/7, and Parcel F, conditioned on the availability of City and private funds necessary to construct and operate the childcare facilities at no cost to the TJPA Program.

ENCLOSURES:

Resolution

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, Transit-oriented development is a transportation related land use strategy for urban communities that (a) coordinates bus, rail and other mass transit systems, (b) provides an alternative to the predominant pattern of low-density sprawl that results in dependency on automobile travel, (c) creates mixed use communities that permit people to live closer to public transportation, employment, schools, shopping, parks, public and cultural institutions, and other urban amenities, (d) enhances opportunities for safe pedestrian and bicycle travel; and (e) provides a mix of housing affordable to different levels of household income; and

WHEREAS, The Transbay Transit Center Program is a national model for transit-oriented development; and

WHEREAS, The Program will create seamless connections among transit providers by accommodating eleven public mass transit systems under one roof in the heart of Downtown San Francisco, including California High-Speed Rail, and serve more than 100,000 passengers per weekday and more than 20 million passengers annually; and

WHEREAS, The new Transit Center will be the focal point of a new pedestrian-friendly, family-oriented neighborhood; and

WHEREAS, The Transit Center's roof will be a 5.4 acre park that will set a new standard for urban open space, and the Program will result in the creation of other open space and parks; and

WHEREAS, The Project includes the Redevelopment Plan for the Transbay Redevelopment Project Area that will provide 2,600 new housing units in high-rise and mid-rise buildings to be developed on land transferred to the TJPA and the City from Caltrans, 35 percent of which will be affordable to very low-, low- and moderate-income households; and

WHEREAS, In conjunction with the Transbay Program, the City has proposed the creation of the Transit Center District Plan (TCDP) for the area bounded by Market, Steuart, Folsom, and Annie Streets; and

WHEREAS, The TCDP will build on the City's Downtown Plan to establish the Transit Center as the new heart of Downtown San Francisco; transform the TCDP area into a more livable, sustainable, pedestrian-oriented community; provide for long-term growth in the Downtown area South of Market Street, including up to 3 million square feet of new office space on land transferred to the TJPA and the City from Caltrans; adjust zoning regulations to improve public amenities and infrastructure that will support the Transbay Program and surrounding transit-oriented development; and provide funding for the Transbay Program and other infrastructure from increases in development opportunities in the TCDP area; and

WHEREAS, The addition of 2,600 new homes of mixed affordability and 3 million square feet of new office space to the Transbay area, may increase the demand for child care in the vicinity; and

WHEREAS, The TJPA recognizes the importance of child care for the success of the new transit-oriented development created by the Transbay Project; and

WHEREAS, Potential sites for child care centers in the Transbay Project area are Caltrans Transfer Parcels Blocks 5 and 6/7 and Parcel F; and

WHEREAS, Phase 1 of the Transbay Project is fully funded, but a significant portion of that funding depends on obtaining full market value for the sale of Caltrans Transfer Parcels to real estate developers under Disposition and Development Agreements (DDAs); and

WHEREAS, Due to its funding constraints, the TJPA lacks the funds to subsidize child care; and

WHEREAS, Any requirement that the TJPA require the sponsors of buildings to be developed on Caltrans Transfer Parcels to subsidize child care on the premises would likely require a reduction in the sale price of the property and result in a reduction in revenue necessary to fund the Transbay Program; now, therefore, be it

RESOLVED, That the TJPA will work with the City and County of San Francisco (City), the San Francisco Redevelopment Agency (SFRA) and the City's Department of Children, Youth, and Their Families (DCYF) to require in the DDAs for Blocks 5 and 6/7 and Parcel F that the buildings constructed on those properties include ground floor core and shell areas designated for new child care centers, and SFRA will include the requirements for a child care center shell in the requests for proposals (RFPs) for these development sites; and be it

FURTHER RESOLVED, That the TJPA's designation of space for child care shall be contingent on the City and DCYF's irrevocably committing the proceeds from the citywide childcare development impact fees under Section 414 of the San Francisco Planning Code (Child Care Fees) or other sources for (a) construction of all tenant improvements necessary to convert the core and shell areas in buildings the TJPA designates for child care facilities to fully operational child care centers that comply with all state and local laws; and (b) payment of all or a portion of long-term market rent to the building owner where the child care provider is unable to pay 100% of the market rent for the child care center; and be it

FURTHER RESOLVED, That the TJPA shall not subsidize the rent or operational costs for any child care center; and be it

FURTHER RESOLVED, That the areas set aside for child care centers in the buildings on Blocks 5 and 6/7 and Parcel F will be available for development as child care centers for one year after issuance of an occupancy permit for the building, during which all parties shall use their best efforts to develop a business plan for the building to attract a child care center provider capable of leasing the space and operating the child care center on a long-term basis, but if no lease is signed for the child care space by a child care provider within the one-year period, then the owner of the building may convert the space to retail and the City's Child Care Fees could be redirected to another child care center.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of January 13, 2011.

Secretary, Transbay Joint Powers Authority