SAN FRANCISCO Business Times

Transbay land sale smashes records, funds terminal
By Sachiko Yoshitsugo – San Francisco Business Times, June 28, 2013


“The timing of the sale was crucial,” says Maria Ayerdi-Kaplan of the $192 million deal.

The massive $4 billion Transbay Transit Center is on schedule to open by 2017, and once completed will connect eight counties through 11 transit systems, including a terminus for the future high speed rail line to Los Angeles.

Project plans include a public rooftop park, amphitheater, cafes, retail and restaurants. In addition to the Transit Center, the iconic Transbay Tower being built next door and the rezoning around the terminal will be a catalyst in moving the heart of San Francisco’s business center from the financial district to South of Market.

“It’s the first modern station of its kind being built from the ground up in the country,” said Maria Ayerdi-Kaplan, executive director of the Transbay Joint Powers Authority, which is overseeing the project. “It will alleviate congestion, improve quality of life and health because now people can go anywhere in the Bay Area from one point.”

The project, years in the making, hit a few major milestones this year. In March, the TJPA closed a record deal: the $192 million sale to developers Hines and Boston Properties of the site where the team will build the Transbay Tower, a 61-story office building with 1.6 million square feet of space. The developers selected Cushman & Wakefield and the CAC Group to lead marketing efforts to find tenants.

“The funding and the timing of the sale was crucial,” said Ayerdi-Kaplan. “It allowed us to keep the project on schedule.”

Officials expect $578.6 million in funding for the terminal construction through the sale of formerly state-owned parcels to private developers.

In 2012, the San Francisco Planning Commission raised height limits on several sites in the area to increase density and boost land sale and tax increment revenue to help fund the Transit Center. The sites included 50 First St., 536 Mission St., 181 Fremont St., the Transbay Tower, Parcel F, 41 Tehama St. and the Palace Hotel residential tower.

The high price tag of the Transbay Tower parcel is a testament to the rebounding Bay Area economy. Only a few years ago, low bids forced the TJPA to withdraw a request for proposals for one Transbay parcel and put the sale of other state-owned parcels on hold until market conditions improved.

“The station is increasing the property value of the whole area,” Ayerdi-Kaplan said. “This area is now the hottest real estate in the Bay Area because of the transit center.”

The successor agency to the San Francisco Redevelopment Agency, charged with helping sell the state-owned parcels, expects to close deals with Golub Real Estate Corp. and Mercy Housing California for Blocks 6 and 7 in October. The team plans to build 409 market-rate and 147 affordable housing units there. The agency is on track to close on Block 9 with Bridge Housing and Avant Housing by summer 2014 with plans to build 456 market-rate and 114 affordable housing units. It will most likely issue an RFP on Block 8 by the end of this year. Some of the land parcels are tied up in the construction of the permanent terminal or need to be assembled by private developers.

To avoid flooding the market, the agency is spacing out RFPs on the remaining blocks based on the historic market absorption rate of the area.

“We have 3,000 residential units that are going up,” said Mike Grisso, project manager for the agency. “We can’t put them out all at once. We have to phase them in every few months given how many new housing units the market can absorb in a year.”