



TRANSBAY JOINT POWERS AUTHORITY

Maria Ayerdi • Executive Director

**TRANSBAY JOINT POWERS AUTHORITY Draft
CITIZENS ADVISORY COMMITTEE**

MEETING MINUTES

Tuesday, October 14, 2008
Yerba Buena Center for the Arts
701 Mission Street
2nd Floor Conference Room
San Francisco, CA

Meeting #015

5:30 p.m.

CITIZENS ADVISORY COMMITTEE

Jim Lazarus, Chair
Karen Knowles-Pearce, Vice Chair
Andrew Baglino
Adrian Brandt
Andrew Brooks
Richard Brooks
Michael Freeman
Peter Hartman
Adrienne Heim
Michael Kiesling
Shawn Leonard
David Milton
Jane Morrison
Jul Lynn Parsons
Norm Rolfe

Executive Director
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1. **Welcome & Call to Order**

The meeting was called to order by Karen Knowles-Pearce, Vice Chair, at 5:34 pm. A quorum was formed by 10 of the 15 voting members as follows: Karen Knowles-Pearce, Andrew Baglino, Richard Brooks, Adrienne Heim, Adrian Brandt, Michael Freeman, Michael Kiesling, Norm Rolfe, Peter Hartman and Jul Lynn Parsons. Non-voting member Bob Beck was also present.

2. **Approval of September 16, 2008 Meeting Minutes**

Karen Knowles-Pearce made a motion to approve the Draft Meeting Minutes for the September 16, 2008 meeting and the motion was seconded by Richard Brooks. A vote was called by voice and the motion was unanimously moved and carried.

3. **Staff Report – Bob Beck**

Bob Beck provided a staff report which included the following:

- Bob Beck mentioned that the November meeting is scheduled to fall on Veteran's Day and he will make sure he addresses an update on the Hines negotiation in today's meeting. The Hines negotiations will also be covered in closed session at the TJPA Board of Directors Meeting held on October 17, 2008 at 1:00 pm, City Hall, Room 416, San Francisco, CA.
- Bob Beck highlighted the following milestones that had been reached by the Transbay Joint Powers Authority (TJPA) within the past months:
- TJPA got the revised bids on the Temporary Terminal project and it came down to about half a million dollars with additional saving on the project. The overall bid is about 15% below the engineer's estimates. The chosen contractor for the Transbay Temporary Terminal bid is McGuire and Hester a firm out of Oakland.
- The Transportation Infrastructure and Finance Innovative (TIFIA) loan process will begin going through the investment rating process with Finch Rating. Last week Finch Rating received investment grade rating to go forward with loan application.
- TJPA completed the Concept Validation Report with Pelli Clarke Pelli Architects (PCPA) on the design of the Transit Center. Fred Clarke will give a presentation at the Board of Directors Meeting this Friday on the Concept Validation Report and Bob Beck will go over the Concept Validation report at the next CAC meeting.
- AC Transit Lease and Use Agreement were approved by the TJPA Board of Directors last week. This will have the first tenant agreement to cover operations of the Temporary Terminal. The selection of general contractor for the main terminal construction is WEBCOR & Clerk Construction and Bovis & Turner Construction.

Michael Freeman asked would the pricing of bids and fees be a solicitation to general contractors. Bob Beck responded preconstruction service fees are a specified number of hours the contractor is expected to work and is not considered a solicitation.

Norm Rolfe asked is the TIFIA loan and contract bond rated. Bob Beck responded the rating for the construction contract and base bond requirement is \$500 million and it will need to have a bond for the full construction value of the work that is awarded.

Norm Rolfe asked is the bond A, B, or AA. Bob Beck responded that for the TIFIA loan we need to get an investment rating. The base investment grade rating is a triple B. The term of the TIFIA loan or pay back period is 35 years which fits in the life of the redevelopment area.

Adrian Brandt asked is the pay back from incremental tax from improvements. Bob Beck responded that the primary source is the lease and use provision that we have with AC Transit. It was originally anticipated that AC Transit would be paying us some funds over time.

Karen Knowles-Pearce asked if there were any further questions from the committee members or members of the public. There were none.

4. Tower Negotiations Update – Bob Beck

Bob Beck's presentation included the following information:

A recapitalization of the selection process for the Transit Center and developer of the Tower was present by Bob Beck. The team that was selected out of the process was Hines Development Corporation to develop the Tower site and Pelli Clarke Pelli Architects for the Transit Center. TJPA has been negotiating an exclusive agreement with Hines for about a one year to comply with CEQA regulation. The base proposal made by Hines in the competition was for \$350 million for a 1,200 tower development with gross square footage of 1.6 million square feet. In the negotiations, Hines indicated that it would require as much as five years for preleasing and financing and this timeline does not work for TJPA. The Tower transaction is required to establish tax base and tax increment flows to secure the TIFIA loan and to fund Phase One construction of the Transit Center. Responding to TJPA needs and request, Hines evaluated terms of a purchase and sale offer instead of an option agreement. The terms Hines has been negotiating for the last several months include a \$235 million offer to meet TJPA timeline.

Bob Beck introduced Jerry Keyser who is a TJPA consultant from Keyser Marstan Associates. He explained the process used to evaluate the Hines offer. In comparison with their competition offer and the other competition proposals, the developer is going to have to pre lease at least 50% of the building and secure financing. With a measure gross basis of 1 million square feet, this is the largest building in San Francisco. It will take 3 years to complete the leasing and sales of at least 300,000 square feet of office space. The initial offer that went out in the competition is not going to work for TJPA. In comparison with other office transactions and value per rentable square foot, the highest sale in record books today is \$2,000 a square foot. With the Hines Tower, the price per square foot would be below \$5,000 per square foot. When evaluating the value of per rentable sales, round numbers are used. By using rounding numbers it increases by 80% over previous dollars per square foot.

Michael Freeman asked Bob Beck about an earlier meeting when he had mentioned that Met Life had spoken at one of the interviews about developments and optional development. Bob Beck responded that Met Life continues to be Hines partner in negotiations. And Hines continues to be financial partners in this project. Met Life is fully on board as far as the purchase and sale agreement is concerned.

Peter Hartman asked how does the current financial environment affect or might affect the ability to get financing for the purchase and construction project. Or, how does this per square foot compare with other cities. Bob Beck responded that we have not looked

at comparisons with other cities. As far as I know with exception of New York and Chicago it would be at the top scale.

Bob Beck introduced Nancy Whalen who will disuses the funding plan for the Transit Center. She went over the new Hines proposal and the downward of \$350 million dollars proposal which only includes a \$298 million dollar financial plan. This cash payment would be received for Phase One of the project. The \$225 million dollars from the Hines proposal is in place of the \$298 million dollars in the previous financial plan. This is a reflection of the fact that we had a total of \$411 million in land sales and part of \$298 million was from Hines and now \$225 million. The revised land sales projections with the help of consultants and a over review of how much could it sell in the timeframe needed for Phase One and indentified \$429 million and including the sale of parcel. There are about 12 blocks for development and those include market rate and affordable housing and office space. Prop K and AC Transit of \$57 Million which will be negotiated to pay \$39 million dollars up front in capital contribution. The balance will come in the form of facilities charges overtime and that will support another piece of TIFIA loan.

Bob mentioned that revenue streams from the tax increment support this loan as well as small amount from AC Transit passenger facility charges.

Karen Knowles-Pearce asked if there were any questions from the members of the public. There were none.

5. Public Comment

Karen Knowles-Pearce asked if there were any questions from the members of the public. There were none.

6. CAC Member Comments & Future Agenda Requests

Karen Knowles-Pearce asked if there were any further questions from the committee members or members of the public. There were none.

7. Next Meeting

The next meeting is schedule on Tuesday, November 18, 2008.

8. Adjourn

The meeting was adjourned by Vice Chair Karen Knowles-Pearce at 6:34 p.m.

The Ethics Commission of the City and County of San Francisco has asked us to remind individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Admin. Code Sections 16.520 - 16.534] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 1390 Market Street, Suite 801, San Francisco, CA 94102, telephone (415) 554-9510, fax (415) 554-8757 and web site: sfgov.org/ethics.