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Transbay developer delivers money to SF

The 61-story Transbay Tower at First and Mission streets will be the tallest building on the West Coast.

By John Wildermuth – San Francisco Chronicle, March 27, 2013

In a long-awaited piece of news for both San Francisco and Bay Area transportation planners, the check actually was in the mail.

On Tuesday, the Transbay Joint Powers Authority received a check for \$191,816,196.57, the final payment for the site of the proposed Transbay Tower, a 61-story, 1,070-foot building at First and Mission streets that will become the tallest building on the West Coast.

"It's great news, it's historic news," said Maria Ayerdi-Kaplan, the authority's executive director.

The bulk of the money from the land sale will go toward construction costs of the Transbay Center, which is designed as the Grand Central Station of the west, a transit hub for Muni, regional and national bus lines and, ultimately, both Caltrain and the planned high-speed rail system.

"The tower is the linchpin of the plan," added Ayerdi-Kaplan. The entire Transbay Center plan is estimated to cost \$1.4 billion, including the cost of extending Caltrain underground from Fourth and King streets.

The final deal ends a six-year roller coaster for the authority, which has seen the agreement for the landmark tower go through battles over the shadows it will cast, concerns about its effect on surrounding open space and dizzying changes in the project's developers.

New developer

Boston Properties, which now owns 95 percent of the Transbay Tower project, wasn't even in the picture until October, when Hines, which had been the lead developer since project first took shape in 2007, was desperately searching for an equity partner to replace insurance giant MetLife, which pulled out last summer.

This month, however, Hines sold all but a tiny piece of its ownership interest to Boston Properties.

"We hit a grand slam when Boston came in," Ayerdi-Kaplan said. "That allowed us to close on time and now we have the money when we really needed it."

Money was always the driving issue for the authority, since the unique public-private partnership for the 145-acre downtown Transit Center District depends on a steady flow of private cash to pay for not only the transit center, but also public improvements both in and around the district.

There were plenty of nervous discussions in September when Hines, still looking for that development partner, missed the deadline for providing the authority with a nonrefundable \$5 million line of credit.

\$10 million guarantee

But days after the project received its final approvals from the City Planning Commission in October, Boston Properties signed on as a partner and Hines provided the authority with a \$10 million guarantee that a final agreement would be signed by April 1 and an additional \$1 million for permit costs, attorney fees and other expenses the authority had paid in advance.

That quick change of direction shows just how much an entitled project now is worth in San Francisco as the economy starts to turn around.

"This record transaction signifies the investor confidence that we all have in San Francisco's future," San Francisco Mayor Ed Lee said in a statement.

"The Transbay Tower benefits not only a world-class transit facility but also represents the strength of our city's economic recovery, providing jobs to build a better, more sustainable future."

Being next-door neighbor to a transit hub that eventually will host more than 125,000 visitors a day didn't make the negotiations any easier. Construction of the tower and the transit center will have to be coordinated, with the city focused on a 2017 start for bus operations at the center.

Boston Properties made a big contribution to that time line by staying with the same development team when it took control of the project, Ayerdi-Kaplan said.

Plans call for the area around the tower and the transit center to include a dense mix of residential and office high-rises, but most of that construction is in the future. At least two of the lots controlled by the authority won't be put out to bid for a year or more, she added.

"There's plenty of construction work going on in the area already, though," Ayerdi-Kaplan said. "There are about 23 construction cranes working in the area."

Lee, Supervisor Jane Kim, who represents the area, and others involved in the project will be at the site at 10:30 a.m. Wednesday for a ceremonial groundbreaking. Actual construction of the tower is expected to begin within a year.