

SAN FRANCISCO Business Times

FRIDAY, MARCH 28, 2014

Dealmaker of the year: Maria Ayerdi-Kaplan

The \$4.5 billion Transbay Transit Center hit major milestones in 2013, including the sale of a key parcel to the developers of the Transbay Tower and significant progress on the construction itself—thanks to Kaplan's vision and persistence.

By J.K. DINEEN

SAN FRANCISCO – Progress is tough to measure on a project as sprawling in longevity and size as the Transbay Transit Center.

That is because \$4.5 billion infrastructure projects such as the Transbay terminal—which has been in the works off and on since 1965—do not progress in a steady manner. Instead, there are fits and starts, setbacks and victories. There are cost increases and political opposition. Even with hundreds of workers toiling on the project for five years, the project will not finish until 2017.

Yet for Transbay Joint Powers Authority Executive Director Maria Ayerdi-Kaplan, 2013 was a watershed year, a period when the decades old vision of a new Bay Area transit hub started to feel very real.

The year started in late winter with the \$191.8 million sale of a 50,000-square-foot parcel to Hines and Boston Properties, a transaction that took six years to complete. The sale jump-started construction of the 1,070-foot Transbay Tower, a 1.4 million-square-foot office building that, when complete, will be the tallest building on the West Coast. A few months later, another publicly-owned Transbay parcel, Blocks 6 and 7, traded hands, with Golub and Mercy Housing paying \$30 million for the site. And the city is soliciting bids on a third Transbay parcel, Block 8, expected to bring in another \$75 million.

Every penny counts

The \$300 million generated from the three land deals—as well as another eight



"It's almost like Whac-A-Mole. You solve one (problem) and within seconds another one comes up," says Ayerdi-Kaplan of the challenges of building the Transbay Transit Center.

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Maria Ayerdi-Kaplan

Title

Transbay Joint Powers Authority
Executive Director

Time in her position

11 years.

Background

Graduate of the University of California, Berkeley and University of California, Hastings College of Law

Major 2013 deal

Closing on the \$191.8 million sale of a 50,000-square-foot parcel to Hines and Boston Properties for a mixed-use tower

Cost of Transbay Transit Center

\$4.5 billion

Year idea for terminal floated

1965

Year terminal will be completed

2017

properties that have yet to be put up for sale—will be pumped into the transportation hub slated for completion in 2017. At the ceremonial groundbreaking for the Transbay Tower, Ayerdi-Kaplan emphasized how every penny counts in a project like the Transbay Terminal. Holding a check from Boston Properties and Hines for \$191,816,196.57, Ayerdi-Kaplan recalled that “Bob Pester of Boston Properties actually said, ‘Do we have to give you the 57 cents?’” said Ayerdi-Kaplan. “I said ‘Yeah, Bob, you do. We raise money penny by penny.’”

Beyond land deals, the Transbay Terminal blew past some big construction milestones in 2013. Construction workers, led by Webcor/Obayashi Joint Venture, completed excavation—a hole 65 feet below street level that required workers to dig out 640,000 cubic yards of dirt and rocks.

A temporary bridge was built along Beale Street to keep traffic moving during construction. Workers relocated utilities, installed a geothermal piping system to help cool the facility and drilled 1,800 micropiles.

“It’s the most complicated hole you could ever dig,” said Jes Pederson, president of Webcor.

Biggest infrastructure project in S.F.

At the helm of it all—the construction, the private land deals and the political navigation—is Ayerdi-Kaplan. For her steady leadership and perseverance on challenging land deals, the San Francisco Business Times has named Ayerdi-Kaplan the San Francisco Business Times’ real estate dealmaker of the year.

“Maria is one of the most effective public servants around—she took a project with enormous complications from the

realm of ideas into reality,” said Gabriel Metcalf, executive director of urban think tank SPUR. “What is so important here for the long-term trajectory of the city is that she is presiding over multiple private real estate deals in addition to what is the biggest public infrastructure project in the city.”

Breakthrough on parcel T

The sale of Parcel T—the Transbay Tower site—may have been one of the most difficult transactions in the annals of San Francisco real estate. It started with a design competition in the fall of 2007, which resulted in a \$350 million offer from Hines and design partner Pelli Clark Pelli. The \$350 million price tag was based on plans for a 1,200 foot tower with 1.8 million square feet. When the height of the building was reduced to 1,070 feet, Hines cut its offer significantly.

“Hines came to us and said we are going to need to have a certain percentage leased before we can move forward,” said Ayerdi-Kaplan. “We said ‘That is not going to work for us. We need a close by date certain.’ They said OK. Understanding that and that the building was not going to be 1,200 feet and it wasn’t going to be 1.8 million square feet, they brought the price down \$225 million.”

The price dropped again when Lehman Brothers went bankrupt, sparking a global economic crisis. Talks between the TJPA and Hines stalled. It was unclear whether the developer, which gave up another major San Francisco office buildings to foreclosure, would stay in the deal. Finally in late 2008 Hines dropped its offer to just under \$192 million. Ayerdi-Kaplan said she never gave up.

“I always believed in keeping the ship steady and staying on course,” she said. “We worked long and hard—nights, weekends, hundreds of iterations of the purchase and sale agreement. It’s a very complicated agreement because we had provisions to make sure we were working together, coordinating construction together, making sure the tower was going to be safe.”

In early 2013, Hines brought Boston Properties onto its team as majority owner, which “made the deal happen,” Ayerdi-Kaplan said. “Boston is very well capitalized,” she said.

Mike Grisso, who works on the sale of the Transbay parcels as senior project manager at the San Francisco Office of Community Investment and Infrastructure, said “Maria is smart, tough and principled.”

“She cares deeply about the quality and safety of the Transit Center,” he said. “The budget issues have been a tremendous challenge, but under Maria’s leadership the TJPA never compromises on any issue that could affect the safety of the station,” he said. “Maria is a great negotiator. I think she enjoys the process, as difficult as it can be at times.”

Design comes into focus

In addition to construction and land deals, 2013 also saw the final design come in focus. The exterior of the building was reworked, as safety concerns and cost savings prompted the TJPA and the design team to change the exterior awning from glass to perforated aluminum. In addition, the building’s glass reinforced concrete ceilings were switched to metal. The two changes resulted in a cost savings of \$27 million.

“The (fritted glass) was lovely but very expensive to ensure it met requirements for man made or natural events. So we went to aluminum. That lightened the station, made it safer, and provided savings for maintenance costs,” Ayerdi-Kaplan said.

When Ayerdi-Kaplan gets discouraged, she thinks of projects like Grand Central Station, the Hoover Dam or the Golden Gate Bridge—all projects that at times seemed doomed to failure. She also remembers those who advocated for the terminal well before she was in the picture, such as public transit activist Norm Rolph and Jane Morrison of San Francisco Tomorrow.

“I think about them and how hard they worked on the project,” she said. “(Rolph) had heart cancer right around the time we were working on getting \$400 million (from the federal government) for the rail levels. I so much wished I could have called him and said ‘Norm, we got the money.’ It had been a dream of his.”

Ayerdi-Kaplan said the transit center, which will feature a rooftop park, is on course for a late 2017 opening. The Transbay Tower, half of which Salesforce is in talks to lease, is set for a 2016 completion. 181 Fremont St., another building that will be directly connected to the Transbay Transit Center, will also open in 2016.

As much progress as was made in 2013, Ayerdi-Kaplan said she expects more challenges ahead.

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