1. Why are we here again?

- On August 4th MTC received a letter from the City of Oakland claiming Brown Act violation.
- Allegation that ABAG and Air District had representation in closed session, nullifying decision.
- MTC believes the City of Oakland's assertions are debatable. Rather than debate the issue with the City of Oakland we are holding another set of meetings to cure or correct under the Brown Act.

2. Is this an appropriate use of toll funds?

- BATA is authorized by law to acquire, construct, manage, maintain, lease or operate any public facility or improvements, including office space and facilities. (Street and Highway Code 30951(c))
- California law makes MTC responsible for activities that require office space and facilities for its Commission and staff, now and in the future.
- MTC/BATA Joint Powers Authority that will own 390 Main Street is authorized by law to plan, acquire, and develop office space and facilities.
- **Outside counsel opinion confirms eligibility**

3a. Are toll payers protected?

- To preserve AA ratings and access to inexpensive credit, BATA maintains $1 billion in various cash reserves and contingency funds
- Building purchase puts portion of these funds to work with potential to cover our costs in return

BATA RATINGS	
S& P	AA
MOODY'S	Aa3
Fitch	AA-

- BAAQMD is paying a fair share through lease option to purchase; BCDC would pay market rent
- MTC & BATA expenses are allocated fairly and according to law
- No Seismic, RM 1, RM 2 or Rehabilitation projects are put at risk in this transaction

3b. Are toll payers protected?

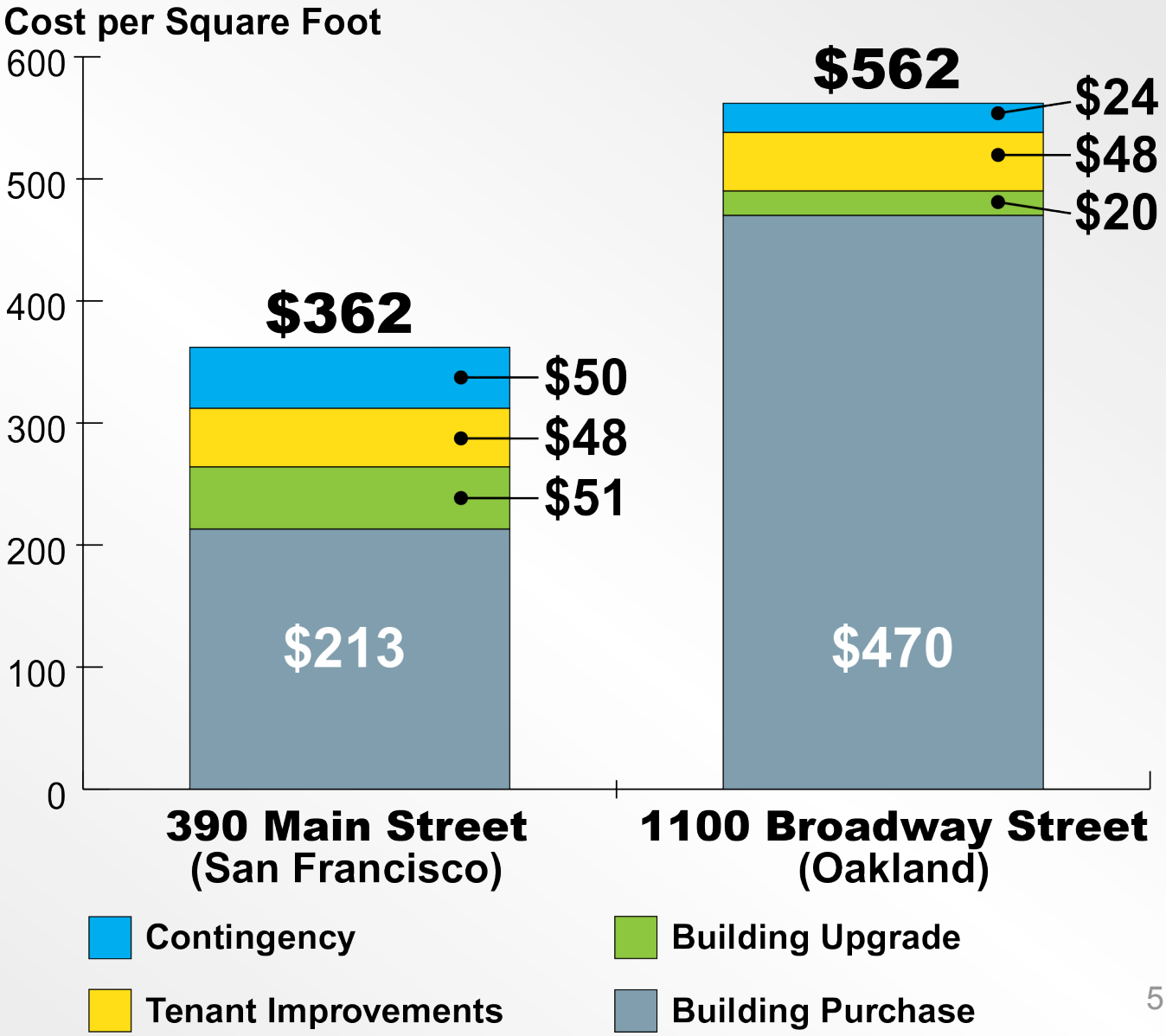
- **Utilizing an average occupancy rate of 70% and limiting BATA/MTC and the Air District to utility payments only, the potential Net Operating Income (NOI) paid to BATA over 30 years is $190 million**

			Years 0-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	30 Year Total
Rate *	$ 32.40								
Occupancy	70%								
SF	497,204								
MTC/BATA	$ 15.00	122,100	$ 9,723,682	$ 11,272,413	$ 13,067,816	$ 15,149,180	$ 17,562,052	$ 20,359,231	
Air Dist	$ 15.00	60,800	4,841,932	5,613,126	6,507,152	7,543,572	8,745,068	10,137,930	
BCDC	$ 32.40	20,000	3,520,000	4,040,000	4,540,000	5,040,000	5,540,000	6,040,000	
			-	-	-	-	-	-	
Commercial Rent	$ 32.40	294,304	31,372,806	41,614,586	46,764,906	51,915,226	57,065,546	62,215,866	
Total Sources			$ 49,458,420	$ 62,540,124	$ 70,879,873	$ 79,647,978	$ 88,912,665	$ 98,753,027	$ 450,192,087
			-	-	-	-	-	-	
Costs									
MTC/BATA	$ 15.00		$ 9,723,682	$ 11,272,413	$ 13,067,816	$ 15,149,180	$ 17,562,052	$ 20,359,231	
Air Dist	$ 15.00		4,841,932	5,613,126	6,507,152	7,543,572	8,745,068	10,137,930	
BCDC	$ 15.00		1,592,741	1,846,423	2,140,510	2,481,438	2,876,667	3,334,845	
Property Mgt	$ 2.25		2,549,408	2,317,644	2,317,644	2,317,644	2,317,644	2,317,644	
TI	$ 48.00	$ 15,086,592	19,612,570	11,314,944	11,314,944	11,314,944	11,314,944	11,314,944	
Capital/Other			-	5,016,072	5,016,072	5,016,072	5,016,072	5,016,072	
Total Cost			$ 38,320,333	$ 37,380,622	$ 40,364,138	$ 43,822,851	$ 47,832,447	$ 52,480,667	$ 260,201,057
Net Operating Income (NOI)			$ 11,138,088	$ 25,159,502	$ 30,515,735	$ 35,825,127	$ 41,080,218	$ 46,272,360	$ 189,991,030
			-	-	-	-	-	-	
Project Cost (net)			$ (140,689,923)	$ (129,551,835)	$ (104,392,333)	$ (73,876,598)	$ (38,051,471)	$ 3,028,747	$ (140,689,923)
Ending Balance			$ (129,551,835)	$ (104,392,333)	$ (73,876,598)	$ (38,051,471)	$ 3,028,747	$ 49,301,107	$ 49,301,107

* SF annual Class "B" office space March, 2011

4. Are we buying the right building?

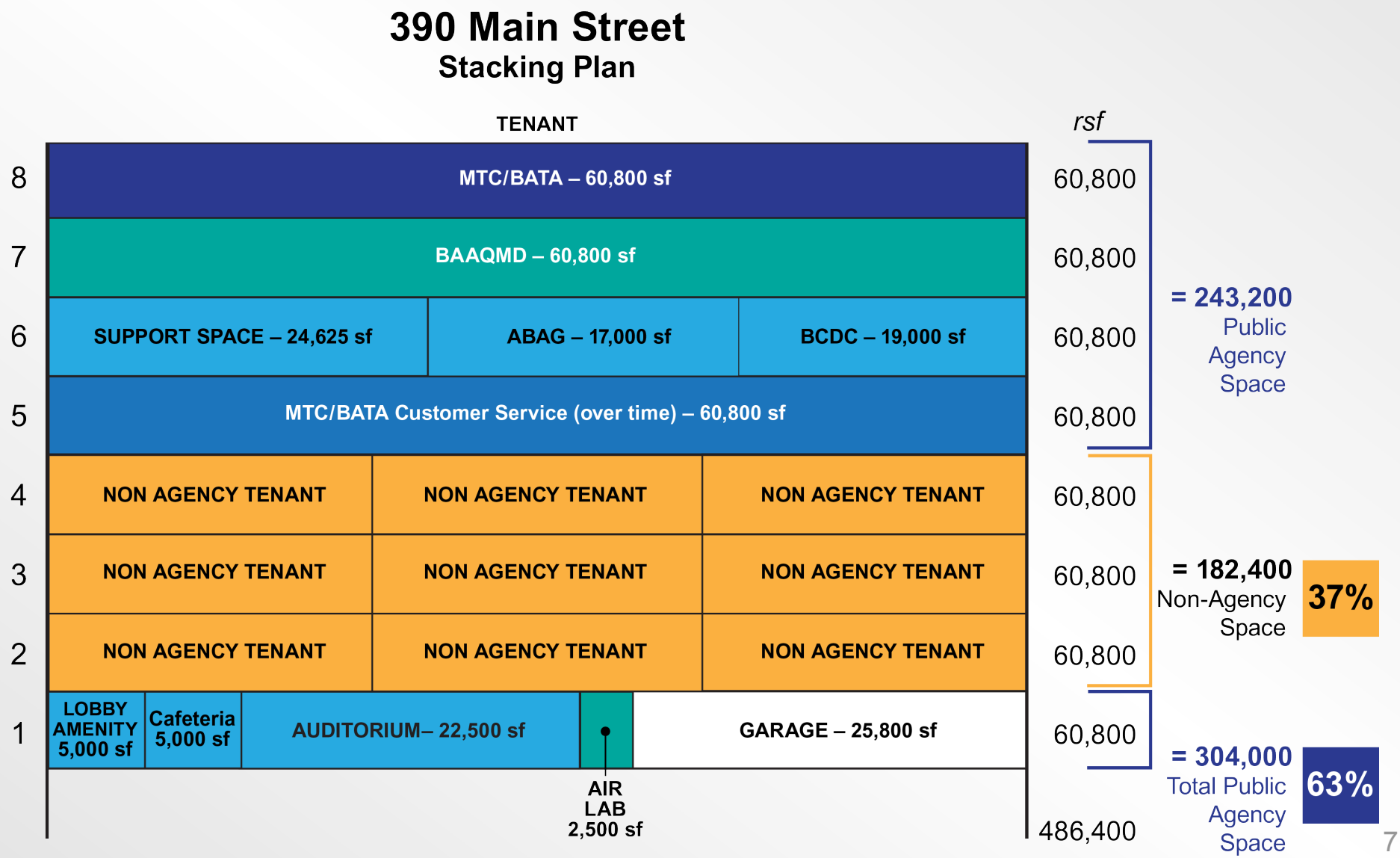
- **"Apples to apples" comparison shows 1100 Broadway is 55% more expensive on square foot basis**
- **Oakland property adjusted from figures used in MTC/BATA July 27, 2011 presentation to reflect estimates provided by SKS to Commission on July 27, 2011**
  - LEED silver
  - Parking onsite
  - Contingency on purchase price



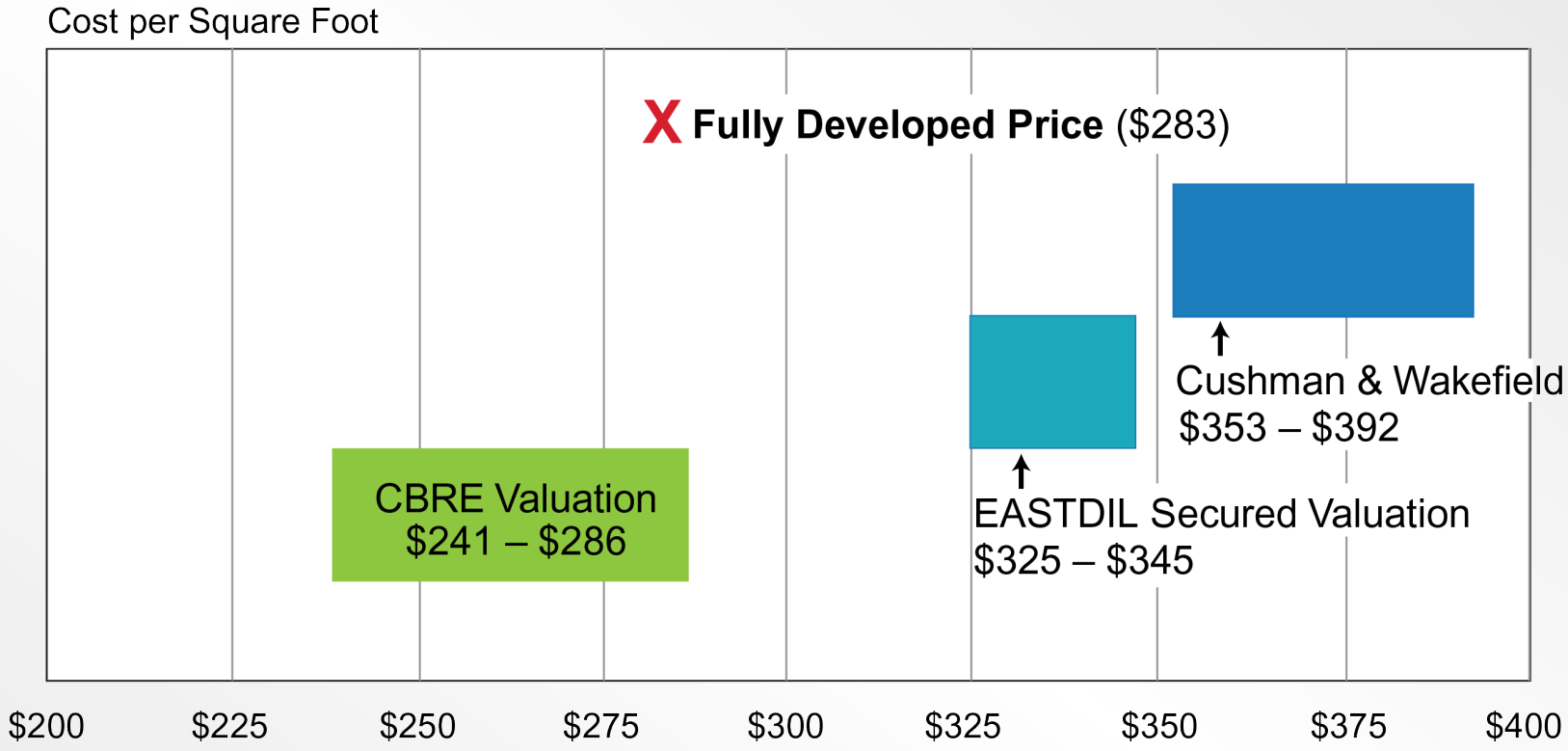
5a. Are we buying a building that's too big?

- **MTC/BATA staff has grown by 160% (140 people) since Metro Center move in 1984, our office space use for all activities has grown by 69%**
- **Reflects significant state delegation of responsibilities for fund programming (SB 45), toll collection (BATA), climate change (SB 375), etc**
- **Also reflects MTC and BATA's expanding operations portfolio (Clipper, FasTrak, 511, call boxes) with 50,000 sq. ft of contractor back office space located off-site**

5b. Are we buying a building that's too big?



6a. Are we paying a fair price?



- **3 separate opinions about valuation**
- **2 independent opinions**
- **Developed price is net Air District and commercial tenant improvements**

6b. Are we paying a fair price?

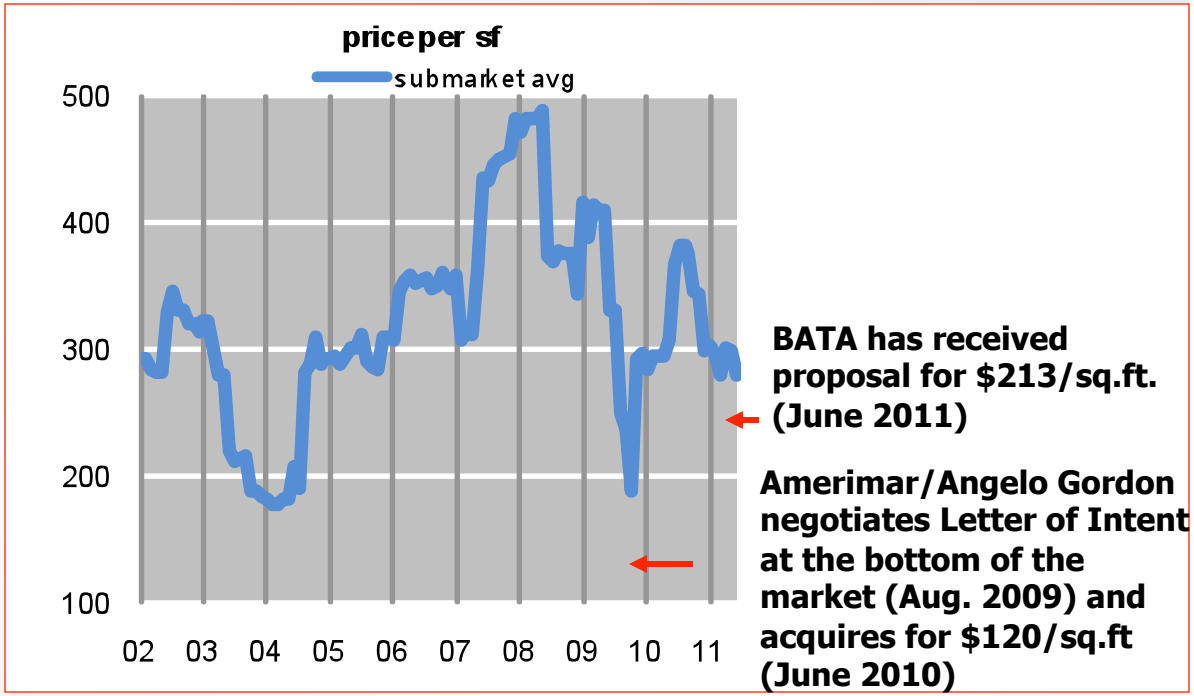
Address	390 Main Street	370 3rd Street	Hawthorne Plaza
Location	**Rincon/South Beach** **1 Block from South Financial District**	**Yerba Buena** **Adjacent to both Rincon and South Financial**	**South Financial/SoMa** **Approximately 1 Block from Moscone Center**
Date Closed			**July 2011**
Rentable Sq Ft	**497,204 SF**	**409,783 SF**	**441,442 SF**
Leased Sq Ft	**33,006 SF**	**37,000 SF**	**326,667 SF**
Stories	**8 Floors**	**7 Floors**	**20 story tower + 5 story building**
Purchase Price/Sq Ft	**$213 / SF**	**$232 / SF**	**$254 / SF**

- **Eastdil Secured's Broker Opinion of Value suggests price is within market range**

6c. Are we paying a fair price?

Summary Valuation: 390 Main St

- The San Francisco core office sales market has strengthened considerably over the last several quarters
- During 2009 there were only 12 office sales in Central Business District San Francisco
- The market began to recover in 2010 with 24 transactions closing and a decrease in cap rates
  - 32 transactions closed in calendar year 2011 YTD
- U.S. Postal Service sold property to current owners for $60 million near bottom of market (price negotiated 12/09)



- Real estate market has moved substantially upward since that time

Summer Reading

"Cities need old buildings so badly it is impossible for vigorous streets and districts to grow without them… Hundreds of ordinary enterprises, necessary to the safety and public life of streets and neighborhoods, and appreciated for their convenience and personal quality, can make out successfully in old buildings, but are inexorably slain by the high overhead of new construction. As for really new ideas of any kind — no matter how ultimately profitable or otherwise successful some of them might prove to be — there is no leeway for such chancy trial, error and experimentation in the high-overhead of new construction. Old ideas can sometimes use new buildings. New ideas must use old buildings."

— Jane Jacobs

The Death and Life of Great American Cities