

CALIFORNIA PLANNING & DEVELOPMENT REPORT



March 1990

William Fulton, Editor & Publisher

Vol. 5, No. 3

Mega-Projects Proceed In San Francisco, L.A.

After many years of delay, two huge and important development projects finally appear to be moving toward approval — largely because new, more flexible developers have taken charge of them.

If they are built, the Playa Vista project in Los Angeles and the Mission Bay project in San Francisco could set a benchmark for urban development in California. Similarly, the flexible, accommodating approach of the lead developers on the two projects — Maguire Thomas Partners on Playa Vista and Santa Fe Pacific Realty Co. on Mission Bay — might become more popular among developers if the two projects are successful.

On Mission Bay, the big breakthrough came in early February, when San Francisco Mayor Art Agnos finally announced his support of the project. Agnos had been negotiating with Santa Fe Pacific Realty for more than a year, demanding more affordable housing and taking a hard line on toxic cleanup of the site.

Playa Vista still has not secured the overt support of Los Angeles's political leadership, but Maguire Thomas Partners has made great strides toward community acceptance since taking over the project a year ago. As redesigned, Playa Vista will be a low-rise project with a "village" or "campus" setting. Streets have been rerouted to minimize traffic impact on adjacent neighborhoods, and Maguire Thomas is *Continued on page 4*

L.A. Scores Court Wins On Hollywood Project

Four years after the the Los Angeles City Council approved the Hollywood redevelopment plan, the city is still fighting back court challenges on the plan — and winning.

Most recently, Los Angeles and its Community Redevelopment Agency won victories on two levels. First, Los Angeles Superior Court Judge Kurt Lewin ruled that the city acted properly in replacing the Project Area Committee, which included many Hollywood dissidents, with a different citizen committee more favorably disposed toward the redevelopment project. Then the Court of Appeal in Los Angeles rejected a challenge to the environmental impact report on the Hollywood plan.

Still pending, however, is an appeal of the Hollywood redevelopment opponents' biggest case, which challenges the validity of the redevelopment plan itself.

The Hollywood plan has been mired in litigation ever since it was approved by the city council in 1986. Most of the opposition has come from small business owners who fear they will be displaced by the redevelopment plan. (*CP&DR*, August 1988.) Just over a year ago, L.A. Superior Court Judge Barnet Cooperman upheld the validity of the redevelopment plan after a four-month trial. That case is still on appeal.

The new ruling by Judge Lewin is a blow to the dissident small *Continued on page 5*

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BRIEFS

Feinstein Takes Lead on Growth Issue

Democratic gubernatorial candidate Dianne Feinstein has become the first candidate to inject the growth issue into the campaign. In early February, Feinstein called for the creation of a state-level Growth Management Commission, which would use both state regulations and monetary incentives to encourage better management of growth. The panel would oversee regional growth commissions that would make decisions on individual projects. Feinstein said she took a strong stand against the advice of her campaign aides, who told her such a bold proposal would be a political loser.

Neither Republican Pete Wilson nor Feinstein's Democratic primary opponent, John Van de Kamp, has addressed the growth issue directly, though both have maintained high-profile positions on environmental issues. Wilson recently proposed the creation of a state-level environmental protection agency, while Van de Kamp, of course, has tied much of his campaign to an environmental initiative that would create the position of elected environmental czar.

Napa Prohibits Most New Wineries

Napa County has prohibited the creation of new wineries that have tasting rooms, souvenir shops, restaurants, and other tourist attractions.

County supervisors have adopted a policy declaring that new wineries must be limited to "an agricultural facility for the fermenting and processing of grape juice into wine." Seventy existing wineries with tasting rooms and other tourist attractions have been grandfathered in under the county's action. The supervisors also specified that new wineries must be set back 600 feet from Highway 29.

About 1.5 million tourists visit the Napa Valley each year. Since 1980, the number of wineries in Napa County has doubled. Acreage in grapes has grown by about 25%, though value of the grape crop has increased by almost 100%.

Anaheim Arena Blocked in Court

An Orange County judge has blocked construction of Anaheim's planned sports arena until all legal issues are resolved. But at the same time, neighboring Santa Ana is moving ahead on a similar project.

The sports arena has been challenged by the Los Angeles Rams and Anaheim Stadium Associates, a real estate group affiliated with the Rams, which claim that the city has not adequately dealt with traffic and pollution problems that the arena will create. Orange County Superior Court Judge Eileen Moore blocked actual construction, but permitted pre-construction work to continue and refused to bar the city from seeking commitments from sports teams that might occupy the center.

Meanwhile, Santa Ana has certified the environmental impact report for a similar 20,000-seat arena only a few miles away and is also pursuing basketball and hockey teams.

Ironically, the city, the Rams, and Anaheim Stadium Associates are engaged in longstanding litigation with the California Angels baseball team over traffic issues at the stadium. A recent court-ordered settlement conference in that case proved fruitless.

Sacramento Bans Homes in Natomas — for Now

Home construction in the vast Natomas area has been banned by the Sacramento City Council until levees in the area are stabilized, a process expected to take at least until 1992.

North and South Natomas are considered prime development property in the Sacramento area. Large landowners include some of Sacramento's most prominent developers, including the Sacramento Sports Association, which owns the Kings basketball team and has been trying to lure baseball and football teams as well. However, the area suffers from chronic flooding problems.

Local flood control officials have proposed a \$1,000-per-parcel tax in the Natomas area to pay for levee improvements. Meanwhile, city officials have proposed that homebuyers pay about \$1,500 each to finance almost \$400 million in infrastructure improvements needed to develop the North Natomas area.

Folsom's Pro-Growth Leaders May Quit

Three pro-growth members of the Folsom City Council have announced their intention not to run for re-election.

Mayor Jack Kipp, Guy Gibson and Lindsay Goodell, who ran as a slate in 1986, have helped to give Folsom a prominent pro-growth profile in the Sacramento area. Most recently, they helped to defeat a growth-control initiative on the Folsom ballot last August.

Meanwhile, Folsom may take the rare step of converting from a general-law city to a charter city. A city committee has recommended a charter vote in the June election. Charter cities have more autonomy over their own affairs than general-law cities, which must abide more strictly by state laws.

Property Owners Challenge Metro Rail Assessment

Property owners along Phase 2 of the Metro Rail subway route in Los Angeles are trying to force an election on a proposed assessment district that would help pay for the project.

The Committee Opposing Metro Rail Taxation has delivered thousands of signatures to the Southern California RTD calling for an election. Under law, an election must take place if signatures of landowners representing 25% of the affected property are received.

Under the plan, all commercial property within a half-mile of 11 proposed stations would pay between 33 and 55 cents per square foot for 19 years, beginning in the year 2000. RTD officials fear that an election among Phase 2 property owners would undermine support for the taxation plan among Phase 1 property owners. Phase 1 is already under construction.

CALIFORNIA PLANNING & DEVELOPMENT REPORT

is published monthly by
Torf Fulton Associates

1275 Sunnycrest Avenue
Ventura, California 93003
(805) 642-7838

Subscription price: \$179 per year

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ISSN No. 0891-382X

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COURT CASES

Court Finds Triable Issue of 'Futility' in Takings Case

A developer's takings case against Tuolumne County deserves a trial even though the developer did not exhaust all administrative remedies, the Fifth District Court of Appeal in Fresno has ruled.

In *Twain Harte v. County of Tuolumne*, the appellate court ruled that the "futility" of any attempt by the developer to rezone the property in question was a triable issue of fact. The court reversed Superior Court Judge Richard L. McMechan's decision to grant summary judgment to Tuolumne County.

The decision is interesting in light of the U.S. Supreme Court's line of cases on the land-use takings issue, which establish the need to exhaust all administrative remedies before claiming a taking in court. For example, in *McDonald, Somner & Frates v. Yolo County*, 477 U.S. 340 (1986), the Supreme Court ruled that a developer must file at least two applications for permit approvals before claiming in court that his property has been "taken" by an overly restrictive set of land-use regulations.

The *Twain Harte* case began in 1981, when Tuolumne County issued a development permit for a shopping center on an 8.5-acre parcel of land in Twain Harte. The shopping center was built, but a 1.7-acre section of the lot remained undeveloped. Subsequently, a new owner, Twain Harte Associates, purchased the property and sought to split the 1.7-acre section of land off from the shopping center parcel. Twain Harte Associates wanted to divide this plot of land into two parcels of 1.0 and 0.7 acres. The county denied the request.

Seven weeks after it denied this subdivision of land, the county rezoned the 1.7-acre section of property from "light industrial" to

"open space." The rezoning was initiated by the county, not by the property owner, in order to "insure compatibility between two conflicting land uses, residential and commercial." The open space zone permits only recreation, farming, and public utility uses.

Twain Harte Associates filed a taking claim, even though they did not seek a variance from the open space ordinance. Because all administrative remedies had not been pursued, the local judge granted summary judgment in favor of the county.

The Court of Appeal, however, focused on the possible "futility" of seeking a variance. "Futility," the court said, is "an exception to the otherwise unyielding principle" of pursuing all administrative remedies. "An owner should not be required to take patently fruitless and wasteful economic steps, the outcome of which is foreknown from the nature of the history of governmental action with respect to the property," the court wrote.

In the appellate ruling, the court stopped short of ruling that a variance application would have been futile, but rather found that futility represented a triable issue of fact that should be heard in the Superior Court. In denying the lot split and rezoning the property to open space, the court said, "it is inconceivable the county was blind to the reality that approval of the owners' proposed lot split would be followed by a request to permit the further development of the resulting two parcels."

The full text of *Twain Harte Associates Ltd. et al v. County of Tuolumne et al*, No. F011310, appeared in the *Los Angeles Daily Journal Daily Appellate Report* on January 18, beginning on page 571.

Ventura Rezoning Did Not Create Taking, Appellate Court Rules

Ventura County didn't take a landowner's property without just compensation, even though part of the property was rezoned from industrial to agricultural use after he bought it, an appellate court has ruled.

In *Ellison v. County of Ventura*, the appellate court affirmed a Ventura judge's ruling, issued after a full trial, that a taking claim could not be justified since the value of the property has doubled since the landowner purchased it in 1983. The court also affirmed the judge's decision that the industrial portion of the property constituted a non-conforming use at the time that the landowner, Raymond Ellison, purchased the property. Ellison's lawyer, Denise Rothwell of Ventura, has asked the panel for a rehearing on the case.

Ellison bought a 145-acre property near Ventura in April 1983. Most of the land was in agricultural use (and zoned for 10-acre lots), but 11 acres of the property was paved, supposedly zoned for limited industrial use, and contained a warehouse no longer in use.

In August 1983, Ventura County adopted a general plan amendment classifying the property as open space. Ellison subsequently sued in both state and federal court, claiming that the county unconstitutionally changed the general plan designation on his property. After the suits were filed, the county changed the zoning (requiring a minimum parcel size of 160 acres) to conform with the general plan amendment.

In a trial before Ventura County Superior Court Judge Edwin M. Osborne, Ellison challenged the validity of the county's general plan and, therefore, the county's legal power to change the general plan designation and zoning on his property.

Judge Osborne found that the general plan arguments were

outside the scope of the pleadings. The judge also found that that Ellison could not use the industrial property for industrial use because the old warehouse was a nonconforming use.

The appellate court found that Ellison "has suffered no measurable detriment to any property rights he acquired when he purchased the land. There was no physical invasion, nor a depression in market value. The trial court found instead that the value of the property had more than doubled, from the purchase price of \$1.2 million to at least \$2.6 million by the time of trial." Ellison argued that if the property had not been rezoned, it would be worth at least \$1 million more than it is today, but the appellate court ruled that "speculation about lost profits is a slender reed upon which to rest a takings claim, especially where one's investment has doubled in value despite the alleged taking."

There also appeared to be some dispute over the precise zoning of the property. Ellison argued that the industrial portion of the property was still zoned for industrial use at the time he bought it. But the appellate court substantiated Judge Osborne's finding that "at the time of purchase, the property was already zoned agricultural/open space" and that the industrial use was a non-conforming use that had already been "extinguished" by the time Ellison bought the property.

If the rehearing is denied, the case may return to federal court, where Ellison has asked all other matters to be heard except for the question of a taking.

The full text of *Ellison v. County of Ventura*, No. B035640, appeared in the *Los Angeles Daily Journal Daily Appellate Report* on January 29, beginning on page 1002.

Playa Vista, Mission Bay: Mega-Projects Move Ahead

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to be close to settling longstanding litigation with environmentalists over the Ballona Wetlands portion of the property.

Mission Bay and Playa Vista are viewed in similar terms by politicians, developers, and citizens in San Francisco and Los Angeles. Each is among the largest pieces of remaining undeveloped land in its city — about 300 acres in the case of Mission Bay, more than 900 acres in the case of Playa Vista. The pricetag on developing each property is pegged at about \$2 billion over a decade or more. Each has become a focal point of community interest, especially for environmentalists. And in each case, development stalled for several years while an inflexible developer that had owned the land for a long time (Howard Hughes' Summa Corp. in Playa Vista, the Southern Pacific Transportation Co. in Mission Bay) tried to build a large-scale, downtown-style project.

Both Mission Bay and Playa Vista, however, still require governmental approvals — and those approvals could be a long time coming in spite of growing political support for both projects.

Mission Bay

After several months of negotiation, Agnos and Santa Fe finally announced an agreement on Mission Bay at the beginning of February. Most of the pieces of the agreement had been put together last summer, but the question of toxic cleanup remained a difficult matter. Finally, Santa Fe agreed to provide a \$30-million letter of credit to finance the clean-up, the cost of which is estimated at \$15 million. But the cost of cleaning up sediments in the China Basin Channel will be divided evenly between Santa Fe and the city.

Overall, the project now contains more housing and more office space than proposed under a 1987 plan prepared by the San Francisco Planning Department. (*CP&DR*, March 1987.) Instead of 7,000 housing units (2,300 affordable), the project will include 8,000 housing units (3,000 affordable). The definition of affordable housing was also changed to include lower prices. Most of the affordable housing will be constructed by private non-profit builders on land donated to the city by Santa Fe.

In return, Agnos agreed to boost Santa Fe's potentially lucrative commercial components. The office buildings grew from 4.1 million to 4.8 million square feet. Retail increased from 300,000 to 700,000 square feet. (At the same time, the industrial/R&D portion of the property was cut from 2.6 million square feet to less than 1 million, partly for market reasons.) Agnos also engineered a land swap between Santa Fe and the Port of San Francisco, freeing up more land for development in Mission Bay and moving future port expansion further south. Agnos also made a unilateral decision cut a wetlands out of the project — a decision which could lead to a lawsuit by environmentalists.

Santa Fe is expected to pay \$231 million on public benefits for the project over a 30-year period. The city is expected to pay \$100 million on subsidies for the affordable housing in the project, although the city's revenue from the project is expected to total \$217 million.

The 1990 deal on Mission Bay arose directly from the attempted 1984 railroad merger of Southern Pacific and Santa Fe. Although the Interstate Commerce Commission did not approve the merger of the two railroads, the botched deal permitted Santa Fe to gain control of the greatest private real estate empire in the West — some 3 million acres of property. Most of it is in the mountains and the desert, but the rest of it is undeniably the best undeveloped urban property in Northern California, including 140 bayfront acres in Albany, 700 acres in Fremont, 170 acres on the waterfront in Berkeley, and the Mission Bay site.

Southern Pacific had been trying since 1979 to develop the Mission Bay property, located along the waterfront south of downtown, near China Basin. Public opposition became seriously mobilized in

1982, when Southern Pacific unveiled a high-rise plan designed by the distinguished New York architecture firm of I.M. Pei & Partners. The Pei plan, oriented around several 40-story office towers, was touted by Southern Pacific as "a city within a city" and it won a design award from *Progressive Architecture* magazine. But San Francisco Planning Director Dean Macris criticized it as "a second downtown" that could threaten the viability of the real downtown. And the size of the office towers aroused the ire of neighborhood and community groups.

After Santa Fe took over the property, the company began negotiating with then-Mayor Dianne Feinstein. "Santa Fe was more interested in making a deal than Southern Pacific was," says San Francisco city planner Alec Bash, the city's project manager. "They were willing to have a smaller-scale project that might get built fast, and they weren't as inclined to hold out for a major development, where you don't get the payoff until the back end."

Santa Fe accepted a series of Feinstein conditions: an eight-story height limit, less office space, more housing. The company even agreed to tear down the elevated, unfinished stretch of I-280 along the China Basin Channel. Furthermore, Santa Fe agreed to pay the city planning department to draw up a new plan. Over the next two and a half years, the company forked \$1.5 million over to the city while city planners and a bevy of consultants worked on Mission Bay. "It was a tough call," says Jim Augustino, an Olympia & York veteran who now serves as Santa Fe's Mission Bay project director. "Finally, we decided the best thing to do was to quit pretending we own the land." With the cost of city environmental review thrown in, Santa Fe has now paid close to \$6.5 million for public planning.

When the new Mission Bay plan came out in January 1987, it was hailed in professional circles as a masterpiece. The entire project had been rearranged into small San Francisco blocks, with more open space throughout. It included more housing units and less office space.

Then, however, Agnos, a neighborhood-oriented liberal, won a surprise victory over Supervisor John Molinari, who shared most of Feinstein's agenda. Agnos demanded more affordable housing. Santa Fe was more desperate than ever for a deal, because the company had taken on a large debt load in the botched merger and also had taken on the developer Olympia & York as a major shareholder. (O&Y had tried to take over the company.)

The Mission Bay project still must win the approval of the San Francisco Board of Supervisors and the city's voters. If it is approved, however, it is expected to be the cornerstone of Santa Fe's effort to spin off its real estate subsidiary and make it into one of California's major development companies. In an unusual move, the California Public Employees Retirement System recently bought 20% of the proposed spin-off company for \$400 million. CalPERS interest in Santa Fe's real estate holdings will be managed by JMB Realty of Chicago, the largest institutional investor in the country. Thus, Santa Fe Pacific Realty Co.'s board of directors now includes two representatives of Olympia & York, the largest developer in the country, and JMB Realty, the largest investor.

Playa Vista

Like Mission Bay under Southern Pacific, Playa Vista until a year ago was a huge piece of undeveloped land in the hands of an uncompromising developer.

Located along the Los Angeles coast in between Marina del Rey and Playa del Rey, Playa Vista is commonly referred to as the largest urban development project ever undertaken in the United States. Summa Corp., part of the Howard Hughes empire, was proposing to build some 7 million square feet of commercial, industrial, and retail space and about 9,000 residential units on the 900-acre site. Summa won city, county, and Coastal Commission approval in

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1984 and lacked only subdivision approval in order to build.

As Los Angeles's political mood flipped sharply against growth in the late '80s, however, the project ran into trouble. Largely because of her support for the project, L.A. City Council President Pat Russell was defeated for re-election in 1987 by little-known urban planner Ruth Galanter. The Friends of Ballona Wetlands, fearful that the last large wetland in Los Angeles would be lost, held the project up in court for five years.

Summa had been trying to sell off parts of the projects to other developers for several years, without success. Finally, in February 1989, Summa agreed to sell most of the project to Santa Monica-based Maguire Thomas Partners and Chicago-based JMB Realty Co. Maguire Thomas had just completed work on the huge Library Square project in downtown L.A., which provided funds to renovate the L.A. Central Library; JMB is the largest institutional real estate investor in the country. Summa remained a limited partner in the project.

Despite a bevy of public-relations consultants, Summa had never made much headway in gathering community support for Playa Vista. Citizen and environmental leaders say that even though Summa tried to reach out to the community, the company did not change the project. "It didn't who was shaking your hand and smiling," said Ruth Lansford, president of Friends of Ballona Wetlands. "The plan was the same."

The entire political attitude toward the project has changed, however, since Maguire Thomas assumed the role of lead developer in the project. According to Nelson Rising, the Maguire Thomas partner in charge of the project, the firm came to the Playa Vista area telling the neighbors that "we have an eraser on our pencil."

The story of Playa Vista since then sounds quite similar to the Mission Bay story. Rising announced that Maguire Thomas was not wedded to the Summa Corp.'s development concepts: "We didn't really have a plan when we took over." Instead, the firm hired a group of innovative architects and designers, including courtyard housing experts Polyzoides & deBretteville and "village-scale" advocate Andres Duany. Maguire Thomas also held a series of public

workshops permitting community groups in the area to work with the designers in coming up with new ideas.

The result, as in Mission Bay, is a lower-scale, community-oriented design proposal. The office space dropped 25% to about 5 million square feet. Retail space was reduced 34%, to about 720,000 square feet, mostly through the elimination of a regional mall. Residential space rose 25%, to close to 12,000 units, with a 110% increase in affordable housing. (The affordable housing will be internally subsidized by the development team, not by any public agencies.) In addition, density has been redistributed within the project to improve vehicular circulation, and an internal transit system has been proposed.

Perhaps most important, community groups and Galanter seem pleased with the project so far. A Galanter spokesman called Maguire Thomas, unlike Summa, "extremely accessible" and "willing to discuss the good and bad of the project," unlike Summa. Galanter has not formally endorsed the project, but, according to the spokesman, she has "endorsed their process." (In fact, Rising and others at Maguire Thomas started meeting with Galanter almost a year before they took over the project.)

Similarly, community leaders have nothing but good things to say about the changeover from Summa to Maguire Thomas. "We got to participate and we had a much greater say," said Terry Conner, president of the Villa Marina Council, a vocal condominium owners' group nearby. "They're really interested and very sophisticated. I couldn't be more happy."

The lawsuit with the Friends of the Ballona Wetlands is not yet settled, but an agreement is close. The project still must go through the usual city review processes. Rising predicts that environmental review could be completed within a year, meaning construction could begin sometime in 1991. It's still possible, however, that Galanter's attitude toward the project may change as her 1991 re-election date moves closer, especially if she is attacked by other slow-growthers for supporting such a large project. Already, community activist Salvatore Grammatico, who may mount a challenge to Galanter next year, has expressed skepticism about the project.

L.A. Scores Legal Victories on Hollywood Redevelopment Project

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business owners, who have repeatedly sought to gain more leverage over the redevelopment process. In 1986 the city formed a Project Area Committee, which included many project critics. By law the PAC was required to remain in existence for only three years.

In 1989 the city disbanded the PAC and replaced it with a different citizens committee appointed by Councilman Michael Woo, who represents the area. Dissident PAC members sued, claiming the city was legally required to maintain the PAC indefinitely and provide an annual budget of about \$100,000. Lewin ruled that, once the initial three-year period has elapsed, the PAC remains in existence at the discretion of the city council.

The Court of Appeal's ruling involved a challenge to the EIR on the Hollywood redevelopment plan. In that case, Hollywood Boulevard camera-store owner David Morgan argued that the EIR had not properly taken into account the medical effects of potential relocation on residents. Morgan, who is also a scientist, tried to prove that relocation under duress can lead to severe emotional distress that can cause illness and death. In both this case and the broader challenge to the redevelopment plan, Morgan has acted as his own lawyer. Morgan said he will ask for a rehearing and, if he loses again, will appeal to the California Supreme Court.

The Hollywood redevelopment challenge is merely the best-known of several legal and political attacks on redevelopment projects in California over the past few years. In 1987, proposed projects in Anaheim and Huntington Beach were withdrawn after public outcry. Generally speaking, redevelopment critics have opposed a redevelopment agency's eminent domain powers, saying such power can ruin the lives of homeowners and small business owners by forcing them to relocate.

In the broad challenge to the validity of Hollywood's redevelopment plan, a group called Save Hollywood Our Town (SHOT) alleged that the L.A. Community Redevelopment Agency manipulated the public participation process to stifle criticism of the project and ensure its passage.

Under state redevelopment law, a project area committee may request funds from a redevelopment agency for staff, legal counsel, and office space. In the trial before Judge Cooperman, SHOT tried to prove that CRA had deliberately misled the Hollywood PAC about its rights and powers. That case went to trial after the L.A. City Council rejected a settlement offer that would have virtually eliminated eminent domain from the project and given the PAC far more power over the project's future.



As History Marches On, Negotiations on Yerba Buena Continue

In Voltaire's novel *Candide*, the hero of the title spends many years chasing after his beloved Cunegonde. When Candide finally catches up with her, however, he finds that she is no longer young and beautiful. And in the end, he's not sure he wants her after all.

Olympia & York may be able to identify with Candide in its pursuit of the \$1.5-billion Yerba Buena redevelopment project in San Francisco. The Canadian developer and its partners have spent 10 years negotiating for the project with the San Francisco Redevelopment Agency. Now that a development agreement appears to be around the corner, however, O&Y has likely realized that the world has changed in the decade since negotiations began.

Most important, the San Francisco office market entered a period of softness in the mid-1980s from which it has not fully recovered. So even if a deal is finally struck, the actual construction of the project may move slowly. "Everybody's desire was to make (the process) move much more quickly," says Helen Sause, the redevelopment officer responsible for the Yerba Buena project. "However, we must understand that the office market changed over time."

Olympia & York officials are probably aware of the irony that two of the company's most ambitious projects — Battery Park City in Manhattan and the Canary Wharf at the London Docklands — were both negotiated, planned, built, and leased up during the decade that O&Y and the City of San Francisco spent talking about Yerba Buena.

The likeliest reason for delay, however, is the ambition of the 22-acre project, rather than any lack of will to negotiate. The project, located between Market Street and the Moscone Convention Center, is arguably the most complex redevelopment project ever attempted in California. The developer's wish list calls for three office buildings, a 1,500-room hotel, health club, retail space and a still-to-be-negotiated number of housing units. The redevelopment agency is responsible for 100,000 square feet of "cultural facilities," including a gallery, a "festival space," movie theaters, an ice skating rink, an interactive video exhibit relating to San Francisco history, and six acres of open space, including gardens.

The City of San Francisco, meanwhile, plans to double the size of the Moscone Convention Center. The San Francisco Museum of Modern Art is building a new 200,000-square-foot museum next to the Yerba Buena site, and is committed to renovating a plaza facing Market Street and a Muni substation on Jessie Street.

How, exactly, did Olympia & York and the San Francisco Redevelopment Agency spend the 1980s in endless negotiations, when the rest of us were waxing our BMWs and comparing Chardonnays?

The story started in 1980, when the city asked developers to submit proposals for the three-block site, bordered by Market, Third, Folsom, and Fourth streets — a redevelopment area that had sat vacant since the '60s. (The Moscone Center was already under construction on part of the site, but the developer would be required to provide other amenities on that same block.) Olympia & York, in partnership with Marriott Corp. and San Francisco architect Beverly Willis, won the right to negotiate with the city. By 1984, the city and the developer had reached a deal for a development agreement. The developer bought the land for the office building and leased the land for retail buildings and a 1,200-space underground parking structure. Construction was to start in 1985, at the outside, with completion expected in 1989.

Unfortunately for the developer, the city's needs had apparently changed by December 1984. The Moscone Center, completed in 1981, already needed an expansion. The site the city chose for the underground expansion was across Howard Street between Third

and Fourth. O&Y had already planned that site for the underground parking structure.

That meant the redevelopment agency had the unenviable task of scrapping the agreement with the developer. The development plans were tossed out, the developer relinquished its right to build on the land, and negotiations started anew.

"In fairness to all parties, circumstances did change," says O&Y project manager Al Williams, sounding like patience personified. "There was a need for an expanded convention center, and we have to be a good citizen."

O&Y spent much of 1986 preparing new designs. Later that year, in November, San Francisco voters approved a bond issue to finance the Moscone Center expansion. In 1987, O&Y started construction on its 1,500-room Marriott, the largest hotel in San Francisco, on part of the Yerba Buena site. During 1987 and '88, the redevelopment agency oversaw the design and pre-development of the cultural and garden elements of the master plan.

The Marriott Hotel opened for business on October 17 — the day the San Francisco earthquake hit, promptly forcing a temporary closure. The hostelry has received wide publicity for its unusual design (it has been compared to a giant juke box), but has enjoyed strong business since the quake.

In mid-February, Sause said that a final agreement was "a month or six weeks" away. A number of points, however, remained unresolved at that time. The developer and the city disagree on the location of the ice-skating rink. O&Y has also favored restaurant and entertainment facilities for the site directly above the Moscone Center expansion, instead of retail. Most significantly, O&Y is requesting to build an office building instead of 300 housing units on Third Street next to the new San Francisco Museum of Modern Art.

A final irony may be that now that the developer is on the verge of completing the second development agreement, O&Y appears less than enthusiastic about jumping into the office market. O&Y is apparently not thrilled with the high vacancy rates in San Francisco now that it has permission to build up to 1 million square feet "by right" — a bonanza in a city where construction of new office buildings is held down to 475,000 square feet yearly.

If some points remain unsettled, the city's financial package is firm. O&Y agreed, for a second time, to buy two separate sites for office development for a total of between \$57 million and \$62 million by mid-1990. That money goes towards the \$87 million tab for cultural facilities to be built by the redevelopment agency.

In addition, the city expects to receive \$3 million annually in revenue participation from O&Y's office buildings, hotel, and retail operations. That sum could climb to \$15 million by 2020. Other benefits include \$19 million annually in assorted taxes.

But even if the San Francisco Redevelopment Agency and O&Y appear to be winding up their version of the *Candide* story, some members community still express anxieties about Yerba Buena. One such anxiety appeared in the August 1989 issue of "SPUR Report," published by San Francisco Planning and Urban Research Association, a city-funded urban planning advisory group: "With several large office buildings and the City's largest hotel within the project, the Moscone Center beneath it, a large residential population nearby, and the proposed open space and cultural amenities, there should be a significant population present most of the time. It is also concerned that too much retail could generate such large crowds of shoppers that it would congest the open space next door."

Pedestrian congestion? We bet Olympia & York's people spend sleepless nights worrying about that one!