From Brownfields to a New Transit-Oriented Downtown

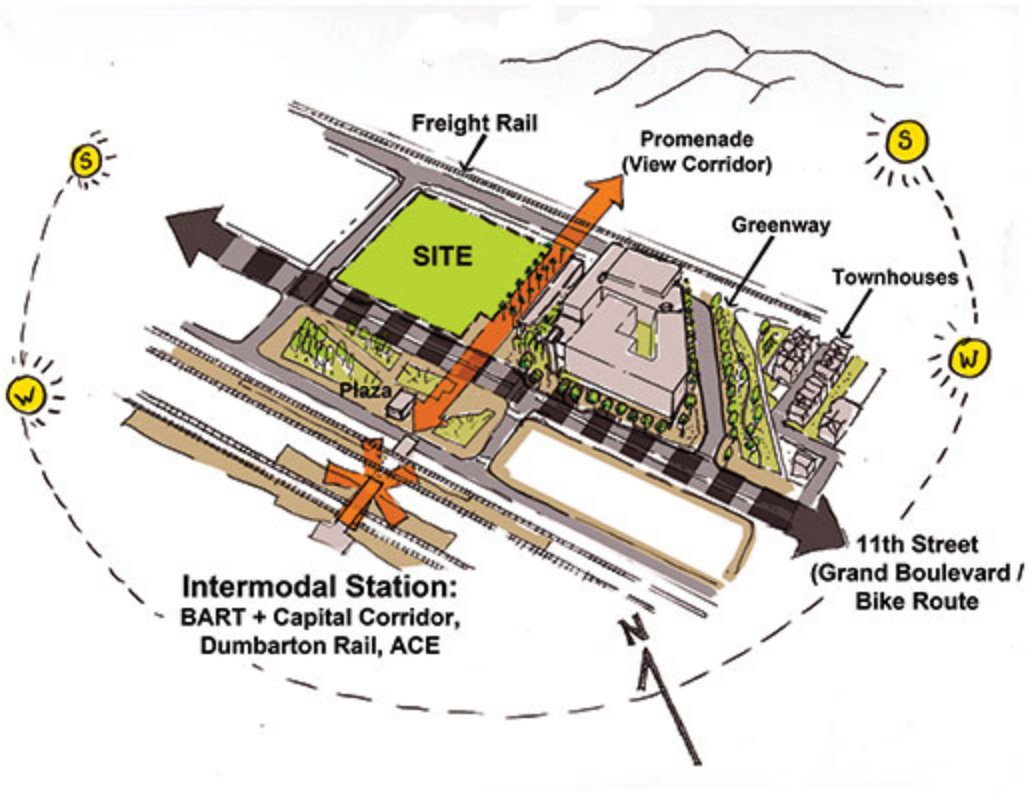
By Will Macht
December 11, 2017

The Union Flats project contains 243 market-rate units in two buildings around a central courtyard. A 35-foot-wide (11 m) pedestrian breezeway provides visual openings through the courtyard while it ensures security. Bridges on four levels connect the northern and southern buildings. (David Baker Assoc.-Google Earth)

A San Francisco Bay area suburban city of 72,000 people incorporated in 1959, Union City, California, has begun to build a new urban-scaled downtown on former steelyards and pipe yards through a series of complicated transactions and partnerships. The city has invested over $150 million in public funds to acquire, remediate, and build infrastructure for a 105-acre (42 ha) mixed-use transit-oriented community around an expanded intermodal Bay Area Rapid Transit (BART) station.

With the assistance of a federal court that took control of the abandoned properties of the former Pacific States Steel Corporation (PSSC), and Gruen Gruen + Associates, the San Francisco–based economic development firm the court had appointed to coordinate rehabilitation efforts, the city was able to acquire and remediate the project's first 90 acres (36 ha). Then, Pacific Gas & Electric (PG&E) remediated its 30-acre (12 ha) former pipe yard and sold it at remediation cost to the city. PG&E's former pipe yard is now the heart of Union City's new downtown. On portions of the PSSC properties to the southeast, 545 single-family houses and 216 townhouses have been developed to date.

Development has followed the 2001 Station Center plan designed by San Francisco–based ROMA Design Group, which created 11th Street as a new main street lined with six development sites, running northwest to southeast and intersected by a main pedestrian spine perpendicular to it and leading to the BART station. The city built a 2.2-acre (0.9 ha) urban park directly east of the station. On the 2.18-acre (0.9 ha) Block 4 site across from the park, the city got Foster City–based MidPen Housing and San Francisco–based David Baker Architects (DBA) to design and build the 157-unit Station Center, which is affordable housing for low-income families. That project won a ULI Global Award for Excellence in 2013. Although the city had intended to lead development with market-rate housing, building affordable units during the Great Recession allowed the city to leverage other public funds to build street and sidewalk improvements.

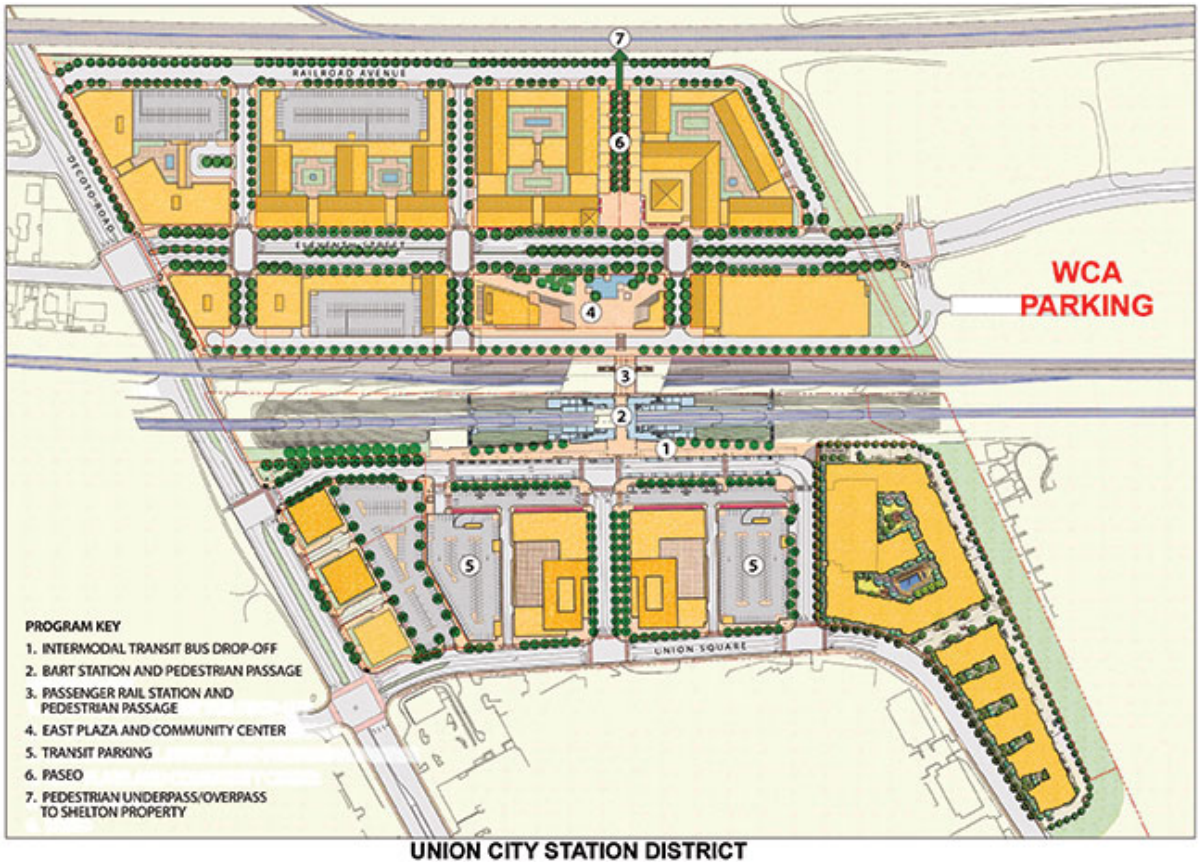


The new main street is intersected by a main pedestrian spine perpendicular to it leading to the BART station. Flexible-use two-story lofts line the pedestrian spine. The city built a 2.2-acre (0.9 ha) urban park directly east of the station. (David Baker Assoc.)

Then, the city selected San Francisco–based Windflower Properties to develop Blocks 2 and 3. The 2.5-acre (1 ha) Block 3 project, called Union Flats, opened in June, with 243 market-rate units, including 28 flexible live/work lofts that may be used as housing, office, or retail space. Union Flats achieves a density of 99 units per acre (248 units per ha), exceeding the 72 units per acre (180 units per ha) density of the Station Center project.

The 3.5-acre (1.4 ha) Block 2 site will contain approximately 450 units, increasing site density to 128 units per acre (320 units per ha). It is scheduled to open in late 2019. In total, the two blocks will contain about 50,000

square feet (4,600 sq m) of street-level flexible lofts, 6,000 square feet (557 sq m) for a community arts center, a restaurant, and cafés. The increasing urban density is notable in a city built on a conventional low-density suburban model. Union City's current center, housing its city hall and library, is built at the scale of a suburban office park on 18 acres (7 ha) across from its high school. Mark Evanoff, the deputy city manager who spearheaded the Station District transformation along with Joan Malloy, the city's economic and community development director, says that it is intended to be the new center of downtown.



The ROMA Group development plan shows 11th Street as a new tree-lined main street around which new development is concentrated northeast of the BART station. (ROMA Group)

Steelyard Origins

In 1978, the PSSC steelyards—once Union City's largest employer—lay in ruins, Evanoff says. The heirs of the corporation had abandoned the property. Ninety acres (36 ha) of environmentally contaminated land provided no employment, generated no property tax revenue, and would have cost millions of dollars to remediate. The United Steelworkers Union employees of PSSC, who had been left with an unfunded medical plan, filed a lawsuit in the U.S. District Court that resulted in the court's taking control of PSSC in 1982. The judge appointed a special master charged with cleaning the site, providing medical payments to the pensioners, and paying the corporation's debts. The special master suggested that the city form a redevelopment agency, which it did in 1988, to assist in the cleanup and development of the property to generate revenues. After years of continued litigation by the steelworkers and the city, in 1999 the court appointed Gruen Gruen + Associates as successor special master to help the city, county, and state environmental department formulate a feasible remediation and development strategy.

The community's intermodal station provides access to BART and, as planned, to Capitol Corridor, a 168-mile (270 km) passenger train route operated by Amtrak between San Jose and Sacramento; the Altamont Corridor Express (ACE), a commuter train between Stockton and San Jose; and the planned Dumbarton Rail commuter line running from Union City across San Francisco Bay to Redwood City on the San Francisco Peninsula. A ride

north to Oakland or south to San Jose takes only 20 minutes; San Francisco is 45 minutes away. Regional buses serve the station through a 16-bay facility at the intermodal station. A shuttle ride to Palo Alto and Stanford takes 25 minutes.

Public/Private Partnerships

Union City has been able to seed the Station District redevelopment because of the kinds of complex public/private partnerships (PPPs) it has been able to form. Prior negotiations with developers that the city had selected between 2003 and 2007 faltered after the developers determined that the city's desired scale of urban development was financially infeasible. Union City tried again with an open request-for-proposal (RFP) process in 2011. With the effects of the Great Recession continuing at that time, the RFP drew a sole developer. But in selecting Windflower Properties, the city gained the public and private development experience of V. Fei Tsen, the firm's founder and president, who had been a commissioner of the former San Francisco Redevelopment Agency, a former redevelopment director for the city of Emeryville, a former real estate director for the Port of San Francisco, and who is current president of the Treasure Island Development Authority, the nonprofit public benefit agency that oversees the redevelopment of the former San Francisco Bay naval base.

Tsen sought to buy the parcels with a reduced and deferred land payment, along with access to a $15 million infill infrastructure grant from the state's Department of Housing and Community Development to finance part of the $90 million Union Flats project. As the result of negotiation with Union City, Windflower committed to purchase Block 3 for $4.6 million, provided that payment would not be due until five years after the awarding of the first occupancy permit; and to buy Block 2 for $6.1 million, payment of which is deferred until three years after the awarding of the first occupancy permit for that site. Windflower also gained an option to buy a 232-foot-long (71 m) frontage by 25-foot-deep (8 m) strip of commercial land along the east side of the pedestrian promenade on which to build more flexible live/work lofts opposite those of Union Flats. Windflower exercised that option to buy the 5,800-square-foot (540 sq m) strip for $250,000, payable upon the awarding of building permits.

California's Department of Housing and Community Development allowed the city to commit $11.5 million of the infrastructure grant to help underwrite the Windflower project. From those funds, $7 million were allocated to construct a 244-space parking structure; $4.3 million to pay impact fees; and $200,000 for site preparation. Tsen was then able to joint venture with the Los Angeles–based private developer/investor CityView, which invests in complex urban projects for pension funds and other institutional investors, and is led by Henry Cisneros, a former secretary of the U.S. Department of Housing and Urban Development (HUD). CityView invested approximately $40 million in project equity. Windflower/CityView also negotiated permanent financing from Bank of America. The city projected that the tax base on Blocks 2 and 3 will rise from $0 to over $200 million upon buildout, which it anticipated will result in $2 million in annual tax revenues for the city, county, and schools.

Subsequently, in 2016, Union City concluded an agreement with Burlingame, California–based Woodstock Development to sell the 7.7 acres (3 ha) in Blocks 1, 5, and 6 for a total of $10 million in order to build 1.2 million square feet (111,500 sq m) of office space. In a stronger market, the city was able to obtain commitments to pay the respective purchases upon the awarding of building permits for each parcel ($3 million, $3.3 million, and $3.7 million, respectively).

The ground-floor plan shows back-to-back lofts along the main street and on the courtyard. (David Baker Assoc.)

Design

To make a market-rate housing project paying prevailing wages to workmen on this site, Windflower decided to use more innovative methods of modular design and construction. It retained aforementioned DBA, which had designed the adjacent low-income Station Center apartments, to design Windflower's market-rate project. DBA determined to focus urban activity along a palm-tree-lined pedestrian promenade running from northeast to southwest through the urban park to the redeveloped intermodal BART station, as well as along the redeveloped 11th Street, enhancing its function as an active main street.

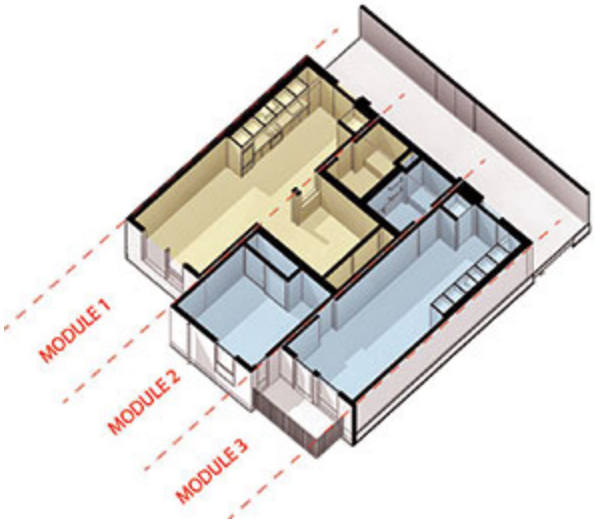
Two buildings divide the Block 3 site. A 294-by-72-foot (90 by 22 m) building lines 11th Street. A U-shaped northern building defines a recreational courtyard 118 feet wide by 196 feet (36 by 60 m) long. It contains a fitness center, coworking community space with a kitchen, a fire pit, and a 52-foot-long (16 m) swimming pool. A 35-foot-wide (11 m) pedestrian breezeway provides visual openings through the courtyard while boosting security. Bridges on four levels connect the northern and southern buildings. Open stairways provide visual, vertical circulation at the breezeways.

Three elevators—one in the parking structure, one near the west courtyard entrance, and one centrally located at the eastern edge of the courtyard—provide universal accessibility. A 244-space parking garage five stories tall buffers the apartments from the heavy freight rail line to its northeast and provides a 1:1 parking ratio for the units.

The flexible, two-story live/work lofts with mezzanines line 11th Street, the courtyard, and Berger Way on the west. Initially residential, the 18- to 20-foot-tall (5.5 to 6 m) spaces are designed so that they may be converted to commercial use as the area matures. They are set back 10.5 feet (3.2 m) from the sidewalk. Planters define ground-level semiprivate patios that later might be transitioned into sidewalk cafés. Freestanding slab columns perpendicular to the building line separate the 11th Street loft units and emphasize the facade's depth. On the western facade where the site slopes down by approximately 3.5 feet (1 m), stoops provide separation from Berger Way. Bays with five-foot-deep (1.5 m) setbacks articulate the facades. To meet the city's Art Fee requirement, and to stimulate initial retail activity for the first five years, Windflower provides to Union City rent-free a 2,200-square-foot (200 sq m) retail space to house a community art gallery at the corner of 11th Street and the promenade.

Modular Construction

A deadline to complete construction of the parking structure to comply with terms of the state infrastructure grant motivated Windflower to use modular construction. The firm contracted with Boise, Idaho–based Guerdon Enterprises to produce 408 modular box components to create the 243 apartments that make up Union Flats. Experts at DBA say that modular construction saves about two-thirds the time compared with conventional on-site construction. Baker noted that Guerdon built the units under factory-controlled conditions simultaneously with construction of site improvements and foundations by San Francisco–based Cannon Constructors North. While direct construction cost was comparable with that for on-site construction, despite the 650-mile (1,048 km) transport to Union City, the savings in interest on the construction loan reduced total development costs. DBA said that modular construction cut about nine months from the time frame. The savings in construction time also meant that rent revenues started coming in earlier, which conferred development benefits on the income as well as cost sides of the project.



DBA designed a system for nesting units in which a center module contains bedrooms and bathrooms for both adjacent modules. That design facilitated keeping all plumbing in a line along the interior corridor. (David Baker Assoc.)

Quality control also was a motivating issue. Tsen says, "I actually think it's a better-quality product in the end than being built out in the field." Construction components never get wet. Computer-aided manufacturing produces precision-cut lumber and minimizes waste materials. Factory cranes can easily move heavy components, which can be assembled to be square and level. Multiple craftsmen can work simultaneously and continuously on electrical, plumbing, and mechanical installations. Inspectors can monitor construction when assembly is most visible. State, rather than local, on-site inspectors can proceed in the factory more quickly. DBA said that up to 12 completed modules could be installed in a day, which means that installation can occur in just over a month of workdays. Union Flats is on track to earn a platinum rating under the Leadership in Energy and Environmental Design (LEED) rating system devised by the U.S. Green Building Council (USGBC). Because their form was significantly different from the standard modules, the 28 live/work units were erected on site.

Unit Mix

Over 80 percent of the units are one-bedroom apartments ranging from 510 to 670 square feet (47 to 62 sq m). The 70 junior one-bedroom units, which have partially separated sleeping areas, are 510-square-foot (47 sq m) units. DBA designed a system for nesting units in which a center module contains bedrooms and bathrooms for both adjacent modules. That design facilitated keeping all plumbing in a line along the interior corridor. Bathrooms are entered from the kitchens. Because the building width at 70 feet (21 m) was too great to be transported over California highways—where semitrailers are limited to 53 feet (16 m)—the central corridors were built on site.

Only 20 units contain two bedrooms and they measure 900 square feet (84 sq m). Even with internal mezzanines, the 28 live/work units are a compact 590 square feet (55 sq m). One-bedroom unit rents at Union Flats range from $2,150 to $2,350 per month; two-bedroom units and flex lofts range between $2,500 and $2,750 per month. Union Flats was not subject to the city's inclusionary housing requirements because the adjacent Station Center low-income project satisfied the district's share.

Flexible-use lofts and open stairways overlook a pyramidal structure in a widened pedestrian spine that runs to the BART station. (David Baker Assoc.)

The courtyard contains a fitness center and a coworking community space with a kitchen, a fire pit, and a 52-foot-long (16 m) swimming pool. (David Baker Assoc.)

Lessons Learned

The transformation of extensive brownfields to an increasingly dense, transit-oriented, urban mixed-use district in a city originally built on a conventional suburban planning and development model can be challenging and time consuming. The negotiations with Windflower and the projects' definitions were taking place concurrently with the dismantlement of redevelopment agencies by California's legislature and governor. It took years before the California Department of Finance defined the process that allowed former redevelopment agencies to convey land they acquired to a private developer. Successor agencies had to complete several complicated procedural steps, and Union City was one of the first successor agencies to complete all of them.

But the risks taken by Union City, Windflower, MidPen, Woodstock, and others through complex PPPs can yield demonstrable progress on the ground. And for patient cities, public investment can yield economic returns as well as urban transformation. Says Evanoff: "Twenty years ago, the land around the BART station was vacant with negative value. Then, our city council approved an ambitious plan to convert 190 acres [77 ha] into a dynamic, walkable community. Since then, 100 acres [40 ha] has been transformed into housing that has an assessed value of $500 million. Once the Windflower homes and Woodstock offices go on the tax roll, the assessed value of the entire 190 acres will total $1 billion." Through public/private partnerships, the Station District has become the new downtown of Union City. And the retired PSSC steelworkers received $5.8 million for their medical plans.

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In Brief: Hong Kong Becomes World's Priciest Office Location

By Brett Widness
December 11, 2017

Ten Most Expensive Global Office Locations		
Rank	City (region)	Workstation cost per year (US$)
1	Hong Kong (Asia Pacific)	$27,431
2	London West End (EMEA)	$22,665
3	Tokyo (Asia Pacific)	$18,111
4	Fairfield County, CT (Americas)	$17,414
5	San Francisco (Americas)	$16,205
6	New York City (Americas)	$15,931
7	Silicon Valley (Americas)	$15,004
8	Geneva (EMEA)	$13,424
9	Sydney (Asia Pacific)	$11,997
10	Paris (EMEA)	$11,756
Source: Cushman & Wakefield.		

Hong Kong has surpassed London's West End as the world's most expensive office market, according to new research from Cushman & Wakefield.

The annual "Office Space Across the World" report surveys occupancy costs across 215 office markets in 58 countries worldwide. Using proprietary data, it ranks occupancy costs per workstation as well as workplace densities for newly developed or refurbished office space globally. Fairfield County, Connecticut; San Francisco; New York City; and Silicon Valley placed fourth through seventh among the most expensive office locations. Third was Tokyo.

At a global level, the average annual cost per workstation rose by 1.5 percent over the past 12 months. This was driven by the Americas, where costs increased by 4.2 percent, and the Asia Pacific region, where they rose by 3.4 percent. Europe, Middle East, and Africa posted a decline of 1.3 percent. Currency fluctuations have produced some of the biggest changes in the rankings, according to the report. For companies looking at their local costs, this factor will influence them more than property markets over the next year, it said.

Limited availability and strong demand from Mainland Chinese corporations have pushed Hong Kong costs up 5.5 percent to $27,431 from a year earlier. Escalating rents are driving a growing number of multinational corporations to decentralize to lower-cost areas. As a comparison, for the same cost of accommodating 100 employees in a Hong Kong office, 300 can be accommodated in Toronto, 500 in Madrid, and 900 in Mumbai.

In contrast, costs in London have fallen 19 percent since 2016 – largely as a result of currency depreciation – to an average of $22,665 per workstation per year. Paris, also in the top ten, albeit with costs at nearly half those in London, saw costs fall, too.

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