File No. 120740

Committee Item No. 12
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** 09/05/2012

Board of Supervisors Meeting **Date** _____

Cmte	Board	
☐	☐	Motion
☒	☐	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☒	☐	Budget and Legislative Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form (for hearings)
☒	☐	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☒	☐	Contract/Agreement
☐	☐	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER **(Use back side if additional space is needed)**

☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	

Completed by: Victor Young **Date** August 31, 2012
Completed by: Victor Young **Date** _____

[Cooperative Agreement Modification - United States Navy - Treasure Island Development Authority]

Resolution approving and authorizing the Treasure Island Development Authority to enter into a Modification of the Cooperative Agreement with the United States Navy to extend the Cooperative Agreement from October 1, 2012, to September 30, 2013.

WHEREAS, Former Naval Station Treasure Island is a military base located on Treasure Island and Yerba Buena Island (together, the "Base"), which is currently owned by the United States of America (the "Navy"); and

WHEREAS, The Base was selected for closure and disposition by the Base Realignment and Closure Commission in 1993, acting under Public Law 101-510, and its subsequent amendments; and

WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the Treasure Island Development Authority (the "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the Base for the public interest, convenience, welfare and common benefit of the inhabitants of the City and County of San Francisco; and

WHEREAS, On September 3, 1997, the Board of Supervisors passed Resolution No. 806-97, authorizing the City to enter into a Cooperative Agreement with the Navy under which the City (initially) and the Authority (subsequently) agreed to assume certain responsibilities for (i) operation and maintenance for the water, waste water, storm water, electric and gas utility systems on the Base, (ii) security and public health and safety services,

(iii) grounds and street maintenance and repair, and (iv) property management and caretaker services; and

WHEREAS, The Cooperative Agreement has been amended numerous times and the current term of the Cooperative Agreement expires on September 30, 2012; and

WHEREAS, The Authority and the Navy wish to extend the term of the Cooperative Agreement to September 30, 2013, by entering into a Modification to the Cooperative Agreement in substantially the form of the Cooperative Agreement Modification filed with the Clerk of the Board of Supervisors in File No. 120740 (the "Modification"); and

WHEREAS, The Authority Board of Directors approved this Modification at its June 13, 2012 meeting; and

WHEREAS, The Board of Supervisors Resolution establishing the Authority, AB 699 and TIDA's Bylaws require that the Authority obtain Board of Supervisors approval of any agreements having a term in excess of ten (10) years or anticipated revenues of $1,000,000 or more; and

WHEREAS, The Cooperative Agreement, as amended, is a contract with a term in excess of 10 years; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby approves the Modification and authorizes the Director of Island Operations of the Authority or her designee to execute and enter into the Modification in substantially the form of the Cooperative Agreement Modification filed with the Clerk of the Board of Supervisors in File No. 120740 and any additions, amendments or other modifications to such Modification (including, without limitation, its exhibits) that the Director of Island Operations of the Authority or her designee determines, in consultation with the City Attorney, are in the best interests of the Authority and do not otherwise materially increase the obligations or liabilities of the Authority, and are necessary or advisable to effectuate the purpose and intent of this resolution.

Treasure Island Development Authority
City and County of San Francisco

Resolution Approving and Authorizing the Treasure Island Development Authority to Enter into a Modification of the Cooperative Agreement with the United States Navy to Extend the Cooperative Agreement from October 1, 2012 to September 30, 2013.

SUMMARY OF PROPOSED ACTION:

This item seeks approval and authorization to extend the Cooperative Agreement between the Treasure Island Development Authority (the "Authority") and the U.S. Navy (the "Navy") from October 1, 2012 to September 30, 2013.

BACKGROUND:

With the approval of the Board of Supervisors, the City and the Authority entered into a Cooperative Agreement with the United States Navy, and numerous modifications to the Cooperative Agreement, under which the City (initially) and the Authority (subsequently) agreed to assume certain responsibilities for (i) operation and maintenance for the water, waste water, storm water, electric and gas utility systems on the Base, (ii) security and public health and safety services, (iii) grounds and street maintenance and repair, and (iv) property management and caretaker services.

The current term of the Cooperative Agreement, as amended, expires on September 30, 2012. The Authority and the Navy wish to extend the term of the Cooperative Agreement from October 1, 2012 to September 30, 2013 under the same terms and conditions that exist prior to the expiration of the current term of the Cooperative Agreement.

The Authority's Board of Directors approved this Cooperative Agreement Modification at its June 13, 2012 meeting. Pursuant to the Board of Supervisors Resolution establishing the Authority, AB 699 and TIDA's Bylaws, Board of Supervisors approval is required of any contract or agreement entered into by the Authority with a term longer than ten years. Because the term of the Cooperative Agreement has exceeded ten years, the Director of Island Operations requests approval of the Cooperative Agreement modification from the Board of Supervisors to extend the term to November 30, 2013.

RECOMMENDATION:

Approve the modification to the Cooperative Agreement between the Authority and the United States Navy to extend the term to September 30, 2013.

Mirian Saez, Director of Island Operations

120740

Items 7, 8, 9, 10, 11 & 12 Files 12-0735, 12-0736, 12-0737,12 -0738, 12-0739 & 12-0740	Department: Treasure Island Development Authority

EXECUTIVE SUMMARY

Legislative Objectives

- File 12-0735: The proposed resolution would approve the 28th Amendment to the Treasure Island South Waterfront Master Lease between the Treasure Island Development Authority (TIDA) and the U.S. Navy (the Navy) to extend the term of the Lease by one year, from December 1, 2012 through November 30, 2013, unless terminated sooner in accordance with the terms and conditions of the Master Lease.
- File 12-0736: The proposed resolution would approve the 37th Amendment to the Treasure Island Land and Structures Master Lease between TIDA and the Navy to extend the term of the Lease by one year, from December 1, 2012 through November 30, 2013, unless terminated sooner in accordance with the terms and conditions of the Master Lease.
- File 12-0737: The proposed resolution would approve the 16th Amendment to the Treasure Island Marina Master Lease between TIDA and the Navy to extend the term of the Lease by one year, from December 1, 2012 through November 30, 2013, unless terminated sooner in accordance with the terms and conditions of the Master Lease.
- File 12-0738: The proposed resolution would approve the 8th Amendment to the Treasure Island Childcare Master Lease between TIDA and the Navy to extend the term of the Lease by one year, from December 1, 2012 through November 30, 2013, unless terminated sooner in accordance with the terms and conditions of the Master Lease.
- File 12-0739: The proposed resolution would approve the 24th Amendment to the Treasure Island Event Venues Master Lease between TIDA and the Navy to extend the term of the Lease by one year, from December 1, 2012 through November 30, 2013, unless terminated sooner in accordance with the terms and conditions of the Master Lease.
- File 12-0740: The proposed resolution would approve the 27th modification to the Cooperative Agreement between TIDA and the Navy to extend the term of the Agreement by one year, from October 1, 2012 through September 30, 2013.

Key Points

- The only change being proposed to the existing five leases and one Cooperative Agreement, between TIDA and the Navy, is to extend the leases and agreement by one year. The five leases would be extended from December 1, 2012 through November 30, 2013 and the Cooperative Agreement would be extended from October 1, 2012 through September 30, 2013.

Fiscal Analysis

- TIDA anticipates generating $8,326,365 in FY 2012-2013 revenues from leasing existing residential and commercial facilities and special events. Such revenues would offset the $8,326,365 expected to be incurred by TIDA under the Cooperative Agreement between TIDA and the Navy.

Recommendations

- Approve the proposed resolutions.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

In accordance with Charter Sections 9.118(b) and 9.118(c), any agreements or leases with a term of ten years or more and/or over $10,000,000 of expenditures is subject to Board of Supervisors approval.

Background

File 12-0735: The Treasure Island Development Authority (TIDA)a nd the Navy entered into a two-year South Waterfront Master Lease on September 4, 1998, for TIDA to use and sublease certain land and facilities at Treasure Island, including the Administration Building, Building 180, Hangar 2, and Hangar 3. The Lease is at no cost to TIDA. Since that time, the South Waterfront Master Lease has been amended 27 times, mainly to add or delete property and to extend the term. The 27th amendment was approved by the Board of Supervisors on September 13, 2011 (Resolution No. 370-11).

File 12-0736: TIDA and the Navy entered into a one-year Land and Structures Master Lease on November 19, 1998, for TIDA to use and sublease certain land and structures at Treasure Island that are subleased to non-profit agencies and commercial interests. The Lease is at no cost to TIDA. Since that time, the Land and Structures Master Lease has been amended 36 times, mainly to add or delete property and to extend the term. The 36th amendment, which added Building 449[1] located at Avenue C and 4th Street to the Land and Structure Master Lease at no cost to TIDA, was approved by the Board of Supervisors on January 24, 2012 (Resolution No. 12-12).

File 12-0737: TIDA and the Navy entered into a two-year Marina Master Lease on September 4, 1998, for TIDA to use and sublease certain facilities at Treasure Island, including the Treasure Isle Marina, the Treasure Isle Marina parking lot and the Treasure Island Yacht Club. The Lease is at no cost to TIDA. Since that time, the Lease has been amended 15 times, mainly to extend the term. The 15th amendment was approved by the Board of Supervisors on September 13, 2011 (Resolution No. 0375-11).

File 12-0738: TIDA and the Navy entered into a five-year Childcare Master Lease on October 1, 2001, for TIDA to sublease land and structures, including Building 502, at Treasure Island for the purpose of operating a childcare center. The Lease is at no cost to TIDA. Since that time, the Lease has been amended seven times, mainly to extend the term. The 7th amendment was approved by the Board of Supervisors on September 13, 2011 (Resolution No. 0371-11).

File 12-0739: TIDA and the Navy entered into a two-year Event Venues Master Lease on September 4, 1998, for TIDA to use and sublease certain land and structures at Treasure Island, at no cost to TIDA. Since that time, the Lease has been amended 23 times, mainly to add or delete property and to extend the term. The 23rd amendment was approved by the Board of Supervisors on September 13, 2011 (Resolution No. 0373-11).

---

[1] Building 449 is a 13,000 square foot vacant concrete structure which TIDA uses for commercial leasing opportunities such as storage, light industrial, or warehouse space.

File 12-0740: The City and the Navy entered into a one-year Cooperative Agreement, for the City to assume responsibility for various services on Treasure Island, which was initially approved by the Board of Supervisors on October 1, 1997 (File 244-97-4). Such services include: (i) operation and maintenance of the water, waste water, storm water, electric and gas utility systems, (ii) security, public health and safety services, (iii) grounds and street maintenance and repair, and (iv) property management and caretaker services. The Cooperative Agreement was modified in 1998 to make TIDA party to the Cooperative Agreement with the Navy, which was approved by the Board of Supervisors on November 19, 1998 (File 98-1751). Under the original Cooperative Agreement, reimbursements paid by the Navy to TIDA for the TIDA services provided to the Navy were negotiated on an annual basis as the Cooperative Agreement was renewed each year. In all, the Navy paid TIDA a total of $12,848,213 from FY 1997-1998 through FY 2001-2002, when such payments by the Navy ended[2]. According to Ms. Mirian Saez, TIDA Director of Island Operations, revenues generated from leasing of existing residential and commercial facilities, special events and film and photo productions have offset the costs associated with the Cooperative Agreement since FY 2002-2003.

The Cooperative Agreement has been modified 26 times. The 26th amendment was approved by the Board of Supervisors on September 13, 2011 (Resolution No. 0372-11).

Status of the Conveyance of Treasure Island Property

The Board of Supervisors approved the Economic Development Conveyance Memorandum of Agreement (EDC MOA) between the Treasure Island Development Authority (TIDA) and the Navy on June 7, 2011 (Resolution No. 242-11). Under the terms of the EDC MOA, the Navy will convey Treasure Island property to TIDA in phases, commencing upon the Navy's completion of ongoing environmental remediation. According to Mr. Michael Tymoff, TIDA Development Project Director, the first phase conveyance of Treasure Island property from the Navy to TIDA is anticipated to occur before December, 2012. The second phase conveyance is expected to occur in April, 2013. Mr. Tymoff advises that the full conveyance of Treasure Island to TIDA is currently estimated to occur sometime in 2019.

The properties that are not conveyed will continue to be managed by TIDA, in accordance with the Cooperative Agreement (File 12-0740), until the conveyance is complete. The individual Master Leases between TIDA and the Navy will terminate for specified properties as such properties are conveyed to TIDA, in accordance with the EDC MOA. According to Mr. Tymoff, in exchange for the conveyance of the Treasure Island property, the EDC MOA commits TIDA to paying the Navy (a) $55,000,000 in ten annual $5,500,000 payments, plus interest[3], projected to total $12,375,000, (b) an additional $50,000,000 if the project achieves certain financial performance benchmarks (i.e., an internal rate of return on private capital above 18%), and (c)

[2] TIDA was advised by the U.S. Navy that the U.S. Navy reimbursements would be eliminated based on the U.S. Navy's determination that the Treasure Island Development Authority was earning sufficient revenues to pay for all of the costs of providing services at Treasure Island.

[3] The EDC MOA sets the interest rate as "the interest rate payable on ten year Treasury Notes in effect as of the month that this Agreement is entered into plus one hundred fifty basis points, which Interest Rate will be locked for the duration of this Agreement."

35% of all profits above a 22.5% internal rate of return. The first payment due to the Navy is projected to occur in April 2013, with the second phase conveyance.

Based on the EDC MOA and the approved Disposition and Development Agreement (Resolution No. 241-11) between TIDA and Treasure Island Community Development, LLC, the master developer for the Treasure Island project, is required to make all the payments to the Navy, on behalf of TIDA. According to Mr. Tymoff, TIDA plans to introduce a resolution at a future Board of Supervisors meeting that would amend the EDC MOA in order to: (a) provide more protections to TIDA regarding the Navy's environmental remediation obligations, (b) define the terms of the transfer for 27-acres on Yerba Buena Island (YBI) for the YBI Ramps Improvement Project, and (c) address utility access easements, operations and maintenance.

DETAILS OF PROPOSED LEGISLATION

The six proposed resolutions would extend the term of the following five Leases and the one Cooperative Agreement between the Treasure Island Development Authority (TIDA) and the U.S. Navy (Navy) by one year, as detailed in Table 1 below.

Table 1: Proposed Term Period Extensions of TIDA's Leases and Cooperative Agreement

File No.	Lease/Agreement	Amendment Number	Term Period Extensions
12-0735	Treasure Island South Waterfront Master Lease	28	December 1, 2012 - November 30, 2013
12-0736	Treasure Island Land and Structures Master Lease	37	December 1, 2012 - November 30, 2013
12-0737	Treasure Island Marina Master Lease	16	December 1, 2012 - November 30, 2013
12-0738	Treasure Island Childcare Master Lease	8	December 1, 2012 - November 30, 2013
12-0739	Treasure Island Event Venues Master Lease	24	December 1, 2012 - November 30, 2013
12-0740	Cooperative Agreement	27	October 1, 2012 - September 30, 2013

The only change being proposed to the existing five leases and one Cooperative Agreement, between TIDA and the Navy, is to extend the leases and agreement by one year. As detailed in Table 1 above, the five leases would be extended from December 1, 2012 through November 30, 2013 and the Cooperative Agreement would be extended from October 1, 2012 through September 30, 2013. These proposed extensions have been approved by the Navy and were approved by TIDA's Board of Directors on June 13, 2012.

According to Ms. Saez, TIDA seeks to extend all master agreements with the Navy in order to continue operations in accordance with the Cooperative Agreement with the Navy, which assigns TIDA the responsibility for municipal services of land leased by TIDA from the Navy under the Master Leases and allows TIDA to sublease property to generate revenue pending conveyance of the Treasure Island property from the Navy to TIDA. A year-to-year term of the Cooperative Agreement allows TIDA and the Navy the flexibility to discontinue all or portions of the agreements as the conveyance of Treasure Island property from the Navy to TIDA occurs.

FISCAL ANALYSIS

Revenues Generated from Leases and Costs Associated with the Cooperative Agreement

Continuation of the subject (a) Treasure Island South Waterfront Master Lease, (b) Treasure Island Land and Structures Master Lease, (c) Treasure Island Marina Master Lease, (d) Treasure Island Childcare Master Lease, and (e) Treasure Island Event Venues Master Lease would allow TIDA to continue to generate revenues to support TIDA's interim operations of Treasure Island until the Navy fully transfers Treasure Island to TIDA.

As shown in Table 2 below, TIDA received a total of $7,845,818 from various revenue sources in FY 2011-2012. TIDA has budgeted for $8,326,365 in revenue for FY 2012-2013, an increase of $480,547 or 6.1 percent more than FY 2011-2012.

Table 2: Actual and Projected Revenues Under Leases

TIDA Revenue Sources as of 8/28/2012	Actual 2011-12 Revenue	Budgeted 2012-13 Revenue
Joint Venture Special Events	$0	$286,000
TIDA Special Events Revenues	628,221	316,200
TI Commercial Revenues	2,336,412	2,505,000
Film Revenues	13,986	25,000
YBI Filming/Cellsites/ Banner Revenues	182,039	282,550
Maritime Revenues	93,300	90,000
John Stewart Company Housing Revenues	4,164,511	4,342,143
Other Housing Common Area Maintenance (CAM)	427,349	479,472
Total	**$7,845,818**	**$8,326,365**

TIDA's projected revenues would offset the $8,326,365 of expenditures expected to be incurred by TIDA in FY 2012-13.

RECOMMENDATIONS

Approve the proposed resolutions.

UNITED STATES NAVY
NAVAL FACILITIES ENGINEERING COMMAND
WASHINGTON NAVY YARD
1322 PATTERSON AVENUE SE, SUITE 1000
WASHINGTON, DC 20374-5065

COOPERATIVE AGREEMENT
NO. N62474-97-2-0003
MODIFICATION P00027

COOPERATIVE AGREEMENT

GRANTEE: CITY AND COUNTY OF SAN FRANCISO
TREASURE ISLAND DEVELOPMENT AUTHORITY
ONE AVENUE OF THE PALMS, BUILDING 1, ROOM 237
TREASURE ISLAND, SAN FRANCISCO, CA 94130

AUTHORITY: 31 U.S.C. Section 6305 & 10 U.S.C. Section 2687 note, section 204 (a) (2) of Defense Base Closure Act of 1988 (P. L. 100-526)

COOPERATIVE AGREEMENT MODIFICATION

The purpose of this modification, in accordance with Section 701 of the General Provisions, is to extend the current Cooperative Agreement from 01 October 2012 to 30 September 2013.

As mutually agreed herein by both parties, the costs of extended caretaker services shall be borne exclusively of and by the caretaker as an offset of existing revenue generating sources, present and future, through the extended period of the Cooperative Agreement ending 30 September 2013.

The general provisions, terms and conditions of the basic Cooperative Agreement, and all previous modifications remain the same as previously adopted.

As a result of this Modification, the total funded amount of the Cooperative Agreement remains the same at $12,848,213.00.

UNITED STATES NAVY
NAVAL FACILITIES ENGINEERING COMMAND
WASHINGTON NAVY YARD
1322 PATTERSON AVENUE SE, SUITE 1000
WASHINGTON, DC 20374-5065

COOPERATIVE AGREEMENT
NO. N62474-97-2-0003
MODIFICATION P00027

IN WITNESS WHEREOF, The parties to this Agreement by their authorized representatives hereby cause this Agreement to be executed.

For the CITY AND COUNTY
OF SAN FRANCISCO
TREASURE ISLAND DEVELOPMENT
AUTHORITY as Caretaker:

By:_____
Ms. Mirian Saez
Treasure Island Development Authority
Director of Island Operation

Date: _____

For the United States Navy:

By: _____
Mr. Robert M. Griffin
Grants Officer

Date: _____