

File No. 110226 Committee Item No. 3  
Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development Date June 6, 2011

Board of Supervisors Meeting Date \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Resolution                                   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance                                    |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report                        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Analyst Report                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission                 |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Public Correspondence                        |

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

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|---------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/>   | <input type="checkbox"/> | <u>Economic Impact Report</u>                                 |
| * <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Development Agreement, Draft dtd 5/12/11</u>               |
| * <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Financing Plan</u>   |
| <input checked="" type="checkbox"/>   | <input type="checkbox"/> | <u>Planning Commission Motion Nos. 18328, 18332 and 18333</u> |
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Completed by: Alisa Somera Date June 3, 2011  
Completed by: \_\_\_\_\_ Date \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages.  
The complete document can be found in the file.

1 [Development Agreement - Treasure Island/Yerba Buena Island]  
2

3 **Ordinance approving a Development Agreement between the City and County of San**  
4 **Francisco and Treasure Island Community Development, LLC, for certain real property**  
5 **located within Treasure Island/Yerba Buena Island; exempting certain sections of**  
6 **Administrative Code Chapter 6, Chapter 14B and Chapter 56; and adopting findings,**  
7 **including findings under the California Environmental Quality Act, findings of**  
8 **consistency with the City's General Plan and with the Eight Priority Policies of**  
9 **Planning Code Section 101.1(b), and findings relating to the formation of infrastructure**  
10 **financing districts.**

11 NOTE: Additions are *single-underline italics Times New Roman*;  
12 deletions are *strike-through italics Times New Roman*.  
13 Board amendment additions are double-underlined;  
Board amendment deletions are ~~strikethrough normal~~.

14 Be it ordained by the People of the City and County of San Francisco:

15 Section 1. Project Findings. The Board of Supervisors makes the following findings:

16 (a) California Government Code Sections 65864 et seq. authorizes any city, county,  
17 or city and county to enter into an agreement for the development of real property within the  
18 jurisdiction of the city, county, or city and county.

19 (b) Chapter 56 of the San Francisco Administrative Code sets forth certain  
20 procedures for the processing and approval of development agreements in the City and  
21 County of San Francisco (the "City").

22 (c) In 2003, the Treasure Island Development Authority (the "Authority") selected  
23 Treasure Island Community Development, LLC, a California limited liability company  
24 ("Developer") through a competitive process to serve as master developer for the proposed  
25 redevelopment of the former Naval Station Treasure Island (the "Project").

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1 (d) Concurrently with this Ordinance, the Board is taking a number of actions in  
2 furtherance of the Project, including the approval of (i) a disposition and development  
3 agreement ("DDA") between Developer and the Authority, (ii) amendments to the City's  
4 General Plan, (iii) amendments to the City's Planning Code that create a new Treasure  
5 Island/Yerba Buena Island Special Use District ("SUD") and incorporates the more detailed  
6 land use controls of the Treasure Island and Yerba Buena Island Design for Development (the  
7 "Design for Development"), (iv) amendments to the City's Zoning Maps; (vi) adoption of the  
8 Treasure Island/Yerba Buena Island Subdivision Code; (vii) an interagency cooperation  
9 agreement between the Authority, the City and various City agencies (the "ICA") and (viii) a  
10 number of related transaction documents and entitlements to govern development of the  
11 Project.

12 (e) Upon completion, the Project will include (i) up to 8,000 new residential units, at  
13 least 25 percent of which will be made affordable to a broad range of very-low to moderate  
14 income households, including 435 units to be developed by the Treasure Island Homeless  
15 Development Initiative's member organizations, (ii) the adaptive reuse of approximately  
16 311,000 square feet of historic structures, (iii) up to approximately 140,000 square feet of new  
17 retail uses and 100,000 square feet of commercial office space, (iv) approximately 300 acres  
18 of parks and open space, (v) new and or upgraded public facilities, including a joint police/fire  
19 station, a school, facilities for the Treasure Island Sailing Center and other community  
20 facilities, (vi) a 400-500 room hotel, (vii) a new 400 slip marina, (viii) the investment of  
21 approximately \$155 million in transportation infrastructure, and ~~(ix)~~ (viii) the creation of  
22 thousands of construction job opportunities and thousands of permanent jobs, all as more  
23 particularly described in the DDA.

24 (f) The Project is located on those portions of Assessor's Block 1939, Lots 1 and 2  
25 (the "Project Site"), as more particularly described in the DDA.

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1 (g) While the DDA binds the Authority and the Developer, other City agencies retain  
2 a role in reviewing and issuing certain subsequent approvals in connection with the Project as  
3 set forth in the DDA, SUD, ICA, and as permitted by the City's Charter and the Municipal  
4 Code, including approval of subdivision maps, design review and approval of projects in  
5 accordance with the SUD and Design for Development, review of certain aspects of major  
6 phase and sub phase applications, issuance of building permits, and acceptance of  
7 dedications of infrastructure and public right-of-ways for maintenance and liability, and  
8 approval of art works on City owned property.

9 (h) In furtherance of the Project and the City's role in subsequent approval actions  
10 relating to the Project, the City and Developer negotiated a development agreement for  
11 development of the Project Site, a copy of which is on file with the Clerk of the Board in File  
12 No. 110226 and incorporated herein by reference (the "Development Agreement").

13 (i) The Financing Plan attached to the Development Agreement contemplates that  
14 the City will establish one or more infrastructure financing districts ("IFDs") within the Project  
15 Site pursuant to the applicable provisions of the Government Code (the "IFD Law") to finance  
16 acquisition and construction of real and tangible property with a useful life of 15 years or  
17 longer, including certain public infrastructure facilities described in the Financing Plan (the  
18 "Facilities") and replacement housing to the extent required by the IFD Law.

19 (j) The City has determined that as a result of the development of the Project Site  
20 in accordance with the Development Agreement and the DDA, clear benefits to the public will  
21 accrue that could not be obtained through application of existing City ordinances, regulations,  
22 and policies, as more particularly described in the Development Agreement and the DDA.  
23 The Development Agreement will eliminate uncertainty in the City's land use planning for the  
24 Project Site and secure orderly development of the Project Site consistent with the Design for  
25 Development and the DDA.

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1                   Section 2. CEQA Findings.

2           (a)    The Planning Department has determined that the actions contemplated in this  
3 Ordinance comply with the California Environmental Quality Act (Public Resources Code  
4 Sections 21000 et seq.). A copy of said determination is on file with the Clerk of the Board of  
5 Supervisors in File No. 110328 and is incorporated herein by reference.

6           (b)    Concurrently with this Ordinance and in accordance with the actions  
7 contemplated herein, this Board adopted Resolution No. \_\_\_\_\_ concerning findings  
8 pursuant to the California Environmental Quality Act. A copy of said Resolution is on file with  
9 the Clerk of the Board of Supervisors in File No. 110328 and is incorporated herein by  
10 reference.

11                   Section 3. Various Findings including General Plan and Planning Code Section  
12 101.1(b) Findings.

13           (a) On April 21, 2011, at a duly notice public hearing, the Planning Commission, in  
14 Resolution No. 18333, recommended that the Board of Supervisors approve the Development  
15 Agreement. Said Resolution is on file with the Clerk of the Board of Supervisors in File No.  
16 110226 and is incorporated herein by reference.

17           (b) In accordance with the actions contemplated herein, the Board of Supervisors finds  
18 that this Ordinance is in conformity with the Priority Policies of Section 101.1 of the Planning  
19 Code and, on balance, consistent with the General Plan as it is proposed for amendment, and  
20 hereby adopts the findings set forth in Board of Supervisors Ordinance Planning Commission  
21 Motion No. 18328 and Resolution No. 18333 and incorporates such findings by reference as if  
22 fully set forth herein. A copy of said Ordinance is Motion and Resolution are on file with the  
23 Clerk of the Board of Supervisors in File Nos. 110226.

24                   Section 4. Development Agreement.

1 (a) The Board of Supervisors approves all of the terms and conditions of the  
2 Development Agreement, in substantially the form on file with the Clerk of the Board of  
3 Supervisors in File No. 110226. The Board of Supervisors finds that the Jobs and Equal  
4 Opportunity Program, including the SBE Program described therein, attached to the DDA  
5 satisfies the requirements of Administrative Code 56.7(c) regarding adoption of and reporting  
6 under an affirmative action program. The Board of Supervisors exempts Administrative Code  
7 Chapter 6 (other than the payment of prevailing wages, which is required) and Administrative  
8 Code Chapter 14B to the extent applicable to the Project.

9 (b) In connection with the Development Agreement, the Board of Supervisors finds  
10 that the requirements of San Francisco Administrative Code Chapter 56 have been  
11 substantially complied with, and hereby waives the following requirements and procedures of  
12 the Administrative Code: Section 56.4 (Filing of Application; Forms; Initial Notice and  
13 Hearing); Section 56.8 (Notice) (but only as to the 20 days published notice requirement of  
14 Section 306.3); Section 56.10 (Development Agreement Negotiation Report and Documents);  
15 and 56.20 (Fee). None of the requirements of these waived sections are required by  
16 California Government Code Sections 65864 et seq. The Development Agreement shall not  
17 be invalid or ineffective due to the failure to strictly comply with any of the requirements of  
18 Chapter 56 of the San Francisco Administrative Code.

19 (c) The Board of Supervisors approves the periodic review procedures set forth in  
20 section 7 of the Development Agreement, which incorporates provisions of Administrative  
21 Code Section 56.17 (Periodic Review) with certain modifications.


22 (d) The Board of Supervisors finds that the Facilities to be financed with the IFDs  
23 are of communitywide significance and will provide significant benefits to an area larger than  
24 the area of the IFDs within the Project Site.

1 (e) Subject to the foregoing, the Board of Supervisors approves the execution,  
2 delivery and performance by the City of the Development Agreement. The Director of  
3 Planning (or his or her designee) is hereby authorized to execute the Development  
4 Agreement. The Development Agreement shall also be executed by the General Manager of  
5 the Public Utilities Commission and the Executive Director of the Municipal Transportation  
6 Agency, subject to prior approval by those Commissions. Upon the receipt of the foregoing  
7 approvals, the Director of Planning (or his or her designee) and other applicable City officials  
8 are hereby authorized to take all actions reasonably necessary or prudent to perform the  
9 City's obligations under the Development Agreement in accordance with the terms of the  
10 Development Agreement and San Francisco Administrative Code Chapter 56, as applicable.  
11 The Director of Planning, at his or her discretion and in consultation with the City Attorney, is  
12 authorized to enter into any additions, amendments or other modifications to the Development  
13 Agreement that the Director of Planning determines are in the best interests of the City and  
14 that do not materially increase the obligations or liabilities of the City or decrease the benefits  
15 to the City under the Development Agreement.

16 Section 5. Ratification of Prior Actions. All actions taken by City officials in preparing  
17 and submitting the Development Agreement to the Board of Supervisors for review and  
18 consideration are hereby ratified and confirmed, and the Board of Supervisors hereby  
19 authorizes all subsequent action to be taken by City officials consistent with this Ordinance.  
20

21 APPROVED AS TO FORM:  
22 DENNIS J. HERRERA, City Attorney

23 By:

24   
25 John D. Malamut  
Deputy City Attorney

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**LEGISLATIVE DIGEST**

[Development Agreement - Treasure Island/Yerba Buena Island ]

**Ordinance amending the San Francisco Subdivision Code to add Division 4 pertaining to the subdivision process applicable to development within the Treasure Island/Yerba Buena Island Project Site described in the Development Agreement between the City and County of San Francisco and Treasure Island Community Development, LLC Relative to Naval Station Treasure Island, including the establishment of a procedure for reviewing and filing vesting tentative transfer maps; and making environmental findings.**

Existing Law

The San Francisco Subdivision Code regulates the process for submission, review, and approval of subdivisions under the California Subdivision Map Act (California Government Code Sections 66410 et seq.).

Amendments to Current Law

This legislation would establish the Treasure Island and Yerba Buena Island Subdivision Code to govern the subdivision process for development of Treasure Island and Yerba Buena Island in accordance with the Development Agreement and Development and Disposition Agreement related to this project. Similar to the Subdivision Code established for the Mission Bay, Hunter's Point Shipyard, and Candlestick Point Redevelopment Plans, this Code is tailored to a specific regulatory framework for the submission, review, and approval of subdivisions and the associated public infrastructure for property on Treasure Island and Yerba Buena Island though this project is not being implemented as a redevelopment plan. This Ordinance also would adopt environmental findings.

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Governmental Conduct Code § 1.126)**

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, San Francisco Board of Supervisors	City elective office(s) held: Members, San Francisco Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: Treasure Island Community Development, LLC ("TICD")	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
TICD is a limited liability company. The members of TICD are UST Lennar HW Scala SF Joint Venture and KSWM Treasure Island, LLC, each of which is a co-Managing Member that holds more than 20% of the interests in TICD. The Executive Committee of TICD is comprised of: Chris Meany, Darius Anderson, Emile Haddad, Erik Higgins, Jonathan Jaffe, Kofi Bonner and Terrence Fancher.	
Contractor address: Treasure Island Community Development, LLC, c/o Lennar Urban, 1 California Street, Suite 2700, San Francisco, California 94111	
Date that contract was approved:	Amount of contract: The value of the contract will be determined during the implementation of the project, based upon actual expenditures required under the DDA and actual revenues received by developer from the sale of developable lots, which sales prices will be determined in accordance with the procedures set forth in the DDA
Describe the nature of the contract that was approved: Development Agreement, Disposition and Development Agreement ("DDA") and ancillary documents setting forth rights and obligations of TICD for the development of Treasure Island.	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form  
 a board on which the City elective officer(s) serves \_\_\_\_\_

Print Name of Board

- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer:	Contact telephone number: (      )
Address:	E-mail:

\_\_\_\_\_  
Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed

<b>Items 9, 10, 11, and 12</b> <b>Files 11-0226, 11-0289, 11-0290, and 11-0291</b>	<b>Department:</b> Treasure Island Development Authority (TIDA)
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**EXECUTIVE SUMMARY****Legislative Objectives**

- **File 11-0226** is an ordinance that would approve the Treasure Island Development Agreement between the City and County of San Francisco and Treasure Island Community Development, LLC (TICD), for certain real property on Treasure Island and Yerba Buena Island (together Treasure Island), exempting certain sections of Administrative Code Chapter 6, Chapter 14B, and Chapter 56; and adopting findings under CEQA, findings of consistency with the City's General Plan and with the Eight Priority Policies of Planning Code Section 101.1(b), and findings relating to the formation of infrastructure financing districts.
- **File 11-0289** is a resolution that would approve the Amended and Restated Base Closure Homeless Assistance Agreement between the Treasure Island Development Authority (TIDA) and the Treasure Island Homeless Development Initiative (TIHDI); and adopt findings that this Agreement is consistent with the City's General Plan and the Eight Priority Policies of City Planning Code Section 101.1(b).
- **File 11-0290** is a resolution that would approve the Economic Development Conveyance Memorandum of Agreement (EDC MOA) for the transfer of Treasure Island from the U.S. Navy (Navy) to TIDA; and adopt findings that this Agreement is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1(b).
- **File 11-0291** is a resolution that would approve the Disposition and Development Agreement (DDA) and Interagency Cooperation Agreement between TIDA and TICD, for certain real property located on Treasure Island; and adopt findings that these Agreements are consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1(b).

**Key Points**

- Files 11-0226, 11-0289, 11-0290, and 11-0291 are four of eleven pieces of legislation related to the development of Treasure Island that are currently being considered by the Board of Supervisors. If all eleven pieces of legislation are approved by the Board of Supervisors, the first phase of construction could begin in 2012, with full build-out completed in approximately 20 years, or by 2030.
- TIDA, which would oversee the transfer and development of Treasure Island, previously conducted a competitive process under which TICD was selected to be the master developer.
- The EDC MOA (File 11-0290) sets the financial and legal terms for transfer of Treasure Island from the Navy to TIDA, for which TIDA will pay \$55,000,000 to the Navy, plus interest expected to total \$12,375,000 and additional consideration projected to cost an additional \$50,000,000, for a total cost for the Treasure Island property projected to be \$117,375,000.
- TIDA will then incrementally convey the property to TICD. TICD will make improvements to the property to enable future residential and commercial development. The Development Agreement (File 11-0226) includes specifications regarding land uses, phasing, infrastructure, transportation, sustainability, housing, jobs and equal opportunity programs, community facilities, and project

financing. The DDA (File 11-0291) sets the financial and legal terms for the conveyance of Treasure Island property from TIDA to TICD.

- TICD would sell improved development parcels to private developers in order to recoup a portion of TICD's construction costs, and would provide other parcels to TIDA, which would coordinate the development of 1,684 below-market rate housing units (File 11-0289). TIHDI would oversee the development of 435 of the below-market rate housing units.
- An Infrastructure Financing District (IFD), to be created for Treasure Island by the City, and Community Facility Districts (CFDs), to be created by TICD, would provide Property Tax increment against which debt will be issued by the City to fund the development of Treasure Island.
- Shifting the financing from State Redevelopment to the IFD model results in \$130 million less revenue for the Treasure Island Development Project. TIDA has proposed replacing 400 below-market rate housing units with 400 market rate housing units to offset the \$130 million.
- Based on current market conditions, TICD's development proforma includes plans for the construction of 5,655 market rate housing units, a reduction of 345 units, or 5.75 percent from the 6,000 market rate housing units under the EIR.

#### **Fiscal Impacts**

- Under Files 11-0226 and 11-0291 according to analysis from Economic and Planning Systems, Inc. the Treasure Island Development Project's first 20 years are projected to generate \$236,809,628 in gross General Fund revenue and \$156,799,687 in costs, for a net General Fund revenue total of \$80,009,941.
- Under File 11-0289, TIDA would commit subsidies of at least \$12,750,000 to TIHDI to develop below-market rate housing on the parcels improved by TICD.
- As noted above, under File 11-0290, TIDA would commit to pay the Navy \$117,375,000, including interest and additional consideration, for the Treasure Island property.
- Under IFDs, according to Economic and Planning Systems, Inc., the Development Project is projected to generate additional Property Tax revenues for the City's General Fund of up to \$3.3 million annually at build-out, projected to be in 2030, and \$30 million per year once financing the project is complete.
- Under the current TICD development proforma, the total number of market rate housing units would be reduced by 345 housing units from 6,000 to 5,655, which would reduce long-term Property Tax revenues to the City's General Fund, by more than \$1.8 million per year.

#### **Recommendations**

- Approval of Files 11-0226, 11-0289, 11-0290, and 11-0291 are policy matters for the Board of Supervisors.

## MANDATE STATEMENT AND BACKGROUND

### Mandate Statement

In accordance with Charter Section 9.118(c), any agreement for a period of ten or more years or that has anticipated revenue greater than \$1,000,000 is subject to Board of Supervisors approval.

### Background

Treasure Island and Yerba Buena Island (together Treasure Island) is a former U.S. Navy military base. In 1993, the Treasure Island military base was selected for closure under the Federal Base Realignment and Closure Act. Under the State Treasure Island Conversion Act of 1997 (AB 699), the California State Legislature (a) granted the San Francisco Board of Supervisors the authority to designate the Treasure Island Development Authority (TIDA) as a redevelopment agency under California Community Redevelopment Law; and (b) vested in TIDA the authority to administer the Public Trust.<sup>1</sup>

As a result, TIDA has (a) overseen the Navy's toxic remediation activities, (b) worked to negotiate the conveyance of Treasure Island from the Navy to the City and (c) is responsible for planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of Treasure Island.

The Federal Base Closure Community Redevelopment and Homeless Assistance Act of 1994 requires TIDA to provide for homeless assistance in any Treasure Island redevelopment plans. The Treasure Island Homeless Development Initiative, Inc. (TIHDI) is a collaboration of non-profit organizations that was formed in June 1994 to provide homeless assistance and affordable housing services on Treasure Island. In 1996, the City and TIHDI developed the Base Closure Homeless Assistance Agreement, which outlined the terms for TIHDI's use of Treasure Island facilities and resources to provide assistance to homeless individuals and families.

In 2000, TIDA initiated a competitive selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003 to serve as master developer to the Treasure Island Development Project. TIDA and TICD cooperatively prepared the Development Plan and Term Sheet for the Redevelopment of Treasure Island. In 2006, the Board of Supervisors approved the Development Plan and Term Sheet for the Redevelopment of Treasure Island (File 06-1498), which established the development goals and funding strategy for Treasure Island.

In 2010, TIDA and the Board of Supervisors approved an update to the 2006 Development Plan and Term Sheet, that incorporated (a) an Economic Development Conveyance Memorandum of Agreement (EDC MOA) for the conveyance of the former Naval Station Treasure Island from the Navy to the City (File 10-0432), and (b) a Term Sheet between TIDA and TIHDI for the replacement and construction of new affordable housing units (File 10-0428). Three key

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<sup>1</sup> All State tidelands and submerged lands are considered to be in Public Trust for the purposes of commerce, navigation, and fisheries. Before it was created, Treasure Island was formerly tidelands, and therefore was and continues to be subject to the Public Trust. Under the Conversion Act, TIDA is the only legal entity that can accept title to the Treasure Island Public Trust lands from the federal government.



documents: (1) the Development Plan and Term Sheet, (2) the EDC MOA, and (3) the Term Sheet between TIDA and the TIHDI form the plan for transition of Treasure Island from a former military base to a new San Francisco residential and commercial development.

On April 21, 2011, the City's Planning Commission approved the various specific pieces of legislation comprising the Treasure Island Development Project.

#### *Additional Legislation before the Board of Supervisors*

Files 11-0226, 11-0289, 11-0290, and 11-0291, which are the subject of this Budget and Legislative Analyst report, are part of a package of eleven total specific pieces of legislation related to the Treasure Island Development Project. Attachment I to this report summarizes the following additional seven pieces of legislation that were submitted to the Board of Supervisors, but were determined to not have fiscal impact and therefore were not submitted to the Budget and Finance Sub-Committee: (1) File 11-0227, amending the City's zoning map, (2) File 11-0228, amending the City's General Plan, (3) File 11-0229, amending the City's Planning Code, (4) File 11-0230, amending the City's Subdivision Code, (5) File 11-0328, adopting findings under CEQA, (6) File 11-0340, approving the Public Trust Exchange Agreement, and (7) File 11-0517, approving the Treasure Island Transportation Implementation Plan.

#### *The Shift Away from State Redevelopment Financing*

As noted above, TIDA is designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. The City originally intended to fund the redevelopment of Treasure Island under the State Redevelopment model. However, in 2011, the Governor of California introduced legislation that would eliminate State funding for Redevelopment Agencies. As of the writing of this report, the Governor's redevelopment bill has not obtained the two-thirds majority vote necessary for passage.

According to Mr. Rich Hillis, Treasure Island Project Director for the Office of Economic and Workforce Development (OEWD), even if State funding of Redevelopment Agencies survives this year's State budget negotiations, the future of State-funded redevelopment and the reliability of tax increment financing are highly uncertain. Therefore, the City, TIDA, and TICD are proposing to use alternative financing structures in Infrastructure Financing Districts (IFDs) to create revenue streams using Property Tax increment to repay the debt service on revenue bonds that would be sold to finance the development of Treasure Island. The IFD and CFD funding models are explained in the Fiscal Impact section below.

## **DETAILS OF PROPOSED LEGISLATION**

As noted above, the proposed four pieces of legislation before the Budget and Finance Sub-Committee are part of a package of eleven pieces of legislation that require Board of Supervisors approval to complete the Treasure Island Development Project. If all eleven pieces of legislation are approved by the Board of Supervisors, the first phase of construction could begin in 2012, consisting primarily of infrastructure improvements to Treasure Island to enable future residential and commercial construction. Table 1 below, based on data provided by OEWD and

Economic and Planning Systems, Inc.,<sup>2</sup> summarizes overall highlights of the Treasure Island Development Project. The “Entitlement Amount” column shows those development features that are maximum entitlements under the Treasure Island Development Project EIR. The “Estimated Proforma Amount” column shows the quantities of development features that are currently envisioned by TICD to ensure a fiscally feasible project.

**Table 1: Highlights of the Treasure Island Development Project**

Development Features	Entitlement Amount	Estimated Proforma Amount
Residences	8,000 units	7,637 units
Hotel Rooms	500 units	250 units
New Retail/Office Space (includes historic building reuse)	551,000 square feet	352,591 square feet
Parks and Open Space	300 acres	300 acres
Roadways	10 miles	10 miles
Residents	18,640	17,794
New Jobs	2,604	2,580

Sources: Economic and Planning Systems, Inc. and OEWD

The complete build-out of the Treasure Island Development Project is anticipated to take approximately 20 years. Attachment II to this report, provided by OEWD, is an annual development schedule from 2011 through 2030.

In summary, when all of the Navy’s requirements have been met, the Navy will transfer the Treasure Island property to TIDA (File 11-0290). TIDA will then incrementally convey the property to TICD, who will make infrastructure and other improvements to the property (the “horizontal development”) to make future residential and commercial development possible (Files 11-0226 and 11-0291). TICD would then sell specified improved development parcels to private developers in order to recoup a portion of the horizontal development construction costs. Five specified infrastructure improved parcels would also be allocated to TIHDI, who would coordinate the development of 1,587 below-market rate housing units (File 11-0289). TICD would provide the initial funding for the project and assume the financial risk, and in return, according to Mr. Hillis, is projected to yield approximately 19 percent internal rate of return on the project.

*File 11-0226: Treasure Island Development Agreement*

File 11-0226 is a proposed ordinance that would approve the Treasure Island Development Agreement between the City and County of San Francisco and the private developer Treasure Island Community Development, LLC (TICD), for certain real property on Treasure Island,

<sup>2</sup> Economic and Planning Systems, Inc. is a private consultant firm retained by TIDA to complete an analysis of the Project’s fiscal impacts to the City. Economic and Planning Systems describes itself as “a land economics consulting firm experienced in the full spectrum of services related to real estate development market analysis, public/private partnerships, and the financing of government services and public infrastructure.”

exempting certain sections of Administrative Code Chapter 6, Chapter 14B and Chapter 56; and adopting findings, including findings under CEQA, findings of consistency with the City's General Plan and with the Eight Priority Policies<sup>3</sup> of Planning Code Section 101.1(b), and findings relating to the formation of Infrastructure Financing Districts (IFDs).

File 11-0226 would exempt Administrative Code Chapter 6: Public Works Contracting and Procedures, other than the payment of prevailing wages, and Chapter 14B: Local Business Enterprise and Non-Discrimination in Contracting Ordinance. According to Mr. Hillis, these exemptions are included because the Treasure Island Development Project is not a public work under the Administrative Code. Mr. Hillis adds that the same exemptions were made for the City's Mission Bay and Shipyard Development Projects.

The Development Agreement includes specifications regarding land uses, phasing, infrastructure, transportation, sustainability, housing, jobs and equal opportunity programs, community facilities, and project financing. Under the proposed Development Agreement, the City agrees to (a) take no action or impose new conditions that would impede Project Approvals, and (b) expedite processing of any subsequent Project approvals. The term of the proposed Development Agreement would commence on the effective date of the subject ordinance, and expire upon completion of the full build-out of Treasure Island as defined in the Disposition and Development Agreement (DDA) (File 11-0291).

*File 11-0289: Base Closure Assistance Agreement with TIHDI*

File 11-0289 is a proposed resolution that would approve the Amended and Restated Base Closure Homeless Assistance Agreement between TIDA and TIHDI; and adopt findings that this Agreement is consistent with the City's General Plan and the Eight Priority Policies of City Planning Code Section 101.1(b).

The Amended and Restated Base Closure Homeless Assistance Agreement has four main components: (a) Housing, (b) Economic Development and Support Facilities, (c) Employment, and (d) Support. Under the proposed Agreement:

- TIHDI will continue to utilize 250 units of former military housing on an interim basis to provide transitional housing for formerly homeless individuals and families.
- TICD will provide TIHDI with approximately five developable lots for the development of 475 of the 1,684 units of below-market rate housing.
- TIDA and TIHDI will work collaboratively on financing plans for construction of each TIHDI development lot. TIDA will provide construction subsidies to each

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<sup>3</sup> Proposition M, passed by San Francisco voters on November 4, 1986, requires the City's Master Plan to comply with the Eight Priority Principles laid out in City Planning Code Section 101.1, which mandate: (1) preserving landmarks and historic buildings, (2) protecting parks and open space from development, (3) preparing the City for earthquakes, (4) encouraging a diverse economic base, (5) maintaining and increasing the City's supply of affordable housing, (6) preserving existing housing and neighborhood character, (7) preserving and enhancing neighborhood-serving retail uses, and (8) ensuring that commuter traffic will not impede Muni transit service or overburden City streets or neighborhood parking.

developer of a TIHDI housing development in a minimum amount of \$51,000 per unit per 250-unit development, for a minimum subsidy of \$12,750,000. TICD will fund these subsidies.

- TIHDI will be responsible for pursuing outside financing sources, though TIDA will provide TIHDI with other financing, loans, or grants for development, moving, and transition costs.
- TIDA will adopt a Jobs and Equal Opportunity Policy to create new construction and permanent employment, professional service contracts, and economic development opportunities for TIHDI's members.
- TIDA will identify and secure community facilities for TIHDI.

The term of the Amended and Restated Base Closure Homeless Assistance Agreement commences the later of (1) the date the Agreement is executed and delivered by TIDA and TIHDI, (2) the effective date of the TIDA Board approving the Agreement, or (3) the effective date that File 11-0289 is adopted by the Board of Supervisors, and expires upon completion of the full build-out of Treasure Island as defined under the DDA (File 11-0291).

*File 11-0290: Economic Development Conveyance Memorandum of Agreement*

File 11-0290 is a proposed resolution that would approve an Economic Development Conveyance Memorandum of Agreement (EDC MOA) to transfer Treasure Island from the Navy to TIDA; and adopt findings that this Agreement is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Under the EDC MOA, the Navy will transfer the former Naval Station Treasure Island to TIDA within 60 days of the Navy's 18 closing conditions detailed in Section 3.7.1 of the EDC MOA (the Initial Closing). In exchange, TIDA commits to paying the Navy \$55,000,000 for the Treasure Island Property, to be paid in ten annual \$5.5 million payments, plus interest<sup>4</sup>, projected to total \$12,375,000. The first payment is due from TIDA to the Navy upon the Initial Closing of the EDC MOA. In the event of any default of payment from TIDA to the Navy, outstanding payments would accrue interest at the Default Interest Rate,<sup>5</sup> and the Navy may delay conveyances of additional Treasure Island parcels until TIDA is no longer in default.

Under Section 4.3 the EDC MOA, TIDA would also be required to pay the Navy additional consideration, projected to total an additional \$50,000,000, if revenues from the sale of developable lots achieve certain financial benchmarks above 18 percent internal rate of return to be realized by TICD. Although the EDC MOA is an Agreement between TIDA and the Navy, under the EDC MOA, TICD may make such payments on TIDA's behalf directly to the Navy.

<sup>4</sup> 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 (150 bps), which Interest Rate will be locked for the duration of this Agreement."

<sup>5</sup> The EDC MOA defines the Default Interest Rate as "an interest rate of three hundred (300) basis points above the Interest Rate."

TICD is not party to the EDC MOA, but agrees to make such payments under the DDA (File 11-0291).

The \$55,000,000 cost of the Treasure Island property, plus the \$12,375,000 projected interest, plus \$50,000,000 projected additional consideration, equals total projected payments of \$117,375,000 to be made by TICD, on behalf of TIDA, to the Navy.

According to Mr. Hillis, in the event that TIDA or TICD are unable to make timely payments to the Navy, the Navy cannot pursue payment from the City's General Fund as the City is not a party to the EDC MOA.

Under the EDC MOA, TIDA would not assume liability for any environmental contamination on or around Treasure Island caused by the Navy or the Navy's contractors, nor would TIDA waive or release any rights it would have against the federal government with respect to environmental contamination caused by the Navy. Under Article 28 of the EDC MOA, TIDA may assign its rights, interests, and obligations under the EDC MOA to the City if the City replaces TIDA as the designated and federally approved Local Redevelopment Authority under the Defense Base Closure and Realignment Act of 1990.

*File 11-0291: Disposition and Development Agreement and Interagency Cooperation Agreement*

File 11-0291 is a proposed resolution that would approve the Disposition and Development Agreement (DDA) between TIDA and TICD, for certain real property located on Treasure Island; approve an Interagency Cooperation Agreement between the City and TIDA; and adopt findings that these Agreements are consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

The DDA governs the disposition and subsequent development of Treasure Island following conveyance of Treasure Island from the Navy to the City, through TIDA (File 11-0290). Under the DDA, TICD would develop Treasure Island in accordance with the following documents: (A) Land Use Plan, (B) Infrastructure Plan, (C) Parks and Open Space Plan, (D) Transportation Plan, (E) Community Facilities Plan, (F) Housing Plan, (G) Schedule of Performance, (H) Phasing Plan, (I) Treasure Island/Yerba Buena Island Special Use District (SUD), and (J) Design for Development. Under the DDA, TIDA will convey portions of Treasure Island to TICD for the purposes of:

1. Alleviating blight through development of improvements as specified in this DDA;
2. Geotechnically stabilizing the area;
3. Constructing infrastructure, such as roads and utilities to support the proposed affordable housing and market rate development on Treasure Island,;
4. Constructing and improving certain public parks and open spaces;
5. Remediating certain existing hazardous substances; and

6.Selling ground leasing lots to developers who will construct residential units and commercial and public facilities, as specified in this DDA.

TICD’s deliverables to TIDA under the DDA are summarized in Table 2 below.

The term of the DDA commences on the effective date of the proposed resolution, and expires on the earlier of the 30<sup>th</sup> anniversary of the effective date, or date of the issuance of the certificate of completion of the Treasure Island Development Project. Under the DDA, the cost of improving the Treasure Island property, including all the deliverables described in Table 2 above would be paid by TICD selling the vertical development rights<sup>6</sup> of the improved properties to private developers, under the development guidelines of the DDA and all applicable City rules.

**Table 2: TICD’s Deliverables to TIDA under the DDA**

<b>TICD Deliverables</b>
Geotechnical stabilization and addition of fill to portions of Island to be developed.
Developable plots for market rate and below-market rate residential units
140,000 square feet of new retail and commercial space
100,000 square feet of new office space
Up to 311,000 square feet of commercial/flex space through adaptive reuse of existing spaces
Adaptive reuse of certain historic buildings
Up to approximately 500 hotel rooms
New joint Fire/Police Station
Upgraded school facilities
Developable lots for TIDA/other to develop a Sailing Center, Environmental Education Center and other community facilities
New and upgraded public utilities
Up to approximately 300 acres of parks and open space
New and upgraded streets, public ways, bicycle, transit, and pedestrian facilities
A ferry and bus transit center
Additional environmental remediation

Source: DDA

The Interagency Cooperation Agreement (ICA) is between the City, TIDA, and TICD to facilitate the implementation of the Treasure Island Development Project. The ICA expresses a pledge of cooperation among the City, TIDA, and TICD, and explicitly states that it does not intend to, nor does it create, any commitment of the City’s General Fund in any manner that would violate State or City law. The ICA explicitly notes the roles of various City agencies in the implementation of the Treasure Island Development Project.

<sup>6</sup> Vertical development rights are defined as the construction of residences, offices, and other facilities, in contrast to horizontal development rights which are defined as the improvement of land, utilities, and roads so that the real estate can support vertical development.

**FISCAL IMPACTS****Files 11-0226, the Development Agreement and 11-0291, the DDA and Interagency Cooperation Agreement**

The estimated cost to improve the Treasure Island property for residential and commercial development (the horizontal development), including the deliverables described in Table 2 above, has been estimated by TICD at approximately \$1,525,240,361. These costs will be born by TICD in accordance with the Development Agreement (File 11-0226) and the DDA (File 11-0291).

As shown in Table 3, below, as estimated by the firm Economic and Planning Systems, Inc., the Project's first 20 years, the time estimated to fully build out the Treasure Island Development, are projected to generate \$236,809,628 in gross General Fund revenue for the City. Costs to the City's General Fund in the Project's first 20 years are projected to total \$156,799,687. Therefore, net General Fund revenue from the Project's first 20 years is expected to total \$80,009,941. With additional non-General Fund revenue totaling an estimated \$15,327,871 for the Project's first 20 years, net revenue is estimated to total \$95,337,812.

Attachment III, an excerpt from Economic and Planning Systems, Inc.'s fiscal impact report, dated May 5, 2011,<sup>7</sup> shows projected revenues and costs for each year from 2011 through 2030. The totals are shown in Table 3, below.

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<sup>7</sup> The fiscal analysis was updated at the request of the Budget and Legislative Analyst, with additional input provided by OEWD.

**Table 3: Twenty-Year Fiscal Impact to the City of Treasure Island Development, Project Commencement through Build-out (estimated 2011 through 2030)**

Revenue/Expenditure Source	Total Impact, 2011-2030 (in 2010 dollars)
<b>Discretionary General Fund Revenues</b>	
General Fund Share of IFD Property Tax	\$30,073,405
Property Tax In Lieu of Vehicle License Fees	46,121,352
Property Transfer Tax	62,792,389
Sales and Use Tax	32,431,822
Telephone Users Tax	6,423,538
Access Line Tax	6,073,029
Water Users Tax	103,985
Gas Electric Steam Users Tax	1,697,553
Payroll Tax	15,736,937
Business License Tax	396,659
Licenses, Permits, and Franchise Fees	5,183,037
Fines, Forfeitures, and Penalties	791,838
<u>Hotel Room Tax</u>	12,768,173
<i>Subtotal, Discretionary General Fund Revenues</i>	<i>\$220,593,718</i>
<b>Non-Discretionary Revenues</b>	
Sales Tax Allocation to Public Safety	\$16,215,911
<b>Total Revenues</b>	<b>\$236,809,628</b>
<b>Expenditures</b>	
Elections	\$2,491,772
Assessor/Recorder	1,794,010
311	1,688,006
Police Services	47,146,581
Fire Protection	51,339,526
911 Emergency Response	3,459,156
SFMTA/MUNI	29,071,427
Department of Public Health	7,969,145
DPW	4,465,515
Library / Community Facilities	7,374,548
<b>Total Expenses</b>	<b>\$156,799,687</b>
<b>Net General Fund Revenues</b>	<b>\$80,009,941</b>
<b>Additional Non-General Fund Revenues</b>	<b>\$15,327,871</b>
<b>Total Net Revenues</b>	<b>\$95,337,812</b>

Source: Economic &amp; Planning Systems, Inc., May 5, 2011.

There will be three primary sources, totaling \$1,378,662,042, to fund the \$1,525,250,361 private development to be conducted by TICD:<sup>8</sup> (1) Tax Increment Bonds, to be reimbursed with revenue from the Infrastructure Financing District, totaling \$451,734,370; (2) Mellow Roos State Bonds, to be reimbursed with revenue from one or more Community Financing Districts, totaling

<sup>8</sup> Source: 2011 Summary Proforma of Projected Annual Cash Flows



\$414,617,650; and (3) revenues from the sale of developable lots for permanent and rental market rate housing, totaling \$512,310,022. The balance of \$146,588,319 (\$1,525,250,361 less \$1,378,662,042) would be paid from additional sources and offsets, including rental revenues, marketing revenue, and commercial acreage sales.

### *1. Infrastructure Financing District (IFD)*

An Infrastructure Financing District (IFD) would be established within the Treasure Island Development to fund infrastructure improvements, including roads and utilities, through the use of Property Tax increment. The City would then issue Tax Increment Bonds in the estimated amount of \$451,734,370, to be repaid by tax increment from the Property Taxes on new market rate homes and businesses that are developed on Treasure Island. Property Taxes of 1.0 percent of assessed value would be divided according to State IFD law as shown in Table 4 below.

**Table 4: Breakdown of Property Taxes**

<b>Property Tax Revenue Recipient</b>	<b>Percent</b>
<u>City</u>	<u>64.7</u>
<i>Treasure Island Development Project</i>	<i>46.7</i>
<i>General Fund</i>	<i>8.0</i>
<i>Affordable Housing</i>	<i>10.0</i>
Total to All Other Agencies	35.30
<b>Total</b>	<b>100.00</b>

According to Economic and Planning Systems, Inc., during the Project Development period, the 8 percent portion of the tax increment that is allocated to the City's General Fund would total up to \$3.3 million annually. Once all Project costs and debt service costs and obligations have been met, estimated to be 2030 but no later than the termination of the DDA in 2040, the City would receive approximately \$30 million in annual Property Taxes. Economic and Planning Systems, Inc., further notes "At Project buildout, and during every year of implementation of the redevelopment plan, increased revenues should cover additional annual ongoing operating costs," including funding for costs incurred by the SFMTA, Recreation and Park Department, DPW, and other City departments.

### *Community Financing Districts (CFDs)*

The Financing Plan in the Development Agreement and DDA also provides for the creation of Community Facility Districts (CFDs) under which special taxes would be levied against private property (excluding TIDA affordable housing parcels), to finance public improvements and other costs permitted by law. TICD would issue Mello Roos State Bonds against the CFD revenue. If pursued, a CFD could levy up to an additional 0.85 percent of assessed property value in order to pay for Development Project costs. However, according to Mr. Hillis, the current fiscal projection assumes a more conservative rate of 0.65 percent of property value. Under the proposed Financing Plan, CFDs would not represent a direct cost or revenue to the City. The total revenue expected from Mello Roos Bonds issued against the CFD revenue is \$414,617,650.

The proposed CFDs would be in place for 999 years. After the Mello Roos Bonds have been repaid in full, any revenue generated from CFDs would be required by law to return to community use for Treasure Island. According to Mr. Hillis, the CFD revenue would total approximately \$33 million per year and would be used for operations and maintenance of parks and open space, as well as any necessary work to combat sea level rise.

### *Revenues from the Sale of Developable Plots*

TICD projects that the sale of developable lots for market-rate housing will yield \$462,010,022, and the sale of developable lots for market-rate housing for rent will yield \$50,300,000, for a total residential sales revenue of \$512,310,022. Additional sales and rental revenues, less affordable housing subsidies, are projected to yield total revenue of \$589,128,494 before inflation. These figures assume 7,637 total market rate and below-market rate housing units, which is 363 units less than the 8,000 units that are entitled under the EIR.

### **File 11-0226, the Development Agreement**

In addition to the fiscal impacts of File 11-0226 described above, under the Development Agreement, TICD would also be responsible for timely payments to the City of all administrative fees related to the processing or review of applications for Project Approvals or any Subsequent Approvals, as required under the City's Municipal Codes. However, if a City Agency fails to invoice TICD within 12 months from the date a City cost is incurred, the Development Agreement considers the cost unrecoverable.

### **11-0289, the Base Closure Assistance Agreement with TIHDI**

Under the proposed Base Closure Homeless Assistance Agreement, TIDA will provide construction subsidies to each developer of a TIHDI development in a minimum amount of \$51,000 per below-market unit per 250-unit development, or a minimum subsidy of \$12,750,000. The DDA requires that TICD pay these housing subsidies to TIDA upon conveyance of each market rate lot to a market rate housing developer. TICD will collect \$17,500 per Market Rate Unit from the developer. Furthermore, TIHDI will be responsible for pursuing outside financing sources, though TIDA may provide TIHDI with other financing, loans, or grants for development, moving, and transition costs.

### **11-0290, the EDC MOA**

As noted above, under the EDC MOA, TIDA is committing to pay the Navy \$55 million for the Treasure Island Property, to be paid in ten annual \$5.5 million payments, plus interest.<sup>9</sup> The first \$5.5 million payment is due from TIDA to the Navy upon the Initial Closing of the EDC MOA, or 60 days following the fulfillment of the Navy's conveyance requirements. TIDA would also pay additional consideration to the Navy if revenues from the sale of developable lots achieve certain financial benchmarks. TICD's financial plan is currently budgeting \$50 million for the additional consideration payment.

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<sup>9</sup> 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 (150 bps), which Interest Rate will be locked for the duration of this Agreement."

Although TIDA is solely responsible for payments to the Navy, the EDC MOA allows for the assignment of TIDA's rights, interests, and obligations under the EDC MOA to the City if the City replaces TIDA as the designated and federally approved Local Redevelopment Authority under the Defense Base Closure and Realignment Act of 1990. If for any reason TIDA ceases to exist, such assignment to the City would require Mayor and Board of Supervisors approval. In such a case, the City would absorb TIDA's outstanding financial obligations. However, according to Mr. Hillis, TICD would still be responsible for meeting those financial obligations.

## POLICY CONSIDERATIONS

### Shifting Project Financing from State Redevelopment to IFDs Results in \$130 Million Less Funding Being Available for the Project and Expected Fewer Below-Market Homes being Built

As discussed in the Background section above, the City originally intended to fund the Treasure Island Development Project through State Redevelopment financing. However, in light of the uncertainty of the future of the State Redevelopment programs, in 2011 the City, TIDA, TIHDI, and TICD agreed to pursue Infrastructure Financing Districts (IFDs) as an alternate financing option.

According to Mr. Hillis, the change from Redevelopment to IFDs has little impact on the legal framework of the Treasure Island Development Project. However, shifting from the Redevelopment Model to the IFD model will reduce the funding available to the Development Project by more than \$130,000,000, as the percentage of Property Tax increment allotted to the Treasure Island Development Project decreases from 60 percent to 46.7 percent and the amount allotted to affordable housing decreases from 20 percent to 10 percent, as shown in Table 5 below..

**Table 5: Breakdown of Property Tax under Redevelopment and IFD**

Property Tax Revenue Recipient	Percent under Redevelopment	Percent under IFD
City	80.00	64.7
<i>Treasure Island Development Project</i>	60.00	46.7
<i>General Fund</i>	0.00	8.0
<i>Affordable Housing</i>	20.00	10.0
Total to All Other Agencies*	20.00	35.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\* Schools, transportation, etc. Under Redevelopment, the General Fund receives a portion of the 20.0 percent allocation, but no Property Tax revenue goes to the State Educational Revenue Augmentation Fund (ERAF).

According to Mr. Hillis, to absorb the \$130,000,000 lost bonding capacity, the City has proposed reducing the amount of below-market rate housing that would be provided in the proposed Treasure Island Development from 2,400 units to 2,000 units, a reduction of 400 units. According to Mr. Hillis, selling four development "pads," or land improved for residential development, would generate \$130,000,000 in sales and additional Property Taxes. As a result,

as shown in Table 6 below, 400 units that were previously designated for below-market rate development will instead be sold at market rate, such that the number of market rate housing units would increase from 5,600 units to 6,000 units.

**Table 6: Breakdown of New Housing Units, by Funding Approach and Type**

Housing Type	Original Unit Count	Revised Unit Count
Market Rate For-Sale	5,043	5,400
<u>Market Rate Rental</u>	<u>557</u>	<u>600</u>
<i>Market Rate Subtotal</i>	<i>5,600</i>	<i>6,000</i>
TIHDI/Agency Affordable Residential	2,120	1,684
Inclusionary For Sale	250	284
Inclusionary Rental	30	32
<i>Below-Market Rate Subtotal</i>	<i>2,400</i>	<i>2,000</i>
<b>Total</b>	<b>8,000</b>	<b>8,000</b>

Source: Economic & Planning Systems, Inc.

However, as is shown in Table 7 below, TICD has budgeted for a reduction to market-rate housing units as well.

**TICD is Proposing to Build Fewer Housing Units than Entitled under the EIR, Resulting in a Foregone General Fund Revenues from Property Taxes**

TICD’s budget plan, the Summary Proforma of Projected Annual Cash Flows, reduces the total number of housing units that would be developed on Treasure Island from 8,000 to 7,637, a reduction of 363 housing units or 4.5 percent.<sup>10</sup> Table 7 below summarizes the additional changes from the revised housing count to the housing count budgeted by TICD.

**Table 7: Breakdown of New Housing Units, by Funding Approach and Type**

Housing Type	Entitled Unit Count	TICD Proposed	Housing Unit Reduction
Market Rate For-Sale	5,400	5,152*	248
<u>Market Rate Rental</u>	<u>600</u>	<u>503</u>	<u>97</u>
<i>Market Rate Subtotal</i>	<i>6,000</i>	<i>5,655</i>	<i>345</i>
TIHDI/Agency Affordable Residential	1,684	1,684	0
Inclusionary For Sale	284	207	77
Inclusionary Rental	32	91	(59)
<i>Below-Market Rate Subtotal</i>	<i>2,000</i>	<i>1,982</i>	<i>18</i>
<b>Total</b>	<b>8,000</b>	<b>7,637</b>	<b>363</b>

\* Includes 117 “branded,” (in-hotel) condominium units

Source: Economic & Planning Systems, Inc.

<sup>10</sup> Based on an inquiry from the Budget and Legislative Analyst’s Office, OEWD requested updates to the Fiscal Analysis and Summary Proforma to correct for inconsistencies between the two documents. The figures in this report reflect those corrected numbers.

Mr. Hillis notes that this reduction is necessary to guarantee the fiscal viability of the Treasure Island Development Project under current market conditions. Mr. Hillis notes that should market conditions improve, TICD could develop up to the 8,000 housing units according to the breakdown in the "Entitled Unit Count" column of Table 7. "Entitled Unit Count" refers to the maximum number of housing units they are allowed to build under the EIR.

According to Mr. Hillis, if the housing counts shown in the "TICD Proposed" column of Table 7 hold, the City could increase the number of affordable residential units, up to the point where the number of market rate and below-market rate housing units totaled 8,000 units. Mr. Hillis adds that because market conditions could change, the number of market rate housing units could increase or decrease with time, but that TICD is required to provide pads for at least 1,684 below-market rate housing units, and that if TICD ultimately develops less than 6,000 market rate housing units, the City could develop additional below-market rate housing units.

The reduction in market rate housing units from 6,000 entitled under the EIR by 345 units, or 5.75 percent, reduces the amount of Property Tax that would accrue to the General Fund. According to data provided by Economic and Planning Systems, Inc., the City would forego \$1,821,058 annually beginning in 2030 if 5,655 market rate housing units were constructed instead of the 6,000 market rate housing units entitled under the EIR.<sup>11</sup>

### Summary

The four pieces of legislation before the Budget and Finance Sub-Committee are part of a package of eleven pieces of legislation that require Board of Supervisors approval to complete the Treasure Island Development Project. If all eleven pieces of legislation are approved by the Board of Supervisors, the first phase of construction could begin in 2012, consisting primarily of infrastructure improvements to Treasure Island to enable future residential and commercial construction. The build-out of the Treasure Island Development Project is anticipated to take approximately 20 years and cost an estimated \$1,525,250,361.

There will be three primary funding sources for the Treasure Island Development Project, totaling \$1,378,662,042: (1) Tax Increment Bonds, to be reimbursed with revenue from Infrastructure Financing Districts, totaling \$451,734,370; (2) Mellow Roos State Bonds, to be reimbursed with revenue from one or more Community Financing Districts, totaling \$414,617,650; and (3) revenues from the sale of developable lots for permanent and rental market rate housing, totaling \$512,310,022. The balance of \$146,588,319 (\$1,525,250,361 less \$1,378,662,042) would be paid from additional sources and offsets, including rental revenues, marketing revenue, and commercial acreage sales.

The proposed legislation in support of the Treasure Island Development Project places the fiscal risk and upfront investment costs on the private developer Treasure Island Community Development, LLC (TICD), while allowing TICD to yield an internal rate of return of approximately 19 percent for the financial risk. According to Mr. Rich Hillis, Treasure Island Project Director for the Office of Economic and Workforce Development (OEWD), the General Fund is not put at risk by the Treasure Island Development Project.

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<sup>11</sup> \$32,097,787 General Fund revenue under 6,000 market rate housing units compared to \$30,276,729 General Fund revenue under 5,655 market rate housing units.

Recent changes to the financing, from State Redevelopment Financing to Infrastructure Financing Districts (IFDs), resulted in \$130 million less revenue available for the Treasure Island Development Project. The Treasure Island Development Authority has proposed replacing 400 below-market rate housing units with 400 market rate housing units to offset this \$130 million reduction.


In addition, based on current market conditions, TICD's development proforma includes plans for the construction of 5,655 market rate housing units, a reduction of 345 units, or 5.75 percent from the 6,000 market rate housing units permitted under the project EIR.

To summarize the fiscal impact of the subject legislation:

- Under Files 11-0226 and 11-0291, according to an analysis from Economic and Planning Systems, Inc. for the Treasure Island Development Authority (TIDA), the Treasure Island Development Project's first 20 years are projected to generate \$236,809,628 in gross General Fund revenue and \$156,799,687 in costs, for a net General Fund revenue total of \$80,009,941.
- Under File 11-0289, TIDA would commit subsidies of at least \$12,750,000 to the Treasure Island Homeless Development Initiative (TIHDI) to develop below-market rate housing on the parcels improved by TICD.
- As noted above, under File 11-0290, TIDA would commit to pay the Navy \$117,375,000, including interest and additional consideration, for conveyance of the Treasure Island property.
- Under IFDs, according to Economic and Planning Systems, Inc., the Development Project is projected to generate additional Property Tax revenues for the City's General Fund of up to \$3.3 million annually at build-out, projected to be in 2030, and \$30 million per year once financing of the Project is complete.
- Under the current TICD development proforma, the total number of market rate housing units would be reduced by 345 housing units from 6,000 to 5,655, which would reduce the long-term Property Tax revenues to the City's General Fund, by an estimated \$1.8 million per year.

## RECOMMENDATIONS

Approval of Files 11-0226, 11-0289, 11-0290, and 11-0291 are policy matters for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Chu  
Supervisor Mirkarimi  
Supervisor Kim  
President Chiu  
Supervisor Avalos  
Supervisor Campos  
Supervisor Cohen  
Supervisor Elsbernd  
Supervisor Farrell  
Supervisor Mar  
Supervisor Wiener  
Clerk of the Board  
Cheryl Adams  
Controller  
Greg Wagner

## Related Legislation

As is noted in the report, Files 11-0226, 11-0289, 11-0290, and 11-0291 are part of a package of legislation related to the development of Treasure Island/Yerba Buena Island. This Attachment summarizes the additional seven pieces of legislation that were submitted to the Board of Supervisors, but were determined not to have fiscal impact.

### **File 11-0227, amending the City's zoning map**

Ordinance amending the Zoning Map of the City and County of San Francisco by adding new Sectional Map ZN14 to show the zoning designations of Treasure Island and Yerba Buena Island; adding new Sectional Map HT14 to establish the Height and Bulk District for Treasure Island and Yerba Buena Island; adding new Sectional Map SU14 to establish the Treasure Island/Yerba Buena Island Special Use District; adopting findings, including environmental findings, and findings of consistency with the General Plan and the Eight Priority Policies of Planning Code Section 101.1.

### **File 11-0228, amending the City's General Plan**

Ordinance amending the San Francisco General Plan by amending the Commerce and Industry Element, Community Facilities Element, Housing Element, Recreation and Open Space Element, Transportation Element, Urban Design Element, and Land Use Index, maps and figures in various elements, and by adopting and adding the Treasure Island / Yerba Buena Island Area Plan, in order to facilitate the development of Treasure Island and Yerba Buena Island as endorsed by the Board of Supervisors and the Mayor in 2006 and updated in 2010, in order to facilitate the development of Treasure Island and Yerba Buena Island as envisioned in the Treasure Island/Yerba Buena Island Redevelopment Plan, adopting findings, including environmental findings and findings of consistency with the General Plan and Planning Code Section 101.1.

### **File 11-0229, amending the City's Planning Code**

Ordinance amending the San Francisco Planning Code by amending Sections 102.5 and 201 to include the Treasure Island and Yerba Buena Island Districts; amending Section 105 relating to height and bulk limits for Treasure Island and Yerba Buena Island; adding Section 249.52 to establish the Treasure Island/Yerba Buena Island Special Use District; adding Section 263.26 to establish the Treasure Island/Yerba Buena Island Height and Bulk District; amending the bulk limits table associated with Section 270 to refer to the Treasure Island/Yerba Buena Island Height and Bulk District; and adopting findings, including environmental findings, and findings of consistency with the General Plan and Planning Code Section 101.1.

### **File 11-0230, amending the City's Subdivision Code**

Ordinance amending the San Francisco Subdivision Code to add Division 4 pertaining to the subdivision process applicable to development within the Treasure Island and Yerba Buena Island Project Site described in the Development Agreement between the City



and County of San Francisco and Treasure Island Community Development, LLC Relative to Naval Station Treasure Island, including the establishment of a procedure for reviewing and filing vesting tentative transfer maps; and making findings, including General Plan consistency findings and Section 101.1 findings, and environmental findings.

**File 11-0328, adopting findings under CEQA**

Resolution adopting findings under the California Environmental Quality Act (CEQA), CEQA Guidelines and San Francisco Administrative Code Chapter 31, including the adoption of a mitigation monitoring and reporting program and a statement of overriding considerations in connection with the development of Treasure Island and Yerba Buena Island, as envisioned in the Development Plan for the Treasure Island/Yerba Buena Island Project Area.

**File 11-0340, approving the Public Trust Exchange Agreement**

Resolution approving the Public Trust Exchange Agreement between the Treasure Island Development Authority (TIDA) and the California State Lands Commission in furtherance of the Treasure Island/Yerba Buena Island Project; adopting findings that the Public Trust Exchange Agreement is consistent with the City's General Plan and the Eight Priority Policies of City Planning Code Section 101.1.

**File 11-0517, approving the Treasure Island Transportation Implementation Plan**

Resolution approving the Treasure Island Transportation Implementation Plan, prepared by TICD in conjunction with the Disposition and Development Agreement.

**Table 2**  
**Development Schedule**  
**Treasure Island Redevelopment (2010\$)**

Item	Total at Buildout	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Annual New Development</b>											
<b>Commercial</b>											
TI Full Service Hotel	200 rms	0	0	0	0	0	0	0	0	0	0
YBI Hotel	50 rms	0	0	0	0	0	0	0	0	50	0
Building 1 Office	10,000 sqft	0	0	0	0	0	0	0	0	0	10,000
Building 1 Retail	31,779 sqft	0	0	0	0	0	0	0	0	0	31,779
Building 2 Retail	58,550 sqft	0	0	0	0	58,550	0	0	0	0	0
Building 3 Retail	150,226 sqft	0	0	0	0	0	0	0	0	0	0
New Retail	102,036 sqft	0	0	0	0	0	0	0	0	0	102,036
New Office	100,000 sqft	0	0	0	0	0	0	0	0	0	100,000
<b>Residential</b>											
Market-Rate For-Sale (1)	5,152 units	0	0	0	114	329	291	340	362	397	437
Inclusionary For-Sale	207 units	0	0	0	6	17	15	18	19	21	23
Market-Rate Rental	503 units	0	0	0	0	0	113	134	155	101	0
Inclusionary Rental	91 units	0	0	0	0	0	6	7	8	7	63
TIHDI/Agency Affordable	1,684 units	0	0	0	0	0	66	129	151	199	151
Subtotal	7,637 units	0	0	0	120	346	491	628	695	725	674
<b>Existing Residential</b>											
TI/YBI Existing Market Rate Housing		475	475	475	475	238	238	238	178	178	119
TI/YBI Existing Affordable Housing		250	250	250	250	125	125	125	94	94	63
Subtotal		725	725	725	725	363	363	363	272	272	181
<b>Cumulative New Development</b>											
<b>Commercial</b>											
TI Full Service Hotel	200 rms	0	0	0	0	0	0	0	0	0	0
YBI Hotel	50 rms	0	0	0	0	0	0	0	0	50	50
Building 1 Office	10,000 sqft	0	0	0	0	0	0	0	0	0	10,000
Building 1 Retail	31,779 sqft	0	0	0	0	0	0	0	0	0	31,779
Building 2 Retail	58,550 sqft	0	0	0	0	58,550	58,550	58,550	58,550	58,550	58,550
Building 3 Retail	150,226 sqft	0	0	0	0	0	0	0	0	0	0
New Retail	102,036 sqft	0	0	0	0	0	0	0	0	0	102,036
New Office	100,000 sqft	0	0	0	0	0	0	0	0	0	100,000
<b>Residential</b>											
TI Residential For-Sale	5,152 units	0	0	0	114	443	734	1,074	1,436	1,833	2,270
Inclusionary For-Sale	207 units	0	0	0	6	23	38	56	75	96	119
TI Residential Rental	503 units	0	0	0	0	0	113	247	402	503	503
Inclusionary Rental	91 units	0	0	0	0	0	6	13	21	28	91
TIHDI/Agency Affordable Residential	1,684 units	0	0	0	0	0	66	195	346	545	696
Subtotal	7,637 units	0	0	0	120	466	957	1,585	2,280	3,005	3,679
<b>Existing Residential</b>											
TI/YBI Existing Market Rate Housing		475	475	475	475	238	238	238	178	178	119
TI/YBI Existing Affordable Housing		250	250	250	250	125	125	125	94	94	63
Subtotal		725	725	725	725	363	363	363	272	272	181
Residents		1,689	1,689	1,689	1,689	845	845	845	633	633	422
<b>Demographic</b>											
New Residents		0	0	0	280	1,086	2,230	3,693	5,312	7,002	8,572
New Jobs		0	0	19	62	310	370	427	539	670	1,517
Resident Jobs	2.33	1,689	1,689	1,689	1,689	845	845	845	633	633	422
Permanent Jobs	2,580 permanent jobs	0	0	0	280	1,086	2,230	3,693	5,312	7,002	8,572
Subtotal		0	0	19	62	310	370	427	539	670	1,517

(1) Year 30 absorption represents the difference between units absorbed during the prior years and the total unit count for the Project. The actual absorption will depend on the market conditions.

**Table 2**  
**Development Schedule**  
**Treasure Island Redevelopment (2010\$)**

Item	Total at Buildout	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Annual New Development</b>											
<b>Commercial</b>											
TI Full Service Hotel	200 rms	0	0	0	0	200	0	0	0	0	0
YBI Hotel	50 rms	0	0	0	0	0	0	0	0	0	0
Building-1 Office	10,000 sqft	0	0	0	0	0	0	0	0	0	0
Building 1 Retail	31,779 sqft	0	0	0	0	0	0	0	0	0	0
Building 2 Retail	58,550 sqft	0	0	0	0	0	0	0	0	0	0
Building 3 Retail	150,226 sqft	0	0	0	0	0	0	150,226	0	0	0
New Retail	102,036 sqft	0	0	0	0	0	0	0	0	0	0
New Office	100,000 sqft	0	0	0	0	0	0	0	0	0	0
<b>Residential</b>											
Market-Rate For-Sale (1)	5,152 units	439	426	365	299	258	214	191	132	157	401
Inclusionary For-Sale	207 units	23	22	19	16	8	0	0	0	0	0
Market-Rate Rental	503 units	0	0	0	0	0	0	0	0	0	0
Inclusionary Rental	91 units	0	0	0	0	0	0	0	0	0	0
TI HDI/Agency Affordable	1,684 units	101	151	92	151	101	92	8	93	101	98
Subtotal	7,637 units	563	599	476	466	367	306	199	225	258	499
<b>Existing Residential</b>											
TI/YBI Existing Market Rate Housing		59	59	59	0	0	0	0	0	0	0
TI/YBI Existing Affordable Housing		31	31	31	0	0	0	0	0	0	0
Subtotal		91	91	91	0	0	0	0	0	0	0
<b>Cumulative New Development</b>											
<b>Commercial</b>											
TI Full Service Hotel	200 rms	0	0	0	0	200	200	200	200	200	200
YBI Hotel	50 rms	50	50	50	50	50	50	50	50	50	50
Building 1 Office	10,000 sqft	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Building 1 Retail	31,779 sqft	31,779	31,779	31,779	31,779	31,779	31,779	31,779	31,779	31,779	31,779
Building 2 Retail	58,550 sqft	58,550	58,550	58,550	58,550	58,550	58,550	58,550	58,550	58,550	58,550
Building 3 Retail	150,226 sqft	0	0	0	0	0	0	150,226	150,226	150,226	150,226
New Retail	102,036 sqft	102,036	102,036	102,036	102,036	102,036	102,036	102,036	102,036	102,036	102,036
New Office	100,000 sqft	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Residential</b>											
TI Residential For-Sale	5,152 units	2,709	3,135	3,500	3,799	4,057	4,271	4,462	4,594	4,751	5,152
Inclusionary For-Sale	207 units	142	164	183	199	207	207	207	207	207	207
TI Residential Rental	503 units	503	503	503	503	503	503	503	503	503	503
Inclusionary Rental	91 units	91	91	91	91	91	91	91	91	91	91
TI HDI/Agency Affordable Residenti:	1,684 units	797	948	1,040	1,191	1,292	1,384	1,392	1,485	1,586	1,684
Subtotal	7,637 units	4,242	4,841	5,317	5,783	6,150	6,456	6,655	6,860	7,138	7,637
<b>Existing Residential</b>											
TI/YBI Existing Market Rate Housing		59	59	59	0	0	0	0	0	0	0
TI/YBI Existing Affordable Housing		31	31	31	0	0	0	0	0	0	0
Subtotal		91	91	91	0	0	0	0	0	0	0
Residents		2.33	2.11	2.11	0	0	0	0	0	0	0
<b>Demographic</b>											
New Residents		9,884	11,280	12,389	13,474	14,330	15,042	15,506	16,030	16,632	17,794
New Jobs	2,580 permanent job	1,569	1,631	1,669	1,701	1,976	1,996	2,517	2,532	2,551	2,585

(1) Year 30 absorption represents the difference between units abs

Table 1  
Net New Fiscal Impacts (General Fund)\*  
Treasure Island Redevelopment (2010\$)

Item	Fiscal Year Ending									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>REVENUES</b>										
Possessory Interest/Property Tax	\$0	\$0	\$0	\$35,297	\$88,134	\$239,013	\$466,739	\$717,739	\$1,008,428	\$1,280,601
GF Share of IFD Property Tax (1)	\$0	\$0	\$0	\$94	\$125,399	\$182,083	\$612,975	\$917,993	\$1,424,100	\$1,857,372
Property Tax In Lieu of Vehicle License Fees	\$0	\$0	\$0	\$1,402,807	\$3,474,275	\$2,960,363	\$2,803,961	\$4,124,707	\$3,651,226	\$4,232,421
Property Transfer Tax	\$0	\$0	\$1,533,741	\$38,758	\$453,983	\$477,541	\$1,111,778	\$1,113,080	\$1,595,793	\$1,978,953
Sales and Use Tax (2)	\$0	\$0	\$624	\$11,247	\$45,947	\$85,554	\$135,594	\$192,584	\$252,486	\$332,048
Telephone Users Tax	\$0	\$0	\$590	\$10,633	\$43,440	\$80,885	\$128,195	\$182,075	\$238,709	\$313,930
Access Line Tax	\$0	\$0	\$80	\$262	\$1,309	\$1,560	\$1,802	\$2,275	\$2,828	\$6,402
Water Users Tax	\$0	\$0	\$1,307	\$4,281	\$21,376	\$29,411	\$37,144	\$46,159	\$104,511	\$104,511
Gas Electric Steam Users Tax	\$0	\$0	\$12,116	\$39,684	\$198,166	\$236,108	\$272,650	\$344,342	\$427,914	\$968,860
Payroll Tax	\$0	\$0	\$305	\$1,000	\$4,995	\$5,951	\$6,872	\$8,679	\$10,786	\$24,421
Business License Tax	\$0	\$0	\$0	\$8,498	\$33,000	\$67,770	\$112,242	\$161,459	\$212,800	\$260,529
Licenses, Permits, and Franchise Fees	\$0	\$0	\$0	\$1,298	\$5,042	\$10,354	\$17,148	\$24,667	\$32,510	\$39,802
Fines, Forfeitures, and Penalties	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$482,251	\$482,251
Hotel Room Tax	\$0	\$0	\$0	\$19,379	\$226,992	\$238,771	\$555,889	\$556,540	\$797,896	\$989,476
Sales Tax Allocation to Public Safety	\$0	\$0	\$1,548,764	\$1,573,239	\$4,722,058	\$4,611,423	\$6,255,256	\$8,383,286	\$10,183,887	\$12,871,577
<b>Total</b>	\$0	\$0	\$1,548,764	\$1,573,239	\$4,722,058	\$4,611,423	\$6,255,256	\$8,383,286	\$10,183,887	\$12,871,577
<b>EXPENDITURES</b>										
Elections (3)	\$0	\$0	\$0	\$4,085	\$15,865	\$32,581	\$53,961	\$77,622	\$102,305	\$125,251
Assessor/Recorder (4)	\$0	\$0	\$0	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530
311 (5)	\$0	\$0	\$0	\$2,768	\$10,747	\$22,071	\$36,555	\$52,584	\$69,304	\$84,849
Police Services (6)	\$0	\$0	\$0	\$77,299	\$300,178	\$616,459	\$1,020,991	\$1,468,681	\$1,935,695	\$2,369,858
Fire Protection (7)	\$0	\$0	\$0	\$0	\$0	\$1,309,395	\$2,566,396	\$3,651,057	\$3,651,057	\$3,651,057
911 Emergency Response (8)	\$0	\$0	\$0	\$5,671	\$22,024	\$45,230	\$74,910	\$107,757	\$142,022	\$173,877
SFMTA/MUNI (9)	\$0	\$0	\$142,378	\$144,628	\$434,099	\$423,928	\$575,046	\$770,675	\$936,205	\$1,183,284
Department of Public Health (10)	\$0	\$0	\$0	\$13,066	\$50,739	\$104,200	\$172,577	\$248,250	\$327,189	\$400,575
DPW (11)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$31,507	\$77,627
Library / Community Facilities (12)	\$0	\$0	\$0	\$0	\$0	\$0	\$238,403	\$476,806	\$715,208	\$715,208
<b>Total</b>	\$0	\$0	\$142,378	\$353,047	\$939,182	\$2,689,394	\$4,844,368	\$6,958,961	\$8,016,022	\$8,887,116
<b>NET</b>	\$0	\$0	\$1,406,386	\$1,220,192	\$3,782,877	\$1,952,029	\$1,410,888	\$1,424,325	\$2,167,865	\$3,984,462
<b>ADDITIONAL REVENUES (Restricted, Non-Gen. Fund)</b>										
Hotel Room Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$419,153	\$419,153
Children's Fund (13)	\$0	\$0	\$0	\$1,900	\$4,600	\$12,600	\$24,600	\$37,900	\$53,200	\$67,500
Library Fund (13)	\$0	\$0	\$0	\$1,600	\$3,900	\$10,500	\$20,500	\$31,500	\$44,300	\$56,300
Open Space Fund (13)	\$0	\$0	\$0	\$1,600	\$3,900	\$10,500	\$20,500	\$31,500	\$44,300	\$56,300
<b>Subtotal</b>	\$0	\$0	\$0	\$5,100	\$12,400	\$33,600	\$65,600	\$100,900	\$144,300	\$186,200

**Table 1**  
**Net New Fiscal Impacts (General Fund)\***  
**Treasure Island Redevelopment (2010\$)**

Item	Fiscal Year Ending										Buildout	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
<b>REVENUES</b>												
Possessory Interest/Property Tax												
GF Share of IFD Property Tax (1)	\$1,581,466	\$1,914,655	\$2,185,436	\$2,392,416	\$2,567,834	\$2,766,566	\$3,035,055	\$3,228,249	\$3,282,889	\$3,282,889	\$3,282,889	
Property Tax In Lieu of Vehicle License Fees	\$2,303,646	\$2,829,638	\$3,380,368	\$3,704,686	\$4,049,237	\$4,271,561	\$4,691,453	\$5,139,200	\$5,315,773	\$5,315,773	\$5,315,773	
Property Transfer Tax	\$4,429,670	\$4,589,318	\$4,250,229	\$3,929,029	\$4,051,414	\$3,509,107	\$3,500,339	\$3,281,705	\$3,491,024	\$3,491,024	\$3,577,053	
Sales and Use Tax (2)	\$2,116,947	\$2,344,419	\$2,478,286	\$2,268,545	\$2,407,618	\$2,305,961	\$3,064,930	\$3,142,166	\$2,830,468	\$2,830,468	\$2,702,596	
Telephone Users Tax	\$376,944	\$424,892	\$462,656	\$499,444	\$536,632	\$560,756	\$593,163	\$610,910	\$631,336	\$631,336	\$670,721	
Access Line Tax	\$356,375	\$401,707	\$437,410	\$472,191	\$507,350	\$530,157	\$560,796	\$577,575	\$596,887	\$596,887	\$634,122	
Water Users Tax	\$6,623	\$6,881	\$7,043	\$7,178	\$8,338	\$8,422	\$10,621	\$10,684	\$10,766	\$10,766	\$10,910	
Gas Electric Steam Users Tax	\$108,117	\$112,334	\$114,977	\$117,182	\$136,116	\$137,494	\$173,386	\$174,419	\$175,763	\$175,763	\$178,105	
Payroll Tax	\$1,002,284	\$1,041,373	\$1,065,880	\$1,086,317	\$1,261,849	\$1,274,622	\$1,607,353	\$1,616,932	\$1,629,386	\$1,629,386	\$1,651,100	
Business License Tax	\$25,263	\$26,248	\$26,866	\$27,381	\$31,806	\$32,128	\$40,514	\$40,756	\$41,070	\$41,070	\$41,617	
Licenses, Permits, and Franchise Fees	\$300,398	\$342,816	\$376,525	\$409,524	\$435,514	\$457,183	\$471,275	\$487,209	\$505,479	\$505,479	\$540,816	
Fines, Forfeitures, and Penalties	\$45,893	\$52,374	\$57,523	\$62,565	\$66,536	\$69,846	\$71,999	\$74,433	\$77,224	\$77,224	\$82,623	
Hotel Room Tax	\$482,251	\$482,251	\$482,251	\$482,251	\$1,645,778	\$1,645,778	\$1,645,778	\$1,645,778	\$1,645,778	\$1,645,778	\$1,645,778	
Sales Tax Allocation to Public Safety	\$1,058,473	\$1,172,210	\$1,239,143	\$1,134,272	\$1,203,809	\$1,152,980	\$1,532,465	\$1,571,083	\$1,415,234	\$1,415,234	\$1,351,298	
<b>Total</b>	<b>\$14,194,350</b>	<b>\$15,741,116</b>	<b>\$16,564,594</b>	<b>\$16,592,981</b>	<b>\$18,909,831</b>	<b>\$18,722,561</b>	<b>\$20,999,128</b>	<b>\$21,601,100</b>	<b>\$21,649,077</b>	<b>\$21,649,077</b>	<b>\$21,685,399</b>	
<b>EXPENDITURES</b>												
Elections (3)	\$144,418	\$164,811	\$181,016	\$196,881	\$209,375	\$219,793	\$226,568	\$234,228	\$243,012	\$243,012	\$260,000	
Assessor/Recorder (4)	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	\$105,530	
311 (5)	\$97,833	\$111,648	\$122,626	\$133,373	\$141,838	\$148,895	\$153,484	\$158,674	\$164,624	\$164,624	\$176,132	
Police Services (6)	\$2,732,519	\$3,118,370	\$3,424,989	\$3,725,167	\$3,961,573	\$4,158,685	\$4,286,873	\$4,431,808	\$4,598,001	\$4,598,001	\$4,919,436	
Fire Protection (7)	\$3,651,057	\$3,651,057	\$3,651,057	\$3,651,057	\$3,651,057	\$3,651,057	\$3,651,057	\$3,651,057	\$3,651,057	\$3,651,057	\$3,651,057	
911 Emergency Response (8)	\$200,486	\$228,796	\$251,292	\$273,316	\$290,662	\$305,124	\$314,529	\$325,163	\$337,356	\$337,356	\$360,940	
SFMTA/MUNI (9)	\$1,304,887	\$1,447,081	\$1,522,783	\$1,625,393	\$1,738,381	\$1,721,165	\$3,728,664	\$3,802,013	\$3,824,574	\$3,824,574	\$3,846,244	
Department of Public Health (10)	\$461,875	\$527,095	\$578,923	\$629,662	\$669,621	\$702,939	\$724,606	\$749,105	\$777,196	\$777,196	\$831,528	
DPW (11)	\$140,051	\$295,411	\$371,010	\$364,511	\$572,031	\$565,960	\$520,758	\$508,695	\$514,875	\$514,875	\$503,080	
Library / Community Facilities (12)	\$715,208	\$501,524	\$501,524	\$501,524	\$501,524	\$501,524	\$501,524	\$501,524	\$501,524	\$501,524	\$501,524	
<b>Total</b>	<b>\$9,553,864</b>	<b>\$10,151,322</b>	<b>\$10,710,750</b>	<b>\$11,106,413</b>	<b>\$11,841,591</b>	<b>\$12,080,671</b>	<b>\$14,213,592</b>	<b>\$14,467,796</b>	<b>\$14,717,749</b>	<b>\$14,717,749</b>	<b>\$15,155,571</b>	
<b>NET</b>	<b>\$4,640,486</b>	<b>\$5,589,795</b>	<b>\$5,853,844</b>	<b>\$5,486,568</b>	<b>\$7,068,240</b>	<b>\$6,641,889</b>	<b>\$6,785,535</b>	<b>\$7,133,304</b>	<b>\$6,931,328</b>	<b>\$6,931,328</b>	<b>\$6,529,928</b>	
<b>ADDITIONAL REVENUES (Restricted, Non-Gen. F)</b>												
Hotel Room Tax	\$419,153	\$419,153	\$419,153	\$419,153	\$1,430,442	\$1,430,442	\$1,430,442	\$1,430,442	\$1,430,442	\$1,430,442	\$1,430,442	
Children's Fund (13)	\$83,400	\$101,000	\$115,300	\$126,200	\$135,400	\$145,900	\$160,100	\$170,300	\$173,200	\$173,200	\$173,200	
Library Fund (13)	\$69,500	\$84,200	\$96,100	\$105,200	\$112,900	\$121,600	\$133,400	\$141,900	\$144,300	\$144,300	\$144,300	
Open Space Fund (13)	\$69,500	\$84,200	\$96,100	\$105,200	\$112,900	\$121,600	\$133,400	\$141,900	\$144,300	\$144,300	\$144,300	
<b>Subtotal</b>	<b>\$641,553</b>	<b>\$688,553</b>	<b>\$726,653</b>	<b>\$755,753</b>	<b>\$1,791,642</b>	<b>\$1,819,542</b>	<b>\$1,857,342</b>	<b>\$1,884,542</b>	<b>\$1,892,242</b>	<b>\$1,892,242</b>	<b>\$1,892,242</b>	

**Notes to Table 1:**

- (1) Property tax includes supplemental role revenues from new assessed value added during year of construction and initial sale.
- (2) Sales tax includes resident expenditures on TI and elsewhere in the City.
- (3) Assumes the estimated cost grows in proportion to the population.
- (4) Assumes a staff cost incurred from the beginning of unit sales through buildout.
- (5) "311" costs based on estimated calls and required staffing/costs.
- (6) Additional officers are added to achieve 1,665 officers/1,000 residents and employees (Citywide average) increased by 20% to reflect TI/YBI isolation.
- (7) Additional engine company, ambulance, and battalion chief added upon construction of police/fire "superstation".
- (8) "911" based on estimated calls and required staffing/costs.
- (9) Muni operations to TI and YBI are fully funded; costs include 80% of MUNI capital costs for buses, balance are funded by developer.  
SFMTA/Muni costs include transfer of 9.193% of General Fund revenues, and any additional transfers needed to cover increases in net costs above existing net costs.  
Assumes enhanced services, including possible Civic Center Line. Table A-13c illustrates alternative without Civic Center line.
- (10) Dept. of Public Health costs based on estimates of hospital admissions and emergency room visits not reimbursed from other sources.
- (11) DPW costs include rehab and reconstruction of roads and related facilities, including pothole repair and patching, and street sweeping. Cost is net of gas tax revenues.
- (12) Library and Community Facilities include initial cost of furnishings, fixtures and equipment amortized over first 5 years (inc. initial partial two years).
- (13) Share of IFD property tax to CCSF accruing to other funds as shown.

# City and County of San Francisco

Office of the Controller - Office of Economic Analysis

## Treasure Island/Yerba Buena Island Project: Economic Impact Report

File Nos. 110226-31

May 11, 2011



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# City and County of San Francisco

Office of the Controller - Office of Economic Analysis

**Treasure Island/Yerba Buena Island Project:**

**May 11, 2011**

**Economic Impact Report**

## **Main Conclusions**

The development of Treasure Island/Yerba Buena Island will transform more than 490 acres of underutilized land into a major new mixed-use, transit-oriented district in the midst of San Francisco Bay. The project is designed and planned to be a model of sustainable development. It will provide a mix of land uses, including market-rate and affordable homes, regional and neighborhood retail, office space, two hotels, community services, and an expansive parks and open space network, among other uses.

The development of the project will create thousands of construction jobs, and inject an estimated \$3.2 billion into the City's economy during its projected 20 year build-out. The development of the project will result in significant employment opportunities, with an average of about 1,100 direct and indirect jobs per year during build-out, with about 750 of these jobs representing direct employment in the construction trades, equivalent to about 3% of citywide construction jobs projected during the same period.

The project will create the opportunity for job growth from businesses occupying the completed non-residential buildings, with an estimated 2,200 direct employees projected at build-out. Based on the proposed land use mix, employment opportunities will be created in several industries, with an emphasis on retail and visitor-serving jobs, with annual average pay ranging from \$25,000 to \$100,000 per year, and aggregate wages estimated at \$134 million per year upon full build-out.

An additional 1,400 indirect and induced jobs are estimated at build-out, that together with direct employment attributed to project, will contribute about \$1.0 billion annually to San Francisco's economic output (defined as total San Francisco production attributed to the project, including spending on all intermediate goods and services, compensation and profit). This represents an expansion of about 0.3% to the City's existing economic output during the projection period.

The impact of new development will not be limited to the economic activity generated by its construction and permanent employment; ultimately, 8,000 new households will make approximately \$221 million per year in retail purchases, supporting businesses in San Francisco, Treasure Island, and the region, further stimulating the economy. 8,000 housing units will increase the City's supply of housing by about 2.5% upon build-out, reducing citywide housing prices by an estimated 2% over the long term.

During the 40-year projection period, the combined impacts of Treasure Island's construction, permanent employment, and increased housing supply is estimated to result in an annual average of 5,200 jobs and almost \$2.4 billion in economic output annually through 2050.

Build-out of the project will also increase the City's property tax base by approximately \$5 billion. The Financing Plan for the project specifies the portion of property tax increment to be allocated to the Infrastructure Financing District (IFD), about 65% of the base 1% tax rate. Under the Financing Plan, 57% of the base 1% tax rate would be allocated to the IFD (with 10% used for housing, and 47% available for IFD bonds), with about 8% remaining for City Funds, estimated to total \$3.8 million upon build-out. Of this 8%, the Controller determines the portion allocated to the General Fund and to other City funds.



# INTRODUCTION

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## **Summary of Proposed Legislation**

*The main impact of the proposed legislation is the creation of regulatory conditions that will allow for significant new development in San Francisco*

The proposed legislation amends the General Plan, Zoning Map, Subdivision Code, and Zoning Plan to establish the Treasure Island/Yerba Buena Island Special Use District, which along with numerous other implementing agreements and documents, will enable the development of the Treasure Island/Yerba Buena Island project.

Until recently, the project was planned as a redevelopment project, under the auspices of the Local Reuse Authority, the Treasure Island Development Authority (TIDA), which, under California Redevelopment Law, would have allowed the use of redevelopment tax increment financing to fund a portion of development costs. However, because of the uncertainty surrounding the future of redevelopment in California (due to the Governor's proposed elimination of redevelopment agencies), the project sponsors have proposed to forego the establishment of a redevelopment plan and redevelopment project area.

This change impacts the project in two main ways: (1) vertical land use entitlement documents will be revised to reflect the Planning Commission's new regulatory authority, and (2) redevelopment tax increment financing would no longer be an option, instead replaced with other financing mechanisms, including Infrastructure Financing Districts (IFD), Community Facilities Districts (CFD), and possibly Certificates of Participation (COP) or other financing mechanisms for certain public facilities.

The loss of redevelopment tax increment financing means there is less funding for project costs due to the way property tax increment is apportioned and allocated under an IFD. With less funding available to finance project costs, additional revenue sources were required to maintain a feasible project. The project sponsor achieved this by reducing the number of affordable units from 30% to 25%, without reducing its commitment to provide other community benefits, discussed later.

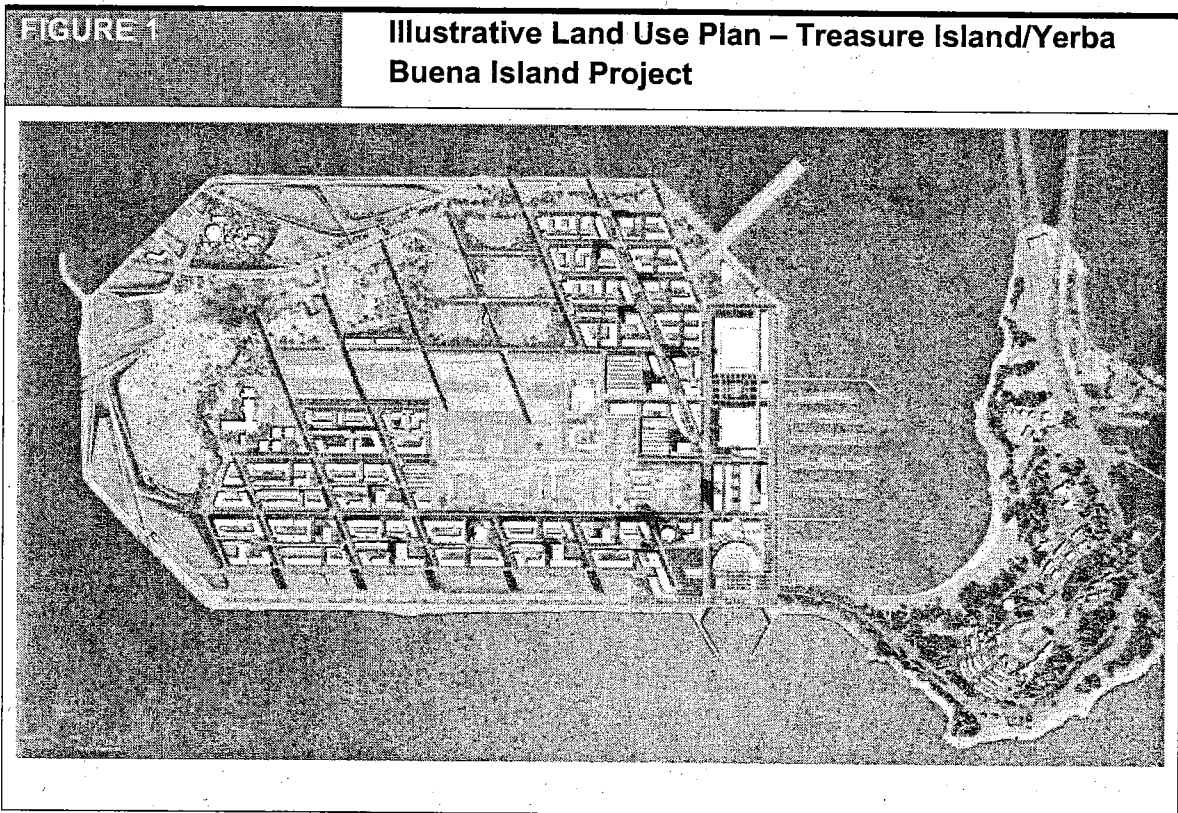
## **Development of Treasure Island**

Once all of the necessary approvals are obtained, the project will be developed according to the adopted Treasure Island/Yerba Buena Island Area Plan, and its guiding documents, chief among them the Design for Development, and the Disposition and Development Agreement between TIDA and the project's master developer, Treasure Island Community Development (TICD).

The proposed project will transform more than 400 acres on Treasure Island and 90 acres on Yerba Buena Island into

productive areas designed to accommodate significant new housing, parks, open space, and recreation uses, accommodation and visitor-serving uses, and retail and office, employment-generating uses. The project will create a major new mixed-use, transit-oriented district in the midst of San Francisco Bay designed and planned as a model of sustainable development<sup>1</sup>.

A site map of the proposed project, showing the illustrative land use plan, is presented in Figure 1.



<sup>1</sup> Numerous documents have been generated regarding the project, covering a range of topics, from environmental remediation on the former Naval Station Treasure Island to an executive summary of the proposed project, highlighting key elements, including details of community benefits, related project documents, and other information. These and other relevant documents can be found on the Treasure Island website: <http://www.sftreasureisland.org/index.aspx?page=26>. Rather than repeating their content here, the OEA refers readers to this site for detailed information on the background and history of the project

The project will provide a mix of land uses, including market-rate and affordable homes, regional and neighborhood retail, office space, two hotels, community services, and an expansive parks and open space network, among other uses<sup>2</sup>.

The project will be developed through a public-private partnership between the City, through TIDA, and the master developer, TICD. Briefly, the master developer is contributing private capital and its development expertise to construct the infrastructure (roads, parks, utilities, transit, public benefits, etc.) necessary to support the project. The City's contribution to the partnership is primarily in the form of facilitating the land transfer from the Navy, assisting with obtaining regulatory approvals from numerous agencies, and a commitment to assist in the formation of alternative financing mechanisms including COPs and CFDs, as well as a commitment to allocate a portion of the property tax increment generated by the project, in the form of IFD(s), to help fund the significant development costs, including community benefits.

The terms of the partnership are governed by a legally binding Disposition and Development Agreement ("DDA") between the parties, which details obligations such as: the community benefits package and its timing, the financing plan, and a timeline for development of the horizontal infrastructure.

Included in the DDA is a development pro forma (prepared jointly by the master developer and City), which provides detailed estimates of infrastructure costs, as well as anticipated revenue from the sale of finished land to vertical developers. These revenue and costs figures are projected over time, consistent with the Schedule of Performance, to test the financial feasibility of the project (considering all infrastructure development costs, community benefit obligations, affordable housing program costs, etc. against anticipated revenue from finished land sales).

The pro forma was developed through an iterative process in which various land use mixes, public benefits, and market assumptions were tested, and refined over time, taking into account input from the community, while still maintaining a financially viable project.

The land use mix and development program which emerged

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<sup>2</sup>Through a community planning process and negotiations between the City and master developer, a public benefits package emerged which includes more than 300 acres of parks, 2,000 affordable housing units (25% of all units), transportation improvements, a new marina, combined police and fire station, capital for a new school, fitness/health center, retail grocery store subsidy, community facilities, and redeveloped space for existing residents. For a detailed summary of public benefits generated by the project, see the Community Facilities Plan at: <http://sf-treasureisland.org/Modules/ShowDocument.aspx?documentid=769>. Also see the bottom of Appendix 3 for a summary of community benefits and their costs, estimated at \$300 million.

from this process is the basis for the project analyzed in this report, and is consistent with the implementing documents, and the amendments contemplated by the proposed legislation. Further, the OEA has reviewed the market assumptions in the horizontal pro forma and determined that the rental rates, construction costs, and sales values are within the range of market value and cost data indicators maintained by the OEA.

**Land Use,  
Population and  
Employment  
Assumptions**

Table 1 summarizes the development program, population, and employment assumptions upon full build-out of the project. Appendix 1 details the phasing assumptions of vertical construction and associated population and employment growth over time.

The development program and employment assumptions summarized in Table 1 are the basis for the economic impact analysis in the following section of the report<sup>3</sup>.

<b>TABLE 1</b>		<b>Treasure Island/Yerba Buena Island - Development Program, Population and Direct Employment Assumptions (at Build-out) (1)</b>	
<b>Land Use</b>		<b>Development Program (2)</b>	<b>Population/ Jobs(3)</b>
<b>Residential</b>			
Market Rate For-Sale		5,398	
Inclusionary For-Sale		216	
Market Rate Rental		602	
Inclusionary Rental		100	
TIHDI/AUTHORITY Affordable		1,684	
<b>Sub-Total Residential</b>		<b>8,000</b>	<b>units 18,640</b>
<i>Affordable Housing (% of total units)</i>	25.0%	2,000	
<b>Non-Residential</b>			
Residential Property Management		8,000	units 508
Retail - Adaptive Reuse/New		342,600	net SF 1,030
Office - Adaptive Reuse/New		110,000	net SF 380
Hotel (TI and YBI)		250	rooms 200
Parks/Open Space (inc. Farm and Art Park)		300	acres 105
Marina, Sailing Center, Ferry Terminal		400	slips 7
Parking (structured)		1,350	spaces 5
<b>Total Direct Employment</b>			<b>2,235</b>

**Sources and Notes:**

- (1) Appendix 1 details vertical development phasing and the resulting population and employment generation on a multiyear basis during the build-out period.
- (2) Development program based on TICD Pro Forma Version 31, April 2011 and DRAFT EIR, dated July 2010, consistent with the Disposition and Development Agreement (DDA) between the City/Authority and Master Developer, and the Zoning Map and code amendments contemplated by the proposed legislation.
- (3) Based on density assumptions in Draft Environmental Impact Report, July 2010 (EIR), pg. IV.C-4, adjusted to reflect an estimated 10% stabilized vacancy rate in the office and retail space, and a 5% vacancy rate for the residential components, for purposes of calculating total employment. Population based on 2.33 people per household. Employment based on the following densities applied to occupied inventory: residential property management = 15 units per job; retail = 300 net sq.ft. per job; office = 262 net sq.ft. per employee; Hotel = 0.8 employees per room; Parks and Open Space (including Urban Farm and Art Park) = 0.35 jobs per acre; Marina, sailing center, ferry terminal = 7 full time equivalent employees; structured parking = 270 spaces per job.

<sup>3</sup> Although the project is anticipated to be developed as described, because of its multiyear build-out, circumstances affecting such development may change over time, potentially affecting the timing of development and/or the development program. If a land use change were to be requested, the amendments would be reviewed by the OEA, and the economic impacts analyzed at such time.

# **ECONOMIC IMPACT FACTORS**

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## **Introduction**

The project has the potential to produce significant economic impacts on the entire City of San Francisco. The legislation will allow a major new mixed-use development, increasing the City's housing supply and residential population, while also increasing the capacity of the City to accommodate employment growth in several sectors.

The economic impacts can be distinguished as follows:

- One-time impacts associated with construction spending (on infrastructure and buildings), as measured by increases in employment and economic output during the 20+/- year build-out period
- On-going impacts resulting from employment in the new commercial buildings, including an estimate of the distribution of employment and wages by industry, and an estimate of the impact of this employment on total economic output in San Francisco
- The impact of new housing units on the City's housing supply, housing prices, and resident population
- On-going impacts resulting from new resident spending captured by San Francisco businesses
- A brief analysis of the impact of new development on the City's property tax base and taxes allocated to City Funds.

**One-Time Construction Impacts**

*Construction of the project will generate an annual average of approximately 750 direct construction jobs, representing about 3% of projected citywide construction employment during the build-out of Treasure Island.*

The development of the project will create thousands of construction jobs during its 20+/- year build-out, and inject billions of dollars into the City's economy.

Development costs for the project are comprised of two components: horizontal infrastructure costs needed to support the proposed development (roads, site preparation, utilities, transit, parks, etc.), and the cost to construct the vertical buildings (residential units, commercial space, etc.). Cost estimates are summarized in Table 2 below. A multi-year, dynamic cost estimate summarizing annual costs during the construction period is presented in Appendix 2. Infrastructure cost detail, including community benefit costs, is presented in Appendix 3.

TABLE 2		<b>Treasure Island/ Yerba Buena Island project - Vertical and Horizontal Development Cost Assumptions (at Build-out)</b>		
	Average Per Unit Cost (1)	Units/ Net Sq.Ft	Total Cost (millions)	
<b>Vertical Costs</b>				
Residential	\$577,370 /unit	8,000	\$4,619	
Retail	\$275 /Net SF	342,600	\$94	
Office	\$350 /Net SF	110,000	\$39	
Hotel	\$308,250 /room	250	\$77	
Sub-total			\$4,829	
<b>Horizontal Costs (1)(2)</b>				
Direct (hard) Costs			\$807	
Indirect (soft) Costs			\$192	
Sub-total			\$999	
<b>Total Construction Costs (3)</b>			<b>\$5,828</b>	

**Sources and Notes:**

- (1) Average construction cost per unit, net square foot, or room. Excludes land and developer profit. Construction costs are based on development assumptions in April 2011 TICD pro forma (V31), the basis for the Disposition and Development Agreement (DDA) between the City/Authority and Master Developer. Vertical building costs are based on residual land pro formas, by unit type, land use, and location project. These residual analyses are the basis for the finished land values in the horizontal proforma, taking into account market conditions (for finished building value), and the cost to build the structures. The OEA has reviewed the pro formas and their assumptions and found them to be reasonable.
- (2) Excludes land acquisition cost, financing proceeds, and operating subsidies, including about \$150 million for transportation, parks maintenance, and affordable housing. Includes cost for community facilities, parking, marina, open space, police/fire station, school facilities, and grocery/retail. See Appendix 3 for horizontal infrastructure cost detail.
- (3) See Appendix 2 for a summary of development costs during the 20+/- year projection period, consistent with the phasing assumptions in Appendix 1.

*In addition, close to 375 indirect jobs per year are projected during project build-out*

The impact of the direct construction spending can be modeled using the OEA's econometric model of the San Francisco economy, prepared by Regional Economic Modeling Inc. (REMI).

The REMI model projects two key economic indicators that help explain the impact of the project: employment and Economic Output, defined as total San Francisco production attributed to the project, including spending on all intermediate goods and services, compensation and profit.

<b>TABLE 3</b>		<b>Treasure Island/Yerba Buena Island Project - Construction Period Economic Impacts</b>	
		<b>Total During Buildout</b>	<b>Annual Average (2)</b>
<b>Employment (1)</b>			
Direct Construction Jobs		13,450	750
Indirect/Induced Jobs		6,720	370
<b>Total Employment</b>		<b>20,170</b>	<b>1,120</b>
<b>Economic Output</b>			
<b>Total Output (2011\$) (3)</b>		<b>\$3,199,400,000</b>	<b>\$177,744,000</b>

**Sources and Notes:**

(1) San Francisco direct and indirect employment impacts associated with new construction per Regional Economic Modeling Inc. (REMI) run, 4/20/2011, based on development cost in Table 2 and phasing in Appendix 3. Direct construction employment was estimated based on construction multiplier of 1.5 (construction jobs x 1.5 = total jobs), based on previous construction multiplier analyses conducted by the OEA. Total development costs from Appendix 3 are the input source for the REMI model.

(2) Total during build-out divided by construction period.

(3) Output is the amount of production, including all intermediate goods purchased as well as value added (compensation and profit) in San Francisco. REMI output inflated to 2011\$ per Consumer Price Index (CPI) increase for the San Francisco MSA, per the US Department of Labor, Bureau of Labor Statistics (BLS).

Table 3 summarizes total employment, direct construction jobs, indirect and induced jobs, and total economic output generated by the development of the project, during build-out.

As indicated, development of the project will result in significant employment opportunities, with an average of more than 1,100 direct and indirect jobs per year during build-out<sup>4</sup>.

<sup>4</sup> The REMI Policy Insight model captures not only direct construction jobs, but also the secondary intermediate and induced jobs. Intermediate jobs are created from the manufacturing of materials required for construction. Induced jobs are a result of new employees re-spending their wages.



*Construction will also contribute about \$175 million per year to San Francisco's economic output, and nearly \$3.2 billion in total during build-out of the project.*

Direct employment in the construction trades is estimated to average about 750 jobs per year, providing significant employment opportunities in this sector<sup>5</sup>.

In addition, construction activity will contribute an average of about \$175 million per year to San Francisco's economic output, and more than \$3 billion during the build-out period, as shown in Table 3.

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<sup>5</sup> The annual average construction employment from the project represents nearly 3% of the 25,000 citywide construction jobs projected annually during build-out, per REMI projections.

**On-Going Impacts:  
Permanent  
Employment**

*The 2,235 permanent employees are estimated to earn an aggregate salary of about \$134 million a year upon full build-out of the project.*

The project will create the opportunity for job growth from businesses occupying the completed non-residential buildings. Table 1 presented an estimate of employment by general land use category, based on typical employment density assumptions and the land use mix previously discussed, including an allowance for stabilized vacancy. As indicated, an estimated 2,235 direct employees are projected at full build-out and occupancy.

To estimate the distribution of these workers by industry, including average wages, the OEA first selected the industries likely to occupy each type of space. The first column of Table 4 includes the industry employment assumptions for each land use category. For example the Retail land use category is assumed to be occupied by those in the retail trade (NAICS code 44-45), while the office space is assumed occupied by workers in the Professional and Business Services trade (NAICS 54). The next columns show the distribution of jobs among these industries, as well as average annual wages for these industries in San Francisco, per the U.S. Bureau of Labor Statistics<sup>6</sup>.

As shown, a range of employment opportunities are anticipated to be accommodated on Treasure Island, with annual pay averaging about \$60,000 per year and ranging from \$25,000 to \$100,000 per year. Upon project build-out, aggregate wages of more than \$134 million per year are projected.

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<sup>6</sup> It should be noted that the employment and wage estimates are based on the land use assumptions and employment densities summarized in Table 1. If the mix of non-residential uses change, the employment estimates will be impacted. Similarly, the wages presented are citywide averages, based on reasonable estimates of the types of employees occupying the space; individual wages may be higher or lower than those presented, based on the ultimate occupants of the non-residential space.

TABLE 4

**Treasure Island/Yerba Buena Island Project -  
Summary of Direct Employment Distribution by  
Land Use and Industry**

Land Use/ Industry	% of Jobs	# of Direct Jobs	Average Annual Wage (2)
Retail (NAICS 44-45; retail trade)	46%	1,030	\$41,000
Office (NAICS 54; prof.& bus.services)	17%	380	\$101,000
Hotel (NAICS 721; Accommodation)	9%	200	\$40,100
Parking (NAICS 8129; Parking Lot Attendants)	0%	5	\$28,300
Parks/Open Space (NAICS 712; Parks, Museums)	5%	105	\$36,200
Marina (NAICS 7139; Other Recreation)	0%	7	\$26,200
Residential (NAICS 53; Real Estate Rental)	23%	508	\$81,500
<b>TOTAL Direct Employment /Average Wage</b>	<b>100%</b>	<b>2,235</b>	<b>\$60,100</b>
<b>Total Wages per Year (Millions \$) (at build-out) (3)</b>			<b>\$134.2</b>

**Sources and Notes:**

- (1) This exhibit summarizes employment by industry based on the land use plan and density assumptions in Table 1. The following NAICS codes were used to determine average wages in San Francisco: Retail (NAICS 44-45, Retail Trade); Office (NAICS 54, Professional and Business Services); Hotel (NAICS 721, Accommodation); Parking (NAICS 8129, Parking Lot Attendants); Parks and Open Space (NAICS 712, Parks and Historical Sites); Marina (NAICS 7139, Other Amusement and Recreation); Property Management (NAICS 53 Real Estate Rental and Leasing).
- (2) Source: US Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) for average San Francisco wage as of 2008, inflated to 2011\$ by CPI.
- (3) See Appendix 4 for estimated phasing of employment and wages as the project is built-out.

*Upon build-out, direct, indirect, and induced employment attributed to the project will contribute more than \$1 billion annually to San Francisco's economic output, expanding the City's total output by about 0.3%.*

The impact of the project's permanent employment on San Francisco's total economic output was estimated by inputting the direct permanent employment estimates, by industry (as summarized in Appendix 4), into the REMI model. REMI calculated the indirect and induced employment (summarized in Table 5; an additional 1,400 jobs) from the project upon build-out.

Upon build-out and occupancy in 2030, direct and indirect employment will contribute about \$1.1 billion annually to the City's total economic output (2011\$), which represents an expansion of 0.28% to San Francisco's total output projected by REMI, absent the project. The annual average output during the projection period through 2050 is approximately \$900 million per year, as noted in Table 5 below.

**TABLE 5**

**Treasure Island/Yerba Buena Island Project - Permanent Employment Economic Impacts**

	Total at Project Completion and Occupancy	Annual Average During Projection Period (2)
<u>Employment (1)</u>		
Direct Employment	2,235	1,770
Indirect/Induced Jobs	1,395	1,040
Total Employment	3,630	2,810
<u>Economic Output</u>		
Total Output (2011\$) (3)	\$1,092,635,000	\$915,034,000

Sources and Notes:

- (1) San Francisco direct and indirect employment impacts associated with permanent new employment per Regional Economic Modeling Inc. (REMI) run, 5/02/2011, based on direct employment and wage estimates from Table 4, and phasing assumptions in Appendix 1.
- (2) Annual average during the projection period, through 2050.
- (3) Output is the amount of production, including all intermediate goods purchased as well as value added (compensation and profit) in San Francisco. REMI output inflated to 2011\$s per Consumer Price Index (CPI) increase for the San Francisco MSA, per the US Department of Labor, Bureau of Labor Statistics (BLS).

**On-Going Impacts:  
Resident Spending**

*Aggregate taxable household retail spending is estimated at \$221 million per year at build-out.*

The impact of new development will not be limited to the economic activity generated by its construction and permanent employment; ultimately, 8,000 new housing units will raise the city's population by approximately 19,000 people (about 2.4% of San Francisco's existing population of about 805,000) (see Table 1).

The new household population at the project will make retail purchases, supporting businesses in San Francisco, Treasure Island, and the region. Average taxable retail spending per household captured by San Francisco businesses was estimated at \$27,500 per year<sup>7</sup>. Thus upon build-out, residents will spend an aggregate of \$221 million per year on retail purchases, further stimulating the economy and helping to support the planned retail on Treasure Island<sup>8</sup>.

**On-Going Impacts:  
Housing Supply**

*8,000 housing units will increase the City's existing housing inventory by about 2.5% exerting moderate downward pressure on real estate rental rates and values*

Below-market-rate housing slated for the project will add 2,000 units to the City's supply of affordable housing, while the project's 8,000 total housing units will increase the City's existing housing supply of 324,000 occupied-housing units by about 2.5%.

Expanding the housing supply will help satisfy some of the pent-up demand for housing in the City, exerting moderate downward pressure on real estate rental rates and values citywide.

The OEA estimates that real estate values could decline by approximately 2% once the project is built-out and the new inventory is occupied. This estimate is based on the projected increase in building inventory relative to citywide supply (2.5% expansion), and a price elasticity of demand for housing of -0.85<sup>9</sup>.

The effect of marginally reduced real estate occupancy costs citywide will lead to increased economic output, as the real estate cost savings are shifted to other sectors. This impact is modeled in REMI and, combined with the

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<sup>7</sup> Based on the weighted average household expenditures by affordability level per EPS' Fiscal Analysis of Treasure Island report dated April 2011, Table A-2. Average household spending is multiplied by the cumulative completed housing units to derive total retail spending per year.

<sup>8</sup> Approximately half of the planned retail space within the project could be supported by new residents, if this retail were to capture 20% of new resident household taxable spending, assuming taxable sales of \$300 per square foot.

<sup>9</sup> The price elasticity of demand measures the sensitivity of price relative to a change in supply; the elasticity estimate of -0.85 was derived from the REMI model.

one-time and on-going impacts, is presented in the bottom of Table 6 under "Average Annual Combined Impacts."

The impact of this component is summarized in the following table. As indicated, through 2050, the project's increase on the City's housing supply is projected to result in nearly 2,200 direct and indirect jobs and contribute \$1.4 billion to San Francisco's economic output per year, on average.

<b>TABLE 6</b>		<b>Treasure Island/Yerba Buena Island Project - Increased Housing Supply Economic Impacts</b>	
<u>Employment (1)</u>		Annual Average During Projection Period (2)	
Total Employment		2,186	
<u>Economic Output</u>			
Total Output (2011\$) (3)		\$1,441,371,000	
<u>Sources and Notes:</u>			
(1) San Francisco direct and indirect employment impacts associated with increased housing inventory and its projected impact on overall real estate values, per Regional Economic Modeling Inc. (REMI) run, 5/2/2011.			
(2) Annual average through 2050.			
(3) Output is the amount of production, including all intermediate goods purchased as well as value added (compensation and profit) in San Francisco. REMI output inflated to 2011\$ per Consumer Price Index (CPI) increase for the San Francisco MSA, per the US Department of Labor, Bureau of Labor Statistics (BLS).			

## Property Taxes to City Funds

*Once completed, the project will add an estimated \$5 billion to the City's property tax base.*

Build-out of the project will also increase the City's property tax base, as buildings are constructed and sold or rented. Upon build-out, the project will add nearly \$5 billion in assessed value to the property tax rolls, generating significant property tax revenue<sup>10</sup>.

Appendix 5 includes a summary of completed value assumptions by unit type, and an aggregate value at build-out. The estimates are based on the pro forma assumptions used to calculate the residual land values in the horizontal pro forma, and were developed by TICD, in collaboration with City staff and its consultants. The OEA has compared these value projections to other projects currently selling, as well as market data maintained by the OEA and found the estimates reasonable.

However, market conditions can change and projections of future prices and/or the timing (absorption) of completed units may vary from current projections. To test the sensitivity of pricing and timing assumptions on completed value, the OEA re-calculated the taxable base assuming both a 10% and 20% reduction in finished value, resulting in a taxable base of \$4.5 billion and \$4 billion, respectively.

As previously mentioned, the project will no longer be financed using redevelopment tax increment financing, instead relying on a combination of other public financing mechanisms, including an Infrastructure Financing District (IFD). An IFD is similar to redevelopment financing, with a few key differences, including the amount of tax increment available.

Under redevelopment financing, the incremental property taxes generated by the project would be distributed as follows: 20% passed through to existing taxing entities (including City funds), 20% reserved for affordable housing, and 60% available for project financing.

With an IFD, the tax increment is limited to the amount allocated to the City and County of San Francisco, and excludes allocations to schools, BART, and other taxing entities. Currently, approximately 64.7% of the base 1% property tax rate is allocated to City funds (including the General Fund).

The Financing Plan for the project specifies the portion of

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<sup>10</sup> Excludes value of 1,684 TIDA/TIHDA affordable housing units. Based on completed value estimates from land residual analysis in horizontal pro forma, V31, BAE's April 2011 Fiscal analysis of the project, and data on file with the OEA.

property tax increment to be allocated to the IFD which would have otherwise accrued to the various City Funds (excluding schools).

The allocation of property taxes to City Funds is currently about 65% of the base 1% tax rate; under the proposed Financing Plan, 57% of the base 1% tax rate would be allocated to IFD (with 10% used for housing, and 47% available for the issuance of IFD bonds).

This results in an allocation of about 8% remaining for City Funds (65% - 57% = 8%) while IFD bonds are outstanding. Of this 8%, the Controller determines the portion allocated to the General Fund and to other City funds.

Applying the 8% allocation to City funds to the completed taxable value of about \$5 billion results in estimated property taxes of about \$3.8 million per year upon build-out; a 20% lower completed value would result in approximately \$3.1 million per year in property taxes to the various City funds.

When the IFD formation comes before the Board of Supervisors for approval, the Controller's Office will conduct a detailed study and report its findings.



**Summary conclusions**

*During the 40-year projection period, the combined impacts of Treasure Island's development and operations is estimated to result in an annual average of 5,200 jobs and about \$2.4 billion in economic output annually*

Overall, the proposed project will generate significant one-time and on-going economic impacts to the City, including an estimated annual average of 750 construction jobs during build-out of the project, an average of 1,800 direct permanent jobs and 900 indirect jobs associated with the non-residential development, and a 2.5% increase in the City's housing supply.

During the 40-year projection period, the combined impacts of Treasure Island's construction, permanent employment, and increased housing supply is estimated to result in an annual average of 5,200 jobs and almost \$2.4 billion in economic output annually through 2050.

<b>TABLE 7</b>		<b>Treasure Island/Yerba Buena Island Project - Economic Impact Summary</b>	
		<b>Annual Average During Projection Period (2)</b>	
<b>One-Time Impacts (during construction)</b>			
<u>Construction Period Impacts (1)</u>			
Construction-related Employment		750	
Indirect/Induced Employment		370	
Total Employment		<b>1,120</b>	
Annual Economic Output (2011\$s)			\$177,744,000
<b>On-Going Impacts (after build-out)</b>			
<u>Permanent Employment Impacts (3)</u>			
Direct Project Employment		1,770	
Indirect/Induced Employment		910	
Total Employment		<b>2,680</b>	
Annual Economic Output (2011\$s)			\$877,051,000
<u>Increased Housing Supply Impacts(4)</u>			
Total Employment		<b>2,190</b>	
Annual Economic Output (2011\$s)			\$1,441,371,000
<b>Annual Average Combined Impacts (through year 2050) (5)</b>			
Annual Average Direct and Indirect Employment		<b>5,220</b>	
Annual Average Economic Output (2011\$s)			<b>\$2,359,430,000</b>
<b>Sources and Notes:</b>			
(1) Annual averages during 20+/- year build-out period for construction impacts. See Table 3.			
(2) Annual averages during 20+/- year build-out period for construction impacts and through 2050 for on-going impacts.			
(3) See Table 5 and Appendix 4.			
(4) See Table 6.			
(5) Presents the combined average annual impacts through 2050 comprised of construction-period impacts, permanent employment impacts, and the impact of the increased housing supply on real estate values citywide. Totals may not add due to construction period impacts averaged only over the 20 year build-out period.			

# APPENDIX 1: VERTICAL COMPLETION SCHEDULE AND POPULATION AND EMPLOYMENT ESTIMATES

## A. Vertical Completion Schedule (1)

Residential (housing units)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Total</b>	314	60	275	283	616	49	675	332	710	262	471	18	670	374	250	0	0
Market Rate For-Sale	314	0	275	283	616	49	675	332	710	262	471	18	670	374	250	0	0
PLAN1 (TOWNHOMES)	213	85	34	94	37	47	0	109	17	25	0	19	0	0	0	0	0
PLAN2 (YBTH)	2347	240	241	151	337	49	218	155	275	139	283	18	243	0	0	0	0
PLAN3 (LOW RISE FLATS)	1372	0	0	0	232	0	348	160	0	153	169	0	310	0	0	0	0
PLAN6 (HRISE)	1034	0	0	0	0	0	0	410	0	0	0	0	0	374	250	0	0
PLAN15 (CONDOTEL)	117	0	0	0	0	0	0	0	0	0	0	0	117	0	0	0	0
<b>SUB-Total Market Rate For-Sale</b>	<b>5,398</b>	<b>385</b>	<b>275</b>	<b>283</b>	<b>616</b>	<b>49</b>	<b>675</b>	<b>332</b>	<b>710</b>	<b>262</b>	<b>471</b>	<b>18</b>	<b>670</b>	<b>374</b>	<b>250</b>	<b>0</b>	<b>0</b>
Inclusionary For-Sale	11	4	2	5	0	0	0	0	0	0	0	0	0	0	0	0	0
PLAN9 (INCLUSIONARY - YBTH)	10	14	14	9	19	3	12	9	21	7	15	1	16	0	0	0	0
PLAN10 (INCLUSIONARY - LOW RISE FLATS)	85	0	0	0	13	0	0	11	0	6	4	0	17	0	0	0	0
PLAN12 (INCLUSIONARY - HI TOWER)	216	18	16	14	32	3	23	20	21	16	19	1	33	0	0	0	0
<b>SUB-Total Inclusionary For-Sale</b>	<b>602</b>	<b>0</b>	<b>66</b>	<b>158</b>	<b>107</b>	<b>0</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>163</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Market Rate Rental	100	0	12	28	19	0	19	0	0	22	0	0	0	0	0	0	0
Inclusionary Rental	1,684	0	129	577	68	348	165	61	0	155	110	71	0	0	0	0	0
<b>TIID/AUTHORITY Affordable</b>	<b>8,000</b>	<b>532</b>	<b>946</b>	<b>550</b>	<b>1,122</b>	<b>52</b>	<b>990</b>	<b>413</b>	<b>731</b>	<b>648</b>	<b>600</b>	<b>90</b>	<b>703</b>	<b>374</b>	<b>250</b>	<b>0</b>	<b>0</b>
<b>Total Housing Units (all types)</b>	<b>2,000</b>	<b>147</b>	<b>605</b>	<b>110</b>	<b>369</b>	<b>3</b>	<b>207</b>	<b>81</b>	<b>21</b>	<b>193</b>	<b>129</b>	<b>72</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Affordable Units	25%																

Net Sq.Ft	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>RETAIL</b>																	
Building 1 - Adaptive Reuse	32,000																
Building 2 - Adaptive Reuse	59,000							35,700									
Building 3 - Adaptive Reuse	150,000																
New Construction	101,600																
<b>Sub-total - Retail Uses</b>	<b>342,600</b>	<b>55,300</b>						<b>137,300</b>									<b>150,000</b>
<b>OFFICE</b>																	
Building 1 - Adaptive Reuse	10,000						10,000										
New Construction	100,000						100,000										
<b>Sub-total - Office Uses</b>	<b>110,000</b>						<b>110,000</b>										
<b>Hotel</b>																	
Ti Hotel	200						50		200								
YB Hotel	50						50		200								
<b>Sub-total - Hotel</b>	<b>250</b>						<b>50</b>		<b>200</b>								
Parking (spaces - structured)	1,350									1,350							
Parks and Open Space (acres)	300	7	10	75	31	22	20	19	18	9	30	29	10	2	0	0	0
Marina (slips)	400					200	200										

## B. Population and Employment Estimates

Residential Population	Density (2)	Total
Annual Residential Population	2.33 pphh	18,640
<b>Cumulative Residential Population</b>		<b>18,640</b>
<b>Employment</b>		
Retail	300 net SF/EE	1,030
Cumulative Retail Employment		1,030
Office	262 net SF/EE	380
Cumulative Office Employment		380
Hotel	0.80 EB/room	200
Cumulative Hotel Employment		200
Parking	270 spaces/EE	5
Cumulative Parking Employment		5
Parks/Open Space (inc. Farm and Art Parks)	0.35 EB/acre including farm, art park	105
Cumulative Parks Employment		105
Marina, Sailing Center, Ferry Terminal	1.75 EB/100 slip including sailing and ferry	7
Cumulative Marina Employment		7
Residential Property Management	15 units/EE	508
Cumulative Residential Employment		508
<b>CUMULATIVE EMPLOYMENT</b>		<b>2,235</b>

(1) Note: Assumes 2 year delay from finished lot delivery to finished vertical development. Source: TGD pro forma Version 31, April 2011.  
 (2) Based on density assumptions in EIR, adjusted for stabilized vacancy factor; see Table 1 in report for detail.

# APPENDIX 2: HORIZONTAL AND VERTICAL CONSTRUCTION COST SUMMARY

	Total	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Horizontal (Infrastructure) Costs (1)</b>																			
Direct Costs	807,295,932	2,506,895	78,481,896	91,683,822	76,004,824	86,646,408	71,258,979	60,988,142	88,824,873	68,900,686	45,177,884	25,150,639	43,932,772	37,157,483	20,283,085	8,302,905	1,820,600	151,450	944,660
Indirect Costs	197,616,083	12,116,014	6,018,488	13,757,445	13,077,413	18,228,231	16,280,787	13,353,191	15,969,667	14,665,162	12,866,389	11,510,987	11,405,836	11,190,097	8,286,126	6,010,728	3,059,390	3,094,544	828,340
<b>Total Horizontal Costs</b>	<b>998,912,000</b>	14,622,909	84,480,403	105,441,386	89,082,237	104,874,639	87,539,766	74,339,333	105,794,340	81,565,847	58,046,454	38,669,726	55,338,608	48,347,581	28,549,211	14,319,633	4,879,990	3,155,994	1,772,999
<b>Vertical (Building) Costs (2)</b>																			
Residential																			
Market Rate For-Sale	3,335,939,162				109,284,316	186,344,770	236,039,046	261,251,620	229,716,533	265,059,073	339,059,541	331,075,243	223,180,488	174,233,980	231,255,553	356,076,466	300,424,106	93,948,418	
Inclusionary For-Sale	125,811,601				5,186,009	9,651,837	12,859,133	13,536,654	9,551,283	11,224,412	9,278,622	11,074,811	11,831,201	7,276,440	9,871,185	10,142,846	4,346,587		
Market Rate Rental	291,970,000				16,065,625	54,259,375	64,141,250	25,947,500	25,947,500	28,250,625	28,250,625	28,250,625	39,627,500	39,627,500	5,335,000				
Inclusionary Rental	48,500,000				2,910,000	9,700,000	11,397,500	4,607,500	4,607,500	4,607,500	4,607,500	4,607,500	5,335,000	5,335,000					
TID/JVAUTHORITY	816,740,000				31,282,500	171,205,000	158,412,500	100,880,000	84,390,000	40,012,500	54,805,000	14,792,500	37,587,500	64,262,500	43,892,500	17,217,500			
<b>Sub-Total - Residential</b>	<b>4,618,960,763</b>				148,733,626	386,177,232	468,270,623	461,206,624	354,212,816	397,134,110	434,002,288	365,942,355	317,461,689	290,636,517	285,029,238	393,436,911	304,770,673	93,948,418	
Non-Residential																			
Retail	94,215,055				15,207,500							37,757,500							41,250,055
Office	38,500,000										38,500,000								
Hotel	77,062,500										15,412,500		61,650,000						
<b>Sub-Total - Non-Residential</b>	<b>209,777,555</b>				15,207,500						53,972,500	37,757,500	61,650,000						41,250,055
<b>Total Vertical Construction Costs</b>	<b>4,828,738,318</b>				145,733,626	401,384,732	468,270,623	451,206,624	354,212,816	397,134,110	487,914,788	394,699,855	379,111,689	290,636,517	285,029,238	383,436,811	304,770,673	93,948,418	41,250,055
<b>Total Construction Cost</b>	<b>5,827,650,333</b>	14,622,909	84,480,403	105,441,386	234,816,862	506,257,371	555,969,799	525,545,357	460,007,156	426,699,856	545,961,242	451,368,581	434,450,297	338,963,011	313,578,449	397,750,444	309,750,663	97,104,411	43,023,054

**Note:**  
 (1) Excludes costs for land and developer profit. See Appendix 3 for infrastructure cost detail. Sources: TIGD pro forma, V21, April 2011.  
 (2) See Table 2 in the text for detailed assumptions and source notes. Cost phasing based on development program and timing in Appendix 1. The total cost is the basis for the REM model run to estimate construction period economic impacts.

## APPENDIX 3: HORIZONTAL (INFRASTRUCTURE) COST DETAIL

### Direct Costs

<b>Site Development, incl. Cleanup &amp; Ramps/Viaduct</b>	<b>\$226,945,000</b>
ENVIRONMENTAL	37,100,500
GEOTECHNICAL STABILIZATION	136,981,765
DEMO: EXISTING STRUCTURE / PAVEMENT / UTS.	33,450,715
GRADING	3,682,868
EBMUB 2ND WATER LINE	142,725
TEMPORARY IMPROVEMENTS & CONSTRUCTION STAGING	1,367,400
REMOVE AND REPLACE	1,800,000
INTERIM USES	1,500,000
Viaduct Construction Subsidy	2,533,540
Ramps Payment (Connections to Bay Bridge)	8,385,799
<b>Transportation, Plaza, Ferry Terminal &amp; Parking Garage</b>	<b>\$68,527,000</b>
Transportation, Capital	9,176,163
Transportation, Ferry Terminal and Waterfront Plaza	30,043,750
Transportation, Parking Garage	29,306,800
<b>Infrastructure, Landscape, Police/Fire, Water Tanks</b>	<b>\$245,629,000</b>
MAIN ROADWAY IMPROVEMENTS	24,140,779
DOMESTIC WATER SYSTEM IMPROVEMENTS	16,844,749
RECLAIMED WATER SYSTEM	8,275,245
SANITARY SEWER IMPROVEMENTS	28,916,487
STORM DRAIN IMPROVEMENTS	28,256,708
POWER, NATURAL GAS, COMMUNICATION - NET	20,623,328
AWSS - RECLAIMED WATER TANK & PUMP	5,123,000
WATER TANKS	13,721,000
Landscaping, Parks Open Space	85,727,656
POLICE / FIRE STATION	14,000,000
<b>Other Direct Costs</b>	<b>\$266,195,000</b>
School Facilities	5,970,261
Community Facilities	14,491,340
Historic Building 2 Grocery/Retail	25,000,000
Construction Management	21,160,219
Engineering and Other Fees	52,079,834
Contingency	123,623,138
Site Closure Oversight & Insurance	8,000,000
Fees, Bonds, Permits	15,870,164
<b>Indirect Costs</b>	<b>\$191,616,000</b>
Closing Costs	39,266,125
Residential Marketing	36,958,143
Planning And Entitlements - Pre Acq./Land	10,745,040
TDA Admin	32,750,000
Property Taxes	22,512,621
G&A	9,024,933
Project Management Fee	22,615,030
Soft Cost Contingency	17,744,191
<b>TOTAL COSTS (excluding operating subsidies)</b>	<b>\$998,912,000</b>
Direct	<b>807,296,000</b>
Indirect	<b>191,616,000</b>
Operating Cost and Other Subsidy	<b>156,317,000</b>
Total including operating subsidies	<b>1,155,229,000</b>
<b>Operating Cost and Other Subsidy</b>	<b>\$156,317,000</b>
Transportation Operating Subsidy	33,366,678
Parks and Open Space Maintenance Subsidy	17,949,943
Affordable Housing Subsidy	105,000,000
<b>Summary of Community Benefit Costs (included in above totals)</b>	<b>\$301,506,000</b>
School Facilities	5,970,261
Community Facilities	14,491,340
Historic Building 2 Grocery/Retail	25,000,000
Landscaping, Parks Open Space	85,727,656
POLICE / FIRE STATION	14,000,000
Transportation Operating Subsidy	33,366,678
Parks and Open Space Maintenance Subsidy	17,949,943
Affordable Housing Subsidy	105,000,000

Source: DDA Attachment Exhibit F "TICD Obligations from the Community Facilities Plan 4/14/2011", 3/27/2011  
Housing Plan Draft, TICD Pro Forma v31 4/08/2011..

# APPENDIX 4: SUMMARY OF EMPLOYMENT AND WAGE ESTIMATES

Land Use	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Average Annual Wage</b>																	
<b>Retail</b>																	
Annual Employment	-	170	-	-	-	-	-	410	-	-	-	-	-	-	450	-	-
Cumulative Employment	-	170	170	170	170	170	170	580	580	580	580	580	580	580	1,030	1,030	1,030
Aggregate Annual Wages	-	6,970,000	6,970,000	6,970,000	6,970,000	6,970,000	23,760,000	23,760,000	23,760,000	23,760,000	25,780,000	25,780,000	23,780,000	23,780,000	42,230,000	42,230,000	42,230,000
<b>Office</b>																	
Annual Employment	-	-	-	-	-	-	380	-	-	-	-	-	-	-	-	-	-
Cumulative Employment	-	-	-	-	-	-	380	380	380	380	380	380	380	380	380	380	380
Aggregate Annual Wages	-	-	-	-	-	-	38,380,000	38,380,000	38,380,000	38,380,000	38,380,000	38,380,000	38,380,000	38,380,000	38,380,000	38,380,000	38,380,000
<b>Hotel</b>																	
Annual Employment	-	-	-	-	-	-	40	-	160	-	-	-	-	-	-	-	-
Cumulative Employment	-	-	-	-	-	-	40	40	200	200	200	200	200	200	200	200	200
Aggregate Annual Wages	-	-	-	-	-	-	1,604,000	1,604,000	8,020,000	8,020,000	8,020,000	8,020,000	8,020,000	8,020,000	8,020,000	8,020,000	8,020,000
<b>Parking</b>																	
Annual Employment	-	-	-	-	-	-	-	-	-	5	-	-	-	-	-	-	-
Cumulative Employment	-	-	-	-	-	-	-	-	-	5	5	5	5	5	5	5	5
Aggregate Annual Wages	-	-	-	-	-	-	-	-	-	41,500	41,500	41,500	41,500	41,500	41,500	41,500	41,500
<b>Parks and Open Space</b>																	
Annual Employment	2	3	26	11	8	7	7	7	6	3	11	10	3	1	0	-	-
Cumulative Employment	2	6	32	43	50	57	64	71	77	80	91	101	104	105	105	105	105
Aggregate Annual Wages	84,020	207,058	1,583,030	1,545,529	1,859,110	2,075,558	2,314,305	2,557,059	2,780,386	2,864,987	3,278,535	3,648,310	3,773,581	3,799,469	3,801,000	3,801,000	3,801,000
<b>Marina</b>																	
Annual Employment	-	-	-	-	4	4	-	-	-	-	-	-	-	-	-	-	-
Cumulative Employment	-	-	-	-	4	7	7	7	7	7	7	7	7	7	7	7	7
Aggregate Annual Wages	-	-	-	-	91,700	83,400	83,400	83,400	83,400	83,400	83,400	83,400	83,400	83,400	83,400	83,400	83,400
<b>Residential Property Management</b>																	
Annual Employment	-	34	60	35	71	3	63	26	46	41	38	6	45	24	16	-	-
Cumulative Employment	-	34	94	129	200	203	266	292	338	379	417	423	468	492	508	508	508
Aggregate Annual Wages	-	2,771,000	7,661,000	10,516,500	16,300,000	16,544,500	21,679,000	23,799,000	27,547,000	30,888,500	33,985,500	34,474,500	38,342,000	40,088,000	41,402,000	41,402,000	41,402,000
<b>TOTAL DIRECT EMPLOYMENT</b>																	
Annual Employment	2	207	86	46	82	14	490	443	212	49	49	16	48	25	466	-	-
Cumulative Employment	2	210	296	342	424	437	927	1,370	1,582	1,631	1,680	1,696	1,744	1,769	2,235	2,235	2,235
Aggregate Wages (\$M)	\$0.1	\$9.9	\$15.8	\$19.0	\$25.2	\$25.8	\$71.1	\$90.3	\$100.7	\$104.3	\$107.8	\$108.6	\$112.4	\$114.4	\$134.2	\$134.2	\$134.2

Note: Based on phasing and development program in Table 1 and Appendix 1; see Table 4 for additional sources.

## APPENDIX 5: SUMMARY OF COMPLETED VALUE ESTIMATES

<b>Residential</b>	<b># Units</b>	<b>Average Unit Size (net SF)</b>	<b>Average Price/ Net SF</b>	<b>Average Value/ Unit</b>	<b>Total Value (upon build-out)</b>
<b>Market Rate For-Sale</b>					
PLAN 1 (TOWNHOMES)	314	1,700	\$550	\$935,000	293,744,900
PLAN 2 (YBI TH)	213	2,000	\$590	\$1,180,000	251,754,600
PLAN 3 (LOW RISE FLATS)	2,347	1,100	\$580	\$638,000	1,497,602,500
PLAN 5 (NH TOWER)	1,372	1,100	\$740	\$814,000	1,117,108,300
PLAN 6 (HI RISE)	1,034	1,100	\$850	\$935,000	966,579,400
PLAN 15 (CONDOTEL)	117	1,100	\$970	\$1,067,000	124,839,000
<b>Market Rate For-Sale Total</b>	<b>5,398</b>			<b>\$788,000</b>	<b>4,251,628,700</b>
<b>Inclusionary For-Sale</b>					
PLAN 9 (YBI TH)	11	2,000	\$150	\$300,000	3,300,000
PLAN 10 (LOW RISE FLATS)	140	1,100	\$270	\$297,000	41,580,000
PLAN 12 (NH TOWER)	65	1,100	\$220	\$242,000	15,730,000
<b>Inclusionary For-Sale Total</b>	<b>216</b>			<b>\$281,000</b>	<b>60,610,000</b>
Market Rate Rental	602	1,100	\$580	\$638,000	384,076,000
Inclusionary Rental	100	1,100	\$220	\$242,000	24,200,000
TIHDA/AUTHORITY Affordable	1,684	-	-	\$0	-
<b>TOTAL - RESIDENTIAL (excludes TIHDA/Authority)</b>					<b>4,720,500,000</b>
<b>Non-Residential</b>					
Retail		342,600	\$325		111,345,100
Office		110,000	\$400		44,000,000
Hotel		250	\$390,000		97,500,000
<b>TOTAL - NON RESIDENTIAL</b>					<b>252,850,000</b>
<b>ESTIMATED TOTAL COMPLETED VALUE (at build-out)</b>					<b>4,973,350,000</b>

## STAFF CONTACTS

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Kurt Fuchs, Senior Economist ([kurt.fuchs@sfgov.org](mailto:kurt.fuchs@sfgov.org)) 415-554-5369

Ted Egan, Chief Economist ([ted.egan@sfgov.org](mailto:ted.egan@sfgov.org)) 415-554-5268

The author would like to thank Wells Lawson and Rich Hillis of the Office of Economic and Workforce Development for their assistance in the preparation of this report. All errors and omissions are solely the responsibility of the Office of Economic Analysis.



**DEVELOPMENT AGREEMENT**

**BETWEEN**

**THE CITY AND COUNTY OF SAN FRANCISCO**

**AND**

**TREASURE ISLAND COMMUNITY DEVELOPMENT, LLC  
RELATIVE TO NAVAL STATION TREASURE ISLAND**



File 110226

Draft 5.11.11



**Exhibit D**

**FINANCING PLAN**

**(TREASURE ISLAND/YERBA BUENA ISLAND)**

Files 110226, 110227, 110228, 110229, 110230, 110289, 110290, 110291  
110328, 110330, 110340



# SAN FRANCISCO PLANNING DEPARTMENT

April 27, 2011

Ms. Angela Calvillo, Clerk  
Board of Supervisors  
City and County of San Francisco  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Re: **Transmittal of Planning Department Case Number 2007.0903BEMRTUWZ to the Board of Supervisors:  
Treasure Island/Yerba Buena Island Project  
Planning Commission Recommendation: Approval**

Dear Ms. Calvillo,

On April 21, 2011, the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed joint hearing with the Treasure Island Development Authority Board of Directors on the Treasure Island/Yerba Buena Island Project. At the hearing, the Commission considered the proposed General Plan, Planning Code, and Zoning Map Ordinances which the Commission initiated on March 3, 2011. The proposed Ordinances are as follows:

- Amendments to the General Plan which would amend the Transportation Element, the Recreation and Open Space Element, the Commerce and Industry Element, the Community Facilities Element, the Housing Element, the Urban Design Element, the Land Use Index along with other minor General Plan map amendments; establish the Treasure Island/Yerba Buena Island Area Plan (referred to you separately by Mayor Lee under File No. 110228).
- Amendments to the San Francisco Planning Code Sections 102.5 and 201 to include the Treasure Island/Yerba Buena Island Special Use District; Section 104 relating to height and bulk limits for Treasure Island and Yerba Buena Island, add Section 249.52 to establish the Treasure Island/Yerba Buena Island Special Use District, add Section 263.26 to establish the Treasure Island/Yerba Buena Island Height and Bulk District, and amend Table 270 to recognize this District (referred to you separately by Mayor Lee under File No. 110229).
- Amendments to the San Francisco Zoning Maps which would add new sectional map ZN14 to show the zoning designations of Treasure Island and Yerba Buena Island, add new sectional map HT14 to establish the Height and Bulk District for Treasure Island and Yerba Buena Island, add new sectional map SU14 to establish the Treasure Island/Yerba Buena Island Special Use District (referred to you separately by Mayor Lee under File No. 110227).

BY \_\_\_\_\_  
AK

2011 APR 28 AM 11:33

1656 Mission St.  
San Francisco, CA 94103-2479  
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PLANNING DEPARTMENT  
415.558.6378  
Planning Information: 415.558.6377

April 27, 2011

Transmittal of Planning Commission Actions  
Treasure Island/Yerba Buena Island Project

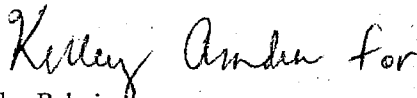
At the April 21, 2011 hearing, the Planning Commission, along with the Treasure Island Development Authority certified the Final Environmental Impact Report (FEIR) under Motion No. 18325 and Resolution No. 11-14-04/21, respectively.

Also at the April 21, 2011 hearing, the Planning Commission and the Treasure Island Development Authority Board of Directors made CEQA findings including the adoption of a Mitigation Monitoring Reporting Program (MMRP).

Finally, at the April 21, 2011 hearing, the Commission voted to recommend approval of the proposed Ordinances described above. The Planning Commission took other actions related to the project including finding the Treasure Island/Yerba Buena Island Project consistent with the General Plan and Planning Code Section 101.1 and finding the office component of the Project consistent with Planning Code Sections 320-325. Other actions included approving the Design for Development document for the Project as well as a Development Agreement for the Project.

The Motions and Resolution and related information referred to here are being transmitted to you along with actions by the Treasure Island Development Authority Board of Directors in a comprehensive packet from the Office of Economic and Workforce Development. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,



John Rahaim  
Director of Planning



# SAN FRANCISCO PLANNING DEPARTMENT

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## Planning Commission Motion No. 18328

AK

HEARING DATE: April 21, 2011

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

Case No.: 2007.0903BEMRTUWZ  
Project: Treasure Island/Yerba Buena Island Project  
R Case: General Plan Consistency and Section 101.1 Findings  
Location: Treasure Island and Yerba Buena Island  
Current Zoning: P (Public) District/40-X Height and Bulk District  
Block/Lot: 1939/001, 002  
Staff Contact: Joshua Switzky - (415) 575-6815  
[joshua.switzky@sfgov.org](mailto:joshua.switzky@sfgov.org)

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**MOTION MAKING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN OF THE CITY AND COUNTY OF SAN FRANCISCO AND WITH SECTION 101.1 OF THE CITY PLANNING CODE FOR THE TREASURE ISLAND/YERBA BUENA ISLAND PROJECT, INCLUDING VARIOUS ACTIONS NECESSARY FOR THE IMPLEMENTATION OF THE PROJECT.**

### RECITALS

WHEREAS, Originally constructed in 1937 as a possible site for the San Francisco Airport, Treasure Island was first used to host the Golden Gate International Exposition from 1939-1940. Shortly thereafter in World War II, the United States Department of Defense converted the island into a naval station, which operated for more than five decades. Naval Station Treasure Island was subsequently closed in 1993 and ceased operations in 1997. Since the closure of the base, the City and the community have been planning for the reuse of former Naval Station Treasure Island and adjacent Yerba Buena Island; and,

WHEREAS, Former Naval Station Treasure Island consists of approximately 550 acres including Yerba Buena Island. Today the site is characterized by aging infrastructure, environmental contamination from former naval operations, deteriorated and vacant buildings, and asphalt and other impervious surfaces which cover approximately 65% of the site. The site has few public amenities for the approximately 1,820 residents who currently reside on the site. This legislation creating the Treasure Island/Yerba Buena Island Special Use District, the Treasure Island/Yerba Buena Island Height and Bulk District, and the related zoning and General Plan amendments will implement the proposed Treasure Island / Yerba Buena Island Project ("Project"); and,

WHEREAS, The Project will include (a) approximately 8,000 new residential units, with at least 25 percent of which (2,000 units) will be made affordable to a broad range of very-low to moderate income households, (b) adaptive reuse of 311,000 square feet of historic structures, (c) 140,000 square feet of new retail uses and 100,000 square feet of commercial office space, (d) 300 acres of parks and open space, (e) new and or upgraded public facilities, including a joint police/fire station, a school, facilities for the Treasure Island Sailing Center and other community facilities, (f) 400-500 room hotel, and (g) transportation infrastructure, including a ferry/quay intermodal transit center; and,

WHEREAS, In 2003, the Treasure Island Development Authority ("TIDA") selected through a competitive three year long process, Treasure Island Community Development, LLC ("TICD") to serve as

the master developer for the Project; and,

WHEREAS, In 2006, the Board of Supervisors of the City and County of San Francisco ("Board") endorsed a Term Sheet and Development Plan for the Project, which set forth the terms of the Project including a provision for a Transition Plan for Existing Units on the site. In May of 2010 the Board endorsed a package of legislation that includes and update to the Development Plan and Terms Sheet, terms of an Economic Development Conveyance Memorandum of Agreement for the conveyance of the site from the Navy to the City, and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative ("TIHDI"); and,

WHEREAS, The Charter of the City and County of San Francisco requires certain legislative actions to be found in conformity with the General Plan and Section 101.1 of the Planning Code; and,

WHEREAS, The Planning Commission wishes to facilitate the physical, environmental, social and economic revitalization of Treasure Island and Yerba Buena Island, using the legal and financial tools of a Development Agreement and Infrastructure Financing District, while creating jobs, affordable housing, open space in a attractive and livable mixed use neighborhood; and,

WHEREAS, The proposed Project, specifically, the Development Agreement, Area Plan and Special Use District proposed to be adopted, and the Design for Development Document, provide for a type of development, intensity of development and location of development that is consistent with the overall goals and objectives and policies of the General Plan as well as the Eight Priority Policies of Section 101.1, as expressed in the findings contained in Exhibit A to this resolution; and,

WHEREAS, On April 21, 2011, by Motion No. 18325, the Commission certified the Final Environmental Impact Report ("FEIR") for the Project as accurate, complete and in compliance with the California Environmental Quality Act ("CEQA"); and,

WHEREAS, On April 21, 2011, by Motion No. 18326, the Commission adopted findings under CEQA, the State CEQA Guidelines and Chapter 31 of the San Francisco Administrative Code and made certain findings in connection therewith, which findings are hereby incorporated herein by this reference as fully set forth; and,

WHEREAS, As part of the implementation of the Project, the Board is considering a number of actions, including but not limited to the following: adoption of amendments to the General Plan; adoption of amendments to the Planning Code; adoption of amendments to the Zoning Map; approval of a Development Agreement; approval of a Disposition and Development Agreement; approval of an Interagency Cooperation Agreement; approval of a Public Trust Exchange Agreement; approval of a Economic Development Conveyance Memorandum of Agreement; adoption of amendments to the Subdivision Code and approval of an amended Base Closure and Assistance Agreement with TIHDI; and,

WHEREAS, Documents for Board action may be modified prior to any final action by the Board; and,

WHEREAS, The proposed General Plan, Planning Code and Zoning Map amendments establish the Treasure Island/Yerba Buena Island Special Use District and Treasure Island/Yerba Buena Island Area Plan set forth the plans and objectives for the revitalization of the Project site; and,

WHEREAS, The proposed Development Agreement between the City and TICD sets forth the obligations regarding fees, exactions, review, remedies and dispute resolution related to the development of the Project site; and,

WHEREAS, The Disposition and Development Agreement between TIDA and TICD sets forth TICD's rights to develop the Project site in accordance with various Project documents, including but not limited to: the Housing Plan; Financing Plan; Transportation Plan; Infrastructure Plan; Land Use Plan; Phasing Plan and Community Facilities Plan. The Disposition and Development Agreement includes a schedule of performance which specifies the timeline for delivery of these obligations; and,

WHEREAS, The Public Trust Exchange Agreement reconfigures the property subject to the common law public trust for commerce, navigation, and fisheries ("Public Trust"), and establishes some lands free from the Public Trust which will be developed as part of the Project; and,

WHEREAS, The amendments to the Subdivision Code provide the terms and Conditions under which subdivision and parcel maps will be approve in the Project Site; and,

WHEREAS, The Interagency Cooperation Agreement sets forth a framework for cooperation between the City and TIDA in administering the process for approval of all applicable development, construction, improvement, infrastructure, occupancy and use requirements relating to the Project site; and,

WHEREAS, The Economic Development Conveyance Memorandum of Agreement sets forth the terms by which the Navy will convey former Naval Station Treasure Island to TIDA for development of the Project; and,

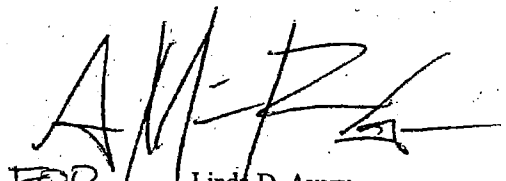
WHEREAS, The amended Base Closure and Homeless Assistance Agreement between TIDA and TIHDI sets forth the terms by which TIHDI and its member organizations will participate in the construction of 250 replacement housing units in the Project site and an additional 185 units for formerly homeless individuals and their families; and,

WHEREAS, The Commission is not required to approve all of the Board actions, but must consider whether the implementation of the Project, which the Board actions contemplate, is consistent with the General Plan, as it is proposed to be amended, and with Planning Code Section 101.1; and,

**NOW, THEREFORE, BE IT RESOLVED,** The Commission has reviewed the analysis of the consistency of various implementation actions with the City's General Plan, as proposed to be amended, and with Section 101.1 of the Planning Code, which consistency analysis has been prepared by Project staff and is set forth in Exhibit A to this resolution; and, be it

**FURTHER RESOLVED,** The Commission finds that the Board actions identified above as necessary to implement the Project are consistent with the General Plan, as it is proposed to be amended, and with Section 101.1 of the Planning Code as described in Exhibit A to this Motion.

I hereby certify that the foregoing Motion was ADOPTED by the San Francisco Planning Commission on April 21, 2011.

  
FOR Linda D. Avery  
Commission Secretary

Motion No. 18328  
Hearing Date: April 21, 2011

Case No 2007.0903BEMRTUWZ  
Treasure Island/Yerba Buena Island  
General Plan and Section 101.1 Consistency Findings

AYES: Commissioners Antonini, Borden, Fong, Miguel

NOES: Commissioners Moore, Olague, Sugaya

ABSENT: None



**SAN FRANCISCO  
PLANNING DEPARTMENT**

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**Planning Commission Motion No. 18332**

AK

HEARING DATE: April 21, 2011

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

Case No.: 2007.0903BEMRTUWZ  
Project: Treasure Island/Yerba Buena Island Project  
B Case: Section 320-325 Findings  
Location: Treasure Island and Yerba Buena Island  
Current Zoning: P (Public) District/40-X Height and Bulk District  
Block/Lot: 1939/001, 002  
Staff Contact: Joshua Switzky - (415) 575-6815  
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**MOTION MAKING OFFICE ALLOCATION FINDINGS FOR THE PRIORITIZATION OF 100,000 SQUARE FEET OF OFFICE SPACE, PURSUANT TO PLANNING CODE SECTIONS 320-325 FOR THE TREASURE ISLAND/YERBA BUENA ISLAND PROJECT.**

**RECITALS**

WHEREAS, Originally constructed in 1937 as a possible site for the San Francisco Airport, Treasure Island was first used to host the Golden Gate International Exposition from 1939-1940. Shortly thereafter in World War II, the United States Department of Defense converted the island into a naval station, which operated for more than five decades. Naval Station Treasure Island was subsequently closed in 1993 and ceased operations in 1997. Since the closure of the base, the City and the community have been planning for the reuse of former Naval Station Treasure Island and adjacent Yerba Buena Island; and,

WHEREAS, Former Naval Station Treasure Island consists of approximately 550 acres including Yerba Buena Island. Today the site is characterized by aging infrastructure, environmental contamination from former naval operations, deteriorated and vacant buildings, and asphalt and other impervious surfaces which cover approximately 65% of the site. The site has few public amenities for the approximately 1,820 residents who currently reside on the site. This legislation creating the Treasure Island/Yerba Buena Island Special Use District, the Treasure Island/Yerba Buena Island Height and Bulk District, and the related zoning and General Plan amendments, including the adoption of a Treasure Island/Yerba Buena Island Area Plan will implement the proposed Treasure Island/Yerba Buena Island Project ("Project"); and,

WHEREAS, The Project will include (a) approximately 8,000 new residential units, with at least 25 percent (2,000 units) affordable to a broad range of very-low to moderate income households, (b) adaptive reuse of 311,000 square feet of historic structures, (c) 140,000 square feet of new retail uses and 100,000 square feet of commercial office space, (d) 300 acres of parks and open space, (e) new and or upgraded public facilities, including a joint police/fire station, a school, facilities for the Treasure Island Sailing Center and other community facilities, (f) 400-500 room hotel, and (g) transportation infrastructure, including a ferry/quay intermodal transit center; and,

WHEREAS, In 2003, the Treasure Island Development Authority ("TIDA") selected through a



competitive three year long process, Treasure Island Community Development, LLC ("TICD") to serve as the master developer for the Project; and,

**WHEREAS**, In 2006, the Board of Supervisors ("Board") endorsed a Term Sheet and Development Plan for the Project, which set forth the terms of the Project including a provision for a Transition Plan for Existing Units on the site. In May of 2010 the Board endorsed a package of legislation that includes and update to the Development Plan and Terms Sheet, terms of an Economic Development Conveyance Memorandum of Agreement for the conveyance of the site from the Navy to the City, and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative ("TIHDI"); and,

**WHEREAS**, The proposed Project provides that to facilitate early job generation within the Project site during the early phased of development, that 100,000 square feet of office development is to receive priority under Sections 320-325 over all office development proposed elsewhere in the City, except within (a) the Mission Bay South Project Areas; (b) the Transbay Transit Tower (proposed for development on lot 001 of assessors Block 3720) (but not the remainder of the Transbay Redevelopment Project Area); and (c) the Hunters Point Shipyard Redevelopment Project Area and Zone 1 of the Bayview Hunters Point Redevelopment Project Area; and,

**WHEREAS**, Any office development at Treasure Island or Yerba Buena Island will be subject to the limitation on the amount of square footage which may be approved, as set forth in Planning Code Section 321 or as amended by the voters; and,

**WHEREAS**, Planning Code Sections 320-325 require review of proposed office development, as defined in Planning Code Section 320, by the Planning Commission ("Commission") and consideration of certain factors in approvals of any office development; and,

**WHEREAS**, The Commission has reviewed and considered the factors set forth in Planning Code Section 321(b) in order to make the determination that the office development contemplated by the Project in particular will promote the public welfare, convenience and necessity. Those factors include consideration of the balance between economic growth and housing, transportation and public services, the contribution of the office development to the objectives and policies of the General Plan, the quality of the design of the proposed office development, the suitability of the proposed office development for its location, the anticipated uses of the proposed office development, in light of employment opportunities to be provided, needs of existing businesses, and the available supply of space suitable for such anticipated uses, the extent to which the proposed development will be owned or occupies by a single entity, and the use of transferable development rights for such office development; and,

**WHEREAS**, The Commission will review the design and details of individual office developments which are proposed in the Project site, using the design standards and guidelines set forth in the Design for Development reviewed by this Commission, to confirm that the specific office development continues to be consistent with the findings set forth herein; and,

**WHEREAS**, On April 21, 2011, by Motion No. 18325, the Commission certified the Final Environmental Impact Report ("FEIR") as accurate, complete and in compliance with the California Environmental Quality Act ("CEQA"); and,

**WHEREAS**, On April 21, 2011 by Motion No. 18326, the Commission adopted findings in connection with its consideration the Project under CEQA, the State CEQA Guidelines and Chapter 31 of the San Francisco Administrative Code and made certain findings in connection therewith, which findings are hereby incorporated herein by this reference as if fully set forth; and,

WHEREAS, That the Commission having considered this proposal at a public meeting on April 21, 2011 pursuant to Planning Code Sections 302(b) and 340, having heard and reviewed oral and written testimony and reports, and having reviewed and certified the Final Environmental Impact Report prepared for the Project as adequate, complete, and in compliance with CEQA, does hereby find the Treasure Island/Yerba Buena Island Project, in conformity with the General Plan as it is recommended to be amended by Motion No. 18327.

NOW, THEREFORE, BE IT RESOLVED, That the Commission hereby finds that up to 100,000 square feet of the office development contemplated by the Treasure Island/Yerba Buena Island Development Project in particular promotes the public welfare, convenience and necessity for the following reasons:

1. The office development is part of the Project's land use plan and Design for Development document, which would eliminate blighting influences and correct environmental deficiencies on the Project site through a comprehensive plan for development.
2. The Project and its supporting documents include a series of detailed design standards and guidelines which will ensure quality design of office development as well as a quality urban design scheme.
3. The Project provides the important ability to retain and promote, within the City and County of San Francisco, the possibility of new emerging industries and space for adjacent office and related uses.
4. Implementing permitted office uses as part of the Treasure Island/Yerba Buena Island Special Use District enables the achievement of a coordinated mixed-use development plan incorporating many features, such as large open spaces and parks, a new street grid and other sustainable design features.
5. Implementing the office use contemplated by the Project would strengthen the economic base of the Project site and the City as a whole by strengthening retail and other commercial functions in the community through the addition of approximately 140,000 leasable square feet of various kinds of retail space, and as much as about 100,000 leasable square feet of mixed office.
6. The development proposed by the Project will also have significant positive economic impacts on the City. At full build-out, employment in the Project site is expected to be about 2,600. Direct and indirect job generation is estimated to be about 2,100. About 55% of the direct and indirect jobs are expected to be held by San Francisco residents. Project-related construction employment is projected to total 9,900 annual full-time equivalent jobs over the build-out period (or 762 annual average total). The employees working at the Project site are expected to generate total household income of about \$195 million annually. Total direct, indirect and induced economic activity within the City and County of San Francisco is expected to be approximately \$967 million. The Project provides an unprecedented system for diversity and economic development, including good faith efforts to meet goals for hiring minority consulting and contracting businesses, hiring of minority laborers, compliance with prevailing wage policies. Development of office uses will help to create the employment opportunities to achieve such hiring goals.
7. The Project includes the opportunity for substantial new publicly accessible open spaces totaling upwards of approximately 300 acres including a ecological, recreational,

neighborhood and cultural areas, including: a shoreline park for pedestrians and bicycles; an approximately 100-acre Great Park with stormwater wetlands, passive open space, the existing sailboat launch and space for an environmental educational center; seven neighborhood parks and playgrounds; a linear park; off-leash dog areas; space for art installations; an urban agriculture park; 40 acres of athletic fields; improvements to the existing sailing center; a new 5 to 6-acre Hilltop Park on Yerba Buena Island, in addition to existing parks and open space; plazas and active public spaces; and a 3-acre Cultural Park adjacent to Building 1. Office users will benefit from the conveniently located open space, and the development of office uses will help to finance the provision of such open space and its maintenance.

8. The office uses would be located in an ideal area to take advantage of a wide variety of transit, including a new ferry service between the islands and downtown San Francisco, new bus service operating between the Project Area and downtown Oakland provided by AC Transit and on-island shuttle-busses that will provide transit service throughout the Project Area. The Project site has been designed in consultation with the City, including MUNI, to capitalize on opportunities to coordinate with and expand transit systems to serve the Project. The Project also includes Transportation Management Programs which will be in place throughout the development of the Project.
9. The Project includes a new joint police/fire station on Treasure Island, child-care facilities, a school and other additional community meeting rooms and facilities station and a flexible approach to other community facilities, so that necessary services and assistance are available near the office uses and so that office uses will not otherwise burden existing services.
10. The Project and its supporting documents include significant new infrastructure improvements including: a comprehensive program for geotechnical stabilization and improvement of the island, a comprehensive strategy to address potential future sea level rise, rebuilding of a new backbone utility and street network, a new wet utility system including new water tanks, a secondary/emergency back-up water line, new wastewater treatment and recycled water plant and construction of stormwater treatment wetlands and a new dry utility network including electrical, gas and telecommunications lines. An emphasis will be placed on sustainable development techniques as outlined in the Sustainability Plan and Infrastructure Plan. The office development would be adequately served by the infrastructure and the tax increment generated by office development in the Project site will also provide a critical component of the financing of such infrastructure.
11. This new infrastructure included in the Project will be financed through a self-taxing financing device to be imposed upon the Project site (excluding affordable housing sites and open space); and, be it

**FURTHER RESOLVED**, That the Commission has considered the factors set forth in Planning Code Section 321(b)(3)(A)-(G) and finds as follows:

- (A) The apportionment of potential office space over the course of many approval periods during the anticipated 20-30 year build-out of the Project will remain within the limits of Planning Code Section 321 and will maintain a balance between economic growth and housing, transportation and public services, pursuant to the terms of the Plan and its

supporting documents which provide for the appropriate construction and provision of housing, roadways, transit and all other necessary public services in accordance with the Infrastructure Plan.

- (B) As determined in this Resolution, above, and for the additional reasons set forth in Planning Commission Resolution No. \_\_\_office uses and office development contemplated in the Project, and all of the other implementation actions, are consistent with the objectives and policies of the General Plan and Priority Policies of Planning Code Section 101.1 and will contribute positively to the achievement of City objectives and policies as set forth in the General Plan.
- (C) The design guidelines for the Project are set forth in the Treasure Island/Yerba Buena Island Special Use District and the Treasure Island/Yerba Buena Island Design for Development document. Planning staff have reviewed the design standards and guidelines and finds that such standards and guidelines will ensure quality design of any proposed office development. In addition, the Commission will review any specific office development subject to the terms of Planning Code §§320-325 to confirm that the design of that office development is consistent with the findings set forth herein.
- (D) The potential office development contemplated in the Project is suitable for the Project site where it would be located. As discussed above, transportation, housing and other public services including open space will be provided in the Project site. The office development would be located in an area which is not currently developed, nor is it heavily developed with other office uses.
- (E) As noted above, the anticipated uses of the office development will enhance employment opportunities and will serve other related uses which wish to locate in the Project site, where the underdeveloped nature of the area provides a readily available supply of space for potential office uses.
- (F) While the overall Project is being developed by a master developer, the proposed office development is available to serve a variety of users, including a variety of businesses expected to locate in the area, and could accommodate a multiplicity of owners.
- (G) The Project does not provide for the use of transferrable development rights ("TDRs") and this Commission does not believe that the use of TDRs is useful or appropriate in the Project Area, given the availability of space for development and the fact that only a relatively few number of buildings have been identified as a potential historic resource; and, be it

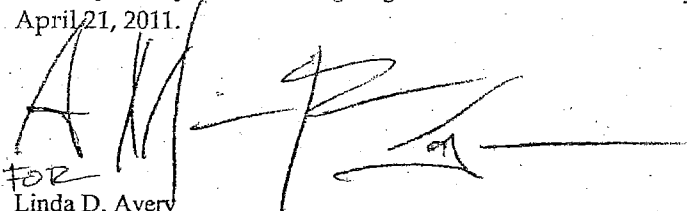
**FURTHER RESOLVED**, That the Commission will review and approve the design of specific office development which may be proposed in the Project site and subject to the provisions of Planning Code §§320-325, using the design standards and guidelines set forth in the Design for Development, to confirm that the specific office development continues to be consistent with the findings set forth herein; and, be it

**FURTHER RESOLVED**, That upon such determination, the Commission will issue an authorization for the proposed office development project.

Motion No. 18332  
Hearing Date: April 21, 2011

Case No 2007.0903BEMRTUWZ  
Treasure Island/Yerba Buena Island  
Findings Under Planning Code Sections 320 - 325

I hereby certify that the foregoing Motion was ADOPTED by the San Francisco Planning Commission on  
April 21, 2011.

  
FOR  
Linda D. Avery  
Commission Secretary

AYES: Commissioners Antonini, Borden, Fong, Miguel

NOES: Commissioners Moore, Olague, Sugaya

ABSENT: None



# SAN FRANCISCO PLANNING DEPARTMENT

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BOARD OF SUPERVISORS  
SAN FRANCISCO

2011 APR 28 AM 11:34

## Planning Commission Resolution No. ~~18333~~ <sup>BY</sup> ~~AK~~

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

HEARING DATE: APRIL 21, 2011

Reception:  
415.558.6378

Fax:  
415.558.6409

Planning  
Information:  
415.558.6377

*Project Name:* Treasure Island/Yerba Buena Island Project  
*W Case:* Development Agreement

*Case Number:* 2007.0903BEMRTUWZ

*Location:* Treasure Island and Yerba Buena Island

*Staff Contact:* Joshua Switzky, 415-575-6815  
joshua.switzky@sfgov.org

*Recommendation:* Recommend Approval

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY AND COUNTY OF SAN FRANCISCO AND TREASURE ISLAND COMMUNITY DEVELOPMENT, LLC, FOR CERTAIN REAL PROPERTY LOCATED WITHIN TREASURE ISLAND AND YERBA BUENA ISLAND, AND COMPRISED OF ASSESSOR'S BLOCKS AND LOTS 1939-001, and 1939-002, ALTOGETHER CONSISTING OF APPROXIMATELY 450-ACRES, FOR A TERM OF THIRTY (30) YEARS.

### RECITALS

WHEREAS, California Government Code Section 65864 et seq. authorizes any city, county, or city and county to enter into an agreement for the development of real property within the jurisdiction of the city, county, or city and county; and,

WHEREAS, Originally constructed in 1937 as a possible site for the San Francisco Airport, Treasure Island was first used to host the Golden Gate International Exposition from 1939-1940. Shortly thereafter in World War II, the United States Department of Defense converted the island into a naval station, which operated for more than five decades. Naval Station Treasure Island was subsequently closed in 1993 and ceased operations in 1997. Since the closure of the base, the City and the community have been planning for the reuse of former Naval Station Treasure Island and adjacent Yerba Buena Island; and,

WHEREAS, Former Naval Station Treasure Island consists of approximately 550 acres including Yerba Buena Island. Today the site is characterized by aging infrastructure, environmental contamination from former naval operations, deteriorated and vacant buildings, and asphalt and other impervious surfaces which cover approximately 65% of the site. The site has few public amenities for the approximately 1,820 residents who currently reside on the site. This legislation creating the Treasure Island/Yerba Buena Island Special Use District, the Treasure Island/Yerba Buena Island Height and Bulk District, and the related zoning and General Plan amendments will implement the proposed Treasure Island/Yerba Buena Island Project ("the Project"); and,

WHEREAS, The Project will include (a) approximately 8,000 new residential units, 25

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Treasure Island/Yerba Buena Island  
Development Agreement

percent of which (2,000 units) will be made affordable to a broad range of very-low to moderate income households, (b) adaptive reuse of 311,000 square feet of historic structures, (c) 140,000 square feet of new retail uses and 100,000 square feet of commercial office space, (d) 300 acres of parks and open space, (e) new and or upgraded public facilities, including a joint police/fire station, a school, facilities for the Treasure Island Sailing Center and other community facilities, (f) 400-500 room hotel, and (g) transportation infrastructure, including a ferry/quay intermodal transit center; and,

**WHEREAS**, In 2003, the Treasure Island Development Authority ("TIDA") selected through a competitive three year long process, Treasure Island Community Development, LLC ("TICD") to serve as the master developer for the Project; and,

**WHEREAS**, In 2006, the Board of Supervisors ("Board") endorsed a Term Sheet and Development Plan for the Project, which set forth the terms of the Project including a provision for a Transition Plan for Existing Units on the site. In May of 2010 the Board endorsed a package of legislation that includes and update to the Development Plan and Terms Sheet, terms of an Economic Development Conveyance Memorandum of Agreement for the conveyance of the site from the Navy to the City, and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative ("TIHDI"); and,

**WHEREAS**, In planning for the development of former Naval Station Treasure Island, the City and TIDA worked closely with the Treasure Island Citizens Advisory Board ("CAB"). The CAB is a group of Treasure Island/Yerba Buena Island community residents, business owners and individuals with expertise in specific areas, who are selected by the Mayor to oversee the development process for the islands. TIDA has worked with the CAB and the community throughout the process of implementing revitalization activities regarding Treasure Island and Yerba Buena Island; and,

**WHEREAS**, The Board will be taking a number of actions in furtherance of the Project, including the approval of a disposition and development agreement ("DDA") between TICD and TIDA; and,

**WHEREAS**, The Project is located on those portions of Assessor's Block 1939, Lots 1 and 2 (the "Project Site"), as more particularly described in the DDA; and,

**WHEREAS**, In furtherance of the Project and the City's role in subsequent approval actions relating to the Project, the City and TICD negotiated a development agreement for development of the Project Site, a copy of which is attached as Exhibit A (the "Development Agreement"); and,

**WHEREAS**, The Financing Plan attached to the Development Agreement contemplates that the City will establish one or more infrastructure financing districts ("IFDs") within the Project site pursuant to the applicable provisions of the Government Code (the "IFD Law") to finance acquisition and construction of real or other tangible property with a useful life of 15 years or longer, including certain public infrastructure facilities described in the Financing Plan (the "Facilities"), and replacement housing to the extent required by the IFD Law; and,

**WHEREAS**, The City has determined that as a result of the development of the Project site in accordance with the Development Agreement and the DDA, clear benefits to the public will accrue that could not be obtained through application of existing City ordinances, regulations, and policies, as more particularly described in the Development Agreement and the

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Development Agreement

DDA. The Development Agreement will eliminate uncertainty in the City's land use planning for the Project site and secure orderly development of the Project site consistent with the Design for Development and the DDA; and,

WHEREAS, The Development Agreement shall be executed by the Director of Planning, the General manager of the Public Utilities Commission and the Executive Director of the Municipal Transportation Agency, subject to prior approval by those Commissions and the Board of Supervisors. The Director of Planning (or his or her designee) and other applicable City officials are hereby authorized to take all actions reasonably necessary or prudent to perform the City's obligations under the Development Agreement in accordance with the terms of the Development Agreement and San Francisco Administrative Code Chapter 56, as applicable. The Director of Planning, at his or her discretion and in consultation with the City Attorney, is authorized to enter into any additions, amendments, or other modifications to the Development Agreement that the Director of Planning determines are in the best interests of the City and that do not materially increase the obligations or liabilities of the City or decrease the benefits to the City under the Development Agreement; and,

WHEREAS, On July 12, 2010, the Department and TIDA released for public review and comment the Draft Environmental Impact Report for the Project, (Department Case No. 2007.0903E); and,

WHEREAS, The Planning Commission and TIDA Board of Directors held a joint public hearing on August 12, 2010 on the Draft Environmental Impact Report and received written public comments until 5:00 pm on September 10, 2010, for a total of 59 days of public review; and,

WHEREAS, The Department and TIDA prepared a Final Environmental Impact Report ("FEIR") for the Project consisting of the Draft Environmental Impact Report, the comments received during the review period, any additional information that became available after the publication of the Draft Environmental Impact Report, and the Draft Summary of Comments and Responses, in compliance with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq., ("CEQA"), the State CEQA Guidelines (California Code of Regulations Title 14 Sections 15000 et seq.) and Chapter 31 of the San Francisco Administrative Code (Chapter 31), a copy of which is on file with the Planning Department under Case No. 2007.0903E, which is incorporated into this motion by this reference; and,

WHEREAS, On April 21, 2011, by Motion No. 18325, the Commission reviewed and considered the information contained in the FEIR, and certified the FEIR as accurate, complete and in compliance with CEQA; and,

WHEREAS, On April 21, 2011, by Motion No. 18326, the Commission adopted CEQA Findings for the proposed Treasure Island/Yerba Buena Island Project under CEQA, the CEQA Guidelines and Chapter 31, including the adoption of a mitigation monitoring and reporting program (MMRP) and a statement of overriding considerations, ("CEQA Findings"). The CEQA Findings, including the MMRP, for the proposed Project are on file with the Clerk of the Commission and are hereby incorporated into this Motion by reference as though fully set forth and are hereby adopted by the Commission in support of this action; and,



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Treasure Island/Verba Buena Island  
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WHEREAS, The Commission hereby finds for the reasons set for in Motion No. 18328 that the Development Agreement and related approval actions are, on balance, consistent with the General Plan including any area plans, and are consistent with the Planning Code Priority Policies of Planning Code Section 101.1(b).

NOW, THEREFORE, BE IT RESOLVED, That the Commission approves the Development Agreement, in substantially the form attached hereto as Exhibit A; and, be it

FURTHER RESOLVED, that the Commission authorizes the Planning Director to take such actions and make such changes as deemed necessary and appropriate to implement this Commission's recommendation of approval and to incorporate recommendations or changes from the San Francisco Municipal Transportation Agency Board, the San Francisco Public Utilities Commission and/or the Board, provided that such changes do not materially increase any obligations of the City or materially decrease any benefits to the City contained in the Development Agreement attached as Exhibit A.

I hereby certify that the Planning Commission ADOPTED the foregoing Resolution on April 21, 2011.



FOR  
Linda D. Avery  
Commission Secretary

AYES: Commissioners Antonini, Borden, Fong, Miguel

NOES: Commissioners Moore, Olague, Sugaya

ABSENT: None

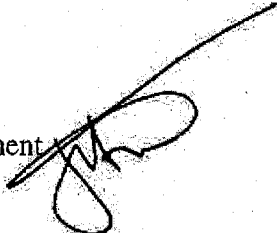
JOANNE HAYES-WHITE  
CHIEF OF DEPARTMENT



EDWIN M. LEE  
MAYOR

**SAN FRANCISCO FIRE DEPARTMENT**  
CITY AND COUNTY OF SAN FRANCISCO

**TO:** Planning Commission  
**FROM:** Joanne Hayes-White, Chief of Department  
**DATE:** April 21, 2011  
**SUBJECT:** Treasure Island Development Project



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The San Francisco Fire Department has been briefed on the layout and infrastructure plan as it relates to the Treasure Island Development Project and has no objections to its movement forward. It is my understanding that as details of the plan are further refined, the San Francisco Fire Department will have the opportunity to review and approve all aspects that fall under its authority.