

1 [Third Amendment to John Stewart Company Sublease of Housing Units on Treasure Island]

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4 **Resolution approving and authorizing the Director of Island Operations for the**
5 **Treasure Island Development Authority to execute a third amendment to the sublease**
6 **with the John Stewart Company to extend the term.**

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

15 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
16 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
17 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority
18 as a redevelopment agency under California redevelopment law with authority over the Base
19 upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
20 Base which are subject to the Tidelands Trust, vested in the Authority the authority to
21 administer the public trust for commerce, navigation and fisheries as to such property; and,

22 WHEREAS, On March 17, 1999, The John Stewart Company ("JSCo") and the
23 Authority entered into a Sublease, Development, Marketing and Property Management
24 Agreement, as amended on August 15, 2000 by the First Amendment to Sublease,
25 Development, Marketing and Property Management Agreement, and on June 12, 2003 by the

1 Second Amendment to Sublease, Development, Marketing and Property Management
2 Agreement (collectively, the "Sublease"), for the development, marketing and property
3 management of up to 766 housing units at the Base; and,

4 WHEREAS, Pursuant to the Base Closure Community Redevelopment and Homeless
5 Assistance Act of 1994, the Treasure Island Homeless Development Initiative ("TIHDI") and
6 the San Francisco Redevelopment Agency negotiated a Base Closure Homeless Assistance
7 Agreement and Option to Sublease Real Property, which was endorsed by the City's Board of
8 Supervisors and approved by the United States Department of Housing and Urban
9 Development in connection with its consideration of the Draft Reuse Plan for the Base (the
10 "TIHDI Agreement"); and,

11 WHEREAS, Under the TIHDI Agreement, TIHDI, among other things, was granted the
12 right, upon satisfaction of certain conditions precedent, to have one or more of its member
13 organizations sublease up to 375 housing units on the Base, as more particularly described in
14 the TIHDI Agreement (the "TIHDI Units"); and,

15 WHEREAS, In connection with the TIHDI Agreement, the Authority and TIHDI entered
16 into that certain Revenue Sharing and Consent Agreement dated March 1, 1999, as amended
17 by the First Amendment to Revenue Sharing Agreement dated as of August, 2000
18 (collectively, the "Sharing Agreement"), pursuant to which 112 of the TIHDI Units on Treasure
19 Island and 41 TIHDI Units on Yerba Buena Island were included as part of JSCo's leased
20 premises under the Sublease in exchange for the Authority's agreement to pay TIHDI a share
21 of the Authority's net revenues generated by such TIHDI Units; and,

22 WHEREAS, Pursuant to the Sublease and the Sharing Agreement, upon expiration of
23 the initial term of the Sublease, JSCo is required to deliver to the Authority 153 TIHDI Units for
24 sublease by TIHDI's member organizations as residential units; and,

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1 WHEREAS, TIHDI requested that the Authority and JSCo initially return only 54 TIHDI
2 Units; and,

3 WHEREAS, On March 22, 2006 at a properly noticed public meeting, the Authority
4 authorized the Executive Director to enter into a second amendment to the Sharing
5 Agreement which, among other things (1) decreased from 153 to 54 the number of TIHDI
6 Units to be delivered to the Authority for sublease by TIHDI member organizations upon
7 expiration of the initial term of the Sublease, (2) delayed the date that the 54 TIHDI Units will
8 be delivered to the Authority for sublease to TIHDI member organizations for homeless and
9 economically disadvantaged San Franciscans in accordance with the TIHDI Agreement from
10 April 17, 2007 to July 1, 2007, (3) required the Authority to use good faith efforts to sublease
11 such 54 TIHDI Units to TIHDI member organizations, and (4) simplified the method used to
12 calculate the amount of net revenue that is distributed to the Authority pursuant to Section
13 15.3 of the Sublease and shared with TIHDI pursuant to Section 5 of the Sharing Agreement;
14 and,

15 WHEREAS, The Sublease will expire on April 17, 2007; and,

16 WHEREAS, On March 22, 2006 at a properly noticed public meeting, the authority's
17 Board of Directors (1) authorized the Executive Director to enter into a third amendment to the
18 Sublease to extend the term of the Sublease on a month-to-month basis after April 17, 2007,
19 not to exceed the effective date of a disposition and development agreement between the
20 Authority and a master developer for Treasure Island and Yerba Buena Island, and (2) found
21 and determined, based upon all evidence in the record, including without limitation information
22 presented orally by Authority staff at the March 22, 2006 meeting, as follows:

23 1. Revenue from the residential leasing under the Sublease is a significant part
24 of the Authority's revenues which supports both (i) the interim operations of Treasure Island
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1 and Yerba Buena Island and (ii) planning and related activities in connection with the long
2 term redevelopment of such islands; and,

3 2. Due to Sublease provisions restricting JSCo's ability to offer residential
4 subleases on the Islands for terms longer than 12 months, which significantly limit the
5 marketability of the residential leasing under the Sublease, a change in management would
6 threaten the stability of leasing activities on Treasure Island and Yerba Buena Island and
7 potentially cause uncertainty among the residents; and

8 3. Due to the uncertainties associated with the timing of (i) the completion of
9 negotiations for the transfer of the islands from the Navy to the Authority, and (ii) the
10 completion of negotiations for a disposition and development agreement with a master
11 developer of the islands, the Authority wishes to maintain the flexibility to be able to terminate
12 the Sublease upon 30 days' written notice; and,

13 4. Given the complexities and inter-relationship of the TIHDI Agreement, the
14 Sharing Agreement, and the Sublease, further competitive solicitation for the sublease and
15 rental of the residential units currently under the Sublease would be unavailing, and it is in the
16 best interests of the Authority and the island residents to extend the Sublease as proposed by
17 the Authority staff; and,

18 5. That the proposed amendments to the Sublease will serve the goals of the
19 Authority and the public interests of the City; and

20 6. That the terms and conditions of the proposed amendments to the Sublease
21 are fair and reasonable; and,

22 WHEREAS, On April 17, 2006 at a properly noticed public meeting, the Authority's
23 Board of Directors adopted Resolution No. 06-28-04/17 declaring its policy that none of the
24 households in good standing that currently occupy the 54 TIHDI Units will be evicted from the
25 island to accommodate the transfer of the units to TIHDI and that all of the affected

1 households planning to stay on Treasure Island will be given the opportunity to relocate to
2 another comparable unit at a comparable rent on Treasure Island before the units transition to
3 TIHDI and directing the Authority staff to work with JSCo to provide certain benefits to ensure
4 an effective transition of households, including one month's free rent; now therefore be it

5 RESOLVED, That the San Francisco Board of Supervisors hereby approves the third
6 amendment to the Sublease to extend the term of the Sublease on a month-to-month basis
7 after April 17, 2007, not to exceed the effective date of a disposition and development
8 agreement between the Authority and a master developer for Treasure Island and Yerba
9 Buena Island; and,

10 FURTHER RESOLVED, That the San Francisco Board of Supervisors hereby
11 authorizes the Director of Island Operations for the Authority to execute and enter into the
12 third amendment to the Sublease in substantially the form filed with the Clerk of the Board in
13 File No. _____, and any additions, amendments or other modifications to such
14 amendment (including, without limitation, its exhibits) that the Director of Island Operations of
15 the Authority or her designee determines, in consultation with the City Attorney, are in the best
16 interests of the Authority and do not otherwise materially increase the obligations or liabilities
17 of the Authority, and are necessary or advisable to effectuate the purpose and intent of this
18 resolution.

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