

File No. 100782

Committee Item No. 10

Board Item No. 31

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: BUDGET AND FINANCE

Date: July 14, 2010

BOARD OF SUPERVISORS MEETING

Date: 7/20/10

#### Cmte Board

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

#### OTHER

(Use back side if additional space is needed)

|                          |                          |       |
|--------------------------|--------------------------|-------|
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Completed by: Andrea S. Ausberry

Date Friday, July 9, 2010

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

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



1 [Amendment to the Treasure Island Marina Master Lease]

2  
3 **Resolution Approving the Fourteenth Amendment to the Treasure Island Marina Master**  
4 **Lease between the Treasure Island Development Authority and the United States Navy**  
5 **to Extend the Term.**

6  
7 WHEREAS, The Treasure Island Development Authority ("Authority") and the United  
8 States of America, acting by and through the Department of the Navy (the "Navy"), entered  
9 into a master lease dated September 4, 1998, for the Authority to use and sublease certain  
10 land and structures on former Naval Station Treasure Island (as amended from time to time,  
11 the "Marina Master Lease") at no rent; and

12 WHEREAS, The Marina Master Lease enables the Authority to sublease portions of  
13 the master leased area for interim uses and generate revenues to support the interim uses  
14 and the future redevelopment of the former Naval Station Treasure Island; and

15 WHEREAS, The term of the Marina Master Lease expires on November 30, 2010; and

16 WHEREAS, The Authority wishes to extend the term of such lease for a period of one  
17 (1) year beginning on December 1, 2010 and ending on November 30, 2011, unless sooner  
18 terminated in accordance with the terms and conditions of the Master Lease; and

19 WHEREAS, The Navy concurs with such amendment and the amendment has been  
20 approved by the Authority Board of Directors at its May 12, 2010 meeting; and

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

24 WHEREAS, Because the cumulative term of the Marina Master Lease exceeds ten  
25 (10) years, the Authority is requesting that the Board of Supervisors approve the Fourteenth

1 Amendment to extend the term of such lease for a period of one (1) year beginning on  
2 December 1, 2010 and ending on November 30, 2011, unless sooner terminated in  
3 accordance with the terms and conditions of the Master Lease; now, therefore, be it

4       RESOLVED, That the Board of Supervisors hereby approves and authorizes the  
5 Director of Island Operations of the Authority or her designee to execute and enter into the  
6 Fourteenth Amendment to the Marina Master Lease in substantially the form filed with the  
7 Clerk of the Board of Supervisors in File No. 100782, and any additions, amendments or other  
8 modifications to such Fourteenth Amendment (including, without limitation, its exhibits) that  
9 the Director of Island Operations of the Authority or her designee determines, in consultation  
10 with the City Attorney, are in the best interests of the Authority and do not otherwise materially  
11 increase the obligations or liabilities of the Authority, and are necessary or advisable to  
12 effectuate the purpose and intent of this resolution.

|   |   |
|---|---|
| Item 8, 9, 10, 11, 12, and 13<br>File 10-0780, 10-0781, 10-0782, 10-0783, 10-0784 & 10-0785 | Department(s):<br>Treasure Island Development Authority |
|---|---|

**EXECUTIVE SUMMARY****Legislative Objectives**

- File No. 10-0780: The proposed resolution would approve the 26<sup>th</sup> Amendment to the Treasure Island South Waterfront Master Lease between the Treasure Island Development Authority (TIDA) and the U.S. Navy to extend the term of the Lease by one year, from December 1, 2010 through November 30, 2011.
- File No. 10-0781: The proposed resolution would approve the 34<sup>th</sup> Amendment to the Treasure Island Land and Structures Master Lease between TIDA and the U.S. Navy to extend the term of the Lease by one year, from December 1, 2010 through November 30, 2011.
- File No. 10-0782: The proposed resolution would approve the 14<sup>th</sup> Amendment to the Treasure Island Marina Master Lease between TIDA and the U.S. Navy to extend the term of the Lease by one year, from December 1, 2010 through November 30, 2011.
- File No. 10-0783: The proposed resolution would approve the 6<sup>th</sup> Amendment to the Treasure Island Childcare Master Lease between TIDA and the U.S. Navy to extend the term of the Lease by one year, from December 1, 2010 through November 30, 2011.
- File No. 10-0784: The proposed resolution would approve the 22<sup>nd</sup> Amendment to the Treasure Island Event Venues Master Lease between TIDA and the U.S. Navy to extend the term of the Lease by one year, from December 1, 2010 through November 30, 2011.
- File No. 10-0785: The proposed resolution would approve the 25<sup>th</sup> modification to the Cooperative Agreement between TIDA and the U.S. Navy to extend the term of the Agreement by one year, from October 1, 2010 through September 30, 2011.

**Key Points**

- TIDA and the U.S. Navy (a) entered into the South Waterfront Master Lease, Land and Structures Master Lease, Marina Master Lease, Childcare Master Lease and Event Venues Master Lease to use and sublease certain land, structures, and facilities at no cost to TIDA, and (b) entered into the Cooperative Agreement to assume operation, maintenance, security, and management responsibilities on Treasure Island.
- On December 16, 2009, TIDA and the U.S. Navy reached a broad outline of terms for the conveyance of Treasure Island from the U.S. Navy to TIDA. The Board of Supervisors endorsed the terms of the Economic Development Conveyance Memorandum of Agreement (EDC MOA) for the transfer of Treasure Island on May 18, 2010. However, transfer of Treasure Island cannot occur until specific activities are conducted, including the completion of environmental review and approval of redevelopment project plans, which, according to Mr. Jack Sylvan, Treasure Island Redevelopment Project Director, is anticipated to occur in the spring of 2011.

**Fiscal Analysis**

- TIDA anticipates generating \$8,026,805 in FY 2010-2011 from leasing existing residential and commercial facilities and special events. Such revenues would offset the \$5,667,013 costs to be incurred by TIDA under the Cooperative Agreement. The estimated surplus of \$2,359,792 is used to fund public safety on Treasure Island.

**Recommendation**

- Approve the proposed resolutions.

**MANDATE STATEMENT/ BACKGROUND****Mandate Statement**

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

**Background**

File No. 10-0780: The Treasure Island Development Authority (TIDA) and the U.S. Navy entered into a two-year South Waterfront Master Lease on September 4, 1998, for TIDA to use and sublease certain land and facilities at Treasure Island, including the Administration Building, Building 180, Hangar 2, and Hangar 3. The Lease is at no cost to TIDA. Since that time, the South Waterfront Master Lease has been amended 25 times. Attachment I, provided by Ms. Mirian Saez, Director of Island Operations for the Treasure Island Development Authority, describes the 25 amendments.

The 25<sup>th</sup> amendment was approved by the Board of Supervisors on November 6, 2009 (File No. 09-1125). The 23<sup>rd</sup> and 24<sup>th</sup> amendments of the South Waterfront Master Lease Agreement were retroactively approved by the Board of Supervisors on August 6, 2009 (File Nos. 09-0763 and 09-0764). The preceding 22 amendments did not require Board of Supervisors approval because the Lease did not (a) exceed a term period of ten years or (b) result in expenditures of \$10,000,000 or more.

File No. 10-0781: TIDA and the U.S. Navy entered into a one-year Land and Structures Master Lease on November 19, 1998, for TIDA to use and sublease certain land and structures at Treasure Island that are subleased to non-profit agencies and commercial interests. The Lease is at no cost to TIDA. Since that time, the Land and Structures Master Lease has been previously amended 33 times. Attachment I describes the 33 previous amendments.

The 33<sup>rd</sup> amendment was approved by the Board of Supervisors on November 6, 2009 (File No. 09-1124). The 30<sup>th</sup>, 31<sup>st</sup> and 32<sup>nd</sup> amendments of the Land and Structures Master Lease were retroactively approved by the Board of Supervisors on August 6, 2009 (File Nos. 09-0759, 09-0760 and 09-0761). The preceding 29 amendments did not require Board of Supervisors approval because the Lease did not (a) exceed ten years or (b) result in expenditures of \$10,000,000 or more.

File No. 10-0782: TIDA and the U.S. Navy entered into a two-year Marina Master Lease on September 4, 1998, for TIDA to use and sublease certain facilities at Treasure Island, including the Treasure Island Marina, the marina boat slips, and the Treasure Island Yacht Club. The Lease is at no cost to TIDA. Since that time, the Lease has been amended 13 times. Attachment I describes the 13 amendments.

The 13<sup>th</sup> amendment was approved by the Board of Supervisors on November 6, 2009 (File No. 09-1126). The 12<sup>th</sup> amendment of the Marina Master Lease was retroactively approved by the Board of Supervisors on August 6, 2009 (File No. 09-0762). The preceding 11 amendments did

not require Board of Supervisors approval because the Lease did not (a) exceed ten years or (b) result in expenditures of \$10,000,000 or more.

File No. 10-0783: TIDA and the U.S. Navy entered into a five-year Childcare Master Lease on October 1, 2001, for TIDA to sublease land and structures, including Building 502, at Treasure Island to Catholic Charities for the purpose of operating a childcare center. The Lease is at no cost to TIDA. Since that time, the Lease has been amended five times. Attachment I describes the five amendments. The preceding five amendments did not require Board of Supervisors approval because the Lease did not (a) exceed ten years or (b) result in expenditures of \$10,000,000 or more.

File No. 10-0784: TIDA and the U.S. Navy entered into a two-year Event Venues Master Lease on September 4, 1998, for TIDA to use and sublease certain land and structures at Treasure Island, at no cost to TIDA. Since that time, the Lease has been amended 21 times. Attachment I describes the 21 amendments.

The 21<sup>st</sup> amendment was approved by the Board of Supervisors on November 6, 2009 (File No. 09-1127). The 19th and 20th amendments of the Event Venues Master Lease were retroactively approved by the Board of Supervisors on August 6, 2009 (File Nos. 09-0757 and 09-0758). The preceding 18 amendments did not require Board of Supervisors approval because the term of lease did not (a) exceed ten years or (b) result in expenditures of \$10,000,000 or more.

File No. 10-0785: The City and the U.S. Navy entered into a one-year Cooperative Agreement, for the City to assume responsibility for various services on Treasure Island, which was approved by the Board of Supervisors on October 1, 1997 (File 244-97-4). Such various services include: (i) operation and maintenance of the water, waste water, storm water, electric and gas utility systems, (ii) security, public health and safety services, (iii) grounds and street maintenance and repair, and (iv) property management and caretaker services. The Cooperative Agreement was modified in 1998 to make TIDA, rather than the City, party to the Cooperative Agreement with the U.S. Navy, which was approved by the Board of Supervisors on November 19, 1998 (File No. 98-1751). Under the original Cooperative Agreement, reimbursements paid by the U.S. Navy to TIDA for the services provided were negotiated on an annual basis as the Cooperative Agreement was renewed each year. In all, the U.S. Navy paid TIDA a total of \$12,848,213 from FY 1997-1998 through FY 2001-2002, when such payments by the U.S. Navy ended<sup>1</sup>. According to Ms. Saez, revenues generated from leasing of existing residential and commercial facilities and special events have offset the costs associated with the Cooperative Agreement since FY 2002-2003.

The Cooperative Agreement has been modified 24 times. Attachment I describes the 24 modifications. The Board of Supervisors has approved six of the 24 modifications to the Cooperative Agreement. The other 18 modifications did not require Board of Supervisors approval because (a) the term did not exceed ten years and/or (b) there were technical modifications to the Cooperative Agreement which did not require approval by the Board of Supervisors.

<sup>1</sup> TIDA was advised by the U.S. Navy that the U.S. Navy reimbursements would be eliminated based on the U.S. Navy's determination that the Treasure Island Development Authority was earning sufficient revenues to pay for all of the costs of providing services at Treasure Island.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would allow TIDA to extend the term of the following Leases and Cooperative Agreement with the U.S. Navy by one year, as detailed in the Table below.

### Proposed Term Period Extensions of TIDA's Leases and Cooperative Agreement

| File No. | Lease/Agreement                                  | Term Period Extensions               |
|----------|--|--------------------------------------|
| 10-0780  | Treasure Island South Waterfront Master Lease    | December 1, 2010 – November 30, 2011 |
| 10-0781  | Treasure Island Land and Structures Master Lease | December 1, 2010 – November 30, 2011 |
| 10-0782  | Treasure Island Marina Master Lease              | December 1, 2010 – November 30, 2011 |
| 10-0783  | Treasure Island Childcare Master Lease           | December 1, 2010 – November 30, 2011 |
| 10-0784  | Treasure Island Event Venues Master Lease        | December 1, 2010 – November 30, 2011 |
| 10-0785  | Cooperative Agreement                            | October 1, 2010 – September 30, 2011 |

Source: TIDA

Except for the one year extensions noted above, there would be no other changes to the existing provisions of the Treasure Island South Waterfront Master Lease, Treasure Island Land and Structures Master Lease, Treasure Island Marina Master Lease, Treasure Island Childcare Master Lease, Treasure Island Event Venues Master Lease, and the Cooperative Agreement between TIDA and the U.S. Navy. The proposed extensions have been approved by the U.S. Navy and were approved by TIDA's Board of Directors on May 12, 2010.

## FISCAL ANALYSIS

### Revenues Generated from Leases and Costs Associated with the Cooperative Agreement

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

As shown in Attachment II, provided by Ms. Saez, TIDA budgeted \$10,164,265 from various revenue sources in FY 2009-2010 and anticipates generating an estimated \$8,026,805 in FY 2010-2011, or \$2,137,460 less than FY 2009-2010. According to Ms. Saez, the estimated annual revenues will decline by \$2,137,460 from FY 2009-2010 to FY 2010-2011 mainly because (a) the John Stewart Company housing revenues are projected to decrease by \$1,362,045, (b) the San Francisco Fire Department eliminated their \$814,000 payment to TIDA for the rental of the training academy facility located on Treasure Island, and (c) the year-end carryforward balance is \$400,000 less for FY 2010-2011.

As shown in Attachment III, provided by Ms. Saez, TIDA's expenses associated with the Cooperative Agreement total \$6,149,717 in FY 2009-2010 and are estimated to total \$5,667,013



in FY 2010-2011. According to Ms. Saez, the surplus of \$4,014,548 (\$10,164,265 in revenues less \$6,149,717 in expenditures) in FY 2009-2010 and the estimated surplus of \$2,359,792 (\$8,026,805 in revenues less \$5,667,013 in expenditures) in FY 2010-2011 are provided to the Fire Department and the Police Department for public safety on Treasure Island.

## POLICY ISSUES

### Status of the Transfer of Treasure Island

The Budget and Legislative Analyst notes that for the past ten years, TIDA has stated that Treasure Island would be transferred from the U.S. Navy to TIDA within a year, but the transfer has been continuously delayed. According to Mr. Sylvan, the transfer has been delayed due to the negotiations for the transfer of Treasure Island taking longer than originally anticipated.

On December 16, 2009, the City and the U.S. Navy reached a broad outline of terms for the conveyance of Treasure Island from the U.S. Navy to TIDA. On May 18, 2010, the Board of Supervisors endorsed the terms of the Economic Development Conveyance Memorandum of Agreement (EDC MOA) for the transfer of Treasure Island (File No. 10-0429). As stated in the "EDC MOA Terms with the Navy" section on page 6 and 7 of Attachment IV, a staff summary provided to the Board of Supervisors by Mr. Jack Sylvan, Treasure Island Redevelopment Project Director, the Treasure Island Community Development, LLC (TICD)<sup>2</sup> will make all payments to the U.S. Navy, which includes (a) "[a] guaranteed initial consideration of \$55 million, paid in 10 annual \$5.5 million payments," (b) "an additional \$50 million if and when private capital achieves an unleveraged 18% return<sup>3</sup>," and (c) "35% of any net revenues if and when private capital achieves an unleveraged 22.5% return." As stated on page 6 of Attachment IV, "the City will not be required to fund any of the consideration to the Navy and the City's General Fund is insulated from any obligation to pay on behalf of TIDA." "In all cases, the General Fund will not fund the Navy payments and the Navy will not be able to seek payment from the General Fund."

Although the Board of Supervisors endorsed the terms of the EDC MOA, transfer of Treasure Island from the U. S. Navy to TIDA cannot occur until specific activities are completed. As stated on page 3 of Attachment IV, such activities still to be completed include (a) project specific environmental review under the California Environmental Quality Act, (b) the preparation and negotiation of a final EDC MOA between TIDA and the U.S. Navy, (c) adoption of a Redevelopment Plan for Treasure Island under the California Redevelopment Law, (d) a comprehensive Disposition and Development Agreement between TIDA and TICD, (e) an Amended and Restated Base Closure Homeless Assistance Agreement between TIDA and the

<sup>2</sup> TICD is the prospective master developer for Treasure Island that was selected by TIDA through a competitive selection process in 2003.

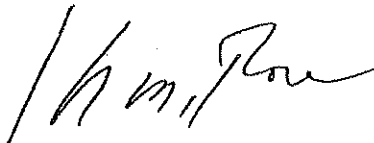
<sup>3</sup> According to the EDC MOA, the "unleveraged return" is the annual internal rate of return of the unleveraged cash flow (gross revenues received by TICD from the redevelopment project less development costs paid by TICD).

Treasure Island Homeless Development Initiative (TIHDI)<sup>4</sup>, and (f) final approvals by TIDA's Board of Directors and the Board of Supervisors.

According to Mr. Sylvan, (a) the environmental review is anticipated to be completed in December 2010 or January 2011, and (b) the Redevelopment Plan, the EDC MOA between TIDA and the U.S. Navy, the Disposition and Development Agreement between TIDA and TICD, and the Amended and Restated Base Closure Homeless Assistance Agreement between TIDA and the TIHDI are anticipated to be finalized and approved in the spring of 2011. Mr. Sylvan advises that Treasure Island is anticipated to be transferred from the U.S. Navy to TIDA between the spring and fall of 2011. According to Mr. Sylvan, the subject above-noted Leases and Cooperative Agreement between the U.S. Navy and TIDA will terminate upon the transfer of Treasure Island from the U.S. Navy to TIDA.

## RECOMMENDATIONS

Approve the proposed resolutions.



Harvey M. Rose

cc: Supervisor Avalos  
 Supervisor Mirkarimi  
 Supervisor Elsbernd  
 President Chiu  
 Supervisor Alioto-Pier  
 Supervisor Campos  
 Supervisor Chu  
 Supervisor Daly  
 Supervisor Dufty  
 Supervisor Mar  
 Supervisor Maxwell  
 Clerk of the Board  
 Cheryl Adams  
 Controller  
 Greg Wagner

<sup>4</sup> As stated on page 8 of Attachment IV, Federal law requires that local communities include a component that addresses homelessness in the reuse of former military bases. The TIHDI was formed in 1995 and submitted a notice of interest to be the local organization that provides the homeless assistance component for Treasure Island.

South Waterfront Area  
N6247498RP00P99

| Effective Date | Amendment          | Amended Term Only | Adds/Deletes Premises  | Amends Conditions/Comment  |
|----------------|--------------------|-------------------|--|--|
|                | 26th               | 12/1/10-11/30/11  |  |  |
| 11/6/2009      | 25th               | 12/1/09-11/30/10  |  |  |
| 8/6/2009       | 24th               |                   | Add Bldgs 385, 385, 454, 501 & portion of Ave. I between 3 <sup>rd</sup> St. & California Ave.         |  |
| 8/6/2009       | 23rd               | 12/1/08-11/30/09  |  |  |
| 11/3/08        | 21st (see Comment) |                   | Add Bldgs: 7, 41, 289, 530 and associated lots   | Finding of suitability to lease parcels. This Amendment is technically the 22nd Amendment, not the 21st Amendment. However, the Amendment documents stated that it is the 21st amendment and the Amendment documents were never fixed before they were signed by TIDA and the US Navy. |
| 12/20/07       | 21st               | 12/7/07-11/30/08  |  | Amends Liability Insurance Requirements  |
| 5/7/07         | 20th               |                   | Deletes Bldg 96 (26,083sf)   |  |
| 2006           | 19th               | 12/2/06-12/1/07   |  |  |
| 2007           | 18th               | 12/2/05-12/1/06   | Deletes Bldg. 99 (42,778sf)  |  |
| 12/14/2005     | 17th               |                   | Add use of vacant lot @ California ave/Ave H   |  |
| 12/14/2005     | 16th               |                   | Authorizes demolition and disposal of small structure on westerly side of TI Road, south of main gate. |  |
| 2005           | 15th               |                   | Add Bldg 201 and 221   |  |
| 2005           | 14th               |                   | Add use of lot bounded by 3rd and 4th Streets and I and H avenues, excluding site 33                   | Defines use  |
| 3/30/2005      | 13th               | 12/2/04-12/1/05   |  | Defines CAM  |
| 12/14/2005     | 12th               |                   | use of vacant lot on 13th street bordered by Avenue E and Avenue H                                     |  |
| 10/27/2004     | 11th               | 9/4/04-11/2/04    |  |  |

| Effective Date         | Amendment | Amended Term Only | Adds/Deletes Premises   | Amends Conditions/Comment   |
|------------------------|-----------|-------------------|---|---|
| 2003                   | 10th      | 9/4/98--9/3/04    |   |   |
| 5/14/2003              | 9th       |                   | use of area adj to Pier 1   |   |
| 10/9/2002              | 8th       | 9/4/98--9/3/03    |   |   |
| Amends Multiple Leases | 7th       |                   |   | Consideration adds that CAM Services Charges will not apply as of 10/1/2000 |
| 10/10/2000             | 6th       | 9/4/98--9/3/02    |   |   |
| 6/1/1999               | 5th       |                   | Deletes use of (10,000sf) in Bldg. 99 and Adds use of Bldg. 96 (26,083sf) and Bldg. 99 (42,778)           |   |
| 5/1/1999               | 4th       |                   | Add use of parking lot adj to Bldg 201  |   |
| 4/15/1999              | 3rd       |                   | Deletes (\$0.050psf) per month of used or occupied space, Adds (\$0.025psf) per month, effective 9/4/1998 |   |
| 1/14/1999              | 2nd       |                   | Add use of (10,000sf) in Bldg. 89   |   |
| 9/5/1998               | 1st       |                   | Add use of Pier 1 and adj parking   | Defines use   |

Lands and Structures Master Lease

| Effective Date | Amendment          | Amended Term Only | Adds/Deletes Premises  | Amends Conditions/Comments  |
|----------------|--------------------|-------------------|--|---|
|                | 34th               | 12/1/10-11/30/11  |  |   |
| 11/6/2009      | 33rd               | 12/1/09-11/30/10  |  |   |
| 8/6/2009       | 32nd               |                   | Buildings 29, 157, 215, 225, 261A, 264, 292, 401 and the lot surrounding Building 450                            |   |
|                | 31st (see comment) |                   | Building 202   | Amendment 31st was never finalized between TIDA and the US Navy. TIDA does not have access to Building 202. |
| 8/6/2009       |                    |                   |  |   |
| 8/6/2009       | 30th               | 12/1/08-11/30/09  |  |   |
| 11/3/2008      | 29th               |                   | Adds Bldgs: 92, 258  |   |
| 11/3/2008      | 28th               |                   | Deletes portion of land of Ave E and 11th  |   |
| 11/3/2008      | 27th               |                   | Adds Bldgs: 33A-H, 216, 229, 330, 402, 497, 670, 671, as well as surrounding lands, parking lot adj to Bldg: 221 |   |
| 2/13/2008      | 26th               |                   | Add Bldg: 64   |   |
| 3/13/2008      | 25th               |                   | Add Qtrs 10, 61, and 62  |   |
| 12/20/2007     | 24th               | 12/1/07-11/30/08  |  | Liability Insurance Requirements  |
| 7/12/2007      | 23rd               |                   | Add Qtrs 4, 5, 6, 7, 10, 61, 62, 83, 205, 230, 267 and Bldg 33A-H  |   |
| 3/14/2008      | 22nd               |                   | Add Qtr 240  |   |
| 5/7/2007       | 21st               |                   | Add Bldgs: 218, 229, 330, 402, 497, 670, 671   |   |
| 2007           | 20th               |                   | Add use of banner space - YBI tunnel   |   |
| 5/7/2007       | 19th               |                   | Add use of vacant lot on 13th Street bordered by Ave E and Ave H   |   |
| 2006           | 18th               | 12/2/06-12/1/07   |  |   |

# Lands and Structures Master Lease

| Effective Date | Amendment                 | Amended Term Only      | Adds/Deletes Premises  | Amends Conditions/Comments  |
|----------------|---------------------------|------------------------|--|---|
| 5/7/2007       | 17th                      |                        |  | Storage of material to support Caltrans resurfacing of SFOBB                |
| 2007           | 16th                      | 12/2/05--12/1/06       | Delete use of Bldg. 463 and adj areas  |   |
| 3/30/2005      | 15th                      | 12/2/04--12/1/05       | Add Bldg. 201 and adj areas  | Defines CAM   |
| 2004           | 14th                      | 11/19/04--11/18/05     | Add Bldg 69 and adj areas  |   |
| 2003           | 13th                      | 11/19/1999--11/18/2004 |  |   |
| 2/10/2002      | 12th                      | 11/19/1999--11/18/2003 |  |   |
| 5/1/2002       | Amd to Multiple subleases |                        |  | Consideration adds that CAM Services Charges will not apply as of 10/1/2000 |
| 6/1/2002       | 9th                       |                        | Adds Bldg. 335 and adj areas for use by Rubicon and the Baseball Field and adj areas             |   |
| 5/24/2001      | 8th                       |                        | Adds Bldgs: 129, 130, 131  |   |
| 4/1/2001       | 7th                       |                        | Adds use of approx 36,444sf of land  |   |
| 10/23/2000     | 6th                       |                        | Adds use of approx 31,751sf of land  |   |
| 3/1/2000       | 5th                       |                        | Adds use of Perimeter Path approx 66,708sf   |   |
| 2/1/2000       | 4th                       | 11/19/1999--11/18/2002 | Authorizes use of Approx (20,532sf) of land, Bldg 62 (35,611sf) occupying approx 698,24sf        |   |
| 5/1/1999       | 3rd                       |                        | Authorizes use of approx 20,532sf of land, Bldg. 62 (35,611sf) occupying approx 69,824sf of land |   |
| 4/15/1999      | 2nd                       |                        |  | Deletes (\$0.050psf) per month, Adds (\$0.025psf) per month                 |
| 2/1/1999       | 1st                       |                        |  | Amends language   |

Treasure Island Marina  
N6247498RP000Q01

| Effective Date | Amendment | Amended Term Only | Adds/Deletes Premises | Amends Conditions  |
|----------------|-----------|-------------------|-----------------------|--|
|                | 14th      | 12/1/09-11/30/10  |                       |  |
| 11/6/2009      | 13th      | 12/1/09-11/30/10  |                       |  |
| 8/6/2009       | 12th      | 12/1/08-11/30/09  |                       |  |
| 12/20/2007     | 11th      | 12/1/08-11/30/08  |                       | Amends Liability Insurance Requirements  |
| 2006           | 10th      | 12/2/06-12/1/07   |                       |  |
| 12/14/2006     | 9th       | 12/2/05-12/1/06   |                       |  |
| 3/30/2005      | 8th       | 12/2/04-12/1/05   |                       | Defines CAM services   |
| 2004           | 7th       | 11/2/04-12/1/04   |                       | Amends renumbering of 9th Amendment as the 5th Amendment. Content unaffected.                                    |
| 2004           | 6th       | 9/4/04-11/2/04    |                       |  |
| 2003           | 5th       | 9/4/98-9/3/04     |                       | Common Services Charges will not apply as of October 1, 2000   |
| 10/9/2002      | 4th       | 9/4/98-9/3/03     |                       |  |
| 01/05/2002     | 3rd       |                   |                       |  |
| 2000           | 2nd       | 9/4/98-9/3/02     |                       | Delete (\$0.050psf) per month of used or occupied building space, Add (\$0.025psf) per month, effective 9/4/1998 |
| 4/15/1999      | 1st       |                   |                       |  |

Childcare Master Lease  
N6871102RP02P09

| Effective Date | Amendment | Amended Term Only  | Adds/Deletes Premises | Amends Conditions/Comment                               |
|----------------|-----------|--------------------|-----------------------|---|
|                | 6th       | 12/1/10 - 11/30/11 |                       |   |
| 10/1/2009      | 5th       | 12/1/09 - 11/30/10 |                       |   |
| 10/1/2008      | 4th       | 12/1/08 - 11/30/09 |                       |   |
| 10/1/2007      | 3rd       | 10/1/07 - 11/30/08 |                       | Revised the insurance requirements                      |
| 10/1/2006      | 2nd       | 10/1/06 - 9/30/07  |                       |   |
| 5/1/2002       | 1st       |                    |                       | Common Service Charges will apply as of October 1, 2000 |



**Event Venue Master Lease  
N6247498RP00Q03**

Rev.1

| Effective Date | Amendment | Amended Term Only    | Adds/Deletes Premises  | Amends Conditions   |
|----------------|-----------|----------------------|--|---|
|                | 22nd      | 12/1/10-11/30/11     |  |   |
| 11/6/2008      | 21st      | 12/1/08-11/30/10     |  |   |
| 8/6/2009       | 20th      |                      | Add Lot surrounding Bldg. 449  |   |
| 8/6/2009       | 19th      | 12/1/2008-11/30/2009 |  |   |
| 8/30/1905      | 18th      |                      |  | Special Provision authorized to demolish Bldg. 227.                   |
| 3/31/2008      | 17th      |                      | Adds Qtrs 1  |   |
| 12/20/2007     | 16th      | 12/1/2007-11/30/2008 |  | Amends Insurance  |
| 5/7/2007       | 15th      |                      | Amends lease premises to add Qtrs 2 (3,901sf), along with adj. parking lot. Adds special provision - MOA bet Navy & CA State Historic Preservation Officer |   |
| 2006           | 14th      | 12/2/06-12/1/07      |  |   |
| 2006           | 13th      | 12/2/05-12/1/2006    |  |   |
| 3/30/2005      | 12th      | 12/2/04-12/1/2005    |  | Amends the term to master lease. Amends definition of common services |
| 2004           | 11th      | 11/2/2004-12/1/2005  |  |   |
| 2004           | 10th      | 9/4/2004-11/2/2004   |  |   |
| 2003           | 9th       | 9/4/1998-9/3/2004    |  |   |
| 10/9/2002      | 8th       | 9/4/1998-9/3/2002    |  |   |

| Effective Date | Amendment | Amended Term Only | Adds/Deletes Premises  | Amends Conditions  |
|----------------|-----------|-------------------|--|--|
| 5/1/2002       | 7th       |                   |  | Consideration of all leases adds that Common Services Charges will not apply as of 10/1/2000                                       |
| 10/10/2002     | 6th       | 9/4/1999-9/3/2002 | Authorizes use of Bldgs: 140 (24,169sf), 187 (9,884sf), 227 (13,200sf), 262 (12,150sf), 265 (4,496sf) and 271 (7,788sf); Pier 23; Tennis Courts (9), open space, parking areas and landscaping with exception of Little League Field, totalling (1,785,599.12sf) |  |
| 3/15/2000      | 5th       |                   |  |  |
| 12/30/1999     | 4th       |                   |  | Authorizes lessee to sublease property w/o prior Navy approval   |
| 9/1/1999       | 3rd       |                   | Adds Qtr. 1 (6,786sf) and adj parking and immediate grounds, totalling (71,017.84sf)   |  |
| 11/5/1999      | 2nd       |                   |  | Deletes (1,683,130.24sf) and Adds (1,847,426.83sf)   |
| 4/15/1999      | 1st       |                   |  | Deletes \$0.050psf, per month of occupied building space used or occupied by lessee. Adds \$0.025psf per month, effective 9/4/1998 |

# Cooperative Agreement

| Amendment | Amended Term       | Total Reimbursement Amount<br>by Navy to the City | Adds/Deletes Premises                          | Amends Conditions  |
|-----------|--------------------|---|--|--|
| 24        | 10/1/09 - 9/30/10  | \$12,848,214                                      |  |  |
| 23        | 10/1/08 - 9/30/09  | \$12,848,214                                      |  |  |
| 22        | 10/1/07 - 9/30/08  | \$12,848,214                                      |  |  |
| 21        | 9/30/06 - 10/1/07  | \$12,848,214                                      |  |  |
| 20        | 10/1/05 - 10/1/06  | \$12,848,214                                      |  |  |
| 19        | 12/1/04 - 9/30/05  | \$12,848,214                                      |  |  |
| 18        | 11/1/04 - 11/30/04 | \$12,848,214                                      |  |  |
| 17        | 10/1/04 - 10/31/04 | \$12,848,214                                      |  |  |
| 16        | 10/1/03 - 9/30/04  | \$12,848,214                                      |  |  |
| 15        | 10/1/02 - 9/30/03  | \$12,848,214                                      |  |  |
| 14        | 10/1/01 - 9/30/02  | \$12,848,214                                      |  | Increased reimbursement amount   |
| 13        | 10/1/00 - 9/30/01  | \$12,703,214                                      |  | Increased reimbursement amount   |
| 12        | 3/1/01 - 3/31/01   | \$12,558,214                                      |  |  |
| 11        | 1/1/01 - 9/30/01   | \$12,558,214                                      | Deleted Functional Annexes 3, 4,<br>and 6 etc. |  |
| 10        | 10/1/00 - 12/31/00 | \$12,558,214                                      |  |  |
| 9         | 12/1/99 - 9/30/00  | \$12,558,214                                      |  | Deleted the Accounting of Appropriation Data on P8 and Changed<br>the Grant Administration Office for the Navy |

| Amendment | Amended Term       | Total Reimbursement Amount<br>by Navy to the City | Adds/Deletes Premises | Amends Conditions   |
|-----------|--------------------|---|-----------------------|---|
| 8         | 12/1/99 - 9/30/00  | \$12,558,214                                      |                       | Deleted Appendix I and Appendix II- Inserted Table of Content with Technical Execution plans. |
| 7         | 11/1/99 - 11/30/99 | \$10,058,214                                      |                       | Added installment payment amount to Agreement   |
| 6         | 10/1/99 - 10/31/99 | \$10,058,214                                      |                       | Added installment payment amount to Agreement   |
| 5         | 10/1/98 - 9/30/99  | \$10,058,214                                      |                       | Added installment payment amount to Agreement   |
| 4         | 10/1/98 - 9/30/99  | \$10,058,214                                      |                       | Added installment payment amount to Agreement   |
| 3         | 10/1/98 - 11/30/98 | \$6,724,880                                       |                       | Increased reimbursement payment amount  |
| 2         | 10/1/97 - 9/30/98  | \$6,058,214                                       |                       | Added installment payment amount to Agreement   |
| 1         | 10/1/97 - 9/30/98  | \$6,058,214                                       |                       | Added installment payment amount to Agreement   |

## Treasure Island Development Authority

| A                               |  | B                       |                             | C                       |
|---------------------------------|--|-------------------------|-----------------------------|-------------------------|
| TIDA REVENUE SOURCES 04/07/2010 |  | 2009-10 Approved Budget |                             | Proposed 2010-11 Budget |
| 1                               | Developer Reimbursements               |                         | Reclassified as non-revenue |                         |
| 2                               | Joint Venture Special Events           | \$457,355.00            |                             | \$377,410.00            |
| 3                               | TIDA Special Events Revenues           | \$194,000.00            |                             | \$157,000.00            |
| 4                               | TI Commercial Revenues                 | \$1,654,800.00          |                             | \$2,021,030.00          |
| 5                               | Film Revenues                          | \$20,000.00             |                             | \$12,000.00             |
| 6                               | YBI Filming/Cellsites/ Banner Revenues | \$328,940.00            |                             | \$399,550.00            |
| 7                               | Maritime Revenues                      | \$102,730.00            |                             | \$90,000.00             |
| 8                               | John Stewart Company Housing Revenues  | \$6,042,440.00          |                             | \$4,680,395.00          |
| 9                               | Other Housing CAM                      | \$0.00                  |                             | \$139,420.00            |
| 10                              | SFFD Training Academy                  | \$814,000.00            |                             | \$0.00                  |
| 11                              | Carryforward/Year End Balance          | \$550,000.00            |                             | \$150,000.00            |
| 12                              | <b>Grand Totals</b>                    | <b>\$10,164,265.00</b>  |                             | <b>\$8,026,805</b>      |

| TOTAL REVENUES   | TIDA Approved 09-10 | TIDA Approved 09-10 | TOTAL              |
|--|---------------------|---------------------|--------------------|
| <b>06/09/2010 TIDA Operations Revised Budget</b>   |                     |                     |                    |
| <b>ADMINISTRATION</b>  |                     |                     |                    |
| MISC-REGULAR (Salaries)  |                     | Under GSA's Budget  | Under GSA's Budget |
| RETIRE CITY MISC FRINGE BENEFITS   |                     | Under GSA's Budget  | Under GSA's Budget |
| TIDA INTERNSHIP PROGRAM (Under GSA W-O)  | \$15,000            | \$0                 | \$0                |
| TRAVEL COSTS   | \$5,000             | \$5,000             | \$5,000            |
| TRAINING COSTS   | \$10,000            | \$10,000            | \$10,000           |
| LOCAL FIELD EXP  | \$750               | \$750               | \$1,000            |
| MEMBERSHIP FEES  | \$4,000             | \$4,000             | \$3,000            |
| PROMOTIONAL AND MARKETING EXPENSE  | \$20,000            | \$20,000            | \$15,000           |
| DELIVERY & POSTAGE   | \$15,000            | \$15,000            | \$10,000           |
| OFFICE RENTALS & LEASED EQUIPMENT  | \$13,000            | \$13,000            | \$13,000           |
| OFFICE MATERIALS & SUPPLIES  | \$18,000            | \$18,000            | \$14,400           |
| OTHER CURRENT ADMINISTRATIVE EXPENSES  | \$33,000            | \$33,000            | \$20,000           |
| <b>TOTAL ADMINISTRATION</b>  | <b>\$131,750</b>    | <b>\$131,750</b>    | <b>\$86,400</b>    |
| <b>PROFESSIONAL &amp; SPECIALIZED SERVICES</b>   |                     |                     |                    |
| TREASURE ISLAND BOYS & GIRLS CLUB HOUSE  | \$140,000           | \$140,000           | \$133,000          |
| CHILD CARE FACILITY  | \$50,000            | \$50,000            | \$52,000           |
| TIDH-OPERATING CONTRACT  | \$175,000           | \$175,000           | \$157,500          |
| TID GYM OPERATIONS YMCA  | \$150,000           | \$150,000           | \$142,500          |
| MARINE SALVAGE   | \$20,000            | \$20,000            | \$15,000           |
| GGEA -PUBLIC ART HISTORICAL PRESERVATION   | \$40,000            | \$40,000            | \$20,000           |
| SCAVENGER SERVICES (GOLDEN GATE DISPOSAL)  | \$25,000            | \$25,000            | \$25,000           |
| JANITORIAL SERVICES (Toolworks)  | \$108,000           | \$108,000           | \$102,600          |
| GROUNDS MAINTENANCE RUBICON  | \$675,000           | \$675,000           | \$641,000          |
| PROTECTIVE SECURITY SERVICES   | \$0                 | \$0                 | \$85,000           |
| TIDA DIRECTOR'S LIABILITY INSURANCE  | \$45,000            | \$45,000            | \$45,000           |
| OTHER PROFESSIONAL SERVICES  | \$40,000            | \$40,000            | \$52,000           |
| <b>TOTAL PROFESSIONAL &amp; SPECIALIZED SERVICES</b>                                     | <b>\$1,468,000</b>  | <b>\$1,468,000</b>  | <b>\$1,470,600</b> |
| <b>CITY DEPARTMENT WORK-ORDERS</b>   |                     |                     |                    |
| DEPARTMENT OF PARKING AND TRAFFIC  | \$15,000            | \$15,000            | \$8,000            |
| CONTROLLER'S OFFICE  | \$25,000            | \$25,000            | \$0                |
| DTIS SERVICES (AAO)  | \$38,000            | \$38,000            | \$40,000           |
| DEPARTMENT OF BUILDING INSPECTION  | \$10,000            | \$10,000            | \$0                |
| RISK MANAGEMENT INSURANCE CONSULTING   | \$8,000             | \$8,000             | \$8,000            |
| GENERAL SERVICES AGENCY  | \$1,202,592         | \$1,202,592         | \$1,104,260        |
| GF-CITY ATTORNEY-LEGAL SERVICES (AAO)  | \$200,000           | \$200,000           | \$180,000          |
| GF-HR-MGMT TRAINING (AAO)  | \$3,000             | \$3,000             | \$3,000            |
| IS-PURCH-CENTRAL SHOPS-AUTO MAINT (AAO)  | \$13,000            | \$13,000            | \$3,500            |
| IS-PURCH-CENTRAL SHOPS-FUEL STOCK (AAO)  | \$3,500             | \$3,500             | \$3,500            |
| IS-PURCH-REPRODUCTION (AAO)  | \$20,000            | \$20,000            | \$6,000            |
| GF-PUC-HETCH HETCHY (AAO) (\$648,000 Utility Bills, \$150,000 Generators, \$200,000 MOU) | \$985,000           | \$985,000           | \$998,000          |
| SR-DPW-BUILDING REPAIR (AAO)   | \$1,187,608         | \$1,187,608         | \$679,000          |
| SR-DPW-BUREAU OF STREET ENVIRONMENTAL SERVICES   | \$48,470            | \$48,470            | \$188,480          |
| SR-DPW-BUREAU OF STREETS AND SEWER REPAIR SERVICES                                       | \$80,263            | \$80,263            | \$80,265           |
| SR-DPW-BUREAU OF URBAN FORESTRY SERVICES   | \$175,000           | \$175,000           | \$160,000          |
| SR-DPW-BUREAU OF OPERATIONS  | \$109,824           | \$109,824           | \$0                |
| FACILITIES MANAGEMENT SERVICES (Department of Real Estate)                               | \$0                 | \$0                 | \$28,296           |
| TIDA FACILITIES MANAGEMENT SERVICES  | \$0                 | \$0                 | \$256,772          |
| CAPITAL IMPROVEMENT PROJECTS   | \$425,710           | \$425,710           | \$361,000          |
| <b>TOTAL CITY DEPARTMENT WORK-ORDERS</b>   | <b>\$4,549,967</b>  | <b>\$4,549,967</b>  | <b>\$4,108,073</b> |
| <b>TOTAL OPERATIONS EXPENDITURES</b>   | <b>\$6,149,717</b>  | <b>\$6,149,717</b>  | <b>\$5,667,013</b> |

SURPLUS AVAILABLE FOR TIDA PUBLIC SAFETY (SF Police Department and SF Fire Department) \$4,014,548

ECONOMIC AND WORKFORCE DEVELOPMENT  
MICHAEL COHEN, DIRECTOR



CITY AND COUNTY OF SAN FRANCISCO  
GAVIN NEWSOM, MAYOR

## MEMORANDUM

TO: Members, Board of Supervisors

STAFF CONTACT: Jack Sylvan, Economic & Workforce Development

CC: Starr Terrell, Mayor's Office

DATE: April 6, 2010

RE: Legislation Supporting the Redevelopment of Former Naval Station  
Treasure Island, including:

- 1) Terms of Economic Development Conveyance Memorandum of Agreement for Transfer of Property with United States Navy
- 2) Update to Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island with Treasure Island Community Development, LLC
- 3) Term Sheet for Amended and Restated Base Closure Homeless Assistance Agreement with Treasure Island Homeless Development Initiative

---

### I. EXECUTIVE SUMMARY

#### A. Introduction

On behalf of the Treasure Island Development Authority Board of Directors ("TIDA"), we are very pleased to present a package of resolutions for the Board of Supervisors' endorsement of three distinct but integrally related documents that form the comprehensive vision for the redevelopment of former Naval Station Treasure Island ("NSTI"), which includes portions of both Treasure Island and Yerba Buena Island (together, "Treasure Island"). The three documents are:

- 1) Terms of Economic Development Conveyance Memorandum of Agreement for Transfer of Property with United States Navy ("EDC MOA Terms")
- 2) Update to Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island with Treasure Island Community Development, LLC ("Development Plan Update")

1 DR. CARLTON B. GOODLETT PLACE, ROOM 448, SAN FRANCISCO, CA 94102  
(415) 554-6123 VOICE (415) 554-6018 FAX

3) Term Sheet for Amended and Restated Base Closure Homeless Assistance Agreement with Treasure Island Homeless Development Initiative ("TIHDI Term Sheet")

Copies of these documents are on file with the Clerk of the Board of Supervisors and are available on line for review at <http://www.sfgov.org/treasureisland> for the main Treasure Island Development Authority website or <http://sftreasureisland.org/index.aspx?page=26> for a direct link to the documents. The documents are listed as "Legislation submitted April 6, 2010 to Board of Supervisors Supporting the Redevelopment of Former Naval Station Treasure Island."

In summary, these documents outline the following terms for the redevelopment of NSTI:

**EDC MOA Terms.** The Navy will receive initial consideration of \$55 million paid over 10 years with interest, to be paid on behalf of TIDA by Treasure Island Community Development, LLC ("TICD"). The Navy will receive additional consideration of 100% of net cashflow in excess of an 18% return to the developer up to a maximum of \$50 million and the Navy will receive 35% of net cashflow in excess of a return to the developer in excess of 22.5%. The Navy will transfer property on a fixed schedule included in the final EDC MOA and, if the Navy's fails to perform on that schedule, payments to the Navy will be tolled or reduced as defined in the EDC MOA. The document identifies key controls that give the Navy certain objection rights and ensures that TIDA and TICD sell property as part of the redevelopment project at fair market value.

**Development Plan Update.** In order to update the redevelopment plans for Treasure Island to incorporate the economic terms of the Navy transfer agreement and current economic market conditions, in a manner that ensures a financially and fiscally feasible project and that delivers the project vision that has received overwhelming public support, the following updates are incorporated as part of the Development Plan Update: (i) incorporating the economic terms of the Navy deal, (ii) updating the development program to, among other slight adjustments, include up to 8,000 homes, (iii) updates the infrastructure scope and budget to incorporate current approaches to mitigate geotechnical and sea level rise conditions, adjustments to the open space budget, more efficient approaches to financing transit capital, and progress with the San Francisco Public Utilities Commission and San Francisco Fire Department on infrastructure and public facilities as part of the redevelopment project, (iv) an updated affordable housing program that maintains the commitment to 30% of all units at below market rates, delivers more of the affordable housing as units delivered by non-profit affordable housing developers in buildings in which 100% of the units are affordable and increases the total project contribution to affordable housing to \$519 million, and (v) updates the cost, revenue and timing assumptions to be consistent with the program scope and budget adjustments just described, updated market revenue and public financing assumptions, and adjustments to the transaction structure consistent with the terms of the Navy agreement.

**TIHDI Term Sheet.** Describes the terms by which the Treasure Island Homeless Development Initiative ("TIHDI") will participate in the redevelopment of NSTI via new supportive homeless housing and economic development opportunities. Specifically, TIHDI will have the right to construct 435 new units of affordable housing, will receive at no cost developable land and vertical subsidy for the construction of the housing. TIDA and TIHDI will meet and confer at each major phase of the redevelopment project to determine how the TIHDI units will be delivered (type of program, whether mixed in non-supportive affordable housing buildings, etc.) and develop in more detail an economic development component that includes TIHDI's lead role in the Job Broker program and specific economic development opportunities that will create jobs for TIHDI members.



While these documents are the product of one of the most extensive public review processes for a large development project in the City's history, their endorsement will not signal the end of the planning process for Treasure Island. Activities still to be completed include project specific environmental review under the California Environmental Quality Act ("CEQA"), and the preparation and negotiation of hundreds of pages of implementing documents, including a final Economic Development Conveyance Memorandum of Agreement ("EDC MOA") with the United States Navy ("Navy"), adoption of a Redevelopment Plan for Treasure Island under California Redevelopment Law, a comprehensive Disposition and Development Agreement with Treasure Island Community Development, LLC ("TICD DDA"), an Amended and Restated Base Closure Homeless Assistance Agreement with the Treasure Island Homeless Development Initiative ("Amended and Restated TIHDI Agreement"), plus final approvals by TIDA and the City and County of San Francisco Board of Supervisors ("BOS"), all estimated for completion in Fiscal Year 2010-2011.

However, the endorsement of these documents will mark an important milestone in the project planning, together representing the culmination of more than 10 years of concentrated effort by TIDA, the Treasure Island/ Yerba Buena Island Citizens Advisory Board (the "TI CAB"), the Land Use and Economic Development Committee of the Board of Supervisors, TICD, TIHDI, staff and key stakeholders including local, regional and state departments and agencies, local organizations, residents and members of the public.

To help direct the reader, this staff summary includes the following sections:

|                                   |             |
|-----------------------------------|-------------|
| I. Executive Summary              | Pages 1-9   |
| II. Background                    | Pages 10-12 |
| III. Overview of Development Plan | Pages 13-33 |
| IV. Overview of TIHDI Term Sheet  | Pages 33-36 |
| V. Overview of the EDC MOA Terms  | Pages 37-40 |
| VI. Next Steps                    | Page 41     |

The Executive Summary section, which is slightly longer than typical, is intended to provide sufficient information so that the reader can gain an understanding of the proposed resolutions by reviewing this section alone. Sections 3 through 6 are provided for those interested in more comprehensive and detailed information on the package of resolutions that form the overall vision of the redevelopment of Treasure Island.

#### **B. 2006 Development Plan**

In December 2006, the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island ("2006 Development Plan") with TICD, which outlined an innovative vision for the future of Treasure Island, was overwhelmingly endorsed by the TI CAB by a 17-0-1 vote, by TIDA by a 6-0 vote and by the BOS by a 10-1 vote. The comprehensive package included detailed plans regarding land uses, phasing, infrastructure, transportation, sustainability, housing, including affordable housing, parks and open space, jobs and equal opportunity programs, community facilities and project financing. The vision for the future of Treasure Island was centered around the fulfillment of several key objectives:

- New San Francisco Neighborhood. Creation of a new, mixed-use and transit-oriented neighborhood on the former military base, incorporating the best principles of smart growth and quality urban design.

- New Regional Destination. Establishment of Treasure Island as a regional destination.
- Affordable Housing. A commitment to constructing significant levels of new below-market rate housing, 30% of all units (1,800 units in 2006), including hundreds of supportive housing units through the nationally-recognized TIHDI program.
- Waterfront Parks System. The creation of 300 acres of new waterfront parks and open space for the City and region.
- Sustainable Development. The commitment to making the redevelopment of Treasure Island a model of environmentally sustainable development.
- Economic Development. The opportunity to generate thousands of annual construction jobs via build out of the project and thousands of permanent jobs at project completion.
- Community Benefits. A package consisting of educational, social, cultural, environmental and public safety facilities and programs.

The 2006 Development Plan acknowledged that there was considerable work remaining to be done over the following several years to reach final project approvals, including among other things: project-specific environmental review as required by CEQA, adoption of a Redevelopment Plan and Design for Development, negotiation of the final TICD DDA and related transaction documents between TIDA and TICD, negotiation of a Trust Exchange Agreement with State Lands Commission, and the design and engineering of infrastructure and utility systems required to support development. One of the most important project milestones to achieve was an agreement with the Navy on the terms for the transfer of the property to TIDA. The 2006 Development Plan also explicitly acknowledged the need – for a project of the scale, complexity and risk as the redevelopment of former NSTI – to update the terms of the 2006 Development Plan to reflect materially changed conditions, such as terms of the deal with the Navy and/or changes to economic assumptions.

### C. Project Planning Since 2006

Over the past three years the project plans and due diligence have continued to move forward within a shifting policy, regulatory and economic context. Key activities and components incorporated into the project plans include:

- Environmental Review. Environmental review under CEQA was initiated in 2007 and the analysis has continued to influence the project plans.
- Reuse of Historic Structures. In response to TIDA and BOS direction at endorsement of the 2006 Development Plan to explore ways to improve the feasibility of reuse of the historic structures on Treasure Island. Project plans have evolved slightly by shifting the orientation of the ferry terminal and mixed-use town center to incorporate Buildings One, Two and Three into the retail main street.
- Geotechnical Strategy. An expert geotechnical team was convened and recommended a revised strategy for addressing the geotechnical challenges for new buildings and infrastructure.
- Proactively Responding to Potential Sea Level Rise. The issue of sea level rise has been addressed head on by developing an adaptive management strategy, in coordination with the San Francisco Public Utilities Commission (“SFPUC”) and the Bay Conservation and Development Commission (“BCDC”), for mitigating the impacts of potential sea level rise.

- Urban Design. Two major efforts have been undertaken: first, a block by block analysis to fit the desired development program within the available developable acres of the land use plan. This first effort set the framework for the second step, preparation of a draft Design for Development document, which was recently published for public comment and presented to the BOS Land Use and Economic Development Committee and the San Francisco Planning Commission.
- Transportation Authorizing Legislation. State legislation was signed authorizing the creation of Treasure Island Transportation Management Agency to implement the cutting-edge transportation program proposed for Treasure Island, including implementation of a congestion management pricing program.
- Trust Exchange. State Legislation was signed making the Tidelands Trust Exchange consistent with the current land use plans; staff also worked to prepare the terms of a Trust Exchange Agreement, pending completion of final project approvals.
- Utilities Infrastructure. Extensive work with the Department of Public Works ("DPW") and the SFPUC on infrastructure design criteria and master plans, including approval by TIDA of an Exclusive Negotiating Agreement with the SFPUC ("SFPUC ENA") regarding sharing of responsibilities for construction of new infrastructure.
- Streets System. Significant progress with a Streets Working Group (consisting of staff from the Planning Department, MTA, DPT, SFPUC, DPW, San Francisco Fire Department, Mayor's Office of Disability, Department of Public Health, and the San Francisco Bicycle Coalition) to develop standards, criteria and master plans for the network of streets, paths and lanes that will prioritize cyclists and pedestrians, including a Shared Public Way component.
- Transit Plans. Significant progress on ferry terminal planning with the San Francisco Bay Area Water Emergency Transit Authority (WETA) and the San Francisco Municipal Transportation Agency (SFMTA) on the Treasure Island intermodal transit hub, bus routes and service planning.

#### D. Project Recognition

Along the way the project has received recognition for its innovative approach to sustainability across the triple bottom line (environmental, social, economic measures), including:

- California Governor's Environmental and Economic Leadership Award. The project received the 2008 award for Sustainable Communities.
- 2009 American Institute of Architects Honor Award for Urban Design.
- Clinton Climate Initiative and US Green Building Council. The CCI/USGBC partnership selected the Treasure Island project as one of 17 projects around the world to partner with in its Climate Positive Development Program.

#### E. Agreement on Basic Financing Terms for Transfer of Property from Navy

In December 2009, TIDA and the Navy reached agreement on the basic financial terms for the transfer of the property to TIDA. After 15 years of discussions with the Navy, the achievement of this significant milestone also represented the final piece needed to prepare an updated project budget reflecting current conditions.

#### F. Current Package of Term Sheet Documents Supporting Redevelopment of Treasure Island

Based on the work conducted since endorsement of the 2006 Development Plan and the achievement of the milestone agreement on basic financial terms with the Navy, staff has worked with the TI CAB, TIDA, TICD and TIHDI to prepare the comprehensive set of term sheet documents that update the vision for Treasure Island consistent with the economic terms of the proposed Navy deal, current economic conditions and recognition of realistic project funding sources that reflect an implementable project.

The EDC MOA Terms, the Development Plan Update (together with the 2006 Development Plan) and the TIHDI Term Sheet outline the terms upon which TIDA, the Navy, TICD and TIHDI will negotiate in good faith to reach agreement on final transaction documents for the project, including the EDC MOA, the TICD DDA and the Amended and Restated TIHDI Agreement. The parties understand that all entitlements and other approvals by government agencies required for the project will first undergo environmental review under CEQA and be subject to public review in accordance with the processes of TIDA and the City.

### 1. EDC MOA Terms with the Navy

The EDC MOA Terms outlines the key economic and other terms associated with transferring the property from the Navy to TIDA. The consideration for the property is based on a guaranteed, fixed initial payment plus additional consideration subject to the project achieving certain financial benchmarks. One very important concept that merits highlighting is the fact that these EDC MOA Terms are structured such that the developer, TICD, will make all payments to the Navy on behalf of TIDA. That fundamental structure is also incorporated into the Development Plan Update between TIDA and TICD and will be included in the TICD DDA. Furthermore, the City will not be required to fund any of the consideration to the Navy and the City's General Fund is insulated from any obligation to pay on behalf of TIDA. The consideration to the Navy essentially becomes a project land cost and is funded in the same manner as other infrastructure and land preparation costs. Key terms include:

- The Navy will receive guaranteed initial consideration of \$55 million, paid in 10 annual \$5.5 million payments. The TICD DDA will obligate the developer to make these payments on behalf of TIDA.
- The Navy will commit to a schedule for transferring property and, if property is not transferred on that schedule, adjustments would be made to the payment schedule including deferring or reducing the payment.
- TIDA will provide the Navy security for the initial consideration – in the event TICD does not make payments on TIDA's behalf – by pledging assignment of its existing rent revenues (existing housing and commercial uses) and certain tax increment financing subordinate to bondholders. In all cases, the General Fund will not fund the Navy payments and the Navy will not be able to seek payment from the General Fund.
- TICD will pay directly to the Navy an additional \$50 million if and when private capital achieves an unleveraged 18% return and 35% of any net revenues if and when private capital achieves an unleveraged 22.5% return.
- The document includes a series of controls, consistent with the 2006 Development Plan between TIDA and TICD, which ensures property is transferred from TICD at fair market value.
- The MOA provides the Navy with certain objection rights if they do not believe the objective standards outlined in the controls have been followed; any Navy objection would be resolved through an expedited dispute resolution process that enables the redevelopment to continue expeditiously.

- Requires funds associated with and generated by the redevelopment project to be used for economic development purposes and/or consideration payable to the Navy for the property.

These EDC MOA Terms, if endorsed, will serve as the framework for the preparation of a final EDC MOA, which would be brought to TIDA and the BOS as part of the overall redevelopment project approvals.

## 2. Development Plan Update

In a fiscal environment where Proposition 13 and its progeny and ever stingier federal and state governments have significantly limited the ability of cities to pay for the creation of new public benefits like parks and affordable housing, our mandate for the redevelopment of Treasure Island has been to maximize the creation of public benefits without relying on the City's General Fund. The way to achieve that goal is by leveraging private capital and land value created from the redevelopment itself to the greatest extent possible. At the same time, we have created a project which reflects the highest values of environmental sustainability and good urban design. We believe we have succeeded enormously in both respects, as demonstrated by the recognition the project has received over the past three years.

The redevelopment of Treasure Island will fund approximately \$519 million towards the creation of 2,260 below market housing units (30% of all new housing), including TIHDI's groundbreaking supportive housing program. The redevelopment of Treasure Island will also create more than 300 acres of public parks and open space in the middle of San Francisco Bay. Perhaps most remarkably, this project will deliver these public benefits, plus other benefits like thousands of permanent and construction jobs and significant economic development opportunities, without any new contribution from the City's General Fund.

The Development Plan Update retains the overall vision for the redevelopment of Treasure Island outlined in the 2006 Development Plan, which has received overwhelming public support and significant national and international recognition, and makes minor updates and adjustments to reflect current conditions. These minor adjustments and updates include:

1. Navy Deal. Incorporates the economic terms of the Navy deal.
2. Development Program. Consistent with the CEQA review being prepared for the project, adjusts the maximum development program to include up to 8,000 residential units, which supports project feasibility and viable retail, transit and community services.
3. Infrastructure Scope and Budget. Updates the infrastructure budget, which has increased from \$1.2 billion in 2006 to \$1.5 billion currently, as follows:
  - a. Incorporates the current approaches to address geotechnical requirements and proactively addressing sea level rise via an adaptive management strategy.
  - b. Retains the overall 300-acre waterfront parks and open space zone; adjusts the scope and budget based on the strategy of partnering with a non-profit open space conservancy (as is done with the GGNRA Conservancy, Central Park and Battery Park in NYC) to deliver the open space program. Includes certain funds for on-going operations.
  - c. Based on discussions with the SFMTA and WETA, incorporates a more efficient approach to providing ferry boats and buses.
  - d. Includes assumptions for sharing of infrastructure costs consistent with the SFPUC ENA.

- e. Incorporates further work with the San Francisco Fire Department on a Treasure Island "superstation" facility.
4. Affordable Housing. Retains the commitment to 30% of all residential units, which increases the overall amount of affordable housing delivered from 1,800 to about 2,260 units, and the overall project contribution to affordable housing from \$406 million in 2006 to \$519 million in the current program. Adjusts the delivery of the affordable housing such that a greater portion of the affordable units would be constructed by non-profit affordable housing developers in buildings in which all units are at below-market rates.
5. Updated Financing Plan. Incorporates updated real estate and economic market assumptions for residential and commercial uses; updated infrastructure and affordable housing budgets; updated project-generated private and public financing assumptions; updated fiscal analysis. With the exception of adjustments to TIDA's backend profit participation consistent with incorporating terms of the Navy deal, the overall structure of the deal remains the same.

The remainder of the redevelopment plan and program, as outlined in the 2006 Development Plan – including the guiding principles, commitment to comprehensive sustainability and commitments that enable existing residents to remain part of the new community – are unchanged. The Development Plan Update incorporates only those adjustments noted above.

### 3. TIHDI Term Sheet

Federal law requires that local communities include a component that addresses homelessness in the reuse of former military bases. The Treasure Island Homeless Development Initiative, or TIHDI, was formed in 1995 and submitted a notice of interest to be the local organization that provides the homeless assistance component for former NSTI. TIHDI consists of affordable housing development and supportive homeless housing organizations (Catholic Charities, Mercy Housing, Community Housing Partnership) as well as job training and development programs (Rubicon, Toolworks). A 1996 TIHDI Agreement was negotiated and completed but never executed as environmental review under CEQA had not been completed. The 1996 TIHDI Agreement outlined three key components of TIHDI's participation in the reuse of the property: 1) rights to occupy on an interim basis the existing, former military housing (TIHDI currently occupies 250 housing units); 2) rights to future new housing as part of the redevelopment; and 3) job training, economic development opportunities and support facilities.

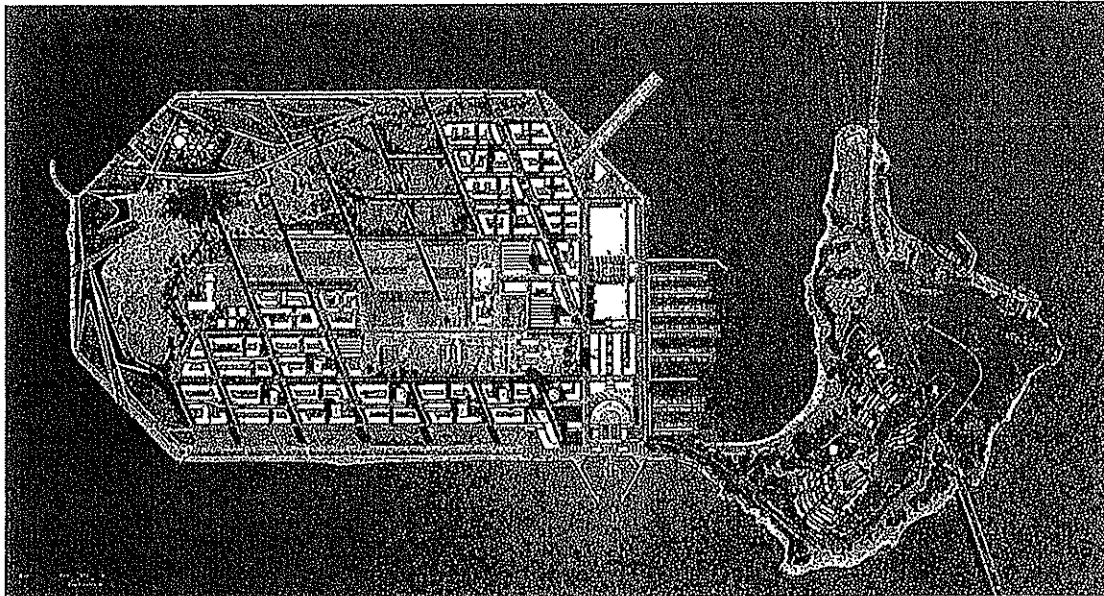
The TIHDI Term Sheet is consistent with (i) the current redevelopment plan and program, (ii) TIHDI's current interim use of and activities on the island and (iii) economic assumptions included in the Development Plan Update with TICD. The TIHDI Term Sheet will become the basis for a full Amended and Restated TIHDI Agreement, which will update and supercede the 1996 TIHDI Agreement. The TIHDI Term Sheet outlines the following rights and obligations of the parties:

- TIHDI has the right to 435 new units as part of the redevelopment project
- TIHDI will not be displaced from its existing program of 250 housing units until its new replacement units have been constructed on Treasure Island, which is anticipated to occur in the early phases of the project.
- Consistent with the timing and process for the implementation of the redevelopment project in 3-4 major phases, at the beginning of each major phase, TIDA and TIHDI will meet to determine how (what program, unit sizes, which partners, in stand alone or mixed income buildings, location, etc.) to deliver the new TIHDI units based on (i) TIHDI's then existing programs, (ii) TIDA and the City's affordable housing policy priorities at the time (iii) available non-project

generated affordable housing capital funding sources and (iv) available non-project generated operating subsidies.

- TIDA will provide developable land at no cost and vertical construction gap subsidy required to construct the new TIHDI units, which will come from vertical subsidy payments delivered by TICD under the terms of the TICD DDA and from other project-generated sources such as Tax Increment Financing.
- The TIHDI Term Sheet incorporates the comprehensive economic development opportunities and support components outlined in the 2006 Development Plan.

This TIHDI Term Sheet has been crafted in partnership with TIHDI and included participation by the Mayor's Office of Housing.



**Illustrative Conceptual Land Plan**

[Faint, illegible text, possibly bleed-through from the reverse side of the page]



**FOURTEENTH AMENDMENT  
TO LEASE AGREEMENT N6247498RP00Q01  
BETWEEN  
THE UNITED STATES OF AMERICA  
AND  
TREASURE ISLAND DEVELOPMENT AUTHORITY**

THIS LEASE AMENDMENT made this \_\_\_\_\_ day of \_\_\_\_\_ 2010, by and between the UNITED STATES OF AMERICA, acting by and through the Department of the Navy, hereinafter called the "Government", and the TREASURE ISLAND DEVELOPMENT AUTHORITY, hereinafter called the "Lessee";

WHEREAS, the parties hereto, as of 4 September 1998, entered into Lease Agreement N6247498RP00Q01 under the terms of which the Lessee uses certain real property for space located at the former Naval Station, Treasure Island; and

WHEREAS, the parties agree to amend the terms of the Lease Agreement.

NOW THEREFORE, in consideration of the terms, covenants and conditions hereinafter set forth; the following paragraphs to Lease N6247498RP00Q01 are hereby amended to reflect the following changes;

1. Paragraph 2 **TERM**, delete in its entirety and the following paragraph is inserted therefore:

"The term of this Lease shall be for a period of one (1) year beginning on 1 December 2010 and ending on 30 November 2011, unless sooner terminated in accordance with the provisions of Paragraph 14, Termination"

All other terms and conditions of the Lease Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth above duly executed this amendment to the Lease as of the day and year first above written.

UNITED STATES OF AMERICA

TREASURE ISLAND DEVELOPMENT  
AUTHORITY

\_\_\_\_\_  
Title \_\_\_\_\_

\_\_\_\_\_  
Title \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
CITY ATTORNEY

**Treasure Island Development Authority  
City and County of San Francisco**

Resolution Approving the Fourteenth Amendment to the Treasure Island Marina Master Lease between the Treasure Island Development Authority and the U.S. Navy to Extend the Term.

**SUMMARY OF PROPOSED ACTION:**

This item seeks approval and authorization to amend the Master Lease between the Treasure Island Development Authority (the "Authority") and the U.S. Navy for the Marina on former Naval Station Treasure Island to extend the Term of the Lease to November 30, 2011.

**BACKGROUND:**

On September 4, 1998, the Authority entered into Lease Number N6247498RP00Q01 with the United States Navy (as amended from time to time, the "Marina Master Lease"). The lease premises include certain land and buildings, including the Treasure Island Marina, the marina boat slips and the Treasure Island Yacht Club. The Authority does not pay any base rent under the Marina Master Lease, and the Authority uses the subleasing and permit revenues to support the interim operation of Treasure Island. The Master Lease is renewed yearly.

The term of the Marina Master Lease will expire November 30, 2010. The proposed Fourteenth Amendment extends the term through November 30, 2011 on the same terms and conditions as the existing Marina Master Lease.

The Authority's Board of Directors approved the Fourteenth Amendment to the Marina Master Lease at its May 12, 2010 meeting. The Authority's Bylaws require Board of Supervisors approval of any contract or agreement entered into by the Authority with a term longer than ten years. Because the term of the Marina Master Lease exceeds ten years, the Director of Island Operations requests approval of the Fourteenth Amendment from the Board of Supervisors to extend the term to November 30, 2011 on the same terms and conditions as the existing Master Lease.

**RECOMMENDATION:**

Approve the Fourteenth Amendment to the Marina Master Lease between the Treasure Island Development Authority and the United States Navy to extend the term to November 30, 2011.

Mirian Saez, Director of Island Operations