

File No. 100785

Committee Item No. 13

Board Item No. 34

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: BUDGET AND FINANCE

Date: July 14, 2010

BOARD OF SUPERVISORS MEETING

Date: 7/22/10

Cmte Board

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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 [Modification of the Cooperative Agreement with the United States Navy]

2
3 **Resolution Approving and Authorizing the Treasure Island Development Authority to**
4 **Enter into a Modification of the Cooperative Agreement with the United States Navy to**
5 **Extend the Cooperative Agreement from October 1, 2010 to September 30, 2011.**

6
7 WHEREAS, Former Naval Station Treasure Island is a military base located on
8 Treasure Island and Yerba Buena Island (together, the "Base"), which is currently owned by
9 the United States of America (the "Navy"); and

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

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

19 WHEREAS, On September 3, 1997, the Board of Supervisors passed Resolution No.
20 806-97, authorizing the City to enter into a Cooperative Agreement with the Navy under
21 which the City (initially) and the Authority (subsequently) agreed to assume certain
22 responsibilities for (i) operation and maintenance for the water, waste water, storm water,
23 electric and gas utility systems on the Base, (ii) security and public health and safety services,
24 (iii) grounds and street maintenance and repair, and (iv) property management and caretaker
25 services; and

1 WHEREAS, The Cooperative Agreement has been amended numerous times and the
2 current term of the Cooperative Agreement expires on September 30, 2010; and

3 WHEREAS, The Authority and the Navy wish to extend the term of the Cooperative
4 Agreement to September 30, 2011 by entering into a Modification to the Cooperative
5 Agreement in substantially the form of the Cooperative Agreement Modification filed with the
6 Clerk of the Board of Supervisors in File No. 100785 (the "Modification"); and

7 WHEREAS, The Authority's organizational documents require the Board of
8 Supervisors' approval of any contract that the Authority enters into prior to the adoption of a
9 redevelopment plan for the Base if the contract is worth more than \$1,000,000 or has a term
10 of 10 years or more; and

11 WHEREAS, The Cooperative Agreement, as amended, is a contract for an amount in
12 excess of \$1,000,000 and with a term in excess of 10 years; now, therefore, be it

13 RESOLVED, That the Board of Supervisors hereby approves the Modification and
14 authorizes the Director of Island Operations of the Authority or her designee to execute and
15 enter into the Modification in substantially the form of the Cooperative Agreement Modification
16 filed with the Clerk of the Board of Supervisors in File No. 100785 and any additions,
17 amendments or other modifications to such Modification (including, without limitation, its
18 exhibits) that the Director of Island Operations of the Authority or her designee determines, in
19 consultation with the City Attorney, are in the best interests of the Authority and do not
20 otherwise materially increase the obligations or liabilities of the Authority, and are necessary
21 or advisable to effectuate the purpose and intent of this resolution.

Item 8, 9, 10, 11, 12, and 13

File 10-0780, 10-0781, 10-0782, 10-0783, 10-0784 & 10-0785

Department(s):

Treasure Island Development Authority

EXECUTIVE SUMMARY**Legislative Objectives**

- File No. 10-0780: The proposed resolution would approve the 26th 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 34th 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 14th 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 6th 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 22nd 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 25th 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 25th amendment was approved by the Board of Supervisors on November 6, 2009 (File No. 09-1125). The 23rd and 24th 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 33rd amendment was approved by the Board of Supervisors on November 6, 2009 (File No. 09-1124). The 30th, 31st and 32nd 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 13th amendment was approved by the Board of Supervisors on November 6, 2009 (File No. 09-1126). The 12th 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 21st 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 ended¹. 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.

¹ 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)² 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% return³," 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

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


³ 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)⁴, 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

⁴ 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 355, 385, 454, 501 & portion of Ave. I between 3 rd 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. 98 (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. 99	
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	
8/6/2009	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	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, 63, 205, 230, 267 and Bldg 33A-H	
3/14/2008	22nd		Add Qtr 240	
5/7/2007	21st		Add Bldgs: 216, 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
N6247498RP00Q01

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		
3/30/2006	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		
10/9/2002	4th	9/4/98-9/3/03		
01/05/2002	3rd			Common Services Charges will not apply as of October 1, 2000
2000	2nd	9/4/98-9/3/02		
4/15/1999	1st			Delete (\$0.050psf) per month of used or occupied building space. Add (\$0.025psf) per month, effective 9/4/1998

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		
11/6/2009	21st	12/1/09-11/30/10		
8/6/2009	20th		Add Lot surrounding Bldg. 449	
8/6/2009	19th	12/1/2008-11/30/2009		
6/30/1905	18th			Special Provision authorized to demolish Bldg 227.
3/31/2008	17th		Adds Qtrs 1	Amends Insurance
12/20/2007	16th	12/1/2007-11/30/2008		
5/7/2007	15th		Amends lease premises to add Ctrs 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	9/4/1998-9/3/2002		
3/15/2000	5th		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 (6), open space, parking areas and landscaping with exception of Little League Field, totalling (1,785,599,12sf)	Authorizes lessee to sublease property w/o prior Navy approval
12/30/1999	4th			
9/1/1999	3rd		Adds Qtr. 1 (6,786sf) and adj parking and immediate grounds, totalling (71,017.84sf)	
11/5/1999	2nd			Deletes (1,663,130.24sf) 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 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, 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
the Grant Administration Office for the Navy

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

TIDA Approved 08/10/10		TIDA Approved 08/10/10	
TOTAL REVENUES		\$10,164,265	\$8,026,805
06/09/2010 TIDA Operations Revised Budget			
ADMINISTRATION			
MISC-REGULAR (Salaries)			
RETIRE CITY MISC FRINGE BENEFITS	Under GSA's Budget		Under GSA's Budget
TIDA INTERNSHIP PROGRAM (Under GSA W-O)	Under GSA's Budget		Under GSA's Budget
TRAVEL COSTS	\$15,000		\$0
TRAINING COSTS	\$5,000		\$5,000
LOCAL FIELD EXP	\$10,000		\$7,000
MEMBERSHIP FEES	\$750		\$1,000
PROMOTIONAL AND MARKETING EXPENSE	\$4,000		\$3,000
DELIVERY & POSTAGE	\$20,000		\$15,000
OFFICE RENTALS & LEASED EQUIPMENT	\$15,000		\$10,000
OFFICE MATERIALS & SUPPLIES	\$13,000		\$13,000
OTHER CURRENT ADMINISTRATIVE EXPENSES	\$16,000		\$14,400
	\$39,000		\$20,000
TOTAL ADMINISTRATION	\$131,750		\$86,400
PROFESSIONAL & SPECIALIZED SERVICES			
TREASURE ISLAND BOYS & GIRLS CLUB HOUSE	\$140,000		\$133,000
CHILD CARE FACILITY	\$60,000		\$52,000
TIDI-OPERATING CONTRACT	\$175,000		\$167,500
TI GYM OPERATIONS YMCA	\$160,000		\$142,600
MARINE SALVAGE	\$20,000		\$15,000
GGEA -PUBLIC ART HISTORICAL PRESERVATION	\$40,000		\$20,000
SCAVENGER SERVICES (GOLDEN GATE DISPOSAL)	\$25,000		\$25,000
JANITORIAL SERVICES (Toolworks)	\$108,000		\$102,800
GROUNDS MAINTENANCE RUBICON	\$675,000		\$641,000
PROTECTIVE SECURITY SERVICES	\$0		\$85,000
TIDA DIRECTOR'S LIABILITY INSURANCE	\$45,000		\$45,000
OTHER PROFESSIONAL SERVICES	\$40,000		\$52,000
	\$1,468,000		\$1,470,600
TOTAL PROFESSIONAL & SPECIALIZED SERVICES			
CITY DEPARTMENT WORK-ORDERS			
DEPARTMENT OF PARKING AND TRAFFIC	\$15,000		\$8,000
CONTROLLER'S OFFICE	\$25,000		\$0
DTIS SERVICES (AAO)	\$38,000		\$40,000
DEPARTMENT OF BUILDING INSPECTION	\$10,000		\$0
RISK MANAGEMENT INSURANCE CONSULTING	\$8,000		\$8,000
GENERAL SERVICES AGENCY	\$1,202,592		\$1,104,260
GF-CITY ATTORNEY-LEGAL SERVICES (AAO)	\$200,000		\$180,000
GF-HR-MGMT TRAINING (AAO)	\$3,000		\$3,000
IS-PURCH-CENTRAL SHOPS-AUTO MAINT (AAO)	\$13,000		\$9,500
IS-PURCH-CENTRAL SHOPS-FUEL STOCK (AAO)	\$3,500		\$3,500
IS-PURCH-REPRODUCTION (AAO)	\$20,000		\$6,000
GF-PUC-HETCH HETCHY (AAO) (\$648,000 Utility Bills, \$150,000 Generators, \$200,000 MOU)	\$985,000		\$998,000
SR-OPW-BUILDING REPAIR (AAO)	\$1,187,608		\$679,000
SR-OPW-BUREAU OF STREET ENVIRONMENTAL SERVICES	\$48,470		\$188,480
SR-OPW-BUREAU OF STREETS AND SEWER REPAIR SERVICES	\$80,263		\$80,265
SR-OPW-BUREAU OF URBAN FORESTRY SERVICES	\$175,000		\$180,000
SR-OPW-BUREAU OF OPERATIONS	\$109,824		\$0
FACILITIES MANAGEMENT SERVICES (Department of Real Estate)	\$0		\$28,236
TIDA FACILITIES MANAGEMENT SERVICES	\$0		\$286,772
CAPITAL IMPROVEMENT PROJECTS	\$425,710		\$361,000
TOTAL CITY DEPARTMENT WORK-ORDERS	\$4,549,967		\$4,106,013
TOTAL OPERATIONS EXPENDITURES	\$6,149,717		\$5,667,013

SURPLUS AVAILABLE FOR TIDA PUBLIC SAFETY (SF Police Department and SF Fire Department) \$4,014,548 \$2,359,792

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 THDI 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.

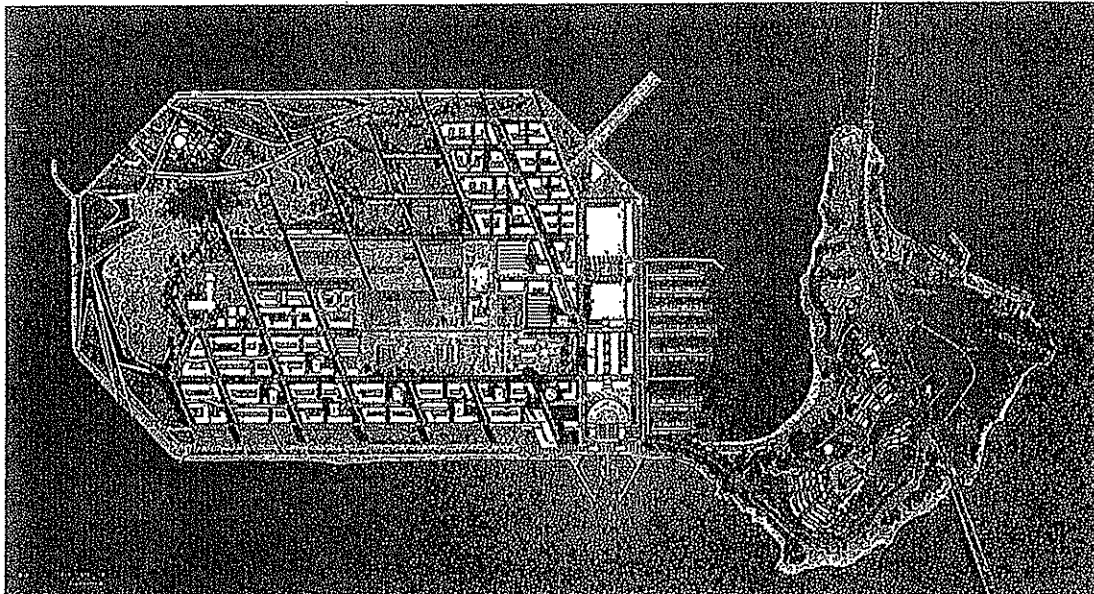
The TIHDI Term Sheet is consistent with (i) the current redevelopment plan and program, (ii) TIHDI's current interim use of and activities on the island and (iii) economic assumptions included in the Development Plan Update with TICD. The TIHDI Term Sheet will become the basis for a full Amended and 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

Treasure Island Development Authority
City and County of San Francisco

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SAN FRANCISCO

2010 JUN 18 PM 1:30

Resolution approving and authorizing the Treasure Island Development Authority to enter into a modification to the Cooperative Agreement with the U.S. Navy to extend the Cooperative Agreement to September 30, 2011. *RL*

SUMMARY OF PROPOSED ACTION:

This item seeks approval and authorization to extend the Cooperative Agreement between the Treasure Island Development Authority (the "Authority") and the U.S. Navy through which the Authority provides caretaker services at former Naval Station Treasure Island (the "Base") from October 1, 2010 to September 30, 2011.

BACKGROUND:

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

The current term of the Cooperative Agreement, as amended, expires on September 30, 2010. The Authority and the Navy wish to extend the term of the Cooperative Agreement from October 1, 2010 to September 30, 2011 under the same terms and conditions that exist prior to the expiration of the current term of the Cooperative Agreement.

At its May 12, 2010 meeting, the Treasure Island Development Authority Board approved the extension of the Cooperative Agreement from October 1, 2010 to September 30, 2011. Pursuant to the Authority's Bylaws, modifications to the Cooperative Agreement shall be referred to the Board of Supervisors for approval because the overall value of the Cooperative Agreement is in excess of \$1 million and the term of the Cooperative Agreement exceeds 10 years.

RECOMMENDATION:

Approve the modification to the Cooperative Agreement between the Authority and the United States Navy as described above.

Mirian Saez, Director of Island Operations

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

COOPERATIVE AGREEMENT
NO. N62474-97-2-0003
MODIFICATION P00025

COOPERATIVE AGREEMENT

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

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

COOPERATIVE AGREEMENT MODIFICATION

The purpose of this modification, in accordance with Section 701 of the General Provisions, is to extend the current Cooperative Agreement from 01 October 2010 to 30 September 2011.

As mutually agreed herein by both parties, the costs of extended caretaker services shall be borne exclusively of and by the caretaker as an offset of existing revenue generating sources, present and future, through the extended period of the Cooperative Agreement ending 30 September 2011.

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

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

UNITED STATES NAVY
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MODIFICATION P00025

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

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

For the United States Navy:

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

By: _____
Mr. Robert M. Griffin
Grants Officer

Date: _____

Date: _____

