

File No. 111241

Committee Item No. 4

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: January 11, 2012

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Ethics Form 126 |
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Completed by: Victor Young

Date: January 6, 2012

Completed by: Victor Young

Date: _____

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

1 [Master Lease Amendment - United States Navy - Treasure Island Land and Structures]

2
3 **Resolution approving the Thirty-Sixth Amendment to the Treasure Island Land and**
4 **Structures Master Lease between the Treasure Island Development Authority and the**
5 **United States Navy to Increase the Premises by adding Building 449 Located at Avenue**
6 **C and 4th Street.**

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 master lease agreement no. N6247499RP42P12, dated November 19, 1998, for the
10 Authority to use and sublease certain land and structures on former Naval Station Treasure
11 Island (as amended from time to time, the "Land and Structures Master Lease") at no rent;
12 and

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

16 WHEREAS, The Authority wishes to amend the Lease Premises of the Land and
17 Structures Master Lease to add Building 449 on Treasure Island to the Lease Premises so
18 that it may be made available by the Authority for commercial subleasing; and

19 WHEREAS, The Navy concurs with such amendment and the amendment has been
20 approved by the Authority Board of Directors at its October 12, 2011 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 Land and Structures Master Lease
25 exceeds ten (10) years, the Authority is requesting that the Board of Supervisors approve the

1 Thirty-Sixth Amendment to increase the Premises by adding Building 449 located at Avenue
2 C and 4th Street; now, therefore, be it

3 RESOLVED, That the Board of Supervisors hereby approves and authorizes the
4 Director of Island Operations of the Authority or her designee to execute and enter into the
5 Thirty-Sixth Amendment to the Land and Structures Master Lease in substantially the form
6 filed with the Clerk of the Board of Supervisors in File No. 111241, and any additions,
7 amendments or other modifications to such Thirty-Sixth Amendment (including, without
8 limitation, its exhibits) that the Director of Island Operations of the Authority or her designee
9 determines, in consultation with the City Attorney, are in the best interests of the Authority and
10 do not otherwise materially increase the obligations or liabilities of the Authority, and are
11 necessary or advisable to effectuate the purpose and intent of this resolution.

Items 4, 5 and 6**Files 11-1241, 11-1242 and 11-1243****Department(s):**

Treasure Island Development Authority (TIDA)

EXECUTIVE SUMMARY**Legislative Objectives**

- File No. 11-1241: The proposed resolution would approve the 36th Amendment to the Treasure Island Land and Structures Master Lease between the Treasure Island Development Authority (TIDA) and the U.S. Navy to add Building 449 located at Avenue C and 4th Street.
- File No. 11-1242: The proposed resolution would authorize the execution of the Second Amendment to the Sublease between TIDA and Swords to Plowshares Inc., a non-profit organization, for the premises located at 1441 and 1443 Chinook Court.
- File No. 11-1243: The proposed resolution would authorize the execution of the Third Amendment to the Sublease between TIDA and Walden House for premises located at 1440 Chinook Court, and approve a Consent to Assignment to reassign the sublease to Walden House to Walden House/Haight Ashbury Free Clinics, Inc. recognizing the merger of Walden House and the Haight/Ashbury Free Clinics.

Key Points

- File No. 11-1241: On November 19, 1998, TIDA and the U.S. Navy (a) entered into a Land and Structures Master Lease to use and sublease certain land, structures, and facilities at no cost to TIDA.
- On September 1, 1999, TIDA entered into a Treasure Island Housing Lease with the US Navy for 375 housing units that TIDA could sublease to non-profits for affordable and supportive housing. The Treasure Island Housing Lease expires on August 31, 2014, as do the individual subleases between TIDA and non-profit organizations that provide housing assistance on Treasure Island.
- File No. 11-1242: On September 1, 1999, Swords to Plowshares Inc., a nonprofit organization, entered into a sublease with TIDA for 24 residential housing units and related property to provide emergency and supportive housing services for homeless veterans and counseling and mental health services.
- File No. 11-1243: On September 1, 1999, Walden House, a nonprofit organization, entered into a sublease with TIDA for 14 residential housing units and related property for formerly homeless, rehabilitative housing, which was subsequently amended to increase the number of residential housing units by 18 units for a total of 32 housing units.

Fiscal Analysis

- File No. 11-1241: TIDA would lease Building 449 at no additional rental cost to TIDA. While minor utilities cost would accrue until the property is leased, TIDA estimates that the commercial lease of Building 449 will result in approximately \$75,000 annually for TIDA.
- File No. 11-1242: Under the proposed Second Amendment, Common Area Maintenance charges and utility charges paid by Swords to Plowshares Inc. to TIDA would increase from \$7,267 per month to \$10,900 per month, or a total increase \$3,633 per month, or \$43,596 annually.
- File No. 11-1243: Under the proposed Third Amendment, the Common Area Maintenance charges and utility charges paid by Walden House/Haight Ashbury Free Clinics, Inc. would increase from \$9,675 per month to \$11,492 per month, or a total increase of \$1,817 per month or \$21,804 annually.

Recommendation

- Approve the three proposed resolutions.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

In accordance with Charter Sections 9.118(b) and 9.118(c) and Treasure Island Development Authority Bylaws Article V Section 2(l), any agreements or leases with a term of ten years or more and/or with more than \$10,000,000 of expenditures is subject to Board of Supervisors approval.

Background

File No. 11-1241: On November 19, 1998, the Treasure Island Development Authority (TIDA) and the U.S. Navy entered into a Land and Structures Master Lease to use and sublease certain land, structures, and facilities at no cost to TIDA.

As shown in the Table below, since 1998, there have been 35 amendments to the original Land and Structures Master Lease.

Table 1: Previous Amendments to the Land and Structures Master Lease

	Board of Supervisors Approval	File Numbers	Date
Amendments 1-29	No	None	Various
Amendments 30-32	Yes	09-0759, 09-0760, 09-0761	August 6, 2009
Amendment 33Y	es	09-1124	November 6, 2009
Amendment 34Y	es	10-0781	July 20, 2010
Amendment 35Y	es	11-0684	September 13, 2011

Treasure Island Housing Lease and Subleases

On September 1, 1999, TIDA entered into a Treasure Island Housing Lease with the US Navy for 375 housing units that TIDA could then sublease to non-profits to provide affordable housing and supportive housing services. This Treasure Island Housing Lease with the US Navy expires on August 31, 2014.

File No. 11-1242: On September 1, 1999, Swords to Plowshares Inc., a nonprofit organization, entered into a sublease with TIDA for 24 residential housing units and related property to provide emergency and supportive housing services for homeless veterans and counseling and mental health services. The term of this original sublease was 15 years from September 1, 1999 through August 31, 2014, which included Common Area Maintenance fees and utility charges that covered the cost to TIDA of maintaining the 24 residential housing units, but did not require any rent to be paid by Swords to Plowshares Inc. to TIDA.

On April 11, 2007, a First Amendment to this sublease, approved by the Board of Supervisors (File 07-0706) increased utility charges from \$236.87 per unit per month to \$255 per unit per month.

File No. 11-1243: On September 1, 1999, Walden House, a nonprofit organization, entered into a sublease with TIDA for 14 residential housing units and related property to provide housing for formerly homeless individuals. The term of this original sublease was 15 years from September

1, 1999 through August 31, 2014 and included Common Area Maintenance fees and utility charges but did not require any rent to be paid by Walden House to TIDA.

The First and Second Amendments to this sublease¹ increased the number of residential housing units by a total of 18 units for a total of 32 housing units, and the Second Amendment (File 07-0707) increased the Common Area Maintenance charges from \$663 per month to \$1,515 per month to reflect the additional housing units and increased utility charges from \$236.87 per unit per month to \$255 per unit per month.

Haight Ashbury Free Clinic Separate Lease

In December of 2010, under a separate sublease with TIDA, the Haight Ashbury Free Clinic, a nonprofit organization, vacated all 32 of its residential housing units on Treasure Island, including the properties located at 1440, 1441, and 1443 Chinook Court, after losing its funding from the Department of Public Health. As of July 1, 2011, Walden House absorbed the Haight Ashbury Free Clinic and the resulting non-profit organization became the Walden House/ Haight Ashbury Free Clinics.²

DETAILS OF PROPOSED LEGISLATION

File 11-1241: The proposed resolution would approve the 36th Amendment to the Treasure Island Land and Structures Master Lease between TIDA and the U.S. Navy to add Building 449 located at Avenue C and 4th Street at no cost to TIDA.

Building 449 is a 13,000 square foot vacant concrete structure which TIDA intends to use for commercial leasing opportunities such as storage, light industrial, or warehouse space. Mr. Peter Summerville, Leasing Manager for TIDA, estimates that Building 449 will generate approximately \$75,000 in annual rent from the commercial leasing of the building. The TIDA Board of Directors approved the proposed 36th Amendment to the Land and Structures Master Lease on October 12, 2011.

File 11-1242: The proposed resolution would authorize the execution of the Second Amendment to the sublease between TIDA and Swords to Plowshares Inc. to add 1441 and 1443 Chinook Court to the sublease. 1441 and 1443 Chinook Court are both residential buildings consisting of six housing units each, for a total of 12 new housing units, located on the northwest side of Treasure Island. The addition of 12 housing units to the existing sublease of 24 housing units will provide Swords to Plowshares Inc. with a total of 36 housing units on Treasure Island. The proposed resolution would not change the term of the existing sublease between TIDA and Swords to Plowshares Inc., which expires on August 31, 2014.

File 11-1243: The proposed resolution would authorize the execution of the Third Amendment to the sublease between TIDA and Walden House to add 1440 Chinook Court to the sublease and approve a Consent to Assignment to assign the sublease from Walden House to the newly

¹ The First Amendment was approved by the TIDA Board on June 15, 2001 but was not required to be approved by the Board of Supervisors. The Second Amendment (File 07-0707) was approved by the Board of Supervisors on July 17, 2007.

² 1440, 1441, and 1443 Chinook Court were unoccupied for approximately eight months from January 2011 through August of 2011. As of September 1, 2011, these units were subleased under month-to-month space use permits to Swords to Plowshares and Walden House/Haight Ashbury Free Clinics, the proposed sublessees.

formed Walden House/Haight Ashbury Free Clinics, Inc. recognizing the merger of Walden House and the Haight/Ashbury Free Clinics.

1440 Chinook Court is a residential building consisting of six housing units, located on the northwest side of Treasure Island. The addition of six housing units to the existing sublease of 32 housing units will provide Walden House/Haight Ashbury Free Clinics with a total of 38 housing units on Treasure Island. The proposed resolution would not change the term of the existing sublease between TIDA and Walden House/Haight Ashbury Free Clinics, which expires on August 31, 2014.

FISCAL ANALYSIS

File 11-1241: In accordance with the proposed 36th Amendment of the Land and Structures Master Lease agreement, TIDA will acquire Building 449 at no cost. However, the Budget and Legislative Analyst notes that there will be unspecified costs to TIDA for monthly maintenance and utility expenses until a tenant subleases this commercial space from TIDA. According to Mr. Summerville, TIDA estimates that the commercial lease of Building 449 will result in approximately \$75,000 annually for TIDA.

Files 11-1242 and 11-1243: In accordance with the existing subleases, Swords to Plowshares Inc. and Walden House/Haight Ashbury Free Clinics do not currently pay any monthly rent to TIDA. However, both nonprofit organizations are currently charged utilities costs of \$255 per unit per month and Common Area Maintenance charges determined by the amount of space leased to cover TIDA's costs.

Table 2 below shows the current monthly costs, the proposed additional costs and the proposed total monthly costs for utilities and for the common area maintenance charges for each of the two nonprofit organizations:

		Current Monthly Costs	Proposed Additional Costs	Proposed Total Monthly Costs
11-1242	Swords to Plowshares Inc.			
	Utilities	\$6,120	\$3,060	\$9,180
	Common Area Maintenance Charges	1,147	573	1,720
	Total:	\$7,267	\$3,633	\$10,900
11-1243	Walden House / Haight Ashbury Free Clinics			
	Utilities	\$8,160	\$1,530	\$9,690
	Common Area Maintenance Charges	1,515	287	1,802
	Total:	\$9,675	\$1,817	\$11,492

As shown in Table 2 above, under the proposed Second Amendment, Common Area Maintenance charges and utility charges paid by Swords to Plowshares Inc. to TIDA would increase from \$7,267 per month to \$10,900 per month, or a total increase \$3,633 per month, or

\$43,596 annually. As also shown above in Table 2, under the proposed Third Amendment, the Common Area Maintenance charges and utility charges paid by Walden House/Haight Ashbury Free Clinics, Inc. would increase from \$9,675 per month to \$11,492 per month, or a total increase of \$1,817 per month or \$21,804 annually.

RECOMMENDATION

Approve the three proposed resolutions.

CITY & COUNTY OF SAN FRANCISCO

TREASURE ISLAND DEVELOPMENT AUTHORITY

ONE AVENUE OF THE PALMS,
2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFTREASUREISLAND.ORG



MIRIAN SAEZ
DIRECTOR OF ISLAND OPERATIONS

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
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BY [Signature]

November 8, 2011

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

Dear Ms. Calvillo

The Treasure Island Development Authority ("TIDA") requests that the following three pieces of legislation be formally introduced at the Board of Supervisors and calendared for hearing and consideration of approval at the Boards earliest convenience:

- 111241 - Amendment of the Treasure Island Land and Structures Master Lease between TIDA and the United States Navy
- 111242 - Amendment of the Housing Sublease between TIDA and Swords to Plowshares
- 111243 - Amendment of the Housing Sublease and Consent to Assignment between TIDA and Haight Ashbury Free Clinics-Walden House

Please find enclosed one original and four copies of the materials for each item. Thank you for your attention to this matter. Should your office have any questions, please do not hesitate to contact me at 415-274-0669.

Sincerely,

[Signature]
Mirian Saez
Director of Island Operations

Cc: file

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

Resolution Authorizing the Thirty-Sixth Amendment to the Treasure Island Land and Structures Master Lease between the Treasure Island Development Authority and the United States Navy to add Building 449 Located at Avenue C and 4th Street.

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 (the "Navy") for the Land and Structures on former Naval Station Treasure Island to add Building 449, located at Avenue C and 4th Street, to the lease premises.

BACKGROUND:

On November 19, 1998, the Authority entered into Lease Agreement N6247499RP42P12 with the United States Navy (as amended from time to time, the "Land and Structures Master Lease"). The current term of the Land and Structures Master Lease will expire November 30, 2012. The lease premises include certain buildings and grounds on former Naval Station Treasure Island, including land leased to San Francisco Little League and several facilities in the Authority's commercial leasing portfolio, as well as areas that are subleased to Rubicon Enterprises to support landscape operations on Treasure Island and Yerba Buena Island. The Authority does not pay any base rent under the Land and Structures Master Lease.

The proposed Thirty Sixth Amendment would increase the lease premises under the Land and Structures Master Lease to include Building 449. Located at Avenue C and 4th Street on Treasure Island, Building 449 is a 13,000 square foot concrete structure previously utilized by the US Navy Base Realignment and Closure office ("Navy") as a storage facility for the Treasure Island Museum Collection. As the Navy Caretaker Site Office is actively transferring all items stored inside the facility to both the City and County of San Francisco and the Naval Historic and Heritage Command, they are amenable to adding the facility to the Master Lease upon completion of this disposition of items inside the facility. Addition of the facility to the Master Lease will in turn allow Project Office staff to pursue commercial leasing opportunities for the facility.

The Authority's Board of Directors approved the Thirty Sixth Amendment to the Land and Structures Master Lease at its October 12, 2011 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 Land and Structures Master Lease exceeds ten years, the Director of Island Operations requests approval of the Thirty-Sixth Amendment from the Board of Supervisors to add Building 449, located at Avenue C and 4th Street, to the lease premises on the same terms and conditions as the existing Land and Structures Master Lease.

RECOMMENDATION:

Approve the Thirty Sixth Amendment to the Land and Structures Master Lease between the Treasure Island Development Authority and the United States Navy to add Building 449, located at Avenue C and 4th Street, to the lease premises.

Mirian Saez, Director of Island Operations

**THIRTY SIXTH AMENDMENT
TO LEASE AGREEMENT N6247499RP42P12
BETWEEN
THE UNITED STATES OF AMERICA
AND
TREASURE ISLAND DEVELOPMENT AUTHORITY**

THIS LEASE AMENDMENT made this ____ day of _____ 2011, 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 19 November 1998, entered into Lease Agreement N6247499RP42P12 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 N6247499RP42P12 are hereby amended to reflect the following changes;

1. Paragraph 1 LEASED PREMISES, add the following:

"Use of Building 449"

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:

DEPUTY Eileen M. Malley
CITY ATTORNEY
Eileen M. Malley

