

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

Resolution (i) making CEQA Findings and adopting a Mitigation Monitoring and Reporting Program (MMRP) and confirming the San Francisco Planning Department's determination that no additional environmental impacts that were not previously identified would occur as a result of the proposed lease; and (ii) approving a sixty six (66) year lease for the development and management of the Treasure Island Sailing Center between the Treasure Island Development Authority and Treasure Island Sailing Center Foundation, Inc., a California nonprofit corporation.

SUMMARY OF PROPOSED ACTION:

This item seeks approval and authorization to execute a sixty-six (66) year lease between the Treasure Island Development Authority and the Treasure Island Sailing Center Foundation, Inc., a California nonprofit corporation to develop and manage the Treasure Island Sailing Center.

BACKGROUND:

For over 19 years, the Treasure Island Sailing Center Foundation ("TISC") has provided significant benefits to underprivileged San Francisco and Bay Area youth by introducing youth to sailing on San Francisco Bay, beginning in March of 1999 when TISC was issued its original 6 month Use Permit from the Treasure Island Development Authority (the "Authority") to hold the U.S. Sailing Team's trials ahead of the Sydney Olympics and to provide sailing lessons for the on-island Life Learning Academy's students.

TISC's original lease began in 1999 and included approximately 15,000 square feet of surface area with two small wood framed structures (commonly referred as Buildings 12 A and 12 B), approximately 2,500 square feet of water area adjacent to Pier 12 and approximately 15,000 of paved surface located to the north of and immediately adjacent to Pier 12 (collectively the "Premises"). The primary mission of TISC was and is to provide sailing instruction to youth, with a particular emphasis on underprivileged San Francisco youth.

Since its inception, TISC has provided the youth of San Francisco with the opportunity to learn how to sail by hosting camps and classes for on-Island and locally based youth-services providers and schools at its current TISC Facility located adjacent to Clipper Cove on Treasure Island's southeast shoreline. Regular TISC program participants include Boys and Girls Clubs of San Francisco, the Life Learning Academy, One Treasure Island, Treasure Island Gymnasium/YMCA, the San Francisco Recreation and Park Summer Sail Program, and the Girl Scouts of America. In addition to the sailing instruction programs, TISC acts as a host site for a variety of collegiate and national sailing events including regularly hosting the U.C. Berkeley Sail Team's regattas as well as previous Pacific Coast Collegiate Regattas.

TISC will continue to serve this mission of teaching and introducing sailing on Treasure Island with a long-term permanent presence in the form of a new TISC facility

incorporated as a component of land-use within the Treasure Island/Yerba Buena Island Development Project currently underway.

TISC and the Authority staff have negotiated a new 66 year lease for the Sailing Center, as more particularly described below (the "Lease"). As joint lead agencies pursuant to CEQA and the State CEQA Guidelines, 14 California Code of Regulations Sections 15000 et. seq., the Authority Board of Directors and the San Francisco Planning Department ("Planning Department") prepared two separate Environmental Impact Reports analyzing the proposed transfer of Treasure Island and Yerba Buena Island from the United States Navy ("U.S. Navy") to the City and County of San Francisco ("City"): (1) the 2006 EIR, which includes a program-level analysis of the transfer of the former base from the U.S. Navy to the City, and a project-level analysis of the expansion of the Marina, and (2) the 2011 EIR, which analyzes the master development of Treasure Island, and landside services and improvements for the expanded Marina. A more complete description of the 2006 EIR and the 2011 EIR is included in the Planning Department's Case File memorandum to Case File No. 2007.0903ENV-02 a copy of which is on file with the Clerk of the Board of Supervisors

The Planning Department's Case File memorandum states that:

Based on review of the proposed revisions to the sailing center project, the Environmental Review Officer has determined that the revised project is within the overall scope of the 2006 EIR (waterside), and the 2011 EIR (landside) projects, there have not been any substantial changes with respect to the circumstances under which development of Treasure Island, including the modified project, would be undertaken, nor has new information of substantial importance come to light that would alter the impact findings in or require major revisions to the 2006 and/or 2011 EIRs. As such, pursuant to the California Public Resources Code Section 21166, the conditions which would require the preparation of a subsequent or supplemental environmental impact report have not been met. No additional environmental impacts would occur as a result of project implementation and no additional environmental analysis would be required under CEQA.

The Planning Department did, however, adopt a mitigation measure and reporting program (MMRP), and TISC agreed to abide by the terms of the MMRP. A copy of the MMRP is on file with the Clerk of the Board of Supervisors.

The proposed Lease, a copy of which is on file with the Clerk of the Board of Supervisors, provides for TISC to develop and manage the Treasure Island Sailing Center, consisting of approximately 78,408 square feet of "Shore Side" space and approximately 46,150 square feet of "Water Side" space. TISC proposes to make certain improvements to the Sailing Center, which will occur in several phases commencing within two years following lease commencement.

The initial improvements to be completed by TISC under the Lease include a primary facility building of up to 15,000 square feet in accordance with the 2011 EIR. TISC may

seek to increase the size of this building, but any such increase in size will be subject to the review and approval of the Authority Board, in its sole discretion, following any required environmental review. If TISC has not started construction of the Initial Improvements within two (2) years following the Lease commencement date, then the Authority may terminate the Lease. The Authority is in receipt of a project pro-forma from TISC. The Authority has also contracted with a third-party firm to provide a commercial leasing valuation appraisal of the Treasure Island Sailing Center site. The appraisal report, finalized October 30, 2018 assigns a Fair Market Rental Value of \$10,000 to the property considering the sites As-Is condition.

The proposed Lease includes a Minimum Base Rent of \$833.33 per month or \$10,000.00 annually, which will be adjusted according to the Consumer Price Index (“CPI”) starting the first January 1 after the Lease commencement date, and each January 1 thereafter. TISC will pay to the Authority the higher of: (a) the current Minimum Base Rent or (b) the Percentage Rent. Percentage Rent will be paid in arrears at the end of each calendar year during the Term. Further detail on the Percentage Rent calculations are summarized below.

All remaining Lease terms are consistent with current City and County of San Francisco contractual requirements including, but not limited to, those addressing Local Hiring, Pesticide Prohibition, First Source Hiring Ordinance, Campaign Contribution Limitations and Wages and Working Conditions.

At its October 30, 2017 meeting the Authority Board of Directors approved Authority Board Resolution 17-37-10/30 making CEQA Findings, adopting the MMRP, and confirming the San Francisco Planning Department’s determination that no additional environmental impacts would occur as a result of project implementation and no additional environmental analysis other than the Planning Department’s July 5, 2017 Case File memorandum is required under CEQA.

Resolution 17-37-10/30 also approved and authorized the execution of a sixty six (66) year lease between the Authority and Treasure Island Sailing Center Foundation for the development and management of the Treasure Island Sailing Center, subject to the approval of the Board of Supervisors, and subject to all mitigation measures detailed in the MMRP relevant to the project. Pursuant to the Board of Supervisors Resolution establishing the Authority, AB 699 and TIDA’s Bylaws, Board of Supervisors approval is required of any contract or agreement entered into by the Authority with a term longer than ten years. Because the term of the proposed Lease will exceed ten years, the Authority requests approval of the Lease from the Board of Supervisors.

AGREEMENT:

The salient terms of the proposed Agreement include:

- 1.) Effective Date:** The date that the Lease is executed and delivered by the parties, following approval by the Authority’s Board of Directors and the City’s Board of Supervisors. From the Effective Date to the Lease Commencement Date, this Lease functions as a lease disposition and development agreement, and TISC will

use good faith efforts to cause all conditions to be satisfied to obtain a Notice of Proceed with the Initial Improvements.

- 2.) **Term:** Sixty Six (66) years following the Lease Commencement Date. If TISC has not started construction of the Initial Improvements within two (2) years following the Lease commencement date, then the Authority may terminate the Lease unless TISC fulfills all conditions needed to obtain the Notice to Proceed with the Initial Improvements and actually begins construction of the Initial Improvements within sixty (60) days of the Authority's notice. On the Lease commencement date, the Interim Sublease currently in place between the parties automatically terminates.
- 3.) **Premises:** Approximately 78,408 square feet of "Shore Side" space and approximately 46,150 square feet of "Water Side" space; license for nonexclusive use and access to the common water areas of Clipper Cove; and license for nonexclusive use and access to the adjacent landside areas, as more particularly shown on Exhibit A-1 and described in Exhibit A-2 of the Lease.
- 4.) **Primary Use:** Development and operation of the Treasure Island Sailing Center facility. The Lease permits the following specific uses associated with the Primary Use:
 - (a) General administrative staff offices, restrooms and public convenience facilities, classroom and gathering spaces (including clubhouse facility);
 - (b) On-the-water sail training, classes, individual and team practice and related races including Fleet, Team, and Match Racing all as part of Treasure Island Sailing Center's regular curriculum;
 - (c) Parking (subject to Planning and Design for Development restrictions);
 - (d) Dry boat storage (boats stored are to be sea-worthy vessels and TISC shall not engage in the sale of private party boats from the Premises except for TISC's boats that are no longer needed for program use), and boat owner's storage of personal boating paraphernalia;
 - (e) Boat and other light water craft launching including small craft boats and kayaks;
 - (f) Small retail space (no larger than 400 square feet) for the sale of various sundries and other related items to Sailing Center customers and patrons;
 - (g) Minor marine services, defined as the installation of small boat parts and components, and minor boat services and labor, inclusive of minor boat repairs, maintenance, cleaning, renovation, and similar minor services (neither TISC nor any subtenant or licensee shall operate a boat repair business at the Premises without Authority's prior written consent);
 - (h) Food and beverage servicing camps and programs and vending machines; and

- (i) Community benefits program to provide San Francisco Bay experiences and educational opportunities to disadvantaged community and youth, including those living on Treasure Island.
- 5.) **Conditional Uses:** The following uses are permitted, but only with the prior written consent of Authority, following the submittals of plans, for the time period and subject to such conditions as Authority may impose in its reasonable discretion (the “Conditional Uses”). TISC shall follow the Authority’s Special Events Notification Policy. Some of the conditional uses shall include but not be limited to the following:
- (a) Special event activities, displays and conferences including catering, food, beverage and alcoholic beverage services related to TISC’s sailing operations; and
 - (b) Regattas and other team racing events utilizing Clipper Cove that are not related Treasure Island Sailing Center’s regular curriculum.
- 6.) **Base Rent:** Minimum Base Rent is \$10,000 per year. TISC makes monthly payments of Minimum Base Rent, on or before the tenth (10th) day of each calendar month, initially in the amount of \$833.33.
- 7.) **Rent Adjustments:** Starting on the first January 1 following the Lease Commencement Date, and each January 1 thereafter, Minimum Base Rent will increase by percentage increases in CPI, but not by less than 2% or more than 4%.
- 8.) **Percentage Rent:** Starting on the first January 1 following the Lease Commencement Date, and each January 1 thereafter, TISC pays to Authority the higher of: (a) the then current Minimum Base Rent; or (b) the Percentage Rent. Percentage Rent is based on the following percentages of Gross Income:

<u>Gross Income Source</u>	<u>% Fees</u>
Rentals and Dry Storage Fees	10%
Other Revenues: merchandise sold at Premises, water vessel rental fees, launch fees, and new revenue sources (i.e. excluding those in practice on or before the Lease reference date), as identified by the Parties prior to the start of each calendar year during the Lease term	10%
<u>Net Income Source</u>	<u>% Fees</u>
Net Revenue from Special Events	5%

Percentage Rent is paid in arrears at the end of each calendar year during the Term, and for the last year, at the time of expiration or termination.

- 9.) **Rent Credit:** None. TISC is responsible for any and all charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Improvements thereon, including, without limitation, the cost of any utilities, taxes, insurance, maintenance, repairs, equipment or services.
- 10.) **Dredging:** Authority will perform or cause the performance of all dredging in Clipper Cove in order to maintain a 4 foot minimum depth at Mean Low Water (“MLW”), as necessary for the use and ongoing operation of the Premises. Authority is not responsible for any other dredging of Clipper Cover or surrounding areas.
- Any dredging required for TISC’s use of the Premises shall be performed by TISC at its sole cost. Authority shall cooperate with TISC in all aspects of the permitting process or loan application process for dredging activities, provided that all costs of dredging will be borne solely and exclusively by TISC and the Authority is not be required to incur any costs in connection with its cooperation with TISC.
- 11.) **Security Deposit:** \$10,000.00, as increased on each Adjustment Date to two times (2x) the then-applicable Minimum Base Rent.

Pursuant to the Board of Supervisors Resolution establishing the Authority, AB 699 and TIDA’s Bylaws, Board of Supervisors approval is required of any contract or agreement entered into by the Authority with a term longer than ten years or revenues in excess of One Million Dollars. Because the term of the proposed Lease will exceed ten years, the Authority requests approval of the Lease from the Board of Supervisors.

RECOMMENDATION:

Confirm the San Francisco Planning Department’s determination that no additional environmental impacts that were not previously identified would occur as a result of the proposed lease; and approve a sixty six (66) year lease for the development and management of the Treasure Island Sailing Center between the Treasure Island Development Authority and Treasure Island Sailing Center Foundation, Inc., a California nonprofit corporation.

Robert Beck, Treasure Island Director