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

**Resolution Approving a Seventh Amendment to the Sublease and Property Management Agreement for Treasure and Yerba Buena Islands Market Rate Rental Housing between the Treasure Island Development Authority and John Stewart Company to Extend the Term Until June 30, 2034.**

**SUMMARY OF PROPOSED ACTION:**
This item seeks approval and authorization to execute a seventh amendment to the Sublease and Property Management Agreement for Treasure and Yerba Buena Islands Market Rate Rental Housing between the Treasure Island Development Authority and the John Stewart Company, a California corporation to extend the Term of the Agreement by an additional ten (10) years (the "Amendment").

**BACKGROUND:**
At its January 20, 1999, meeting the Treasure Island Development Authority (the "Authority") Board of Directors ("Authority Board") approved a Sublease, Development, Marketing and Property Management Agreement (the "Original Agreement") with the John Stewart Company ("JSCo") for the market rate rental housing on Treasure and Yerba Buena Islands. The Original Agreement was approved by the City's Board of Supervisors on February 22, 1999. The Authority Board and the Board of Supervisors also approved five subsequent amendments to the Original Agreement between August 2000 and October 2009. The market rate housing program managed by JSCo under the Original Agreement has operated under the title of The Villages at Treasure Island ("The Villages").

On April 21, 2011, the Authority Board approved the Disposition and Development Agreement (the "DDA") between the Authority and Treasure Island Community Development LLC ("TICD" or "master developer"). On June 7, 2011, the Board of Supervisors approved the DDA, which became effective on July 14, 2011. In adopting the DDA, the Board of Supervisors also approved Transition Housing Rules and Regulations for The Villages at Treasure Island (the "THRR") affording certain transitional housing benefits to the households residing in The Villages as of that date and establishing procedures for interim and permanent moves that would be required over the course of development.

On March 7, 2014, Authority staff issued a Request for Proposals ("RFP") for a new Sublease and Property Management Agreement for market rate rental housing on Treasure Island and Yerba Buena Island. The deadline for responses to the RFP was April 18, 2014, and only a single response – from JSCo – was received. Following approval by the Authority Board through Resolution No. 14-22-06/11on June 11, 2014, and the Board of Supervisors through Resolution No. 0340-14 on September 16, 2014, the Authority executed the Sublease and Property Management Agreement between the Authority and JSCo dated July 1, 2014, for reference (the "Agreement")

The Term of the Agreement will expire this June. Because the last RFP failed to attract proposals from any operators other than JSCo and because the property under

management will shrink as residents move off of the island or into new housing on the island, the Authority is seeking approval of the Board of Supervisors to amend the Agreement for a term exceeding ten (10) years.

The redevelopment of Treasure Island includes geotechnical improvements to the ground conditions and adaptations for sea level rise which will necessitate the demolition of all of the former Navy housing, including all residential units managed by JSCo. Over the term of the Agreement, new leasing activity has been limited; rather the property management role has been to ensure that properties are appropriately maintained and to serve and support the current residential community while adapting to the needs of the Navy's remediation efforts and the redevelopment program. In 2015, JSCo facilitated Interim Moves (as defined in the THRR) of residents occupying units on Yerba Buena Island to vacant units on Treasure Island, and in 2014 and 2016, JSCo facilitated Interim Moves of households from certain buildings on Treasure Island to other vacant units on Treasure Island. This summer, JSCo will be supporting the relocation of eligible households into new permanent rental units in the newly constructed Star View Court.

There are currently only 330 occupied units within The Villages. There are three separate schedules that will determine the remaining term of the residential leasing program for the existing residential units at Treasure Island:

- The schedule for completion of the Navy's remediation efforts and the transfer of the land on which the housing resides to TIDA;
- The schedule for the master developer's completion of infrastructure and lots for new vertical housing development, both for housing to be completed by market rate developers and for housing to be completed by the Authority; and
- The schedule for the Authority's completion of replacement housing for qualifying existing residents on lots prepared by the master developer and given to the Authority for this housing.

The schedule for the Navy clean-up and transfer of the residential area on Treasure Island (referred to by the Navy as Site 12) is not well-defined but is expected to extend beyond 2030. The Navy's projected work plan calls for the completion of a Record of Decision ("ROD") regarding the cleanup of Site 12 in 2028. That ROD will define the measures which the Navy will undertake to complete their work and, by extension, the time that will be required, but it will minimally be several additional years.

The master developer has completed the construction of infrastructure in the first two subphase areas on Yerba Buena and Treasure Island and new homes are under construction. New utility and roadway infrastructure in the third subphase area is scheduled to begin later this year.

The first Authority building, Maceo May Apartments, completed construction in February 2023 and Swords to Plowshares has relocated its operations from the former Navy housing area into that building. This summer Mercy Housing and Catholic Charities will complete construction of Star View Court which will accommodate the

existing Catholic Charities households on the island and as many as thirty households from The Villages. Additional properties to be completed in the next subphase area will accommodate the island's remaining affordable housing programs and residents – HealthRight 360 and HomeRise – along with additional eligible households from The Villages. By 2030, all affordable housing residents will be relocated from former Navy housing into new developments, and the premises of The Villages will be reduced to one hundred households or less.

Under the Agreement, JSCo will be responsible for, among other things, maintaining and repairing the housing portfolio; hiring third party contractors, as needed; performing tenant relocations and assisting in the relocation process; working with tenant community groups to enhance the overall TI/YBI community experience; securing vacant units and properties pending demolition; appearing before the Authority Board as to report on housing matters; managing, tracking, and regular reporting of rental revenue, revenue disbursement, and operating costs incurred.

The salient terms of the proposed Amendment include:

1.) **Effective Date:** Effective date of the Agreement shall be July 1, 2024 or, if later, the date of final Board of Supervisors approval of the Agreement.

2.) **Term:** The Amendment would extend the Expiration Date of the Agreement by 10 years, or through June 30, 2034. The Agreement as executed provides an Extension Option which allows JSCo to extend the Term for an additional three (3) years commencing on the Expiration Date and ending June 30, 2037. JSCo may exercise the Extension Option at any time by written notice to the Authority delivered not later than one hundred eighty (180) days before the Expiration Date.

The bulk of the Amendment consists of provisions intended to bring the Agreement current with City and County of San Francisco contractual requirements including, but not limited to, those addressing Local Hiring, Pesticide Prohibition, First Source Hiring, Prohibitions on Contributions, and Wages and Working Conditions provisions.

The TIDA Board of Directors unanimously approved Authority Board Resolution No. 24-04-0214 at its February 14, 2024 meeting, authorizing the Amendment subject to approval of the Board of Supervisors.

**RECOMMENDATION:**
Approve and Authorize the Seventh Amendment to the Sublease and Property Management Agreement for Treasure and Yerba Buena Islands Market-Rate Rental Housing between the Treasure Island Development Authority and the John Stewart Company.

Robert Beck, Treasure Island Director