[Sublease and Property Management Agreement Amendment - Treasure and Yerba Buena Islands Market Rate Rental Housing]

Resolution approving 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 to extend the term by 10 years from June 30, 2024, for a total term of July 1, 2014, through June 30, 2034, with a three year option to extend.

WHEREAS, Naval Station Treasure Island is a former military base located on Treasure Island and Yerba Buena Island (together, the "Base"), portions of which continue to be owned by the United States of America (“the Federal Government”); and

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

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

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the “Act”), the California legislature (i) designated the Authority as a redevelopment agency under California redevelopment law with authority over the Base

upon approval of the City's Board of Supervisors, and (ii) with respect to those portions of the Base that are subject to the Tidelands Trust, vested in the Authority the authority to administer the public trust for commerce, navigation and fisheries as to such property; and

WHEREAS, The Board of Supervisors approved the designation of the Authority as a redevelopment agency for Treasure Island in 1997; and

WHEREAS, On June 7, 2011, the Board of Supervisors voted unanimously on various pieces of legislation authorizing the Treasure Island/Yerba Buena Island Development Project (the "Project"), including a Disposition and Development Agreement (the "DDA"); and

WHEREAS, The DDA contains a Housing Plan which, amongst other matters, granted certain housing opportunities and benefits as part of the Project to residents of affordable and market units on the island; and

WHEREAS, The benefits available to residents of market-rate units leased to and operated by the John Stewart Company were enumerated in the Transition Housing Rules and Regulations (the "THRR") for The Villages at Treasure Island; and

WHEREAS, The THRR grants certain housing opportunities and transition benefits as part of the Project to those households who were living in The Villages at Treasure Island ("The Villages") at the time of the approval of the DDA on June 2011; and

WHEREAS, On January 24, 2012, the Board of Supervisors rescinded designation of the Authority as a redevelopment agency under California Community Redevelopment Law in Resolution No. 11-12, but such rescission did not affect the Authority's status as the Local Reuse Authority for Treasure Island or the Tidelands Trust trustee for the portions of Treasure Island subject to the Tidelands Trust, or any other powers or authority of the Authority; and

WHEREAS, On March 17, 1999, the Authority and John Stewart Company ("JSCo") entered into a Sublease, Development, Marketing and Property Management Agreement (as

amended, the “Original Agreement”) for the development, marketing and property management of up to 766 housing units on the Base; and

WHEREAS, The scheduled term of the Original Agreement expired on the effective date of the DDA, but continued thereafter on a month-to-month holdover basis; and

WHEREAS, On March 7, 2014, the Authority issued a Request for Proposals for a Sublease and Property Management Agreement for Treasure and Yerba Buena Islands Market Rate Rental Housing (the “RFP”) to perform the services that were then-being provided under the Original Agreement; and

WHEREAS, JSCo was the sole respondent to the RFP; and

WHEREAS, The Authority and JSCo negotiated a Sublease and Property Management Agreement for Treasure and Yerba Buena Islands Market Rate Rental Housing (the “Agreement”); and

WHEREAS, The Agreement was approved by the Authority Board of Directors at its June 11, 2014, meeting by Authority Board Resolution No. 14-22-06/14; and

WHEREAS, Because the cumulative amount of the Agreement exceeded One Million Dollars ($1,000,000), the Agreement required approval of the Board of Supervisors which was granted by Resolution No. 340-14 on September 16, 2014; and

WHEREAS, Under the Agreement, JSCo has supported the Authority in implementing resident relocations as anticipated and provided for under the THRR; and

WHEREAS, In 2014 and 2015, JSCo facilitated the relocation of 34 households as required by the Navy; and

WHEREAS, In 2015, JSCo facilitated the relocation of more than 40 households from Yerba Buena Island to Treasure Island to enable the first phase of development; and

WHEREAS, The Agreement has been modified six times since 2014, and the Term of the Agreement is set to expire on June 30, 2024; and

WHEREAS, The redevelopment of Treasure Island will include geotechnical improvements to the ground conditions and adaptations for sea level rise which will necessitate that all of the former Navy housing be demolished, including all structures included in the premises under the Agreement; and

WHEREAS, The role of JSCo in managing the property has shifted from marketing and leasing agent to supporting the transition of residents into other housing as anticipated under the THRR; and

WHEREAS, This includes supporting a declining resident base and facilitating transition opportunities as they become available and interim moves as they are required; and

WHEREAS, Only 330 units are currently occupied under the Agreement and that number is anticipated to drop by a minimum of 10% this summer as existing households transition to the newly constructed Star View Court; and

WHEREAS, The 2014 RFP attracted no other respondents, and an RFP issued today would be unlikely to draw additional interest; and

WHEREAS, JSCo has been enthusiastically supportive of the Authority's housing programs since their inception, and remains committed to continuing to provide the required services under the Agreement; and

WHEREAS, The Navy schedule for the completion of their work and the transfer of the residential housing area is indeterminate, but will extend beyond 2032; and

WHEREAS, The familiarity of JSCo staff with the residents of the Villages and the leasing records maintained by JSCo will be invaluable in the implementation of the transition housing programs provided under the THRR; and

WHEREAS, The Authority wishes to extend the term of the Agreement by an additional 10 years to an expiration date of June 30, 2034; and

WHEREAS, The Agreement as originally executed provides for a single three-year Extension Option beyond the Expiration Date should additional time be necessary to wind down the leasing operations; and

WHEREAS, There is no change in existing use as a result of the Agreement and the approval of the Agreement is not a project under CEQA; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby approves the Seventh Amendment to the Agreement (the "Amendment"), and authorizes the Treasure Island Director (the "Director") to execute the Amendment in substantially the form filed with the Clerk of the Board of Supervisors, and to make any additions, amendments or other modifications to the Amendment (including, without limitation, its exhibits) that the Director determines, in consultation with the City Attorney, are in the best interests of the Authority and do not otherwise materially increase the obligations or liabilities of the Authority, and are necessary or advisable to effectuate the purpose and intent of this Resolution.