

# **Approving a Deposit and Reimbursement Agreement Relating to Naval Station Treasure Island**

## **SUMMARY OF PROPOSED ACTION**

The proposed resolution would authorize the Treasure Island Director and the Director of the Office of Public Finance or such other official(s) of the City as may be designated to enter into a Deposit and Reimbursement Agreement with Treasure Island Community Development, LLC. (“TICD”) for the reimbursement by TICD of certain eligible expenses incurred by the City and County of San Francisco (“City”) in the formation of Community Facilities Districts (each, a “CFD”; together, the “CFDs”) and Infrastructure Financing Districts (each, an “IFD”; together the “IFDs”) in support of the development of the former Naval Station Treasure Island (“NSTI”).

## **BACKGROUND**

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 TIDA as a redevelopment agency under California redevelopment law with authority over NSTI upon approval of the City’s Board of Supervisors, and (ii) with respect to those portions of NSTI which are subject to Tidelands Trust, vested in TIDA the authority to administer the public trust for commerce, navigation and fisheries as to such property.

The Board of Supervisors approved the designation of TIDA as a redevelopment agency for NSTI in 1997, but subsequently rescinded designation of TIDA as the redevelopment agency for Treasure Island under California Community Redevelopment Law in Resolution No. 11-12 on January 24, 2012.

On April 21, 2011, in a joint session with the San Francisco Planning Commission, the Treasure Island Development Authority (“TIDA”) Board of Directors adopted a series of resolutions to approve numerous entitlement and transaction documents relating to the Treasure Island/Yerba Buena Island Development Project (collectively, the “Transaction and Entitlement Documents”), including a Development Agreement (“DA”) and a Disposition and Development Agreement (“DDA”) with TICD, adopting environmental findings pursuant to the California Environmental Quality Act (“CEQA”). On June 7, 2011, the Board of Supervisors approved these same Transaction and Entitlement Documents.

The Transaction and Entitlement Documents contemplate a project (the “Project”) under which TIDA acquires the Project Site from the Navy and conveys portions of the Project Site to TICD for the purposes of (i) alleviating blight through development of certain improvements, (ii) geotechnically stabilizing the Project Site, (iii) constructing public infrastructure to support the Project and other proposed uses on NSTI, (iv) constructing and improving certain public parks and open spaces, (v) remediating certain existing hazardous substances, and (vi) selling and ground leasing lots to vertical developers who will construct residential units and commercial and public facilities.

Included as an Exhibit to both the DDA and DA was a Financing Plan (Treasure Island/Yerba Buena Island) (the “Financing Plan”) which governs the disposition and development of a portion of NSTI (the “Project Site”). The Financing Plan identifies certain financial goals for the Project and the contractual framework for cooperation between TIDA, the City, and TICD in achieving those goals and implementing the Project.

Also included as an Exhibit to the DDA was the form of an Economic Conveyance Memorandum of Agreement (the “Conveyance Agreement”) between the Navy and TIDA establishing the terms and conditions for the transfer of NSTI from the Navy to TIDA. TIDA and the Navy subsequently executed a final form of the Conveyance Agreement in July of 2014, and on May 29, 2015, TIDA accepted title to the first conveyance of 290 acres on Treasure Island and Yerba Buena Island.

## **DISCUSSION**

In the absence of redevelopment tax increment, the Financing Plan calls, amongst other things, for TIDA and the City to (i) form requested CFDs and take related actions under the Mello-Roos Community Facilities Act of 1982 (the “Mello-Roos Act”) to pay for Qualified Project Costs, Ongoing Park Maintenance and Additional Community Facilities, (ii) to form requested IFDs and take related actions under applicable provisions of the Government Code of the State of California (the “IFD Law”) to pay for Qualified Project Costs and (iii) the City to issue bonds and other debt for the CFDs and the IFDs and other public financing instruments described in the Financing Plan (“Public Financing”).

The Financing Plan provides that the City and TIDA, following consultation with TICD, will select any consultants necessary to implement their respective portions of the Financing Plan, including the formation of any IFD and CFD and the completion of any Public Financing, and that the City and TIDA’s reasonable out-of-pocket costs that are not contingent upon the completion of a Public Financing will be advanced by TICD pursuant to a deposit agreement to be entered into among the City, TIDA, and TICD, and TICD will be entitled to reimbursement of such advances from the proceeds of the Public Financing if authorized by applicable law.

The City, TIDA and TICD are commencing the formation of an initial CFD and IFD in anticipation of the first Major Phase of development and wish to enter a Deposit and Reimbursement Agreement (Treasure Island/Yerba Buena Island) (the “Deposit Agreement”) which is on file with the Secretary of the Board of Directors. The Deposit Agreement provides a framework for TICD to advance funds to the City to finance the costs of forming the CFD and IFD. TICD would be entitled to reimbursement from the proceeds of the Public Financing to the extent allowable by applicable law.

## **RECOMMENDATION**

It is recommended that the Board of Supervisors approve the form of the Deposit Agreement on file with the Secretary of the Board of Directors and authorize the Director of the Office of Public Finance and the Treasure Island Director to execute and deliver the Deposit Agreement in substantially the form on file with such additions or changes as they upon consultation with the

City Attorney and the City's Bond Counsel determine are in the interest of TIDA and the City and do not materially increase the obligations of TIDA and the City.

Prepared by:

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