Resolution approving and authorizing the Director of Island Operations for the Treasure Island Development Authority to execute a third amendment to the sublease with the John Stewart Company to extend the term.

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 former Naval Station Treasure Island (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 which 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, On March 17, 1999, The John Stewart Company ("JSCo") and the Authority entered into a Sublease, Development, Marketing and Property Management Agreement, as amended on August 15, 2000 by the First Amendment to Sublease, Development, Marketing and Property Management Agreement, and on June 12, 2003 by the
Second Amendment to Sublease, Development, Marketing and Property Management
Agreement (collectively, the "Sublease"), for the development, marketing and property
management of up to 766 housing units at the Base; and,

WHEREAS, Pursuant to the Base Closure Community Redevelopment and Homeless
Assistance Act of 1994, the Treasure Island Homeless Development Initiative ("TIHDI") and
the San Francisco Redevelopment Agency negotiated a Base Closure Homeless Assistance
Agreement and Option to Sublease Real Property, which was endorsed by the City's Board of
Supervisors and approved by the United States Department of Housing and Urban
Development in connection with its consideration of the Draft Reuse Plan for the Base (the
"TIHDI Agreement"); and,

WHEREAS, Under the TIHDI Agreement, TIHDI, among other things, was granted the
right, upon satisfaction of certain conditions precedent, to have one or more of its member
organizations sublease up to 375 housing units on the Base, as more particularly described in
the TIHDI Agreement (the "TIHDI Units"); and,

WHEREAS, In connection with the TIHDI Agreement, the Authority and TIHDI entered
into that certain Revenue Sharing and Consent Agreement dated March 1, 1999, as amended
by the First Amendment to Revenue Sharing Agreement dated as of August, 2000
(collectively, the "Sharing Agreement"), pursuant to which 112 of the TIHDI Units on Treasure
Island and 41 TIHDI Units on Yerba Buena Island were included as part of JSCo's leased
premises under the Sublease in exchange for the Authority's agreement to pay TIHDI a share
of the Authority's net revenues generated by such TIHDI Units; and,

WHEREAS, Pursuant to the Sublease and the Sharing Agreement, upon expiration of
the initial term of the Sublease, JSCo is required to deliver to the Authority 153 TIHDI Units for
sublease by TIHDI's member organizations as residential units; and,
WHEREAS, TIHDI requested that the Authority and JSCo initially return only 54 TIHDI Units; and,

WHEREAS, On March 22, 2006 at a properly noticed public meeting, the Authority authorized the Executive Director to enter into a second amendment to the Sharing Agreement which, among other things (1) decreased from 153 to 54 the number of TIHDI Units to be delivered to the Authority for sublease by TIHDI member organizations upon expiration of the initial term of the Sublease, (2) delayed the date that the 54 TIHDI Units will be delivered to the Authority for sublease to TIHDI member organizations for homeless and economically disadvantaged San Franciscans in accordance with the TIHDI Agreement from April 17, 2007 to July 1, 2007, (3) required the Authority to use good faith efforts to sublease such 54 TIHDI Units to TIHDI member organizations, and (4) simplified the method used to calculate the amount of net revenue that is distributed to the Authority pursuant to Section 15.3 of the Sublease and shared with TIHDI pursuant to Section 5 of the Sharing Agreement; and,

WHEREAS, The Sublease will expire on April 17, 2007; and,

WHEREAS, On March 22, 2006 at a properly noticed public meeting, the authority's Board of Directors (1) authorized the Executive Director to enter into a third amendment to the Sublease to extend the term of the Sublease on a month-to-month basis after April 17, 2007, not to exceed the effective date of a disposition and development agreement between the Authority and a master developer for Treasure Island and Yerba Buena Island, and (2) found and determined, based upon all evidence in the record, including without limitation information presented orally by Authority staff at the March 22, 2006 meeting, as follows:

1. Revenue from the residential leasing under the Sublease is a significant part of the Authority’s revenues which supports both (i) the interim operations of Treasure Island
and Yerba Buena Island and (ii) planning and related activities in connection with the long
term redevelopment of such islands; and,

2. Due to Sublease provisions restricting JSCo’s ability to offer residential
subleases on the Islands for terms longer than 12 months, which significantly limit the
marketability of the residential leasing under the Sublease, a change in management would
threaten the stability of leasing activities on Treasure Island and Yerba Buena Island and
potentially cause uncertainty among the residents; and

3. Due to the uncertainties associated with the timing of (i) the completion of
negotiations for the transfer of the islands from the Navy to the Authority, and (ii) the
completion of negotiations for a disposition and development agreement with a master
developer of the islands, the Authority wishes to maintain the flexibility to be able to terminate
the Sublease upon 30 days’ written notice; and,

4. Given the complexities and inter-relationship of the TIHDI Agreement, the
Sharing Agreement, and the Sublease, further competitive solicitation for the sublease and
rental of the residential units currently under the Sublease would be unavailing, and it is in the
best interests of the Authority and the island residents to extend the Sublease as proposed by
the Authority staff; and,

5. That the proposed amendments to the Sublease will serve the goals of the
Authority and the public interests of the City; and

6. That the terms and conditions of the proposed amendments to the Sublease
are fair and reasonable; and,

WHEREAS, On April 17, 2006 at a properly noticed public meeting, the Authority’s
Board of Directors adopted Resolution No. 06-28-04/17 declaring its policy that none of the
households in good standing that currently occupy the 54 TIHDI Units will be evicted from the
island to accommodate the transfer of the units to TIHDI and that all of the affected
households planning to stay on Treasure Island will be given the opportunity to relocate to another comparable unit at a comparable rent on Treasure Island before the units transition to TIHDI and directing the Authority staff to work with JSCo to provide certain benefits to ensure an effective transition of households, including one month’s free rent; now therefore be it

RESOLVED, That the San Francisco Board of Supervisors hereby approves the third amendment to the Sublease to extend the term of the Sublease on a month-to-month basis after April 17, 2007, not to exceed the effective date of a disposition and development agreement between the Authority and a master developer for Treasure Island and Yerba Buena Island; and,

FURTHER RESOLVED, That the San Francisco Board of Supervisors hereby authorizes the Director of Island Operations for the Authority to execute and enter into the third amendment to the Sublease in substantially the form filed with the Clerk of the Board in File No. __061548__, and any additions, amendments or other modifications to such amendment (including, without limitation, its exhibits) that the Director of Island Operations of the Authority or her designee 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.
Resolution approving and authorizing the Director of Island Operations for the Treasure Island Development Authority to execute a third amendment to the sublease with the John Stewart Company to extend the term.

February 6, 2007   Board of Supervisors — ADOPTED
Ayes: 11 - Alioto-Pier, Ammiano, Daly, Dufty, Elsbernd, Jew, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval

File No. 061548 I hereby certify that the foregoing Resolution was ADOPTED on February 6, 2007 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

FEB 16 2007
Date Approved

Mayor Gavin Newsom