

AGENDA ITEM 6c
Treasure Island Development Authority
City and County of San Francisco
Meeting of February 14, 2024

Subject: Resolution Authorizing the Treasure Island Director to Prepare Legislation for Submission to the Board of Supervisors Seeking Approval to Amend the Sublease and Property Management Agreement for Treasure Island Market-Rate Rental Housing between the Treasure Island Development Authority and John Stewart Company, a California Corporation, for a Period in Excess of Ten Years (Action Item)

Contact: Robert Beck, Treasure Island Director

BACKGROUND

At its January 20, 1999 meeting 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 TI/YBI. The Original Agreement was approved by the City’s Board of Supervisors on February 22, 1999, and became effective on March 17, 1999. The Authority Board and the Board of Supervisors approved five amendments to the Original Agreement between 2000 and 2009.

Authority staff prepared and issued a Request for Proposals (“RFP”) for a new sublease and management agreement (the “Agreement”) in March 2014. The sole response received was submitted by the incumbent JSCo. Their submittal was deemed complete and responsive to the RFP by Authority staff and to the City’s 14B compliance requirements by the City’s Contract Monitoring Division (“CMD”). On June 11, 2014 the Authority Board approved the new Agreement between the Authority and JSCo. The Board of Supervisors subsequently approved the Agreement by resolution number 340-14.

At the time of award, it was anticipated that by this time the Navy would have completed its cleanup efforts within its Investigation and Remediation Site 12 which encompasses the entirety of the Treasure Island residential leasing program and that the property would have transferred to Authority ownership. It was also anticipated that more progress would have been made in the development of new infrastructure and housing on Treasure Island.

Although the scope of the market rate residential leasing program is greatly reduced from its greatest scope, we anticipate continuing the residential leasing program on Treasure Island for at least another ten years. Not all market rate residents have a path to permanent housing solutions on Treasure Island, and we anticipate managing the leasing activity to sustain the leasing program for the benefit of current residents as long as practicable.

CITY CONTRACTING REQUIREMENTS

The Original Agreement and Agreement were approved by the Board of Supervisors because all contracts that generate more than one million dollars in revenue require Board of Supervisors Approval. Similarly, all amendments that would extend the duration of an agreement beyond ten years also require Board of Supervisors Approval.

Staff proposes to seek Board of Supervisors Approval for an amendment to the Agreement to extend the term of the agreement for another ten-year period. The alternative, to issue a new RFP to sublease and property management the market rate housing program, would be unlikely to attract any new proposals and switching property management firms at this point in the management of the property would have detrimental impacts for residents and the Authority.

DEVELOPMENT SCHEDULE AND LEASING ACTIVITY

The market rate leasing program on Treasure Island is in the process of winding down. There are currently 333 occupied market rate units in the housing inventory on Treasure Island. As units are vacated, the property manager is precluded from entering into new leases. The THRR bestow certain transition housing benefits on the market rate residents of Treasure Island, including – for the most senior market rate residents – the rights to a Transition Unit in a newly constructed Authority Building on Treasure Island. The Authority’s focus is on fulfilling these transition obligations to current residents while reducing the scope of the leasing program over time. All of the former Navy housing is ultimately to be demolished and new housing and parks to be constructed on the footprint of the housing area.

There are three separate schedules that will ultimately determine how long the leasing program for the former Naval housing on Treasure Island might continue:

- The schedule by which the Navy will complete its remediation efforts and transfer the land on which the housing resides to TIDA;
- The schedule on which the master developer completes infrastructure and prepares lots for 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 on which the Authority has both land and funds to develop the affordable housing including existing resident replacement housing on lots prepared by the master developer for this purpose.

THRR IMPLEMENTATION

The THRR was adopted by the Authority Board and the Board of Supervisors in 2011 along with the Disposition and Development Agreement and other transaction documents. The THRR established certain transition benefits for the market rate households in residence at that time. In December 2019, the THRR were amended to grant residents moving into The Villages subsequent to adoption of the THRR and prior to the amendment date with priority access to new

affordable units constructed on Treasure Island provided that they meet other program occupancy requirements. Under the THRR, residents of The Villages fall into four general tiers:

1. Legacy or Pre-DDA Households: Households established prior to June 2011 are entitled to the greatest range of benefits including the opportunity to occupy a Transition Unit in an Authority Building, a potential “In-Lieu” cash payment if they move off of the island, priority access to an affordable unit, etc. 148 of our 333 occupied units are Legacy Households.
2. Vested Residents: Residents moving into The Villages between 2011 and 2019 were granted priority access to new affordable housing units constructed on Treasure Island. 58 of our Legacy Households include some Vested Residents and another 131 include only Vested or Post-Vested Residents.
3. Post-Vested Residents: Residents that moved into The Villages after December 2019 have no priorities for market rate or affordable housing on Treasure Island but may pursue new affordable housing utilizing a District 6 neighborhood preference. Although The Villages has not initiated any new household leases during the Post-Vested period, through roommate additions and roommate releases, we now have 23 households where everyone on the lease is a Post-Vested resident and have 111 total Post-Vested residents.
4. Commercial Residential Leases: The Villages also leases 31 residential units to commercial entities. Under the THRR the commercial leaseholder and their tenants are not entitled to relocation benefits.

The authority is working diligently to connect these residents and households with permanent housing solutions within the newly developed residential properties on Treasure Island and has engaged an outside consultant to advise residents in navigating their future housing options. The support of JSCo, however, is critical to the successful and orderly implementation of the THRR. Because residents access to benefits is tied directly to their date of residency and the nature of their residential lease (commercial/non-commercial), the records of The Villages and the institutional memory of JSCo staff are critical to ensuring residents receive the benefits to which they are entitled.

TIDA is working with One Treasure Island to plan the development of the first six residential projects on Treasure Island. These buildings will accommodate the transfer of all current affordable housing programs operated by One Treasure Island member agencies (Swords to Plowshares, Catholic Charities, HomeRise, and HealthRight 360). See Exhibit A – Phase 1 Treasure Island Housing Pipeline.

Star View Court and development sites 11 and 12 will include Transition Units for Legacy Households and site 10, a senior housing development may provide some additional Transit Unit opportunities subject to the accordant occupancy requirements. By 2030, however, we anticipate having transitioned a minimum of 100 Legacy Households and a significant number of Vested Residents into new permanent housing solutions within the new development.

The property manager will have a central role in facilitating these transitions, relocating and consolidating the footprint of the remaining households, and “retiring” vacated buildings. a

RECOMMENDATION

JSCo has provided exemplary property management services to the Authority over the term of the Original Agreement and the current Agreement. JSCo has consistently demonstrated a strong institutional knowledge of the Island environment and issues and has played a critical role in assuring an efficient and orderly process for implementation of complex residential transitions and relocations in accordance with the THRR adopted by the Authority Board and the Board of Supervisors. The continuation of JSCo as manager will prove beneficial for Treasure Island residents and the Authority, especially in light of the difficult challenges ahead in implementation of the development program and the tenant relocations. Accordingly, Staff strongly recommends seeking Board of Supervisors approval of an amendment to extend the term of the Agreement with JSCo.

NEXT STEPS

With the approval of the Authority Board, Staff will work with the City Attorney's Office to draft legislation seeking Board of Supervisors approval to amend the Agreement to extend the term of the Agreement for an additional ten years. Staff will also consult with the City Attorneys Office to review various terms of the Agreement, including the compensation provisions, to ensure that the Agreement structure remains viable over the extended term as the scope of the residential leasing program diminishes.

EXHIBIT A – Phase 1 Treasure Island Housing Pipeline

TREASURE ISLAND HOUSING PIPELINE - PHASE I

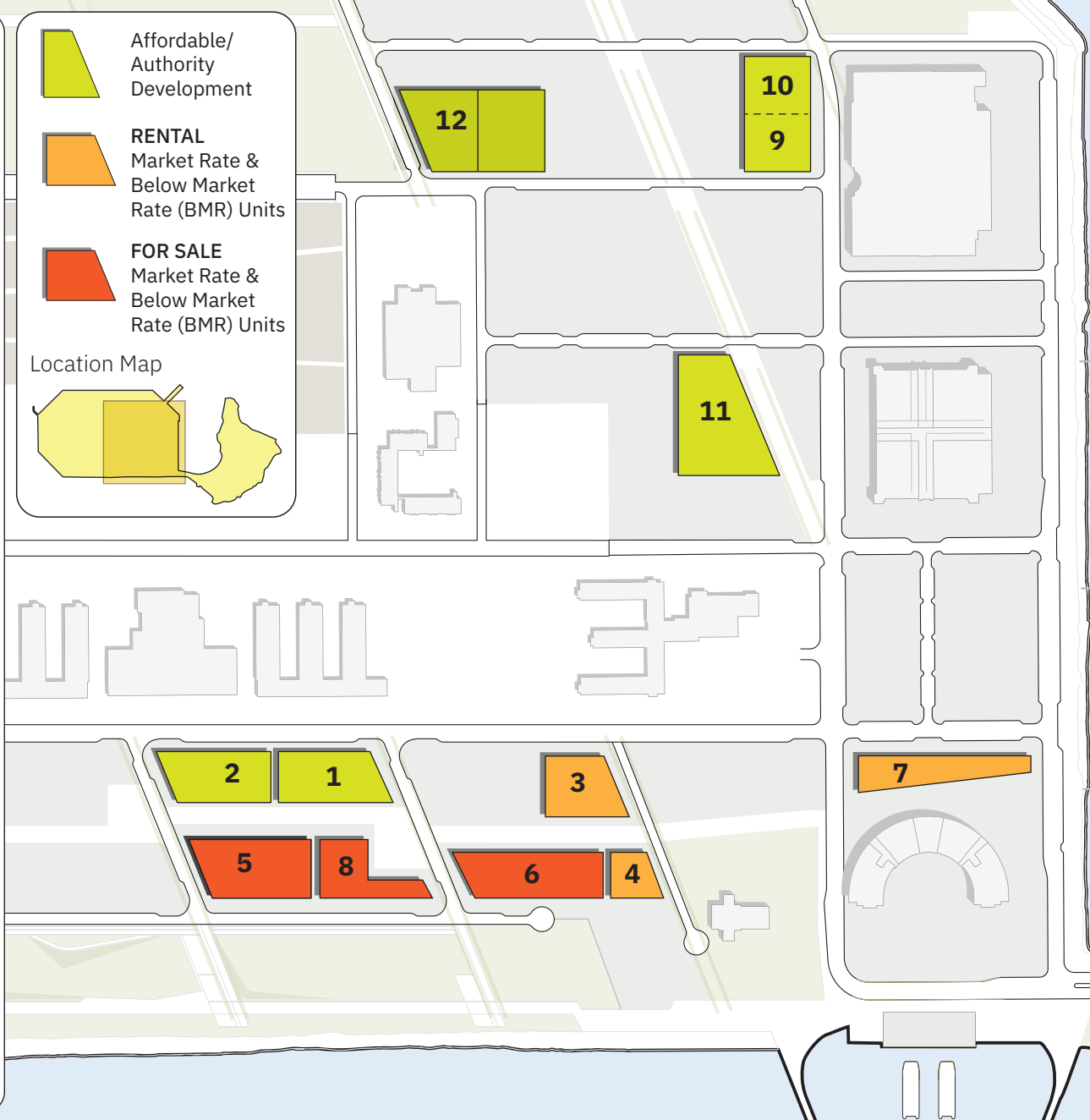
1. **Maceo May** 105 homes - Rental
Includes One TI replacement units
Completed: 2023
2. **Star View Court** 138 homes - Rental
Includes One TI & Legacy Household replacement units
Completion: 2024*
3. **Hawkins** 178 homes - Rental
Includes 9 BMR units
Completion: 2024*
4. **Isle House** 250 homes - Rental
Includes 24 BMR units
Completion: 2024*
5. **Portico** 148 homes - For Sale
Includes 7 BMR units
Completion: 2025*
6. **C2.3** 83 homes - For Sale
Includes 4 BMR units
Completion: 2026*
7. **B1** 117 homes - Rental
Includes 6 BMR units
Completion: 2026*
8. **C3.5** 160 homes - For Sale
Includes 8 BMR units
Completion: 2026*
9. **E1.2 - Behavioral Health Building** ~240 beds - Rental
Includes One TI replacement beds
Completion: 2026*
10. **E1.2 - Senior** ~100 homes - Rental
Includes Legacy Household replacement units
Completion: 2027*
11. **IC4.3** ~150 homes - Rental
Includes One TI & Legacy Household replacement units
Completion: 2028*
12. **E2.3/2.4** ~155 homes - Rental
Includes One TI & Legacy Household replacement units
Completion: 2029*

Affordable/
Authority
Development

RENTAL
Market Rate &
Below Market
Rate (BMR) Units

FOR SALE
Market Rate &
Below Market
Rate (BMR) Units

Location Map



All One Treasure Island replacement homes and homes for Legacy Households living at The Villages at Treasure Island are intended to be provided within the first Major Phase of development. Each site will also include new affordable housing units for which qualifying residents of The Villages will receive a preference.

**Completion dates are approximate.*

1 (Sublease and Property Management Agreement with John Stewart Company)

2 **Resolution Authorizing the Treasure Island Director to Prepare Legislation for**
3 **Submission to the Board of Supervisors Seeking Approval to Amend the Sublease and**
4 **Property Management Agreement for Treasure Island Market-Rate Rental Housing**
5 **between the Treasure Island Development Authority and John Stewart Company, a**
6 **California Corporation, for a Period in Excess of Ten Years**

7 WHEREAS, Naval Station Treasure Island is a military base located on Treasure Island and
8 Yerba Buena Island (together, the "Base"), which is currently owned by the United States of
9 America ("the Federal Government"); and,

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

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

19 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
20 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
21 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority
22 as a redevelopment agency under California redevelopment law with authority over the Base
23 upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
24 Base which are subject to the Tidelands Trust, vested in the Authority the authority to
25 administer the public trust for commerce, navigation and fisheries as to such property; and,

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

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

9 WHEREAS, On March 17, 1999, The John Stewart Company ("JSCO") and the
10 Authority entered into a Sublease, Development, Marketing and Property Management
11 Agreement (the "Original Agreement") for the development, marketing and property
12 management of up to 766 housing units (the "Premises") at former Naval Station, Treasure
13 Island, in San Francisco, California; and,

14 WHEREAS, The parties entered into subsequent amendments to the Original
15 Agreement; and,

16 WHEREAS, On June 7, 2011, the San Francisco Board of Supervisors approved the
17 Disposition and Development Agreement between the Authority and Treasure Island
18 Community Development LLC, which became effective on July 14, 2011; and,

19 WHEREAS, On March 7th, 2014 the Authority issued and properly noticed a Request
20 for Proposals ("RFP") for the Sublease and Property Management of Market-Rate Rental
21 Housing, Treasure Island; and

22 WHEREAS, JSCO was the sole Respondent to submit a Response to the RFP; and

23 WHEREAS The Authority Board of Directors, at its meeting of June 11, 2014,
24 authorized and approved the Authority Director to execute a new Sublease and Property
25

1 Management Agreement for Market-Rate Rental Housing (the “Agreement”) between the
2 Authority and JSCO; and

3 WHEREAS, The term of the Agreement is scheduled to expire on June 30, 2024; and

4 WHEREAS, When the Authority last requested proposals in 2014, that RFP yielded
5 only a single proposal from the incumbent; and

6 WHEREAS, The Authority has begun the process of implementing the Transition
7 Housing Rules and Regulations for The Villages at Treasure Island (the “THRR”) which
8 includes providing market rate households established prior to 2011 the opportunity to lease a
9 new unit in an Authority Building so they can continue to be a part of the Treasure Island
10 Community as the island is redeveloped; and

11 WHEREAS, The island currently has three hundred, thirty-three occupied market rate
12 units and that number is expected to drop by roughly ten percent when the Star View Court
13 development is completed this summer and to continue to decline steadily over time; and

14 WHEREAS, The implementation of the THRR relies heavily upon the leasing records
15 maintained by the property manager; and

16 WHEREAS, Issuing a new RFP to sublease and manage the market rate leasing
17 programs on Treasure Island is unlikely to attract any new proposers; and

18 WHEREAS, Switching property managers at this point in the program would
19 compromise the ability of the Authority to effectively implement the THRR and adversely
20 impact the current residents of the market rate housing; and

21 WHEREAS, By 2030, the Authority intends to complete the transition of all current
22 affordable housing residents to new homes within new Authority Buildings on Treasure Island;
23 and

24 WHEREAS, Over the same period, the Authority anticipates that it will have
25 transitioned most, if not all, of the market rate households entitled to Transition Units and

1 within ten (10) years may be in a position to terminate leasing programs in the former Navy
2 housing; and

3 WHEREAS, The Authority desires to extend the current Agreement with JSCO for an
4 additional ten (10) years;

5 WHEREAS, Any modification of the Agreement beyond ten (10) years will require
6 Board of Supervisors Approval; now, therefore be it

7 RESOLVED, That the Authority Board of Directors finds that it would be advantageous
8 to the management of market rate housing on Treasure Island and the implementation of the
9 THRR and of benefit to the market rate residents of the former Navy Housing on Treasure
10 Island to continue the property management relationship with JSCO under the Agreement;
11 and be it

12 FURTHER RESOLVED, That the Authority Board of Directors hereby authorizes the
13 Treasure Island Director (the "Director") to prepare an amendment to the Agreement to
14 extend the term of the Agreement for an additional ten (10) years (the "Amendment") and to
15 prepare legislation requesting approval of the Amendment; and be it

16 FURTHER RESOLVED, Should the Board of Supervisors not authorize the
17 Amendment, that staff will prepare and issue an RFP for continuation of the property
18 management program; and, be it

19 FURTHER RESOLVED, That the Board of Directors hereby authorizes the Director to
20 enter into any additions, amendments or other modifications to the Agreement that the
21 Director determines in consultation with the City Attorney are in the best interests of the
22 Authority, that do not materially increase the obligations or liabilities of the Authority, that do
23 not materially reduce the rights of the Authority, and are necessary or advisable to complete
24 the Agreement, such determination to be conclusively evidenced by the execution and
25 delivery by the Director or his designee of the documents and any amendments thereto.

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CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected Secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed meeting on February 14, 2024.

**_____
Jeanette Howard, Secretary**