

AGENDA ITEM 6b
Treasure Island Development Authority
City and County of San Francisco
Meeting of May 8, 2024

Subject: Resolution Approving and Authorizing the Execution of a Second Amendment to the Amended And Restated Base Closure And Homeless Assistance Agreement between the Treasure Island Development Authority and One Treasure Island (formerly Treasure Island Homeless Development Initiative). (Action Item)

BACKGROUND

The One Treasure Island (“One TI”) is a consortium of nonprofit organizations that provide services to homeless and other economically disadvantaged San Francisco residents. One TI was organized to utilize the resources of the former Naval Station Treasure Island to help fill gaps in the continuum of care for homeless persons and families, pursuant to the Amended and Restated Base Closure and Homeless Assistance Agreement (the “Agreement”) dated for reference purposes as of June 28, 2011.

The Agreement among other things, obligated Treasure Island Development Authority (“Authority”) to pay to One TI eight point forty nine percent (8.49%) of the Percentage Rent paid by John Stewart Company (“JSCO”) to the Authority (the “One TI Rent Share”).

During the initial lease up of the housing programs on Treasure Island and Yerba Buena Island, One TI agreed to transfer control of some units originally allotted to One TI to the John Stewart Company (“JSCO”) to lease under its property management agreement with the Authority. The additional revenues derived by the Authority provided the rationale for the One TI Rent Share provision.

Changes in recent years, however, have led staff to propose an alternate structure for the sharing payment. Those changes include:

- One TI member agencies have begun the process of relocating their residents into new permanent homes on Treasure Island decreasing the number of former Navy units under their management;
- As units within their inventory are vacated, JSCO is no longer entering into leases with new residents to occupy those units, but is supporting the Authority’s need to gradually wind down leasing operations over time;
- Expenses incurred by JSCO to support the relocation of residents, secure vacated units, and other operations have caused the One TI Rent Share payments to vary greatly from month to month making the calculation of the payment cumbersome and making it difficult for One TI to rely on the availability of those funds.

Staff proposes replacing the historical method for calculating the One TI Rent Share with a fixed payment that will provide certainty for planning purposes through the remaining period of the One TI leasing operations in the former Navy housing.

AGREEMENT CHANGES

Effective Date: July 1, 2024

3. Housing Component. As of the Effective Date, Section I. A (Housing Component) of the Original Agreement shall be deleted in its entirety and replaced with the following:

“A. Existing Subleases and Sharing Agreement. Under the One TI Sharing Agreement, the Authority agreed to pay One Treasure Island eight and 49/100 percent (8.49%) of the Percentage Rent (as defined in section 15.3 of the JSCo Sublease) paid by JSCo to the Authority under the JSCo Sublease (the "One TI Rent Share"). Beginning July 1, 2024, the One TI Rent Share shall not be calculated based on JSCo leasing revenues, but shall be a fixed subsidy of \$100,000 increased each July 1st (the “Adjustment Date”) according to the Consumer Price Index Urban Wage Earners and Clerical Workers (base years 1982-1984 = 100) for San Francisco-Oakland-San Jose area published most immediately preceding the Adjustment Date. On the Adjustment Date following occupancy of the Behavioral Health Building (as defined by the issuance by the San Francisco Department of Building Inspection of a Temporary Certificate of Occupancy), the One TI Rent Share shall be decreased by 25%. On the Adjustment Date following occupancy of the development on Parcel IC4.3 (as defined by the issuance by the San Francisco Department of Building Inspection of a Temporary Certificate of Occupancy), the then current One TI Rent Share shall be decreased by 50%. On the Adjustment Date following completion of the final One Treasure Island replacement units, currently anticipated to be constructed on parcels E2.3 and/or E2.4 (as defined by the issuance by the San Francisco Department of Building Inspection of a Temporary Certificate of Occupancy), the One TI Rent Share payments shall cease.”

BUDGET IMPACT

The Second Amendment to the Agreement provides One TI with a fixed predictable share of revenues derived from the market rate property management operations of JSCO. Any net changes in Authority revenues and expenses from the historical calculations are expected to be negligible.

RECOMMENDATION

Project Staff recommends approval of the Second Amendment to the Amended and Restated Base Closure and Homeless Assistance Agreement,, and granting authorization to the Treasure Island Director or his designee to execute said Second Amendment subject to the additional terms and conditions set forth above.

EXHIBITS

Exhibit A: Second Amendment to the Amended and Restated Base Closure and Homeless Assistance Agreement

Exhibit A

SECOND AMENDMENT TO AMENDED AND RESTATED BASE CLOSURE HOMELESS ASSISTANCE AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED BASE CLOSURE AND HOMELESS ASSISTANCE AGREEMENT (this “Second Amendment”), dated for reference purposes only as of April 30, 2024 is by and between the TREASURE ISLAND DEVELOPMENT AUTHORITY, a California public benefit corporation (“Authority”), and ONE TREASURE ISLAND, INC., a California non-profit public benefit corporation (“One TI”)(formerly TREASURE ISLAND HOMELESS DEVELOPMENT INITIATIVE). From time to time, Authority and One TI together shall be referred to herein as the “Parties”.

RECITALS

A. Authority and One TI” entered into that certain Amended and Restated Base Closure and Homeless Assistance Agreement dated for reference purposes as of June 28, 2011 (the "Original Agreement"), whereby the Authority is, among other things, obligated to pay to One TI eight point forty nine percent (8.49%) of the Percentage Rent paid by John Stewart Company (“JSCO”) to the Authority (The "One TI Rent Share”).

B. As One TI member agencies have begun the process of transitioning residents to new permanent units on Treasure Island and JSCO has ceased entering into new leases and supporting the Authority in transitioning eligible residents from The Villages to new housing opportunities, the Authority and One TI have determined that the sharing formula is no longer an accurate or appropriate method of calculating the benefits derived from the historical loan of One TI units to JSCO for leasing. .

C. Authority and One TI desire to amend the Original Agreement to replace the One TI Rent Share with a predictable fixed payment decreasing over time as the transition of current island residents continues.

D. The Original Agreement, a prior First Amendment, and this Second Amendment shall collectively be referred to as the “Agreement”. All capitalized terms used herein but not otherwise defined shall have the meaning given to them in the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the Authority and Contractor hereby amend the Agreement as follows:

AGREEMENT

- 1. Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference as if fully set forth herein.
- 2. Effective Date.** The effective date of this Second Amendment shall be July 1, 2024 (the “Effective Date”).

Exhibit A

3. **Housing Component.** As of the Effective Date, Section I. A (Housing Component) of the Original Agreement shall be deleted in its entirety and replaced with the following:

“**A. Existing Subleases and Sharing Agreement.** Under the One TI Sharing Agreement, the Authority agreed to pay One Treasure Island eight and 49/100 percent (8.49%) of the Percentage Rent (as defined in section 15.3 of the JSCo Sublease) paid by JSCo to the Authority under the JSCo Sublease (the "One TI Rent Share"). Beginning July 1, 2024, the One TI Rent Share shall not be calculated based on JSCo leasing revenues, but shall be a fixed subsidy of \$100,000 increased each July 1st (the “Adjustment Date”) according to the Consumer Price Index Urban Wage Earners and Clerical Workers (base years 1982-1984 = 100) for San Francisco-Oakland-San Jose area published most immediately preceding the Adjustment Date. On the Adjustment Date following occupancy of the Behavioral Health Building (as defined by the issuance by the San Francisco Department of Building Inspection of a Temporary Certificate of Occupancy), the One TI Rent Share shall be decreased by 25%. On the Adjustment Date following occupancy of the development on parcel IC4.3 (as defined by the issuance by the San Francisco Department of Building Inspection of a Temporary Certificate of Occupancy), the then current One TI Rent Share shall be decreased by 50%. On the Adjustment Date following completion of the final One Treasure Island replacement units, currently anticipated to be constructed on parcels E2.3 and/or E2.4 (as defined by the issuance by the San Francisco Department of Building Inspection of a Temporary Certificate of Occupancy), the One TI Rent Share payments shall cease.

4. **Counterparts.** This Second Amendment may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof.

5. **Full Force and Effect.** Except as specifically amended herein, the terms and conditions of the Original Agreement shall remain in full force and effect.

[Remainder of page intentionally left blank]

Exhibit A

IN WITNESS WHEREOF, Authority and One TI have executed this Second Amendment to the Amended and Restated Base Closure and Homeless Assistance Agreement at San Francisco, California, as of the date first above written.

AUTHORITY:

TREASURE ISLAND DEVELOPMENT AUTHORITY

By: _____
Robert P. Beck
Treasure Island Director

CONTRACTOR:

One Treasure Island, Inc.
a California non-profit public benefit corporation

By: _____

Its: _____

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Deputy City Attorney

1 [SECOND AMENDMENT TO AMENDED AND RESTATED BASE CLOSURE HOMELESS
2 ASSISTANCE AGREEMENT]

3 **Resolution Approving and Authorizing the Execution of a Second Amendment to**
4 **the Amended And Restated Base Closure And Homeless Assistance Agreement**
5 **between the Treasure Island Development Authority and One Treasure Island (formerly**
6 **Treasure Island Homeless Development Initiative)**

7 WHEREAS, Naval Station Treasure Island is a military base located on Treasure Island
8 and Yerba Buena Island (together, the "Base"), which is currently owned by the United States
9 of 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 Tidelands Trust, vested the authority to administer the public trust
25 for commerce, navigation and fisheries as to such property in the Authority; 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, The City and County of San Francisco, as the predecessor Local Reuse
4 Authority for the Base, negotiated a proposed Base Closure Homeless Assistance Agreement
5 and Option to Lease Real Property (the "Homeless Assistance Agreement") with One
6 Treasure Island ("One TI"), a consortium of nonprofit corporations organized to utilize the
7 available resources of the Base to help fill gaps in the continuum of care for homeless
8 persons and families, pursuant to the Base Closure Community Redevelopment and
9 Homeless Assistance Act of 1994; and

10 WHEREAS, Authority and One TI entered into that certain Amended and Restated
11 Base Closure and Homeless Assistance Agreement dated for reference purposes as of June
12 28, 2011 (the "Original Agreement"), whereby the Authority was, among other things,
13 obligated to pay to One TI eight point forty nine percent (8.49%) of the Percentage Rent paid
14 by John Stewart Company ("JSCO") to the Authority (The "One TI Rent Share").

15 WHEREAS, Authority and One TI executed a First Amendment commencing
16 retroactively on July 1, 2018 to make technical adjustments to the calculation for the One TI
17 Rent Share under the Original Agreement; and,

18 WHEREAS, One TI made some former Navy housing units originally allotted to One TI
19 to JSCO for leasing under JSCO's property management agreement with the Authority
20 establishing the basis for the One TI Rent Share payment; and,

21 WHEREAS, with the completion of Maceo May Apartments in 2023 and Star View
22 Court later this year, One TI member agencies have begun the process of transferring
23 residents to new permanent homes on Treasure Island; and

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1 WHEREAS, JSCO ceased entering into leases with new residents several years ago
2 and with the completion of Star View Court will be supporting the transition of eligible
3 residents of The Villages at Treasure Island into new, permanent homes; and,

4 WHEREAS, Costs incurred by JSCO in support of these transitions and management
5 of the property has made JSCO's net revenues and the One TI Rent Share payments vary
6 greatly month-to-month and over the course of each year; and,

7 WHEREAS, Authority and One TI have determined that replacing the sharing formula
8 described in the Original Agreement with a predictable fixed payment decreasing over time as
9 the transition of current island residents continues will benefit all parties; and,

10 **WHEREAS, Authority and One TI have negotiated a Second Amendment**
11 **(“The Second Amendment”) to replace the One TI Rent Share calculation with a fixed**
12 **payment of \$100,000 beginning in fiscal year 2024-2025, providing a mechanism to**
13 **adjust that amount annually to account for inflation, and to establish a framework by**
14 **which the amount will be reduced and eventually retired when the transition of One TI**
15 **residents to new housing units is completed;**, now, therefore, be it

16 RESOLVED, That the Authority hereby authorizes the Treasure Island Director to
17 execute the Second Amendment with One TI in substantially the form attached hereto as
18 Exhibit A; and, be it

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

1 delivery by the Treasure Island Director or his designee of the documents and any
2 amendments thereto.

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CERTIFICATE OF SECRETARY

10 I hereby certify that I am the duly elected and acting Secretary of the Treasure
11 Island Development Authority, a California nonprofit public benefit corporation, and
12 that the above Resolution was duly adopted and approved by the Board of Directors of
13 the Authority at a properly noticed meeting on May 8, 2024.

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Jeanette Howard, Secretary

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