



SAN FRANCISCO PLANNING DEPARTMENT

Informational Hearing Treasure Island and Yerba Buena Island Redevelopment Project

HEARING DATE: MARCH 3, 2011

Date: February 24, 2010
Case No.: 2007.0903
Project Address: **Treasure Island and Yerba Buena Island**
Current Zoning: P (Public) District/40-X Height and Bulk District
Block/Lot: 1939/001, 002
Project Sponsor: Treasure Island Development Authority / Treasure Island Community Development, LLC.
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Recommendation: **No Action, informational only.**

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PURPOSE OF THIS HEARING

The Planning Commission will be provided with an informational overview of the Treasure Island/Yerba Buena Island Redevelopment Project and associated components including: (1) Open Space Plan, (2) Sustainability Plan, (3) Infrastructure Plan, and (4) Financing Plan. This is the second presentation of a series of informational presentations and hearings before the Commission on the project, scheduled for February and March 2011, and are a follow-up to the project overview and presentation on the Draft Design for Development staff provided for the Commission in March 2010. This overview will be combined with an overview of the required amendments to the General Plan, Planning Code and Zoning Map, which staff is recommending the Commission initiate at the March 3 hearing. These actions were detailed in the Executive Summary previously transmitted to the Commission on February 17, 2011.

BACKGROUND AND PUBLIC PROCESS

Originally constructed in 1937 as a possible site for the San Francisco Airport, Treasure Island was first used to host the Golden Gate International Exposition from 1939-1940. Shortly thereafter during World War II, the United States Department of Defense converted the island into a naval station, which operated for more than five decades. Naval Station Treasure Island was subsequently closed in 1993 and ceased operations in 1997. Since its closure, the City and the community have been planning for the reuse of former Naval Station Treasure Island and adjacent Yerba Buena Island.

Today, the Project site consists of approximately 400 acres, including both Treasure Island and Yerba Buena Island, and is characterized by aging infrastructure, environmental contamination from former naval operations, deteriorated and unoccupied buildings and asphalt and other impervious surfaces which cover approximately 65% of the site. The site has few public amenities for the approximately 2,000 residents who currently reside on the Project site. The Project Area excludes 37 acres of Treasure Island, which are owned by the US Department of Labor and occupied by a Job Corps campus, a vocational

training program for young people between the ages of 16 and 24. The Project Area also excludes the eastern half of Yerba Buena Island, which houses a U.S. Coast Guard Facility.

In furtherance of the community-based planning process that began with the closure of Naval Station Treasure Island, in 2003, the Treasure Island Development Authority (“TIDA”) selected through a three year long competitive selection process, Treasure Island Community Development, LLC (“TICD”) to serve as the prospective master developer for the Project. Since that time TIDA and TICD have worked in partnership with the Treasure Island / Yerba Buena Island Citizens Advisory Board (“CAB”), the Treasure Island Homeless Development Initiative (“TIHDI”) and other community based organizations to advance the redevelopment planning and entitlement for the Project. In 2006, the CAB, TIDA and the Board of Supervisors endorsed the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island, which set forth the general transactional and land use terms of the Project including a provision for a Transition Plan for existing households. In order to reflect advancements in the project planning, due diligence and changes in economic conditions, TIDA and the Board of Supervisors each unanimously endorsed an Update to the Development Plan and Term Sheet, that incorporated both the terms of an Economic Development Conveyance Memorandum of Agreement for the conveyance of former Naval Station Treasure Island from the Navy to the City, and a Term Sheet between TIDA and TIHDI for the replacement and construction of new affordable housing units as part of the Project.

Over the past year, staff of the Planning Department, Office of Economic and Workforce Development, the CAB, TIDA and TICD have worked on the preparation and negotiation of the key land use and transaction documents that would enable the implementation of the Project as contemplated by the community. These project documents and entitlement documents are summarized below.

ENTITLEMENTS FRAMEWORK

Overall, the entitlements can be thought of in three broad pieces: (i) actions that *authorize* the project; (ii) actions that enable the project to be *implemented*; and (iii) actions that adopt *procedures* that will govern future TIDA and/or City actions (e.g. subdivisions, design review, permitting, etc.). Together, all of these documents constitute the Project Documents that the TIDA Board, the Commission and Board of Supervisors will be asked to approve in order to grant final project approvals and vest entitlements necessary to implement the vision for the redevelopment of the Project.

PROJECT DESCRIPTION AND DEVELOPMENT PROGRAM

The Project covers approximately 400 acres on both Treasure Island and Yerba Buena Island. Consistent with development program endorsed by the CAB, TIDA and the Board of Supervisors in May 2010, the proposed land use and development program includes the following elements:

- 8,000 new residential units
- 140,000 square feet of new retail uses
- 100,000 square feet of commercial office space
- 311,000 square feet of adaptive reuse of historic structures (Buildings 1, 2, and 3)
- 500 hotel rooms

- 30,000 square foot police / fire station
- 75,000 square feet of cultural / museum space
- 48,500 square feet of community facilities
- 105,000 square foot school
- 15,000 square foot sailing center
- 300 acres of open space
- Bicycle, transit, and pedestrian facilities
- Landside services for the Marina
- A ferry quay/bus intermodal transit center (Transit Hub)

PARKS AND OPEN SPACE PLAN

The Open Space Plan will be an Attachment to the Disposition and Development Agreement (“DDA”). The purpose of the document is to describe the open space program and improvements to be provided as part of the infrastructure and horizontal development of the Project. The Open Space Plan establishes TICD’s obligations for the delivery of the open space program, site and landscape improvements and defines specific programs and standards for the improvements that shall be provided in each open space area. The Open Space Plan also summarizes the funding sources and uses for long term operations and maintenance of the parks and open space, as more particularly defined in the Financing Plan.

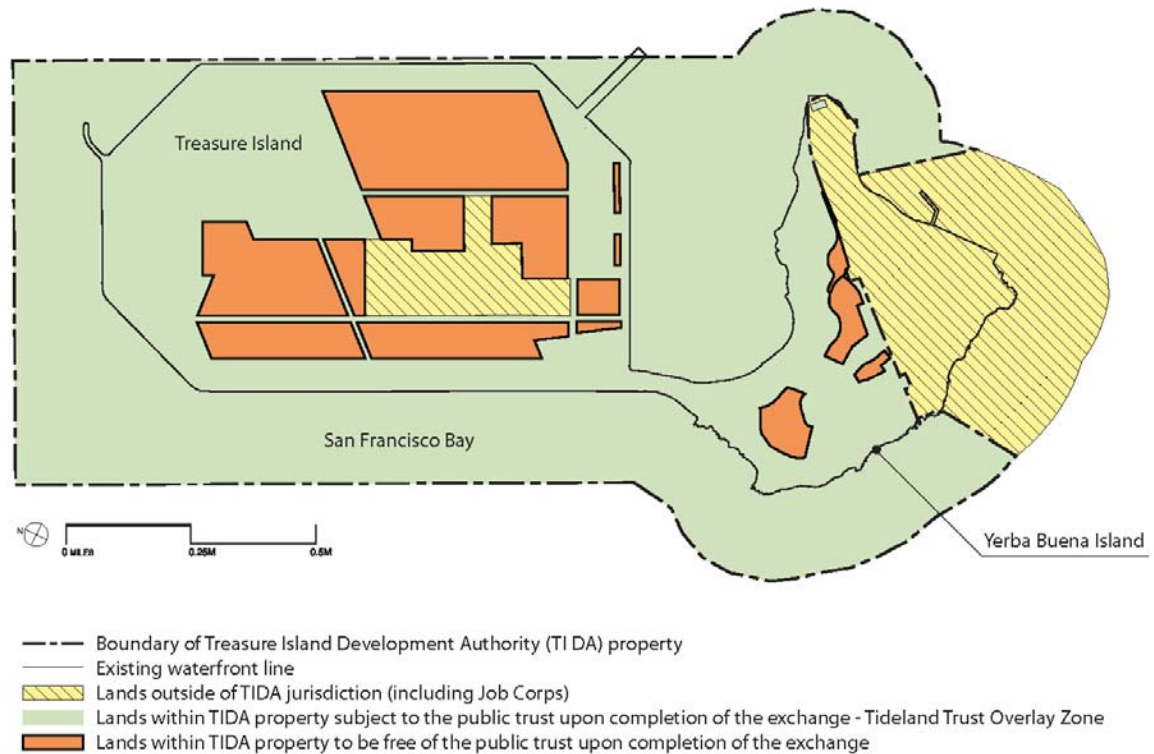
The Project’s system of parks and open space include neighborhood- and visitor-serving parkland, ecological, recreational, neighborhood, and cultural areas. The approximately 300 acres of parks and open space would include a wide variety of programmed and natural habitat elements, including:

- public spaces and recreation areas;
- shoreline trails and access improvements, including the proposed extension of the San Francisco Bay Trail from the Bay Bridge bicycle and pedestrian path on the new East span, down Yerba Buena Island, and around the entire perimeter of Treasure Island;
- a stormwater wetland of about 10 to 15 acres to provide water quality treatment and natural habitat;
- an urban farm of approximately 20 acres;
- a cultural park adjacent to Building 1;
- the Building 1 Plaza adjacent to the ferry quay and Transit Hub;
- a pedestrian promenade along Clipper Cove on the south shoreline of Treasure Island;
- preserved and new wildlife habitat on Yerba Buena Island;
- a new hilltop park with vista points, overlooks, and trails on Yerba Buena Island; and
- approximately 30-40 acres proposed on the east side of Treasure Island for a regional sports complex with baseball, softball, gaelic football, rugby and soccer fields, as well as other sports facilities.

The Waterfront Plaza, Cityside Waterfront Park, Northern Shoreline Park, Eastern Shoreline Park, and Clipper Cove Promenade would provide extensive public access to the shoreline on all sides of Treasure Island. The gardens adjacent to the historic Nimitz House on Yerba Buena Island would be improved as

part of the open space program.

Treasure Island is subject to the Tidelands Trust. As a naturally occurring island above the mean high tide line, Yerba Buena Island is not currently subject to the Trust. Uses of trust lands are generally limited to waterborne commerce, navigation, fisheries, water-oriented recreation, including commercial facilities that must be located on or adjacent to water, and environmental preservation and recreation. Ancillary or incidental uses that promote trust uses or accommodate public enjoyment of trust lands are also permitted, such as hotels, restaurants and specialty retail. The majority of the open space areas on Treasure Island and Yerba Buena Island currently is and will be subject to the Trust. The Project entitlements will include an agreement with the State Lands Commission to reconfigure the Trust to support a variety of open space uses on the islands as well as residential development in certain areas which are not included in the Trust.



Ownership and Management

TIDA will be responsible for the operations and management of all of the public open space and recreation facilities during and following the development process. It is anticipated that TIDA may elect to contract with future project partners or service providers to provide park management, recreational and cultural programming, and operations and maintenance services. Funding for the ongoing operations and maintenance of public parks and public open space will come from:

- Homeowner's association (HOA) fees and dues on both residential and commercial projects.

- Community Facilities District “CFD” remainder taxes above debt service on CFD Bonds. These funds will be transferred to a parks and open space maintenance account which will be managed by TIDA and used as needed to help pay for parks and open space maintenance costs.

Sea Level Rise

In order to address future potential sea level rise and balance the mandate to provide maximum public access and views of the Bay from the Project’s shoreline, an adaptive management strategy has been proposed, as described in the Infrastructure Plan section below. The design of the park system accommodates and responds to this adaptive management strategy, through its ability to respond to future sea level rise by an adaptive management zone along the island edge that can accommodate a range of solutions that could be used in the future.

Existing Open Space and Recreation Facilities

The Project site currently includes several recreation and open space facilities, including the existing Gym located in east central area of Treasure Island, several little league baseball fields located on the east side of the island, two Rugby fields, two Gaelic Football fields, and an existing softball field in the center part of the island adjacent to the Job Corp campus. Many of the existing facilities and open spaces will be retained and operated throughout the early phases of infrastructure development. Several of the existing recreational fields may also be incorporated in the Sports Park area based on further programming and design coordination during the design phases. The Gym facility will be retained as part of the Islands Open Space Facilities and integrated with the Sports Park as part of the final design phases.

TICD and TIDA will continue to work with existing recreational users to provide access and maintain operations of these facilities during build-out of the proposed Project. TICD and TIDA will also continue to work with existing recreation users to identify potential opportunities for them to participate in the programming and operation of the proposed recreational facilities.

INFRASTRUCTURE PLAN

The Infrastructure Plan is an Exhibit to the DDA that defines the obligations of TICD to construct and deliver public infrastructure for the Project, as well as off-site and on site work that may be provided to support development of the Project by the San Francisco Public Utilities Commission (SFPUC). Consistent with the Project’s land use and development plan, an entirely new infrastructure system must be constructed in order to implement the Project.

Infrastructure Plan Overview

The Infrastructure Plan, the Treasure Island and Yerba Buena Island Subdivision Code and the Design for Development (“D4D”) establish the design standards, criteria and specifications for public infrastructure in the Project, including streets, potable water, recycled water (including a supplemental firefighting water source), supplementary bay water hydrants and fireboat manifolds for firefighting, joint trench, street lighting, street furniture, separated storm and sewer systems, storm water treatment features, open space parcels, and other related Infrastructure necessary to support and serve the Project. At the time of subdivision processing and approval by the City, including the review and approval of subdivision improvement plans, the final design of Infrastructure will be required to be consistent with the Infrastructure Plan.

Geotechnical/Seismic Improvements

The geotechnical approach for the Project takes into consideration the need to elevate the interior of the island in anticipation of sea level rise and the desire to reduce damage to surface and subsurface improvements in the case of a seismic event. The geotechnical programs consists of three parts: (1) the sands will be densified throughout the development area to minimize liquefaction and earthquake-induced settlements, creating a long-term stable platform for development; (2) additional fill will be added to compensate for the loss of elevation caused by densification and to raise the site grades in developed areas above the expected flood level, taking an allowance for long-term sea level rise into account; and (3) the perimeter and causeway between Treasure and Yerba Buena Islands will be similarly densified to be seismically stable and to provide protection against overtopping under extreme combinations of tide and storm activity. The perimeter will not be required to act as a levee or seawall for flood protection purposes.

Adaptive Management Strategy for Potential Sea Level Rise

Authority staff have worked with the Bay Conservation Development Commission, SFDPW, and SFPUC to evaluate standards for sea level rise ("SLR") recommended by BCDC and the California Bay-Delta Authority Independent Science Board, which recommends as a plausible/high value planning for 16 inches of SLR by 2050 and 55 inches by 2100. Based on an evaluation of the site specific conditions of Treasure Island, the Project will incorporate initial improvements consisting of (i) setting back the development 200 to 350 feet from the shoreline to mitigate against storm events, (ii) elevating all development and vital infrastructure by 42 inches, which would accommodate potential SLR for 75 to 150 years depending on the actual rate of increase in sea levels and (iii) enhancing the island's perimeter to protect from wave overtopping in large storm events. In addition, the Project will adopt an adaptive management strategy that enables a variety of responses to actual future SLR conditions. For example, if SLR exceeds 55 inches, strategies could include raising the shoreline edge, constructing a series of embankments inland from the shoreline, laying back the shoreline to create an engineered beach and wetlands to limit wave run-up and overtopping. To fund such future improvements, the Project will utilize the proceeds of the Second Tranche CFD Bonds and any Remainder Taxes that become available to Authority after the CFD Conversion Date, sized to cover the anticipated costs of such adaptive management improvements.

Utility Infrastructure

The entire utility infrastructure for Treasure Island must be rebuilt from scratch, and includes the following components:

- **Backbone Infrastructure and Street Network.** The backbone utility systems and street network on Treasure Island, which includes the causeway between Treasure Island and Yerba Buena Island, will be completely rebuilt to current standards and on a stable platform achieved by seismically reinforcing the development areas as described above.
- **Wet Utilities.** The Project will build new wet utility systems, including new water tanks on Yerba Buena Island, new trunk lines throughout both islands, and connections to a new secondary/emergency back-up water supply line on the new Eastern Span of the Bay Bridge linked to the East Bay Municipal Utility District water system. Under the terms of the PUC

Exclusive Negotiations Agreement that TIDA and PUC approved in 2009, TIDA and the PUC are negotiating the terms of an agreement under which the PUC would finance, construct, own and operate an entirely new wastewater treatment and recycled water plant that would tie into a new waste water collection system being constructed by the Project. The Project would also construct a new storm water drainage and treatment system. Storm water will be directed to low impact development (LID) treatment systems in the open space and street rights-of-way, and portions would be conveyed to a constructed storm water treatment wetland before being discharged to the Bay.

- **Dry Utilities.** An entirely new dry utility network will be constructed for Treasure Island, including new electrical, gas and telecommunications lines.

Environmental Remediation

TICD's infrastructure obligations will include completing certain environmental remediation to support the proposed land uses, above and beyond the levels the Navy is legally required to clean to under Federal law. TICD will perform its cleanup activities according to all applicable State and local regulations.

Demolition and Deconstruction

To the extent practical, existing structures would be "deconstructed," allowing for reuse or recycling of the wood, concrete, metals and other materials. Demolition/deconstruction would begin with removal and abatement of any hazardous materials such as lead paint and asbestos. Where possible, concrete and asphalt pavements would be recycled or used on site or made available for use elsewhere. A concrete/asphalt crushing plant would be operated on Treasure Island to assist in recycling/reuse of these materials.

Phases of Infrastructure Construction.

The infrastructure improvements for the Project will be constructed in phases in accordance with approved Major Phase and Sub-Phase applications, as described in the DDA. Each phase of infrastructure construction will provide the new infrastructure necessary to serve the associated Sub-Phases. The new Sub-Phase infrastructure systems will connect to the existing infrastructure systems as close to the edge of the new Sub-Phase as possible with permanent and/or temporary systems while maintaining the integrity of the existing system for the remainder of the Islands. The City, acting through the SFPUC, on behalf of TIDA, will be responsible for maintenance of existing infrastructure facilities until demolished by TICD. The City will also be responsible for the maintenance of new facilities once construction of the Sub-Phase or the new facility is complete and accepted by the City.

SUSTAINABILITY PLAN

The Sustainability Plan for the Project includes principles, goals, targets and strategies for key elements including site design and land use, landscape and biodiversity, transportation, energy, water and wastewater, materials, solid waste, health, safety and security, community and society and economic development. The Sustainability Plan comprehensively integrates elements reflected in other components of the Development Plan (e.g., the Infrastructure, Transportation and Housing Plans). The Sustainability Plan includes direct obligations of TICD and third party developers, but also establishes high-level, long-term goals for the Project that will involve other stakeholders, partners, and governmental agencies. In

addition, the Plan establishes a program to monitor and evaluate the progress of the Project in achieving these goals.

Key elements of the Sustainability Plan include the following:

- **Site Design.** Perhaps the single most important means of facilitating the sustainability goals of the Project was achieved through the land use plan itself. For example, the street grid has been adjusted to maximize exposure to sun on the streets and into the buildings, while at the same time minimizing the impacts of the often strong winds on the islands. In addition, by creating a dense, compact land use plan located in close walking proximity to a multi-modal transit node, residents, employees and visitors are encouraged to choose walking, bicycling and transit over the automobile. This compact development plan also enables the majority of the Islands to be preserved or established as natural habitat. And creating a critical mass of residents and uses on Treasure Island supports the retail amenities and services necessary for that community to be reasonably self-sufficient.
- **Transportation.** The Transportation Plan proposes to decrease resource utilization and support community health through the delivery of a comprehensive transportation program that includes multiple alternatives to use of the private automobile. Specifically, the Project will include extensive bicycle and pedestrian path networks (including connections to the East Bay via the new Eastern Span of the Bay Bridge), bus service to downtown San Francisco and the East Bay, ferry service to downtown San Francisco, and intra-island shuttle services. The compact and mixed-use nature of the project ensures that residents will be able to walk or bike to satisfy many daily convenience needs, without reliance on private automobile use.
- **Green Building and Neighborhood Design Standards.** The design guidelines for the Project will require all new buildings to be built to performance specifications for high-performance green buildings which exceed the City of San Francisco's adopted Green Building Ordinance, and are specifically designed for the Project. In addition, the U.S. Green Building Council ("USGBC") has adopted a rating tool for master planned developments, referred to as LEED for Neighborhood Development, or LEED-ND. TICD has agreed that the overall master plan for the Project will achieve a LEED-ND Gold rating, and TICD will use good faith efforts to work with TIDA and the Department of the Environment to achieve a Platinum rating for the overall project, the highest level that may be obtained.
- **Energy.** Individual buildings will conserve energy by achieving green building specifications beyond the City's adopted Green Building Ordinance. An innovative central heating and cooling plant, which uses the Bay for cooling and secondary sources for heating, is proposed to serve the dense urban core of Treasure Island. Extensive renewable energy generation is expected to be provided primarily via solar resources, but will also be generated in smaller amounts via harnessing wind resources. All appropriate building rooftops will be designed to accept photovoltaic panels and advancing technologies will continue to be explored to maximize both renewable energy generation and resource conservation. Ultimately, the goal is for the Project to generate more energy via on-island renewable sources than it consumes during certain periods.
- **Water.** In order to comply with the Green Building Ordinance, individual buildings will need to incorporate features to minimize consumption of potable water. The new on-site wastewater treatment plant will be designed to generate recycled "graywater", which can be used for

irrigating landscaped areas and help establish plantings within restored habitat areas. This system will allow the Project to avoid the use of potable water to meet irrigation needs. Stormwater runoff from hardscaped areas will be filtered through LID treatment systems such as bio-swales and rain gardens, or will be conveyed to a constructed wetland for treatment before being discharged to the Bay.

FINANCING PLAN

The Financing Plan, an attachment to the DDA, has been developed to ensure that the Project is economically self-sufficient that minimizes any adverse fiscal impact on the City. The Project's Financing Plan balances the public benefits and upfront private investment in the project with the need to create a sufficient rate of return for investors.

Sources of Funds to Pay Projects Costs.

The sources of funding for the Project will come from a combination of private capital (including proceeds from land sales) and tax-exempt financing. It is estimated that the private capital contribution to the Project – in the form of equity and/or private debt - will be approximately \$517 million. The Project documents contemplate that significant private capital will need to be invested early to create the land values necessary to support the land-secured tax-exempt financing described below.

Tax-Exempt Financing

Tax-exempt financing for construction of public infrastructure and eligible community benefits, including affordable housing, is expected to generate about \$935 million. This form of financing uses tax-exempt financing tools made possible through the developer's investment of private capital in the Project to capture certain tax revenues that would not otherwise exist but for the Project. This type of debt is generally non-recourse to the public entities that issue them – that is, in this Project, neither the TIDA nor the City would be legally responsible for paying the debt if the economic projections regarding the Project prove incorrect, and the tax revenues collected are not enough to make required payments on the bonds.

Two types of tax-exempt debt are anticipated to be utilized. Land-secured tax exempt financing typically takes the form of the levying of special taxes in designated Community Facilities Districts and the issuance of Mello-Roos bonds supported by those taxes. Another form of tax-exempt financing, which is not land-secured, is the allocation of property tax increment associated with the new property tax revenues produced in a redevelopment project area and the issuance of tax allocation bonds based on that tax increment.

Mello Roos Community Facilities District Bonds

This financing mechanism allows the Project to impose a special tax on top of the City's annual property tax bill for designated market development parcels, so long as the proceeds from this special tax are used to cover the costs of eligible public facilities or services, such as utilities, roads, geotechnical improvements and parks and open space. Mello-Roos bonds do not involve an investment of City's General Fund dollars into the Project. Instead, they are supported by a self-appointed tax on the private development and the value of the private land in the district. Here, Mello-Roos bonds will likely be used to help jump start development, before the Project has generated enough property tax increment to help

finance infrastructure. The Mello-Roos special taxes will be paid by the developer and ultimately by most residential unit owners and commercial tenants. Mello Roos Bonds have been used in other developments such as Mission Bay, Rincon Hill and Hunters Point Shipyard Phase 1. Under the Project documents, the special taxes will be levied only on market-rate development parcels. The special Mello-Roos tax will not be levied on TIDA-sponsored affordable housing units or public open space or parks. Based on the overall value of the proposed development, the Mello-Roos Bond proceeds to finance the infrastructure are expected to total approximately \$422 million.

Property Tax Increment Financing

In redevelopment project areas, a portion of the net new property tax revenues generated by new development or the tax appreciation of existing property can be allocated to pay for public infrastructure that primarily serves the project area. Property tax allocation bonds, which are supported by that new tax increment, can be issued by TIDA to provide funds to construct that public infrastructure as well as affordable housing. The debt service on such bonds is paid and the bonds are ultimately retired by applying available property tax increment generated by the Project.

Property tax increment financing is typical of urban revitalization projects in California, and nationwide, as a means for redevelopment activity to self-finance necessary improvements through the temporary capture of property tax revenues that would not exist but for the revitalization activity itself. The property tax increment financing in turn supports the community revitalization efforts. The proceeds of property tax increment financing will be used to build public improvements such as affordable housing and public infrastructure (e.g., parks, roads, transportation infrastructure, utilities and geotechnical improvements). Overall, for this Project it is estimated that approximately \$514 million will be available from property tax increment financing.

Interim Lease Revenues

Interim Lease Revenues from the existing residential and commercial properties will continue to be collected by TIDA, and will be used to pay for TIDA costs. To the extent excess funds remain after TIDA costs, net revenue will then be used to help make land payments to the Navy and other specified Project related costs.

Project Costs

The Project must pay the costs of completing the “horizontal” development and other project-related costs using private capital and revenues generated by the Project itself. Total project costs are estimated to be approximately \$1.45 billion and will be paid for by a combination of the above mentioned tax exempt financing sources and private investment. These costs include:

- Completing all pre-development planning and entitlement work, including engineering, urban design and land planning, architectural, legal and financial work, market and feasibility studies and environmental review under CEQA;
- The costs associated with the geotechnical improvements, initial improvements to addressing potential future sea level rise, and conducting necessary environmental remediation, as well as associated soft costs and management costs;

- Replacing and/or building the backbone wet and dry utilities, including a low-pressure potable water system, a reclaimed water system, an auxiliary fire water supply system, new sanitary sewer and storm drainage facilities, and joint trenches throughout the area to accommodate electrical, communication, and gas utilities;
- Preparing infrastructure and delivering sites for affordable housing developments at no cost, in developable condition with all of the requisite infrastructure and paying subsidies, as required in the Housing Plan, for vertical construction of Authority affordable housing to include housing for formerly homeless families and individuals (TIHDI Housing);
- Completing public open space improvements including public access trails, parks, shoreline improvements and other waterfront improvements to enhance public use, and enjoyment of views of the San Francisco Bay;
- Building public transportation improvements, including a new ferry terminal, lease payments for new ferry boats, and the cost to purchase or lease shuttle buses for the new on-island free shuttle service;
- Completing the renovation of Building 2 consistent with the Secretary of the Interior Standards for Rehabilitation and a subsidy of the initial phase of retail development before it is financially viable to ensure that core neighborhood serving retail uses are developed in the early phases of the project;
- Satisfying any other requirements necessary to convert the raw land on Treasure Island into developable pads ready for development;
- Providing space and funding for new and improved community facilities;
- Funding for the ongoing operations and maintenance of public parks and public open space as further detailed above and in Draft Open Space Plan; and
- A transportation operating subsidy to enhance funding for the project's unique transit services and transportation demand management programs. The DDA and Transportation Plan define a payment schedule of fixed payments to be made by the Developer.

Distribution of Net Project Revenues.

The distribution of net Project revenues outlined in the Financing Plan is consistent with the Economic Development Conveyance Memorandum of Agreement Terms negotiated with the Navy, TIDA and TICD. The transaction structure is designed to allow TICD to receive a commercially reasonable market rate return on its investment of private capital, with TIDA participating with the Navy in any profits that exceed market expectations. Most importantly for the City, TIDA does not bear any of the risk if the targeted returns are not achieved. The key public benefits that are embodied in the Project (such as affordable housing, parks and open space, and community facilities) are treated in the Financing Plan as net horizontal project costs and, thus, must be provided by TICD prior to and regardless of their economic return.

Fiscal Impacts Study

One of the commitments of the Project is to minimize any adverse impacts on the City's General Fund. TIDA's real estate economics advisor, Economic & Planning Systems, Inc. completed an analysis of the impacts of the Project on the City's fiscal health over the lifetime of the Project. This analysis measures the net increase in revenues accruing to the City's General Fund from the new development and the net increase in expenses associated with providing additional public and community services (such as MUNI, police, fire, DPW, public health, 311, 911, elections) as a result of the development. These net impacts are compared against the baseline represented by the current revenues and costs associated with the present use and operations of the Islands, without any new development. As shown in the Fiscal Impacts Study, net annual fiscal revenues accruing to the City are expected to be greater than net annual costs of providing services. On an annual basis, at project build out the net increase over the current baseline is estimated to be approximately \$12.4 million. Over the 20 year timeframe of the Project's cashflow, the General Fund is projected to experience a \$136 million cumulative net positive impact as compared against the baseline. In addition, there are certain tax revenues created by the project that are restricted, non-General Fund revenues that would generate an additional \$2.7 million annually at project build out, and \$25 million in cumulative, restricted, non-General Fund revenues.

ENVIRONMENTAL REVIEW

On July 12, 2010, the project-level Draft Environmental Impact Report for the Redevelopment of Treasure Island / Yerba Buena Island was released. A joint public hearing was held before the Commission and TIDA Board on the Draft EIR on August 12, 2010. The comment period for the Draft EIR was extended two weeks and remained open through September 12, 2010. Staff is currently working on the responses to comments document, which will be released with the Final EIR, and is currently anticipated to be published in early March.

NEXT STEPS

The March 3 informational presentation is the second in a series of three such presentations to the Commission on the Project. On March 17, 2011, staff will present in greater detail the community facilities plan, transportation plan and TIHDI agreement, as well as key Project documents, including the Development Agreement, Disposition and Development Agreement, Design Review and Document Approval Procedure and the Interagency Cooperation Agreement. On April 7, 2011, the Commission will sit jointly with the TIDA Board of Directors to consider the Project's EIR and entitlement documents.

ATTACHMENTS:

1. Draft Parks and Open Space Plan
2. Draft Sustainability Plan
3. Draft Infrastructure Plan
4. Draft Financing Plan

LINKS TO ATTACHMENTS

1. DRAFT Treasure Island and Yerba Buena Island Open Space Plan

- This document may be viewed at the following link:

<http://sftreasureisland.org/ftp/devdocs/Draft%20Open%20Space%20Plan-021011.pdf>

2. DRAFT Treasure Island and Yerba Buena Island Sustainability Plan

- This document may be viewed at the following link:

<http://sftreasureisland.org/ftp/devdocs/Draft%20Sustainability%20Plan%201-28-2011.pdf>

3. DRAFT Treasure Island and Yerba Buena Island Infrastructure Plan

- This document may be viewed at the following link:

<http://sftreasureisland.org/Modules/ShowDocument.aspx?documentid=600>

4. DRAFT Treasure Island and Yerba Buena Island Financing Plan

- This document may be viewed at the following link:

<http://sftreasureisland.org/Modules/ShowDocument.aspx?documentid=668>