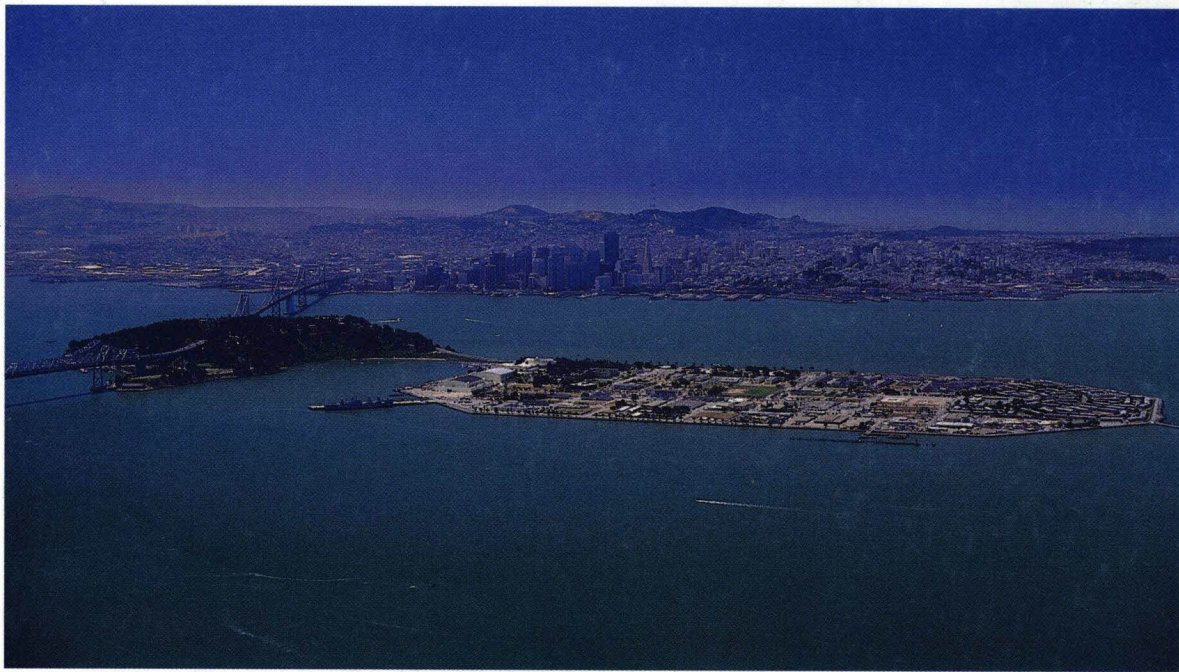


ULI

TREASURE ISLAND
NAVAL STATION
SAN FRANCISCO



TREASURE ISLAND NAVAL STATION SAN FRANCISCO, CALIFORNIA

An Evaluation of Reuse Opportunities and a Strategy for Development and Implementation

September 15–20, 1996
An Advisory Services Panel Report
ULI—the Urban Land Institute
1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. 20007-5201

ABOUT ULI—THE URBAN LAND INSTITUTE

ULI—the Urban Land Institute is a nonprofit research and education organization that promotes responsible leadership in the use of land in order to enhance the total environment. The Institute maintains a membership representing a broad spectrum of interests, and sponsors a wide variety of educational programs and forums to encourage an open exchange of ideas and sharing of experience. ULI initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on this research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development.

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planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students, and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of America's most respected and widely quoted sources of objective information on urban planning, growth, and development.

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- Urban Development/Mixed-Use Councils

This Advisory Services panel report is intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the field of urban land use.

Richard M. Rosan
Executive Vice President

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Suite 500 West
Washington, D.C. 20007

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The agenda for a five-day panel assignment is intensive. It includes an in-depth briefing day comprising a tour of the site and meetings with sponsor representatives; a day and a half of hour-long interviews of typically 80 to 100 key people within the community; and a day and a half of formulating recommendations. Many long nights of discussion precede the panel's conclusions. On the final day on site, the panel makes an oral presentation of its findings and recommendations. At the request of the sponsor, a written report is prepared and published.

Prior to the panel's on-site visit, sponsoring entities are responsible for preparation of extensive briefing materials and for arranging panel meetings with key local community members and stakeholders in the project under consideration. This advance work allows members of ULI's five-day panel assignments to provide accurate assessments of a sponsor's issues and provide recommendations in a compressed amount of time.

A key strength of the program is ULI's unique ability to draw upon the knowledge and expertise of its members—including land developers and owners, public officials, academics, representatives of financial institutions, and other professionals—many of whom are not available for traditional consulting assignments. In fulfillment of ULI's mission, this Advi-

sory Services panel report is intended to provide objective advice that promotes the responsible use of land in order to enhance our environment.

ULI PROJECT STAFF

Marta V. Goldsmith
Staff Vice President
International and Advisory Services

Jeff Minter
Director
Advisory Services

Lloyd W. Bookout
Director
Residential Research, Education,
and Publications

Adrienne Teleki
Senior Associate
International and Advisory Services

Molly McKay
Associate
International and Advisory Services

Nancy Stewart
Managing Editor

Nancy M. Campbell
Manuscript Editor

Helene Y. Redmond
HYR Graphics
Layout

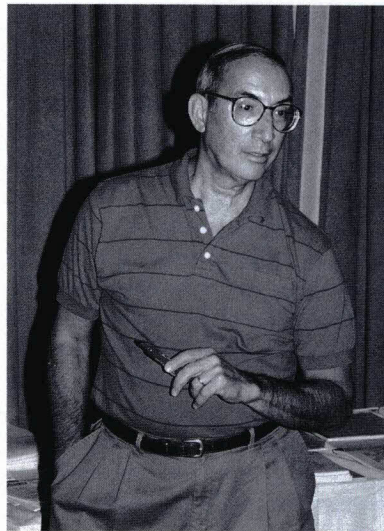
Kim Rusch
Graphics

ACKNOWLEDGMENTS

ULI panel chair Frank J. Sparicio.

Both personally and on behalf of the Urban Land Institute, the panel members and staff thank Mayor Willie Brown and the city of San Francisco for inviting us to participate in their deliberations on the reuse of Treasure Island Naval Station. It is easy to recognize the importance of this island to the city. Given its location and potential, however, Treasure Island also has special significance to real estate professionals such as ourselves. Cognizant of the tremendous effort required to prepare for a ULI Advisory Services assignment, the panel would like to extend special appreciation to Clifford Graves, executive director; Amy Neches, project manager; and Randi Smith, administrative analyst, all of the Redevelopment Agency of the city and county of San Francisco.

The panel is also indebted to Lynn Sedway and Alan Billingsly of the Sedway Kotin Mouchly Group, who prepared the panel's advance briefing materials and who graciously offered their offices for use by the panel during its interview process. Further, the panel would like to acknowledge the many community, business, and governmental leaders who provided their unique insights and perspectives during the on-site interview process.



In addition to the staff of the San Francisco Redevelopment Agency mentioned previously, the panel would like to thank the following individuals for contributing their time and expertise to the panel on issues relevant to this assignment:

- Larry Florin, manager of military base conversion, Office of the Mayor;
- Bonnie Fisher, principal, ROMA Design Group;
- Gloria Root, chair, Treasure Island Citizens Reuse Committee;
- Alison Kendall, senior planner, San Francisco Planning Department;
- Frank Rollo, principal, Treadwell & Rollo;

- Jesse Smith and Michael Cohen, deputy city attorneys, City Attorney's Office;
- Bonnie Nelson, principal, Nelson/Nygaard Consulting Associates; and
- Jim Musbach, principal, Economic and Planning Systems.

The panel also wishes to thank Captain Lynne Hanel, commanding officer of the Treasure Island Naval Station, as well as Lt. Nannette Roberts and Public Affairs Officer Ken McNeil, for assisting in the panel's informative tour of the facility and for their general cooperation. The participation of representatives from a wide range of organizations and interest groups assisted the panel greatly in arriving at its conclusions and recommendations.

The San Francisco Redevelopment Agency, the Office of the Mayor, and the Urban Land Institute wish to thank the Office of Economic Adjustment, Department of Defense, for its financial contribution to this assignment.

This study was prepared under contract with the Redevelopment Agency of the City and County of San Francisco with financial support from the Office of Economic Adjustment, Department of Defense. The content reflects the views of the ULI Advisory Services panel and does not necessarily reflect the views of the Office of Economic Adjustment.

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PANEL MEMBERS AND STAFF

PANEL MEMBERS

Frank J. Sparicio
Panel Chair
Rumford, Rhode Island

Marta Borsanyi
Principal
The Concord Group
Newport Beach, California

Thor Degelmann
Principal
LEDO International
Newport Beach, California

William R. Eager
President
TDA, Inc.
Seattle, Washington

Winston E. Folkers
President
Folkers Associates
Cincinnati, Ohio

Richard F. Galehouse, AIA, AICP
Principal
Sasaki Associates, Inc.
Watertown, Massachusetts

Robert K. Green, G.E.
Senior Project Engineer
Woodward-Clyde Consultants
Oakland, California

Bradley C. Jefferies
Principal and CEO
The Community Partners, LLC
(TCP)
Washington, D.C.

Victor Karen, AICP
Project Director
Massachusetts Development
Finance Agency
Boston, Massachusetts

James F. Meadows
Executive Director
Lowry Redevelopment Authority
Denver, Colorado

Michael R. Paneri, AIA
Vice President/Director
WAT&G
Newport Beach, California

ULI ON-SITE STAFF

Lloyd W. Bookout
Director
Residential Research, Education,
and Publications

Adrienne Teleki
Senior Associate
International and Advisory Services

Ellen Ulf
Associate
Advisory Services

FOREWORD: THE PANEL'S ASSIGNMENT

Treasure and Yerba Buena Islands occupy a unique place in the Bay Area's history. The military's planned closure of the Treasure Island Naval Station presents the city of San Francisco with a unique opportunity to consider long-term development opportunities for these islands that can directly benefit residents and visitors of the Bay Area. To assist in the reuse planning and implementation process, the city invited the participation of this ULI Advisory Services panel.

BACKGROUND AND HISTORY

The Treasure Island Naval Station comprises 523 acres, including all of the 403 acres of Treasure Island, 115 acres of Yerba Buena Island, and a five-acre artificial causeway that connects the two. Yerba Buena Island also houses a 32-acre U.S. Coast Guard Station that has been excluded from the Navy's conveyance process and the city's reuse planning effort. Yerba Buena is a steeply sloped natural island through which the San Francisco–Oakland Bay Bridge passes. The island has been in use by the military since 1867. In 1946, it became primarily a residential facility for the Navy and home to the Coast Guard.



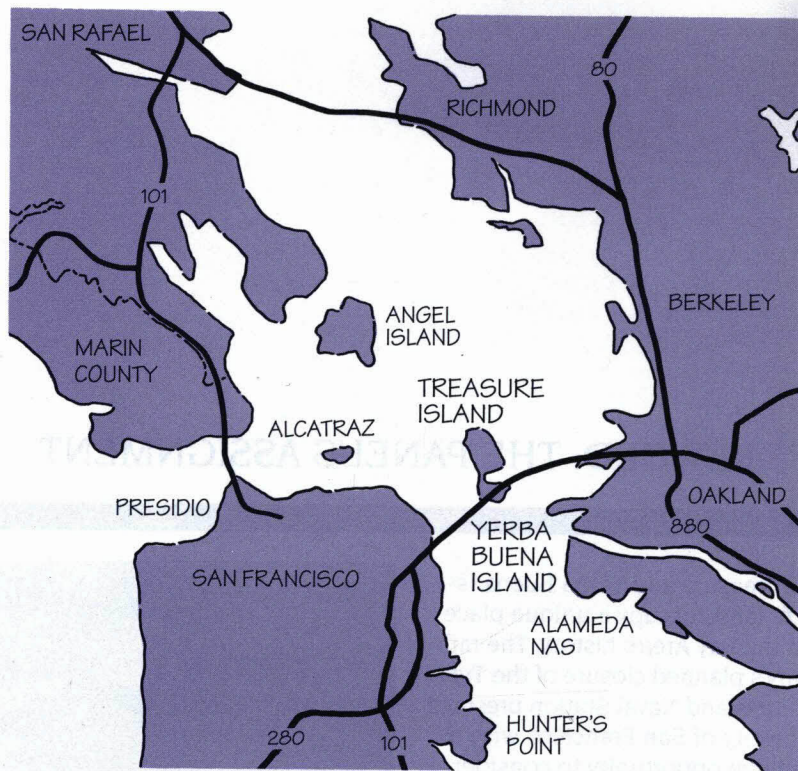
Treasure Island was constructed in the late 1930s on the shoals of Yerba Buena Island shortly after completion of the Bay Bridge. The island originally was intended for use as an international airport.

Treasure Island was constructed with landfill on the shoals of Yerba Buena Island by the New Deal-era WPA in the late 1930s. The initial purpose of the island was to serve as the site for the Golden Gate International Exposition to celebrate the engineering marvels achieved with the construction of the Golden Gate and Bay Bridges. "A Pageant of the Pacific" ran from 1939 through September 1940. The centerpiece of the expo was the 400-foot Tower of the Sun, a slim, octagonal needle with a statue of a phoenix at the top representing San Francisco's rise from the ashes of the 1906 earthquake and fire.

Following the exposition, the island was intended to be the site of a new international airport. The first three buildings constructed on the island were two hangars (Buildings 2 and 3) for the Pan American World Airways Clippers, which began service in 1938, and a terminal building (Building 1). During the waning months of the expo, however, American involvement in World War II was becoming more certain; upon the expo's closure in 1940, plans were already underway to convert the island to a naval base, and plans for an airport were abandoned. In 1943 the Clipper fleet was removed from service, rendered obsolete by aircraft technology developed during the war.

During World War II, the island was used as a center for receiving, training, and dispatching service personnel. Exposition structures were used for barracks and training centers, and new buildings were constructed to house military functions.

Since World War II, Treasure Island has been primarily used as a training and administrative center. Approximately 3,000 military and 1,000 civilian personnel worked at the naval station prior to its recent downsizing. Some of the station's major features were the Fleet Training Center; waterfront facilities; troop and family housing; personnel support, including the processing of Pacific-bound and returning personnel; and a Navy and Marine Corps museum.



REGIONAL MAP

BASE REUSE AND CONVEYANCE PROCESS

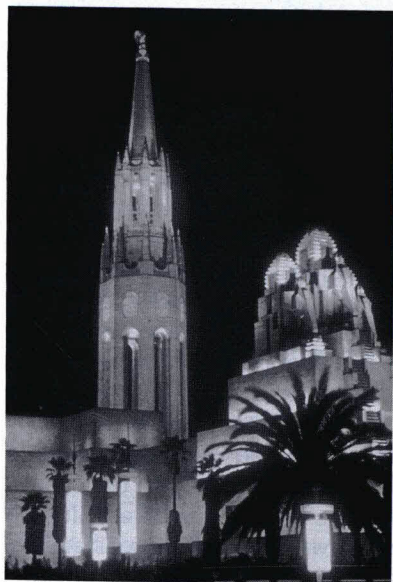
In 1988, Congress passed the Defense Base Closure and Realignment Act (BRAC), which mandated that an independent study of the domestic military base structure be conducted; installations were then recommended for realignment and closure. Four rounds of base closings have resulted from this initial action: in 1988, 1991, 1993, and 1995 (BRAC I, II, III, and IV, respectively). Treasure Island was included in the 1993 round of closures and was scheduled to cease military operations by September 30, 1997.

BRAC III established the conveyance procedure for Treasure Island and other military installations recommended for closure or realignment. Prior to actual closure, base disposal guidelines require a real property screening for possible defense or U.S. Coast Guard use; if the property is not

needed for defense purposes, it is screened for possible use by other federal agencies. Property on Treasure Island that has not been acquired by defense or other federal agencies through screening will go through the federal property conveyance program.

Once the island's reuse plan is complete, the local government can petition the Department of Defense (DOD) for property transfers under a number of below-market public benefit conveyance programs. These programs range from public open-space conveyances that allow property to be transferred at low or no cost (if the property is to be permanently used for parks and open space) to education transfers that allow below-market conveyances for educational institutions. There are also conveyance programs to transfer utility systems to local public utilities and historic buildings to local agencies. All of these conveyances are subject to certain conditions and involve use restrictions. Otherwise, the military is required to dispose of its property at fair market value.

Treasure Island served as the location for the 1939 Golden Gate International Exposition, which had as its architectural centerpiece the 400-foot Tower of the Sun. The tower was demolished after the Navy took control of the island during World War II.



Treasure and Yerba Buena Islands are visible landmarks from many points in San Francisco and the East Bay.

On July 18, 1993, President Clinton announced a new five-point plan for revitalizing base closure communities, including jobs-centered property disposal. The 1993 Defense Authorization Act established a new process for community participation in the property disposal process. The section of the act commonly known as the Pryor Amendment established job creation as a priority in the reuse of military bases and formed a new category: "economic development conveyances." Under the terms of this category, the reuse program must demonstrate that the reuse will generate jobs and that it is not practical at the time of transfer to pay fair market value for the property. Once the property is transferred at below-market cost, the local government and DOD will share in any net proceeds ultimately generated from subsequent sales or leasing of the property for a period of up to 15 years after conveyance by the federal government.

Upon completion of the screening processes, any remaining property is offered for sale to the private sector. Ultimate redevelopment of the property for private uses will be governed by local land use regulations established by the local community.

The city of San Francisco has requested the transfer of all of Treasure Island Naval Station to the city under an economic development conveyance, or pursuant to special legislation if required. The only exceptions to this request are the Job Corps Training Center, which will be transferred to the Department of Labor; the Coast Guard station, which will remain with the Department of Transportation; and the California Department of Transportation (Caltrans) property associated with the Bay Bridge.



Under the federal Base Closure Community Redevelopment and Homeless Assistance Act of 1994, the city must prepare a proposed legally binding agreement for homeless assistance at Treasure Island as part of its Draft Reuse Plan process. The agreement must be reviewed and accepted by the Department of Housing and Urban Development (HUD) and DOD.

ROLE OF LOCAL GOVERNMENT

The city of San Francisco has undertaken the following process with respect to the reuse of Treasure Island:

- A consulting team was retained to study and document the existing conditions on Treasure Island.
- A 22-person Citizens Reuse Committee (CRC) was created in 1994. This committee met monthly to review progress on reuse planning, interim leasing, and other activities by the city and county as part of the conversion and reuse planning process. The CRC has completed its work and has been disbanded.
- Alternative development plans were created, analyzed, and considered before one was selected and recommended.

- A Draft Reuse Plan was drafted as required by law, including a land use plan, conveyance request, and a homeless services plan.
- The Draft Reuse Plan was reviewed by various city agencies and the mayor, and was submitted to the Board of Supervisors.
- Following review by the Base Closure Select Committee, the Draft Reuse Plan was approved by the Board of Supervisors on July 22, 1996.

STATUS OF DRAFT REUSE PLAN

The Draft Reuse Plan, including the homeless services component, has been submitted to HUD. At the same time, the Navy has begun to prepare a combined Environmental Impact Report (EIR) in conformance with the California Environmental Quality Act (CEQA) and Environmental Impact Statement (EIS) in conformance with the National Environmental Policy Act (NEPA).

The panel began its assignment with a briefing by the staff of the San Francisco Redevelopment Agency and the reuse planning team.



During the next year, several actions are expected to be undertaken:

- Negotiations will continue regarding interim management of the property, which the city expects to take over from the Navy.
- Negotiations will begin regarding the terms of the conveyance.
- Once the EIR/EIS is completed, a final redevelopment plan can be adopted by the city of San Francisco.
- The city will adopt a general plan amendment that incorporates the Draft Reuse Plan.
- The zoning ordinance will be amended to be consistent with the general plan.
- The city may designate Treasure Island as a Redevelopment Project Area.

THE PANEL'S ASSIGNMENT

This ULI Advisory Services assignment was conducted September 15–20, 1996, at the request of the Redevelopment Agency of the city and county of San Francisco. The primary charge to the panel was to evaluate the draft reuse plan and make recommendations to move the reuse process from studies and general planning toward specific development, marketing, and implementation plans. The panel was asked to test the land uses proposed in the Draft Reuse Plan and to recommend refinements to the development program that may advance the city's reuse objectives.

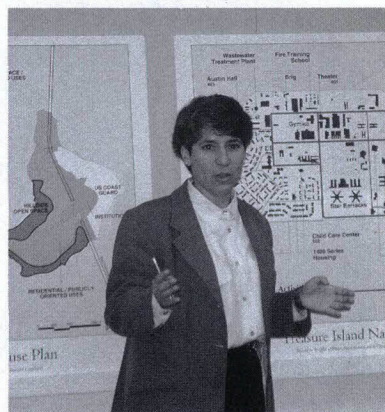
To help guide the panel in conducting its assignment, the city prepared a series of questions for its consideration. Key questions and issues presented to the panel included:

- Given the constraints identified for Treasure Island, does the panel agree with the land uses, assumptions, and conclusions set forth in the Draft Reuse Plan?
- Are the proposed uses complementary and appropriately located and sized?
- Does the plan respond to current and forecasted market conditions?
- Is the reliance on ferry service realistic?
- How should Treasure Island be marketed, and what types of public participation will be required to attract anchor uses?
- What is the city's best organizational alternative for oversight and implementation of the Draft Reuse Plan?

EXECUTIVE SUMMARY

The planned closure of the Treasure Island Naval Station presents the city of San Francisco with a rare opportunity to reestablish the public purposes for which the island was originally intended. After more than 50 years of serving military purposes, Treasure Island can once again become a place for all residents of, and visitors to, the Bay Area to use and enjoy. The island's spectacular setting and colorful history combine to make this a truly unique reuse opportunity.

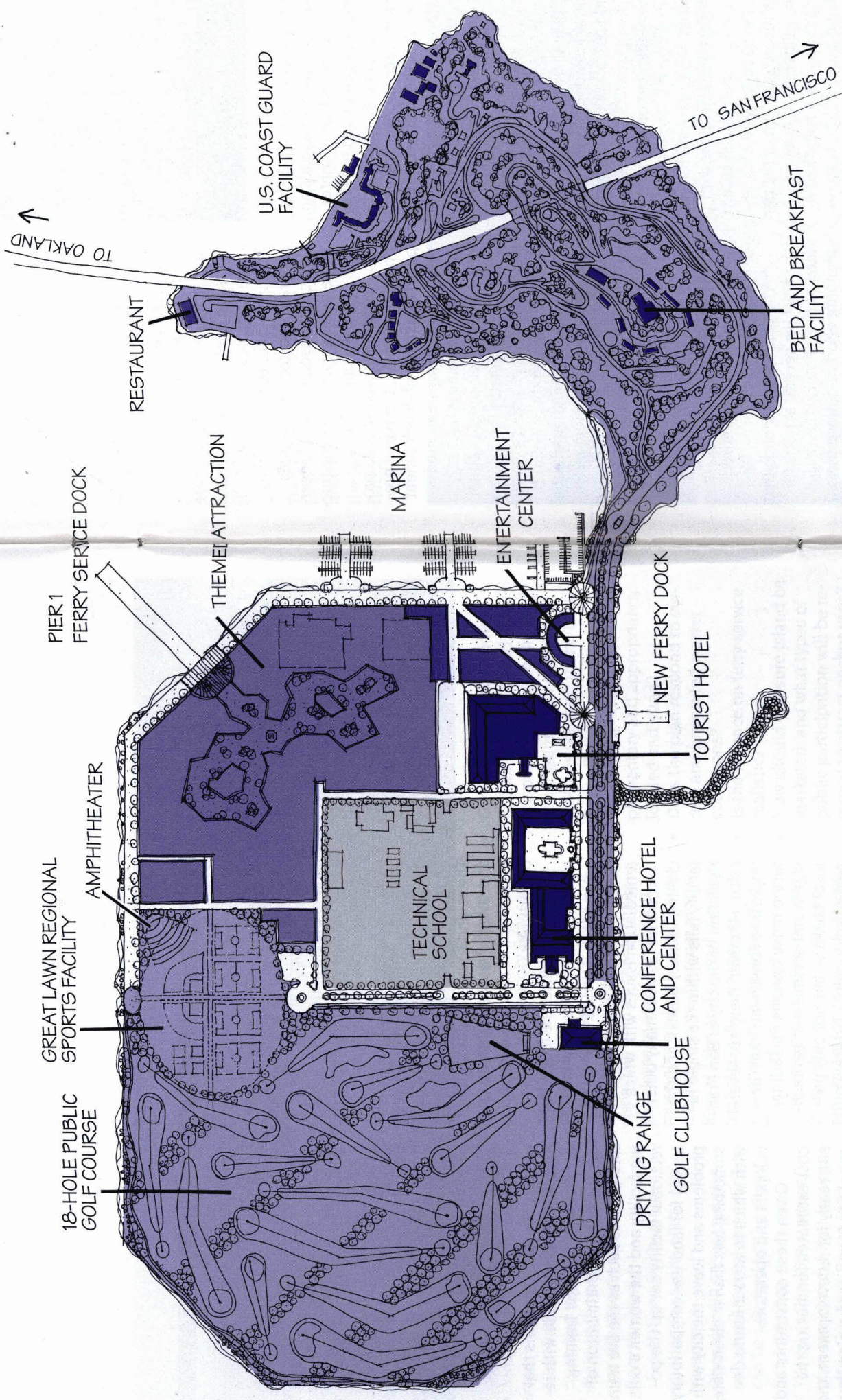
At first glance, the redevelopment options for Treasure Island are many and varied. The island is flat; there are no serious toxic remediation issues with which to contend (as with many other closing military bases); and the facility falls within the single jurisdiction of the city of San Francisco. However, there are several important constraints that limit future reuse options, including: significant seismic and geotechnical hazards that not only present development obstacles but are very expensive to mitigate; transportation and access limitations related to high traffic volumes on the Bay Bridge and poor design of bridge access ramps; legal issues associated with the state's Tidelands Trust, which restrict uses and ownership; and a potentially complicated valuation



Amy Neches, Treasure Island project manager for the San Francisco Redevelopment Agency, briefs the panel on reuse planning efforts to date.

process. Further, decisions that have already been made with regard to the Job Corps Training Center and the continuation of interim uses such as the fire training facility and the women's correctional facility set up the potential for land use compatibility problems and leave the city with something less than a "clean slate" with which to attract future developers and operators.

Given these constraints and cost estimates for making the site ready for redevelopment, the panel has formulated a plan that is rooted in public use. The panel considers its proposal for reuse of Treasure and Yerba Buena Islands as essentially a refinement of the Draft Reuse Plan prepared by the Citizens Reuse Committee and adopted by the city of San Francisco. It combines elements of the adopted plan and of two of the alternative plans studied by the CRC.

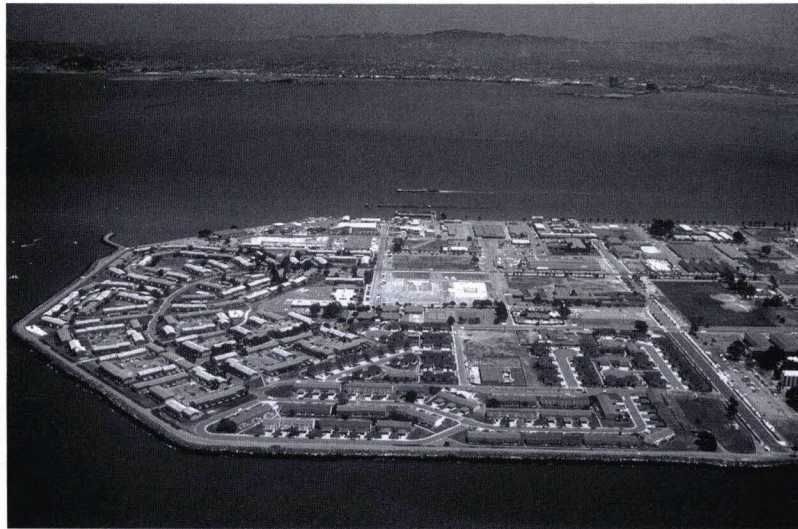


ILLUSTRATIVE REUSE PLAN

Given Yerba Buena Island's terrain and predominantly open-space character, the panel concurs with the Draft Reuse Plan that future development on the island should be limited and restricted to low-intensity uses. The panel proposes that hiking trails be improved and expanded. New development would consist of a restaurant and bed-and-breakfast facility. The Nimitz Mansion would become the ceremonial home of the mayor. Existing housing would be retained for future employees of Treasure Island; potentially 100 units could be made available to provide housing for the homeless. Because of limited development opportunities and a desire to preserve the natural character of Yerba Buena Island, the panel has focused most of its efforts on the reuse of Treasure Island, which presents much greater opportunities and challenges.

The panel believes that determining the "highest and best" use for Treasure Island must be rooted in more than just economic considerations. Treasure Island offers tremendous potential to future generations as a playground and gathering place for the benefit and enjoyment of all of the city's citizens and visitors. Given this expanded definition of highest and best use, the panel strongly encourages the city to build its reuse plan for the island on the premise of public use and enjoyment.

The panel recommends that housing and other uses on the northern half of Treasure Island be phased out. Due to geotechnical and seismic issues, the panel believes this portion of the island is best suited to recreational uses, including an 18-hole public golf course.



Thus, the panel does not endorse the long-term use and continuation of housing on Treasure Island. This recommendation is reinforced by the serious geotechnical issues that exist at the northern end of the island and the estimated costs for making that portion of the island safe for long-term residential purposes.

The panel recommends that the (approximately) northern half of the island be developed for recreational uses, including a public golf course, sports fields, and outdoor concert area. New development would be concentrated in the southern half of the island, where it is less costly to undertake geotechnical remediation and where ferry access can be best accommodated. The primary use proposed and endorsed by the panel is a theme park attraction that would be designed to both entertain and educate visitors. To succeed and offer an appropriate critical mass of activities, the panel recommends that the theme park site be expanded to 60 acres.

The panel's reuse vision for Treasure Island also includes an entertainment and retail center, a conference center and hotel, a tourist hotel, and an expanded marina in Clipper Cove. The panel believes that these uses create a synergy that will allow them to function well together and build upon each other's success. Because these uses primarily serve a visitor population, ferry access is considered feasible. The panel's reuse plan includes provisions for a new ferry dock on the western side of Treasure Island, and an extensive system of promenades for the enjoyment of visitors.

To accommodate the uses proposed and to provide future developers and operators with appropriately sized and located sites, the panel's reuse plan requires reconfiguration of the parcel designated for conveyance to the Job Corps. This reconfiguration may require the city to replace certain facilities slated for use by the Job Corps; however, the panel believes that the long-term reuse of Treasure Island will be best served if such adjustments are made now. Over the long term, the panel foresees the Job Corps Training Facility evolving into a technical school that could be operated by the city or the Department of Labor.

The panel has also recommended a number of interim uses that include film production, restaurants, public facilities (fire training, police training, correctional, elementary school), and housing. These uses may continue to operate for a period of years, until such time that developers and operators are found and ultimate users are ready to proceed. In the meantime, these uses—especially housing—offer the potential to generate substantial revenues that can be used to offset longer-range development and infrastructure improvement costs.

To test the viability of its proposed reuse plan, the panel prepared estimates of development costs and revenues and made assumptions concerning likely sources for development capital. The panel's estimates for development costs and revenues are summarized in Appendices A and B, respectively. Although additional economic modeling must be undertaken and assumptions tested, the panel believes that its proposals for reuse are financially sound, and that capital shortfalls to the city of San Francisco resulting from the redevelopment of Treasure Island can be minimized or eliminated.

The panel recommends that the city take several actions immediately to finalize the reuse planning effort and move toward implementation. These actions include resolving several outstanding issues that could slow the reuse effort, as well as initiating an organizational framework within which to carry out the reuse over the coming years.

A key issue affecting the ultimate reuse of Treasure Island relates to the Tidelands Trust. The panel believes that Trust issues are minimized by the proposed reuse plan. The public-oriented uses proposed by the panel should reduce legal conflicts between the provisions of the Trust and future development of Treasure Island. Still, a final agreement must be reached among the state, the Navy, and the city as to the applicability of the Trust, so that the rules regarding future conveyances to developers and operators are understood. If the provisions of the Trust are, in fact, determined to apply, conveyances must be made via long-term leases instead of fee title. The nature of such conveyances will affect the marketing of the island and the nature of negotiations with future users.

Other issues that must be resolved in the very short term concern the valuation of the property and securing environmental clearances and permits for reuse. The panel believes that when all of the costs associated with redevelopment of Treasure Island are factored into the development equation, a zero or nominal property value will be indicated. The panel encourages both the city and the Navy, however, to not let acquisition cost issues drive the redevelopment process. Both parties should remain focused on the long-term vision as the driving element.

The preparation of the EIS/EIR must also continue in order to complete the reuse planning process and move toward implementation. The panel believes that its proposal for reuse should be viewed as the preferred alternative for moving forward with environmental studies. Because the panel's land use proposals do not represent a radical departure from the Draft Reuse Plan and the alternatives considered during the development of that plan, there should be no reason to stop EIS/EIR preparation or undertake additional work.



The southern half of Treasure Island is proposed for theme park, entertainment, hotel, and visitor-serving uses. Yerba Buena Island is proposed to remain primarily open space.

While these issues are being resolved, the panel encourages the city to proceed with establishing a new public entity to oversee the development of Treasure Island in the coming years or decades. The panel recommends the formation of a public development corporation, under the direction of the mayor's office, that would have the sole purpose of implementing the plan, including securing development approvals, marketing properties, and soliciting for appropriate developers and operators. This nonprofit corporation, which the panel has tagged the Treasure Island Development Corporation (TIDC), would be authorized to issue bonds, accept donations, issue construction contracts, and perform any task necessary to implement the reuse plan.

As with any organization, the success and effectiveness of the TIDC will depend in large part on its chief executive. The panel encourages the city to begin recruiting for this individual immediately.

The preferred candidate should have solid experience in large-scale redevelopment projects and an established track record in working with private sector interests. The individual should be able to demonstrate the ability to seek out and secure appropriate private developers and operators. Because the panel's reuse plan comprises largely commercial recreation and entertainment uses, the individual heading TIDC should have an understanding of, and contacts within, that sector of the real estate industry.

This report details a variety of recommendations for both short- and long-term conversion of the Treasure Island Naval Station. With continued cooperation between the city and the Navy, continued citizen participation in the reuse planning effort, and formation of an appropriate organization to implement the reuse plan, the panel believes that Treasure Island will live up to its name and again become "a treasure" for all residents of the city and the Bay Area and visitors from around the world to enjoy.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The panel's findings, conclusions, and recommendations can be organized around three themes: 1) market potential and program evaluation; 2) planning and urban design; and 3) development strategy and implementation.

MARKET POTENTIAL AND PROGRAM EVALUATION

The civilian reuse of Treasure and Yerba Buena Islands offers exciting opportunities and daunting challenges for the city of San Francisco. Potentially, the islands represent a resource never to be duplicated: 523 acres of largely buildable land in one of the world's most-visited tourist destinations and the West's highest-density city. The opportunities appear boundless: land for new recreational and entertainment facilities to satisfy not only residents of the city and region but also visitors from the U.S. and around the world. Treasure Island is also a potential site to house residents of all income levels in a magnificent setting in one of the nation's tightest housing markets. Yet, the cost of making the site suitable for all these uses may leave little or no economic value for the land.

The success of the reuse effort relies on preserving land uses and introducing new ones that together represent the "highest and best" mix of opportunities.



Lt. Nannette Roberts (front left) leads panel members on a tour.

The concept of "best" incorporates both the market potential *and* the needs of the community. As such, validating the market opportunity for the various land uses proposed in the Draft Reuse Plan is the very core of the ULI panel's assignment. Identifying the means by which the ultimate real estate product will be most effectively marketed is also a key issue for the city and for the panel.

This section of the report addresses the issues associated with selecting the proposed product—or land use—mix for the islands. Implementation, including the marketing and disposition of land and existing structures, is addressed later in this report.

OBJECTIVES AND METHODOLOGY

In developing its strategic marketing plan, the panel established the following objectives: 1) to test the market feasibility and compatibility of the land uses set forth in the Draft Reuse Plan; 2) to measure those against the potential value they create in terms of community need, fiscal and economic impact, and contribution to the financial "bottom line"; and 3) to identify alternative uses, where necessary, that pass such a triple test of value better than those recommended in the Draft Reuse Plan.

MARKET EVALUATION OF THE SITE

Information gathering was completed through: 1) review of the extensive studies completed for the city's reuse planning effort; 2) meeting with the city's reuse planning team and touring the islands; 3) interviews with local experts and stakeholders in the ultimate reuse plan; and 4) follow-up phone calls with selected interview participants. The expertise and extensive experience of local participants in the reuse planning process has been key to the panel's understanding of the issues, its analyses, and its conclusions and recommendations.

The scope of the panel's assignment and the time allotted for the process precluded original research. As such, the accuracy of the results relies heavily on the quality of the data presented to the panel by the city's reuse planning team and those identified for interviewing by the same team.

For the purposes of this market analysis, it was assumed that seismic issues could be resolved by being rendered an engineering cost concern—not a marketing concern—for whatever development will occur. Similarly, this analysis assumes that if housing is ultimately pursued on Treasure Island, the property could somehow be released from restrictions imposed by the state's Tidelands Trust law.

Situated in the San Francisco Bay, approximately two miles from the city's waterfront, Treasure Island is a truly unique resource for real estate development. A magnificent setting in one of the world's most visited cities, Treasure Island is accessed via Yerba Buena Island, which is connected to the mainland by the Bay Bridge.

The high demand for, and limited supply of, buildable land—and a similar imbalance in the supply and demand of a variety of uses—ensures healthy absorptions of most real estate product types. There is a particular imbalance between supply and demand with regard to tourist-oriented attractions, recreational facilities serving the residents of the city and the region, and housing of all kinds.

Heavy traffic volumes on the Bay Bridge and poor design of on- and off-ramps constrain automobile access to Treasure Island. A pedestrian and vehicular causeway connects Treasure and Yerba Buena Islands.





PROPOSED LAND USE PROGRAM

A resource like Treasure Island is unique, never to be duplicated. It provides both an opportunity and an obligation for this generation to create an everlasting icon for the city and a cultural, entertainment, and recreational playground for residents of, and visitors to, the Bay Area. The island holds great potential as a destination for celebrating the area's heritage and for bringing together people of distant regions. The panel believes that defining the "highest and best" use for Treasure Island encompasses fiscal, economic, social, and spiritual considerations that cannot be measured simply by present value analysis of future cash flows. The panel also feels that this broadened definition of value is very much in line with the value system of the city's residents.

If Treasure Island is treated as just another piece of land, its highest and best use may be for the development of a new, predominantly residential neighborhood. High demand and low supply of housing in San Francisco and the region has resulted in home prices and rents that are among the highest in the nation. Such a neighborhood would include supporting retail, health care facilities, schools and other services, as well as places of worship and recreational and cultural amenities that cater to its residents.

The administration building was built originally as a terminal for the Pan Am Clipper Service. The panel endorses continued use of a portion of the building for the Treasure Island Historical Museum, and its eventual incorporation into the proposed entertainment and retail center.

The physical characteristics of the islands, including the extensive waterfront that surrounds them, allow for the introduction of a variety of product types, but are considered especially conducive to the development of hospitality and recreation uses. The flat terrain of Treasure Island will accommodate relatively high densities in all product types; the topography of Yerba Buena Island is more varied, as is its verdant vegetation.

While interim use of existing facilities will be subject to current regulations or agreements, development of new facilities will require substantial improvements to protect against seismic hazards. This market analysis of development potential assumes that such improvements could be made, and that both islands could be made as safe as other areas of the city.

The development of any product on Treasure Island will have the marketing benefit of extensive visibility not only from the Bay Bridge but also from the San Francisco and East Bay waterfronts. The island offers excellent views of the city as well as the cities and mountains of the East

Bay, which can be heightened by retaining open space (natural or developed, such as promenades, sports fields, and a golf course) and introducing carefully sited multistory structures.

Access is considered the most significant marketing challenge for the reuse of Treasure Island. The limited capacity of the bridge and the winding, narrow roads over Yerba Buena Island will necessitate using, wherever possible, waterborne transportation. In a region whose population is primarily reliant on the private car for transportation, such a constraint will significantly limit the type of land uses that will be feasible, and create a marketing challenge for any use introduced. Nevertheless, given the nature of the urban resident, the spectacular site, and the tightness of the housing market, residential development is suitable—despite the access difficulties. The panel believes that destination uses—such as a theme park, conference hotel, sports facilities, and so forth—can also be accommodated by waterborne transportation.

Flow of...
land cover...

Alan Billingsly and Lynn Sedway (left) provide market information to panel members during the interview process.



Though serving all segments of the population, from the currently homeless to the very affluent, such a residential neighborhood would render the island the domain solely of those living there—while requiring significant public expenditures for infrastructure and seismic safety improvements. Such a development scheme would not satisfy the needs of *all* area residents, nor would it maximize the opportunity for the creation of an enduring public space.

For these reasons, the panel does not recommend the development of a residential neighborhood. The land use mix recommended by the panel limits housing alternatives and emphasizes cultural, entertainment, recreation, and public-oriented uses. The panel's recommendations for reuse over the long term are as follows (interim uses are discussed at the end of this section):

CULTURAL FACILITIES

Museum. As envisioned by the panel, the museum would be an expanded version of the existing facility and would retain its current focus. Related research and administrative offices would be located on the upper floors of the administration building. Public attendance at such a facility is expected to increase significantly as other tourist attractions are introduced to the island. Visitors to the museum would arrive mostly by ferry. A nominal entry fee would support the upkeep and operations of the museum. This use would have minimal financial impact on the redevelopment of Treasure Island.

Outdoor Amphitheater. This facility would comprise an open shell surrounded by grass for seating; attendees would arrive almost exclusively by ferry. Concerts and plays would include performances designated as fundraisers for non-profit organizations and other events. This proposed use would generate mostly cultural value and only limited financial benefit.

ENTERTAINMENT

Theme Park. This attraction is envisioned as a place for celebrating the heritage of the region, the diversity of its people, and its unique natural resources. Education through entertainment should be the objective of the eventual theme park operator. The facility would be accessed by ferry, waterborne transportation being part of the overall experience. The panel estimates attendance at 2 million visitors per year; the facility is estimated to charge \$25 for entrance and an additional \$11 is expected to be spent by each visitor on food and small merchandise at the park.

Entertainment/Retail Center. As a support facility for the theme park, this proposed use could include restaurants and sports bars; high-technology and virtual reality experiences; and tourist-oriented retail facilities. Given appropriate consideration by the city, and operating in compliance with local and state regulations, a casino may also be an appropriate use—especially if located in the existing administration building. Street vendors offering a wide variety of memorabilia would complement the retail facilities in permanent structures lining the pedestrian ways to the ferry. Most of the audience for this use would arrive by waterborne transportation. The panel projects that land could be leased for \$15 per square foot of covered space.

PUBLIC-SERVING
REGIONAL RECREATIONAL
IMPROVEMENTS

Golf Course. The panel's reuse plan provides for an 18-hole, daily fee, public golf course situated on a truly spectacular site. The course would be sited on land that would otherwise be very expensive to develop due to seismic remediation requirements. Along with related club facilities, the course would cater primarily to the city's residents who find it difficult to get tee times on existing courses and to tourists staying at island hotels and downtown establishments. Local golfers are likely to arrive by car, while hotel visitors would be picked up in golf carts or would walk to the course. An estimated 74,000 rounds would be played per year at such a facility. Tee times and green fees should be structured so that locals get preferential treatment; the panel recommends that locals pay approximately \$40 per round while tourists pay upward of \$100. The golf course would enhance the market viability of the proposed conference and tourist hotels recommended by the panel in the reuse plan.

Sports Fields. Soccer/rugby/lacrosse fields, baseball diamonds, and volleyball and basketball courts would offer an arena for league play—and practice games are included within the panel's proposal for a "great lawn." Soccer in particular is an increasingly popular sport, and the city is significantly undersupplied with fields. The residents of San Francisco would be the primary users of the facilities. Either commercially operated or managed by the city's recreation department, the facilities are unlikely to create a cash flow of any significance beyond covering maintenance.



Marina. One of the visually most attractive uses planned for expansion on Treasure Island is a 400-slip marina in Clipper Cove. This facility would offer a unique opportunity for the area's boating public; related picnic areas, food establishments, and retail shops would promote both overnight and short-stop use of the marina. The panel estimates leasing rates of \$7 per linear foot; the facility is expected to maintain 85 percent occupancy.

Promenade. A walking path along the water's edge would be made especially attractive by the views along the entire route, which changes from vistas of San Francisco to those of the Berkeley Hills. A row of palms planted for the 1939 expo would enhance the experience. This amenity would have no direct financial impact on the redevelopment.

Open Space/Wetlands. Yerba Buena Island would be retained largely as is to allow for the undisturbed enjoyment of nature; the reuse proposal for Yerba Buena Island would have minimal financial impact on the redevelopment program.

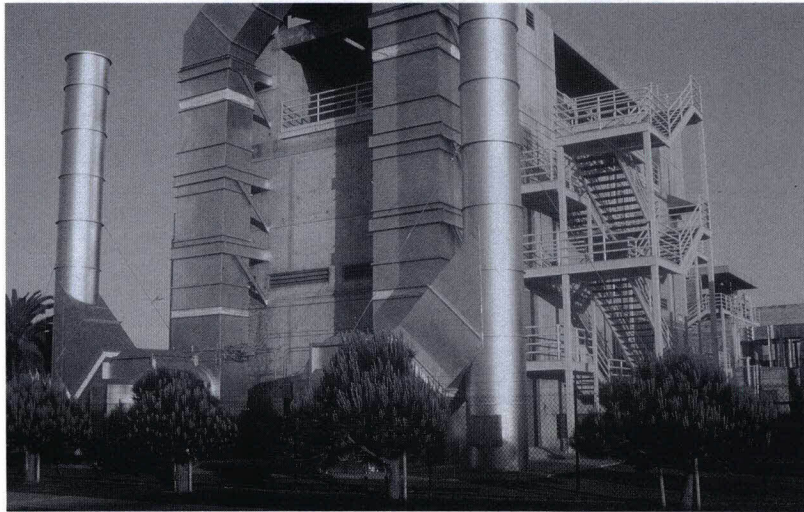
HOTEL AND RESORT-
ORIENTED USES

- **Tourist Hotel.** This facility capitalizes on the proximity of the theme park, a new ferry dock, the entertainment center, and the excellent views of the city. Other island amenities—such as the golf course, marina, and open spaces—would further enhance the experience of hotel customers, who are expected to arrive by ferry as well as by car. The panel estimates occupancy rates at just below 70 percent and an average daily rack rate of \$165 per night.

Conference Center and Hotel. This proposed use is expected to attract average stays of three days and medium-sized conferences. Visitors—arriving mostly by ferry—would be especially heavy users of the golf course, restaurants, and retail services. Occupancy rates above 70 percent and rack rates of \$145 are expected.

The panel recommends that two existing restaurants on Treasure Island be leased to private operators for an interim period following conveyance.

The San Francisco Fire Department will continue operation of the new, state-of-the-art Treasure Island Fire Fighting School for a period of at least 30 years.



Bed-and-Breakfast Facility. This small hospitality facility would be located on Yerba Buena Island and would attract primarily weekend visitors arriving by private boat, ferry, and car. They are expected to frequent the marina, food establishments, golf course, and retail outlets located on the island. A nightly rate of approximately \$150 is expected.

Wedding Chapel. This already popular use (currently limited to military personnel and relations) would be open to all interested couples. The frequency of use is expected to increase substantially. Wedding parties could be ferried to the island. This use would benefit occupancies at the hotels and other proposed new uses. No direct significant financial impact is expected from this activity, although secondary financial benefits could be substantial.

HOUSING

Nimitz Mansion. This beautiful home is endorsed by the panel for reuse as the mayor's ceremonial residence. Since Yerba Buena Island is recommended to remain largely open space, the site makes the home an especially appropriate place to represent the city.

Service Housing. In the long term, housing would be limited to the management-level employees of the island facilities and would be located exclusively on Yerba Buena Island. Residents are likely to own cars, which would be parked adjacent to their homes. With their residences in close proximity to their place of employment, the cars' daily use would be limited. Each house is estimated to produce an average monthly rent of \$1,600, and 100 percent occupancy is projected.

PUBLIC SERVICES

Technical School. An evolution of the current Job Corps Training Center, this facility would train young people to be employable in the various island businesses: hotels, restaurants, retail, golf course, and so forth. A number of the students are expected to live on site; those commuting would use ferry transportation. As a federal program and facility, its financial impact to the redevelopment would be negligible.

Fire and Police Station/Emergency Medical Facility/Sewage Treatment Plant. These support uses would serve the visitors to Treasure Island and the small resident population. City services would be responsible for these facilities, and their operation would be paid from property taxes.

Firefighter Training Center. A state-of-the-art training facility would remain on the island for a planned 30-year period and could, if so organized, become a non-gated attraction visited by tourists and schoolchildren from around the region. Its operational budget would be part of the neighboring areas' fire departments.

INTERIM LAND USES

During the next three to five years, the reuse plans for Treasure Island Naval Station will be finalized, appropriate entitlements gained, and land sales/leases negotiated. During this time, many existing facilities that have no place in the long-term development plan will continue to operate. The following interim uses represent a potentially significant source of income for the city of San Francisco:

FILM STUDIOS

The existing hangars on Treasure Island (Buildings 2, 3, and 180) are currently used to film features and television programs. Due to their clear-height and other physical characteristics, they are considered among the most desirable film studio space outside of Hollywood and London. The shortcomings of these buildings include poor sound insulation and the need for seismic reinforcement. It is assumed that during the next three to five years these hangars can be leased at \$30,000 per month for Buildings 2 and 3, and \$10,000 per month for Building 180. Given the strong demand for studio space to accommodate the proliferation of television programming, Treasure Island's facilities are projected to be fully leased.

MILITARY HOUSING

Over the long term, the panel recommends that all housing on Treasure Island be demolished in order to accommodate the long-term reuse plan; however, the existing housing could be a significant source of rental income during the redevelopment period.

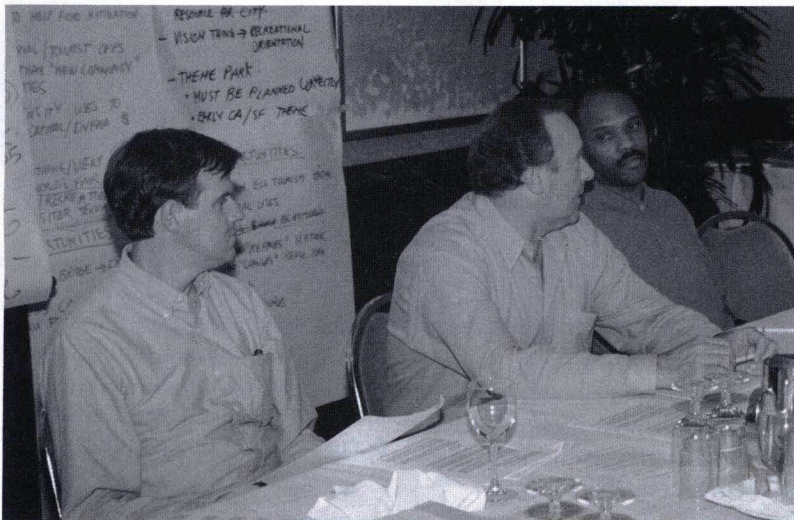
Given the city's tight housing market, these townhomes are expected to rent quickly, with about 10 units absorbed every week. Monthly rents are estimated to average \$1,200 per unit.

INSTITUTIONAL USES

The elementary school on Treasure Island is slated for closure when a new facility is constructed in the Tenderloin District of San Francisco. By then, most of the existing housing will probably have been demolished, and no resident children will be generating demand for school facilities.

RESTAURANTS

Currently, two restaurants operate on Treasure Island and are expected to continue operations during the transition period. These facilities would be leased to private operators or, potentially, to the Treasure Island Homeless Development Initiative.



Panel members Robert Green, Thor Degelmann, and Bradley Jefferies (left to right) discuss development opportunities and constraints in the reuse of Treasure Island.

Panel members (right to left) Richard Galehouse, Michael Paneri, William Eager, and Robert Green interview Bonnie Fisher of ROMA Design Group, who headed the consultant team responsible for preparation of the Draft Reuse Plan.

PLANNING AND URBAN DESIGN

In its review of the Draft Reuse Plan, the panel has focused on the following:

Financial Feasibility of the Plan.

Implementation of the Draft Reuse Plan is expected to result in a capital shortfall to the city of San Francisco; this is particularly troubling in light of the city's many other priorities for use of its limited capital resources. Key to ULI's recommended modifications to the Draft Reuse Plan is a significant reduction in capital expenditures and increased revenue generation.

Public Purpose. The islands are currently in public ownership (federal) and will require substantial public investment to secure and restore the property for any reuse. The panel believes that public use should constitute a major programmatic element of the ultimate reuse plan.

Physical and Environmental Characteristics. Geotechnical engineers have identified significant geotechnical problems on Treasure Island that must be addressed by the plan and the capital improvements program before any reuse activity can occur.

Compatibility of Proposed Uses. The panel believes that some land uses proposed in the Draft Reuse Plan are incompatible. For example, film production may prove to be incompatible with the proposed theme park given the noise and security requirements of film production companies.



Access. Vehicular access to the islands is severely constrained. The land uses set forth in the reuse plan must feasibly be supported primarily by waterborne transportation.

The program of reuse for Treasure Island Naval Station will derive from a consideration of community goals, the physical characteristics of the islands, and market-supportable land uses. The islands possess incomparable physical assets due to their location. Specific physical assets that should be reflected in the reuse plan include: a highly visible location in the center of San Francisco Bay; extraordinary views of and from the islands; the starkly contrasting physical forms of the mount of Yerba Buena Island with the low, flat terrain of Treasure Island; and the beautiful characteristics of Clipper Cove. Key built assets found on the islands include the administration building (Building 1), the Nimitz Mansion and adjacent historic homes, the original hangers (Buildings 1 and 2), the torpedo assembly building located beneath the Bay Bridge, and the chapel.

SEISMIC AND GEOTECHNICAL CONSIDERATIONS

Despite their physical assets, however, the islands also exhibit reuse and development constraints—most notably those associated with seismic and structural considerations.

SEISMIC HAZARDS

The San Francisco Bay Area is a seismically active region dominated by faults associated with the plate boundary between the Pacific and the North American plates. The major faults in the Bay Area include the San Andreas, which extends from Cape Mendocino in the north to Mexico in the south.

The San Andreas fault was the source of the 1906 San Francisco earthquake, which registered 8.3 on the Richter scale. This earthquake caused extensive damage in the region, with very severe damage in fill areas over soft clays. The 1989 Loma Prieta earthquake (magnitude 7.1) occurred on the San Andreas fault about 50 miles south of Treasure Island, but still caused liquefaction and other damage on the island.

The Hayward fault, which extends along the western side of the East Bay hills from San Pablo Bay in the north to Fremont in the south, was the source of major earthquakes (magnitudes 6.8 to 7.0) in 1836 and 1868. Other potentially significant seismic sources include the San Gregorio fault, which is west of the San Andreas, and the Rodgers Creek fault, which is a northward extension of the Hayward fault. Geologic evidence indicates that large earthquakes repeatedly occur on all of these faults.

The United States Geological Survey estimates a 67 percent likelihood of one or more earthquakes of magnitude 7.0 or greater occurring in the next 30 years. The Hayward and San Andreas faults are judged the most likely sources of such earthquakes. If the epicenter of an earthquake along one of these faults was located close to Treasure Island, the island would experience much stronger shaking (two to three times) much longer than it experienced with the Loma Prieta earthquake.

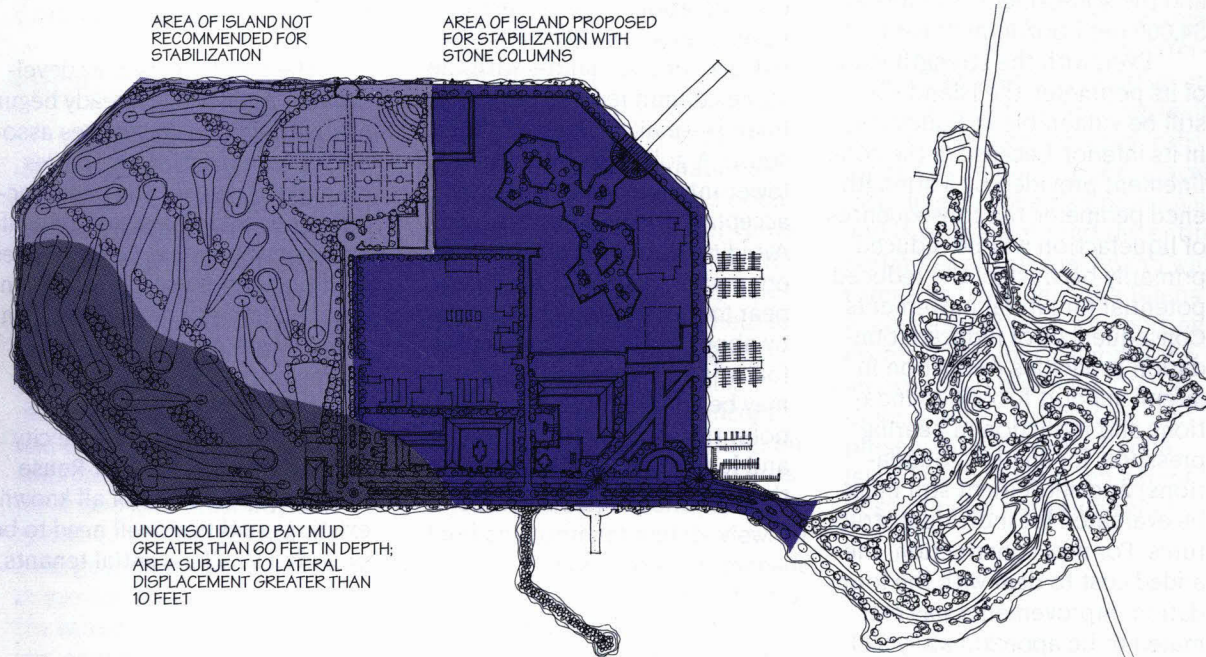
GEOTECHNICAL HAZARDS

Yerba Buena Island is a natural island consisting of steep hillside slopes with some manmade fill along the eastern shore. Treasure Island and the causeway between the islands were constructed by placing loose- to medium-density sand fill over sandy shoal materials within a perimeter rock dike built incrementally over previously placed sand fill. The sand is underlaid by ten to 120 feet of soft to medium stiff silty clay known as Bay Mud. Both the sand

and Bay Mud present serious geotechnical challenges. The sand below the groundwater level (zero to six feet) is vulnerable to liquefaction; the Bay Mud has a potential for slope failure along the perimeter dike and is subject to consolidation settlement.

Liquefaction is the sudden loss of strength in saturated sandy soils that results from vibratory shaking. Vulnerability to liquefaction exists over the entirety of Treasure Island; however, its consequences are greatest near the perimeter dike, where lateral movements will occur toward the unsupported face. The lateral movements are expected to be up to ten feet near the dike, and decrease to less than one foot at about 1,000 feet from the dike. Liquefaction will also result in settlements estimated to be one to two feet, with the larger settlements near the perimeter of the island.

The Bay Mud is thickest at the northwestern corner of the island, where it has not fully consolidated and is subject to deep-seated slope failures. Consolidation is a long-term settlement generated by adding loads on the clay. Because of the depth of Bay Mud at the northwestern corner of the island (60 to 120 feet), the consolidation from the original construction is continual. The unconsolidated Bay Mud is weaker than fully consolidated soils, which decreases the stability of the slopes during additional loads such as seismic forces. Based on analyses done by consultants for the Navy, stability against deep-seated failures through the Bay Mud does not meet current seismic safety standards.



GEOTECHNICAL CONSIDERATIONS

HAZARD MITIGATION

The geotechnical consultants for the Draft Reuse Plan have recommended the use of "stone columns" for strengthening the sands beneath the entire perimeter of Treasure Island along the dike. Stone columns are gravel-filled columns that displace the surrounding soil, thereby increasing its density. In addition, strengthening of the Bay Mud below the sand using "soil-cement columns" was recommended at the northwest and southeast corners of the island. Soil-cement columns are similar to the stone columns, except that they are constructed by mixing cement grout with the soil.

The southeast corner of the island adjacent to Pier 1 is considered essential in future development plans as a ferry docking location; the pier was reportedly built to current seismic standards. The northwest corner of the island contains housing and is considered the most vulnerable to liquefaction. Costs for the stone columns have been estimated at \$1,100 per horizontal linear foot, and the soil-cement columns at \$4,000 per horizontal linear foot.

Even with the strengthening of its perimeter, the island will still be vulnerable to liquefaction in its interior. Because of the confinement provided by a strengthened perimeter, the consequences of liquefaction will be reduced primarily because of the reduced potential for lateral movements. Consequences of reduced foundation capacities (reduction in lateral support for pile foundations and reduction in bearing pressures for shallow foundations) and settlement still must be evaluated for individual structures. For new construction, the added cost to deal with the foundation improvements was estimated to be approximately \$20 per square foot of building footprint.

IMPLICATIONS FOR FUTURE DEVELOPMENT

The costs associated with the perimeter stabilization of the island and the added costs for construction of individual facilities to deal with the foundation improvements have a significant impact on the types of development considered reasonable. This is especially true in the northwest corner of the island (at locations where the Bay Mud is more than 60 feet thick), where the cost of stabilization is \$4,000 per linear foot higher than for most of the rest of the island. To illustrate this significant difference, the cost for the first four phases of shoreline stabilization in the draft plan was \$38.4 million while the cost identified for the Phase 5 shoreline stabilization alone (northwest corner) in the draft plan was \$33.9 million.

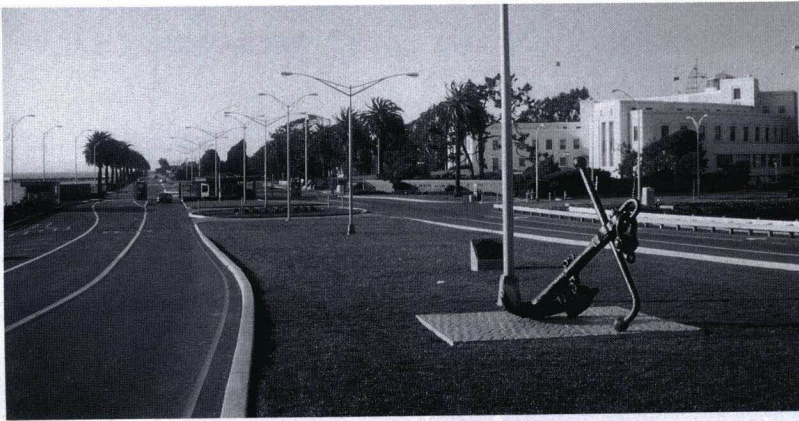
The proposed uses at the northwest corner of the island must be sensitive to economic considerations. The panel believes that a low-intensity, low-risk use for such land—with the stone column remediation moved inland—makes more economic sense. A golf course or similar lower-intensity use may be an acceptable option for this land. Avoiding stabilization of the northern end of the island would appear to reduce stabilization costs by about one-half. Repair costs following a major earthquake still may be considerable; however, the potential for structural damage and loss of life would be substantially reduced.

Construction of new facilities and buildings on Treasure Island will require more extensive geotechnical investigations and foundation improvements than for most comparable facilities at other Bay Area locations. Selection of the soil improvement method will depend on adjacent development (existing and new structures) and should be coordinated for maximum efficiency. Some construction activities will most likely be incompatible with some interim uses, such as film production.

Raising grades or adding large surficial loads on the island will induce consolidation settlements. To minimize future settlements, surcharge pre-loading and wick drains can be used to accelerate the settlements. However, even with wick drains, surcharge loads will probably be needed for at least one year. If significant volumes of construction materials are needed, barge delivery may be required, which may increase costs.

EVALUATION AND RETROFIT OF EXISTING STRUCTURES

The San Francisco Redevelopment Agency has already begun evaluating life safety issues associated with existing structures planned for reuse. The panel recommends that *all structures* be evaluated prior to reuse. For structures with planned reuse, the San Francisco Building Code requires compliance with current seismic requirements. Temporary use of substandard existing facilities should be addressed by the city as described in the Draft Reuse Plan. Full disclosure of all known existing conditions will need to be provided to all potential tenants.



DESIGN OF NEW STRUCTURES

New structures need to be designed to accommodate the unique geotechnical conditions at the site. Utility connections will need to accommodate differential movements of foundation soils and the buildings. The extra cost for foundation improvements has been estimated at about \$20 per square foot of building footprint. Construction of basements below groundwater level would add significant costs. Construction of emergency facilities will need to meet the higher standards required for such structures.

EMERGENCY RESPONSE

Before existing facilities are used, an emergency response plan must be developed and implemented. The plan will need to consider rescue, fire, medical, emergency shelter, evacuation, and other elements of such plans, and must be coordinated with appropriate agencies, including fire, medical, police, school, utilities, and emergency services. Before stabilization of the perimeter of the island and causeway and retrofit of the Bay Bridge, the emergency response plan needs to provide for evacuation from the island and temporary housing. As land uses on Treasure Island change, the emergency response plan must be updated.

URBAN DESIGN CONCEPT

The urban design concept envisioned by the panel is to restore the "Jewel in the Bay" as a beautiful and exciting destination for residents and visitors. As viewed from the cities and approaching boats, the design concept would preserve the mantle of green on Yerba Buena Island and provide a new frame of green landscape on the northern half and the entire perimeter of Treasure Island. On the southern half of Treasure Island, a new architectural composition of hotels, the historic terminal building, and a theme attraction is envisioned to rise above the landscaped foreground. A vertical icon reminiscent of the Tower of the Sun of the Golden Gate International Exposition would provide orientation, the opportunity for views outward, and an identifying element from around the bay. Special night lighting would help restore the magic that the great exposition held for visitors.

The urban design concept creates a beautiful pedestrian environment in that allows visitors to continuously experience the island environment and its views of the bay. The perimeter promenade could change from a more formal urban promenade in front of the hotels to a lively entertainment-oriented walkway along Clipper

Cove to a more natural experience on the northern half of the island. An internal pedestrian promenade oriented with views to the city of San Francisco is proposed to link the great lawn on the east side of the island to the activities on the west. Distinctive landscape features would include a windbreak of hedgerows within the golf course, as well as a great lawn for informal play, organized sports, and a place for celebration. The existing palm trees that surround the island would be preserved and extended to provide natural beauty, shade, and orientation.

PROPOSED LAND USE PLAN

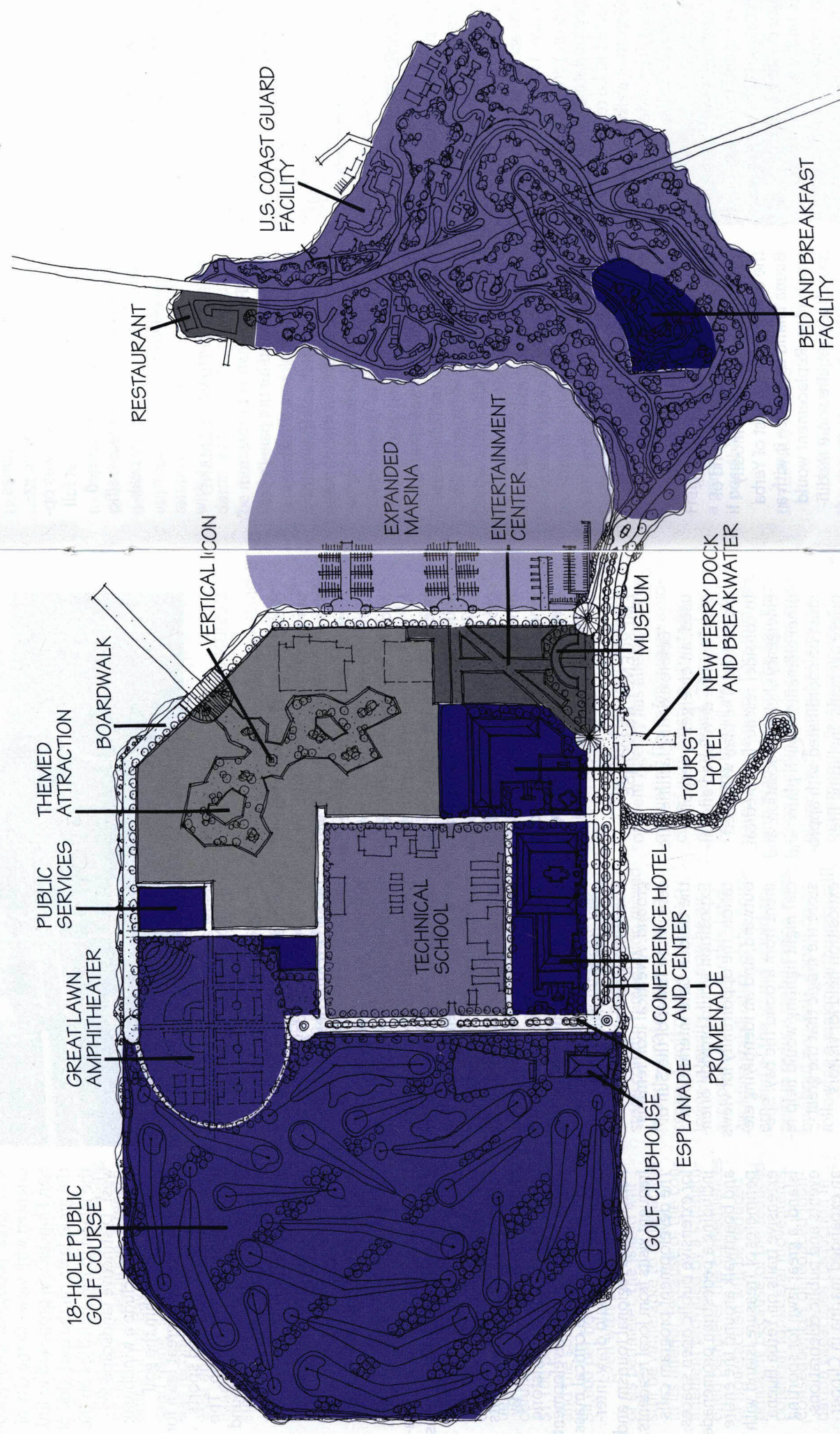
The panel recommends that the development concept for Treasure and Yerba Buena Islands focus on the creation of a destination recreation, entertainment, and cultural center serving residents and visitors to the Bay Area. By building on the island's historic legacy, the proposed development focus is to provide a critical mass of activity that could draw international and regional tourism and frequent visits from local residents. The development program calls for extensive public open spaces, including a pedestrian promenade and boardwalk around the entire perimeter of Treasure Island with extensive trails on Yerba Buena Island; a great lawn for sporting events and public celebrations; an expanded marina in Clipper Cove; a public golf course; and preservation of Yerba Buena Island to the maximum extent possible as a natural habitat.

As part of the long-term reuse plan, the panel recommends that automobile access to Treasure Island be controlled at this point on the causeway.

Entertainment facilities are proposed to include a theme attraction with a historic or cultural orientation that would educate and entertain the visitor; an entertainment center with food and retail services; a conference hotel; and a tourist hotel. Cultural facilities would include an expanded museum that focuses on the history of the region, including the Golden Gate International Exposition and the role of the Navy in the Bay Area.

The panel's proposed land use concept (see drawing) shows the preservation and restoration of Yerba Buena Island as largely a natural habitat. The Nimitz Mansion and adjacent houses are proposed for historic preservation. The panel endorses reuse of the historic torpedo building located beneath the Bay Bridge as a restaurant and supports the development of a small bed-and-breakfast facility on the eastern side of the island, where views of San Francisco are most dramatic.

On Treasure Island, the panel recommends that intensive new building development be limited to the southern half of the island, focusing around Clipper Cove. The northern half of the island is proposed as extensive open space, including pedestrian trails along the waterfront, a great lawn for field sports and celebrations, and the public golf course.



PROPOSED LAND USE CONCEPT

an area...
 an area...
 an area...

The panel's proposed land use plan responds to seismic and access constraints and the significant capital costs associated with mitigating seismic hazards. Under the panel's reuse concept, the costs for perimeter geotechnical stabilization can be reduced by 50 percent or more. Concentrating new development on the southern half of the island also has the effect of reducing other infrastructure costs. The development concept responds, to the maximum extent possible, to public-oriented uses; the concept is also consistent with the use of ferries as the primary means of transportation to and from mainland locations. The panel's reuse recommendations are similar to Alternatives 1 and 2 from the *Treasure Island Reuse Plan Alternatives Report* (December 1995), which were explored early in the planning process by the CRC.

As seen in the proposed land use drawing and in Figure 4, the panel's land use concept for Treasure Island can be broken into six primary use districts: 1) a 60-acre district for a themed attraction on the southeastern side of the island adjacent to Clipper Cove and Pier 1; 2) a seven-acre entertainment district adjacent to the themed attraction and Clipper Cove; 3) a 30-acre tourist and conference hotel district on the west face of the island with excellent views to San Francisco and proximity to the theme park, entertainment district, and proposed new ferry dock; 4) a great lawn of 30 to 40 acres that would accommodate an outdoor amphitheater and a variety of sports fields; 5) a public golf course of 150 acres, and 6) a 35-acre technical school that is seen as an evolution of the existing Job Corps Training Center. Other supporting activities include public safety and wastewater treatment facilities, which are located to support the island's principal activities.

Figure 1
PROPOSED LAND USES FOR
TREASURE ISLAND BY ACRES

PROPOSED USE	ACRES
Theme Park	60
Hotels/Conference Center	30
Entertainment Center	7
Technical School	35
Golf Course	150
Regional Sports Facility	28
Amphitheater	3
Promenade	36
Marina Frontage	3
Museum	1
Public Support Facilities	10
Roads and Trails	40
Total Acres	403

ACCESS AND CIRCULATION

The proposed reuse program is designed to be supported primarily by waterborne transportation in response to the limited vehicular access potential from the Bay Bridge. The existing system of roads on Yerba Buena Island, with appropriate improvements, is expected to be retained. Extensive pedestrian walkways and trail systems will provide pedestrian access between all activities of the islands.

Currently, access to the islands is limited to the Bay Bridge and occasional charter vessels. Because of the volume of traffic on the bridge and the design of the six connecting ramps, access capacity to and from the islands is limited (particularly for westbound traffic during the morning peak hour and eastbound traffic during the afternoon peak hour). This does not mean that there can be no vehicular traffic to and from the islands; rather, it means that the capacity for additional traffic is limited. The panel believes

that the reuse plan should be permitted to generate volumes up to the volumes that were experienced when the Navy was operating on Treasure Island at full capacity. The panel's proposed reuse plan would generate traffic volumes below the Navy's peak traffic generation.

PROJECTED TRAVEL DEMAND

Figure 2 shows projected travel demand for the panel's proposed reuse plan. It illustrates that, at buildout and during the afternoon peak hour, the panel's proposal would generate only about two-thirds of the person-trips that implementation of the Draft Reuse Plan was estimated to generate. The traffic increase on the bridge ramps during the afternoon peak hour traffic would be only about one-quarter of the increase projected to result from implementation of the Draft Reuse Plan.

BRIDGE ACCESS

Design plans are currently underway for a \$1 billion seismic retrofit of the Bay Bridge. A decision is expected at the end of 1996 as to whether to modify the existing bridge east of Yerba Buena Island or replace it with a new bridge. Replacement would most likely require some modification to the on- and off-ramps located to the east of the Yerba Buena Island tunnel. Even if not replaced as part of the retrofit project, Caltrans should be encouraged by the city and Navy

Figure 2

AFTERNOON PEAK HOUR PERSON-TRIPS AT BUILDOUT

	CAR	BUS	FERRY	OTHER	TOTAL
Panel Proposal	1,011	661	3,556	378	5,606
Draft Reuse Plan	1,628	1,146	5,414	443	8,631

to improve these ramps in order to eliminate some of their worst design features. It would not be appropriate to improve these ramps in order to comply fully with current Caltrans design standards, as too much land would be required on Yerba Buena Island to accommodate the new ramps. However, it appears that, with a modest additional investment, the geometrics of the bridge ramps could be improved substantially. Serving as the abutment for the two major portions of the Bay Bridge would seem to give Yerba Buena and Treasure Islands some continuing rights to access and, perhaps, an expectation for improved access.

Caltrans is currently negotiating with the Navy to procure, in fee simple, a 100-meter-wide strip of property centered on the Bay Bridge, east of the Yerba Buena Island tunnel. Because of the potential importance to the reuse of Treasure Island, the city of San Francisco should insist on being a party to these negotiations and, if possible, retain ownership.

INTERNAL ROADS

Internal roads should follow the design standards outlined in the Draft Reuse Plan. As planned, these roads should provide for pedestrians and bicyclists and be of geometric standards that would encourage only modest speeds.

TRAILS

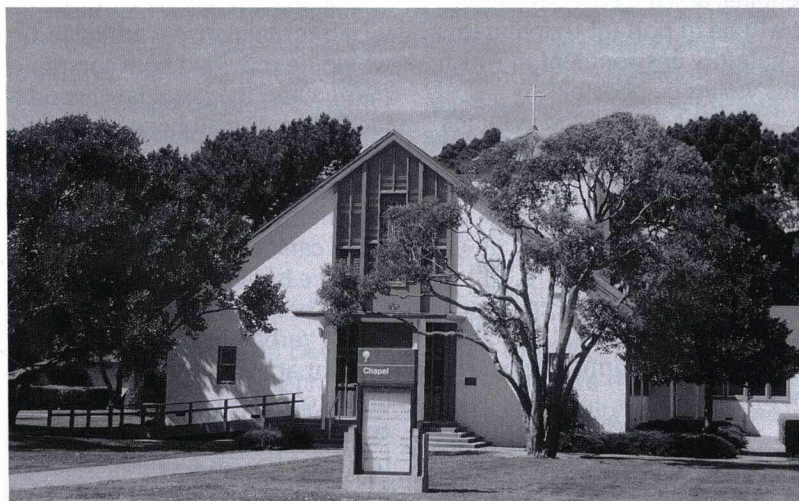
The panel proposes a 100-foot-wide promenade serving pedestrians and bicyclists around the entire periphery of Treasure Island. In addition, sidewalks should be provided along all internal roads. In corridors without separate bicycle lanes, the roadway lane widths should be sufficient to allow for bicyclists.

On Yerba Buena Island, a trail should be added around Clipper Cove to connect the marina with the old torpedo building. Additionally, a trail should be added to connect the marina with the site of the proposed bed-and-breakfast use on Yerba Buena Island. If Caltrans decides to re-

place the eastern portion of the Bay Bridge, it is reasonable to expect that provisions for bicyclists and pedestrians could be accommodated. If that occurs, it would be critical to make good connections between the Yerba Buena trail system and the pedestrian and bicycle facilities on the bridge.

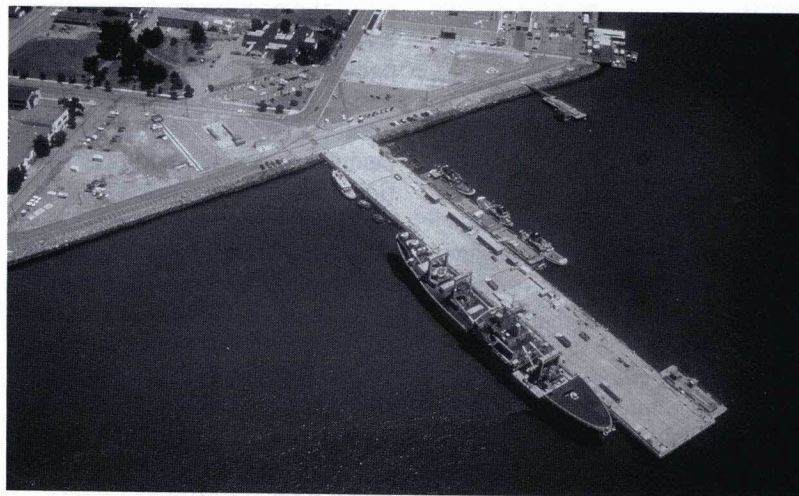
FERRY SERVICES

Ferry services proposed in the Draft Reuse Plan are largely consistent with the panel's reuse proposal. Service would be provided from Pier 1 to the downtown ferry terminal, to East Bay locations, and, potentially, to Candlestick Point. At full development, a new dock, terminal facility, and breakwater would be provided on the west side of the island, providing closer and quicker service to the downtown ferry terminal.



The existing chapel should remain as a long-term use and be rented to Bay Area residents for wedding ceremonies.

Pier 1 was built to current seismic standards and should be converted for use as a ferry dock. A new ferry dock is also recommended for the west side of the island to provide a closer link to San Francisco.



To support the recreational orientation of Treasure Island, it is vital that ferry connections become a positive part of the overall experience. The vessels should be attractive and comfortable. It may be that a theme park operator would prefer to provide its own vessels from the downtown ferry terminal and the East Bay to Pier 1. It will be important to maintain a regulatory environment in which this would be possible.

Because projected volumes generated by the panel's reuse plan are lower than those generated by the Draft Reuse Plan, the required ferry fleet will be smaller than previously thought. Still, headways (time between departures) should be maintained at 15 to 30 minutes during the busiest hours of the day.

The panel concurs with the recommendation contained in the Draft Reuse Plan that parking be provided at the East Bay and Candlestick Point ferry terminals, and agrees that it is not feasible to provide weekday parking at the downtown ferry terminal. However, at off-peak times such as weekends, a considerable amount of office parking can be available near the downtown ferry terminal.

TRANSIT

Even with expanded ferry service, regional bus service to Treasure Island should continue. These buses would need to penetrate the island only as far as the new ferry terminal and dock proposed for the west side of Treasure Island.

Regular scheduled transit service internal to Treasure Island would be provided between the marina and the great lawn sports facilities by small buses, perhaps in the 20-passenger range. These buses might be designed to a special theme, such as to resemble cable cars. On-call van service to Treasure Island should be provided by the bed-and-breakfast operator on Yerba Buena Island. If significant activities are developed at the old torpedo building, it could be served by a small water taxi from the promenade docked near the theme park entrance. This would require constructing a small dock near the torpedo building.

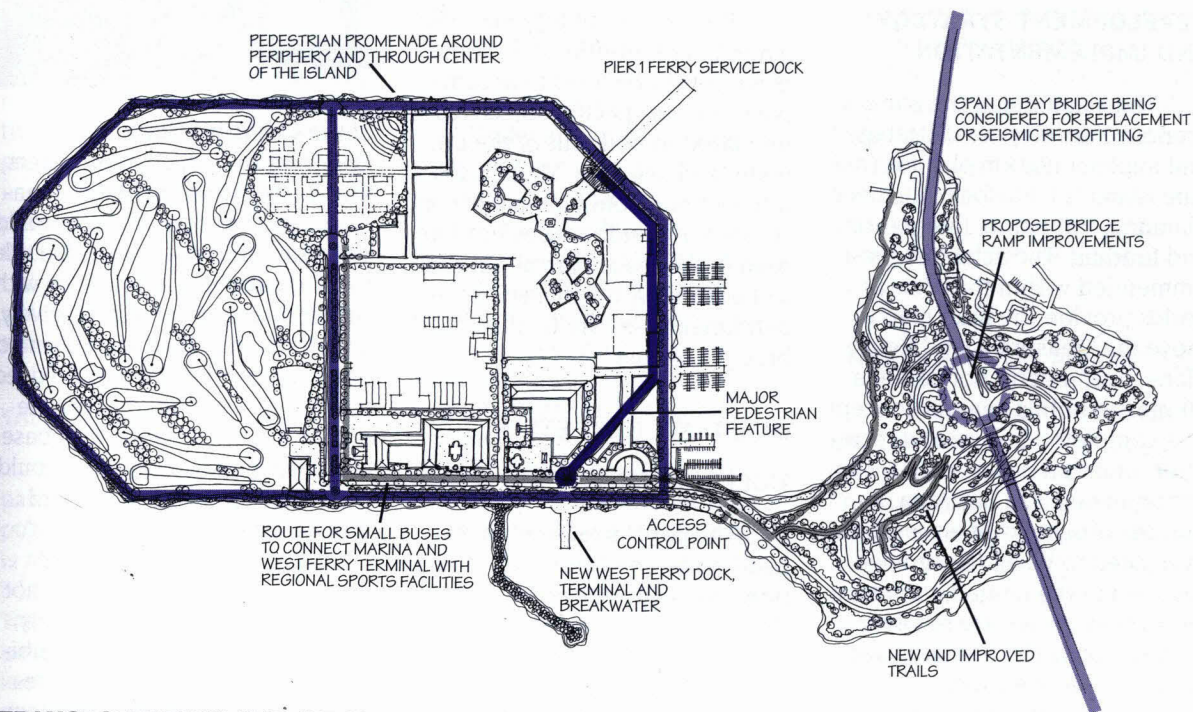
SITE PARKING

To discourage vehicular traffic and encourage ferry and transit use, the panel recommends that parking on the islands be limited. Recommendations for parking for the major proposed uses are as follows:

- *Themed Attraction.* Parking should be provided only for key management, not for visitors or employees.
- *Hotels.* About 400 parking spaces will be needed to support the proposed hotels and conference center; employee parking should be provided only for a few key management positions and not the entire staff.
- *Golf Course.* About 80 spaces will be needed to serve the public golf course.
- *Marina.* About 100 spaces will be needed.
- *Housing.* Housing on Yerba Buena Island should continue to have parking adjacent to the dwelling units; the potential bed-and-breakfast facility should have adjacent parking; no other public parking should be provided on Yerba Buena Island.
- *Other Activities.* Parking for other activities should be limited to that required for service and emergency vehicles, and a few key management positions.

GOODS MOVEMENT

Deliveries to and from Treasure and Yerba Buena Islands will continue to be made by truck. Because of the narrow roads on Yerba Buena Island and the poor design of the Bay Bridge ramps, the plan for moving goods on and off the islands should provide for the hauling of solid wastes by barge rather than by conventional solid waste trucks.



TRANSPORTATION AND CIRCULATION FEATURES

ACCESS CONTROLS

Despite limitations on parking, many guests, employees, and visitors to Treasure Island may attempt to drive to the island, thereby creating problems with congestion, hazardous conditions at Bay Bridge ramps, and illegal parking. Therefore, the panel recommends access controls to the island. Entry through a gate located on the causeway should require either a cash payment or, for employees, an entry card. An entry gate nearer the Bay Bridge would be preferable; however, the pattern of roads on Yerba Buena Island make this location impractical. The entry price should be determined by the need to limit traffic.

Hotel guests should be required to pay an entry fee, which the hotels may or may not choose to refund. Parking-eligible employees should be provided with a card that would allow them to pass through a separate lane at the entry.

IMPLEMENTATION CONSIDERATIONS

The Treasure Island Development Corporation (described later in this report) could act as the authority that controls parking, provides the shuttle services, and implements entry controls. However, given the nature of the proposed uses, the panel believes it may be more appropriate to create a Treasure Island Transportation Management Association to work with both public and private

tenants. This nonprofit association would take the lead in developing, overseeing, and implementing the transportation management programs for Treasure and Yerba Buena Islands.

Early in the implementation of the reuse plan, the San Francisco Redevelopment Agency should apply for a Certificate of Convenience from the State Public Utilities Commission with regard to service on ferry routes. This would give the agency increased flexibility in requesting competitive bids from private operators to provide these services. As mentioned previously, a regulatory environment that would permit the theme park operators/owners to provide their own vessel service should be encouraged.

Panel members Michael Paneri (left) and Richard Galehouse served as the panel's planning and urban design team.

DEVELOPMENT STRATEGY AND IMPLEMENTATION

The elements of the panel's proposed development strategy and implementation plan for Treasure Island fall into four categories: planning, transition, integration, and funding. The activities recommended within these categories provide the road map to move the Treasure Island Reuse Plan—over a period of perhaps 50 years—from a general concept to a completed leisure and recreation-oriented destination within the San Francisco Bay Area. A number of significant issues, however, need to be addressed and resolved in the immediate future. How these issues are resolved greatly affects the potential success of the reuse effort.

It is vital that the city and the Navy work together to devise a mutually agreeable framework for resolving Tidelands Trust, valuation, and environmental permitting issues as soon as possible. The longer these issues remain outstanding, the greater the risk that a consensus for a visionary reuse will be undermined.

The overall development strategy must be seen as a series of steps leading, over time, to the buildout of the island according to the land uses set forth in the panel's reuse plan. The strategy should be defined in terms of *timing* rather than a series of predetermined development *phases*. Timing is determined by market factors such as identification and selection of users and operators, market demand, and availability of appropriate funding sources—not predetermined periods of time.

The panel's strategy identifies a number of interim uses, some of which will be used to accomplish certain specific objectives unrelated to buildout of the ultimate land use plan. These uses will continue from the time of conveyance. All interim uses not foreseen in the reuse plan at buildout will eventually be phased out as permanent uses are finalized and brought on line.

IMMEDIATE NEXT STEPS

TIDELANDS TRUST

The panel's reuse plan appears to be consistent with the provisions and restrictions of the Tidelands Trust, which the California State Lands Commission and the city of San Francisco has interpreted to apply to Treasure Island. Redevelopment efforts, therefore, can be expedited because time and resources need not be diverted to undertake a potentially complex and contentious negotiation. Moreover, a worst-case legal scenario that could tie the project up for years may be completely avoided under the panel's proposal for reuse.

The Navy is, however, strongly encouraged to work with the state and the city in establishing a common ground for going forward with implementation of the reuse plan. Too many important implementation decisions hinge on whether the state, the city, and the Navy are in agreement on matters involving the Tidelands Trust. In particular, if the Tidelands Trust is deemed to apply to Treasure Island, then the only possible transferee or receiving entity from the DOD pursuant to interpretation



of the California State Lands Commission (which administers the Trust) is the city of San Francisco. Furthermore, the city could only lease and not convey fee title to third parties in accordance with the Tidelands Trust. Alternatively, if the Tidelands Trust were deemed not to apply, the Navy could deed fee title to any public or private entity (in conformance with base closure regulations), which could then lease or sell land to third parties for redevelopment.

The two aforementioned conveyance mechanisms are not only quite different structurally, but also involve multiple combinations of participating entities. The inability to project a narrow range of certitude to potential private sector participants regarding such basic land conveyance issues could have a dampening effect on investor interest in Treasure Island, especially if the time frame for resolution was uncertain and subject to litigation. Private sector investors need to know what, where, and when in order to evaluate and price risk. As long as the Tidelands Trust is under debate, it is extremely difficult to make reasoned judgments about investment risk and return; and potential investors will be inclined to seek other investment opportunities.

Finalizing a reuse plan for Treasure Island provides the city and Navy an immediate opportunity to demonstrate a constructive working partnership to the private sector. Also, the kinds of uses contemplated in the panel's proposed reuse plan do not reflect the typical need for substantial discount in land value due to leases as opposed to fee title transfers.

VALUATION

As has become readily apparent to the panel, substantial public infrastructure expenditure is required to prepare Treasure Island for private investment. The site presents extraordinarily unique seismic and access problems not common to most other closing military installations. If not properly addressed, these issues could seriously impede the financing of a world-class, visionary redevelopment.

It is more than likely that when costs associated with infrastructure redevelopment, perimeter stabilization, and access provisions are fully factored into the overall development economics, a nominal property value will be indicated in the transfer from the Navy through an Economic Development Conveyance (EDC). Nevertheless, the panel cautions all parties not to drive the redevelopment process from an acquisition cost strategy, whether it be aimed at acquiring the site at no cost or at receiving an unrealistically inflated price. Rather, the ultimate vision of the reuse should drive the redevelopment process.

A framework whereby the city and Navy agree on the set of appraisal instructions that realistically incorporate all costs necessary to achieve the reuse vision is an essential first step in determining an objective valuation upon which all parties can agree. Absent this agreement, it is difficult to see how a visionary reuse can move forward.

Under applicable DOD guidelines for base closures, the Navy is required to share appraisal instructions with the local community. The panel suggests strongly that the following appraisal instructions be considered in the valuation process:

- The long-term benefits of the reuse plan, rather than the theoretical "highest and best" use, should be used as the basis of future valuation for Treasure Island Naval Station.
- Value should be reduced for costs associated with seismic remediation, infrastructure replacement, nonbeneficial property transfers (correctional facility, fire training, police training, and so forth), and lost values due to transfers and costs associated with the Community Redevelopment and Homeless Assistance Act of 1994.
- A discounted valuation approach should be used because of the delay in transfer due to environmental cleanup.
- A discount for large-acreage sale should be provided.

- The costs for demolishing existing physical improvements not in compliance with current seismic requirements should be deducted from the valuation of the property.

For purposes of this evaluation, it is assumed that after all of these deductions are accounted for, the property will have a negative value and will be transferred without cost to the city or the Treasure Island Development Corporation.

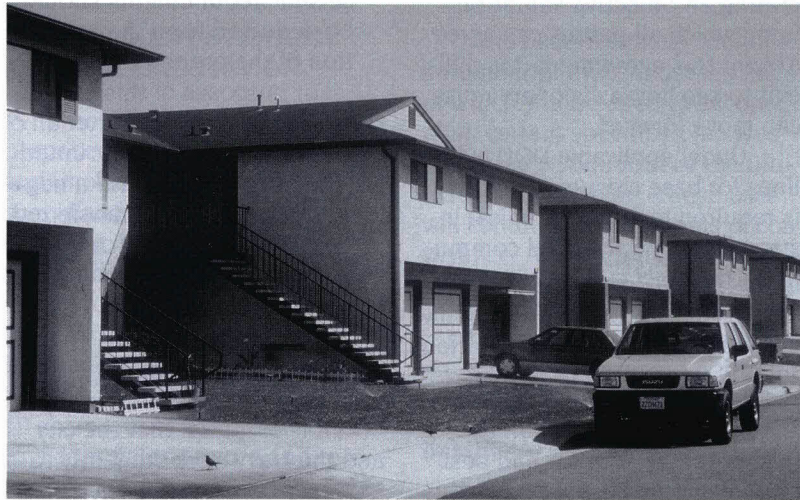
ENVIRONMENTAL PERMITTING

It is essential that the city and the Navy work diligently to "pre-permit" redevelopment of Treasure Island to the extent—and as soon as—possible. Private investors increasingly are expecting such pre-permitting of military facilities simply because there are alternative locations available to them that provide entitlements as part of their overall marketing strategy for economic development. Because of the substantial private investment in predevelopment expenses that is necessary before construction even starts on such a visionary project, absent pre-permitting, it is not likely that Treasure Island would be able to attract the kind of quality theme attraction that the city desires. Accordingly, inasmuch as the panel's proposal is essentially a



The Job Corps will operate a training facility on Treasure Island on property being conveyed by the Department of Defense directly to the Department of Labor. The panel recommends that this property be reconfigured in order to preserve other, long-term development options.

Military housing is considered an appropriate interim use, with appropriate seismic safety improvements. These units in the "1400 Series" are the newest on Treasure Island and can be brought into compliance with seismic standards for an estimated \$7,000 per unit.



refinement of the Draft Reuse Plan, it is recommended that the city request the Navy to consider the panel's proposal a substitute "preferred alternative" for the purposes of proceeding on schedule with the EIS/EIR. Alternatively, the panel's proposal could also be considered a variant of the preferred alternative already submitted. In this case, both alternatives would receive the same level of review in the EIS/EIR.

The city and the Navy are also encouraged to quickly agree on a framework for determining the baseline with which the potential effects of all EIS/EIR alternatives will be compared. The panel recommends that this baseline be established at a time that would allow for a realistic comparison between what Treasure Island was and what it *could become*.

Once these immediate steps are accomplished, the following development strategies are recommended to guide this once-in-a-lifetime development opportunity.

PLANNING

This phase includes those strategies required to define the requirements of all the various land uses incorporated in the reuse plan.

Treasure Island Naval Station will be redeveloped in a time of competing priorities among multiple base closures in the Bay Area, and as other compelling social needs are facing the city of San Francisco. The panel believes the best development approach in such an environment is to establish a separate, public entity—which it has identified as the Treasure Island Development Corporation (TIDC)—under the direction of the mayor's office. The total focus of the TIDC would be to create and implement the vision for Treasure Island for the near- and long-term benefit of all citizens of San Francisco, as well as regional and national visitors.

Ideally, the city would grant TIDC sufficient powers, such as bonding authority, to provide the flexibility and strength to carry out redevelopment. (Special state legislation may be required to grant bonding authority to TIDC.) TIDC staff should consist of an executive director, a deputy director for infrastructure, and a deputy director for operations, as well as sufficient staff to plan, operate, and convey facilities at Treasure Island to third-party users. As a policy, TIDC would outsource major tasks such as planning, engineering, legal work, and marketing to avoid the need for a large internal staff.

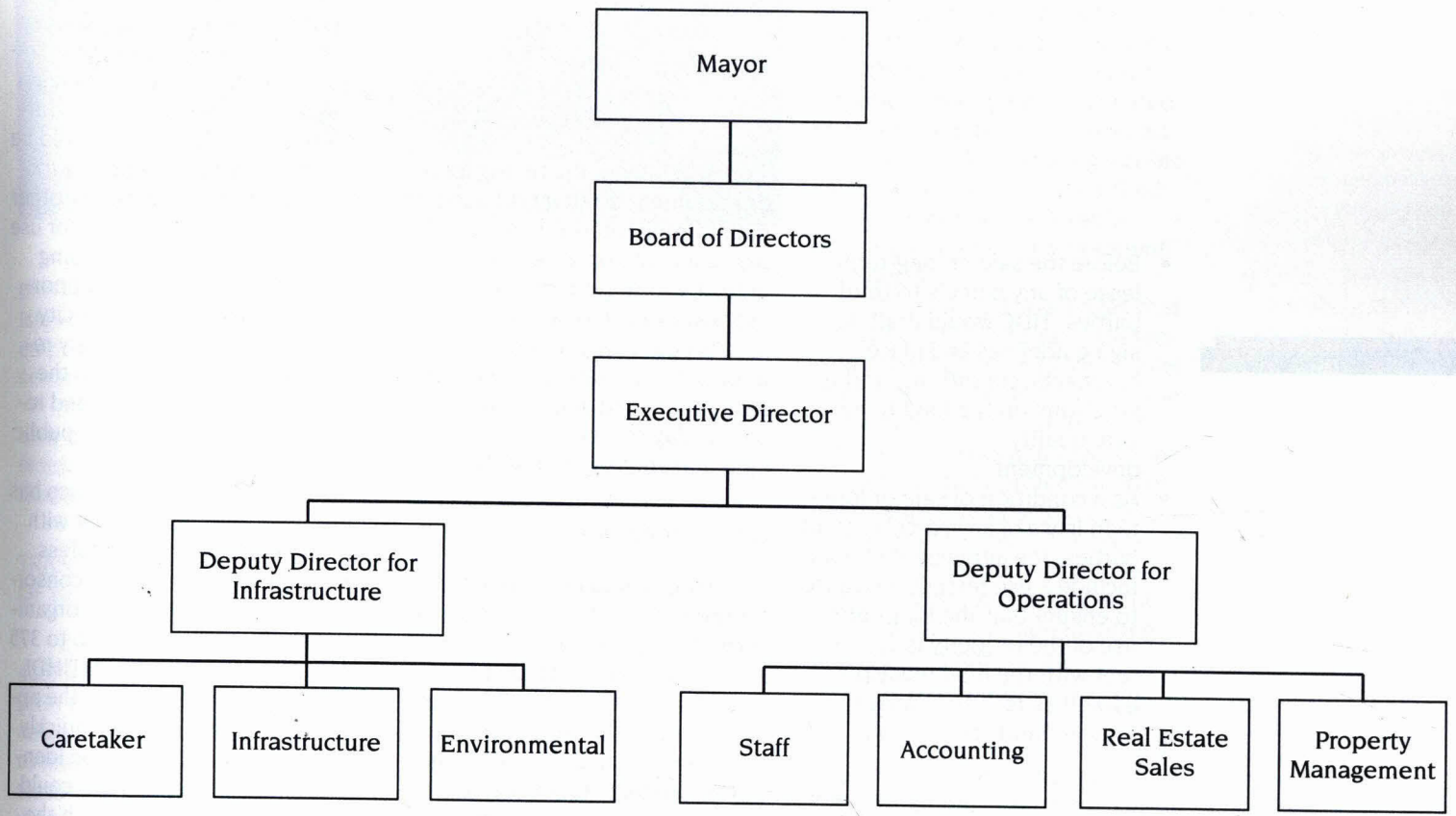
TIDC's mission would be to fulfill the community vision for Treasure Island, manage the short-term issues required to plan that vision, and implement the details of that vision for the general public benefit. The advantage of a focused independent public authority is that the board, executive director, and staff would be able to focus 100 percent of their time on the complicated issues associated with Treasure Island.

Such an entity would retain all public policy functions and responsibilities of the city such as acting for the general public good, supporting woman-owned and minority business contracting procedures, ensuring fair housing practices, and carrying out affirmative action plans. TIDC could return all revenues above costs to fund additional public improvements at Treasure Island, which would work to improve overall environmental quality.

The TIDC would contract with third-party companies for master planning, detail engineering, property management, audits, and other consulting services. The entity would act as the caretaker for Treasure Island, providing necessary services during the transition from Navy control to city control with appropriate financial reimbursement from the Navy. This reimbursement could include payments to the city for police, fire, and emergency services.

Figure 3

TREASURE ISLAND DEVELOPMENT CORPORATION (TIDC) ORGANIZATION CHART



An important TIDC function would be to facilitate public participation in the ongoing Treasure Island planning process through public hearings, meetings, and outreach. This could be accomplished through a citizen's advisory committee.

Specifically, the panel recommends that TIDC perform the following functions and assume the following responsibilities:

- TIDC would be the recipient of Treasure Island Naval Station by lease from the city, which would acquire the property from the Navy pursuant to the provisions of the Tidelands

Trust. Ideally, TIDC would take receipt of all existing utility services in order to negotiate appropriate agreements for the upgrading of utility systems. Rights-of-way would be reconveyed to the city after appropriate improvements were completed and accepted.

- TIDC would receive all properties on the Treasure Island Naval Station not otherwise conveyed by Public Benefit Conveyances (PBCs) through an Economic Development Conveyance (EDC) from the Navy. TIDC's position would be that this EDC be conveyed without cost due to the extraordinary costs of improvements required to bring the land up

to current seismic standards; to replace all of the outdated infrastructure; and to deal with the two major direct transfers to the Job Corps and the Treasure Island Homeless Development Initiative (TIHDI), the consortium of homeless assistance provider housing groups that was established in compliance with the Community Redevelopment and Homeless Assistance Act of 1994.

- TIDC would coordinate general plan amendment and zoning requests for all properties in order to implement the final reuse plan.

- Before the sale or long-term lease of any parcels to third parties, TIDC would draft design guidelines and place covenants, conditions, and restrictions on the land to ensure quality development.
- As a condition of sale or long-term lease of any parcel to third parties, the agreement should include a use restriction clause to ensure that the long-term use of the property is consistent with the final reuse plan, as well as reverter clauses to prevent land speculation.

TRANSITION

This phase includes those strategies required to operate existing facilities and to implement new operation plans.

DEVELOPMENT TIMING

The reuse plan and implementing organization—in this case, the TIDC—must have the capacity to respond quickly to market forces and opportunities. The development plan must remain fluid rather than be tied to preestablished phases; appropriate organization processes must be in place so that infrastructure improvements can be delivered when market opportunities present themselves.

Accordingly, the timing for the development strategy is based on maintaining interim uses at each particular site on Treasure Island until the long-term developers/users are selected and are ready to proceed. This transition from interim to ultimate uses will take many years and will require the day-to-day oversight of the decision makers and staff of the TIDC.

OPERATIONS

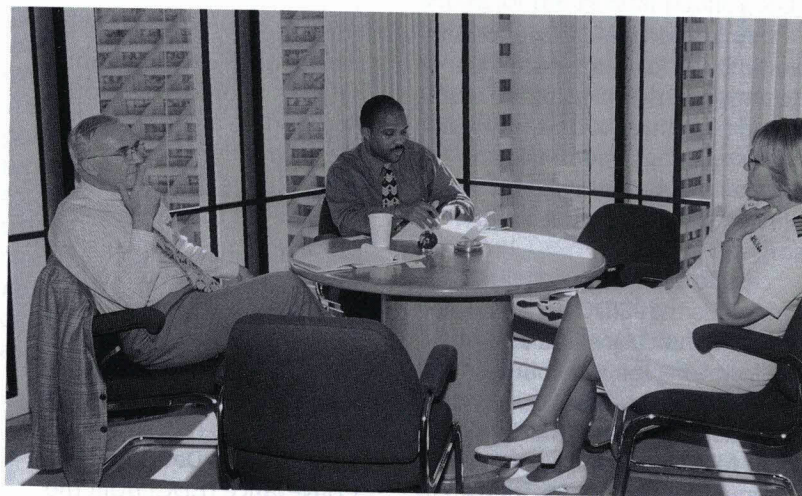
TIDC would be responsible for the following operational concerns during the transition period:

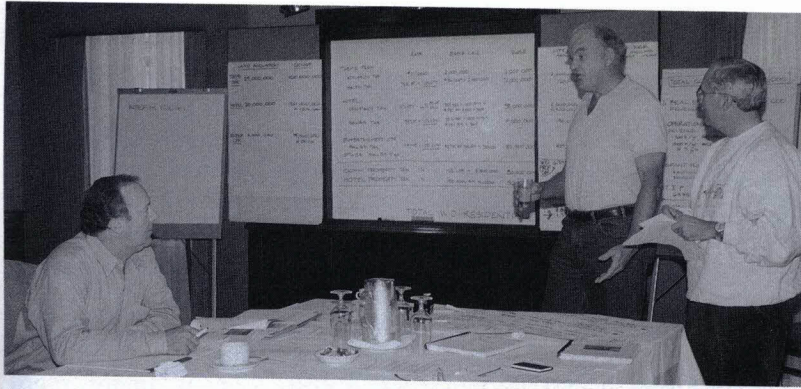
- TIDC would create an administrative staff to supervise planning activities and would hire a maintenance staff to oversee the caretaker functions of Treasure Island. These activities and functions would be performed on behalf of, and reimbursed by, the Navy.

- Existing housing units deemed safe for habitation would be put on the market by TIDC for interim rentals during the transition period. The city would agree to a period of time during which these units could be used for interim rentals without code improvements (other than to make them safe for use by residents). This housing could also provide an opportunity to address other city needs, such as temporary relocation housing due to the scheduled demolition and redevelopment of several public housing communities.

The city of San Francisco has entered into an agreement with the Treasure Island Homeless Development Initiative, a consortium of 14 local nonprofit organizations, for the reuse of up to 375 units of existing housing. TIHDI is entitled to housing (for the approved provider uses) as quickly as programs for use can be identified and quantified. TIDC could enter into an agreement with the provider housing group for sharing revenues from entitled, unoccupied provider units.

Panel members Victor Karen (left) and Bradley Jefferies interview Captain Lynne Hanel, commanding officer of Treasure Island Naval Station.





Panel members (left to right) Thor Degelmann, Winston Folkers, and Victor Karen evaluate the financial feasibility of the panel's proposed reuse plan.

Municipal services would be provided to all tenants of Treasure Island by TIDC, which would be empowered to charge for water, sewer, and utility services.

TIDC would act as liaison with the various local, state, and federal agencies on all matters that would affect Treasure Island.

TRANSITIONAL USE OF HOUSING

All housing units on Treasure Island that were habitable prior to base closure should become eligible for interim rentals to market- and affordable-rate tenants upon base closure, provided tenant safety is not compromised. All existing housing units should be given a seven-year period to be brought up to existing code, beyond human safety issues, or demolished. Housing units scheduled for demolition should not be brought up to code.

IDENTIFICATION AND SELECTION OF DEVELOPERS AND OPERATORS

To maintain the integrity of the vision for Treasure Island, the identification and selection of compatible developers, users, and operators will be essential. Because there are a limited number of potential developer/operator candidates in the market, the panel does not believe that a request for proposal (RFP)/or request for qualifications (RFQ) process is an appropriate method by which to reach these candidates.

Instead, potential candidates should be screened for compatibility with the desired objectives of the project. Screening criteria should include a review of the organization's ongoing operations, an evaluation of its past performance, its success rate for funding like projects, and its professional image in the market as well as in the business community.

Those companies identified as potential developer/operator candidates should be invited to become participants in the vision through direct, personal contact. The selection process requires a planned, systematic approach. Likewise, seeking high-quality participants requires a quality marketing effort that must be funded in advance. In today's competitive environment for new investment, professionally managed, well-financed and targeted marketing efforts have the best opportunity to succeed.

INTEGRATION

This phase includes those strategies required to initiate new uses and to phase out interim uses of the reuse plan.

A key issue during the integration period involves phasing out housing. To promote the orderly phaseout of housing, the panel recommends that all housing leases be six months or less, with renewals, for flexibility of development timing. Property managers need to be notified when

development is imminent so that leased properties can be vacated no later than six months from notification (that is, no renewals past that point). Development activities need to be coordinated to maximize interim income and housing use. Net operating income can be reserved to create a fund for the demolition of interim housing when new development is to begin.

The panel acknowledges that if it may be difficult to relocate tenants once they are in place in units intended for interim housing. The city may wish to consider modifications to its laws and regulations related to tenant protection in order to minimize possible conflicts and relocation costs. The panel has not factored tenant relocation costs into its development cost estimate for implementing its proposed reuse plan.

The possibility exists that homeless assistance provider group housing can be purchased back from TIHDI at the rate of \$50,000 per unit. The panel suggests that 100 of the 375 housing units committed to TIHDI be made available from existing housing on Yerba Buena Island. If all of the remaining 225 units were bought back, the cost to the city would be about \$13.8 million. The provider groups would be entitled to this payment if TIDC were to develop other uses on land currently occupied by houses committed to provider housing groups.

Because the panel's proposal requires adjustments to the Job Corps land area or buildings, TIDC and the Job Corps would need to reach a repayment or moving agreement.

FUNDING

The phase includes those strategies required to secure public and private capital in order to fund improvements and carry out the reuse plan.

The redevelopment of Treasure Island will be an immense financial undertaking. The panel estimates that total costs, including site development and infrastructure improvement cost, for its proposed reuse plan will exceed \$150 million. Given the enormity of the investment, the financing strategy devised by the city will require a blend of public and private financing in proportions that will be influenced by the current state of the public and private capital markets.

PUBLIC CAPITAL SOURCES

The current environment for federal and state capital resources can be best characterized as one of increasing demand for dwindling supply. The downsizing of the federal government has been felt by virtually all federal departments and agencies. The resulting shift of many federal responsibilities to the state level, and the nature of the suggested use of Treasure Island as an entertainment destination, limits the potential sources of federal and state financing to certain programs associated with base closure legislation.

The panel recommends that federal and state funding sources that can be used to help finance acquisition, development, and operations activities be identified, evaluated, and incorporated into a financing strategy. A key source of potential funding is the Economic Development Administration (EDA) of the U.S. Department of Commerce.

At the local level, the ability of the city to provide financial resources toward the redevelopment of Treasure Island will be affected by current and future spending priorities established by the city. Presently, the city has approved municipal financing for two major economic development projects: the ferry terminal development and the South Beach Embarcadero development. In addition, the city has placed on the ballot a bond initiative in the amount of \$100 million for the purpose of financing new affordable housing opportunities, and is negotiating with the owners of the San Francisco 49ers football team about city financing for the construction of a new stadium.

The existence of these municipally financed economic development projects and the planned funding of other projects that will require significant investment by the city may discourage the electorate from approving additional municipal finance initiatives (which may require additional taxes). Therefore, the panel recommends that any financing strategy devised to implement the development strategy for Treasure Island maximize the use of private equity to leverage public debt and federal and state grants in order to minimize the public debt burden to the city. To the extent possible, the panel recommends that the financing strategy be designed so that the economic activity facilitated by the issuance of the bonds pays for itself.

PRIVATE CAPITAL SOURCES

When pricing financial instruments for sale in the market place, securities firms traditionally focus on two key factors: 1) the strength of the proposed project, and 2) the strength of the issuer. With regard to any debt instruments that may be required for the redevelopment, underwriters will pay particular attention to the amount of outstanding debt obligations of the issuing authority or related entities. As discussed previously, in light of the number of existing and planned issuances of debt securities by the city, the panel recommends that the financing strategy consider the potential impact of additional debt issued by the city on the pricing of the securities, and the need to maximize the use of federal and state grants and private equity.

Underwriters of debt instruments also place considerable emphasis on the timing and magnitude of net cash flow in relation to required debt service, or debt service coverage. Given the sequential nature of the development strategy and the potential for a shortfall of debt service payments during the early years of the development of the site, the panel recommends that deficit mitigation strategies for debt service be incorporated into the financing strategy. Two such strategies—the renting of the existing housing by the TIDC, and a requirement that venue developers contribute upfront cash to a debt service reserve fund—are discussed below.



The panel recommends formation of the Treasure Island Development Corporation under the direction of the mayor's office to oversee the planning, redevelopment, and marketing of Treasure Island.

THE FINANCING STRATEGY

In light of the current environment for public and private capital, the panel recommends the following financial structure for the acquisition, development, and operation of the Treasure Island redevelopment.

Acquisition Financing. During the acquisition phase, primary financing requirements relate to the cost of acquisition of the site. If the valuation of the site by the city and the Navy pursuant to the panel's suggested appraisal instructions results in a positive value for the site, the panel recommends that TIDC seek seller financing from the Navy.

Development Financing. During the development phase, primary financing requirements are site preparation (perimeter stabilization of the island and other seismic mitigation), infrastructure improvements (pedestrian and vehicular improvement ways and public utilities), and land use buy-outs (provider housing groups and Job Corps). To finance these uses, the panel recommends that TIDC rely on the following sources and mechanisms:

- *Real Estate Conveyances.* TIDC would convey the theme park site, the hotel sites, and the entertainment sites to their respective venue developers via long-term lease transactions. The proceeds from these transactions would be applied directly to site preparation and improvements.

- *Securitization of Operating Income.* TIDC would securitize a part or all of the lease income stream produced by the existing housing (the "Interim Lease Income Securities") and the golf course and marina (the "Permanent Lease Income Securities"). The proceeds from these transactions would be applied directly to site preparation and improvements. The nonsecuritized portion of these lease income streams would be used for other purposes, as discussed below.
- *Federal and State Grants.* TIDC would apply to EDA for infrastructure grant funding. The proceeds from these grants could be applied directly to seismic improvements. Under program regulations, the funds must be expended on public infrastructure projects that contribute to job creation. Also, the sponsoring entity must provide a matching contribution in an amount equal to 25 percent of the grant request.

Panel members (left to right) James Meadows, Thor Degelmann, Frank Sparicio, and Bradley Jefferies (far right) interview Larry Florin, manager of military base conversion within the Office of the Mayor.

- **Tax Increment Revenue Bonds.** TIDC would issue tax increment revenue bonds pursuant to its charter. The proceeds from the sale of the bonds would be applied to site preparation and improvements. The major sources of tax increment would include: a theme park admissions tax, a theme park sales tax, a hotel occupancy tax, a hotel sales tax, and an entertainment center sales tax. A debt service coverage guarantee fund would be capitalized by the venue developers to ensure against debt service shortfalls. In addition, the nonsecuritized portion of the interim lease income stream would be used as an additional source of debt service shortfall.
- **Operations Financing.** During the operations phase, primary financing requirements consist of TIDC staffing, grounds and maintenance services, and the provision of public safety services. To finance these uses, the panel recommends the following structure:
 - **Lease Income.** The nonsecuritized portion of the lease income stream will be used to pay the operating costs of TIDC, including staffing, grounds and building maintenance, and public safety.
 - **Fair Share.** Job Corps should be required to pay its "fair share" of grounds and maintenance and public safety.



FINANCIAL FEASIBILITY OF PROPOSED REUSE PLAN

Any plan for the reuse of an asset as important as Treasure Island must provide both vision and a real ability for financial success. Implementing the vision will rely on the ability to attract both private and public capital. Given the number of projects competing for limited funding resources, it is essential that the final reuse plan for Treasure Island minimize capital shortfalls to the city.

Cognizant of the importance of financial feasibility to the reuse planning effort, the panel generated estimates for both development costs and revenues that could be expected with the implementation of its proposed reuse plan. Development costs are itemized along with key assumptions in Appendix A. Development revenues based on what the panel believes to be reasonable sources of capital and reasonable assumptions for revenue returns to the city are itemized in Appendix B.

These cost and revenue estimates are based, in part, on economic assumptions used during preparation of the Draft Reuse

Plan; they also draw upon the experience of the panel members in implementing large-scale real estate ventures and upon research they were able to conduct on site. The panel strongly encourages the city to undertake additional, more detailed financial analysis of these cost/revenue projections as an early next step toward finalizing the reuse plan.

Based upon information made available to and gathered on site by panel members, the panel believes that the reuse plan described in this report is financially viable. It appears that sufficient revenues can be generated to cover development costs, and that capital shortfalls to the city can be eliminated or substantially reduced from those previously estimated. As with any redevelopment venture of this magnitude, however, the financial viability of the plan depends on structuring an appropriate organization to implement the plan and on attracting the right developers and operators to help make the vision a reality. The panel believes that the recommendations provided in this report will allow the city of San Francisco to realize its vision of a new Treasure Island.

CONCLUSION



Clifford Graves, executive director of the San Francisco Redevelopment Agency, introduces the panel at its final presentation, held at the city's new main library.

The opportunities presented by the civilian reuse of Treasure Island are truly great. However, the real estate development challenges associated with this unique site cannot be overstated.

The panel began this assignment by asking itself if Treasure Island was, in fact, a treasure—or if the issues associated with preparing the property for redevelopment were too great and too expensive for the city to undertake. After spending an extensive week on site studying the issues and talking with a broad range of experts and stakeholders, the panel believes that its original question can be answered with a resounding “yes.” Treasure Island is indeed a treasure for the residents of the city and region.

Perhaps the city's greatest challenge in carrying out its vision for Treasure Island will be to keep a focus on the long term. In implementing projects of this size and duration, it is often easy to lose sight of the long-term vision and make decisions that are convenient or expedient in the short term. Such decisions can undermine the integrity of the original plan and compromise the ability to achieve the vision for decades to come. In carrying out this reuse plan, the city is urged to keep an eye to the future and to continually consider what is in the best interest of all of the city's residents—and future generations of residents.

APPENDIX A: DEVELOPMENT COST ESTIMATES FOR PROPOSED REUSE PLAN

DEVELOPMENT COST CATEGORIES	ESTIMATED COST (IN MILLIONS)
1. Building demolition—general (Includes asbestos and lead-based paint removal) Total cost per sf = \$3.15 Additional 50% contingency	1,250,000 sf x \$3.15/sf x 150% \$5.9
2. Building demolition—housing (Includes asbestos and lead-based paint removal) Total cost per sf = \$3.15 Additional 50% contingency x \$3.15 per sf x 150% Potential tenant relocation costs not included	900 units x 1,100 sf \$ 4.9
3. Perimeter shoreline/TI stabilization (Phase 1, 2, 3 as per original) (Phase 4 x 67%) (Phase 5 repairs only) Total	= \$24.2 = \$9.5 = \$2.0 \$35.7
4. Backbone roads, water, sewer, storm sewer, gas, electric, cable in 60' row 11,000 linear feet @ \$550/lf	 \$ 6.2
5. Fiberoptics system	\$ 3.0
6. Sewer package treatment New water storage system Total	= \$4.0 = \$7.2 \$11.2
7. Ferry dock cost	\$11.0
8. Amphitheater costs	\$2.5
9. Marina costs 400 slips @ \$5,000 per slip	 \$2.0
10. Golf course 18 holes @ \$225,000 per hole Clubhouse 20,000 sf @ \$120/sf Contingency Total	= \$4.0 = \$2.4 = \$0.8 \$7.2
11. Great lawn 35 acres @ \$40,000/acre Hardscape @ 25/sf Total	= \$1.4 = \$3.8 \$5.2
Total Costs	\$94.6
30% Contingency	\$28.4
Total Development Costs with Contingency	\$123.0
OTHER COSTS ASSOCIATED WITH TREASURE ISLAND DEVELOPMENT	
Homeless assistance provider housing payments/repurchase 275 units on Treasure Island x \$50,000 per unit Total	 \$13.8
Job Corps dorm replacement 200 units at \$20,000 per unit	 \$ 4.0
Annual operating budget for TIDC (Paid by interim housing rentals in years one through five; paid by sales/lease proceeds year six and thereafter)	 \$1.8
Total Other Costs	\$19.6

APPENDIX B: ESTIMATED REVENUES FOR PROPOSED REUSE PLAN

Revenues from Treasure Island to cover development costs come from four primary sources:

1. Real Estate Sales/Leases
2. Operational Revenues
3. Grants
4. Public Funding

The panel's proposed reuse, which is a composite of the various reuse alternatives studied by the CRC and original planning concepts from the panel, has total costs of approximately \$150 million. Only about one-third of these costs are covered through traditional real estate transactions. The real estate transactions that generate major income include the following:

1. Theme park land sale/lease—60 acres @ \$10/sf	\$25 million
2. Hotel(s) land sale/lease—30 acres @ \$15/sf	\$20 million
3. Entertainment center land sale/lease—8 acres @ \$10/sf	\$ 4 million

The second source for repayment of infrastructure improvement and development costs associated with the panel's proposed reuse plan is a capitalization, or borrowing, against operational revenues. A portion of these revenues is interim and funds front-end planning and operations. Another portion of these revenues is long term and intended to be used to pay costs of development directly or to repay bond proceeds used to pay development costs.

1. Existing home rental income—interim	\$6.250 million/year
2. Golf course rental income—long term	\$0.200 million/year
3. Marina rental income—long term (400 @ \$7/lf)	\$0.675 million/year

The third source for repayment for infrastructure improvement and development costs associated with the ULI-developed land use plan is grants from local, state, and federal government agencies. The Economic Development Agency (EDA) of the Department of Commerce annually funds major demonstration projects for infrastructure costs in base closure locations. Federal agencies including the Department of Housing and Urban Development (HUD) annually fund grants to assist cities in development of housing for homeless assistance provider groups. At least a portion of the units developed with these grants might be allocated to Treasure Island.

1. EDA grant potential—perimeter improvements	\$12 to 16 million
2. Required city match for EDA grants @ 25%	\$2.4 to 4 million
3. Federal grants for homeless assistance provider housing	\$5 to 10 million

The fourth source for repayment for infrastructure improvement and development costs relates to tax increment financing (TIF) created by capturing the tax increment from sales and use taxes generated by the land use activities for a limited duration of time and using those increments to repay TIF bonds for public infrastructure that will be turned over to the city upon completion. The tax increment from sales and use taxes alone amounts to \$6,335,000, which would support a TIF bond issue of \$64 million to be repaid from tax proceeds. Property taxes, estimated at \$2,300,000, would be retained by the city for payment of required public municipal services. The major sources of tax increment include the following:

1. Admissions tax @ \$1/head x 2,000,000	\$2.0 million/year
2. Theme park sales tax @1% x \$36 x 2 million people	\$0.7 million/year
3. Hotel occupancy tax @ 14% x 1/2 x 150 x 70% occupancy x 1,000	\$2.6 million/year
4. Hotel sales tax @1% x 75/room x 70% occupancy x 1,000	\$0.2 million/year
5. Entertainment center sales tax @ 1% x \$275/sf x 300,000	\$0.8 million/year

NOTE: Estimated revenues shown in Appendix B are not additive as they include *one-time* and *annual* sources of revenue. The sooner new uses come online, the sooner revenues will begin to be generated. Revenue generation from the panel's proposed reuse plan, however, is higher than revenues estimated previously for the adopted Draft Reuse Plan. Further, the panel's proposed reuse plan results in significantly lower development costs due primarily to savings associated with geotechnical improvements.

ABOUT THE PANEL

FRANK J. SPARICIO **PANEL CHAIR**

Rumford, Rhode Island

Until recently, Sparicio served as senior vice president of Massachusetts-based Fleet Bank, where he was responsible for the bank's corporate real estate assets. Fleet's portfolio included 10 million square feet of commercial space and more than 800 branches, offices, and operations centers. Before joining Fleet Bank, Sparicio was responsible for all major real estate transactions as director of corporate real estate for GTE. Previously, he served as an officer of Harco, the Hartford Insurance Company's real estate subsidiary.

Sparicio is an associate member of the Society of Industrial Realtors and a member of the National Association of Industrial and Office Parks. He has been a member of the Urban Land Institute for more than 30 years and serves on the Industrial and Office Park Development Council and the Advisory Services Committee. Sparicio has served on eight ULI Advisory Services panel assignments.

MARTA BORSANYI

Newport Beach, California

Borsanyi, a principal with The Concord Group, specializes in market, economic, and financial analyses associated with existing and proposed developments. She has experience in the evaluation of both residential and nonresidential land uses, and has participated in many projects where the objective has been to identify the highest and best mix of uses for large-scale developments. She has also directed a number of military base reuse assignments.

Previously, Borsanyi was head of marketing services at the Mission Viejo Company, in charge of planning, research, and marketing functions. She was also a full-time faculty member for the Graduate School of Management at the University of California, Irvine.

Borsanyi is a member of the International Council of Shopping Centers and the Urban Land Institute, as well as a charter member of the Advisory Board to the Center for Economic Research and the *Quarterly Economic Forecast* at Chapman University.

THOR DEGELMANN

Newport Beach, California

Degelmann is founding principal and CEO of Leisure Entertainment Development & Operations, Inc. (LEDO International), a project and operations management consulting company for theme parks and mixed-use entertainment centers. He has 30 years of experience in international management, administration, hospitality operations, and project development.

As a vice president with The Walt Disney Company, Degelmann was responsible for developing and implementing the overall organization and manpower master plan for the Euro Disney Resort. Prior to this assignment, Degelmann held numerous key management positions within the Disney organization, including general manager of the Disneyland Hotel, a 1,200-room convention hotel, and corporate director of Disneyland University, where he was responsible for corporate culture development and for implementing training strategies and plans for over 40,000 employees.

Degelmann is a member of the International Association of Amusement Parks and Attractions, the Themed Entertainment Association, and the Urban Land Institute.

WILLIAM R. EAGER

Seattle, Washington

Eager is cofounder and president of TDA, Inc., a transportation planning, management, and economics consulting firm. TDA's mission is to develop economical and reliable transportation plans and systems that people can easily use and enjoy.

Eager has more than 30 years of experience in the transportation field and has consulted on projects in the United States and abroad. He has developed transportation and parking programs for recreational and special-event projects throughout the western United States, Alaska, Hawaii, Malaysia, Singapore, Indonesia, Mexico, and Jordan. He also assisted in the redevelopment of the downtown ferry terminal for the Port of San Francisco.

He is a member of the Pacific Asia Travel Association and principal of the International Tourism and Resort Advisors. He is a trustee of the Urban Land Institute, an executive member of the Recreational Development Council, and serves as vice chair for the Research Committee.

WINSTON E. FOLKERS

Cincinnati, Ohio

As president and owner of Folkers Associates, Folkers develops real estate projects—commercial property and apartment buildings—with special focus on public/private ventures and syndication of limited partnerships. Before working in the private sector, Folkers was responsible for planning and development activities for the cities of Lansing, Michigan; Toledo, Ohio; and Cincinnati, Ohio.

Folkers has spoken publicly and written several articles on real estate development issues. He is a member of the National Association of Real Estate Boards, the Chamber of Commerce, the National Trust for Historic Preservation, the National Association of Housing and Redevelopment Officials, and the Urban Land Institute.

**RICHARD F. GALEHOUSE,
AIA, AICP**

Watertown, Massachusetts

Galehouse, an architect and city planner, heads the planning disciplines at Sasaki Associates, Inc., a multidisciplinary design firm specializing in planning, landscape architecture, architecture, interior design, and engineering. He has been with Sasaki for 36 years.

Recently, Galehouse directed Sasaki's master plans for the reuse of the Charleston Naval Complex in North Charleston, South Carolina, and the Calverton Air Force Base in Long Island, New York. He continues to direct the reuse planning effort for the Miamisburg Mound military installation in Miamisburg, Ohio.

Galehouse is a member of the American Institute of Architects, the American Institute of Certified Planners, the Institute for Urban Design, the Society for College and University Planning, and the Urban Land Institute.

ROBERT K. GREEN, G.E.
Oakland, California

As senior project engineer with Woodward-Clyde Consultants, Green has a broad range of experience in seismic and geotechnical engineering. His experience includes the evaluation of probabilistic and deterministic earthquake ground motions, static and dynamic soil behavior, liquefaction, as well as slope stability and soil-structure interaction for projects that include earth dams, nuclear power plants, offshore platforms, office buildings, hospitals, water treatment plants, and industrial facilities.

He has taught courses sponsored by the Association of State Dam Safety Officials, the Federal Emergency Maintenance Agency, the Society of Civil Engineers, the California Office of Emergency Service, and the University of Wisconsin. Green was task leader for the seismic evaluation of the Oak Knoll Naval Medical Center for reuse by the city of Oakland. He was also his firm's peer reviewer of the seismic hazard evaluations prepared for the California State University of Monterey Bay, formerly the Fort Ord Army Base.

BRADLEY C. JEFFERIES
Washington, D.C.

Jefferies is the founder, principal shareholder, and CEO of The Community Partners, LLC (TCP), a fully integrated real estate firm that specializes in the development, financing, and management of affordable multifamily housing. Established in 1994, TCP was created in anticipation of impending changes in the structure and mission of HUD with regard to the production and preservation of affordable housing. The firm provides acquisition, development, finance, management, and advisory services to federal, state, and local housing agencies and other units of government, as well as to non-profit organizations and community lenders and investors. TCP strives to facilitate the creation of affordable housing opportunities and to develop new roles for public, private, and nonprofit entities that capitalize on the relative strengths of each for the benefit of low-income tenants.

Before founding TCP, Jefferies worked as an attorney in a Washington, D.C., law firm, where he participated in a variety of complex real estate transactions involving low-income housing tax credits, municipal financing, and the securitization of real estate equity and debt. He is a member of the Maryland Bar Association and the Urban Land Institute.

VICTOR KAREN, AICP
Boston, Massachusetts

Karen manages the efforts of the Massachusetts Development Finance Agency in assisting local communities with redevelopment of the South Weymouth Naval Air Station and Watertown Arsenal. He is project director of the Naval Air Station Planning Committee, a broad-based advisory group established by the governor as a state/local partnership for economic development. Prior to his Massachusetts development assignment, Karen was deputy director for urban design and development for the Boston Redevelopment Authority, a municipal agency with both planning and development powers.

Karen is a member of the American Institute of Architects, the American Institute of Certified Planners, and the Urban Land Institute. He was also appointed as a research fellow at Harvard University's Graduate School of Design, where he guest lectures in the International Training Program, interpreting U.S. urban revitalization experience for senior private practitioners and public sector officials throughout the world.

JAMES F. MEADOWS

Denver, Colorado

Meadows is the executive director of the Lowry Redevelopment Authority, an entity formed by the cities of Denver and Aurora to manage, market, and oversee redevelopment of the former Lowry Air Force Base. He is responsible for managing real estate acquisitions and lease negotiations, marketing efforts, business and financial planning, infrastructure planning, asset and property management, staff/consultant management, and project administration. Prior to his affiliation with Lowry, he was senior vice president and head of California and Arizona homebuilding operations for Castle & Cooke Homes, Inc., a division of Dole Foods.

Meadows has extensive experience in homebuilding, land development, and community development planning. He also served six years of active duty as a pilot in the Strategic Air Command World Wide with the U.S. Air Force. He is a member of the Urban Land Institute, the National Association of Industrial and Office Parks, and the National Association of Home Builders.

MICHAEL R. PANERI, AIA

Newport Beach, California

Paneri is a principal at Wimberly, Allison, Tong & Goo (WAT&G), the largest international architectural firm in the leisure/hospitality market. He is head of the firm's entertainment and leisure group. Paneri has directed a variety of projects both in the United States and abroad since joining WAT&G in 1985. His design experience includes numerous urban and resort hotels and casinos, theme parks, retail projects, dining and entertainment centers, recreational facilities, and mixed-use projects. He was involved recently in the completion of the LEGOLAND theme park in Windsor, England. Currently, he is leading the design efforts on two large hotel/casino projects in Las Vegas: the Sands Hotel Casino and Caesar's Palace Hotel Casino. He is also leading the design effort for the Old Town Temecula Entertainment Center in southern California.

Paneri is a member of the American Institute of Architects, the International Association of Amusement Parks and Attractions, the Themed Entertainment Association, and the Urban Land Institute.

AN ADVISORY SERVICES PANEL REPORT
ULI—the Urban Land Institute
1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. 20007