

RESOLUTION NO. 13-2007

Adopted February 20, 2007

AUTHORIZING A THIRD AMENDMENT TO THE AGENCY'S MASTER LEASE WITH THE UNITED STATES DEPARTMENT OF THE NAVY TO EXTEND THE TERM TROUGH DECEMBER 31, 2007 AND REVISE THE PREMISES COVERED; HUNTERS POINT SHIPYARD REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. In furtherance of the objectives of the Community Redevelopment Law of California, the Redevelopment Agency of the City and County of San Francisco (the "Agency") has undertaken a program of redevelopment in the area of the City and County of San Francisco (the "City") known as the Hunters Point Shipyard Redevelopment Project Area (the "Project Area") pursuant to a Redevelopment Plan (the "Plan") approved by the Board of Supervisors of the City by Ordinance No. 285-97 adopted July, 1997.
2. The Project Area contains a shipyard known as the Hunters Point Naval Shipyard (the "Shipyard") that was a major center of employment during and after World War II, providing logistics support, construction and maintenance of conventional and nuclear-powered ships of the United States Department of the Navy (the "Navy"), providing 17,000 jobs to civilian and military personnel at its peak of operations. The Shipyard employed approximately 6,000 persons at the time it was shut down in 1974.
3. In 1991, the Navy designated the Project Area for closure as a shipyard and for potential reuse by the community pursuant to the defense base closure and Realignment Act of 1990, Public Law 101-510, Title XXIX, Section 2901 et seq. (104 Stat. 1808 et seq.), which closure was approved in 1991 by the Base Realignment and Closure Commission with the consent of the President and Congress.
4. Pursuant to Section 2824 of Public Law 101-510, as amended by Section 2834 of Public Law 103-160, the Navy has the authority to convey the Project Area to the City or to a local redevelopment authority approved by the City, for such consideration and under such terms as the Secretary of the Navy considers appropriate.
5. To facilitate the expeditious remediation of hazardous materials and timely and productive reuse of the Project Area under the Plan, the Navy agreed that remediation of the Project Area should be accomplished on a parcel-by-parcel basis, and delineated into six separate parcels of the real property in the Project Area,

namely Parcels B, C, D, E-1, E-2 and F (collectively the "Parcels" and each a "Parcel").

6. For over twenty years, the Shipyard has housed a community of artist studios (the "Artists Community"), consisting of approximately 250 artists and small businesses in certain portions of Parcel A – Buildings 101 and 110; Parcel B – Buildings 103, 104, and 117; and Parcel D – Buildings 323, 366, and 435; and appurtenant yard areas (the "Premises").
7. The Navy first entered into a lease with Patterns Limited, Incorporated, doing business as The Point ("The Point") for the Premises for the period covering June 24, 1992 through June 30, 1995. Upon expiration of the lease, The Point continued its tenancy on a month-to-month basis until December 30, 1996.
8. In December 1996, the Navy obtained a Finding of Suitability to Lease ("FOSL") from the Department of Defense for the Premises. The FOSL stating that the Premises were suitable to lease subject to any lease restrictions necessary to protect human health and the environment.
9. In anticipation of the transfer of the Shipyard from the Navy to the Agency, the Navy desired to transfer the responsibility for leasing the Premises to the Agency. Pursuant to Commission Resolution No. 246-1996, adopted December 10, 1996, the Navy and the Agency entered into the Master Lease (the "Master Lease") on December 31, 1996, for the sole and exclusive purpose of subletting the Premises to The Point for a ten-year term ending December 31, 2006.
10. The Agency and The Point entered into a sublease agreement for the Premises dated December 31, 1996 (the "Sublease Agreement"), for a term not to exceed 120 days (the "Initial Term"), pending the negotiation of a longer term sublease. The Agency and The Point did not negotiate a longer term sublease before the initial term ended, and The Point occupied the Premises under a month-to-month tenancy until the Sublease Agreement was amended.
11. On December 4, 2004, the Navy conveyed to the Agency a portion of the Shipyard, commonly referred to as Parcel A. The transfer removed the portions of the Artists Community situated on Parcel A from the Master Lease and accordingly, the Navy prepared a lease modification removing these portions of the Artists Community from the Master Lease. The Sublease Agreement was subsequently amended and restated on April 5, 2005, pursuant to Commission Resolution No. 43-2005, removing Parcel A Buildings 101 and 110 from the defined Premises and making the Sublease Agreement coterminous with the Master Lease on December 31, 2006.
12. On December 19, 2006, pursuant to Commission Resolution Nos. 163-2006 and 164-2006, the terms of the Master Lease and Sublease Agreement were extended to February 28, 2007 as a hold over measure until such time as the Agency and the Navy enter into a new master lease arrangement for the Artists Community buildings on Parcel B.

13. The Navy must obtain a FOSL from the Department of Defense prior to entering into a new master lease with the Agency for the Artists Community Premises located on Parcel B.
14. The Navy is scheduled to commence its remediation efforts in Parcel D in spring 2007, which necessitates the Parcel D artists, most of whom are architectural welders, to vacate Buildings 323, 366 and 435. The Point and its sub-tenant welders have commenced preparations for the move off the Shipyard by February 28, 2007. Therefore, the extension of the Master Lease through December 31, 2007 is only applicable to Buildings 103, 104, and 117. All other terms and conditions of the Master Lease will remain unchanged.
15. On the basis of the foregoing, the Agency seeks to amend the Master Lease with the Navy to extend the term through December 31, 2007, and to remove Buildings 323, 366, and 435 on Parcel D from the premises as defined in the Master Lease with the Navy.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is hereby authorized to enter into and execute Amendment No. 3 to the Master Lease with the United States Department of the Navy to (i) extend the term through December 31, 2007, and (ii) remove Buildings 323, 366, and 435 in Parcel B from the premises to be covered by the Master Lease with the Navy, Hunters Point Shipyard Redevelopment Project Area.

APPROVED AS TO FORM:


for James B. Morales
Agency General Counsel