

RESOLUTION NO. 62-2008

Adopted June 17, 2008

AUTHORIZING AMENDMENT NO. 7 TO THE AGENCY'S MASTER LEASE WITH THE UNITED STATES DEPARTMENT OF THE NAVY TO EXTEND THE TERM THROUGH AUGUST 30, 2008; HUNTERS POINT SHIPYARD REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. In accordance with the Military Base Conversion provisions of the Community Redevelopment Law (Calif. Health & Safety Code Sections 33492 et seq.), the City and County of San Francisco (the "City"), acting through its Board of Supervisors, approved the Hunters Point Shipyard Redevelopment Plan (the "Plan") by Ordinance No. 285-97 on July 14, 1997. The Plan authorizes the Redevelopment Agency of the City and County of San Francisco (the "Agency") to implement a program of redevelopment in the area known as the Hunters Point Shipyard Redevelopment Project Area (the "Project Area").
2. Prior to its closure in 1974, the United States Department of the Navy (the "Navy") had operated a shipyard in the Project Area and provided a significant number of jobs to civilian and military personnel.
3. In 1991, the Navy designated the Project Area 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.). 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.
4. 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").
5. For over twenty years, the Hunters Point Naval Shipyard (the "Shipyard") has housed a community of artist studios (the "Artists Community"), consisting of approximately 250 artists and small businesses on 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").

6. 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.
7. In December 1996, the Navy obtained a Finding of Suitability to Lease ("FOSL") from the U.S. Department of Defense for the Premises. The FOSL stated that the Premises were suitable to lease subject to any lease restrictions necessary to protect human health and the environment.
8. On December 10, 1996, the Agency approved a Lease Agreement with the Navy (the "Master Lease") by Resolution No. 245-96. On December 31, 1996, the Navy and the Agency entered into the Master Lease.
9. 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.
10. 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 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.
11. On December 19, 2006, pursuant to 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.
12. The Navy commenced its remediation efforts in Parcel D in spring 2007, which necessitated the Parcel D artists, most of whom are architectural welders, to vacate Buildings 323, 366, and 435. The Point and its sub-tenant welders vacated the Shipyard on February 28, 2007. On February 20, 2007, pursuant to Resolution Nos. 13-2007 and 14-2007, the Master Lease and Sublease Agreement were amended to remove Buildings 323, 366, and 435 from the lease premises and extend the term through December 31, 2007.
13. Since its initial approval, the Agency and Navy have made six amendments to the Master Lease. The Agency Commission, however, has approved only those amendments that constituted material changes.

14. On December 18, 2007, pursuant to Resolution Nos. 133-2007 and 134-2007, the terms of the Master Lease and Sublease Agreement were extended to June 30, 2008 to give the Navy time to obtain a FOSL from the U.S. Department of Defense prior to entering into a new master lease with the Agency for the Artists Community Premises located on Parcel B.
15. The FOSL was issued on February 4, 2008; however, several issues have to be resolved prior to the finalization of the new master lease.
16. On the basis of the foregoing, Agency staff seeks approval of Amendment No. 7 to the Master Lease for the purpose of extending the term through August 30, 2008. All other terms and conditions of the Master Lease will remain unchanged.
17. Agency authorization of an amendment to the Master Lease with the Navy is categorically exempt under the California Environmental Quality Act Guidelines, Section 15301 because it constitutes the leasing of existing structures and involves no expansion or change of use.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to enter into and execute Amendment No. 7 to the Master Lease with the United States Department of the Navy to extend the term through August 30, 2008, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel