

RESOLUTION NO. 87-2008

Adopted August 19, 2008

AUTHORIZING A MASTER LEASE WITH THE UNITED STATES DEPARTMENT OF THE NAVY FOR BUILDINGS 103, 104, 115, 116, 117, 125 AND ASSOCIATED LAND FOR A PERIOD OF THREE YEARS; HUNTERS POINT SHIPYARD REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. For more than 20 years, the former Hunters Point Naval Shipyard (the "Shipyard") has housed a community of artist studios and small businesses located in a number of buildings on Parcels A, B, and D (the "Artists' Community"). When the Shipyard became a redevelopment project area in 1997, the United States Department of the Navy (the "Navy") began transferring property management responsibility for the Artists' Community to the Redevelopment Agency of the City and County of San Francisco (the "Agency").
2. In anticipation of this transfer of property management responsibility to the Agency, the Navy and the Agency entered into a master lease in December 1996 which transferred the responsibility for leasing the Artists' Community to the Agency (the "Master Lease"). The Agency, in turn, subleased the buildings comprising the Artists' Community to Patterns Limited, Inc. (The Point), a privately run artists' colony (the "Sublease Agreement"). The Master Lease and the Sublease Agreement expire on August 30, 2008.
3. As Shipyard property gets transferred from the Navy to the Agency, either through a conveyance or lease, the Agency requires the Shipyard's master developer, Lennar-BVHP, LLC ("Lennar"), to take over property management responsibilities through what is called the "Interim Lease," which was executed in December 2004. This requirement is included in the Phase I Disposition and Development Agreement between the Agency and Lennar. Currently, only two of the Artists' Community buildings on Parcel A are included in the Interim Lease.
4. In June of this year, Parcel B was determined to be suitable to lease by the various regulatory authorities governing the Shipyard. This determination is called a Finding of Suitability to Lease, or FOSL. Once a FOSL is issued, the Navy can transfer leasing responsibilities to the Agency through the Master Lease, and the Agency can transfer the leasing responsibilities to Lennar through the Interim Lease. As a result, the Navy, the Agency and Lennar wish to enter into a new Master Lease and a First Amendment to the Interim Lease to accommodate the Artists' Community buildings located on Parcel B.

5. The Agency and the Navy desire to enter into a new Master Lease instead of amending the existing Master Lease because the existing Master Lease was amended so many times, mostly to change the premises and/or the lease expiration date. The new Master Lease will have a three-year term, which is the estimated time required for the various regulatory authorities to complete the next phase of analysis after a FOSL, which is called a Finding of Suitability to Transfer, or FOST, for Parcel B. Once the FOST is issued, there no longer will be a need for a Master Lease because Lennar will own the Parcel B property.
6. All costs associated with Lennar's property management responsibilities for the Artists' Community buildings located on Parcels A and B under the Interim Lease will be borne by Lennar. The proposed new Master Lease and First Amendment to the Interim Lease will have no budgetary impact on the Agency.
7. Agency authorization of the new Master Lease with the Navy is categorically exempt under Section 15301 of the California Environmental Quality Act Guidelines because it involves the leasing of existing structures with no expansion or change of use.
8. Staff recommends authorizing the new Master Lease for the Artists' Community buildings located on Parcel B (Buildings 103, 104, 115, 116, 117, and 125).

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to execute a Master Lease with the United States Department of the Navy for Buildings 103, 104, 115, 116, 117, 125 and associated land for a period of three years, substantially in the form lodged with the Agency General Counsel, and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

APPROVED AS TO FORM:

for 

James B. Morales
Agency General Counsel