

**RESOLUTION NO. 7 -2013**  
**Adopted April 2, 2013**

**AUTHORIZING A FIRST AMENDMENT TO THE MASTER LEASE WITH THE U.S. DEPARTMENT OF THE NAVY FOR PARCEL B, TO EXTEND THE TERM FROM OCTOBER 2, 2011 TO THE EARLIER OF JUNE 30, 2016 OR UPON THE CONVEYANCE OF PARCEL B TO THE OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE; HUNTERS POINT SHIPYARD REDEVELOPMENT PROJECT AREA**

WHEREAS, The Hunters Point Shipyard (the “Shipyard”), a former naval base, is a master-planned community of approximately 500 acres located along the southeastern waterfront of San Francisco. The Board of Supervisors originally adopted the Redevelopment Plan in 1997 and amended it in 2010 to provide for the integrated planning and development of the Shipyard and the Candlestick Point portion of the Bayview Hunters Point Redevelopment Project Area. Transfer of property by the U.S. Department of the Navy (“Navy”) to the Office of Community Investment and Infrastructure as Successor Agency to the San Francisco Redevelopment Agency (“OCII”) and redevelopment of the property will occur in phases after the Navy’s completes environmental remediation; and,

WHEREAS, For more than 20 years, the Shipyard has housed a community of artist studios and small businesses located in a number of buildings on various parcels on the Shipyard (the “Artists’ Community”).When the Shipyard became a redevelopment project area in 1997, the Navy began transferring property management responsibility for the Artists’ Community to the San Francisco Redevelopment Agency (“SFRA”).In anticipation of this transfer of property management responsibility to SFRA, the Navy and the SFRA entered into a master lease in December 1996 which transferred the responsibility for leasing the Artists’ Community from the Navy to the Agency (the “Master Lease”).

WHEREAS, As Shipyard property gets transferred from the Navy to OCII, either through a conveyance or lease, OCII requires HPS Development Co, LP (the “Developer” or “Lennar”) to take over property management responsibilities at no costs to OCII. This is a requirement of the 2003 Phase 1 Disposition and Development Agreement’s Interim Lease between SFRA and Lennar (the “Phase 1 DDA” and the “Interim Lease”).The Interim Lease, which was entered into in December 2004, expires when all the land at the Shipyard has transferred from the Navy to OCII and development agreements for those parcels have been executed.

WHEREAS, The Master Lease expired in August 2008 and accordingly SFRA entered into a new Master Lease with the Navy for the remaining Navy portion (Parcel B) of the Artists’ Community area for a term ending on October 1, 2011. Concurrently in August 2008, SFRA executed a First Amendment to

the Interim Lease to amend the scope of the Interim Lease to include the Artists' Community area as part of Lennar's property management responsibility. The Interim Lease requires Lennar to provide property management services to the Artists' Community at the Shipyard at no cost to OCII.

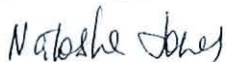
WHEREAS, The time extension to the Master Lease with the Navy will enable OCII to maintain the tenancy of the approximately 120 artists that have studios on Parcel B. The First Amendment, a copy of which is on file with the Commission Secretary, will extend the Master Lease's duration from October 2, 2011 to June 30, 2016 or upon the conveyance of Parcel B to the OCII, whichever is sooner. The rent under the Master Lease is approximately \$17,500 per month payable to the Navy. The Navy's Master Lease rent and all the property management costs associated with Lennar's property management of the Artists' Community are borne by Lennar through the Interim Lease. Extending the term of the Master Lease with the Navy will not require any change to the Interim Lease with Lennar.

WHEREAS, The Master Lease with Navy is an enforceable obligation under the Dissolution Law. The Master Lease is shown on line HPSY 78 of the approved Recognized Obligation Payment Schedule ("ROPS") for January to June 2013, which was approved by the Oversight Board and the Department of Finance. OCII is obligated under the 2004 Conveyance Agreement with the Navy and the Phase 2 DDA to lease Parcel B to ensure the legal tenancy of the Artists' Community and maintain site control to make certain that the development planned on Parcel B occurs. The Master Lease is in furtherance of these enforceable obligations of OCII. On December 14, 2012, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code § 34177.5 (i), that the Phase 1 DDA and the Phase 2 DDA are enforceable obligations that survived the dissolution of the Redevelopment Agency.

WHEREAS, Commission authorization of the First Amendment to the Master Lease with the Navy are categorically exempt under Section 15301 of the California Environmental Quality Act Guidelines because they involve the leasing of existing structures with no expansion or change of use.

RESOLVED, That the Commission approves the First Amendment, and authorizes OCII to enter into the First Amendment, substantially in the form on file with the Commission Secretary, together with such changes that do not materially increase the obligations of OCII or materially reduce the benefits to OCII, and authorizes OCII to take all actions necessary or appropriate to implement the First Amendment.

I hereby certify that the foregoing resolution was adopted by the Commission on Community Investment and Infrastructure at its meeting of April 2, 2013.



Board Secretary