RESOLUTION NO. 6-2015
Adopted March 23, 2015

CONDITIONALLY AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A MEMORANDUM OF AGREEMENT WITH THE PORT OF SAN FRANCISCO REGARDING TERMINATION OF GROUND LEASES IN THE FORMER RINCON POINT – SOUTH BEACH REDEVELOPMENT PROJECT AREA AND PROVIDING THAT THE PORT ASSUME MAINTENANCE AND OPERATION OF SOUTH BEACH HARBOR, RINCON PARK, AND OTHER IMPROVEMENTS, SUBJECT TO APPROVAL BY THE CALIFORNIA STATE LANDS COMMISSION AND DEPARTMENT OF FINANCE

WHEREAS, To implement the Rincon Point – South Beach Redevelopment Plan, between 1984 and 2002, (i) the former San Francisco Redevelopment Agency (“SFRA”) entered into 16 ground leases with the Port of San Francisco (“Port”) for premises within the Rincon Point-South Beach Project Area; (ii) the SFRA developed on the premises two waterfront parks, a 700-slip small boat marina harbor known as South Beach Harbor, mixed-income housing, and retail projects; and (iii) the Port assigned to the SFRA a lease that the Port previously entered into with the Ships Clerks Association of the I.L.W.U. Together the leases described in (i), (ii) and (iii) are “Port Leases”; and,

WHEREAS, The construction of South Beach Harbor was financed through an issuance of $23.9 million in Variable Rate Demand Refunding Bonds, 1986 Issue A maturing in December 2016 (“Revenue Bonds”), and three California Division of Boating and Waterways (“Cal Boating”) loans totaling $8 million, maturing in 2034, 2035 and 2036; and,

WHEREAS, State legislation authorized the Port to enter into ground leases with SFRA of Public Trust land for the purpose of redevelopment activities. Chapter 310 of the California Statutes of 1987 requires that upon the completion of the last of the improvements proposed by the Redevelopment Plan, the SFRA offer to terminate the ground leases, and the Port to accept the termination, unless to do so would not be in the best interests of the Public Trust, and further provides that the SFRA may terminate the ground leases prior to completion of these improvements if the Port first obtains the concurrence of the California State Lands Commission that the termination is in the best interest of the Public Trust; and,

WHEREAS, By 2007, the SFRA had substantially completed the redevelopment objectives for the Rincon Point – South Beach Project Area other than certain public access improvements required to be completed by December 31, 2017 under the San Francisco Bay Conservation and Development Commission (“BCDC”) permit authorizing the development of South Beach Harbor, which public access improvements have not been completed due to lack of public funding or private investments; and,
WHEREAS, Through a series of State legislative and court actions, the State’s redevelopment agencies, including the SFRA, were dissolved effective February 1, 2012, and their activities, including the eventual wind-down of their operations, were taken over by successor agencies; and,

WHEREAS, Pursuant to California Health & Safety Code § 34181(a), successor agencies are directed to “transfer ownership of assets that were constructed and used for a governmental purpose...to the appropriate public jurisdiction pursuant to any existing agreement relating to the construction or use of such an asset...expeditiously and in a manner aimed at maximizing value...”; and,

WHEREAS, Since dissolution in February 2012, the Successor Agency to the SFRA (“Successor Agency”) and the City have worked to develop a transition plan to wind down former SFRA operations on land leased from the Port, and since July 1, 2012, the Port has been managing South Beach Harbor on behalf of the Successor Agency; and,

WHEREAS, This Oversight Board approved the long range property management plan (“PMP”) which proposes to terminate the Port Leases and transfer the asset back to the Port; and,

WHEREAS, The Successor Agency and Port staff have negotiated a Memorandum of Agreement described in the Staff Memorandum to transfer the former SFRA assets and operations on Port land in the Rincon Point-South Beach Project Area in a manner that is in the best interests of the Public Trust, the Port and the taxing entities; and,

WHEREAS, The Memorandum of Agreement provides for, among other things, (i) termination of the ground leases and certain related agreements between the Port and the SFRA associated with the Rincon Point-South Beach Project Area upon the satisfaction of certain conditions precedent described in the Memorandum of Agreement and; (ii) conversion of SFRA’s tenant subleases under the ground leases into direct leases between the Port and the SFRA’s subtenants; (iii) reassignment of the Ships Clerks Association lease to the Port; (iv) termination of all of the agreements between the Port and SFRA relating to Rincon Park, and transfer of the Cupid’s Span sculpture to the Port; (v) the Port’s assumption of the SFRA’s obligations under the BCDC permit and the Cal Boating loans; and (vi) the establishment of financial terms between the Port and OCII until repayment of the Revenue Bonds; and,

WHEREAS, The Memorandum of Agreement is consistent with the section of the PMP entitled “Land Leases from the Port of San Francisco,” Tab 5D of Exhibit A to Oversight Board Resolution No. 12-2013 (Attachment 2). The PMP is awaiting final review and approval by DOF; and

WHEREAS, Approval of the attached Memorandum of Agreement is not a “Project,” as defined by the California Environmental Quality Act (“CEQA”) Guidelines Sections 15378(b)(4) and 15378(b)(5). Actions related to the proposed Grant Agreement will not independently result in a physical change in the environment are not subject to environmental review under CEQA; now, therefore, be it

RESOLVED, That the Executive Director of the Successor Agency is hereby authorized to execute the Memorandum of Agreement substantially in the form of Attachment 1
to this resolution and subject to approval by the California State Lands Commission and Department of Finance.

I hereby certify that the foregoing resolution was adopted by the Oversight Board at its meeting of March 23, 2015.

Board Secretary

**Attachment 1:** Memorandum of Agreement (MOA) between the Successor Agency to the San Francisco Redevelopment Agency of the City and County of San Francisco and the Port of San Francisco

**Attachment 2:** Long Range Property Management Plan, Tab 5D of Exhibit A to Oversight Board Resolution No. 12-2013 (November 25, 2013).
MEMORANDUM OF AGREEMENT REGARDING TERMINATION OF LEASES
RELATING TO SOUTH BEACH PROPERTY AND RINCON PARK

THIS MEMORANDUM OF AGREEMENT REGARDING TERMINATION OF LEASES RELATING TO SOUTH BEACH PROPERTY AND RINCON PARK (this "Agreement") is made and entered into as of the day of , 2015, by and between the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, organized and existing under the laws of the State of California (the "Successor Agency"), also known as the Office of Community Investment and Infrastructure, and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "City"), acting by and through the San Francisco Port Commission (the "Port").

RECITALS

A. In accordance with the California Community Redevelopment Law, California Health and Safety Code section 33000 et. seq., the City created the Redevelopment Agency of the City and County of San Francisco (the "Redevelopment Agency") and approved redevelopment plans to alleviate blight in various parts of the City. For more than 60 years, the Redevelopment Agency was engaged in state-authorized activities to implement those plans.

B. The Redevelopment Agency played a critical role in alleviating physical and economic blight in disadvantaged neighborhoods in San Francisco by attracting private investment and leveraging public resources to increase the City's supply of affordable housing, improve public facilities and infrastructure, create jobs and expand the local economy.

C. The Board of Supervisors of the City and County of San Francisco ("Board of Supervisors") originally approved the Redevelopment Plan for the Rincon Point – South Beach Project Area ("Original Redevelopment Plan") by adopting Ordinance No. 14-81 on January 5, 1981. Since then, the Board of Supervisors has amended the Original Redevelopment Plan ten times. (The Original Redevelopment Plan, as so amended, is referred to herein as the "Redevelopment Plan.") The objectives of the Redevelopment Plan broadly include, among other things, providing for the creation of two major waterfront parks, a small boat harbor, restoration and adaptive re-use of certain structures, mixed-income housing, a major league ballpark, and other redevelopment consistent with the standards and guidelines contained in the document entitled Design for Development Rincon Point – South Beach Redevelopment Project ("Design for Development"). The Design for Development establishes zoning and land use standards for new construction and the rehabilitation of buildings in the area covered by the Redevelopment Plan.

D. The City, through its Port, owns and holds in trust certain waterfront real property pursuant to Chapter 1333 of the California Statutes of 1968, as amended (the "Burton Act"), and that certain agreement dated January 24, 1969, between the State of California and the City, with respect to the transfer in trust to the City of the lands described and referred to in the Burton Act. Under this public trust, the Port owns and controls certain waterfront real property, which may be either tidal and submerged lands or areas that were formerly tidal or submerged lands, for the purpose of protecting the public's interest in commerce, navigation, and fisheries ("Public Trust"). Section B3.581 of the San Francisco Charter empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction (collectively, the "Port Lands").
E. In 1987, the California Legislature authorized the City to lease certain Port Lands, subject to the Burton Act, to the Redevelopment Agency for the purpose of implementing the Redevelopment Plan. Chapter 310 of the California Statutes of 1987 ("Chapter 310").

F. Between 1984 and 2002, the Port and the Redevelopment Agency entered into 15 ground leases identified on Exhibit 1, attached hereto (collectively, the "South Beach Leases") for certain Port Lands depicted on Exhibit 2A and 2B, attached hereto (the "South Beach Property"). The various South Beach Leases contain similar terms and conditions providing for, among other things, an effective and economically feasible mechanism for the Redevelopment Agency to improve the South Beach Property through subleases by which third party subtenants would develop or rehabilitate particular sites ("Development Subleases"). The South Beach Leases also authorize subleases by which third party subtenants have the right to occupy certain Port property, but do not have an obligation under the subleases to develop it ("Occupancy Subleases"). The South Beach Leases have terms expiring in 2050 or providing for earlier termination under certain circumstances, including where improvements are complete. See e.g. Lease L-10892, Section 3 (a) (ii) (Dec. 7, 1984) ("The Agency shall terminate this Lease . . . once it has completed all of its development in the Rincon Point/ South Beach Redevelopment Project Area and has determined that such development will be satisfactorily maintained in the absence of its continued involvement."). Significantly, the South Beach Leases limit the financial obligations of the Redevelopment Agency to revenues that it receives from the Rincon Point-South Beach Project Area ("Project Area"); however, the Redevelopment Agency is obligated to use best efforts to obtain approval from the City’s Board of Supervisors to expend additional funds to discharge any and all of the Redevelopment Agency’s financial obligations under the South Beach Leases if the revenues from the Project Area are insufficient.

G. Chapter 310 requires the Redevelopment Agency, not later than the date of completion of the last of the improvements that are proposed by the Rincon Point-South Beach Redevelopment Project, to offer to terminate the South Beach Leases and further requires the Port to accept the termination unless to do so would not be in the best interests of the Public Trust. Chapter 310 also provides that the Redevelopment Agency may terminate the South Beach Leases prior to completion of these improvements if the Port first obtains the concurrence of the California State Lands Commission that the termination is in the best interest of the Public Trust in furtherance of which the Port Lands were granted to the City. Chapter 310 broadly refers to the Rincon Point-South Beach Redevelopment Project improvements as including “a 683-berth marina and harbor complex, two major shoreline parks, and transportation improvements to the Embarcadero and other streets” and certain “housing and commercial development” and refers to the “superior financing methods” of the Redevelopment Agency to complete these improvements.

H. In 1984, the San Francisco Bay Conservation and Development Commission ("BCDC") initially approved a permit authorizing the use of, and certain improvements to, areas covered by the South Beach Leases. Subsequently, the permit was amended seventeen times; the most recent amendment occurred in 2008. Amendment No. 17 to BCDC Permit 2-84 (November 5, 2008) ("BCDC Permit"). The Redevelopment Agency and the Port are co-permittees to the BCDC Permit, which currently requires “Phase Three Public Access Improvements” to be completed by December 31, 2017. The South Beach Leases require the Redevelopment Agency, at its sole cost and expense, to comply with all legal requirements, including any direction or occupancy certificate issued pursuant to any public officer or officers insofar as they relate to or affect the condition, use or occupancy of the leased premises; provided, however, that the Agency obligations were subject to the limitation, described in Recital F above, “that notwithstanding any provision of [the South Beach] Lease[s] to the contrary, all financial obligations of the Agency under [the Lease[s]] . . . shall be limited to revenues which the Agency derives from the Rincon Point-South Beach Redevelopment Project Area.”
Attachment 1, South Beach and Rincon Park Lease Terminations MOA, March 10, 2015

I. In connection with the development of the small boat harbor (the "South Beach Harbor Project"), the Redevelopment Agency issued Redevelopment Agency of the City and County of San Francisco/Variable Rate Demand Refunding Bonds, 1986 Issue A (South Beach Harbor Project) (the "Bonds") in the aggregate amount of $23,900,000. The maturity date of the Bonds is December 1, 2016 and the annual debt service payment on the Bonds is approximately $1,378,000 per year (each, a “Bond Debt Service Payment”). Under the Bond’s Indenture of Trust dated December 1, 1986 (“Bond Indenture”), the Bonds are a special obligation of the Redevelopment Agency secured only by Net Revenues (as defined in the Bond Indenture) that the Redevelopment Agency receives from the South Beach Harbor Project. Net Revenues include tax increment from the South Beach Harbor Project and all income and receipts derived by the Redevelopment Agency from the operation of the South Beach Harbor Project after payment of Operating Expenses (as defined in the Bond Indenture). The Redevelopment Agency established a dedicated bank account with Wells Fargo (#4121853444) to receive South Beach Harbor deposits and revenues and to pay operating expenses (“SBH Bank Account”).

J. The Redevelopment Agency and the City also financed development of the South Beach Harbor Project with construction loans in the aggregate amount of $8,000,000 (collectively, the "Cal Boating Loans") from the California State Parks Division of Boating and Waterways (formerly the California Department of Boating and Waterways) ("Cal Boating") pursuant to the Small Craft Harbor Construction Loan and Operation Contract dated July 23, 1983, between the Redevelopment Agency and Cal Boating (as amended from time to time, the "Cal Boating Agreements"). The Cal Boating Loans define the borrower to include both the Redevelopment Agency and the City and provides, among other things, for changes in the ownership or control of the harbor with advance written approval from Cal Boating. Repayment of the Cal Boating Loans is secured by revenues from the harbor and is subordinate to repayment of the Bonds. Tax increment is not to be used for repayment except in cases of repayment default. The Cal Boating Loans currently require payments of approximately $536,000 a year. Payment of principal and interest on the Cal Boating Loans is made in scheduled annual installments with the final installment due on August 1, 2036.

K. Pursuant to Lease L-7721 dated as of December 1, 1970 (as amended, the “Ship Clerks Lease”), the Port leased a portion of the South Beach Property to the Ship Clerks Association, I.L.W.U., Local 34. The Port assigned the Ship Clerks Lease to the Redevelopment Agency pursuant to an Assignment and Assumption Agreement dated as of December 20, 1994.

L. The Port Lands also include certain real property depicted on Exhibit 2B, attached hereto (the "Rincon Park Property"). The Rincon Park Property is included in the Rincon Point sub-area of the Redevelopment Plan. The Port ground leases the Rincon Park Property to the Redevelopment Agency under Lease Agreement L-15221 dated September 7, 2001 (the "Rincon Park Lease"). The Rincon Park Property has been improved with a public park known as "Rincon Park."

M. Rincon Park also encompasses a small portion of Herb Caen Way (the “Encroachment Area”), which is subject to a Revocable Encroachment Permit (the “Encroachment Permit”) between the Redevelopment Agency and the Port dated September 7, 2001. The Encroachment Area and several Street Lamps located along a portion of Herb Caen Way are required to be maintained by the Redevelopment Agency pursuant to the Encroachment Permit and the Rincon Park Street Lamps Agreement between the Redevelopment Agency and the Port dated September 7, 2001. The Redevelopment Agency also is required to provide security and landscaping maintenance for the area of Rincon Park immediately surrounding the public restroom pursuant to the Rincon Park Public Restroom Security Agreement between the Redevelopment Agency and the Port dated September 7, 2001.

N. Rincon Park displays sculptured artwork created by Claes Oldenburg and Coosje Van Bruggen known as “Cupid’s Span” (the “Sculpture”). D&D Foundation, a charitable trust (the “Foundation”), granted the Sculpture to the Redevelopment Agency and installed the Sculpture at Rincon Park in accordance with the Grant Agreement dated September 4, 2001,
between the Foundation and the Redevelopment Agency. Under the Grant Agreement, the Redevelopment Agency may transfer ownership of the Sculpture to any other agency of the State of California or the City contemporaneously with a transfer of the Rincon Park Property, provided that such transfer is subject to the terms of the Grant Agreement. The Sculpture is required to be maintained by the Redevelopment Agency pursuant to a Letter Agreement between GPS Management Services, Inc. ("GPS") and the Redevelopment Agency dated September 7, 2001, which provides for GPS' funding of maintenance and repair of the Sculpture for the initial 65 year term of the Rincon Park Lease (the "Letter Agreement").

O. The Port maintains and manages Rincon Park, including the Encroachment Area, the Street Lamps and the Sculpture, pursuant to the Rincon Park Maintenance and Management Agreement (the "Rincon Park Management Agreement") dated as of January 2, 2003, between the Redevelopment Agency and the Port. The Rincon Park Lease, the Rincon Park Management Agreement, the Encroachment Permit, the Rincon Park Street Lamps Agreement, and the Rincon Park Public Restroom Security Agreement are collectively referred to in this Agreement as the "Rincon Park Agreements."

P. By 2007, the Redevelopment Agency had substantially achieved the objectives of the Redevelopment Plan, including completion of major public and private improvements by investing millions of dollars of tax increment and other revenues and approving new development in the Project Area. Significantly, it also had reached the Redevelopment Plan’s limitations on the amount of debt that it could incur ($100,000,000) and the amount of total tax increment revenues that it could receive cumulatively over the life of the Redevelopment Plan for redevelopment activities ($230,000,000). See Ordinance No. 115-07, Section 1. a. & b. (May 18, 2007). Among the substantially completed improvements for the South Beach Harbor Project were the small boat harbor consisting of approximately 700 berths and incidental facilities in the South Beach Sub-Area where Piers 42, 44 and 46A had been located.

Q. As a result of the substantial completion of the Project Area and the tax increment limitations described in Recital P above, the Board of Supervisors limited, by Ordinance No. 115-07 (May 18, 2007), the Redevelopment Agency’s use of additional tax increment revenue from the Project Area to financing its unfulfilled Affordable Housing Obligations under Community Redevelopment Law and paying preexisting indebtedness.

R. Certain land use and zoning standards in the Design for Development applicable to new development proposals were not implemented because of a lack of public funding or private investment. In particular, the Urban Design Guidelines of the Design for Development required that if and when Pier 40 was developed the new development should "provide continuous peripheral public access along the water sides of Pier 40, including sitting and fishing areas except for portions of the pier which may remain in ship repair use and related activities, where such public access might conflict. A prominent sitting area should be located at the eastern end of the pier." Design for Development, Section IV. B. at p. 9. The Urban Design Guidelines of the Design for Development, however, did not impose an affirmative obligation on the Redevelopment Agency to complete the Pier 40 Improvements in the absence of development proposals for Pier 40.

S. Under Assembly Bill No. X1 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26") and the California Supreme Court's decision in California Redevelopment Association v. Matosantos, No. S194861, all redevelopment agencies in the State, including the Redevelopment Agency, were dissolved by operation of law as of February 1, 2012. The redevelopment agencies' non-affordable housing assets and obligations and certain retained housing obligations were transferred to certain designated successor agencies. AB 26 charged the successor agencies with satisfying enforceable obligations of the former redevelopment agencies, preserving their assets for the benefit of taxing entities and winding up their affairs, under the supervision of a new oversight board and review by the State Department of Finance and State Controller. AB 26 defined enforceable obligations to include, among other...
Under the original terms of AB 26, the City became the successor agency. But in June 2012, the California Legislature adopted legislation amending AB 26 known as Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12, Regular Session) ("AB 1484"), and on June 27, 2013 the Governor signed that bill, which went into effect immediately. AB 26 and AB 1484 are primarily codified in Part 1.8 (commencing with Section 34161 of the Health and Safety Code) and Part 1.85 (commencing with Section 34170 of the Health and Safety Code), as amended from time to time, and are collectively referred to in this Agreement as the "Redevelopment Dissolution Law." While the City, as the sponsoring community, was the successor agency under AB 26, AB 1484 changed that definition of successor agency and provided, among other things, that successor agencies are separate public entities from the public agencies that provide for their governance and the two entities shall not merge and that the liabilities of the former redevelopment agencies shall not be transferred to the sponsoring entities and the (non-housing) assets shall not become assets of the sponsoring entities, but shall become the liabilities and assets of the successor agency.

The City implemented AB 1484 in Board of Supervisors Ordinance No. 215-12, which, among other things, provides that the Successor Agency shall act in the place of the former Commission of the dissolved Redevelopment Agency to implement, modify, enforce and complete the surviving redevelopment projects, approve contracts and actions related to the Successor Agency’s assets, and take any action that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency and any other action that the Successor Agency deems appropriate with the Redevelopment Dissolution Law to comply with such obligations.

By operation of law under AB 1484 and as provided in Ordinance No. 215-12, the Successor Agency is now the successor agency to the former Redevelopment Agency and is distinct from the City, including its Port, but is still subject to the governance of the City acting through its legislative capacity.

Under AB 1484, a successor agency, as directed by its oversight board, has the obligation to dispose of assets and properties of the former redevelopment agency expeditiously and in a manner aimed at maximizing value for the taxing entities; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of assets pursuant to existing enforceable obligations relating to the construction or use of the asset. On November 25, 2013, the Oversight Board for the City and County of San Francisco approved a long range property management plan ("PMP") for the Successor Agency that calls for the termination of the South Beach Leases and the Rincon Park Lease under the terms of Chapter 310 and the leases themselves because the Rincon Point – South Beach Redevelopment Project is substantially complete with the exception of repaying the Bonds and providing the public access improvements required under the BCDC Permit. Oversight Board Resolution No. 12-2013, Exhibit A, Tab 5D. Both Chapter 310 and the South Beach Leases are enforceable obligations under Cal. Health & Safety Code § 34171 (d) (1).

In addition, AB 1484 provides for the transfer of assets for governmental use. Cal. Health & Safety Code § 34191.3. The South Beach Leases and the related improvements constructed on the South Beach Property are assets constructed and used for a governmental purpose because they fulfill the Public Trust as required under Chapter 310 and provide public improvements, such as a park, walkways, streets, and access to the San Francisco Bay. The Rincon Point Agreements and the related improvements constructed on the Rincon Park Property are also assets constructed and used for a governmental purpose because they provide open space, artwork, and infrastructure dedicated for public access and benefit.

On July 1, 2012, the Port commenced operating and managing the South Beach Property and the Rincon Park Property on behalf of the Successor Agency. Consistent with
Chapter 310, the South Beach Leases and the Redevelopment Dissolution Law, the parties now desire to terminate the South Beach Leases for all of the South Beach Property including the South Beach Harbor Project. The parties also desire to terminate the Rincon Park Agreements on the terms described in this Agreement. The Successor Agency has determined that the last of the improvements proposed by the Redevelopment Plan are substantially complete with the exception of repaying the Bonds and providing the public access improvements required under the BCDC Permit, and the Port has determined that termination of the South Beach Leases and the Rincon Park Agreements prior to full completion is in the best interest of the Public Trust.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Successor Agency and the Port agree as follows:

1. **EFFECTIVE DATE.** The Effective Date of this Agreement and the parties’ rights and obligations hereunder shall be the latest of (a) the date on which this Agreement is approved by the Oversight Board, if the California Department of Finance (“DOF”) does not request to review this Agreement within the five-day statutory review period provided under the Redevelopment Dissolution Law, (b) the date on which this Agreement is approved by DOF if DOF does request to review this Agreement within the five-day statutory review period provided under the Redevelopment Dissolution Law, (c) the date on which this Agreement is approved by the Port Commission, or (d) the date on which all of the Closing Conditions described in Section 10 below have been satisfied or mutually waived in writing by the Port and the Successor Agency. This Agreement shall terminate on the earlier of June 30, 2017 or the date the Bonds are paid in full, subject to any rights and obligations that specifically survive the termination under the terms of this Agreement.

2. **SOUTH BEACH PROPERTY.**

2.1. **Termination of South Beach Leases.** On the Effective Date, all of the South Beach Leases are hereby terminated, neither the Successor Agency nor the Port shall have any rights or obligations under the South Beach Leases other than any rights or obligations that specifically survive termination under the terms of the South Beach Leases. The Port acknowledges that the Successor Agency has entered into Development Subleases and Occupancy Leases for portions of the premises subject to the South Beach Leases as described on Exhibit 1, attached hereto. As provided in the South Beach Leases, the Development Subleases and the Occupancy Leases, the termination of South Beach Leases shall not result in a termination of the Development Subleases or the Occupancy Leases, and the subtenants under the Development Subleases and the Occupancy Leases shall attorn to the Port and their subtenancies shall continue as direct leases between the Port and the subtenants identified in the Development Subleases and the Occupancy Leases. On the effective date, all Successor Agency facilities at the leased properties used for South Beach Harbor operations and their associated fixtures and furnishings, including computers and other equipment, shall transfer to the Port.

2.2. **Transfer of SBH Security Deposits.** Immediately following the Effective Date of this Agreement, the Successor Agency shall cooperate to transfer any security deposit balances in the SBH Bank Account to a City account designated by the City Controller or Treasurer controlled by the Port for the benefit of the South Beach Harbor Project.

2.3. **Assignment of Ship Clerks Lease.** As of the Effective Date, the Successor Agency hereby assigns to the Port all of its right, title and interest in and to the Ship Clerks Lease. From and after the Effective Date, the Successor Agency shall not have any rights or obligations under the Ship Clerks Lease other than any rights or obligations arising prior to the Effective Date.
2.4. **BCDC Permit.** As of the Effective Date, the Successor Agency shall not have any obligation to complete the Phase Three Public Access Improvements required under the BCDC Permit, and the Port shall assume such obligation.

3. **RINCON PARK AGREEMENTS.**

3.1. **Termination of Rincon Park Agreements.** As of the Effective Date, the Rincon Park Agreements are hereby terminated. From and after the Effective Date, neither the Successor Agency nor the Port shall have any rights or obligations under the Rincon Park Agreements other than any rights or obligations that specifically survive termination under the terms of the Rincon Park Agreements. Full jurisdiction over the Rincon Park Property, including Rincon Park, shall revert to the Port as of the Effective Date and the Port shall be responsible for the operation and management of such property.

3.2. **Rincon Park Artwork.** Works of art, including the Sculpture and other sculptures, bas-relief, murals, mosaics, decorative water features, tapestries or other artworks (collectively, "Artwork"), have been placed on the Rincon Park Property. Notwithstanding the terms of Section 12.2 of the Rincon Park Lease, the Successor Agency shall not have any right to remove any of the Artwork (including the Sculpture) from the Rincon Park Property and the Successor Agency shall quitclaim all of its right, title and interest in the Artwork (including the Sculpture) to the Port subject to Section 4 of the Grant Agreement and in accordance with Section 4 below.

3.3. **Maintenance of the Sculpture.** The Sculpture is required to be maintained by the Redevelopment Agency pursuant to the Letter Agreement between GPS and the Redevelopment Agency described in Recital N above, which provides for GPS’ funding of maintenance and repair of the Sculpture for the initial 65 year term of the Rincon Park Lease. As part of the Redevelopment Agency’s February 29, 2000 approval of the basic concept and schematic design for Rincon Park, the Redevelopment Agency required The Gap, or its assignee GPS, to execute a letter to the Redevelopment Agency describing The Gap’s maintenance and repair obligations for the Sculpture during the 65-year term of the Rincon Park Lease. As part of the termination of the Rincon Park Lease, the Letter Agreement will also terminate. As a Closing Condition under Section 10 below, the Successor Agency will have GPS execute an identical letter agreement addressed to the Port confirming GPS’ maintenance and repair obligations until August 31, 2066.

3.4. **Rincon Park Security.** Under the Disposition and Development Agreement (as amended, the "Gap DDA") dated January 10, 1995 between GPS, as successor-in-interest to The Gap, Inc., and the Redevelopment Agency, GPS agreed to provide the Redevelopment Agency with One Hundred Thousand Dollars ($100,000.00) per year (each, an "Annual Security Payment") for ten (10) years to fund the Redevelopment Agency's security obligations at Rincon Park, which the Port performs on behalf of the Redevelopment Agency in accordance with the Maintenance and Management Agreement. As a Closing Condition under Section 10 below, the Successor Agency will transfer the three (3) remaining Annual Security Payments to the Port.

4. **QUITCLAIM; ASSIGNMENT AND ASSUMPTION AGREEMENT.** Concurrently herewith, the Successor Agency shall deliver to the Port a duly executed and acknowledged (i) Quitclaim Deed in substantially the form attached hereto as Exhibit 3, quitclaiming all of its right, title and interest in the South Beach Leases, the Rincon Park Agreements, the South Beach Property and the Rincon Park Property, including all improvements constructed on the South Beach Property and the Rincon Park Property, all Artwork (including the Sculpture) placed on the Rincon Park Property, and all tangible and intangible personal property located on or used in connection with the operation and management of the South Beach Property and the Rincon Park Property; and (ii) Assignment of Lease in substantially the form
attached hereto as Exhibit 4, assigning to the Port all of its right, title and interest in and to the Ship Clerks Lease.

5. **OPERATION OF, AND COLLECTION OF PROJECT REVENUES FOR, THE SOUTH BEACH HARBOR PROJECT.**

5.1. **Collection of Project Revenues.** Subject to the terms of the Bond Indenture, the Port shall maintain and operate the South Beach Harbor Project and collect all income and receipts from the operation of the South Beach Harbor Project ("Project Revenues"). Project Revenues include fees, rentals for services and facilities and other amounts defined as "Revenues" in the Bond Indenture, with the exception of tax increment from the South Beach Harbor Project and income and revenues derived from investment of funds held by the Trustee under the Bond Indenture. For purposes of maintaining and operating the South Beach Harbor and collecting Project Revenues, the Port shall act as the agent of the Successor Agency under the Bond Indenture. The Port shall collect Project Revenues in accordance with the Port's Collection Policy and Accounts Receivable Write-Off Policy, to the extent that those policies are consistent with the Bond Indenture. The Port shall cause the South Beach Harbor Project to be designated a Special Facility under the indenture for the Port's Series 2014 Revenue Bonds and Project Revenues shall be deposited in a project account designated by the City Controller or Treasurer for the South Beach Harbor Project.

5.2. **Use of Project Revenues.** Project Revenues shall be used for the following obligations as they accrue in the following order of priority:

(a) First, to pay all costs and expenses defined as “Operating Expenses” in the Bond Indenture and incurred by the Port in connection with the operation, management and maintenance of the South Beach Harbor Project including, but not limited to, salaries, fringe benefits and overhead for Port employees assigned to the South Beach Harbor, and a commercially reasonable capital reserve;

(b) Second, to the Successor Agency to fund Bond Debt Service requirements remaining after application of tax increment revenues collected from South Beach Harbor and remaining available fund balance in the SBH Bank Account, in accordance with Section 5.3 below; and

(c) Third, to make debt service payments currently due and payable under the Cal Boating Loan.

5.3. **Bond Debt Obligation.** The Successor Agency shall be responsible for complying with all debt covenants and other requirements of the Bond Indenture. The Successor Agency will make Bond Debt Service Payments using the following sources until the Bonds are fully repaid:

(a) tax increment revenues collected from South Beach Harbor and pledged as security for the repayment of the Bonds (estimated at approximately $250,000 a year, net of AB 1290 pass-throughs);

(b) available fund balance remaining in the SBH Bank Account, after transfer to the Port of security deposits, in accordance with Section 2.2 above.

(c) Project Revenues provided by the Port, as described in Section 5.2 of this Agreement;

(d) with respect to the final Bond Debt Service Payment, from the reserve fund (including investment earnings thereon) held by the Bond Trustee with a balance of approximately $630,000 as of December 31, 2014.
5.4. Notwithstanding anything in this Agreement to the contrary, the Port shall not be required to advance any moneys derived from any source other than Project Revenues for repayment of the principal of the Bonds or interest thereon or any other purposes under the Bond Indenture.

6. **BOOKS AND RECORDS; AUDITS.**

   6.1. **Books and Records.** Port agrees to keep books and records for the South Beach Harbor Project, including segregated financial and budgetary accounting, in a manner that accommodates the preparation of separate financial reports for the South Beach Harbor Project that may be requested by the Successor Agency. The Port shall maintain all records with respect to all matters covered by this Agreement in accordance with the Port's customary records retention requirements.

   6.2. **Audits.** Upon at least fifteen (15) days prior written notice, during normal business hours and no more than once each Fiscal Year (or more if otherwise requested by the Successor Agency and agreed to by the Port in its sole discretion), the Port shall make available to the Successor Agency or its representatives for examination all records specifically related to this Agreement that are necessary and appropriate for the Successor Agency’s compliance with the Bond Indenture and applicable laws and regulations.

7. **INDEMNIFICATION.**

   7.1. **General.** The Port shall indemnify, defend and hold harmless the Successor Agency and its boards, commissions, officers and employees from any and all claims, damage, injury or loss arising out of the negligent acts or omissions or willful misconduct of the Port, its officers and/or employees in the performance of its obligations under this Agreement. The Successor Agency shall indemnify, defend and hold harmless the Port and the City and their respective boards, commissions, officers and employees from any and all claims, damage, injury or loss arising out of (i) the negligent acts or omissions or willful misconduct of the Successor Agency, its officers and/or employees in the performance of its obligations under this Agreement and (ii) the Successor Agency’s failure to perform any of its obligations under the Bonds. In the event of concurrent negligence of the Port or the City and the Successor Agency, the liability shall be apportioned under the California theory of comparative negligence as presently established or as may hereafter be modified.

   7.2. **Limitation on Liability.** In no event shall the Port, the City or the Successor Agency be liable, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including lost profits, arising out of or in connection with this Agreement or any activities performed in connection with this Agreement.

8. **INSURANCE.** The Port shall procure and maintain, as an Operating Expense, all insurance coverages required under the Bond Indenture and the Cal Boating Agreements and any additional coverages consistent with the Port’s customary practice or as required by the City's Risk Manager. All such policies shall be endorsed to name as additional insureds the Successor Agency, the Port, the City and their respective officers, directors, employees and agents, as well as all parties that are required to be named as additional insureds under the Bond Indenture and the Cal Boating Agreements.

9. **DEFAULT AND REMEDIES.**

   9.1. **Events of Default.** The occurrence of any one or more of the following events shall constitute an event of default by the defaulting party:

      (a) failure to pay when due any monetary amount due under this Agreement, which failure is not cured within thirty (30) days after receipt of written notice of the default; and
(b) failure to perform any other obligation under this Agreement, which failure is not cured within thirty (30) days after receipt of written notice of the default, provided, that if the default cannot be cured within thirty (30) days, the defaulting party shall not be in default under this Agreement if the defaulting party commences to cure the default within such thirty (30) day period and diligently and in good faith continues to cure the default.

9.2. Remedies. Upon the occurrence of a default that is not cured with the applicable cure period, the non-defaulting party may exercise any remedy available to the non-defaulting party at law or in equity by statute or otherwise.

10. COOPERATION; CLOSING CONDITIONS. The Port and the Successor Agency shall cooperate on matters related to the implementation of this Agreement. The parties agree to seek the concurrence of the State Lands Commission, Cal Boating, the Oversight Board, and the California Department of Finance to the extent that termination of the South Beach Harbor Leases and/or the Rincon Park Agreements requires the review or approval of those agencies. In particular, the Port and Successor Agency agree to secure, as conditions precedent to the Effective Date (“Closing Conditions”), (i) Cal Boating’s approval of (1) the Port as the only “Borrower” under the Cal Boating Loans, (2) the Port’s management of South Beach Harbor, (3) subordination of the Cal Boating Loans to the Port’s Revenue Bonds, (ii) GPS’ execution of the Sculpture maintenance letter described in Section 3.3 and delivery of the GPS Annual Security Payments to the Port as described in Section 3.4; (iii) the State Lands Commission’s concurrence that the termination of the South Beach Leases is in the best interests of the Public Trust; and (iv) the Port Commission’s designation of the South Beach Harbor Project as a Special Facility under its Revenue Bond Indenture.

11. CONTROLLER’S CERTIFICATION OF FUNDS. The terms of this Agreement shall be governed by and subject to the budget and fiscal provisions of the Charter of the City and County of San Francisco. Notwithstanding anything to the contrary contained in this Agreement, there shall be no obligation for the payment or expenditure of money by the Port or the Successor Agency under this Agreement unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the Charter of the City and County of San Francisco, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure.
IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

APPROVED AS TO FORM:

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic

By: ________________________________
   James B. Morales
   Interim General Counsel and Deputy Director

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through the San Francisco Port Commission

By: ________________________________
   Eileen M. Malley
   Deputy City Attorney

DENNIS J. HERRERA,
City Attorney

By: ________________________________
   Monique Moyer
   Port Executive Director

Exhibit 1  – List of South Beach Leases and Subleases
Exhibit 2A – Map of Leased Land (Port Leases - South Beach)
Exhibit 2B – Map of Leased Land (Port Leases – Rincon Point)
Exhibit 3 – Form of Quitclaim Deed
Exhibit 4 – Form of Assignment of Lease
## Rincon Point - South Beach Redevelopment Area Leases and Subleases

### South Beach Leases and Subleases

#### South Beach Harbor and Pier 40

<table>
<thead>
<tr>
<th>Lease Number</th>
<th>Sub-Area</th>
<th>Subtenant</th>
<th>Sub-Lease No.</th>
<th>Annual Rent</th>
<th>Expiration</th>
<th>Expiration</th>
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<td>Bay Area Cellular Telephone Co.</td>
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#### Inland Park Area

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<tr>
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<td>L-12079</td>
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#### SWL Leases

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<td>Steamboat Point Apartments</td>
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#### Rincon Point Leases

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mtm = month to month
EXHIBIT 2A
Map of Leased Land (Port Leases - South Beach)

Legend:

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<tr>
<th>Sub-areas</th>
<th>Leases</th>
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<tbody>
<tr>
<td>J</td>
<td>L-11337</td>
</tr>
<tr>
<td>K-1</td>
<td>L-11426</td>
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<tr>
<td>K-2</td>
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<tr>
<td>M-5</td>
<td>L-15245</td>
</tr>
<tr>
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<td>L-11183</td>
</tr>
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<td>N-1B</td>
<td>L-11595</td>
</tr>
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<td>N-1C</td>
<td>L-11654</td>
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<tr>
<td>N-2</td>
<td>L-10892</td>
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<td></td>
<td>L-15244</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-areas</th>
<th>Leases</th>
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</thead>
<tbody>
<tr>
<td>S-1</td>
<td>L-10891</td>
</tr>
<tr>
<td>S-2</td>
<td>L-11110</td>
</tr>
<tr>
<td>S-3</td>
<td>L-15250</td>
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<tr>
<td>S-4</td>
<td>L-11409</td>
</tr>
<tr>
<td>S-6</td>
<td>L-15246</td>
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</table>
EXHIBIT 2B
Map of Leased Land (Port Leases - Rincon Point)

HERB CAEN PROMENADE

RINCON PARK
(SWL 327)
LEASE L-15221

RESTAURANT

ADDITIONAL PARK SITE
(SWL 347S)

LINE OF PORT JURISDICTION

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

REDEVELOPMENT AGENCY

DRAWN BY: ECC
CHECKED BY: L. BROWN
DATE: JAN 6, 2015
SCALE: 1"=160'
PLACE CODE NO. 3270-00
SHEET NO. OF SHEETS

G:\06 PROPERTY FILES\Lease Maps\EXHIBITS-SWL\SWL_327.prt
QUITCLAIM DEED
(Assessor’s Parcel Nos. __, Block ___)

FOR VALUABLE CONSIDERATION, receipt and adequacy of which are hereby acknowledged, the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic (“Grantor”), also known as the Office of Community Investment and Infrastructure, hereby RELEASES, REMISES AND QUITCLAIMS TO THE CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its Port Commission, any and all right, title and interest Grantor may have in and to the real property located in the City and County of San Francisco, State of California, described on Exhibit A attached hereto and made a part hereof.

Executed as of this _______ day of __________, 2014.

Authorized by Agency Resolution No. _______ adopted __________, 2014

Oversight Board Resolution No. _______ adopted __________, 2014

APPROVED AS TO FORM:

By: __________________________
    Tiffany Bohee
    Executive Director

By: __________________________
    James B. Morales
    Interim General Counsel and Deputy Director
CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the QUITCLAIM DEED dated __________ from the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic, also known as the Office of Community Investment and Infrastructure, to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through the Port Commission ("Grantee"), is hereby accepted under the authority of Board of Supervisors Ordinance No. 215-12, and Grantee consents to recordation thereof by its duly authorized officer.

Dated: ______________________

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, acting by and through its Port Commission

By: ______________________

Monique Moyer
Port Executive Director
EXHIBIT 3

State of California )
 ) ss
County of San Francisco )

On ____________________, before me, ____________________________, a notary public in and for said State, personally appeared ____________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ____________________________ (Seal)
EXHIBIT A

Legal Description of the Property
ASSIGNMENT OF LEASE
(Ship Clerks Association)

THIS ASSIGNMENT OF LEASE is made and entered into as of the ______ day of ________, 2014 ("Effective Date"), by and between the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic ("Assignor"), also known as the Office of Community Investment and Infrastructure, and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its Port Commission ("Assignee").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the Effective Date above, Assignor assigns and transfers to Assignee all of Assignor’s right, title, claim and interest in the lease agreement (Lease L-7721) dated as of December 1, 1970, as amended by the Lease Modification Agreement dated December 20, 1994 (collectively, the “Lease”), between Assignee and the Ship Clerks Association, I.L.W.U., Local 34, which Assignee subsequently assigned to the Redevelopment Agency of the City and County of San Francisco, predecessor-in-interest to Assignor, pursuant to an Assignment and Assumption Agreement dated as of December 20, 1994, for a portion of that certain real property designated as Parcel M-4A (the “Property”), as more particularly described in Exhibit A attached hereto.

ASSIGNOR AND ASSIGNEE FURTHER AGREE AND COVENANT AS FOLLOWS:

1. Assignor has provided to Assignee a complete and accurate copy of the Lease.

2. Assignor shall indemnify Assignee against and hold Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys’ fees), originating during the period from December 20, 1994 to the Effective Date and arising out of the landlord’s obligations under the Lease.

3. As of the Effective Date, Assignee assumes all of the landlord’s obligations under the Lease and shall indemnify, defend and hold Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys’ fees), originating on or after the Effective Date and arising out of the landlord’s obligations under the Lease.

4. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.
Assignor and Assignee have executed this Assignment as of the day and year first written above.

<table>
<thead>
<tr>
<th>APPROVED AS TO FORM:</th>
<th>ASSIGNOR:</th>
</tr>
</thead>
<tbody>
<tr>
<td>By: James B. Morales Acting General Counsel and Acting Director</td>
<td>SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic, also known as the Office of Community Investment and Infrastructure</td>
</tr>
<tr>
<td>By: Tiffany Bohee Executive Director</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APPROVED AS TO FORM:</th>
<th>ASSIGNEE:</th>
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<tbody>
<tr>
<td>By: Eileen M. Malley Deputy City Attorney</td>
<td>CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its Port Commission</td>
</tr>
<tr>
<td>By: Monique Moyer Port Executive Director</td>
<td></td>
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EXECUTIVE SUMMARY

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) submits its Long-Range Property Management Plan (“PMP”) for the disposition of its leasehold interests in land owned by the Port of San Francisco (the “Port”) in the Rincon Point-South Beach Redevelopment Project Area (the “Leased Land”). Given that the Leased Land is subject to the public trust, state law and the Successor Agency’s leases with the Port (the “Port Leases”) establish certain standards for the termination of the Port Leases prior to, or upon, completion of the redevelopment program that is described in the Rincon Point-South Beach Redevelopment Plan (the “RP-SB Plan”) and related documents.

Disposition Plan. Terminate the Port Leases (and other ancillary agreements) and transfer the Leased Land back to the Port, pursuant to state law and the early termination provisions set forth in the Port Leases, subject to any approvals required by the State Lands Commission and the San Francisco Bay Conservation and Development Commission (“BCDC”). At the same time the Port Leases are terminated, all Subleases (defined below) with the Successor Agency will convert to direct leases with the Port. The estimated transfer date is June 2014.

BACKGROUND

During the 1970s, development proposals emerged that called for massive private development along the San Francisco waterfront, which at that time consisted of large swaths of under-utilized waterfront property with an undesirable street pattern. These proposals were met with broad public opposition, and, as a result, the San Francisco Board of Supervisors called for an extensive planning effort to re-envision the waterfront south of the Ferry Building. This effort resulted in the RP-SB Plan, which the San Francisco Board of Supervisors adopted in 1981. The RP-SB Plan called for large public open spaces, waterfront promenades, a small boat harbor, and more modest commercial and residential development in the Rincon Point-South Beach Redevelopment Project Area (the “RP-SB Project Area”).

The RP-SB Project Area included lands owned by the Port. As such, the Port entered into 16 Port Leases with the former San Francisco Redevelopment Agency (“SFRA”), to allow the SFRA to develop the Port’s property over time, and in stages, in accordance with the RP-SB Plan. The Leased Land is waterfront real property, which may be either tidal and submerged lands or areas that were formerly tidal or submerged lands, and thus are subject to the Public Trust Doctrine to protect the public’s interest in commerce, navigation, and fisheries.

The SFRA leased this land from the Port in stages, mostly during the 1980s and 1990s, for the purposes of redeveloping the Port’s waterfront property. Under the Port Leases, most of which run until 2050, the SFRA was allowed to sublease the Leased Land to entities interested in either
developing the vacant land or renting the rehabilitated commercial space (the “Subleases”).
Revenues generated from the Subleases were used to pay rent to the Port under the Port Leases,
and offset property management costs on the Port’s property.

During the past 30 years, the SFRA implemented the redevelopment program called for in the
RP-SB Plan. The redevelopment program included constructing a new small boat harbor and
harbor services building (“South Beach Harbor”), building new waterfront parks and open
spaces, including Rincon Park, installing a new children’s play area, rehabilitating commercial
spaces, constructing two new affordable housing projects, and reconfiguring the network of
streets and parking lots. The redevelopment program is essentially complete with the exception
of repaying bond financing for South Beach Harbor and providing public access improvements
on the perimeter of Pier 40. Completion of these improvements is required under permits issued
by BCDC for the South Beach Harbor improvements.

The SFRA financed the construction of the waterfront improvements, including the small boat
harbor, with $23.9 million in tax increment bond financing and two loans from the California
Department of Boating and Waterways (“CalBoating”), one in the amount of $8.0 million and
the other in the amount of $7.3 million. Of that $23.9 million in tax increment bond financing,
about $4.5 million remains an enforceable obligation of the Successor Agency. The two
CalBoating loans included the Port as a co-borrower.

**Lease Termination.** Chapter 310 of the California Statutes of 1987 ("Chapter 310") specifies
certain requirements relating to the use of the Leased Land. Chapter 310 authorized the Port to
lease the property to the SFRA to complete the improvements described in the RP-SB Plan.
Upon completion of those improvements, SFRA’s leasehold interest would terminate and “the
San Francisco Port Commission, which administers the granted lands on behalf of the city and
county, will either reassume the direct administration of the granted lands, or succeed to the
sublessee status of the redevelopment agency with regard to certain subleases executed in
furtherance of the project.” Chapter 310, § 1(c).

Under Chapter 310, the SFRA was required to offer to terminate the Port Leases “[n]ot later than
the date of completion of the last of the improvements that are proposed by the Rincon Point –
South Beach Redevelopment Project;” the Port Commission is required to accept the termination
“unless to do so would not be in the best interests of the trust in furtherance of which the lands
were granted to the city and county.” Chapter 310, § 3. In addition, Chapter 310 provides for
the early termination of the Port Leases where the Port Commission obtains “the concurrence of
the State Lands Commission that the termination is in the best interest of the trust in furtherance
of which the lands were granted to the city and county.” Id.

The Port Leases also require termination upon completion of the development under the
redevelopment program and they provide for early termination. (See Section 3 (a)(ii).)

Since the SFRA’s dissolution, staff of the Successor Agency has been in discussions with the
Port about an early termination that would transfer the Leased Land back to the Port before 2050,
since the Successor Agency’s development obligations in the RP-SB Project Area are
substantially completed. The transfer has been complicated by the lease structure, ongoing debt
obligations at South Beach Harbor, and BCDC requirements. The Successor Agency expects these issues to be resolved by June 2014.

**LONG-RANGE PROPERTY MANAGEMENT PLAN ("PMP")**

The following presents the information requested pursuant to Section 34191.5 of the California Health and Safety Code for the Leased Land. These properties are also shown on Attachment A (Maps of Leased Land) and Attachment B (DOF Tracking Sheet for Other Properties), as Nos. 14 through 29.

**Date of Acquisition**

See Attachment B for lease start dates for the Leased Land. The 16 Port Leases were executed between 1984 and 2002.

**Value of Property at Time of Acquisition**

See Attachment B for acquisition values for the Leased Land. The 16 Port Leases were executed at rental rates between $24,000 and $130,000 a year.

**Estimate of the Current Value**

See Attachment B for current values for the Leased Land. The 16 Port Leases currently have rental rates between $50,000 and $272,000 a year.

**Purpose for which the Leasehold Interest was Acquired**

The SFRA leased this land from the Port in stages, mostly during the 1980s and 1990s, for the purposes of redeveloping the Port’s waterfront property in accordance with the RP-SB Plan. At that time, the Leased Land was a swath of under-utilized waterfront property with an undesirable street pattern. The redevelopment effort included constructing a new small boat harbor and harbor services building, building new waterfront parks and open spaces, including Rincon Park, installing a new children’s play area, rehabilitating commercial spaces, constructing two new affordable housing projects, and reconfiguring the network of streets and parking lots.

**Address/Location**

See Attachment B for addresses and/or locations for the Leased Land. All of the Leased Land is located within a 1,000-foot band along San Francisco Bay, south of the Ferry Building and adjacent to both the City’s financial district and the waterfront between Third Street and Mission Street. Maps of the Leased Land are attached as Attachment A.
Lot Size

See Attachment B for estimated lot sizes for the Leased Land. Maps of the Leased Land are attached as Attachment A.

Current Zoning

The Leased Land remains under the land use controls contained in the RP-SB Plan, which does not expire until January 2021. Under the RP-SB Plan, the Leased Land is zoned as follows:

- **Small Boat Harbor.** Port Leases N1-A, N1-B, N1-C, and N-2 fall under this zoning designation. These parcels were improved with a 700-berth small boat harbor called South Beach Harbor, a harbor services building, and ancillary improvements.

- **Residential.** Port Lease K falls under this zoning designation. It was developed with a 108-unit traditional affordable housing project called Steamboat Point Apartments.

- **Residential with Neighborhood Commercial.** Port Lease J falls under this zoning designation. It was developed with an innovative special-needs housing project called Delancey Street, which houses 500 formerly unemployable drug addicts, homeless people, and ex-felons, and includes training facilities to train this population for employment. It also includes significant commercial space on the ground floor fronting The Embarcadero.

- **Major Park.** The remaining Port Leases fall under this zoning designation. They were improved with a major waterfront park and promenade, a children’s play area, and Rincon Park. One of the remaining Port Leases (K-1) is a reconfigured Townsend Street.

Estimate of the Current Value (Including Appraisal Information)

See Attachment B for current values for the Leased Land. The 16 Port Leases currently have rental rates between $50,000 and $272,000 a year. No appraisal information is available.

Estimate of Revenues Generated (Including Contractual Requirements for Use of Funds)

Only six of the 16 Port Leases include rent payments to the Port. Of those six Port Leases, three (Port Leases N-1A, N-1B, and N-2) are associated with South Beach Harbor. South Beach Harbor pays the Port about $520,000 a year under these three leases, but only generates about $250,000 from the associated subleases. The difference (approximately $270,000) is paid to the Port using harbor berth revenues and operating reserve.

The other three Port Leases (Site J, Site K, and Port Lease M-3, M-4A, S-1D) require payments to the Port totaling about $410,000 a year. The subleases associated with these three leases generate about $680,000 a year. The difference (approximately $270,000) is being used to fund the maintenance of Rincon Park, with any surplus likely to be used to replenish South Beach Harbor’s operating reserve.
History of Environmental Contamination, Studies, Remediation Efforts

The Leased Land is part of the City’s northeastern waterfront. It has been a focus of growth since the Gold Rush, when port activities began in the area. In the late 1800s, large sections of the San Francisco Bay were filled in, and a seawall was built, creating the topography that exists in the area today. Traditional port activities continued in the area for decades, until San Francisco’s port was not able to compete with newer shipping technologies that were being implemented at competing ports. As a result, the Port’s land and buildings fell into disrepair. Before redevelopment, much of the area was characterized by dilapidated warehouses, open cargo storage yards, abandoned or underutilized buildings, several piers in unsound condition and an extensive network of underutilized street rights-of-way. Environmental contamination on the Leased Land reflected these historic uses and the quality of the fill material.

An environmental impact report for the RP-SB Project Area was completed in 1980, and a supplemental environmental impact report was completed in 1991, to assess the environmental impacts of implementing the redevelopment program contained in the RP-SB Plan. Further environmental analysis and remediation (if required) occurred on a site-by-site basis, as sites were redeveloped over the last 30-40 years.

Potential for Transit-Oriented Development; Advancement of Planning Objectives

The Leased Land is located along The Embarcadero, which has become a major thoroughfare since the demolition of the Embarcadero Freeway after the 1989 Loma Prieta earthquake. The Embarcadero is a major thoroughfare for cars, buses, and the City’s light-rail system. The Leased Land is also within walking distance of the Ferry Building, where a regional network of ferry boats is located, and Market Street, where a regional heavy-rail system takes riders to other parts of the City and numerous locations in the East Bay.

The purpose of the Port Leases was to allow the SFRA to develop the Port’s property in accordance with the RP-SB Plan. Under the Port Leases, the SFRA constructed a new small boat harbor and harbor services building (“South Beach Harbor”), built new waterfront parks and open spaces, including Rincon Park, installed a new children’s play area, rehabilitated commercial spaces, constructed two new affordable housing projects, and reconfigured the network of streets and parking lots.

History of Previous Development and Leasing Proposals

In the 1970s, two private proposals were set forward for developing a total of about 3.0 million square feet of office space, 650,000 square feet of commercial uses, 2,200 hotel room, parking, and a new ship terminal on 20 acres of new fill near the Ferry Building. Adverse reaction to these proposals prompted BCDC to create a special plan for the area to control filling of the bay and to improve public access, views and the appearance of the waterfront shoreline. Also, the City developed the “Plan for the Northeastern Waterfront” in 1977 that established objectives and policies for land use, transportation and urban design for the area. In the same year, the City’s Board of Supervisors authorized a planning effort to investigate various ways to improve the area. This planning effort brought together the City’s Department of City Planning, the
SFRA, the Port, and a citizen’s advisory committee. The Rincon Point-South Beach Redevelopment Plan, approved by the City’s Board of Supervisors in January 1981, synthesized the results of this extensive planning effort. To implement the development program outlined in the RP-SB Plan, the Port entered into the Port Leases with the SFRA, to allow the SFRA to develop the Port’s property in accordance with the RP-SB Plan.

**Disposition of the Agency Property**

Both State legislation (i.e., Chapter 310) and the Port Leases contemplate that the SFRA’s leasehold interest in the Port’s land would terminate and jurisdiction over the land would return to the Port once the SFRA completed the improvements outlined in the RP-SB Plan.

Since the SFRA’s dissolution, staff of the Successor Agency has been in discussions with the Port about termination of leases that would transfer the Leased Land back to the Port before 2050. The transfer has been complicated by the lease structure, ongoing debt obligations at South Beach Harbor, and BCDC requirements. The Successor Agency expects these issues to be resolved by June 2014.

**Disposition Plan.** Terminate the Port Leases (and other ancillary agreements) and transfer the Leased Land back to the Port, pursuant to state law and the early termination provisions set forth in the Port Leases (along with any balance in the South Beach Harbor operating bank account that is used for receiving harbor-related revenues and paying harbor-related bills), subject to any approvals required by the State Lands Commission and BCDC. At the same time the Port Leases are terminated, all Subleases with the Successor Agency will convert to direct leases with the Port. The estimated transfer date is June 2014.

**Properties Dedicated to Governmental Use Purposes and Properties Retained for Purposes of Fulfilling an Enforceable Obligation**

N/A

Attachment A: Maps of Leased Land
Attachment B: DOF Tracking Sheet – Other Properties (not included)
Attachment A-2
Map of Leased Land (Port Leases – Rincon Point)

Triangular portion of Parcel 3475 which may be added to Park Site

Park Site contains approximately 125,570 sq.ft. Including the Restaurant Site

NOTE: