

## RESOLUTION NO. 57-2006

*Adopted April 18, 2006*

### **APPROVING WESTFIELD METREON LLC AND FC METREON, LLC AS PERMITTED TRANSFEREES UNDER THE CENTRAL BLOCK 2 ENTERTAINMENT AND RETAIL LEASE DATED MAY 9, 1997, BETWEEN THE AGENCY AS LANDLORD OF THE METREON SITE AND YERBA BUENA ENTERTAINMENT CENTER LLC AS TENANT; YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA**

#### **BASIS FOR RESOLUTION**

1. On July 26, 1994, the Redevelopment Agency of the City and County of San Francisco entered into a Land Disposition and Development Agreement with Yerba Buena Retail Partners, L.P. ("YBRP"), which contemplated the disposition of by ground lease the parcel of land on Central Block 2 in the Yerba Buena Gardens, which was subsequently amended to and through the May 9, 1997, Amended and Restated Land Disposition and Development Agreement ("LDA"). By Resolution No. 12-96, dated February 6, 1996, the Commission approved an assignment of YBRP's rights, title and interest under the LDA to Yerba Buena Entertainment Center LLC ("YBEC").
2. The Agency and YBEC subsequently entered into a Central Block 2 Entertainment and Retail Lease ("Lease") dated May 9, 1997 for certain Agency-owned parcels on Central Block 2, together with related easements ("Site") for development of an approximately 360,000 square feet entertainment and retail complex containing cinemas, restaurants and retail space which was subsequently completed and referred to as the Metreon. YBEC is an entity composed of affiliates of Millennium Partners and Sony Entertainment. The entire Metreon complex is operated by Sony through YBEC's sublease of the Metreon to SRE San Francisco Retail Inc., now known as Metreon Inc., which is an operating affiliate of Sony ("Sublease").
3. Pursuant to the Lease, the tenant is required to pay the Agency (in its role as the Landlord) minimum rent, GMOS contributions towards the maintenance, operation and security of the Yerba Buena Gardens facility, and percentage rent. The Lease also provides for the Agency to participate in and receive a 10% share of the excess proceeds from the sale of the Metreon, determined after deduction of certain costs.
4. On March 1, 2006, YBEC submitted a letter advising Agency staff of YBEC's intent to transfer its interest in the Lease to affiliates of Westfield America, Inc. ("Westfield") and Forest City Enterprises, Inc. ("Forest City"), who will each hold a 50% undivided interest in the Lease as tenants-in-common, and will

operate the Metreon through appointment of Westfield Corporation, Inc. as the new Metreon manager.

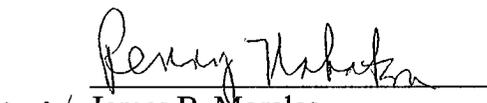
5. The Lease may be transferred and assigned when the Agency determines, in its reasonable judgment, that the proposed transferee has the financial capacity and operating experience needed to fulfill the Lease obligations and operate the Metreon and therefore meets the Lease's definition of a Permitted Transferee.
6. Westfield and Forest City are both very large real estate development firms with extensive experience in retail operations. They are the developers of the nearby Emporium Site Area project, which will include a new Bloomingdale's department store, movie theaters, cinemas and retail space. Agency staff believes that Westfield and Forest City both meet the Lease qualifications required for a Permitted Transferee.
7. Staff has reviewed and evaluated YBEC's financial information submitted to date, and has determined that the Agency participation in the sale proceeds will be approximately \$959,102 subject to final post-closing adjustments and verification. These participation funds will be deposited in the Agency's "Separate Account," which is used to fund Yerba Buena Gardens and related cultural facilities operations.

## **RESOLUTION**

**ACCORDINGLY, IT IS RESOLVED** by the Redevelopment Agency of the City and County of San Francisco that:

Westfield Metreon LLC, a Delaware limited liability company, and FC Metreon, LLC, a Delaware limited liability company, are determined to be Permitted Transferees pursuant to the Lease and the Executive Director is authorized to (a) approve the proposed Assignment and Assumption of Ground Lease and execute related documents submitted by Westfield Metreon LLC and FC Metreon LLC, substantially in the form of the documents lodged with the Agency General Counsel, (b) to review and determine the adequacy of the financial reports and other data necessary to verify the calculation of the participation to be paid to the Agency in connection with the Metreon complex transfer and Lease assignment, and (c) to take such additional action which the Executive Director deems appropriate and necessary to implement this Resolution.

**APPROVED AS TO FORM:**

  
James B. Morales  
Agency General Counsel