

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 31 – 2016

Adopted July, 19, 2016

AUTHORIZING A SECOND AMENDMENT TO THE MASTER LEASE WITH THE U.S. DEPARTMENT OF THE NAVY FOR PARCEL B, TO EXTEND THE TERM FROM JULY 1, 2016 TO JUNE 30, 2017 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 (“OCII”), as Successor Agency to the San Francisco Redevelopment Agency, and redevelopment of the property will occur in phases after the Navy completes environmental remediation; and,

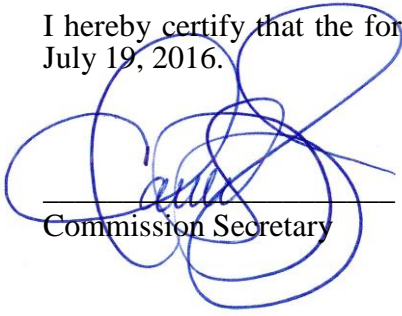
WHEREAS, For more than 20 years, the Shipyard has housed a community of artists’ studios and small businesses located in a number of buildings on various parcels on the Shipyard (the “Artists’ Community”). When the Shipyard became a redevelopment project area in 1997, the Navy began transferring property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

WHEREAS, As the Shipyard property gets transferred from the Navy to OCII, either through conveyance or lease, OCII requires HPS Development Co., LP and CP Development Co., LP (the “Developer”) to take over property management responsibilities at no cost to OCII. This is a requirement of the Interim Lease between SFRA and Developer (“Interim Lease”) under the 2003 Hunters Point Shipyard Phase 1 Disposition and Development Agreement (“Phase 1 DDA”); and,

WHEREAS, The Master Lease expired in August 2008 and accordingly, the SFRA Commission, through Resolution No. 87-2008, authorized the SFRA to enter into a new Master Lease with the Navy for Parcel B for the Artists’ Community area for a term ending on October 1, 2011. Concurrently, the SFRA approved the First Amendment to the Interim Lease, through Resolution No. 88-2008, which amended the scope of the Interim Lease to include the Artists’ Community, as a part of the Developer’s property management responsibility. The Interim Lease requires the Developer to provide property management services to the Artists’ Community at the Shipyard at no cost to OCII; and,

- WHEREAS, The Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure (“Commission”), authorized by Resolution No. 7-2013, a First Amendment to the Master Lease, extending the term to the earlier of June 30, 2016 or upon the conveyance of Parcel B to OCII; and,
- WHEREAS, The Second Amendment, attached to the Commission memorandum accompanying this resolution, will extend the Master Lease’s duration from July 1, 2016 to June 30, 2017 or upon the conveyance of Parcel B to OCII, whichever is sooner. The rent under the Master Lease is approximately \$17,000 per month payable to the Navy. The Navy’s Master Lease rent and all the property management costs associated with the Developer’s property management of the Artists’ Community are borne by the Developer through the Interim Lease. Extending the term of the Master Lease will not require any change to the Interim Lease with Lennar. 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.; and,
- WHEREAS, Under Chapter 5, Statutes of 2011, ABx1 26, and Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12, Regular Session), the SFRA was dissolved and certain obligations of SFRA were transferred by operation of law to OCII. ABx1 26 and Assembly Bill No. 1484 are codified in Sections 34161 et seq. of the California Health and Safety Code, which sections, as amended from time to time, shall be referred to herein as the “Dissolution Law;” and,
- WHEREAS, The Master Lease with the Navy is an enforceable obligation under Dissolution Law. The Master Lease is shown on HPSY 78 of the approved Recognized Obligation Payment Schedule (“ROPs”) for July 2016 to June 2017, 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 Candlestick Point and Phase 2 of the Hunters Point Shipyard (“Phase 2 DDA”) to lease Parcel B to ensure the legal tenancy of the Artists’ Community and maintain site control. 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 SFRA; and,
- WHEREAS, Commission authorization of the Second Amendment to the 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 or facilities with no expansion or change of use; now, therefore, be it
- RESOLVED, That the Commission approves the Second Amendment to the Master Lease between OCII and the Navy for Parcel B, and authorizes the Executive Director to enter into the Second 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 Second Amendment.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of July 19, 2016.



Commission Secretary