

MINUTE ITEM
This Calendar Item No. 12
was approved as Minute Item
No. 12 by the State Lands
Commission by a vote of 3
to 0 at its 1-21-88
meeting.

CALENDAR ITEM

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Townsend

CONSIDERATION OF A LEASE BETWEEN THE SAN FRANCISCO
PORT COMMISSION AND THE SAN FRANCISCO REDEVELOPMENT AGENCY
AND A DEVELOPMENT SUBLEASE BETWEEN THE REDEVELOPMENT AGENCY
AND THE DELANCEY STREET FOUNDATION

PARTIES:

San Francisco Port Commission
Attn: Port Director
3100 Ferry Building
San Francisco, California 94111

Redevelopment Agency of the City
and County of San Francisco
Attn: Rincon Point-South Beach,
Project Manager
939 Ellis Street
San Francisco, California 94109

Delancey Street Foundation
Attn: President
2563 Divisadero Street
San Francisco, California 94114

BACKGROUND:

Pursuant to the Burton Act (Ch. 1333, Statutes of 1968, and as amended) the State conveyed by transfer agreement certain tide and submerged lands to the City and County of San Francisco, in trust for purposes of commerce, navigation and fisheries, and subject to specified terms and conditions relating to that operation of the Harbor of San Francisco.

By virtue of Chapter 310 of the Statutes of 1987, certain portions of the granted lands, being Seawall Lots 331, 332 and 333, including Fremont Street between the southeasterly line of Brannan Street and the westerly line of the Embarcadero, were

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freed of the public trust for commerce, navigation and fisheries, subject to certain conditions, among them that revenues derived from the leasing or administration of the lands shall be deposited in a trust fund to be used solely for Burton Act purposes, and that all leases of the subject property entered into after May 1, 1987, "shall be subject to the approval of the State Lands Commission...to assure that the consideration received is consistent with prudent land management practices." Because the lots are subject to the provisions of the Rincon Point-South Beach Redevelopment Plan, Commission review must take into consideration the use restrictions of the Redevelopment Plan (Ch. 310, Stats. of 1987, Section 2).

CURRENT SITUATION:

In compliance with the provisions of the legislation, the Redevelopment Agency has submitted for Commission consideration the lease between the San Francisco Port Commission and the Redevelopment Agency, and the Development Sublease between the Redevelopment Agency and Delancey Street Foundation for the development of Seawall Lots 331 and 332.

It is the purpose and use of the Port lease to provide an effective and economically feasible mechanism for the Redevelopment Agency to cause the development and/or rehabilitation of the premises. The Redevelopment Agency has financing tools not otherwise available to the Port, such as tax increment support and tax exempt mortgage bonds. Also, the Redevelopment Agency can structure financing so as not to create a lien on its general operating funds.

Based on the nature of this project, a conventional appraisal will not yield a value of the property comparable to its use for other public trust purposes. Therefore, in considering the adequacy of the rental by the Redevelopment Agency to the Port, it is necessary to weigh the overall benefits which will flow back to the Port as a result of the proposed project. Upon leasing the property, the Redevelopment Agency will pay the Port a minimum annual rent of \$54,000. A percentage rent shall also be paid equal to the amount by which 5% of the gross income earned by the Redevelopment Agency exceeds the total of the minimum rent. The minimum rent is the same rent the Port had been receiving from the property at the time the Redevelopment Agency obtained the Master Option. It is to be

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escalated every five years at the same rate as the increase in the Cost of Living Index. After the Redevelopment Agency has completed its activities in the area (estimate 1995), the leasehold interest owned by the Redevelopment Agency are to be conveyed back to the Port. At the expiration of the sublease (year 2050), ownership of the improvements will vest with the Port. In addition, the removal of the physically and economically blighting influences in the area by the Redevelopment Agency will enhance nearby Port property to private development, resulting in greater revenues to the Port.

The purpose of the sublease is to accomplish the redevelopment of Seawall Lots 331 and 332, in accordance with the Redevelopment Plan, the Design for Development, the Port lease, and this sublease. The scope of development by the Foundation provides for 177 residential dwelling units, 150 of which shall be occupied exclusively by very low income households and 27 of which shall be occupied exclusively by persons and families of low or moderate income. The project also includes 64,000 square feet of neighborhood convenience, commercial uses. It is the intent of the Foundation, which was formed to assist in the rehabilitation of drug and alcohol abusers, that the facility house Foundation residents and that the commercial uses be operated or leased by the Foundation.

The amount of minimum rent for the subject lease shall be equal to \$54,000 per annum, until July 1, 1989. Upon first to occur of either the date which is two years after the execution date, or the date that the City issues its Certificate of Occupancy for the Improvements and until the first rent adjustment date, the amount of minimum rent shall be increased to \$245,000. On the first rent adjustment date, and each 5-year anniversary thereof, the minimum rent shall be adjusted to reflect the percentage change based on the Cost of Living Index. Percentage rent shall be equal to the amount by which 30% of the gross income generated from the premises exceeds the total of the minimum rent for that lease year just ended. The percentage rent shall commence on the first day of the first lease year following the Possession Date.

As a part of the special redevelopment plan, Seawall Lots 331 and 332 have been zoned for very low and low to moderate income housing and incorporated in the City's Master Plan. Given the use restrictions, together with the land and rent subsidies which create a negative residual fair market value on the land, the economic rent proposed to be paid by Delancey Street Foundation is within a range of reasonableness.

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It is the staff's opinion that the consideration to be received under the subject leases is consistent with prudent land management practices.

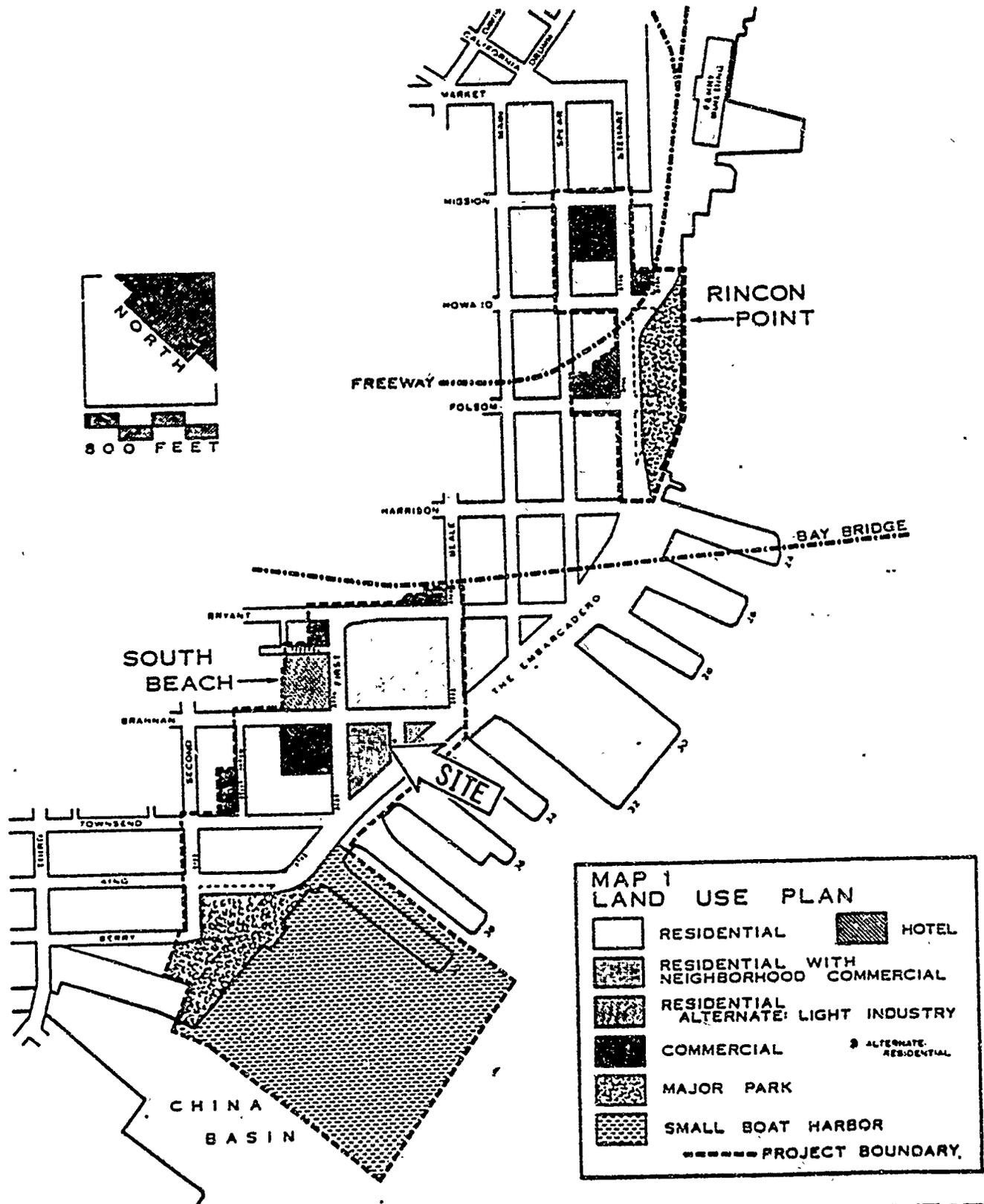
OTHER PERTINENT INFORMATION

A final Environmental Impact Report/Environmental Impact Statement was completed for the Rincon Point-South Beach Redevelopment Plan which was certified by the Redevelopment Agency of the City and County of San Francisco on November 5, 1980.

EXHIBIT: A. LAND USE PLAN OF REDEVELOPMENT PROJECT

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. FIND THAT THE CONSIDERATION TO BE RECEIVED BY THE SAN FRANCISCO PORT COMMISSION, AS A RESULT OF THE LEASE BETWEEN THE PORT COMMISSION AND THE REDEVELOPMENT AGENCY, AND THE DEVELOPMENT SUBLEASE BETWEEN THE REDEVELOPMENT AGENCY AND THE DELANCEY STREET FOUNDATION FOR THE DEVELOPMENT OF SEAWALL LOTS 331 AND 332 IS CONSISTENT WITH PRUDENT LAND MANAGEMENT PRACTICES.



RINCON POINT - SOUTH BEACH REDEVELOPMENT PROJECT
 SAN FRANCISCO REDEVELOPMENT AGENCY

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October 24, 1980