

1 [Master Lease Amendment, Sublease Amendment - AMB Pier One LLC, Port - Pier 1]

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3 **Resolution approving the Second Amendment to Lease No. L-12838 at Pier 1 with AMB**
4 **Pier One LLC, a California limited liability company, including an option to extend for**
5 **an additional fifteen-year term; and approving the First Amendment to the Port of San**
6 **Francisco sublease at Pier 1; each as approved by the Port Commission.**

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8 WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and Charter
9 Sections 4.114 and B3.581 empower the San Francisco Port Commission ("Port
10 Commission") with the power and duty to use, conduct, operate, maintain, manage, regulate
11 and control the lands within Port Commission jurisdiction; and

12 WHEREAS, On March 9, 1999, through Resolution No. 99-17, the Port Commission
13 adopted a Final Negative Declaration and mitigation and monitoring program under the
14 California Environmental Quality Act ("CEQA") and approved the terms of the Pier 1
15 Development Agreement and a fifty (50) year lease with AMB Property Corporation ("Master
16 Lease") which included, among other terms: a sublease to the Port for a term coterminous
17 with the term of the Master Lease including expansion and purchase options ("Port
18 Sublease"); significant investment in rehabilitation of the pier and seismic upgrades to
19 preserve the historic pier; obligations to maintain and repair the substructure and seawall
20 beneath the pier; creation of public access, office space and a casual dining opportunity;
21 support of maritime commerce in the form of high quality maritime office space for the Port
22 and other maritime businesses; and related economic terms including use of historic tax
23 credits and payment of minimum rent (without any adjustment or escalations during the term)
24 and participation rent; and

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1 WHEREAS, Although the Master Lease and Port Sublease are for predominantly
2 maritime uses, the Port Commission sought approval by the Board of Supervisors under
3 Charter, Section 9.118 since the term of the leases exceeded ten years, and, in May 1999,
4 through Resolution No. 329-99, the Board of Supervisors adopted the Final Negative
5 Declaration and mitigation and monitoring program and approved the form of Master Lease
6 and Port Sublease; and

7 WHEREAS, The Master Lease with AMB Property, L.P., (Lease No. L-12838)
8 commenced on August 2, 1999; the Port Sublease commenced on February 1, 2001; and
9 both will expire on August 2, 2049; and

10 WHEREAS, In November 2000, AMB Property, L.P., assigned its rights under the
11 Master Lease to AMB Pier One, LLC, (“Tenant”) and the AMB entities entered into a lease
12 back arrangement with AMB Property, L.P., (now Prologis) becoming the subtenant under a
13 sublease expiring on December 10, 2020 (subject to several extension options) (“Prologis
14 Sublease”); and

15 WHEREAS, Tenant fully performed on the Pier 1 Development Agreement and the
16 Port’s Chief Harbor Engineer (“CHE”) issued a Certificate of Completion for the pier
17 rehabilitation in November 7, 2002; and

18 WHEREAS, Tenant has proposed one (1) extension term at Tenant’s sole option for an
19 additional fifteen (15) year term until August 1, 2064, upon the expiration of the Master Lease
20 in 2049 (“Extension Option”) in the form of a Second Amendment to the Master Lease
21 (“Second Amendment”); and

22 WHEREAS, As material consideration for the Extension Option, Tenant has agreed to
23 the following through the Second Amendment to the Master Lease, amendment to the
24 Prologis Sublease and First Amendment to the Port Sublease; which provide substantial
25 benefits to the Port:

1 A. Master Lease Second Amendment:

2 (i) Guarantee an additional \$500,000 in participation rent to the Port by requiring
3 Prologis to consolidate its subleased premises and putting additional sublease space on the
4 market now to take advantage of favorable current market rates;

5 (ii) Agree to permit and implement, at its cost, certain sea level rise protection
6 measures if required by the CHE to protect health and safety;

7 (iii) Agree to termination of the Master Lease without cost or liability to Port should the
8 CHE determine that there is an ongoing threat to human health and safety due to sea level
9 rise;

10 (iv) Agree to consider implementing more extraordinary flood protection measures such
11 as raising the deck level in return for early exercise of the Extension Option and subject to
12 project feasibility;

13 (v) Remain responsible for all leasing, management and capital required to maintain
14 the premises during the extension term;

15 (vi) Agree to pay fair market value minimum rent during the extension term, including
16 automatic escalators and in no event less than the current minimum rent;

17 (vii) Continue to pay 50% participation rent of all sublease net income; and

18 (vii) Comply with current City requirements;

19 B. Prologis Sublease Amendment:

20 (i) Extend Prologis's current sublease due to expire in 2021, for an additional 20-year
21 term until 2040, eliminate Prologis's right to terminate and add an additional option to renew
22 the sublease subject to Tenant's exercise of the Master Lease Extension Option;

23 (ii) By 2021, invest \$10 -12 million in capital for Prologis' Pier One world headquarters
24 in the subleased premises; and

25 (iii) Comply with the current City requirements;

1 C. Port Sublease First Amendment:

2 (i) Grant the Port a one-time early termination right in 2031, for any reason, and, if not
3 exercised, grant the Port a 15-year extension option in the event Tenant exercises the Master
4 Lease Extension Option; and

5 WHEREAS, All other terms of the Master Lease and Port Sublease will remain in
6 effect; and

7 WHEREAS, Copies of the fully executed Master Lease; Master Lease First
8 Amendment and Port Sublease, and the form of Port Sublease First Amendment;, and form of
9 Master Lease Second Amendment are on file with the Clerk of the Board of Supervisors in
10 File No. 160276; and

11 WHEREAS, The proposed two amendments (including the proposed interior
12 alterations) do not change or intensify the use of Pier 1 and do not qualify as a project subject
13 to CEQA review; and

14 WHEREAS, The Port Commission approved the Second Amendment to the Master
15 Lease and the First Amendment to the Port Sublease on February 9, 2016, by Resolution
16 No. 16-07; and

17 WHEREAS, San Francisco Charter, Section 9.118 requires Board of Supervisors'
18 approval of the modification, amendment or termination of any lease which when entered into
19 was for a period of ten or more years; now, therefore, be it

20 RESOLVED, That the Board of Supervisors approves the Second Amendment to the
21 Master Lease and the First Amendment to the Port Sublease; and, be it

22 FURTHER RESOLVED, That the Board of Supervisors authorizes the Executive
23 Director of the Port (the "Executive Director") to execute the amendments in a form approved
24 by the City Attorney and in substantially the form on file with the Clerk of the Board of
25 Supervisors in File No. 160276; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors authorizes the Executive
2 Director to enter into any additions, amendments or other modifications to the Second
3 Amendment and the First Amendment (including, without limitation, preparation and
4 attachment of, or changes to, any or all of the exhibits and ancillary agreements) that the
5 Executive Director, in consultation with the City Attorney, determines when taken as a whole,
6 are in the best interest of the Port, do not materially increase the obligations or liabilities of the
7 Port or City or materially decrease the public benefits accruing to the Port, and are necessary
8 or advisable to complete the transactions contemplated and effectuate the purpose and intent
9 of this Resolution, such determination to be conclusively evidenced by the execution and
10 delivery by the Executive Director of any such documents; and, be it

11 FURTHER RESOLVED, That within thirty (30) days of the Second Amendment to the
12 Master Lease and the First Amendment to the Port Sublease being fully executed by all
13 parties, the Port shall provide copies of the agreements to the Clerk of the Board for inclusion
14 into the official file.

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