



Overview of Changes to the Host City & Venue Agreement

Following the Board of Supervisors approval of the Host City & Venue Agreement (“HCA”) on December 14, 2010, Mayor Newsom continued direct negotiations with the ORACLE Racing Team and directed follow up discussions between the City/Port team and the Event Authority to secure the selection of San Francisco as the Host City for the 34th America’s Cup. During this negotiation, refinements were made to the HCA pursuant to provisions of the Board’s resolution authorizing the City to make further changes to the HCA that do not materially increase the City’s obligations or liabilities, are in the best interests of the City and are necessary or advisable to bring the 34th America’s Cup to San Francisco.

City staff, in consultation with the City Attorney, has found that these refinements do not alter the fundamental balance between the value of the Event Authority’s investment in the City’s waterfront and the resulting long-term development rights, the key feature of the HCA approved by the Board of Supervisors. City staff is available to brief individual members of the Board of Supervisors regarding the proposed changes.

Overview

Prior to the December 31, 2010 finalization of the HCA, it was refined to:

- Provide a clear mechanism for the Authority to invest sufficient funds to pay for the fair market value of Seawall Lot 330 and a 66-year lease of Piers 30-32, by making \$55 million in waterfront investments. The \$55 million in waterfront investments, which are subject to City approval, must now be made before the 34th America’s Cup Match.
- Establish rental rates for Long-Term Leases of Piers 30-32, and Piers 26 and 28 if the Authority makes sufficient investments above the \$55 million, to provide certainty about the financial provisions of these long-term leases. The rental rate for Piers 30-32 as a long-term development site will be \$4/gsf, indexed by CPI every five years, and subject to market resets when rent credits for Authority waterfront improvements have been fully amortized. The rental rate for Piers 26 and 28 as long-term development sites will be \$6/gsf, also subject to CPI increases and market resets.
- Clarify the provisions for removing the common law public trust from Seawall Lot 330, so that the site may be sold fee-simple to the Authority and subsequently utilized for its highest and best use. This includes a clear description of the appraisal mechanism for this site, including indexing for inflation until the property is sold.

- Agree to bring proposed Infrastructure Financing Districts to pay for any Event-related infrastructure costs to the Board of Supervisors for its consideration concurrent with Board of Supervisors approval of the related Disposition and Development Agreements for the Long-Term Leases (expected as early as 2012-13).
- Provide a new mechanism for the Authority to recover its costs of waterfront improvements through interim leases of Pier 26 and 28, in addition to an avenue for the Authority to obtain long-term development rights at these sites.
- Provide a new right for the City to purchase Authority-funded improvements above the initial \$55 million, in its sole discretion. This new right is in addition to the existing ability to grant further long-term leases at other Venue sites between Piers 19, 23 or 29, subject to Board of Supervisors approval.
- Remove the provisions providing for Port participation in lease or condominium sales proceeds, pending further discussion of the topic during Long-Term Lease negotiations.
- Grant Rent Credits to the Authority based on actual costs incurred rather than projected costs.

The approval of Term Sheets for Long-Term Leases, the Long-Term Leases and the Infrastructure Financing Districts remain subject to the Board of Supervisors in its sole discretion.