

**TREASURE ISLAND DEVELOPMENT AUTHORITY
INTERIM SUBLEASING POLICY**

During the interim period preceding transfer of the real property from the US Navy to the Treasure Island Development Authority (the "Authority"), the Authority earns operating revenue to support the policy goals and objectives of the City and the Authority by subleasing property leased or licensed from the US Navy. The purpose of the Authority's Interim Subleasing Policy is to establish the rules and procedures for subleasing real property during the interim period.

I. POLICY STATEMENT

All subleasing and sublease renewals shall be conducted utilizing a standardized procedure with the objective of ensuring transparency in the terms and conditions of all transactions and agreements with third parties, and the resulting outcome being that of streamlined leasing procedures. The term "sublease" refers to both subleases and use permits for properties listed on the Minimum Monthly Rental Rate Schedule. Use permits are used for those properties on the Minimum Monthly Rental Rate Schedule that are subject to a Navy License Agreement instead of a Navy Master Lease.

Standardization – To competitively position the Authority's commercial properties, the sublease process requires the use of standardized form leases, business terms and parameters. Parameters shall be reviewed and approved by the Authority from time to time for use by Project Staff. Exceptions to utilization of standardized forms and parameters shall be approved by the Authority in its sole and absolute discretion.

Marketing – Marketing shall be conducted in a public, open and transparent method that is intended to maximize exposure of the properties. Such marketing shall include notifications of available space in the Treasure Island Development Authority website as well as commercial websites, such as Co-Star and paid advertisements in print media as necessary to reach the commercial markets

II. SUBLEASE BUSINESS TERMS AND ALLOWANCES

- A. **Standard Form Sublease.** The subtenant will sign a standard form sublease or use permit with no changes except minor changes approved by the City Attorney or changes to the insurance requirements approved by the City's Risk Manager. Any changes to the sublease or use permit which significantly alter the potential liabilities or the responsibilities of the Authority will require Authority approval.
- B. **Business Terms and Parameters.** The Business Terms of the sublease shall fall within the following general parameters:
 - 1) **Uses.** Uses of subleased properties shall be consistent with uses prescribed by the US Navy and uses assigned by the Authority; or, in the case of a multiple tenant property, shall be similar to and/or compatible with the other uses in the property.
 - 2) **Term.** The **term** of the sublease shall be no greater than the term provided the Authority in its lease or license with the US Navy.

- 3) **Terms and Conditions.** The basic legal terms and conditions are incorporated into the terms of a boilerplate sublease or use permit approved by the City Attorney. Exceptions to the boilerplate terms and conditions will be approved by the City Attorney. Subleases and use permits and amendments to subleases and use permits that are not signed “as to form” by the City Attorney are invalid and not binding against the Authority.
- 4) **Risk Management.** The Risk Manager for the City and County of San Francisco established all insurance requirements for all subleases and use permits. Exceptions to the standard insurance requirements shall be provided only by the Risk Manager and shall be in writing.
- 5) **Annual Rate Adjustments.** Each year, rental rates for current subtenants are adjusted between 2% and 5% based on the change in the local Consumer Price Index, as well as general and local market conditions.
- 6) **Minimum Rents.** The sublease or use permit provides for **minimum rents** that are no lower than the rate for space of the category subleased, as shown on the **Minimum Rental Rate Schedule** adopted periodically by the Authority.
- 7) **Security Deposit.** Each subtenant shall provide the Authority a Security Deposit that is equal to at least two times the monthly base rent. The Security Deposit may be greater based on a review of risk factors for a subtenant. The Security Deposit for lease renewals shall be at least two times the initial monthly base rent.

C. The sublease may include Allowances.

- 1) **Early Entry.** The subtenant may take early occupancy, up to a maximum of 30 days, to make improvements to the property to prepare it for occupancy.
- 2) **Rent Credit.** Rent Credits may be allowed to make improvements to the premises. The value of Rent Credits cannot exceed 50% of Year One base rent. Rent Credits may be used to offset no more than 50% of the subtenant’s base rent for any month.
- 3) **Paint and Carpet Allowance.** The quoted rate for full service office space assumes move-in space with good paint and carpeting. In the event a subtenant takes office space that does not meet the standard, the subtenant may be provided an allowance for paint and carpet up to a maximum of \$2.00 per square foot to make these cosmetic improvements to the premises.
- 4) **Limitations to Rent Credit and Paint and Carpet Allowance(s).** Either Rent Credit or Paint and Carpet Allowance(s) may be used to reduce monthly

base rent for a period that shall not exceed twelve months. In no event shall credits or allowances be used to reduce monthly base rent by an amount greater than 50% of the monthly base rent for the month. Allowances may be provided as a condition of a renewal.

- 5) **Certification of Rent Credits and Paint and Carpet Allowance(s).** Plans and descriptions of work and materials that may be eligible for Rent Credit or Paint and Carpet Allowance(s) and the maximum potential value of Rent Credit or Paint and Carpet Allowance(s) must be agreed upon and made a part of the terms of the sublease. Rent Credit and Paint and Carpet Allowance(s) will only become available after invoices for materials purchased and work performed have been certified by Project Staff as being a fair representation of work completed and work eligible for Rent Credit or Paint and Carpet Allowance(s). Neither Rent Credit nor Paint and Carpet Allowance(s) will be available to the subtenant to reduce monthly base rent prior to certification of satisfactory completion of work.

D. Subtenant Requirements.

- 1) **Permits.** The subtenant will comply with all applicable **permitting and regulatory** requirements of the Authority, the City and County of San Francisco, the US Navy and any other regulatory agency.
- 2) **Credit Check.** The subtenant must meet the same standards of **credit worthiness** and other financial conditions as required for subtenants receiving full Authority review.

III. REVIEW AND REPORTING REQUIREMENTS

- A. Prior to execution by the Director of Island Operations, the terms and conditions of a sublease shall be reviewed by the US Navy, the Treasure Island Homeless Development Initiative and the Office of Economic and Workforce Development to assure that the proposed subtenant and the terms of the proposed sublease are compatible with current and future activities and operations, as well as the Development Project and Authority obligations to the Treasure Island Homeless Development Initiative and Treasure Island Community Development, LLC.
- B. The Director of Island Operations shall present a written description at each monthly meeting of the Authority describing all subleasing activity, including subleases and renewals signed by the Director and the terms of those subleases and renewals.