



Statement

November 14, 2018

Port of San Francisco's Master Lease with Historic Pier 70, LLC (aka Orton Development, Inc.) and JUUL Labs Sublease with ODI

The Port and the City & County of San Francisco have recently received letters and public comments about the company known as JUUL Labs, and its subleasing of office and production, distribution, and repair space from the Port's development partner, Historic Pier 70, LLC (aka, Orton Development, Inc., or "ODI") at Building 102 and Building 104 on 20th Street.

The Historic Core Master Lease provides ODI the right to sublease the site for the uses permitted by the Master Lease and allowable under City ordinances governing leases of public land. The Port has no lease with JUUL Labs; JUUL Labs is a subtenant of ODI.

This situation is not uncommon. In the Port's master leases for development sites (i.e., The Exploratorium, Ferry Building, PIER 39, Piers 1.5-5, among others.), the Port is not involved in direct subleasing but has instead conveyed this responsibility to its development partners. Because most Port historic building rehabilitation projects require the developer to attract significant capital investment, these master leases provide the rules governing the developer's use of the property to generate the revenues required to repay that investment. Accordingly these master leases provide the developer with the flexibility to enter subleases at its own discretion, so long as the subtenant's use is consistent with the terms of the master lease. The Port's Historic Core Master Lease with ODI reflects this model. The Port included provisions in the lease that defined acceptable types of uses for the premises and prohibited activities that are not allowed on Port property under applicable City laws. ODI's subleasing activity is in compliance with the terms of the Historic Core Master Lease and ODI is working to finish construction of the initial site improvements within the next 12 months.

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