RESOLUTION NO. 130-2008

Adopted October 27, 2008

ENDORSING A FINANCING PLAN UNDER THE SECOND AMENDED AND RESTATED EXCLUSIVE NEGOTIATIONS AND PLANNING AGREEMENT, COVERING PHASE 2 OF THE HUNTERS POINT SHIPYARD AND CANDLESTICK POINT; HUNTERS POINT SHIPYARD AND BAYVIEW HUNTERS POINT REDEVELOPMENT PROJECT AREAS

BASIS FOR RESOLUTION

1. On December 2, 2003, the Redevelopment Agency of the City and County of San Francisco (the "Agency") and Lennar - BVHP, LLC, a California limited liability company doing business as Lennar/BVHP Partners ("Lennar BVHP"), entered into that certain Disposition and Development Agreement Hunters Point Shipyard Phase 1 (as amended, the "Phase 1 DDA").

2. In 2007, the Agency and the City and County of San Francisco (the "City"), undertook a new, integrated planning effort for the Shipyard and Candlestick Point, which resulted in the adoption of a Conceptual Framework for Development (the "Conceptual Framework"). The Conceptual Framework was endorsed by the Agency on May 1, 2007, and subsequently by the City's Board of Supervisors. The Conceptual Framework called for a mixed use project on the two sites to provide, among other things, much needed parks and open space, new business and employment opportunities, new housing, including significant affordable housing, a site for a new 49ers sports stadium, and other economic and public benefits.

3. On May 1, 2007, the Agency adopted Resolution No. 42-2007, authorizing the execution and delivery of that certain Second Amended and Restated Exclusive Negotiations and Planning Agreement, covering Phase 2 of the Hunters Point Shipyard and Candlestick Point, between the Agency and Lennar BVHP dated as of May 1, 2007 (the "Phase 2 ENA") consistent with the Conceptual Framework.

4. In June 2008, the voters of the City overwhelmingly approved Proposition G, the "Mixed Use Development Project for Candlestick Point and Hunters Point Shipyard." Proposition G made it City policy to proceed, subject to public input and the environmental review process, with revitalizing Candlestick Point and the Hunters Point Shipyard through an integrated mixed-use development project (the "Project") that includes, among other things, over 300 acres of public park and open space, between 8,500 and 10,000 homes, and significant retail, industrial and green office, science and technology, research and development space. Proposition G also made it City policy that the Project be consistent with certain defined objectives, including requiring that the Project be financially sound.

5. The Phase 2 ENA required Lennar to bring on additional partners with expertise in retail, infrastructure and/or R&D/Biotech, as well as additional equity partners with the financial capacity to ensure that the development of the Integrated Project Site (as defined in the Phase 2 ENA) can expeditiously proceed through all predevelopment and development phases notwithstanding fluctuations in the marketplace (the "Partner Requirement", as more particularly described in the Phase 2 ENA).

6. On August 19, 2008, the Agency adopted Resolution No. 86-2008, approving satisfaction of the Partner Requirement with the addition of Kimco Developers, Inc. and MACTEC Development Corporation as key strategic partners in the areas of retail and infrastructure, respectively, and the addition of affiliates of Scala Real Estate Partners, LP, Hillwood Development Company, LLC and Estein Associates USA Ltd. as key equity partners, and authorized certain amendments to the Phase 2 ENA and the Phase 1 DDA. Accordingly, references to the developer under the Phase 2 ENA and Phase 1 DDA shall mean the newly-formed Joint Venture Partners (the "Developer").

7. Both Proposition G and the Conceptual Framework provide specific guidance on an appropriate financing plan for the Project, including without limitation the following: (i) the Project financing should rely on private capital and land secured tax exempt financing (such as tax increment and Mello-Roos bonds) that leverages private investment, and should minimize adverse impacts to the City's General Fund; (ii) the Project must be financially feasible and provide a risk adjusted market rate of return to the Developer to support the required investment of private capital in the Project and the transaction structure should simultaneously prioritize the delivery of the Project's core public benefits (like parks, jobs and affordable housing), and (iii) except with regard to the use of the citywide Affordable Housing Fund, the Project should not use property tax increment generated from any part of a redevelopment area outside of the Project site to finance the construction of improvements within the Project site.

8. The Phase 2 ENA requires the Developer to negotiate in good faith for the planning, conveyance and redevelopment of the Integrated Project Site in accordance with an attached Schedule of Performance, which includes deadlines for certain milestones. The parties originally anticipated that a term sheet for the Project (the "Term Sheet") could be completed by March 1, 2008, subject to certain extensions if the 49ers did not commit to the Shipyard location, or affirmatively reject the Shipyard location, for their new stadium by such date. To date, the 49ers have not committed to or rejected the Shipyard location for their proposed new stadium. In connection with the Phase 2 ENA amendment authorized by Agency Resolution No. 86-2008 and executed in connection with the satisfaction of the Partner Requirement, the parties extended the date for completion of the Term Sheet to November 30, 2008.

9. Section 1.3 (a) (2) of the Phase 2 ENA provides that the Term Sheet shall address: the scope of development, the material business terms for the Transaction Parcels, a financially feasible pro forma, an infrastructure plan, a housing plan, a design review and development procedure, a community benefits program, a sustainability plan, a stadium development plan and feasibility report, guaranties or other financial assurances, a plan for the development of the Shipyard in relation to the hazardous materials remediation and conveyance program, a plan for the permanent artist community facilities, and a plan for the permanent African marketplace. The Schedule of Performance for the Phase 2 ENA, as amended by Agency Resolution No. 86-2008, also requires the completion of final transaction documents fourteen months following the Board of Supervisors' endorsement of the Term Sheet.

10. The Developer and City and Agency staff continue to negotiate in good faith for the planning, conveyance and redevelopment of the Integrated Project Site, and the Developer has prepared the Finance Plan, a copy of which is attached hereto as <u>Exhibit A</u>. The Finance Plan is the first major element of the Term Sheet; it was endorsed by the Bayview Hunters Point Project Area Committee ("PAC") and the Hunters Point Shipyard Citizens Advisory Committee ("CAC") at a joint meeting on October 20, 2008.

11. The Developer and City and Agency staff continue to work on, and seek community and public input on, the remaining elements of the Term Sheet that are described in the Phase 2 ENA and Section 9 above. The parties anticipate that all of these elements, as well as the Finance Plan, will continue to be developed and refined over the next several months through the community review and environmental review processes, and will be brought to the CAC, PAC, and Agency Commission, for discussion as we proceed to final transaction documents. In the beginning of 2009, Agency staff expects to present an amended Schedule of Performance under the Phase 2 ENA to the Agency Commission for approval. That amended Schedule would specify the process for public review of the remaining elements of the Term Sheet.

12. To maintain existing deadlines for the completion of final transaction documents, the Board of Supervisors' endorsement of the Finance Plan will trigger the beginning of the fourteen (14) month period during which the Developer must complete Transaction Documents, as described in the Phase 2 ENA and its Schedule of Performance.

13. The Finance Plan is not a binding agreement that commits the Agency or the City to proceed with the approval or implementation of the Project, but it outlines the financial terms on which the Agency, the City, and the Developer will negotiate in good faith to reach agreement on the final transaction documents for the Project. Consistent with the Conceptual Framework and Proposition G, the Finance Plan demonstrates that the Project can be self-sufficient – meaning that the Project can be financed with Developer equity and certain forms of tax-exempt financing from the Project itself (such as Mello Roos and property tax

increment financing), and that the City's General Fund will not pay for the infrastructure and capital needs of the Project. As set forth in the Finance Plan, the total Project cost is expected to exceed $2 billion.

14. The Finance Plan includes a summary of the sources and uses of funds, a cash flow proforma analysis, a description of the proposed transaction structure, a description of the Project, the key financial terms for a new 49ers stadium, and a letter from CBRE Consulting, Inc. and C.H. Elliott & Associates validating certain financial assumptions.

15. The Project, as ultimately proposed by the Agency, the City, and the Developer, shall be subject to a process of thorough public review and input and all necessary and appropriate approvals; that process must include environmental review under the California Environmental Quality Act ("CEQA") before the Agency or the City may consider approving the Project; the Project will require discretionary approvals by a number of government bodies after public hearings and environmental review, including by the Agency Commission and the City's Board of Supervisors; the Project also may require approval by various State agencies, such as the State Park and Recreation Commission, Bay Conservation and Development Commission, and State Lands Commission; and, in addition, the Project may require amendments to the Shipyard and BVHP Redevelopment Plans, in accordance with the procedural and substantive requirements of the California Community Redevelopment Law.

16. Nothing in this Resolution commits, or shall be deemed to commit, the Agency, the City, or any other public agency to approve or implement any project, and they may not do so until environmental review of the project as required under CEQA has been completed; accordingly, the references to "the Project" (or the like) in this Resolution mean a proposed project subject to future environmental review and consideration by the Agency, the City, and other public agencies; further, the Agency, the City, and any other public agency with jurisdiction over any part of the Project each shall have the absolute discretion before approving the Project to: (i) make such modifications to the Project as may be necessary to mitigate significant environmental impacts; (ii) select other feasible alternatives to avoid or substantially reduce significant environmental impacts; (iii) require the implementation of specific measures to mitigate any specific impacts of the Project; (iv) balance the benefits of the Project against any significant environmental impacts before taking final action if such significant impacts cannot otherwise be avoided; or (v) determine whether or not to proceed with the Project.

17. Agency endorsement of the Finance Plan is statutorily exempt under CEQA because it is a non-binding feasibility and planning study, as defined in CEQA Guidelines Section 15262, and will not independently result in significant physical effects on the environment.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED that the Redevelopment Agency of the City and County of San Francisco endorses the Finance Plan attached as Exhibit A, and authorizes Agency staff to continue to negotiate under the Phase 2 ENA consistent with the Conceptual Framework, Proposition G and the Finance Plan, and to work with City staff and the Developer to complete the remaining elements of the Term Sheet; and be it

FURTHER RESOLVED, that the Agency reserves all rights under the Phase 2 ENA, including but not limited to the milestone dates set forth in the Schedule of Performance, and nothing in this Resolution shall be deemed a waiver of any such rights, including but not limited to the right to exercise remedies for failure to complete and obtain Agency endorsement of all of the elements of the Term Sheet; and be it

FURTHER RESOLVED, that this Resolution endorsing the Finance Plan is conditioned on the parties' agreement that the fourteen (14) month period for completion of the transaction documents under the Phase 2 ENA shall commence upon the Board of Supervisors' endorsement of the Finance Plan; and be it

FURTHER RESOLVED, that this Commission authorizes the Executive Director and Agency staff to take such additional actions, as may be necessary or appropriate to implement this Resolution.

APPROVED AS TO FORM:

James B. Morales
Agency General Counsel

CANDLESTICK POINT AND HUNTERS POINT SHIPYARD PHASE 2 REVITALIZATION PROJECT

DRAFT PLAN FOR FINANCING AND TRANSACTION STRUCTURE

(FINANCING PLAN)

October 2008

In furtherance of Proposition G – the Bayview Jobs, Parks and Housing Initiative – approved by San Francisco's voters in June 2008, and consistent with the Conceptual Framework described below and the Second Amended and Restated Exclusive Negotiations Agreement dated as of May 1, 2007 (as amended, the "ENA"), between the Redevelopment Agency of the City and County of San Francisco (the "Redevelopment Agency") and HPS Development Co., L.P. and CP Development Co., L.P., as successors to Lennar – BVHP, LLC and Lennar Communities, Inc. (collectively, the "Developer"), this Financing Plan is intended to establish key financial principles for negotiating a comprehensive and binding set of agreements to revitalize Candlestick Point and Hunters Point Shipyard Phase 2 through a mixed-use development project (the "Project").

This Financing Plan, which satisfies the requirements of Section 1.3(a)(2)(iii) of the ENA, outlines financial terms upon which the Redevelopment Agency, the City and the Developer will negotiate in good faith to reach agreement on final transaction documents for the Project. But this Financing Plan is not itself a binding agreement that commits the Redevelopment Agency or the City to proceed with the approval or implementation of the Project or the Developer to develop the Project. The parties understand that all entitlements and other approvals by government agencies required for the Project as generally described in Part VII below will first undergo environmental review under the California Environmental Quality Act ("CEQA") and be subject to public review in accordance with the processes of the Redevelopment Agency and City.

I. BACKGROUND AND UNDERLYING PRINCIPLES

In the Spring of 2007, the Mayor, the Board of Supervisors (the "Board"), the San Francisco Redevelopment Agency Commission, the Hunters Point Shipyard Citizen's Advisory Committee ("CAC") and the Bayview Hunters Point Project Area Committee ("PAC") all approved a Conceptual Framework for the combined development of Phase 2 of the Hunters Point Shipyard (Phase 1 is already approved and under construction) and Candlestick Point (the "Conceptual Framework"). The Conceptual Framework had four main elements:

(1) it set forth goals and principles to guide the Project;

(2) it presented a proposed preliminary plan for integrated development, serving as the basis for a Board finding that the plan is likely to be fiscally feasible and is likely to deliver the intended public benefits, such that the City was able to begin environmental review of the Project under CEQA consistent with Administrative Code Chapter 29;

(3) it outlined the parameters for the City and the Redevelopment Agency, in cooperation with the Developer and in consultation with other government agencies with jurisdiction over the Project, to begin an extensive community and public review process of the preliminary proposal, including consideration by the CAC and PAC, as that proposal may be modified and updated during the public review and planning process; and

(4) it anticipated expanding the exclusive negotiations agreement between the Redevelopment Agency and the Developer for Phase 2 of the Shipyard to cover the planning and development of the Project as a whole, including Candlestick Point, subject to certain conditions. The Conceptual Framework also expressly contemplated a measure that would be submitted to the voters as part of the public review of the Project.

On June 3, 2008, the City's voters overwhelmingly approved Proposition G. Proposition G made it City policy to proceed, subject to public input and the environmental review process, with revitalizing Candlestick Point and the Hunters Point Shipyard through an integrated mixed-use development project that includes:

- over 300 acres of public park and open space improvements;
- between approximately 8,500 and 10,000 housing units, including rental and for-sale and affordable and market-rate residences;
- 600,000 square feet of regional retail on Candlestick and 100,000 square feet of neighborhood-serving retail on the Shipyard;
- 2,000,000 square feet of green office, science and technology, research and development and industrial uses on the Shipyard and 150,000 square feet of such uses on Candlestick;
- an arena site;
- a site on the Shipyard for a new stadium, if the 49ers and the City timely determine it is feasible to build it; and
- if a new stadium is not built, additional green office, science and technology, research and development and industrial space, or additional housing.

The City policy, established by Proposition G, further states that the Project shall be designed to be consistent with these objectives:

- producing tangible community benefits for the Bayview and the City;
- reunifying the site with the Bayview and protecting the Bayview's character for existing residents;
- producing new market and affordable housing and encouraging rebuilding the Alice Griffith Housing Development;
- incorporating environmental sustainability;
- encouraging the timely development of the Project site;
- encouraging the 49ers to remain in San Francisco by providing a new stadium site and supporting infrastructure; and
- requiring the Project to be fiscally prudent, with or without a new stadium.

Proposition G also authorizes the City to sell, convey or lease any park land in Candlestick Point under the Recreation and Park Department's jurisdiction and allow development of non-recreational uses on such land, so long as such land is replaced with at least an equal amount of new public parks or open space in the Project site and the Board of Supervisors finds that the transfer is consistent with the measure's objectives. Proposition G also repealed the two earlier stadium initiative measures, Propositions D and F, adopted by the voters in June 1997.

Both Proposition G and the Conceptual Framework provide specific guidance on an appropriate financing plan for the Project, including the following:

- Project financing should rely on private capital and land secured tax exempt financing (such as tax increment and Mello-Roos bonds, as described in more detail below) that leverages private investment. Project financing should not rely on the City's General Fund and should be structured to minimize adverse impacts to the General Fund.

- The Project must be financially feasible and provide a risk adjusted market rate of return to the Developer to support the required investment of private capital in the Project and the transaction structure should simultaneously prioritize the delivery of the Project's core public benefits (like parks, jobs and affordable housing).

- The transaction structure for the Project should provide a mechanism for the Redevelopment Agency – and through the Redevelopment Agency to the community – to participate in surplus profits, if any, from the development of the Project.

- The Redevelopment Agency may use its citywide Affordable Housing Fund to help finance affordable housing in the Project site.

- Except as immediately provided above, prohibit the use of property tax increment from any part of a redevelopment area outside of the Project site to finance the construction of improvements within the Project site.

- To the extent feasible, use state and federal funds to pay for environmental remediation of the Project site and help pay for transportation and other infrastructure improvements, and provide ways for other development projects outside the Project site to pay their fair share of infrastructure improvements.

The ENA required Lennar BVHP and Lennar Communities to bring on additional partners with expertise in retail, infrastructure and/or research and development, as well as additional equity partners with the financial capacity to ensure that the development of the Project can expeditiously proceed through all of the predevelopment and development phases (as defined in the ENA, the "Partner Requirement"). In satisfaction of the Partner Requirement, the Developer entered into a joint venture with Scala Real Estate Partners, LP, Hillwood Development Company, LLC and Estein & Associates USA Ltd. as key equity partners, and entered into strategic agreements with Kimco Developers, Inc. and MACTEC Development Corporation as important strategic partners in the areas of retail and infrastructure, respectively. The Redevelopment Agency Commission approved the addition of these partners as satisfying the Partner Requirement on August 19, 2008.

Consistent with the guiding principles of Proposition G and the Conceptual Framework as set forth above, a critical premise of the Project is that it should be financially self-sufficient. In this context, financial "self-sufficiency" means that although the Developer may use certain forms of tax exempt financing based on revenues from the Project itself, such as property tax increment and Mello Roos community facility district bonds, to help build public infrastructure for the Project, and the City's General Fund will not otherwise pay for infrastructure needs or other capital improvements associated with the Project.

The currently proposed land use plan refines and advances the vision set forth in the Conceptual Framework and Proposition G. This Financing Plan reflects the proposed land use plan and development program, as shown and generally outlined in Attachment 1, as well as current cost and revenue projections related to the key elements of the land use plan, such as transportation and other public infrastructure, parks and open space, community facilities, and housing. Consistent with Section 1.4 of the ENA and Section 9 of Proposition G, over what is anticipated to be the next 12-month period, those elements of the plan will be updated in response to public input, as well as changing market conditions, and this Financing Plan will evolve correspondingly.

II. PURPOSE AND CONTEXT OF THE LAND SECURED FINANCING PLAN

A. Purpose. At this stage of the planning for the Project, this Financing Plan serves four primary purposes:

1. To describe how the various public amenities and infrastructure necessary to service the Project are anticipated to be paid for;

2. To evaluate the overall financial feasibility of the Project;

3. To describe the basic transaction structure among the Redevelopment Agency, the City and the Developer; and

4. To describe the more specific financial principles and transaction structure that would govern any stadium development by the San Francisco 49ers (the "49ers") as part of the Project.

As mentioned above, this Financing Plan is but one element of a larger, on-going planning process for the Project that is expected to continue for the next 12 months, culminating in a comprehensive Disposition and Development Agreement ("DDA") between the Redevelopment Agency and the Developer. But, this Financing Plan marks an important milestone for the Project because it demonstrates the likely financial feasibility of the Project consistent with the policies and guiding principles set forth in Proposition G and the Conceptual Framework. In addition, the assumptions that form the basis for this Financing Plan represent the planning work to date for the Project, which includes extensive input from the CAC, the PAC, the San Francisco Redevelopment Agency Commission, the San Francisco Recreation and Parks Commission, the San Francisco Planning Commission, the Land Use Committee of the Board, City and Redevelopment Agency staff, other local, state and federal government agencies with jurisdiction over the Project and interested members of the public.

B. Context. The restrictions of Proposition 13 (June 1978) and its progeny, together with diminishing financial assistance for infrastructure from the federal and state governments, have significantly limited the ability of cities to pay for the creation of new public benefits, like parks and affordable housing. In this challenging fiscal environment, a primary goal of the Project is to maximize public benefits without burdening the City's General Fund. The way to achieve that goal is by leveraging private capital and land value created from the Project itself to the extent possible, while still reflecting the highest values of environmental sustainability and good urban design.

The Project is anticipated to produce these core public benefits:

(i) create more than 2,500 new construction jobs and over 7,500 new permanent jobs;

(ii) transform a long-standing environmental blight on the City and the surrounding Bayview Hunters Point community;

(iii) directly contribute more than $500 million towards the creation of 3,345 affordable units (31.86% of all new housing based on 10,500 new housing units); and

(iv) create the largest public parks improvement project in San Francisco since the construction of Golden Gate Park – including the rehabilitation of the Candlestick Point State Recreation Area – in the part of the City most lacking in good recreation and open space areas.

III. Sources and Uses of Funds

This Financing Plan outlines certain anticipated terms of the DDA, including an obligation for the Developer to complete the "horizontal" development of the Project, on a phased basis. Such horizontal development model requires that the Developer, in conjunction with that applicable phase of development:

(i) plan the Project and obtain all required entitlements;

(ii) demolish and grade the site;

(iii) build the backbone wet and dry utilities;

(iv) build the public transportation improvements;

(v) complete public open space improvements;

(vi) provide community and public facilities;

(vii) convey sites for affordable housing projects in developable condition and furnish gap subsidies for vertical construction; and

(viii) satisfy other requirements, all as necessary to convert the raw land at the Shipyard and Candlestick Point into developable pads ready for "vertical" development.

Thus, for purposes of the cost and revenue estimates contained in this Financing Plan, Project costs relate to the development and construction of these horizontal land improvements, not the cost of developing and constructing actual "vertical" buildings. Similarly, Project revenues relate only to the revenues generated by the sale of "horizontal" parcels, i.e., improved, entitled development sites in the Project, not the proceeds of selling buildings or finished housing units.

All of the monetary estimates in this section on Sources and Uses of Funds are in nominal dollars as of today. The next section of this Financing Plan, Part IV, summarizes a more complex cash flow analysis that makes adjustments based on the timing of the receipt and the expenditure of funds to examine any significant effect on the feasibility of the Project.

A. Sources. As shown on Attachment 2, to implement the Project, the sources of funding for development will come in the following primary private and public forms:

- ***Private Capital:*** The Developer will provide private capital, which is anticipated to consist of equity and/or private debt. This at-risk capital includes monies spent before the Project receives any entitlements, as well as funds necessary to fund improvements during Project construction. Like all forms of private financial investment, these sources of capital require a risk adjusted market rate of return for the relevant parties to invest the up-front funds. Based on current financial projections, it is estimated that the private capital contribution to the Project will be approximately $618 million.

- ***Land-Secured Tax-Exempt Financing:*** This form of financing uses tax-exempt financing tools generated by the Developer's investment of private capital in the Project to capture revenues that would not otherwise exist but for the Project. To qualify for tax-exempt status, the proceeds of these types of financing are generally limited to the construction of public improvements, like streets and other public infrastructure, public parks and open spaces, and affordable housing. Land-secured tax exempt financing typically takes the form of Mello Roos Bonds under a Community Facilities District or property tax increment financing traditionally associated with a redevelopment project area. As shown on Attachment 2, the total proceeds estimated from land-secured financing for construction of public infrastructure and affordable housing is about $1.4 billion.

    - Property Tax Increment Financing: In redevelopment project areas such as the ones proposed to be amended for the Hunters Point Shipyard and Candlestick Point, a portion of the net new property tax revenues generated by new development or the tax appreciation of existing property can be dedicated to pay for public infrastructure. Property tax increment bonds can be issued by the Redevelopment Agency to generate funds for the construction of public improvements and affordable housing. The debt service on such bonds is retired by applying available property tax increment generated by the Project. Property tax increment financing is typical of urban revitalization projects in California as a means for redevelopment activity to self-finance necessary improvements through the temporary capture of property tax revenues that would not exist but for the revitalization activity itself. The property tax increment financing in turn supports the revitalization efforts. The proceeds of property tax increment financing will be used only to build public improvements, such as affordable housing and public infrastructure (e.g., parks, roads, transportation infrastructure, utilities and geotechnical improvements). Overall, it is estimated that approximately $823 million will be available from property tax increment financing.

    - Mello Roos Community Facility District Bonds: This financing mechanism allows the Developer to impose a special tax on top of its annual property tax bill for designated parcels so long as the owners of affected parcels approve the imposition of the tax by a 2/3 vote and the proceeds from this additional special tax are used to cover the costs of eligible public facilities or services, such as utilities, roads, geotechnical improvements and parks and open space. Mello Roos bonds are often used in large-scale development projects in California, and more recently in urbanized areas. Mello Roos bonds are not an investment of City General Fund dollars into the Project; they are a self-appointed tax on the development that will ultimately be paid by most residential unit owners and commercial tenants. Because it usually takes time to generate property tax increment as the build out of the Project proceeds, Mello Roos Bonds are often used as a way to help fund up-front investment in public infrastructure, as a bridge before enough property tax increment is available to pay those costs. (The special tax will not be levied on Redevelopment Agency sponsored affordable housing units.) Based on the overall value of the proposed development (excluding Redevelopment Agency sponsored affordable housing units), the Mello Roos Bond proceeds to refund infrastructure are expected to total approximately $597 million.

- Operations & Maintenance District ("O&M District"): The Project includes a dedicated funding source for the ongoing operations and maintenance of the public parks and pubic open space in the Project site. Like the Mello Roos district for infrastructure development, the parks and open space operations and maintenance funding is generated from a special tax that is levied on top of the annual property tax that is paid by landowners in the district. (The special tax will not be levied on Redevelopment Agency sponsored affordable housing units.) At full build out of the Project, proceeds from the O&M District (excluding Redevelopment Agency sponsored affordable housing units) are estimated to be $7.5 million on an annual basis. These funds would not be available for the construction of the initial capital improvements, and therefore are not included in the cash flow analysis described below.

B. Uses (Project Costs). As shown on Attachment 2, the estimated horizontal development costs associated with implementing the development plan for the Project totals approximately $2 billion. The following is a summary of the main cost components:

- ***Public Infrastructure Costs***: Infrastructure systems, including open space and transportation infrastructure improvements, have been planned at a conceptual level. The costs associated with making these improvements are expected to total approximately $1.4 billion. These include:
  - New major public infrastructure systems, including: a low-pressure potable water system; a reclaimed water system; an auxiliary fire water supply system; separate sanitary sewer and storm drainage facilities; joint trenches throughout the area to accommodate electrical, communication, and gas utilities; and new roadway systems;
  - Demolition and earthwork grading that is required to prepare the land for horizontal and vertical development;
  - On and off-site transportation improvements, including significant capital improvements to public transit corridors and surface roadways that would

serve the Project and the surrounding Bayview- Hunters Point neighborhood; and

- Creation of over 300 acres of public access, parks, open space and shoreline improvements and other waterfront improvements to enhance public use, enjoyment and views of the Bay.

➢ ***Affordable Housing***: At full build out of the Project, approximately 31.86% of all homes developed – or 3,345 housing units based on 10,500 total housing units – will be developed as affordable homes targeting a range of affordability levels. As further described below, these affordable units are comprised of three types: (1) affordable units built largely by the Redevelopment Agency; (2) "Inclusionary" and "Workforce Housing" units built by vertical developers; and (3) the reconstruction of the public housing at Alice Griffith Housing Development. The estimated cost of the Project's affordable housing program is approximately $586 million, as follows:

- *Gap Funding for Redevelopment Agency Units.* As the private development proceeds, the Developer will deliver to the Redevelopment Agency finished pads, ready for development. The Redevelopment Agency will sponsor the development of approximately 1,375 to 1,650 affordable housing units targeting households at a maximum of 50% Area Median Income ("AMI")[1]. Funding for these units will come from various sources, including property tax increment from the Project, affordable housing tax credits, and housing impact fees generated by vertical development in the Project site. Because these sources alone are not likely to ensure the construction of all of these units, the Developer will provide additional gap funding to the Redevelopment Agency to subsidize the construction of these units.

- *Inclusionary/Workforce Housing Units.* Inclusionary and Workforce Housing units will target households between 80% and 160% of AMI. Over the build out of the Project, between 1,440 and 1,700 units of Inclusionary and Workforce Housing will be developed. The Developer will also provide additional gap funding to subsidize the construction of the Workforce Housing units.

- *Alice Griffith Housing Development.* The Project also includes the reconstruction of the Housing Authority's Alice Griffith Housing Development on Candlestick Point, replacing the 256 existing public housing units on a one-for-one basis. The reconstruction of the Alice Griffith Development shall proceed in the first phase of development, under the principles of the City's HOPE SF program, the Conceptual Framework and Proposition G.

- *Land Improvements.* None of the affordable housing units can be developed until the Developer completes the horizontal land development and infrastructure improvements necessary to convert the current raw and

[1] Income levels correspond to those set forth by the San Francisco Mayor's Office of Housing and the U.S. Department of Housing and Urban Development ("HUD") for Unadjusted Area Median Income for the HUD Metro Fair Market Rent that contains San Francisco.

undevelopable land at the Shipyard and Candlestick Point into finished lots. The cost to prepare pads for affordable housing is estimated at $288 million.

- ***Other Costs*:** There are several other significant costs associated with the horizontal development of the Project. These include:

  - *Additional Community Benefits.* In addition to the core community benefits of creating jobs, public parks and affordable housing, the Project will deliver a number of other community benefits. These additional benefits consist of various programs funded through residential and commercial development that will benefit Bayview Hunters Point residents, including: (i) workforce development and training programs (by establishing a Workforce Development Fund); (ii) home buying assistance in District 10 (by establishing a Community First Housing Fund); (iii) a scholarship program for Bayview residents; (iv) a contribution of funds to address the physical and mental health of Bayview youth; and (v) other community programs. A more detailed description of these programs is provided in Attachment 4. In total, these costs are estimated at approximately $82 million.

  - *Community and Public Facilities.* These costs include new and improved community and public facilities, including facilities for a permanent artists' community and African marketplace, as well as land dedicated to community-serving uses, such as public parking facilities, and other facilities to be determined. The total estimated cost for these community and public facilities is approximately $58 million and is included in Attachment 2 as part of the infrastructure costs.

  - *Property Taxes and Special Assessments.* Because of the lengthy construction schedule, the Developer will own property, and pay carrying costs such as real estate taxes and assessments and interest paid on the Mello Roos debt, before transferring parcels to vertical developers. The total estimated cost of property taxes and assessments to be paid by the Developer is $54 million.

  - *Governmental Fees.* The Developer will pay the Redevelopment Agency an annual fee covering ongoing Project administration costs and other government fees associated with the Project of approximately $14 million over the 15-year build out of the Project.

  - *Planning & Entitlement.* The pre-development planning and entitlement work by the Developer necessary to secure Project approvals from the City and other regulatory agencies is estimated at $33.6 million (including the Developer's payment of costs of the Redevelopment Agency and the City) from initiation of negotiations to the close of escrow.

  - *Marketing, Project Management and Property Management and Closing Costs.* There are additional costs associated with developing and managing the Project that the Developer will incur once a DDA is executed. Those costs include the marketing and project management costs associated with the proposed development, closing costs associated with the sale of horizontal parcels in the Project, on-going property management of the existing site and the management of construction activities associated with the new development, and general and administrative costs associated with development of the Project. In total, these costs are estimated at approximately $113 million.

C. Project Revenues. Project Revenues are revenues generated through the sale or lease of finished horizontal or bulk lots in the Project for "vertical development". Subject to participation by the Redevelopment Agency in vertical development as outlined in Section V.A below, these Project Revenues are the source of funds to repay the Developer's investment of private capital. Over the life of the Project, total Project Revenues are estimated at approximately $1.3 billion, as shown on Attachment 3. The primary sources of Project Revenue are:

- ***Sale of Land for New Residential Development.*** The main source of Project Revenue is the sale of fully entitled, improved land for new residential development. The sale of fully entitled developable residential pads is expected to generate approximately $758 million over the life of the Project. These residential land sales do not include the provision of the Redevelopment Agency affordable housing sites or the replacement of the units at Alice Griffith Housing Development.

- ***Sale of Land for New Commercial/Retail Development.*** An additional source of revenue is the sale of fully entitled, improved land for new the commercial/retail development. The sale of commercial/retail land is expected to generate approximately $291 million over the life of the Project.

IV. PROJECT FEASIBILITY: FINANCIAL CASH FLOW ANALYSIS

The discussion of sources, uses and Project Revenues in Section III above provides a static summary of total financing, total costs and total revenues for the full development of the Project. In actuality, these costs and revenues will be incurred over time from the inception of development planning through the buildout of the Project, and these timing issues have an enormous impact on the overall financial feasibility of the Project. Indeed, full build out of the Project is anticipated to take 15 years, depending on market conditions. As is often the case with large, complex, urban infill revitalization efforts, a large proportion of overall costs must be incurred in the initial years, and revenues follow much later. At Hunters Point Shipyard and Candlestick Point, this is particularly true as a result of the significant infrastructure and transportation improvements that must be made in the early phases to support development of the land.

A cash flow proforma analysis ("Proforma") has been developed based on the current land use plan, and is included as Attachment 3, to estimate the annual timing of the expected revenues and costs associated with the Project. At this stage of Project planning, the Proforma projects an internal rate of return (IRR) for the Project between 15% and 16%. The Developer, the City, and Redevelopment Agency staff agree that, the current IRR supports continued negotiations and private investment to secure entitlements for the Project. However, to achieve a market rate of return that reflects the complexity of the Project, the parties will work cooperatively to reduce risks and uncertainties as the Project progresses to the final agreements and entitlements and to find additional efficiencies or values in the Project.

V. TRANSACTION STRUCTURE

As noted above, the analysis included in this Financing Plan reflects a horizontal land development model. Under this model, land is the asset that is being improved and sold, not finished buildings or housing units. The transaction structure is designed to transform the Project site into finished parcels that are improved with streets, sidewalks, parks, and other public infrastructure and certain community facilities. In this structure, the

Developer's obligations include the development of the horizontal improvements, as outlined above, together with the provision of various community amenities and other public benefits. In return, the Developer receives the right to sell land. While the transaction structure defines certain rights to vertical development as well, the financial analysis is based on the residual land value, that is, the value of the Developer's rights to sell land once the land has been entitled and developed into bulk lots ready for the construction of vertical buildings.

The transaction structure outlined below allows for distributing net Project Revenues according to market-based principles regarding risk, financing requirements, and the Developer's and the Redevelopment Agency's respective financial contributions to the Project. The transaction structure is designed to allow the Developer to receive a risk adjusted market rate of return on its investment, with the Redevelopment Agency sharing in any excess profits based on its contribution of land and provision of property tax increment. Under this financial sharing model, if the threshold returns are not met, the Project may proceed more slowly. But neither the Redevelopment Agency nor the City would bear any financial costs if the threshold returns are not achieved.

A. Distribution of Net Project Revenues. The proposed transaction structure would distribute the Net Project Revenues (defined as Project Revenues less Project Expenses, including the allocation to the Legacy Fund described in paragraph C below) as follows:

- First, to the Developer, until the Project achieves a 22.5% unleveraged annual internal rate of return. This target return may also include a commercially reasonable "cash on cash" return as may be agreed upon between the Redevelopment Agency and the Developer as part of the DDA.

- Second, any remainder to be split 50:50 between the Redevelopment Agency and the Developer. The Redevelopment Agency's share of Net Project Revenues, if any, will be paid directly into the Legacy Fund established under the Phase 1 Shipyard DDA, which shall be used for the benefit of the Bayview Hunters Point community.

B. Rights to Vertical Development. While the overall transaction is a horizontal land development model, this Financing Plan anticipates that the Developer will have the right to construct and participate financially in some of the vertical development of residential and commercial uses. The scope and extent of such rights shall be set forth in the final DDA for the Project.

In conjunction with the Developer's completion of the horizontal development requirements for each phase of development, the improved land parcels will be subdivided into marketable parcels and, subject to the requirements of the DDA, the parcels will be:

- sold or leased at fair market value to qualified vertical developers (including the Developer and its affiliates) for the vertical development of the residential and commercial uses as defined in the final DDA; or

- transferred or retained by the Redevelopment Agency for affordable housing development; or

- dedicated to the City for open space, community facilities or other public uses.

To the extent the Developer and affiliated companies participate in the vertical development, they will pay full fair market value for the land, just as any third party developer would, under an appraisal process to be set forth in the DDA. The Developer affiliates also must have similar creditworthiness and development experience as will be required of third party developers under the DDA. To uphold the overall quality of the development, the Redevelopment Agency will require as part of the DDA that all vertical developers be qualified to perform the proposed vertical development so as to not undermine the overall quality of the community. In addition, all vertical development will be subject to the terms and conditions of the design controls outlined in "Design for Development" and any design review and development application procedure documents that will be approved as part of the DDA with the Developer.

C. Legacy Fund and Other Potential Participation. All market rate vertical development will be subject to separate DDA's – a "vertical DDA" – which will allow for profit participation by the Redevelopment Agency at a rate of 0.5% fee calculated on the gross sales price of the residential units (excluding Affordable Housing units). The Redevelopment Agency's vertical development revenue participation will be paid directly into the Legacy Fund established under the Phase 1 Shipyard DDA, which shall be used for the benefit of the Bayview Hunters Point community. In addition, the Redevelopment Agency and the City will consider other vertical development participation mechanisms as part of the DDA negotiations to the extent financially feasible.

D. Independent Validation of Transaction Structure. The Redevelopment Agency's independent real estate economic consultants, CBRE Consulting, Inc. and C.H. Elliott & Associates, have determined based on their experience with a multitude of complex public-private joint development projects that the transaction structure defined above, including the return threshold for the Developer, is commercially reasonable taking into account the complexity and risk inherent in the revitalization of Hunters Point Shipyard and Candlestick Point. These findings are outlined in the memorandum included as Attachment 6 to this Financing Plan.

VI. KEY FINANCIAL TERMS FOR THE NEW 49ERS STADIUM OPTION

Under Proposition G, the voters expressly adopted a City policy encouraging the 49ers to remain in San Francisco by providing a world-class site for a new stadium on the Shipyard Property, together with supporting infrastructure. That measure recognizes that the 49ers are an important source of civic pride for the City and have contributed to the Bayview, and that the team is closely identified with San Francisco, having played in San Francisco since the 1940s and in Candlestick Point since the 1970s. The Conceptual Framework similarly directs the City and the Agency to provide a world-class stadium development site for the 49ers, subject to certain basic terms and conditions.

Proposition G and the Conceptual Framework included a number of principles regarding the financing and development of a new 49ers stadium, including:

(i) The 1997 stadium related initiative measures were repealed and the issuance by the City of lease revenue bonds or other debt that will be secured by or repaid from revenues on deposit in the City's General Fund to finance development of the new stadium is now prohibited;

(ii) A portion of the cost of constructing the stadium could be paid from the proceeds of development of the Project, so long as the other public policy objectives of the Project are realized;

(iii) Property tax increment generated within the Project may be used for the stadium only for public infrastructure, including, but not limited to, public plazas or other public improvements, that may be connected to the outside of the stadium structure;

(iv) Neither the City nor the Redevelopment Agency will incur any liabilities regarding development or maintenance of the new stadium, including any construction cost overruns or marketing of stadium interests;

(v) To allow the stadium construction to be financed without the 1997 Proposition D-authorized revenue bonds or other General Fund indebtedness, the 49ers may directly, or through contracts with others, capture commercial revenues associated with the new stadium, such as naming rights;

(vi) To the extent necessary to make the Project financially feasible and achieve the required public benefits, the City or the Redevelopment Agency, as applicable, may enter into a long-term ground lease or possibly conveyance of land at less than fair market or nominal value, so long as the goals and other guiding principles for the Project described in the Conceptual Framework are satisfied;

(vii) If the site is leased, the ground lease for the new stadium will be net to the City or the Redevelopment Agency, as applicable, meaning that the 49ers will be responsible for performing maintenance, operation and repair of the stadium; and

(viii) The Developer shall provide reasonable financial and contractual assurances assuring the City, the Redevelopment Agency and the 49ers that the transportation infrastructure needed for the stadium will be completed and in service before the new stadium opens.

In furtherance of Proposition G and in accordance with the principles set forth in the Conceptual Framework, and subject to the public approval process for the Project, the City is prepared to negotiate stadium related transaction agreements consistent with these basic financial terms:

1. <u>Long-Term Ground Lease of the Stadium Site to the 49ers at Nominal Rent</u>. The City, by itself or through the Redevelopment Agency, will enter into a long-term ground lease covering the approximately 17.4-acre site of the stadium pad in the Hunters Point Shipyard, as shown on the map attached as <u>Attachment 5</u>, for the development of the new 49ers stadium.

    a) The ground lease rent payable by the 49ers will be $1.

    b) The initial term of the ground lease will be commensurate with a binding non-relocation agreement by the 49ers. The ground lease will include options to extend the term, at nominal rent.

    c) Under the ground lease, the 49ers will be able to capture the commercial revenues generated by the stadium but will be responsible for all costs of privately financing and developing the new stadium and for owning, operating, maintaining and repairing the new stadium throughout the duration of the ground lease, subject only to the financial terms below.

2. Cash Contribution by the Developer to the 49ers Toward Construction of the Stadium. The Developer will contribute to the 49ers $100 million in cash toward construction of the new stadium. The contribution will be payable over the two years needed to construct the stadium, under a binding agreement between the developer and the 49ers. The Developer expects to enter into that agreement concurrently with receipt of the final approvals for the mixed-use Project (anticipated to be by November 2009) and execution of the DDA by the Developer.

3. Delivery at No Cost to the 49ers of a Buildable Stadium Pad Site. The City will cause the Developer to deliver the stadium pad site in condition suitable for development of a new NFL football stadium, and all of the related infrastructure, including parking areas, needed for the stadium, as described on Attachment 5.

    a) The City recognizes that assurance of the timely completion of the infrastructure necessary for the stadium is critical. The City has successfully addressed this same issue in other large public-private development projects in San Francisco, such as Mission Bay, Phase 1 of the Hunters Point Shipyard, and Treasure Island. Consistent with these large-scale projects that require substantial up-front infrastructure improvements, the City will structure the transaction documents with the Developer to include legally binding requirements that include: (i) a guaranty in favor of the City and the Redevelopment Agency by a parent entity of the Developer with sufficient net worth to cover the guaranteed obligations; and (ii) performance bonds from appropriate sureties for infrastructure improvements. Those legally binding requirements may also include the following additional assurances: (iii) guaranteed fixed price contracts for the construction of identified infrastructure improvements; (iv) the right of the City or the Redevelopment Agency to build, or cause to be built, required infrastructure and to pay for the costs by capturing property tax increment from the share otherwise allocated to the Developer, if the Developer defaults on its obligation to start or complete the construction of the infrastructure in accordance with a schedule of performance; and (v) also in the event of any such default by the Developer, the additional rights of the Redevelopment Agency or the City to terminate the Developer's rights to develop the Project, refuse to convey additional property or take other appropriate remedies.

    b) While the City would include these requirements for the completion of infrastructure in the transaction documents with the Developer, the City would also need assurances that the 49ers can build the stadium. Accordingly, before the City delivers, or causes the Redevelopment Agency to deliver, possession of the pad site under the ground lease, the 49ers must demonstrate that they have the financing in place to build the new stadium and are otherwise prepared to begin construction, taking into account the Developer contribution and other commitments described in this document.

4. Additional Financial Terms. In addition to the key financial terms for the new stadium option as set forth above, any final agreements with the 49ers and the NFL will need to address a wide range of other issues, including, among other things, the operation and control of the "dual use" parking areas around the stadium pad and the allocation of revenues from such parking areas, and the NFL's commitment to hold Super Bowl games at the new stadium and any commitment by NFL to provide G-3 or equivalent loans to the 49ers. In addition, the City would be willing to consider viable options that allow the 49ers to capture additional stadium related revenues that would not otherwise exist, such as the provision of available property tax increment generated by the stadium itself for public plazas and other public improvements that may be connected to the outside of the stadium structure. Similarly, the City and Redevelopment Agency would consider other additional financial terms and funding sources if and when the 49ers timely commit to building a new stadium on the Hunters Point Shipyard site. But the City would consider such options, only so long as, consistent with Proposition G and the Conceptual Framework: (i) neither the City nor the Redevelopment Agency incurs any costs or liabilities in connection with any such options; (ii) no property tax increment from outside of the stadium pad site is used to finance development of the new stadium facility; and (iii) no revenue bonds or other debt secured by or repaid from the City's General Fund are used to finance development of the new stadium.

VII. General Conditions: CEQA and Public Approval Process

Entitlements for the Project will require discretionary approvals by a number of government bodies after public hearings, including, but not limited to, approvals by the Redevelopment Agency Commission, the City's Planning Commission and the Board of Supervisors and Mayor, and various State agencies. Nothing in this Financing Plan commits the Redevelopment Agency or the City to approve or implement the Project or actually grant entitlements, nor does this Financing Plan foreclose the possibility of considering alternatives, mitigation measures or deciding not to grant the entitlements or approve or implement the Project, after conducting appropriate environmental review under CEQA.

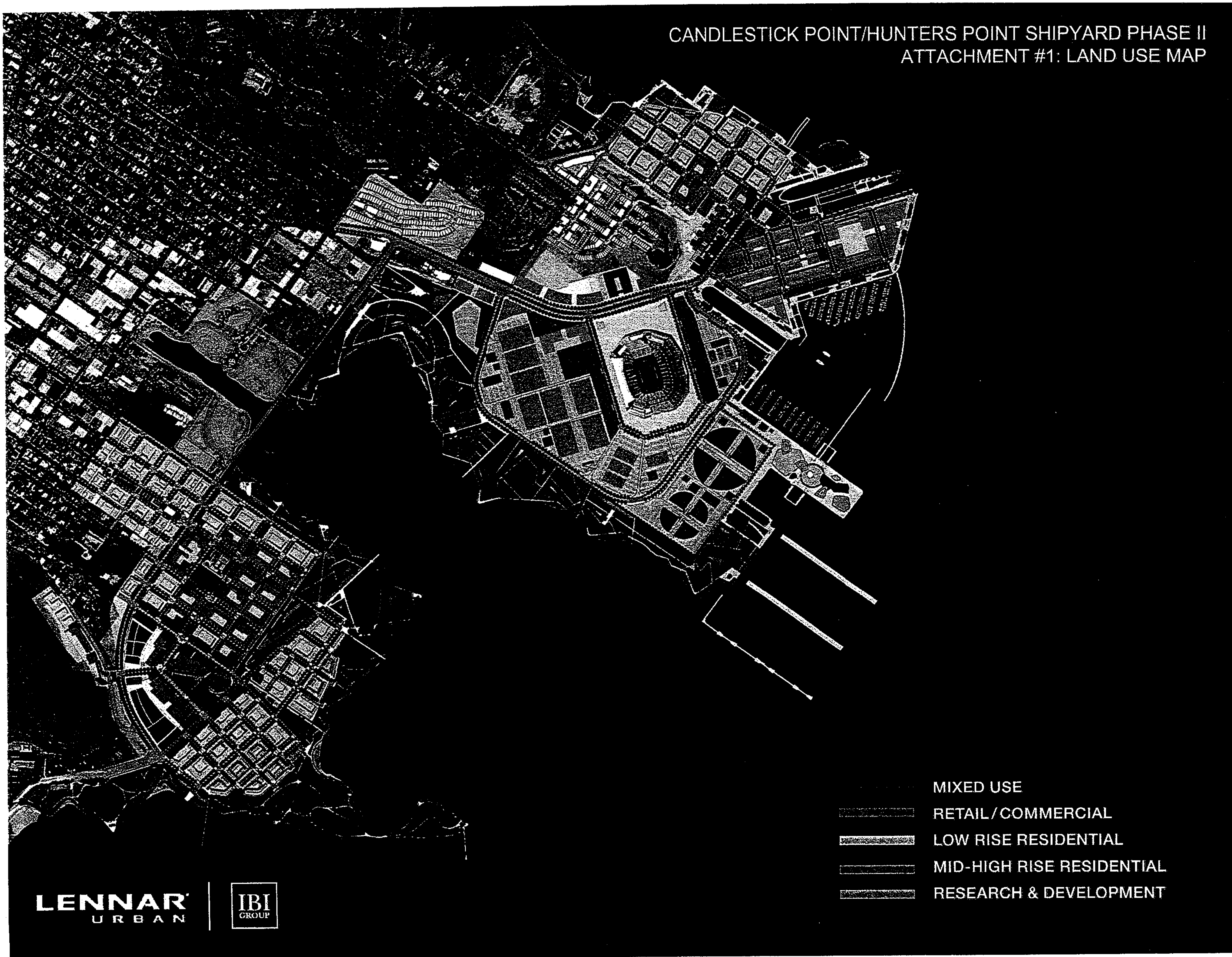
While this Financing Plan summarizes certain essential terms of the proposed DDA and related transaction documents, it does not necessarily set forth all of the material terms and conditions of those final agreements. This Financing Plan, once endorsed by the City's Board of Supervisors and the Redevelopment Agency Commission, acknowledges the support of the Redevelopment Agency and the City of the terms set forth in this Financing Plan. But, this Financing Plan is not intended to be, and shall not become, contractually binding on the City, the Redevelopment Agency or the Developer, and no legal obligation shall exist unless and until the parties have negotiated, executed and delivered mutually acceptable final agreements, subject to all applicable approvals and entitlements for the Project.

List of Attachments

Attachment 1	Land Use Map and Development Program Summary
Attachment 2	Sources and Uses of Funds
Attachment 3	Cash Flow Analysis
Attachment 4	Community Benefit Programs

Attachment 5	Stadium Site Plan
Attachment 6	Letter from CBRE Consulting, Inc. and C.H. Elliott & Associates Validating Certain Financial Assumptions

CANDLESTICK POINT/HUNTERS POINT SHIPYARD PHASE II
ATTACHMENT #1: LAND USE MAP



LENNAR URBAN | IBI GROUP

CANDLESTICK POINT AND HUNTERS POINT SHIPYARD PHASE 2 REVITALIZATION PROJECT
DRAFT PLAN FOR FINANCING AND TRANSACTION STRUCTURE (FINANCING PLAN)

ATTACHMENT 1

Candlestick Point / Hunters Point Shipyard Phase 2
Development Program

Land Use Type	Candlestick Point	Hunters Point	Total
Residential Units (sq. ft.)	7,850	2,650	10,500
Neighborhood Retail (sq. ft.)	125,000	125,000	250,000
Regional Retail (sq. ft.)	635,000	--	635,000
Artist's Studio (sq. ft.)	--	255,000	255,000
Office/R&D (sq. ft.)	150,000	2,500,000	2,650,000
Hotel (sq. ft.)	150,000	--	150,000
Arena (sq. ft.)	75,000	--	75,000
Open Space (acres)	96.5	242.9	339

ATTACHMENT 2
SOURCES and USES
Candlestick Point & Hunters Point Phase II - Consolidated

Sources

Lennar Joint Venture - Developer Contribution	617,966,655
Land Secured Exempt Financing	
Mello Roos	597,298,050
Tax Increment Financing	822,828,539
Total Sources	2,038,093,244

Uses

Infrastructure Costs	
Offsite transportation & other related infrastructure	273,770,598
Onsite Improvements	313,308,351
Waterfront Improvements	22,704,982
Demolition and Earthwork	185,859,689
Community Facilities and other structure improvements	58,085,344
Open Space	142,845,111
Contingency	149,486,111
Engineering and Other Fees	171,401,338
Construction Management	49,828,704
Subtotal	1,367,290,228
Share of Horizontal Costs Supporting Affordable Housing	(287,603,281)
Subtotal Infrastructure	1,079,686,947
Affordable Housing	
Gap Funding for Agency, Workforce, and Public Housing*	178,874,073
Share of Horizontal Costs Supporting Affordable Housing	287,603,281
Subtotal Affordable Housing	466,477,354
Other Costs	
Property Taxes	21,854,546
Annual Special Taxes\Assesments	32,027,304
Closing Costs	10,484,346
Residential Marketing	43,898,991
Planning And Entitlements - Pre Acq./Land	33,619,280
Governmental Fees	14,000,000
Community Benefits	82,332,876
Site Assembly	27,225,000
Stadium Contribution	100,000,000
General & Administrative	17,737,009
Project Management Fee	41,018,707
Subtotal Other Costs	424,198,059
Inflation to Costs	67,730,885
Total Uses	2,038,093,244

**Excludes Inclusionary Housing Contributions of $120 million*

ATTACHMENT 3

ANNUAL CASHFLOW

Candlestick Point and Hunters Point Phase II

	Total	2008	2009	2010	2011	2012	2013	2014	2015	2016
Infrastructure Costs										
Offsite transportation & other related infrastructure	(273,770,598)	-	-	(3,849,491)	(5,604,861)	(109,268,335)	(67,676,525)	(30,042,774)	(19,468,364)	(31,778,412)
Onsite Improvements	(313,308,351)	-	-	(10,756,555)	(20,020,657)	(92,695,892)	(58,698,409)	(32,727,093)	(33,825,349)	(43,007,041)
Waterfront Improvements	(22,704,982)	-	-	(153,248)	(1,031,602)	(8,218,505)	(5,433,482)	(1,493,940)	(2,004,052)	(1,978,233)
Demolition and Earthwork	(185,859,689)	-	-	(20,780,538)	(29,393,033)	(41,146,908)	(33,428,994)	(33,395,865)	(7,875,369)	(13,005,020)
Community Facilities and other structure improvements	(58,085,344)	-	-	-	(353,887)	(21,918,004)	(352,775)	(5,163,796)	(5,141,681)	(25,042,928)
Open Space	(142,845,111)	-	-	(1,108,641)	(2,116,122)	(7,044,260)	(13,545,075)	(11,816,046)	(31,295,747)	(32,537,201)
Contingency	(149,486,111)	-	-	(5,497,271)	(8,778,024)	(42,043,786)	(26,870,289)	(17,195,927)	(14,941,584)	(22,102,325)
Engineering and Other Fees	(171,401,338)	-	-	(53,668,168)	(23,830,241)	(24,378,833)	(25,218,330)	(13,852,421)	(12,129,950)	(12,091,247)
Construction Management	(49,828,704)	-	-	(1,832,424)	(2,928,008)	(14,014,595)	(8,956,763)	(5,731,976)	(4,980,528)	(7,367,442)
Subtotal	(1,367,290,228)	-	-	(97,646,336)	(94,054,436)	(360,729,118)	(240,180,642)	(151,419,837)	(131,662,625)	(188,909,849)
Share of Horizontal Costs Supporting Affordable Housing	287,603,281	-	-	20,539,463	19,783,923	75,877,729	50,520,906	31,850,474	27,694,634	39,736,328
Subtotal Affordable Housing	(1,079,686,947)	-	-	(77,106,873)	(74,270,513)	(284,851,388)	(189,659,736)	(119,569,363)	(103,967,990)	(149,173,521)
Affordable Housing										
Gap Funding for Agency, Workforce, and Public Housing	(178,874,073)	-	-	(2,475,000)	(9,622,720)	(15,195,440)	(18,310,290)	(24,721,229)	(30,026,719)	(33,620,618)
Share of Horizontal Costs Supporting Affordable Housing	(287,603,281)	-	-	(20,539,463)	(19,783,923)	(75,877,729)	(50,520,906)	(31,850,474)	(27,694,634)	(39,736,328)
Subtotal Affordable Housing	(466,477,354)	-	-	(23,014,463)	(29,406,643)	(91,073,170)	(68,831,196)	(56,571,703)	(57,721,353)	(73,356,946)
Other Costs										
Property Taxes	(21,854,546)	-	-	(754,434)	(1,911,269)	(3,589,360)	(4,652,963)	(4,557,839)	(3,780,175)	(2,095,501)
Annual Special Taxes\Assesments	(32,027,304)	-	-	-	-	(40,800)	(3,813,087)	(4,993,114)	(8,963,207)	(8,262,089)
Closing Costs	(10,484,346)	-	-	(88,062)	(11,415)	(349,522)	(1,794,975)	(1,073,132)	(2,265,163)	(2,072,477)
Residential Marketing	(43,898,991)	-	-	(6,909,705)	(8,779,798)	(8,779,798)	(8,779,798)	(8,779,798)	(1,870,093)	-
Planning And Entitlements - Pre Acq./Land	(33,619,280)	(17,837,007)	(15,253,233)	(529,040)	-	-	-	-	-	-
Governmental Fees	(14,000,000)	-	-	(3,400,000)	(3,400,000)	(1,684,000)	98,000	98,000	98,000	98,000
Community Benefits	(82,332,876)	-	(7,908,000)	(2,062,500)	(5,338,500)	(5,850,331)	(5,404,848)	(6,985,467)	(20,663,509)	(9,434,321)
Site Assembly	(27,225,000)	-	-	(27,225,000)	-	-	-	-	-	-
Stadium Contribution	(100,000,000)	-	-	-	-	-	(50,000,000)	(50,000,000)	-	-
General & Administrative	(17,737,009)	(4,904,217)	-	(2,072,132)	(2,072,132)	(2,072,132)	(2,072,132)	(2,072,132)	(2,072,132)	(400,000)
Project Management Fee	(41,018,707)	-	-	(3,780,000)	(3,780,000)	(3,780,000)	(3,780,000)	(3,780,000)	(3,780,000)	(3,780,000)
Subtotal Other Costs	(424,198,059)	(22,741,225)	(23,161,233)	(46,820,873)	(25,293,115)	(26,145,944)	(80,199,804)	(82,143,482)	(43,296,279)	(25,946,388)
Inflation to Costs	(67,730,885)	-	-	(1,345,555)	(2,249,584)	(12,321,373)	(10,687,660)	(8,319,522)	(8,622,960)	(14,385,064)
Land Secured Tax Exempt Public Financing										
Mello Roos Bonds	597,298,050	-	-	-	97,645,500	94,053,960	124,299,360	87,937,650	111,802,680	81,558,900
Tax Increment Financing	822,828,539	-	-	-	18,829,410	16,168,959	32,821,752	-	72,124,685	86,519,156
Subtotal Public Financing	1,420,126,589	-	-	-	116,474,910	110,220,919	157,121,112	87,937,650	183,927,365	168,078,056
Required Developer Contribution	(617,966,655)	(22,741,225)	(23,161,233)	(148,287,764)	(14,744,924)	(304,170,955)	(192,257,284)	(178,666,421)	(29,681,218)	(94,783,862)
Revenues										
For Sale/Rent Homesites - Land Sales	757,667,134	-	-	8,806,182	1,141,542	34,952,198	138,528,784	103,156,914	139,428,778	157,489,113
Commercial / Retail Acreage Sales	290,767,500	-	-	-	-	-	40,968,750	4,156,250	87,087,500	49,758,625
Other Revenues	40,127,134	-	-	868,810	112,624	2,656,581	8,219,716	5,994,552	8,000,569	8,240,881
Inflation on Revenues	229,600,467	-	-	376,588	84,528	3,714,315	25,032,094	18,633,876	47,307,784	50,799,500
Subtotal Revenues	1,318,162,235	-	-	10,051,581	1,338,693	41,323,092	212,749,344	131,941,592	281,824,631	266,288,119
Cashflow	700,195,580	(22,741,225)	(23,161,233)	(138,236,184)	(13,406,231)	(262,847,863)	20,492,061	(46,724,829)	252,143,413	171,504,257
Cumulative Cashflow		(22,741,225)	(45,902,457)	(184,138,641)	(197,544,872)	(460,392,735)	(439,900,674)	(486,625,503)	(234,482,090)	(62,977,833)
Monthly Internal Rate of Return	15.8%									

ATTACHMENT 3

ANNUAL CASHFLOW

Candlestick Point and Hunters Point Phase II

	Total	2017	2018	2019	2020	2021	2022	2023	2024	2025
Infrastructure Costs										
Offsite transportation & other related infrastructure	(273,770,598)	(4,723,644)	(1,358,192)	-	-	-	-	-	-	-
Onsite Improvements	(313,308,351)	(16,950,089)	(4,627,266)	-	-	-	-	-	-	-
Waterfront Improvements	(22,704,982)	(1,446,657)	(945,263)	-	-	-	-	-	-	-
Demolition and Earthwork	(185,859,689)	(4,967,081)	(1,886,881)	-	-	-	-	-	-	-
Community Facilities and other structure improvements	(58,085,344)	(55,691)	(56,582)	-	-	-	-	-	-	-
Open Space	(142,845,111)	(14,094,481)	(12,898,011)	(8,194,763)	(8,194,763)	-	-	-	-	-
Contingency	(149,486,111)	(6,335,646)	(3,262,829)	(1,229,214)	(1,229,214)	-	-	-	-	-
Engineering and Other Fees	(171,401,338)	(3,289,908)	(1,713,026)	(614,607)	(614,607)	-	-	-	-	-
Construction Management	(49,828,704)	(2,111,882)	(1,087,610)	(409,738)	(409,738)	-	-	-	-	-
Subtotal	(1,367,290,228)	(53,975,080)	(27,815,660)	(10,448,323)	(10,448,323)	-	-	-	-	-
Share of Horizontal Costs Supporting Affordable Housing	287,603,281	11,353,413	5,850,898	2,197,757	2,197,757	-	-	-	-	-
Subtotal Affordable Housing	(1,079,686,947)	(42,621,667)	(21,964,762)	(8,250,566)	(8,250,566)	-	-	-	-	-
Affordable Housing										
Gap Funding for Agency, Workforce, and Public Housing	(178,874,073)	(29,792,726)	(13,424,749)	(1,684,581)	-	-	-	-	-	-
Share of Horizontal Costs Supporting Affordable Housing	(287,603,281)	(11,353,413)	(5,850,898)	(2,197,757)	(2,197,757)	-	-	-	-	-
Subtotal Affordable Housing	(466,477,354)	(41,146,138)	(19,275,647)	(3,882,339)	(2,197,757)	-	-	-	-	-
Other Costs										
Property Taxes	(21,854,546)	(513,004)	-	-	-	-	-	-	-	-
Annual Special Taxes\Assesments	(32,027,304)	(4,516,224)	(2,326,400)	887,617	-	-	-	-	-	-
Closing Costs	(10,484,346)	(2,092,091)	(513,665)	(223,844)	-	-	-	-	-	-
Residential Marketing	(43,898,991)	-	-	-	-	-	-	-	-	-
Planning And Entitlements - Pre Acq./Land	(33,619,280)	-	-	-	-	-	-	-	-	-
Governmental Fees	(14,000,000)	98,000	98,000	98,000	(6,202,000)	-	-	-	-	-
Community Benefits	(82,332,876)	(8,779,210)	(5,603,913)	(4,302,276)	-	-	-	-	-	-
Site Assembly	(27,225,000)	-	-	-	-	-	-	-	-	-
Stadium Contribution	(100,000,000)	-	-	-	-	-	-	-	-	-
General & Administrative	(17,737,009)	-	-	-	-	-	-	-	-	-
Project Management Fee	(41,018,707)	(3,780,000)	(3,780,000)	(3,780,000)	(3,218,707)	-	-	-	-	-
Subtotal Other Costs	(424,198,059)	(19,582,529)	(12,125,978)	(7,320,503)	(9,420,707)	-	-	-	-	-
Inflation to Costs	(67,730,885)	(4,690,934)	(2,719,769)	(1,136,319)	(1,252,166)	-	-	-	-	-
Land Secured Tax Exempt Public Financing										
Mello Roos Bonds	597,298,050	-	-	-	-	-	-	-	-	-
Tax Increment Financing	822,828,539	132,207,480	137,081,294	117,711,798	50,260,795	38,769,036	28,829,164	29,649,872	30,495,229	31,361,909
Subtotal Public Financing	1,420,126,589	132,207,480	137,081,294	117,711,798	50,260,795	38,769,036	28,829,164	29,649,872	30,495,229	31,361,909
Required Developer Contribution	(617,966,655)	24,166,211	80,995,137	97,122,072	29,139,600	38,769,036	28,829,164	29,649,872	30,495,229	31,361,909
Revenues										
For Sale/Rent Homesites - Land Sales	757,667,134	174,163,624	-	-	-	-	-	-	-	-
Commercial / Retail Acreage Sales	290,767,500	35,045,500	51,366,500	22,384,375	-	-	-	-	-	-
Other Revenues	40,127,134	6,033,403	-	-	-	-	-	-	-	-
Inflation on Revenues	229,600,467	59,094,947	16,485,686	8,071,148	-	-	-	-	-	-
Subtotal Revenues	1,318,162,235	274,337,474	67,852,186	30,455,523	-	-	-	-	-	-
Cashflow	700,195,580	298,503,685	148,847,323	127,577,595	29,139,600	38,769,036	28,829,164	29,649,872	30,495,229	31,361,909
Cumulative Cashflow		235,525,852	384,373,175	511,950,770	541,090,370	579,859,406	608,688,570	638,338,442	668,833,671	700,195,580
Monthly Internal Rate of Return	15.8%									

CANDLESTICK POINT AND HUNTERS POINT SHIPYARD PHASE 2 REVITALIZATION PROJECT

DRAFT PLAN FOR FINANCING AND TRANSACTION STRUCTURE

Attachment 4
Additional Community Benefit Programs

The Project includes a wide range of funding, facilities, and programs intended to benefit the local Bayview Hunters Point (BVHP) community. In addition to the improvements provided as part of the proposed development, such as new parks, transit and roadway improvements, affordable housing, artist replacement space and other public facilities, the Project includes approximately $82.3 million in funding for additional community benefits, including:

- ***Community First Housing Fund.*** The Project includes a fund of approximately $29.4 million to assist qualifying residents in the purchase of market rate homes in District 10. Funds may be used for down payment assistance, rent-to-own opportunities, purchase of buildable pads and/or the purchase of market rate housing in or outside of the Project by individuals meeting the income standards to qualify for purchase of affordable housing units.

- ***Workforce Development.*** The Project includes a contribution of approximately $8.9 million to workforce development programs designed to create a gateway to career development for residents of District 10. The monetary investment will be matched dollar for dollar by the City up to a total of $17.8 million.

- ***Construction Assistance.*** A construction assistance program will be funded with $2.5 million to ensure that BVHP area contractors are given the opportunity to obtain needed insurance and technical assistance, and are not required to provide payment or performance bonds in order to fully participate in the construction of infrastructure and new residential, commercial and community facilities on the project. The program includes:

    - Owner Consolidated Insurance Program
    - Surety Bond Program
    - Technical Assistance Program
    - Contractor Workshops.

- ***Scholarship Fund.*** The Project includes a contribution of $3.5 million to a scholarship fund to support educational opportunities for youth and adults up to 30 years old.

- ***Pediatric Health and Wellness Center.*** The Project will provide a $2.0 million in funding to be used to create a center focused on the health and well being of children, youth, and their families. The center will be developed and implemented in conjunction with the San Francisco District Attorney's Office, the Department of Public Health, and others with expertise in the field.

- ***Education Improvement Fund.*** The Project includes $10 million to be used to support education enhancements within the community, which may include new facilities or upgrades to existing education resources. The use of these funds will be determined through a community-based process that includes the San Francisco Unified School District.

- ***Legacy Fund.*** A 0.5% fee calculated on the gross sales price of all residential market rate homes will be paid directly into the Hunters Point Shipyard Legacy Fund. Based on the current estimate of home values for the project, this source of funding is estimated to generate approximately $26.0 million over the life of the Project. The use of these funds will be determined in coming months through a continued dialogue with the CAC, the PAC and the BVHP community.

- ***Other Community Programs/Facilities.*** In addition to the community benefits listed above, there are additional programs and facilities included in the Project which require further analysis to determine the exact cost. These include:

    - Community Builders. Development parcels can be reserved for development with local developers or builders, including for-profit or non-profit organizations that either do business in and have a primary address in the BVHP area, or are owned with at least 50% ownership interest by an individual or individuals residing in the BVHP area.

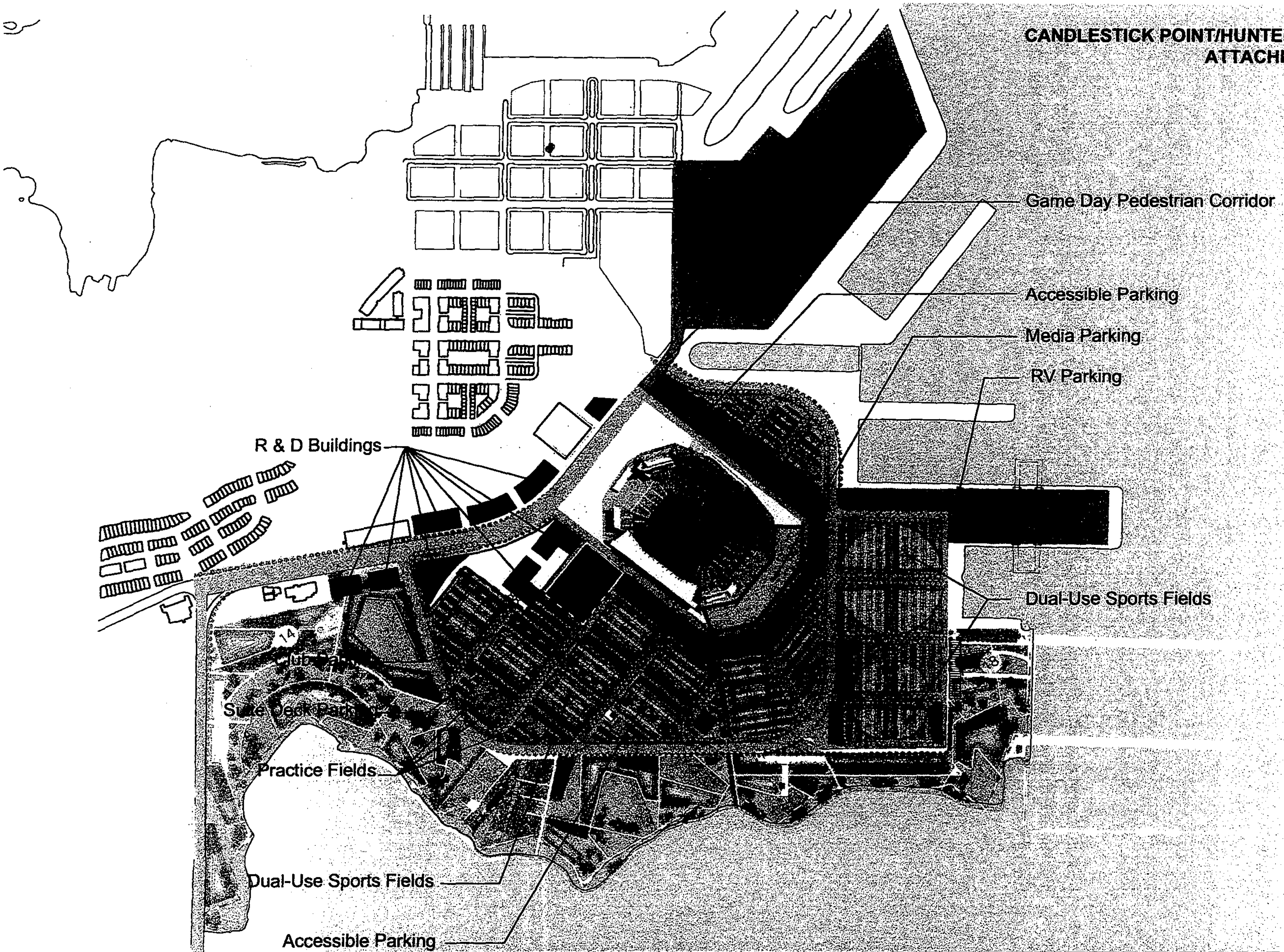
    - Community Brokers/Realtors. The program provides qualified community brokers and realtors with a 2.5% referral fee paid to brokers for referring buyers of market rate homes.

    - International African Marketplace. The Project provides space for an African-themed marketplace with displays and sale of arts, crafts, clothing, books, and other goods.

    - Library Services. Space within the Project can be dedicated to the provision of library services to supplement the expanded Bayview branch library, including a reading room and automated book-lending machines integrated into community retail and public facilities.

    - Emerging Business Incubator. The Project includes a business incubation space to jump-start the location and development of innovative business, including cleantech, greentech, biotech, arts and digital media.

CANDLESTICK POINT/HUNTERS POINT SHIPYARD PHASE II
ATTACHMENT #5: STADIUM SITE PLAN



PARKING SUMMARY

Parking Stalls At (2-Story) Suite Deck:	924
(Disabled: 32) (Regular: 892)	
Parking Stalls At Club Area:	2,098
(Disabled: 80) (Regular: 2,018)	
Regular Parking No Club & Suites:	8,466
(Disabled: 420) (Regular: 8,046)	
RV Parking:	225
Transit Parking Buses:	340
Parking Stalls At Area C:	4,362
Total Parking Stalls:	16,415
(Total Disabled: 532)	
Total Parking Stalls for Media Players within Stadium Security Zone:	544

LENNAR URBAN

Candlestick Point
Hunters Point Shipyard

Sports Field Complex Parking & Crisp Road Intensification

0 600 1200
1"= 600'

10/09/08 - DRAFT
R|H|A|A

Candlestick Point and Hunters Point Shipyard Phase 2 Revitalization Project
Draft Plan for Financing and Transaction Structure (Financing Plan)

ATTACHMENT 6

CBRE CONSULTING, INC.
Sedway Group

CBRE
CB RICHARD ELLIS
4 Embarcadero Center, Suite 700
San Francisco, CA 94111

T 415 781 8900
F 415 733 5530

www.cbre.com/consulting

MEMORANDUM

To: Michael Cohen, Director, Office of Economic and Workforce Development, City and County of San Francisco

From: Mary A. Smitheram-Sheldon and Thomas Jirovsky, CBRE Consulting, Inc./Sedway Group; Colin Elliott, C.H. Elliott & Associates

Date: October 15, 2008

Subject: Hunters Point Shipyard II/Candlestick Point Draft Financing Plan

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C.H. Elliott & Associates and CBRE Consulting ("Consultants") have reviewed the development plan, draft financial pro forma and Draft Financing Plan for the proposed redevelopment of Hunters Point Shipyard II/Candlestick Point ("Project").

Developer Return Target

Based on Consultants' extensive experience in evaluating large scale mixed-use developments, including military base reuse plans, we are of the opinion that the proposed 22.5 percent per annum target return, after which the Agency participates in profits on a 50:50 basis, is reasonable given the complexity and risk inherent in the Project's development program.

Development of a large-scale mixed-use project, such as the proposed Project is a high-risk venture with uncertainties related to entitlements, construction cost overruns, interest rate and capitalization rate changes, and fluctuations in the local, national and international economies during the 15-year construction period, any of which can significantly impact projected profits. In order to obtain financing commitments, developers must be able to demonstrate sufficient profit margins to provide a return on the upfront equity investment required and to provide a cushion against the various cost and market risks that are beyond the developer's control.

It is important to recognize that the pro forma, which is still being adjusted and reviewed, is just a projection based on the best available knowledge of future costs and revenues. Given the cyclical nature of the economy, historic escalations in the cost of raw materials, and the possibility of future interest rates increasing by 2 or 3 percentage points from their recent historic lows, there is no guarantee that the developer will make any profit.

Pro Forma Model

To review the overall financial feasibility of the Project under this Draft Financing Plan, Consultants reviewed the logic and assumptions of the Excel spreadsheets prepared by Lennar and modified the models to allow us to quickly analyze changes to key economic assumptions.

We prepared a series of sensitivity analyses, varying numerous economic assumptions such as inflation rates, absorption rates, affordability levels and land values to understand the impact on the overall feasibility of the Project. This process is still on-going.

Revenue Assumptions

As part of the pro forma analysis, the Consultants reviewed the market assumptions used to derive the potential land sales revenues from the various components of the Project.

- We surveyed land sale comparables throughout the San Francisco Bay Area for office/research and development (R&D), commercial, and condominium and apartment development sites.

- We analyzed market demand for office and R&D uses in order to maximize the potential development value.

- We also analyzed market values and development costs to validate the calculations of residual land values for the various for-sale residential product types, with and without inclusionary units.

Impact of Affordable Units

The types and distribution of affordable units is still being discussed. Due to the price and size requirements for both rental and for-sale affordable residential units, there is a significant subsidy required from the developer and the City/Agency to provide the affordable units, even before considering the substantial amount of new infrastructure and other community benefits budgeted for the project. These other community benefits include a home buying assistance fund, a workforce development fund, park and open space improvements, waterfront improvements, artist facilities, and other potential community facilities. As a result, the Project relies heavily on the Redevelopment Area property tax increment generated. The amount and timing of tax increment available is still under review and fluctuates as changes are made to the proforma.

Consultants analyzed the impact of varying unit sizes, product types, affordability levels, percentage of inclusionary versus Agency units, etc. to understand the impact of these items on financial feasibility.

Conclusion

The developer's target return represents a reasonable return before a 50 percent Agency participation, given the hundreds of millions of dollars in private funding required, and the significant risks inherent in such a large complex multi-year land development program.