

EXHIBIT AA-B

Project MCP

[ATTACHED]

**MINIMUM COMPENSATION POLICY
(CANDLESTICK POINT AND PHASE 2 OF THE HUNTERS POINT SHIPYARD)**

SEC. 1. FINDINGS AND DECLARATIONS

(a) This Minimum Compensation Policy (Candlestick Point and Phase 2 of the Hunters Point Shipyard) (this “**Policy**”) implements a condition that the Board of Supervisors of the City and County of San Francisco placed on its approval of the Project as set forth in section 14 of the DDA and applies, with a few exceptions, to all employers retaining employees to perform work at the Project Site. Capitalized terms used but not otherwise defined in this Policy have the definitions given to them in the DDA.

(b) For purposes of this Policy, the Agency has a proprietary interest in all Contracts by virtue of the Tax Increment Allocation Pledge Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), which irrevocably pledges all Net Available Increment from the Project Site for the payment of Qualified Project Costs.

SEC. 2. DEFINITIONS

As used in this Policy the following capitalized terms shall have the following meanings:

“**Agency**” shall mean the Redevelopment Agency of the City and County of San Francisco.

“**City**” shall mean the City and County of San Francisco.

“**Contract**” shall mean: (a) a written deed conveying real property in the Project Site from Developer or a Developer Successor to a CP-HPS2 Employer; (b) a written lease, sublease, permit to enter or license from Developer, a Developer Successor or any tenant or subtenant of Developer or a Developer Successor to a CP-HPS2 Employer for the right to use or occupy all or any portion of the space in the Project Site; and (c) any other written agreement between Developer or a Developer Successor and a CP-HPS2 Employer, or between two or more CP-HPS2 Employers, for the provision of Covered Work; provided, that such other written agreements shall exclude:

(a) agreements for the purchase or lease of goods or for guarantees, warranties, shipping, delivery or initial installation of such goods;

(b) agreements involving the expenditure of Project Grants to the extent the application of this Policy would violate or be inconsistent with the terms or conditions of the applicable grant agreement, or with the rules, regulations or instructions of the public agency administering such grant agreement, which terms or conditions or rules, regulations or instructions provide for compensation that is less than the Minimum Compensation; and

(c) agreements that require the CP-HPS2 Employer to pay no less than the “prevailing rate of wage” in accordance with state or federal law or Agency policy, but only to the extent: (a) each Covered Employee is covered by such requirement; and (b) such prevailing rate of wage is not less than the Minimum Compensation.

“**Contract Amendment**” shall mean an agreement entered into on or after the Effective Date pursuant to which a written agreement with a CP-HPS2 Employer for the provision of Covered Work is modified or supplemented in order to:

- (a) extend the term;
- (b) increase the total amount of payments due to the CP-HPS2 Employer; or
- (c) modify the scope of services to be performed by the CP-HPS2 Employer.

“**Covered Employee**” shall mean:

(d) An Employee who, during the regular work week, performs at least ten (10) hours of Covered Work;

(e) Notwithstanding the foregoing, the term “**Covered Employee**” shall exclude the following Employees:

(i) Any Employee who is:

(A) under the age of eighteen (18) and is claimed as a dependent for federal income tax purposes and is employed as an after-school or summer Employee; or

(B) employed as a trainee in a bona fide training program consistent with Federal law, which training program enables the Employee to advance into a permanent position; provided, however, these exemptions only apply when the Employee does not replace, displace or lower the wage or benefits of any existing position or Employee; and

(ii) Any Employee with a disability who:

(A) is covered by a current sub-minimum wage certificate issued to the CP-HPS2 Employer by the U.S. Department of Labor; or

(B) would be covered by such a certificate but for the fact that the CP-HPS2 Employer is paying a wage equal to or higher than the minimum wage.

“**Covered Work**” shall mean work in the Project Site that does not constitute construction services.

“**CP-HPS2 Employer**” shall mean all Employers who have twenty (20) or more Covered Employees that perform Covered Work.

“**Developer**” is defined in the DDA.

“**Developer Successor**” shall mean a successor-in-interest to Developer, each Vertical Developer and each Transferee of real property in the Project Site and their respective successors-in-interest of title to such real property.

“**Employee**” shall mean any person who is employed by a CP-HPS2 Employer, including part-time and temporary employees.

“**Employer**” shall mean any person or entity that employs a person for work in the Project Site, including but not limited to, as applicable, Developer and Developer Successors, and any other entities, and all persons claiming under or through them who hire a person for employment at the Project Site; provided, that a governmental entity shall not constitute an “**Employer**”.

“**Minimum Compensation**” shall mean each of the components required under Section 3.

“**Nonprofit Corporation**” shall mean a nonprofit corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and (if a foreign corporation) in good standing under the laws of the State of California, which corporation has established and maintains valid nonprofit status under Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated under such Section.

“**Pay Period**” shall mean the applicable CP-HPS2 Employer’s regular pay period.

“**Project Grants**” are defined in the DDA.

“**Redevelopment Plan**” is defined in the DDA.

“**Transferee**” is defined in the DDA.

“**Vertical Developer**” is defined in the DDA.

SEC. 3. MINIMUM COMPENSATION COMPONENTS

Minimum Compensation shall consist of each of the following:

(a) (i) Starting April 7, 2009, the hourly gross compensation in the amount of \$11.54 per hour for commercial businesses subject to this Policy and \$11.03 per hour for nonprofit organizations subject to this Policy.

(ii) Notwithstanding the foregoing in Section 3(a)(i), and without the need of further action by the Agency Commission, the hourly gross compensation required under this Policy shall automatically increase to match the rate required by the City’s minimum compensation ordinance (San Francisco Administrative Code, Chapter 12P) as amended from time to time. In order to provide predictability in budgeting, rate increases under this provision shall apply to new Contracts entered into after the effective date of any such increase and shall not apply to then existing Contracts or Contract Amendments.

(iii) The hourly gross compensation required by the City and required under this Policy is currently posted by the City’s Office of Labor Standards on its website at

http://www.sfgov.org/site/olse_index.asp?id=27459. However, any future increases in the hourly gross compensation shall apply whether or not posted on the City's website.

(iv) Amendments to the City's minimum compensation ordinance (San Francisco Administrative Code, Chapter 12P) other than changes to the hourly gross compensation shall not apply to this Policy unless expressly adopted by the Agency Commission.

(b) Compensated time off (at the compensation rates specified in Section 3(a)) in an hourly amount that, on an annualized basis for a full-time employee, equals twelve (12) days per year. Such time off shall vest with the Covered Employee at the end of the applicable Pay Period and may be used, for sick leave, vacation or personal necessity. Notwithstanding the foregoing, if a CP-HPS2 Employer reasonably determines, in good faith, that the CP-HPS2 Employer cannot comply with this requirement for compensated time off, the CP-HPS2 Employer shall provide the Covered Employee with a cash equivalent of such compensated time off.

(c) Uncompensated time off in an hourly amount that, on an annualized basis for a full-time employee, equals ten (10) days per year. Such time off shall vest with the Covered Employee at the end of the applicable Pay Period and may be used, at the option of the Covered Employee, for sick leave for the illness of the Covered Employee or such Covered Employee's spouse, domestic partner, child, parent, sibling, grandparent or grandchild.

SEC. 4. CONTRACT REQUIREMENTS

Every Contract or Contract Amendment entered into on or after the Effective Date shall provide as follows:

(a) For each hour worked by a Covered Employee during each Pay Period during the term of the Contract (as such term may be extended from time to time), the CP-HPS2 Employer shall provide to such Covered Employee no less than the Minimum Compensation.

(b) Failure to comply with the foregoing requirement shall constitute a material breach by the CP-HPS2 Employer of the terms of the Contract.

(c) If, within thirty (30) days after the CP-HPS2 Employer receives written notice of such a breach, the CP-HPS2 Employer fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, the CP-HPS2 Employer fails to commence efforts to cure within such period, or thereafter fails to diligently pursue such cure to completion, the Agency shall have the right to pursue any rights or remedies available to it under the terms of the Contract or under applicable law.

(d) The CP-HPS2 Employer shall not discharge, reduce in compensation, or otherwise discriminate against any Employee for complaining to the Agency with regard to the CP-HPS2 Employer's lack of compliance or anticipated lack of compliance with this Policy, for opposing any practice proscribed by this Policy, for participating in proceedings related to this Policy, or for seeking to assert or enforce any rights under this Policy by any lawful means.

(e) The CP-HPS2 Employer represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of this Policy.

(f) The CP-HPS2 Employer shall keep itself informed of the current Minimum Compensation, and shall provide prompt written notice to all of its' Covered Employees of annual adjustments to the Minimum Compensation, as well as any written communications received by the CP-HPS2 Employer from the Agency, which communications are marked to indicate that they are to be distributed to Covered Employees.

(g) The CP-HPS2 Employer shall provide reports to the Agency in accordance with any reporting standards promulgated by the Agency's Contract Compliance Division.

(h) The CP-HPS2 Employer shall provide the Agency with access to records pertinent to compliance with this Policy after receiving a written request to do so and being provided at least five (5) business days to respond.

(i) The Contract Compliance Division may conduct random audits of CP-HPS2 Employers. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the Minimum Compensation; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten (10) days of the written notice; and (iv) limited to one audit per CP-HPS2 Employer every two (2) years for the duration of the Contract. Nothing in this Section 4(i) shall be deemed to interfere with the authority of the Contract Compliance Division to investigate any report of an alleged breach of a Contract as provided in Section 5(b).

(j) The CP-HPS2 Employer shall promptly notify the Contract Compliance Division of any subcontractors performing services covered by this Policy and shall certify to the Contract Compliance Division that it has notified the subcontractors of their obligations under this Policy.

(k) The CP-HPS2 Employer shall comply with the applicable terms of this Policy.

(l) To the extent required in order to enforce its rights as set forth in this Policy, the Agency shall be a third party beneficiary of the provisions of such Contract that effectuate the requirements of this Policy.

SEC. 5. ADMINISTRATION AND ENFORCEMENT

(a) The Contract Compliance Division shall adopt the guidelines or rules adopted by the City and County of San Francisco for implementation of the City's Minimum Compensation Ordinance. At the option of the Contract Compliance Division, additional or revised guidelines or rules for the administration of this Policy may be adopted to facilitate the Agency's implementation of this Policy. Such guidelines and rules shall not be adopted finally until the Contract Compliance Division has held at least one (1) public community meeting and a workshop at a regularly scheduled Agency Commission meeting on such proposed guidelines and rules. The guidelines and rules shall establish procedures for providing administrative hearings requested by Covered Employees to determine whether a CP-HPS2 Employer has breached a Contract with respect to the Minimum Compensation requirements of this Policy. The guidelines and rules shall also establish procedures permitting CP-HPS2 Employers to

provide payroll information in confidence to the Agency for purposes of monitoring compliance under this Policy and authorizing disclosure of the information by the Agency only when necessary for enforcement purposes. The Contract Compliance Division shall also issue a determination as to whether a particular instrument constitutes a Contract that is subject to the requirements of this Policy. The Contract Compliance Division shall report annually on compliance with this Policy to the Agency Commission. Such report shall include cumulative information regarding the number of waivers granted by the Executive Director or Agency Commission pursuant to Sections 7, 8, 9 and 10 and statistical data regarding such waivers.

(b) A Covered Employee may report to the Contract Compliance Division in writing any alleged breach by a CP-HPS2 Employer of the terms required to be contained in the applicable Contract under this Policy. The Contract Compliance Division shall investigate any such report. If the Contract Compliance Division determines that a CP-HPS2 Employer is in breach of any such term, the Contract Compliance Division shall notify the Executive Director of its findings and of any action that the Contract Compliance Division requests that the Executive Director take with respect to such breach. In order to ensure compliance with this Policy and to enhance the monitoring activities of the Contract Compliance Division, the Agency desires to encourage reporting by Covered Employees pursuant to this subsection. The Contract Compliance Division shall keep confidential, to the maximum extent permitted by applicable law, the Covered Employee's name and other identifying information.

(c) In addition to any other rights or remedies available to the Agency under the terms of the Contract or under applicable law, the Agency shall have the following rights in the event of such failure by the CP-HPS2 Employer:

(i) the right to charge the CP-HPS2 Employer an amount equal to the difference between the Minimum Compensation levels required by this Policy and any compensation actually provided to each Covered Employee who was not paid in accordance with the terms of this Policy, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;

(ii) in the event of a breach by CP-HPS2 Employer of the covenant referred to in Section 4(d), the right to seek reinstatement of the affected Covered Employee or to obtain other appropriate equitable relief; and

(iii) the right to bar a CP-HPS2 Employer from entering into future contracts with the Agency for three (3) years.

Each of these rights shall be exercisable individually or in combination with any other rights or remedies available to the Agency. Any amounts realized by the Agency pursuant to this subsection shall be paid to each applicable Covered Employee.

(d) Each Covered Employee shall be a third-party beneficiary under the Contract as set forth in this Section 5(d) and Section 5(e), and may pursue the following remedies in the event of a breach by the CP-HPS2 Employer of any contractual covenant described in Section 3 or Section 4, but only after the Covered Employee has provided the notice and participated in the administrative review hearing provided in this subsection. The Covered Employee shall give

written notice of a breach to the CP-HPS2 Employer and to the Contract Compliance Division. If the Contract Compliance Division determines that no breach has occurred, or if the Agency fails to obtain the cure of a breach by the CP-HPS2 Employer within sixty (60) days after receipt of notice by the Covered Employee, the Covered Employee may request an administrative review hearing. The Covered Employee must request such a hearing within ninety (90) days after giving written notice of the breach. Unless the Covered Employee withdraws the request for a hearing, the Contract Compliance Division shall conduct, or arrange to have conducted, a hearing. The Covered Employee shall have the right to attend the hearing personally or through a designated representative. The Contract Compliance Division shall notify the CP-HPS2 Employer of the hearing so that the CP-HPS2 Employer may attend and present evidence. After the hearing is completed, the person conducting the hearing shall determine whether the CP-HPS2 Employer has breached the Contract. Upon the issuance of a written decision finding a breach, and after a waiting period of twenty-one (21) days, the Covered Employee may bring an action against the CP-HPS2 Employer for such breach in the Superior Court of the State of California, as appropriate, unless the Agency has commenced an action against the CP-HPS2 Employer based on the breach, or obtained compliance, within the 21-day waiting period and provided notice to the Covered Employee of that action. If the Covered Employee prevails in such action, the Covered Employee may be awarded: (A) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; and (B) in the event of a breach by CP-HPS2 Employer of the covenant referred to in Section 4(d), the right to seek reinstatement or to obtain other appropriate equitable relief.

(e) In the event of any legal action or proceeding between CP-HPS2 Employer and a Covered Employee arising from this Agreement, the unsuccessful party to such action or proceeding shall pay to the prevailing party all reasonable costs and expenses, including reasonable attorney's fees and disbursements, incurred by such prevailing party in such action or proceeding and in any appeal in connection with such action or proceeding; provided, however, that a CP-HPS2 Employer shall be entitled to such costs and expenses only if the court determines that the Covered Employee's action or proceeding was frivolous, vexatious or otherwise an act of bad faith. If such prevailing party recovers a judgment in any such action, proceeding or appeal, such costs, expenses and attorneys' fees and disbursements shall be included in and as a part of such judgment. This Article does not authorize any award of costs, expenses, or attorney's fees in favor of or against the Agency.

(f) The Agency shall maintain the confidentiality of payroll information obtained in the course of monitoring compliance with this Policy and shall disclose such information only as necessary for enforcement purposes.

(g) The Contract Compliance Division shall develop a procedure for obtaining an assurance from CP-HPS2 Employers when they a Contract subject to this Policy that they comply with the requirements of this Policy, such as the signing of an affidavit of compliance.

(h) This Policy shall be enforceable by the Agency and Covered Employees directly against CP-HPS2 Employers in accordance with its terms, although neither Developer nor any Developer Successor shall have any liability for the failure of a CP-HPS2 Employer to comply

with this Policy, except to the extent that (i) such Developer or such Developer Successor did not assign the obligations under this Policy to such CP-HPS2 Employer or a Developer Successor as required; (ii) such Developer or such Developer Successor is such CP-HPS2 Employer; or (iii) such Developer or such Developer Successor did not comply with the requirements of Section 4 with respect to such CP-HPS2 Employer. The foregoing shall not limit Developer's, any Vertical Developer's or any Transferee's liability under the DDA for any such Person's failure to comply with its obligations under the DDA or any Assignment and Assumption Agreement.

SEC. 6. WAIVERS

The Executive Director shall waive the requirements of this Policy under any of the following circumstances:

- (a) The Executive Director has determined that:
 - (i) either
 - (A) there is only one prospective CP-HPS2 Employer willing to enter into the applicable Contract; or
 - (B) the needed services under the applicable Contract are available only from a single source;
 - and
 - (ii) the prospective CP-HPS2 Employer is not currently disqualified from doing business with the Agency or any other governmental agency.
- (b) The Executive Director has determined in writing that the Contract is necessary to respond to an emergency which endangers the public health or safety and no entity that complies with the requirements of this Policy and is capable of responding to the emergency is immediately available to perform the required services.
- (c) The Executive Director has determined in writing that:
 - (i) there are no qualified responsive bidders or prospective vendors that comply with the requirements of this Policy; and
 - (ii) the Contract is for a service, project, or property that is essential to the Agency or the public.
- (d) the Executive Director has determined in writing that:
 - (i) the services to be purchased are available under a bulk purchasing arrangement with a federal, state or local governmental entity;
 - (ii) purchase under such arrangement will substantially reduce the cost of purchasing such Services; and

(iii) purchase under such an arrangement is in the best interest of the Agency or the public.

SEC. 7. ADDITIONAL WAIVERS BY THE EXECUTIVE DIRECTOR - NONPROFIT CORPORATIONS

A Nonprofit Corporation may seek a waiver from the requirements of the adjustments provided in Sections 3(a)(ii) and 3(a)(iii) if the highest paid managerial position in the organization earns a salary which, when calculated on an hourly basis, is not more than six times the lowest wage paid by the organization to a Covered Employee. The Nonprofit Corporation shall provide to the Contract Compliance Division a written statement, prepared and signed by the Nonprofit Corporation, setting forth an explanation of the economic hardship to the Nonprofit Corporation or the negative impact on services that would result from compliance with this Policy. The Executive Director may grant the requested waiver. Each waiver shall be effective for a period of up to one year, and subsequent waivers may be requested and granted.

SEC. 8. SPECIAL WAIVER BY THE AGENCY COMMISSION

Upon receipt of an application from the CP-HPS2 Employer stating fully the grounds of the request and the facts pertaining thereto, the Agency finds following its own further investigation that the application of this Policy would result in an adverse impact on services or an unreasonable financial impact on the Contract. In order to permit any such waiver, the Agency must determine that:

- (a) The application of this Policy would result in practical difficulties or unnecessary hardships inconsistent with the general purpose and intent of the applicable Redevelopment Plan;
- (b) There are exceptional circumstances or conditions applicable to the property, the intended development of the property, or the services proposed through a contract, which do not apply generally to other properties or contracts having the same standards, restrictions and controls;
- (c) Permitting a waiver, for a specified period of time, will not be materially detrimental to the public welfare or injurious to property or improvement in the area; and
- (d) Permitting a waiver, for a specified period of time, will not be contrary to the objectives of the applicable Redevelopment Plan.

Waivers shall only be granted for a limited time period as determined to be needed to promote the general purpose and intent of the applicable Redevelopment Plan. Subsequent waivers may be requested and either granted or denied. The Agency anticipates the all Contracts will eventually transition to achieving a viability that will allow for covered CP-HPS2 Employers to comply with this Policy.

SEC. 9. WAIVER THROUGH COLLECTIVE BARGAINING

All or any portion of the applicable requirements of this Policy may be waived in a bona fide collective bargaining agreement, provided that such waiver is explicitly set forth in such agreement in clear and unambiguous terms.

SEC. 10. RELATIONSHIP TO OTHER REQUIREMENTS

This Policy provides a minimum level of compensation and shall not be construed to preempt or otherwise affect any other law, regulation or requirement providing a higher level of compensation.

SEC. 11. PREEMPTION

Nothing in this Policy shall be interpreted or applied so as to create any power or duty in conflict with any federal or state law.

SEC. 12. EFFECTIVE DATE

This Policy shall become effective the Effective Date.

SEC. 13. SEVERABILITY

If any part or provision of this Policy, or the application of this Policy to any person or circumstance, is held invalid, the remainder of this Policy, including the application of such part or provisions to other persons or circumstances, shall not be affected by such a holding and shall continue in full force and effect. To this end, the provisions of this Policy are severable.