

File No. 130495

Committee Item No. 11
Board Item No. 23

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee Date: 06/05/2013

Board of Supervisors Meeting Date: June 11, 2013

Cmte Board

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Completed by: Victor Young Date May 31, 2013

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AMENDED IN COMMITTEE

6/5/13

FILE NO. 130495

RESOLUTION NO.

1 [Term Sheet Endorsement - Forest City Development - Development of Pier 70 Waterfront
2 Site - Fiscal Feasibility]

3 **Resolution finding the proposed development of the Pier 70 Waterfront Site, an**
4 **approximately 28-acre site located in the southeast corner of Pier 70, fiscally feasible**
5 **under Administrative Code, Chapter 29, and endorsing the Term Sheet between Forest**
6 **City Development California, Inc., a California corporation and the Port Commission.**

7
8 WHEREAS, The San Francisco Port Commission (the "Port" or "Port Commission") has
9 jurisdiction over Pier 70, a 69-acre historic shipyard property situated along San Francisco's
10 Central Waterfront, just south of Mission Bay, generally bounded by Mariposa Street to the
11 north, Illinois Street to the west, 22nd Street to the south, and San Francisco Bay to the east;
12 and

13 WHEREAS, From 2007 to 2010, the Port conducted a community process that
14 evaluated the unique site conditions and opportunities at Pier 70 and built a public consensus
15 for Pier 70's future that nested within the policies established for the Eastern Neighborhoods-
16 Central Waterfront and resulted in a strong policy framework that also set forth strategies for
17 Port development offerings and implementation initiatives; and

18 WHEREAS, On May 11, 2010, by Resolution 10-27, the Port Commission endorsed
19 the Pier 70 Master Plan which contains goals that complement and expand on policies
20 contained in the San Francisco Planning Department's Central Waterfront Area Plan, part of
21 the City's Eastern Neighborhoods Plan; and

22 WHEREAS, the Port offered an approximately 28-acre site located in the southeastern
23 corner of Pier 70, known as the "Waterfront Site" (a map of which is on file with the Clerk of
24 the Board of Supervisors in File No. 130495) for development through a public solicitation
25 process in August 2010; and

1 WHEREAS, the Port Commission in April 2011 awarded the development opportunity
2 to Forest City Development California, Inc., a California corporation (“Developer” and “Forest
3 City”), and authorized exclusive negotiations for a proposed mixed-use development project at
4 the Site (the “Project”); and

5 WHEREAS, On July 12, 2011, by Resolution No. 11-49, the Port Commission
6 authorized the Port’s Executive Director or her designee to execute an Exclusive Negotiating
7 Agreement (the “ENA”) between the Port and Developer for the Project; and

8 WHEREAS, The ENA anticipated a first phase of project planning that would culminate
9 in a term sheet between Forest City and the Port that outlined the proposed development
10 program, land use plan and a summary of general terms for negotiating the final project
11 Project approval documents (the “Term Sheet”); and

12 WHEREAS, Forest City has engaged in an extensive community outreach process that
13 has included more than 1,000 persons and organizations in community workshops, focus
14 groups, art events, formal and informal presentations, open houses and site tours to develop
15 the proposed concept plan that is included as part of the Term Sheet; and

16 WHEREAS, Forest City has conducted extensive due diligence on site conditions,
17 infrastructure requirements, real estate market conditions and other key factors that have
18 guided the development of the proposed concept plan; and

19 WHEREAS, The proposed project Project would provide significant public benefits to
20 the City and Port including a new mixed-use waterfront district on the Central Waterfront,
21 rehabilitation of Buildings 2, 12, and 21 consistent with the Secretary of the Interior’s
22 Standards for the Treatment of Historic Properties ~~Rehabilitation~~, new infrastructure that will
23 remove the liability of aging and unfunded infrastructure and buildings from the Port’s 10 Year
24 Capital Plan, a major waterfront open space network, thousands of construction and
25 permanent jobs, including a robust commitment to a local hiring; hundreds of affordable

1 housing units and significant long-term revenue streams to the Port's Harbor Fund consistent
2 with the purposes of AB 418 (Chapter 477 of the statutes of 2011); and

3 WHEREAS, On May 28, 2013, by Resolution No. 13-20, the Port Commission
4 endorsed a term sheet that describes the fundamental deal terms for the Project (the "Term
5 Sheet") and directed Port staff to present the Term Sheet to the Board of Supervisors for
6 endorsement and to submit a request that the Board of Supervisors review the proposed
7 Project under San Francisco Administrative Code Chapter 29 and determine whether the
8 Project is fiscally feasible and responsible; and

9 WHEREAS, The Term Sheet is on file with the Clerk of the Board of Supervisors in File
10 No. 130495, which is hereby declared to be a part of this resolution as if set forth fully herein;
11 and

12 WHEREAS, The construction cost of the Project will exceed \$25 million and more than
13 \$1 million in public funds will be used for construction of the Project, thus triggering review by
14 the Board of Supervisors to determine the fiscal feasibility of the Project under Administrative
15 Code Section 29.1; and

16 WHEREAS, Pursuant to Administrative Code Section 29.3, Port and Developer have
17 submitted to the Board of Supervisors a general description of the Project, the general
18 purpose of the Project, and a fiscal plan, copies of which are file with the Clerk of the Board of
19 Supervisors in File No. 130495; and

20 WHEREAS, Pursuant to Administrative Code Section 29.2, prior to submittal to the
21 Planning Department of an environmental evaluation application ("Environmental Application")
22 required under Administrative Code Chapter 31 and the California Environmental Quality Act
23 ("CEQA") related to the Project, it is necessary for the Port to procure from the Board of
24 Supervisors a determination that the plan to undertake and implement the Project is fiscally
25 feasible and responsible; and

1 WHEREAS, The Board of Supervisors has reviewed and considered the general
2 description of the Project, the general purpose of the Project, the fiscal plan and other
3 information submitted to it, and has considered the direct and indirect financial benefits of the
4 Project to the City of San Francisco, the cost of construction, the available funding for the
5 Project, the long-term operating and maintenance costs of the Project, and the public debt for
6 the Project; and

7 WHEREAS, The Board of Supervisors has reviewed and considered the proposed
8 terms for the Project as set forth in the Term Sheet; and

9 WHEREAS, The Term Sheet is not itself a binding agreement that commits the City,
10 including the Port, or Developer to proceed with the approval or implementation of the Project;
11 rather, the Project will first satisfy environmental review requirements under CEQA and will be
12 subject to public review in accordance with the processes of the City and other government
13 agencies with approval rights over the Project before any binding agreements, entitlements or
14 other regulatory approvals required for the Project will be considered; now, therefore, be it

15 RESOLVED, That the Board of Supervisors finds that the plan to undertake and
16 implement the Project is fiscally feasible and responsible as set forth in San Francisco
17 Administrative Code Chapter 29 ("Fiscal Feasibility Finding"); and, be it

18 FURTHER RESOLVED, That pursuant to San Francisco Administrative Code
19 Chapter 29, the Environmental Application may now be filed with the Planning Department
20 and the Planning Department may now undertake environmental review of the Project as
21 required by Administrative Code Chapter 31 and CEQA; and, be it

22 ~~FURTHER RESOLVED, That the Board of Supervisors endorses the Term Sheet and~~
23 ~~urges the Port with the assistance of the Office of Economic and Workforce Development,~~
24 ~~the City Attorney's Office and other City officials as appropriate, to make evaluation and~~
25 ~~further negotiation of the proposed Project among its highest priorities; and be it~~

1 FURTHER RESOLVED, That the Board of Supervisors endorses the Term Sheet and
2 urges the Port:

3 (1) with the assistance of the Office of Economic and Workforce Development, the City
4 Attorney's Office, and other City officials as appropriate, to make evaluation and further
5 negotiation of the proposed Project among its highest priorities;

6 (2) to include in the Project transaction documents, including ground leases, the
7 development and disposition agreement ("DDA"), and the Pier 70 financing plan, if submitted,
8 the following:

9 (a) the only third-party parcels eligible for inclusion in the proposed Project
10 would be the parcels designated in the Term Sheet as the 20th/Illinois Parcel and the Hoe
11 Down Yard;

12 (b) when transfer fees are payable to the Port upon the transfer of condominium
13 parcels, the fees would be 1.5 percent of the gross sales price, net of costs of sale only;

14 (c) Forest City's return on equity would be calculated only on outstanding
15 developer capital;

16 (d) infrastructure district ("IFD") financing would be the sole source of public
17 funds that the Port would contribute to Forest City' costs of historic rehabilitation of
18 Buildings 12 and 21 and would only be used to fill the feasibility gap necessary for Forest City
19 to achieve a 10 percent profit;

20 (e) the Port would reimburse Forest City for the costs to construct any new
21 buildings at Parcels E-1A and E-1B solely from Project-generated financing proceeds of an
22 IFD or community facilities district ("CFD"), contingent on those buildings containing
23 placemaking or other public uses that are eligible for reimbursement with IFD or CFD
24 financing proceeds; and

1 (f) if the Port submits a proposed Pier 70 financing plan based on projected
2 revenues from payroll and hotel tax increment to provide financing under Charter
3 section B7.310, the Port would use all funds allocated under any approved Pier 70 financing
4 plan solely for improvements to Pier 70 areas outside of the Waterfront Site except to the
5 extent authorized (if at all) in the approved Pier 70 financing plan; and

6 (3) to report back to the Board of Supervisors on:

7 (a) proposed financing plans for the parking facilities, the placemaking parcels,
8 and Buildings 12 and 21 as soon as Forest City and the Port have agreed on how to reconcile
9 the feasibility gap; and

10 (b) how the recommendations in this resolution have been included in the
11 Project transaction documents at the Board of Supervisors hearing on approval of the Project;
12 and, be it

13 FURTHER RESOLVED, That Board of Supervisors' endorsement of the Term Sheet
14 and its Fiscal Feasibility Finding do not commit the Board of Supervisors, the Port or any other
15 public agency with jurisdiction over any part of the Project to approve the terms of final leases
16 or other transactions or grant any entitlements to Developer, nor does either the Term Sheet
17 endorsement or Fiscal Feasibility Finding foreclose the possibility of considering alternatives
18 to the Project or mitigation measures to reduce or avoid significant environmental impacts or
19 preclude the City, after conducting appropriate environmental review under CEQA, from
20 deciding not to grant entitlements or approve or implement the Project, and while the Term
21 Sheet identifies certain essential terms of a proposed transaction with the City through the
22 Port Commission, it does not set forth all of the final, material terms and conditions of the
23 transaction documents for the Project; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors will not take any discretionary
25 actions committing the City to implement the Project, and the provisions of the Term Sheet

1 are not intended to and will not become contractually binding on the City, unless and until:
2 (1) the Planning Department has reviewed and considered environmental documentation
3 prepared in compliance with Administrative Code Chapter 31 and CEQA for the Project and
4 has determined that the environmental documentation complies with Administrative Code
5 Chapter 31 and CEQA; (2) the Port Commission has adopted appropriate CEQA findings in
6 compliance with CEQA and has approved the terms of the final transaction documents for the
7 Project consistent with the Term Sheet provisions; and (3) the Board of Supervisors has
8 adopted appropriate CEQA findings in compliance with CEQA and approved a development
9 agreement and the terms of the final leases and any other property transfers for the Project
10 consistent with the Term Sheet.

Item 11
File 13-0495

Departments:
Port of San Francisco

EXECUTIVE SUMMARY

Legislative Objective

Approval of the proposed resolution would (1) find that the proposed Waterfront Site project is fiscally feasible; and (2) endorse the proposed term sheet between the Port and Forest City Development California, Inc. (Forest City).

Key Points

- Administrative Code Chapter 29 requires that certain development projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review. Additionally, the Budget and Legislative Analyst recommended in the 2004 Management Audit of the Port that the Port should submit term sheets for projects with development costs greater than \$10 million to the Board of Supervisors for endorsement. The finding that the proposed Pier 70 Waterfront Site project is fiscally feasible and endorsement of the proposed term sheet between the Port and Forest City does not commit the Board of Supervisors to future approval of environmental findings under the California Environmental Quality Act (CEQA) or approval of the final lease between the Port and Forest City.
- Under the proposed term sheet, Forest City or an affiliate would construct a mixed-use development that would include (1) commercial office and retail, (2) innovation, retail and arts (placemaking), and (3) residential uses as well as seven acres of open space and three parking facilities on Pier 70's Waterfront Site.
- The Port Commission selected Forest City to develop the Waterfront Site project based on a competitive Request for Qualification (RFQ) process and authorized Port staff to execute an Exclusive Negotiating Agreement with Forest City in April 2011.

Term Sheet

- The overall approach to the proposed Waterfront Site project is a four-phase parcelization strategy, where parcels within the Waterfront Site would be developed in four phases. The Port would enter into separate 99-year leases with Forest City or an affiliate for each development parcel. The Port would release the parcels for development, through sale or lease, based on fair market value.
- Forest City would fund the initial entitlement costs, including planning, environmental review, and land use approvals for the Waterfront Site and any additional third-party parcels being included in the Waterfront Site project for re-zoning and California Environmental Quality Act (CEQA) processes, in the first phase of the Waterfront Site project as well as horizontal infrastructure development costs as needed. Forest City would be reimbursed for those entitlement and horizontal developments costs and receive a return on their equity investment, equal to 18 percent cumulative annual return on that equity. Sources of funds to reimburse Forest City include (a) land sale proceeds from a third-party parcel outside of the Waterfront Site project, (b) Port Infrastructure Financing District

(IFD) bond proceeds, (c) Port IFD tax increment revenues, and (d) revenues from prepaid ground leases.

- The total estimated costs of the entitlement and horizontal infrastructure development for all phases of the proposed Waterfront Site project are approximately \$216,930,285.
- Most of the vertical development would be paid for through private investment. The proposed term sheet allows for the Port to use IFD bond proceeds for vertical improvements to new buildings on two specific parcels to promote innovation for small local production and art and cultural uses (place-making parcels), historic improvements to two buildings, construction of parking facilities, and the installation of piles to Pier 70.

Fiscal Feasibility

- The proposed Waterfront Site project would (1) yield total annual estimated tax and fee revenues to the City of \$28,681,000 and total one-time taxes and fee revenues of \$91.154,000, (2) generate an estimated 18,020 permanent jobs and 14,320 temporary construction-related jobs, (3) provide an estimated \$1.85 billion in construction expenditures, (4) be financed by \$222,492,328 in Port funds from IFD bonds, tax increment from the establishment of a Port IFD, and land proceeds and \$1.65 billion in private investment, and (5) ongoing maintenance and operational expenses would be funded through the creation of a maintenance CFD.
- Financing for the three parking facilities, improvements to Buildings 12 and 21, as well as for new vertical construction on the placemaking parcels has not been finalized. This represents a feasibility gap of \$98,381,700, but could be higher depending on further evaluation by historic preservation architects on the cost of improvements to Buildings 12 and 21.
- The proposed Waterfront Site project is fiscally feasible under Chapter 29 of the City's Administrative Code. However, financing for the three parking facilities, improvements to Buildings 12 and 21, and vertical development on the placemaking parcels currently represents a feasibility gap of \$98,381,700.

Recommendations

- The Board of Supervisors should amend the proposed resolution to request the Port to include the following recommendations in Waterfront Site project transaction documents, including ground leases, the development and disposition agreement (DDA), and the financing plan, if submitted, and report back to the Board of Supervisors on the inclusion of these recommendations at time of the Board of Supervisors hearing on these documents, as follows:
 - a. The only third-party parcels which are eligible for inclusion in the Waterfront Site project are the 20th/Illinois parcel and the Hoe Down Yard;
 - b. The definition of net sale proceeds for condominiums is 1.5 percent of the total sales price of the condominium net costs of sale;
 - c. Forest City 's return on equity would be calculated only on outstanding capital;

- d. Project-generated public financing proceeds would only be used to fill the feasibility gap necessary to achieve a 10 percent profit on Buildings 12 and 21 and that Forest City would not be entitled to receive funds to fill the feasibility gap from other Port funding sources;
 - e. Project-generated public financing proceeds would only be used to reimburse Forest City for any new building construction will be contingent upon those new buildings containing placemaking or other public uses which meet the legal requirements for eligible use of IFD or CFD financing; and
 - f. Financing utilizing Pier 70 payroll tax and hotel tax increment for Waterfront Site horizontal and vertical development under Charter Section B7.310 would not be utilized to fund Waterfront Site project improvements.
- The Board of Supervisors should amend the proposed resolution to require the Port to report back to the Board of Supervisors on the financing plans for the parking facilities and the placemaking parcels and Buildings 12 and 21 as soon as Forest City and the Port have agreed on the financing approach.
 - Approve the proposed resolution as amended.

MANDATE STATEMENT

Chapter 29 of the City's Administrative Code requires Board of Supervisors' approval of certain projects to determine the project's fiscal feasibility¹ prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed \$25,000,000, and (c) construction costs are estimated to exceed \$1,000,000.

Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including the (1) direct and indirect financial benefits to the City, (2) construction costs, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review and does not include a determination that the project should be approved.

BACKGROUND

Pier 70

Pier 70 encompasses approximately 69 acres on the Port's Central and Southern Waterfront, bounded by Mariposa, Illinois and 22nd Streets. The Pier 70 Master Plan, approved by the Port Commission in April 2010, sets as goals:

- Creation of a Pier 70 National Register Historic District;
- Preservation of the ship repair industry;
- Creation of new shoreline open space and enhanced public access to the Central Waterfront;
- Promotion of mixed-use infill development and economic activity;
- Development of sites for office, research, emerging technology, light industrial, cultural and recreational uses;
- Creation of pedestrian-oriented and alternative transportation practices; and
- Remediation of environmental contamination.

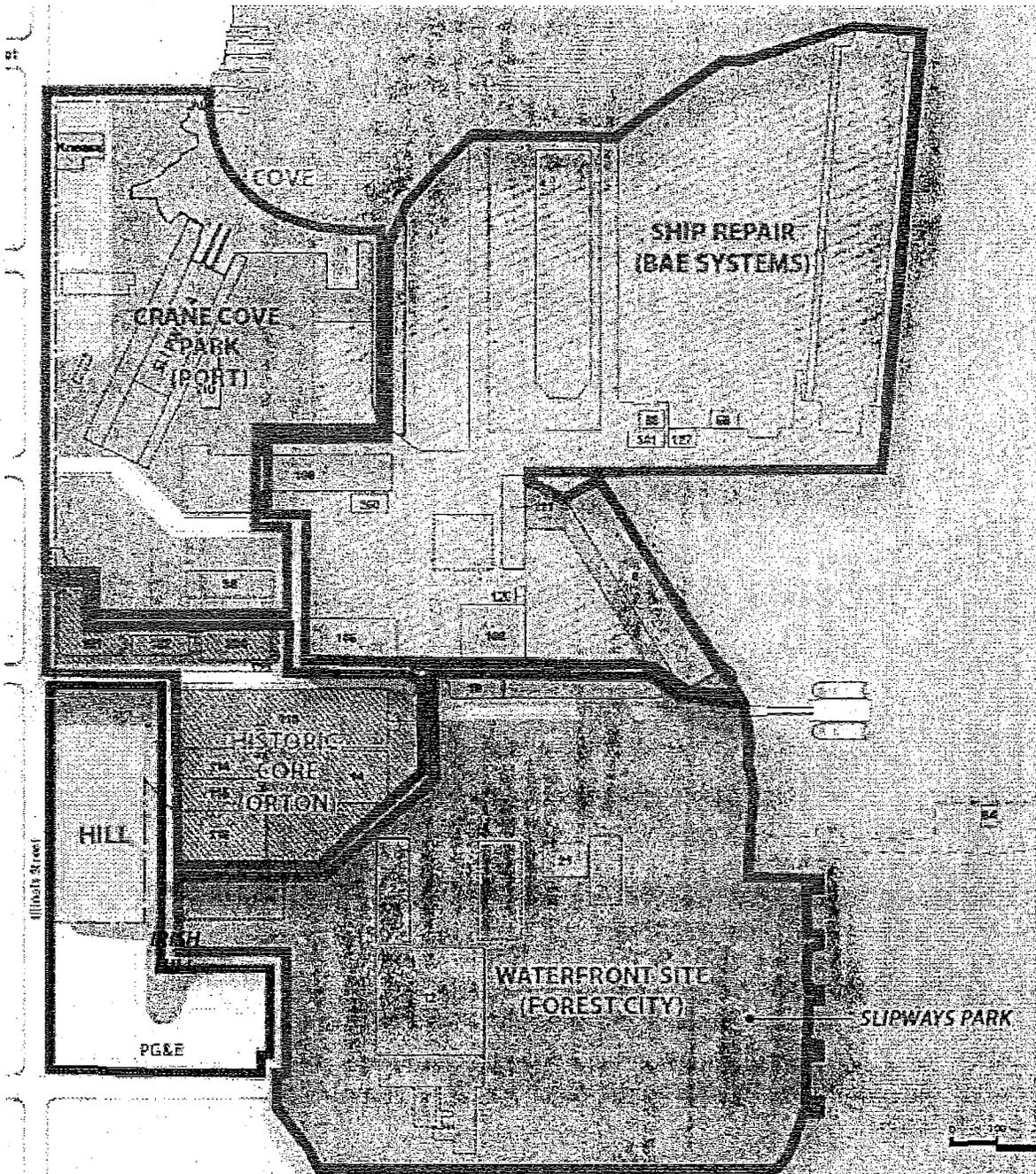
As shown in Figure 1 below, Pier 70 consists of:

- A ship repair facility currently operated by BAE San Francisco Ship Repair, Inc., under a lease with the Port from 1987 to 2017;
- Existing or planned open space projects, including Crane Cove Park, Slipways Park and the Irish Hill;
- Planned rehabilitation of the 20th Street Historic Buildings (Historic Core) by Orton Development, Inc. (Orton); and
- Planned new mixed-use development on the Pier 70 Waterfront Site by Forest City Development California, Inc.² (Forest City), which is the subject of this resolution.

¹ Chapter 29 excludes various types of projects from the fiscal feasibility requirement, including (a) any utilities improvement project by the Public Utilities Commission, (b) projects with more than 75 percent of funding from the San Francisco Transportation Authority, and (c) projects approved by the voters of San Francisco.

² Forest City Development California, Inc. is a subsidiary of Forest City Enterprises, a publicly traded real estate development company.

Figure 1: Existing and Proposed Pier 70 Projects



Proposed Waterfront Site Project

The proposed Waterfront Site project, which is the subject of the proposed resolution, comprises an approximately 28-acre site located in the southeast corner of Pier 70 (Waterfront Site). The Waterfront Site currently has a mix of heavy commercial and light industrial buildings, including warehousing, contractor and construction storage.

As shown in Table 1 below, the Port will receive \$2,681,176 in rent in FY 2012-13. The City's towed car impound facility is currently housed at the Waterfront site but will be relocated in June 2013, resulting in a \$1,759,573 decrease in rent for the Waterfront Site, equal to approximately 65.6 percent of current annual rent received.

Table 1: Rent Currently Received by Port in FY 2012-13

Lessee	Term	Square Feet	Monthly Rent	Annual Rent
Paul's Stores, Inc.	Month-to-Month	67,741	16,178	\$194,137
Affordable Self Storage, Inc.	Month-to-Month	20,000	5,800	69,600
Delancey Street Foundation, Inc.	Month-to-Month	37,354	4,410	52,925
Multicultural Radio Broadcasting, Inc.	2/1/10 - 1/31/15	71,459	10,166	121,990
SFCC Parking & Traffic (SFMTA) & TEGSCO, LLC	7/31/05 - 7/31/15	523,296	146,631	1,759,573
Sims Group USA Corporation	2/1/11 - 1/31/16	64,842	15,238	182,854
SomArts	Month-to-Month	5,384	1,664	19,964
Noonan Bldg. (Art Studio space)	Various	41,345	23,344	280,133
Total		831,421	223,431	\$ 2,681,176

Selection of Forest City for Waterfront Site Development

In August 2010, the Port initiated a Request for Qualification (RFQ) process. The Port received six submissions from:

1. Build, Inc.
2. Forest City Development California, Inc.
3. Mission Bay Development Group
4. San Francisco Waterfront Partners
5. TMG Partners/The Sobrato Organization
6. United States, Department of Veteran Affairs, San Francisco Medical Center

Port staff found four of the submittals to be most qualified to meet the requirements of the RFQ. The Department of Veterans Affairs and Build, Inc. were deemed to not be compatible with the Waterfront Site.

The RFQ submittals were evaluated on a 100 point scale based on the below criteria:

1. Approach (35 points)
2. Experience (30 points)
3. Capacity (35 points)

Port Staff, aided by consultants and an evaluation panel, evaluated the submittals. The members of the evaluation panel were:

- Steve Chamberlin, Chamberlin Associates, retired developer and real estate professor at Haas Business School;
- Bijal Patel, Deputy Director, Property Development & Management, Santa Clara Valley Transit Authority;
- Tracie Reynolds, Manager, Real Estate and Development Services, San Francisco Redevelopment Agency;
- Corrine Woods, Central Waterfront Advisory Group, Mission Bay resident;
- Jasper Rubin, Central Waterfront Advisory Group, Planning professor at San Francisco State.

The scores achieved for each submittal are summarized below in Table 2.

Table 2: Scoring of Project Proposals

	Maximum Points	Forest City	Mission Bay Development Group	San Francisco Waterfront Partners	TMG Partners/Sobrato Organization
Approach	35	29.4	29.4	21.6	17.7
Experience	<u>30</u>	<u>25.7</u>	<u>22.8</u>	<u>22.6</u>	<u>17.8</u>
Panel Subtotal	65	55.1	52.2	44.2	35.5
Staff Capacity ³	10	9	6	6	9
Financial Capacity ⁴	<u>25</u>	<u>25</u>	<u>18</u>	<u>20</u>	<u>20</u>
Port Staff Subtotal	35	34	24	26	29
Total Score	100	89.1	76.2	70.2	64.5

The Port Commission approved the execution of the Exclusive Negotiating Agreement (ENA) with Forest City in April 2011. The ENA committed the Port to negotiate exclusively with Forest City on the proposed Waterfront Site project. However, approval of the ENA does not constitute approval of final leases, a lease disposition and development agreement (DDA), or related documents. No such action is planned until the proposed Waterfront Site project has successfully gone through California Environmental Quality Act (CEQA) review.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) find that the proposed Waterfront Site project is fiscally feasible; and (2) endorse the proposed term sheet between the Port and Forest City. As noted above, under the Administrative Code, the Board of Supervisors must find the development to be fiscally feasible prior to the Port submitting the project to the Planning Department for environmental review. Additionally, the Budget and Legislative Analyst recommended in a 2004 Management Audit of the Port that the Port should submit term sheets, for projects with development costs greater than \$10 million, to the Board of Supervisors for endorsement. The

³ Evaluated by Port staff

⁴ Evaluated by Port Financial Analyst based on review of confidential financial materials

finding that the proposed Waterfront Site project is fiscally feasible and endorsement of the proposed term sheet between the Port and Forest City does not commit the Board of Supervisors to future approval of environmental findings under the California Environmental Quality Act (CEQA), approval of the Pier 70 land use and financing plan, or approval of ground leases of parcels included in the Waterfront Site project.

TERM SHEET

Waterfront Site Project Concept

The proposed Waterfront Site project is a mixed-use development that would include (1) commercial office and retail, (2) innovation, retail and arts (placemaking)⁵, and (3) residential uses. The project includes horizontal (infrastructure) development and vertical (building) development.

Horizontal Development

Forest City, as the master developer, would be responsible for entitlements and horizontal development, including:

- Preliminary planning, design, environmental review under CEQA, negotiating financial terms and transaction documents, and incremental costs of incorporating adjacent properties into a Special Use District (see below);
- Preparation of the sites for development; and
- Construction of streets, sidewalks, maritime facilities, parks and other public improvements.

Vertical Development

The overall approach to the proposed Waterfront Site project is a four-phase parcelization strategy, where parcels within the Waterfront Site would be developed in four phases. The Port would enter into separate 99-year leases with Forest City or an affiliate for each development parcel.

The Port would release the parcels for development, through sale or lease, based on fair market value, which would be determined by a third party consultant through an appraisal process. Forest City or an affiliate may acquire development rights⁶ to parcels by exercising Forest City's option within 90 days of the parcel's fair market value appraisal and entering into a separate ground lease with the Port. The Port would offer development rights for some parcels through a public, competitive disposition process if Forest City or an affiliate does not timely enter into a ground lease with the Port for an individual parcel at the appraised fair market value.

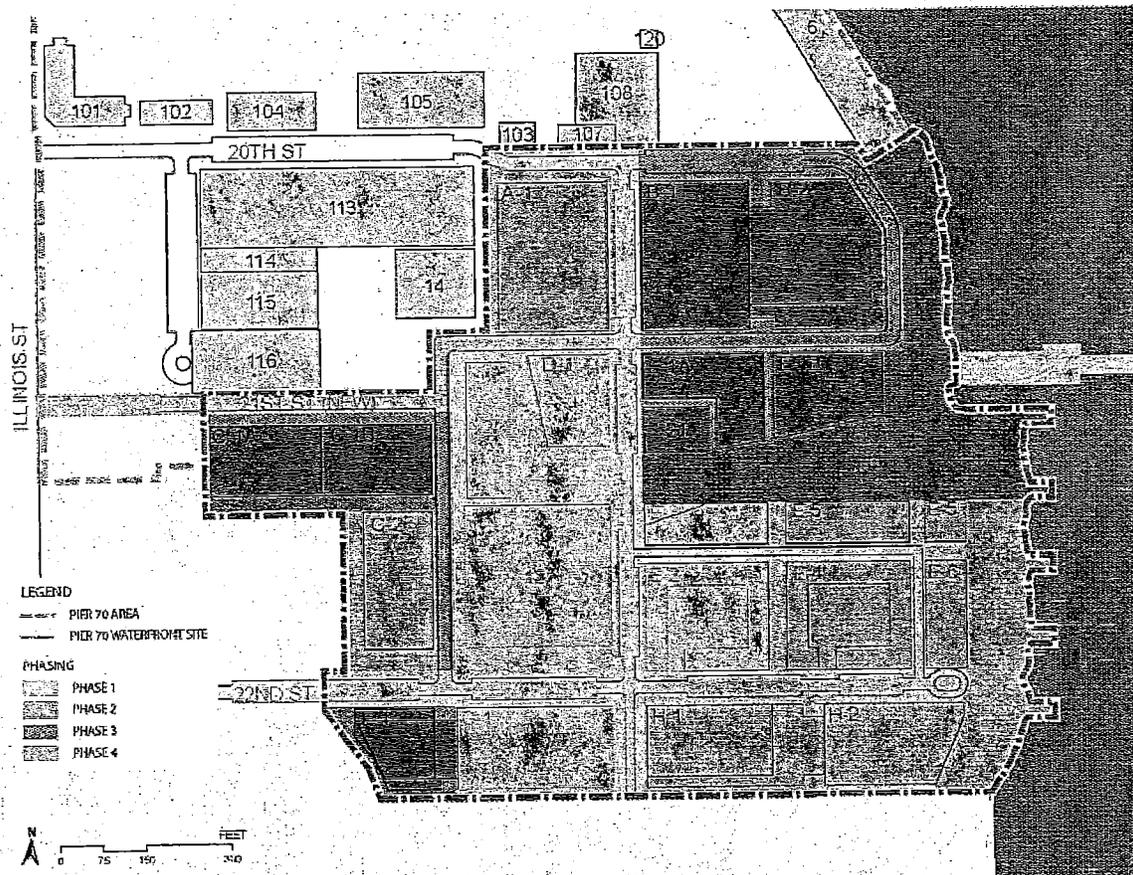
Under the proposed term sheet, Forest City or an affiliate would develop the Waterfront Site into 20 to 25 buildable parcels which would be developed as a mix of commercial/office, placemaking, retail, residential and parking uses. The Project is proposed to include up to 3.25 million gross square feet (gsf) of above-grade leasable development, comprised of newly

⁵ Innovation, retail and arts include a combination of small scale local production, arts and cultural uses, small business incubator uses, and other publicly-accessible uses, to be located primarily in the existing historic structures.

⁶ Development rights refer to vertical development only.

constructed buildings (vertical development) and historic rehabilitation of existing industrial buildings (historic improvements) consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties. The proposed Waterfront Site project is pictured below in Figure 2.

Figure 2: Proposed Waterfront Site Project



Vertical development would include:

- Residential uses including 950 units comprising approximately 800,000 gsf;
- Commercial uses including office and research and development space up to 2.25 million gsf adjusted according to the amount of residential and other commercial uses constructed at the Waterfront Site; and
- Retail, arts and cultural uses of up to 400,000 gsf.

The historic improvements would include:

- Buildings 12 and 21: Approximately 115,000 gsf of placemaking space and approximately 60,000 gsf of commercial office space; and
- Building 2: Approximately 110,000 gsf of residential development (about 120 units).

The Waterfront Site project would include approximately seven acres of open space connecting the Waterfront Site with surrounding neighborhoods and the waterfront. There would also be three parking facilities at the Waterfront Site located at Parcels C-1A, C-1B, and C-2, which the Port is anticipated to be responsible for building and managing. The three parking facilities are currently anticipated to be built in Phase 3 and 4.

Entitlement Costs

Forest City would fund the initial entitlement costs, including planning, environmental review, and land use approvals, in the first phase of the Waterfront Site project. Entitlement costs would be for the Waterfront Site and any additional third-party parcels⁷ being included in the Waterfront Site project for re-zoning and California Environmental Quality Act (CEQA) processes. Under the proposed term sheet, one third-party parcel, the 20th/Illinois parcel is currently included. In exchange, Forest City would receive an 18 percent developer return on equity in addition to the repayment of capital, as discussed further below. Land proceeds from the Port's sale of the 20th/Illinois parcel would be designated to pay Forest City's equity investment and Forest City's return on equity for entitlement costs incurred.

The Port may elect to allocate land proceeds from other third-party parcels to similarly pay for Waterfront Site projects. The term sheet includes five other third-party parcels of which two, known as the Hoe Down Yard, are currently owned by the Pacific Gas and Electric Company (PG&E). According to Mr. Brad Benson, Port Special Projects Manager, three of the third-party parcels, known as the Cove parcels, are no longer being considered to be part of the Waterfront Site project for re-zoning and CEQA purposes. Therefore, the proposed term sheet should be amended to remove discussion of the Cove parcels and specify that the only third-party parcels eligible for inclusion in the Waterfront Site project are the 20th/Illinois parcel and the Hoe Down Yard.

Creation of a Special Use District

The Waterfront Site is currently zoned M-2 (Industrial, Heavy), which would need to be re-zoned to permit the planned mixed uses under the proposed Waterfront Site project. The Port plans to seek rezoning of the Waterfront Site, as well as the third-party parcels, the 20th/Illinois and Hoe Down Yard parcels, as a special use district, which would allow for the planned mix uses by rezoning individual parcel uses for commercial, residential, or parking purposes. In addition, the special use district would establish height and bulk limits for the Waterfront Site and third-party parcels, the 20th/Illinois and Hoe Down Yard parcels. The rezoning would require both a Planning Code text amendment and a Zoning Map amendment, which would be subject to approval by the Board of Supervisor following Planning Commission approval. The rezoning would also necessitate an amendment to the Port's Waterfront Land Use Plan, subject to Port Commission approval.

⁷ The third-party parcels comprise the 20th/Illinois parcel and four other separate parcels outside of the Waterfront Site (third-party parcels) but within Pier 70 which the Port would sell through proprietary public offerings. Two of the third-party parcels, known collectively as the Hoe Down Yard, are currently owned by Pacific Gas & Electric (PG&E). The Port is in discussions with PG&E to acquire the Hoe Down Yard. If the Hoe Down Yard is sold by PG&E to the Port, the DDA may include an option for Forest City to swap one of the Waterfront Site project parcels for the Hoe Down Yard parcel.

Other Regulatory Approvals and Amendments

State Law Lifts Public Trust Use Restrictions at the Waterfront Site

Most Port land is subject to public trust use restrictions allowing use of Port property exclusively for the promotion of maritime commerce, navigation, fisheries, environmental and public recreation. Assembly Bill (AB) 418, signed into law on October 5, 2011, authorizes the State Lands Commission to effect a public trust exchange within the Pier 70 area to allow configuration of trust and nontrust property, subject to certain required State Lands Commission findings and conditions, including the Port Commission's and the Board of Supervisor's prior approval. Nontrust property along the water's edge and along streets accessing the water's edge would be impressed with the public trust to promote maritime uses and public access and the trust would be terminated on inland trust property not needed for trust purposes.

In order to develop the Waterfront Site and sell third-party parcels located at Pier 70 under AB 418, the Port would need to receive State Lands Commission approval of the trust exchange authorized by the act, which would release the Waterfront Site and the third-party parcels from the common law public trust and the restrictions of the Burton Act, including the 66 year limit on leasing of Port land.

Bay Area Conservation and Development Commission Permit is Required

The Bay Area Conservation and Development Commission (BCDC) requires that nontrust property within 100 feet of the shoreline promote maritime uses and public access. Therefore, Forest City and the Port would need to demonstrate that promotion in order for BCDC to issue a major permit for the portion of the Waterfront Site project located within 100 feet of the shoreline.

Charter Section B7.310 Allows for up to 75 Percent of Annual Payroll and Hotel Tax Increment to Be Used to Finance Waterfront Improvements at Pier 70

City Charter Section B7.310 provides for the City to fund waterfront improvements at Pier 70 through the provision of up to 75 percent of annual increases in payroll tax⁸ and the hotel tax above the base year tax revenue that will accrue to the General Fund for each year (Pier 70 annual payroll and hotel tax increment) for twenty years after the issuance of a certificate of occupancy related to a Port ground lease for all or a portion of the Pier 70 Waterfront District if ground lease revenue and available property tax increment are insufficient to fund those waterfront improvements.

In order to receive Pier 70 annual payroll and hotel tax increment:

1. The Board of Supervisors must approve a finance and land use plan for the waterfront improvements;
2. The Port Commission must approve a budget for the waterfront improvements and find, by resolution, that ground lease revenue and available property tax increment are insufficient;

⁸ Under Proposition E, passed by San Francisco voters on November 6, 2012, the City payroll tax will be phased out and replaced by a gross receipts tax that will be phased in over a 5-year period beginning in 2014.

3. The Controller and Tax Collector, in consultation with the Department of Real Estate and the Port Commission, must report to the Board of Supervisors the total annual payroll tax and hotel tax revenues received in the prior full fiscal year and projected increases in payroll tax and hotel tax revenues; and
4. The Board of Supervisors must find available funding to be insufficient and approve the financing of the waterfront improvements with up to 75 percent of Pier 70 annual payroll and hotel tax increment.

Pier 70 Land Use and Financing Plan

According to Mr. Benson, the Port is planning to include the Waterfront Site and the 20th/Illinois parcel in the Pier 70 land use plan, subject to Board of Supervisors approval. Port staff is currently evaluating whether to include the Hoe Down Yard as well as the Cove parcels in the Pier 70 land use plan.

If the Board of Supervisors approves the land use plan, then the Port Commission would be authorized to enter into ground leases for any areas included in the land use plan without seeking further Board of Supervisors approval. The Port proposes to submit the Pier 70 land use plan to the Board of Supervisors for approval at the same time that it submits the proposed DDA and other transaction documents for development of the Waterfront Site.

Additionally, while the proposed term sheet provides for Forest City to assist the Port to prepare a Pier 70 financing plan, the Port has not yet determined the need for a Pier 70 financing plan to pay for Pier 70 public improvements, such as rehabilitation of historic buildings and maritime facilities or public and open space improvements outside of the Waterfront Site.⁹ According to the proposed term sheet, the Port would determine the need for the Pier 70 financing plan prior to completion of the Pier 70 land use plan.

Proposed Development and Disposition Agreement and Pier 70 Financing and Land Use Plan

Under the proposed term sheet, the Port would enter into a DDA with the master developer, Forest City, to entitle the project and develop horizontal improvements, although the Port would not enter into a ground lease with Forest City as is the Port's practice in similar development projects. Rather, the Port would enter into separate ground leases for vertical development of specific parcels with Forest City, one of its affiliates, or another developer, as described above. If the Board of Supervisors approves the Pier 70 land use plan, which includes the Waterfront Site, the ground leases would not be subject to Board of Supervisors approval.

If the Port submits a Pier 70 financing plan and the Board of Supervisors approves that Pier 70 financing plan, the Board of Supervisors would also be approving (a) use of hotel tax and payroll tax increments to pay for historic preservation and public infrastructure within Pier 70, and (b) all future ground leases contained within the Pier 70 land use plan area.

⁹ The Port has identified unfunded needs in the broader Pier 70 area, including (a) improvements to the shipyard, including the Port's drydock, (b) rehabilitation of historic resources outside the Waterfront Site, (c) Phase 2 of Crane Cove Park at Pier 70, and (d) enhanced transit service to the site.

Public Financing Mechanisms under Consideration

Port Infrastructure Financing District

State law authorizes the establishment of a Port Infrastructure Financing District (IFD) to finance public improvement projects along the San Francisco waterfront. The Port IFD may finance the same types of improvement projects that are financed by non-Port IFDs (open space, parks, and street improvements), as well as projects specific to the Port, including removal of bay fill, storm water management facilities, shoreline restoration, and maritime facility improvements. Increased property tax revenues resulting from certain Port development projects (tax increment) may be redirected from the City's General Fund to the Port IFD in order to finance public improvements, subject to Board of Supervisors approval. The tax increment could be used to either fund the proposed Waterfront Site project on a pay-as-you-go basis or IFD bonds could be issued using the tax increment to pay debt service.

A Port IFD may be divided into individual project areas. Eight project areas are currently included in the proposed Port IFD, previously approved by the Board of Supervisors, including Pier 70. In addition to the redirection of tax increment from the City's General Fund to the Port IFD, the Port may also allocate Educational Revenue Augmentation Fund's¹⁰ (ERAF) share of tax increment from the Pier 70 project area to the Port IFD to fund public improvements at Pier 70.

A Pier 70 project area may not be formed prior to January 1, 2014. Under State law, the amount of ERAF's share of tax increment allocated to the Port IFD is proportional to the City's share of tax increment allocated to the Port IFD.¹¹ The Port may issue debt, secured by the ERAF share of tax increment from the Pier 70 project area for up to 20 fiscal years from the first Pier 70 debt issuance. Once any ERAF-secured debt issued within the Pier 70 project area has been paid, ERAF's share of tax increment will be paid into ERAF. Beginning in the 21st fiscal year, ERAF's share of tax increment may only be used to meet debt service obligations for previously issued debt secured by ERAF's allocation of tax increment. ERAF's share of tax increment exceeding debt service obligations must be paid into ERAF.

¹⁰ The Educational Revenue Augmentation Fund redirects one-fifth of total statewide property tax revenue from cities, counties and special districts to school and community college districts. The redirected property tax revenue is deposited into a countywide fund for schools and community colleges (ERAF). The property tax revenue is distributed to the county's non-basic aid schools and community colleges (i.e., school and community college districts that receive more than the minimum amount of state aid required by the State constitution). In 2004, the State approved a complex financing mechanism, known as the triple flip, in which one-quarter cent of the local sales tax is used to repay the Proposition 57 deficit financing bond; property taxes are redirected from ERAF to cities and counties to offset revenue losses from the one-quarter cent sales tax; and State aid offsets losses to school and community college districts from the redirected ERAF funds.

¹¹ For example, for every \$1.00 in Property Taxes (not including Property Taxes designated to pay General Obligation bonds), \$0.25 is allocated to ERAF, \$0.65 is allocated to the City's General Fund, and \$0.10 is allocated to the other taxing entities (SFUSD, Community College District, BART, and Bay Area Air Quality Management District). If the Board of Supervisors were to approve 50% of the City's General Fund share of tax increment (or \$0.325 of \$0.65), then the ERA share of tax increment is 50% (or \$0.125 of \$0.25).

Community Facilities District

A Community Facilities District (CFD) could be formed over the entire proposed Waterfront Site project site, which would allow special taxes to be levied against the leasehold and fee interests on taxable parcels. These special taxes could be used to finance the proposed Waterfront Site project or CFD bonds could be issued using the special taxes as security.

Maintenance Community Facilities District

The Port may establish a maintenance CFD over all of Pier 70 or over part of Pier 70, with areas annexed to the maintenance CFD as each phase is completed, or over all of Pier 70 with zones created corresponding to development phases in which special taxes are levied at each phase of development. Maintenance special taxes levied against each taxable parcel would provide pay-as-you-go funds for operating and maintenance costs of public facilities, which would be specified in the DDA when completed. If the proposed boundaries of the maintenance CFD are same as the proposed boundaries of the CFD, then a single CFD with two separate special taxes, one for facilities and one for maintenance may be formed.

Proposed Terms to be Included in the DDA

The Port and Forest City would begin negotiations of the DDA after the proposed term sheet, which is not contractually binding, is approved. The DDA is not subject to Board of Supervisors approval but would be submitted to the Board of Supervisors for review when the Port submits the Pier 70 land use plan for approval. While the ground leases would not be subject to Board of Supervisors approval if a Pier 70 land use plan is submitted, the form of ground lease that would be used for Waterfront Site project parcels is subject to Board of Supervisors approval. Table 3 below summarizes the proposed term sheet between the Port and Forest City.

Table 3: Summary of Proposed Term Sheet

Term Sheet Provision	Proposed Terms
Total Estimated Project Cost	<ul style="list-style-type: none"> • \$2,146,930,284
Project Description	<ul style="list-style-type: none"> • Horizontal and vertical development of the Waterfront Site at Pier 70 • Rehabilitation of three Historic Buildings located at Pier 70 (Buildings 2, 12, and 21)
Phasing	<ul style="list-style-type: none"> • Development would be completed in four phases, with public benefits (parks and parking facilities) distributed among phases
Project Debt	<ul style="list-style-type: none"> • Financing mechanisms have not been finalized but there are three which could be utilized: <ul style="list-style-type: none"> – Community Facilities District (CFD) Bonds – Infrastructure Financing District (IFD) Bonds – Bonds financed through Payroll and Hotel Tax Increment
Port's Capital	<ul style="list-style-type: none"> • Special Taxes from CFD formation • Tax Increment from the establishment of an IFD • Land Proceeds from lease or sale of third-party parcels
Forest City Development Equity	<ul style="list-style-type: none"> • Forest City's equity contribution is to procure all entitlements and pay related costs and pay for horizontal infrastructure development costs, as necessary, to be reimbursed by the City.
Terms of Ground Leases	<ul style="list-style-type: none"> • 99 years • No base rent would be included for fully prepaid leases • Leases would be pre-paid until Forest City's equity investment and return on equity investment are paid in full • After Forest City's equity investment and return on equity investment are paid in full, new ground leases would include annual ground rent obligations
Parking Structures	<ul style="list-style-type: none"> • Development would be financed by the Port • Once developed, would be owned/ managed by the Port
Vertical Improvements to Historic Buildings	<ul style="list-style-type: none"> • Financing has not been finalized but may be partially funded by the Port with IFD bond proceeds

The Attachment to this report contains further details of the proposed term sheet.

Entitlement and Horizontal Development Sources and Uses of Funds

The estimated sources of funds and total project costs for the proposed Waterfront Site project are shown in Table 4 below. The total estimated costs of the entitlement and horizontal infrastructure development for all phases of the proposed Waterfront Site project are \$216,930,284.

Table 4: Estimated Uses of Funds for Infrastructure

Uses of Funds	
Entitlement Costs	\$21,271,676
Horizontal Development	<u>195,658,608</u>
Subtotal Entitlement and Horizontal Development	\$216,930,285
Total Developer Return on Equity	<u>23,714,863</u>
Total Uses	\$240,645,147

The Port, in consultation with their financial advisor, Century Urban, prepared a pro-forma analysis based on estimates provided by Forest City of the Waterfront Site project's cash flow over 116 years, from 2011 through 2126 based on the final year of the 99-year term of the last ground lease entered into in 2027. Based on this pro-forma analysis, Forest City would invest an estimated \$28,084,806 in equity, which includes \$21,271,676 for entitlement costs and \$6,813,130 for horizontal development costs.

Forest City's return on equity would accrue at 18 percent per year on the cumulative balance of its equity investment with a total estimated return on equity of \$23,714,863. Developer's equity includes developer capital, loans and other financing secured by the developer.

The Port would reimburse Forest City for their equity investment and return on equity and pay the balance of horizontal development costs through (1) IFD bond proceeds, (2) IFD tax increment revenues, and (3) land proceeds from the lease or sale of parcels, as shown in Table 5 below¹². The goal of the overall funding structure is to minimize impacts on the Port's revenue stream from ground leases and land proceeds and maximize issuance of IFD bonds, whose debt service would be paid from the IFD tax increment received by the Port.

Table 5: Estimated Sources of Funds for Infrastructure

Sources of Funds	
IFD Bonds	\$168,566,664
IFD Tax Increment	53,925,425
Land Lease or Sale Proceeds from 20 th /Illinois Parcel	<u>\$18,153,058</u>
Total Sources	\$240,645,147

Land Sale Proceeds

Under the proposed term sheet, proceeds from the sale of land or pre-paid ground leases would be used to fund the project in the following order of priority:

¹² State law places restrictions in the use of IFD tax increment to pay Forest City's return on equity investment. The Port currently estimates that 4.5 percent of Forest City's return on equity investment may be paid through IFD tax increment. The percentage of interest payable from IFD tax increment is identified in the proposed term sheet as the cost of carry.

1. Directly pay horizontal development costs¹³;
2. Pay the return on Forest City's equity investment; and
3. Reimburse Forest City's equity investment.

Under the proposed term sheet, the Port would sell the Port-owned 20th/Illinois parcel within 12 months of project approval to pay for approximately \$18,153,058 of Forest City's return on equity investment not repaid with IFD bonds or IFD pay-as-you-go funds¹⁴, subject to Board of Supervisors approval¹⁵. The 20th/Illinois parcel would not be sold until fully entitled. According to the proposed term sheet, if Forest City has not received the funds from the sale of the 20th/Illinois parcel within 12 months from the date of the approval of the sale, then the Port must pay Forest City an amount equal to the appraised fair market value of the parcel or offer Forest City the right to purchase the parcel at the appraised fair market value within 60 days.

IFD Bond Proceeds

According to the proposed term sheet, the Port would have the right in its sole discretion to use any available source of public funds that would be less expensive to the Port than paying a return on Forest City's equity investment.

The Port currently anticipates issuing \$168,566,664 in IFD bonds to pay directly for horizontal development costs, and Forest City's equity and return on equity as allowed by law. In addition IFD bonds would be used to reimburse land proceeds used to pay for horizontal development costs and Forest City's equity investment and return on equity investment to the extent allowed by State law. Other forms of debt currently being considered are CFD bonds.

IFD Pay-As-You-Go

The Port currently anticipates utilizing \$53,925,425 in tax increment from the Port IFD as a funding source for the Waterfront Site project.

Federal Historic Preservation Tax Credits

The Waterfront Site project may be eligible for federal Historic Preservation Tax Credits, up to 20 percent of qualified historic rehabilitation expenses. To qualify, the historic buildings must (a) be listed in the National Register of Historic Places; (b) meet the substantial rehabilitation test in which the cost of the rehabilitation exceeds the pre-rehabilitation cost of the building; (c) meet the Secretary of the Interior's Standards for Rehabilitation; and (d) after rehabilitation, used for income-producing purposes for at least 5 years. Based on information provided by the Port, the three historic buildings. (Buildings 2, 12, and 21) in the Waterfront Site project meet the minimum eligibility requirements. Under the proposed term sheet, the Port would require the rehabilitation of the historic buildings to meet the Secretary of the Interior's Standards for the

¹³ The proposed term sheet provides for the Port to reimburse the use of land sales or pre-paid ground lease proceeds to fund horizontal infrastructure development costs with IFD proceeds.

¹⁴ According to the pro forma, estimated pre-paid ground leases and land sales in 2017, the year in which the Waterfront Site project is expected to be fully entitled, are \$32,166,206, of which \$17,592,341 will directly pay phase I horizontal development costs and \$14,573,866 will pay the developer's return on equity.

¹⁵ The Port plans to seek Board of Supervisors approval for the sale of the 20th/Illinois parcel along with the land use and financial plan for the Waterfront Site project. The DDA would also be presented at that time, although not subject to Board of Supervisors approval.

Treatment of Historic Properties in order to preserve the planned Pier 70 historic district and to secure the tax credits.

Forest City's Return on Equity

As noted above, Forest City would invest an estimated \$28,084,806 in entitlement and horizontal development costs and receive a return on their equity investment, equal to 18 percent cumulative annual return on its equity. The Port would receive statements from Forest City after disposition of all the development parcels and the completion of all infrastructure and public facilities for each development phase, showing Forest City's return on their equity investment.

The term sheet does not specify that Forest City's return on equity would be calculated on outstanding capital. Therefore, the proposed resolution should be amended to specify that Forest City's return on equity would be calculated only on outstanding capital in order to minimize the cost to the Port of Forest City's equity investment.

Forest City would be reimbursed by the Port for its equity investment in entitlement and horizontal development costs as follows:

- Land proceeds from the sale of the 20th/Illinois parcel as noted above subject to reimbursement from IFD bond proceeds; and
- Public financing proceeds, such as IFD bonds, to pay Forest City's equity investment¹⁶.

No Cap on Horizontal Development Costs

According to the proposed term sheet, the DDA would not impose a hard cap on horizontal development costs but would give the Port the right to timely review of the horizontal development costs for each phase, and provide for the Port and master developer to meet and confer on the Port's right to value engineer the horizontal development for that phase if it would not delay the project. However, the Port and the Capital Planning Committee would review the infrastructure plan to be financed with IFD proceeds as part of the IFD establishment process and make recommendations to the Board of Supervisors regarding the adoption of the plan.

Under the DDA, after the IFD financing plan is approved by the Board of Supervisors, the Port would have the opportunity to provide input at the onset of each development phase to determine total costs to be included in each phase's budget as well as have the opportunity to review costs within each phase's budget once prepared. The Port would also have the right to audit costs for each phase and at the conclusion of the Waterfront Site project. In addition, City agencies including the San Francisco Public Utilities Commission (PUC) and the Department of Public Works (DPW) would have the right to determine the specifications for infrastructure constructed by Forest City¹⁷.

¹⁶ Due to legal restrictions on the use of public financing proceeds from IFD and CFD bonds to pay interest, the interest payable by public financing (cost of carry) would be calculated separately and would be deducted from the 18 percent cumulative annual return received on Forest City's equity investment.

¹⁷ PUC and DPW would purchase public infrastructure constructed by Forest City and have oversight through the permitting process for the related construction.

FISCAL IMPACT OF TERM SHEET**Fiscal Impact to the City****Vertical and Horizontal Development Costs**

The estimated costs of Waterfront Site project entitlements and horizontal development costs and the developer's return on equity are \$240,645,147, as shown in Table 4 above. Sources of funds to pay these costs are IFD bond proceeds, IFD tax increment, and proceeds from the lease or sale of the Illinois/20th Street parcel as shown in Table 5 above.

Most of the vertical development will be paid for through private investment. The proposed term sheet allows for the Port to use IFD for vertical improvements to new buildings on two specific parcels to promote innovation for small local production and art and cultural uses (place-making parcels), historic improvements to two buildings, construction of parking facilities, and the installation of piles to Pier 70, as discussed below. The extent to which IFD bond proceeds would fund these vertical improvements will be detailed in the DDA.

Ground Leases and Rent

The Port would receive rent revenues from ground leases between Forest City's affiliates or third party vertical developers and the Port.

Under the proposed term sheet, all ground leases would be fully prepaid by Forest City or an affiliate until (a) Forest City has completed all horizontal infrastructure development and public facilities, (b) the Port or the City has accepted all completed horizontal infrastructure and public facilities, (c) Forest City has received its return on equity investment, and (d) Forest City has been fully repaid for the original equity investment. Funds from those prepaid ground leases would be held in a project account and used to directly fund horizontal infrastructure development as well as to return Forest City's equity investment and return on equity investment. Once the Port has fulfilled its financial obligations to Forest City, new ground leases would include annual ground rent obligations.

Table 6 below shows the key provisions in the ground leases.

Table 6: Ground Lease Provisions

Term	99 years
Base Rent	<ul style="list-style-type: none"> • Fair market value • Consumer Price Index (CPI) Adjustments
Base Rent Payment	<ul style="list-style-type: none"> • Prepaid for a specified term or in full • Otherwise, annual payments
Percentage Rent for Commercial and Residential Parcels	<ul style="list-style-type: none"> • 1.5% of modified gross revenues (net of taxes, insurance, utilities, capital) beginning in lease year 30 • 2.5% of modified gross revenues beginning in lease year 60
Other	<ul style="list-style-type: none"> • Forest City or affiliate will pay all taxes, assessments, and expenses • Forest City or affiliate may choose to receive IFD financing for eligible vertical improvements with adjustments to the parcel's value

Forest City’s Participation in Ground Lease Rent

Under the proposed term sheet, Forest City would receive 45 percent and the Port would receive 55 percent of ground lease rent which is not required to pay for horizontal development and other costs. Based on the pro-forma analysis, the Port would not receive positive cash flow from the project until year 18 (2028). The Port is expected to receive ground lease rent of \$76 million from prepaid ground leases in year 20 of the project (2030), when horizontal infrastructure development is expected to be completed. According to the May 23, 2013 Port staff memorandum to the Port Commission, since Port operations are funded with annual revenues, City staff would evaluate converting some prepaid ground leases into an annual payment stream to the Port during DDA negotiations. Table 7 shows net ground lease revenues to the Port under the proposed term sheet.

Table 7: Net Ground Lease Revenues to the Port from 2011 through 2126¹⁸

	Total
Annual Ground Rent	\$1,564,473,044
Proceeds from Prepaid Ground Lease Rent	94,654,872
Total Net Port Ground Lease Revenues	\$1,677,874,944

IFD Financing Would be Used to Finance Historic Improvements and Placemaking Uses

Under the proposed term sheet, Forest City would be obligated to improve two historic buildings (Buildings 12 and 21), with the Port financing those historic improvements with IFD financing. Separate ground leases would be entered into between the Port and Forest City for Buildings 12 and 21. According to Mr. Benson, the estimated net costs of the improvements to Buildings 12 and 21 after receiving the historic tax credits are \$23,760,254. However, that financing has not been included in the pro-forma analysis made available for this report.

¹⁸ The estimate is from 2011 through 2126 based on the 99-year term of the last lease entered into in 2027, which would expire in 2126.

Forest City would also have the option to enter into ground leases for the parcels E-1A and E-1B at no cost in order to establish placemaking uses. The proposed term sheet states that placemaking uses on these parcels are under consideration but other uses may be developed instead, which would be permitted under the re-zoning of the Waterfront Site. According to Mr. Benson, the total estimated cost of new construction for placemaking uses on parcels E-1A and E-1B is \$33,958,475. The May 23, 2013 Port staff memorandum states that Forest City expects that the placemaking uses would create higher demand for office uses at the Waterfront site.

Under the proposed term sheet, the Port would be expected to finance the improvements to Buildings 12 and 21 with land-secured financing sources, such as IFD bonds, CFD bonds or possibly bonds secured by Pier 70 annual payroll and hotel tax increment, if allowed by law. In addition, the Port would commit to investigating the potential use of land-secured financing sources to reimburse Forest City for any new construction on the placemaking parcels. If the issuance of bonds is not permitted under State law for new construction on the placemaking parcels, the Port would have no obligation to reimburse Forest City for any new building construction. In addition, Forest City would not be entitled to a return on their equity investment for costs incurred on the placemaking parcels after the effective date of the DDA. However, no such statement is included in the proposed term sheet for Buildings 12 and 21.

According to Mr. Benson, project-generated public financing proceeds would only be used to fill the feasibility gap allowing Forest City to achieve a 10 percent profit, on the rehabilitation of Building 12 and 21 as well as new building construction on the placemaking parcels. The feasibility gap is currently estimated to total \$12,353,000. However, the proposed term sheet states that the Port would be obligated to pay for all qualified costs of improvements to Buildings 12 and 21 and to finance new building construction on the placemaking parcels with public financing proceeds to the extent allowed by State law, regardless of final use decisions.

Therefore, the proposed term sheet should be amended to reflect that project-generated public financing proceeds would only be responsible for filling the feasibility gap necessary to achieve a 10 percent profit on the rehabilitation and reuse of Buildings 12 and 21 and that Forest City would not be entitled to reimbursement from other funding sources. In addition, given that the new buildings may or not house placemaking uses, the use of public financing proceeds to reimburse Forest City for any new building construction should be contingent upon those new buildings containing placemaking or public uses that would meet legal requirements for the use of project-generated IFD or CFD financing. If no placemaking or public uses are included, the Port should not be obligated to reimburse Forest City with project-generated public financing proceeds.

Port's Participation in Capital Events and Modified Gross Revenues

Under the proposed term sheet, the Port would participate in revenue from the transfer of leases as follows:

- The Port would receive 1.5 percent of net proceeds from the refinancing of ground leases and associated improvements;
- If Forest City or an affiliate sells a parcel to an unaffiliated third party before the earlier of (1) three years after transfer of the parcel to Forest City or an affiliate, (2) the date the Port

issues the first site permit for the transferred parcel, then all net proceeds of that transfer would be included as a source of funds for the Waterfront Site project. The net proceeds would exclude any entitlement costs associated with that parcel plus a 12 percent return;

- If a ground lease is transferred on or after the earlier of (1) three years after transfer of the parcel to Forest City or an affiliate or (2) the date the Port issues the first site permit for the transferred parcel,, the Port would be entitled to 1.5 percent of the net transfer proceeds to be described in detail in the DDA;
- The Port would receive 1.5 percent of net sale proceeds from the sale of all condominium units after, but not including, the first sale.

Net sale proceeds from the sale of condominiums are not defined in the term sheet. The proposed term sheet should be amended to include the definition of net sale proceeds as 1.5 percent of the total sales price of the condominium net costs of sale.

Also, as noted in Table 6 above, the Port will participate in modified gross revenues, net of taxes, utilities, insurance and capital costs. Table 8 shows these revenues to the Port over the 99-year term of the ground leases.

Table 8: Port’s Participation in Ground Lease Revenues in Year 1 through Year 99

1.5% Net Proceeds from Refinancing	\$262,468,047
1.5% Transfer Fee from Sales	n/a
1.5% of Modified Gross Revenues (Years 31 to 60) and 2.5% of Modified Gross Revenues (Years 61 to 99)	2,045,196,602
Total	\$2,307,664,649

The Port May Use Payroll Tax or Hotel Tax Increment for Pier 70 Projects

The proposed term sheet does not include any financing under Charter Section B7.310 allowing for use of Pier 70 payroll tax and hotel tax increment to finance development of the Waterfront Site and the Overview of the proposed term sheet expressly states that the Port and Forest City “do not intend” to use such financing for the Waterfront Site. However, financing for some aspects of the project has yet to be determined and the proposed term sheet does not definitively state that Pier 70 payroll tax and hotel tax increment would not be used for Waterfront Site project-related improvements. The City would already be redirecting property tax increment due to the IFD formation from the City’s General Fund to support the Waterfront Site project. In order to ensure that the City’s General Fund does not have additional tax increment redirected to the Waterfront Site project, the resolution approving the proposed term sheet should definitively state that financing utilizing Pier 70 payroll tax and hotel tax increment would not be utilized for Waterfront Site project improvements.

In addition, the Port may include Pier 70 payroll tax and hotel tax increment in a financing plan for public improvements outside of the Waterfront Site, including open space, historic renovation or transit. According to the proposed term sheet and as noted above, the Port has not yet determined if Pier 70 payroll tax and hotel tax increment will be needed to construct Pier 70 public benefits.

FISCAL FEASIBILITY ANALYSIS

As discussed in the Mandate Statement Section above, Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review if: (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA); (b) total project costs are estimated to exceed \$25,000,000; and, (c) construction costs are estimated to exceed \$1,000,000.

Chapter 29 of the City's Administrative Code specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including: (1) direct and indirect financial benefits to the City; (2) construction costs; (3) available funding; (4) long term operating and maintenance costs; and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review.

The Port's consultant, Economic & Planning Systems, Inc., prepared a fiscal feasibility study assessing the fiscal feasibility of the Waterfront Site, which is the subject of the proposed resolution, as well as the 20th/Illinois parcel, which is not part of the Waterfront Site project but would be considered to be so for CEQA and entitlement purposes only. Therefore, any fiscal or economic benefits of the 20th/Illinois parcel have not been included below.

1) Direct and Indirect Financial Benefits to the City

The proposed Waterfront Site project would provide: (1) direct financial benefits to the City through increased ongoing tax revenues and one-time fees; and (b) indirect financial benefits from creation of an estimated 18,050 new jobs.

Direct Benefits

The Port's consultant, Economic & Planning Systems, Inc., provided estimates of tax revenues to the City, which are reasonable. As shown in Table 9 below, the estimated annual revenues to the City resulting from the proposed Waterfront Site project are \$28,681,000.

Table 9: Estimated Annual Tax Revenues to the City

Annual Revenue to General Fund	
Property Taxes	\$1,735,000
Sales Tax	604,000
Gross Receipts Tax	10,096,000
Parking Tax (General Fund 20%)	489,000
Property Transfer Tax	2,423,000
Subtotal General Fund	\$15,347,000
Annual Dedicated and Restricted Revenue	
Parking Tax (MTA 80%)	\$1,954,000
Public Safety Sales Tax	302,000
Transportation Authority Sales Tax	302,000
Possessory Interest Taxes*	10,776,000
Subtotal Dedicated and Restricted Revenue	\$13,334,000
Total Revenues	\$28,681,000

* Until horizontal infrastructure development costs are fully paid, the full \$0.65 per possessory interest tax dollar generated from the Waterfront Site project site would be used to pay debt service and, on a pay-as-you-go basis, fund infrastructure costs through an IFD.

Economic & Planning Systems, Inc. also provided estimates of one-time tax and fee revenues to the City, which are reasonable. As shown in Table 10 below, the estimated annual revenues to the City resulting from the proposed Waterfront Site project are approximately \$91,154,000.

Table 10: Estimated One-Time Tax and Fee Revenues to the City

Development Impact Fees	
Jobs Housing Linkage	\$50,607,000
Affordable Housing	0
Child Care	2,423,000
Transit Impact Development Fees	28,074,000
Subtotal Development Impact Fees	\$81,104,000
One-Time Tax Revenues	
Sales Taxes During Construction	\$4,974,000
Gross Receipts Tax During Construction	5,076,000
Subtotal One-Time Tax Revenues	\$10,050,000
Total One-Time Fees and Tax Revenues	\$91,154,000

Indirect Benefits

Economic & Planning Systems, Inc. estimated an additional 14,320 temporary construction-related jobs to be created by the proposed Waterfront Site project, as shown in Table 11 below. This includes direct (jobs on site), indirect (jobs at San Francisco firms serving the construction industry), and induced (through expenditures in the City by households of companies benefiting from direct and indirect employment related to the Waterfront Site project) employment.

Table 11: Summary of Estimated Temporary Construction-Related Jobs

Employment Type	Job-Years
Direct	9,230
Indirect	1,980
Induced	3,110
Total Temporary Employment	14,320

Economic & Planning Systems, Inc. estimated an additional 18,020 new permanent jobs to be created by the proposed Waterfront Site project, as shown below in Table 12 below.

Table 12: Summary of Estimated Permanent Jobs

Employment Type	Annual Average
Direct	10,540
Indirect	2,230
Induced	5,250
Total Permanent Employment	18,020

2) Construction Costs

As shown in Table 13 below, the proposed Waterfront Site Project is estimated to cost approximately \$2.15 billion across all stages of development, with the Port’s responsibility to fund entitlement and horizontal infrastructure development costs of an estimated \$216,930,284 and private developers to fund vertical building construction costs of an estimated \$1.93 billion.

Table 13: Summary of Estimated Construction Costs

Development Stage	Estimated Cost
Entitlement	\$21,271,676
Horizontal Infrastructure	195,658,608
Subtotal	\$216,930,284
Vertical/Building Construction	1,930,000,000
Total	\$2,146,930,284

Three Proposed Parking Facilities' Financing Not Yet Finalized

Public financing options currently being considered are (1) project-generated public financing of the parking facilities through the issuance of CFD bonds and the use of CFD special taxes, IFD proceeds, and (2) net operating income from the parking facilities to pay the debt service for the CFD bonds. The preliminary pro forma analysis reflects this public financing approach. Also under consideration would be for Forest City to fund the parking facilities to be repaid by the Port along with a 12 percent annual return on Forest City Development's investment in the parking facilities.

Financing for Rehabilitation of Buildings 12 and 21 as well as New Building Construction on Placemaking Parcels Not Yet Known

Under the proposed term sheet, Forest City would be obligated to improve two historic buildings, Buildings 12 and 21, with the Port expected to reimburse those historic improvements with project-generated IFD financing. However, financing for Buildings 12 and 21 has not been finalized to date.

3) Available Funding

All of the initial entitlement and horizontal infrastructure development costs would be borne by Forest City, except for when available public financing mechanisms and/or land proceeds subject to reimbursement from IFD proceeds could be used to decrease Port costs for the project. The Port would reimburse Forest City for these costs with land proceeds, prepaid ground leases, public financing measures and IFD tax increment available on a pay-as-you-go basis.

4) Ongoing Maintenance and Operating Costs

The size and magnitude of the proposed Waterfront Site project would result in the need for increased Police and Fire Department services as well as any required maintenance of the parks and open spaces. Economic & Planning Systems, Inc. estimates the increased Police services to be \$719,630¹⁹ annually and the increased Fire services to be \$2,400,000²⁰ annually.

In addition, the proposed Waterfront Site project would result in increased demand for transportation-related services, which would be provided by the San Francisco Municipal Transportation Agency (SFMTA) and other public transportation providers. SFMTA is in the process of preparing a comprehensive assessment of services and facilities in order to anticipate and assure the financial sustainability of the City's transportation network that is designed to accommodate future growth as a result of increased development in the vicinity.

Forest City would implement a transportation demand plan, a strategy intended to manage the transportation demands created by the proposed Waterfront Site project. The transportation strategy for the Waterfront Site project is to reduce vehicle miles traveled by fostering multiple modes of sustainable transportation, such as pedestrian, bicycle, and public transit options. A series of implementation strategies intended to effectively manage the transportation demands

¹⁹ This \$719,630 estimate is based on the estimated need for five full-time Police officers at an annual cost per officer of \$143,926.

²⁰ A new Fire station is currently planned to open north of the Waterfront project site, which would be sufficient to handle the increased need for Fire services. The Waterfront Site project's annual share of costs of that Fire station is approximately \$2,400,000.

created by the Waterfront Site project would be included in the transportation demand plan. The costs for implementation of the transportation demand plan would be funded through public tax revenues and fees. Additional funding sources would be further evaluated as part of a transportation assessment conducted by SFMTA and the CEQA process.

Economic & Planning Systems, Inc. states that funds related to the proposed Waterfront Site project would pay for street and sidewalk maintenance services, such as street sweeping and litter removal, typically the responsibility of the Department of Public Works. These services could be contracted-out to the Department of Public Works (DPW) or through a private entity and are estimated to cost approximately \$23,000 annually. Any additional costs, such as street resurfacing or other major infrastructure renewals would be funded through Port IFD funds as approved under the Port IFD financing plan.

Maintenance of the parks and open spaces would be funded through maintenance special taxes imposed on the ground lease tenants through the maintenance CFD.

5) Debt Load

The project-generated public financing mechanisms to fund the horizontal infrastructure development have not been finalized to date. However, there are two public financing mechanisms currently under consideration.

IFD Financing: The proposed Waterfront Site project would utilize property tax increment received by the Port from a currently proposed Port IFD, which would provide funding for the horizontal infrastructure development costs. As currently proposed, the Port would utilize these funds through the issuance of IFD bonds with some IFD funds utilized on a pay-as-you-go basis.

CFD Bonds: The Port may issue CFD bonds to reimburse horizontal infrastructure development, with debt service to be paid by IFD revenues. The CFD bonds would be secured by special taxes paid by Waterfront Site parcel lessees and would not obligate the City's General Fund or the Port's Harbor Fund.

CONCLUSION

Term Sheet Endorsement

The Budget and Legislative Analyst's 2004 Management Audit of the Port recommended that the Port submit development project negotiation term sheets to the Board of Supervisors for endorsement, allowing the Board of Supervisors to consider the financial goals of the project prior to the Board of Supervisors' approval of the development project's transactions documents. With endorsement of the proposed term sheet, the Pier 70 land use plan and financing plan, if submitted, for the Waterfront Site project would still be subject to future Board of Supervisors approval. If a Pier 70 land use or financing plan is submitted, approval of any ground leases entered into with Forest City would not be subject to further Board of Supervisors approval.

The proposed term sheet provides for Forest City to finance entitlement and horizontal infrastructure development at the Waterfront, which the Port does not have sufficient funds to finance at the onset of development. In exchange for initial financing of up to \$216,930,283 for

entitlement and horizontal infrastructure development at the Waterfront Site, Forest City would receive approximately \$23,714,863 from an 18 percent developer return on equity as well as 45 percent of proceeds from ground leases entered into at the Waterfront Site. The Port's contribution to the project is currently estimated to total \$240,645,147.

The Port's liability for Waterfront Site project costs could be reduced by including additional requirements in the proposed term sheet such as:

- Forest City's return on equity being calculated only on outstanding capital;
- Clearly stating that project-generated public financing proceeds would only be responsible for filling the feasibility gap necessary to achieve a 10 percent profit on the rehabilitation and reuse of Buildings 12 and 21.
- Clearly stating that the use of project-generated public financing to reimburse Forest City for any new building construction should be contingent upon those new buildings containing placemaking or other public uses.

Based on the preliminary pro forma financial analysis prepared by the Port and Forest City and provisions in the proposed term sheet, the Port would receive estimated rents and other revenues totaling \$6,960,840,105 with a net present value of approximately \$153,000,000 over the 99-year terms of the ground leases.

Finding of Fiscal Feasibility

The proposed Waterfront Site project would (1) yield total annual estimated tax and fee revenues to the City of \$28,681,000 and total one-time taxes and fee revenues of \$91,154,000, (2) generate an estimated 18,020 permanent jobs and 14,320 temporary construction-related jobs, (3) provide an estimated \$2.15 billion in development and construction expenditures, (4) be financed by \$222,492,328 in Port funds from IFD bonds, tax increment from the establishment of a Port IFD, and land proceeds and \$1.93 billion in private investment, and (5) ongoing maintenance and operational expenses would be funded through the creation of a maintenance CFD.

Although the proposed term sheet includes a preferred public financing strategy for the parking garages, financing for the parking facilities has yet to be determined. This represents a feasibility gap of approximately \$86,028,700. Given the uncertainty, the Port should be required to report back to the Board of Supervisors on the financing secured for the parking facilities as soon as a financing plan for the placemaking parcels has been finalized.

Financing for the placemaking parcels and the historic buildings, Buildings 12 and 21, has also yet to be determined. This represents a feasibility gap of approximately \$12,353,000, but could be higher depending on further evaluation by historic preservation architects on the cost of improvements to Buildings 12 and 21. Therefore, the Port should be required to report back to the Board of Supervisors on the financing secured for the placemaking parcels and Buildings 12 and 21 as soon as the feasibility gap has been reconciled and prior to the financing plan or ground leases being finalized.

Based on these criteria, the proposed Waterfront Site project is fiscally feasible under Chapter 29 of the City's Administrative Code, with the exception of financing for the parking facilities and

the placemaking parcels and historic buildings, which represents feasibility gap of \$98,381,700. As noted above, in accordance with Administrative Code Chapter 29, the finding of “fiscal feasibility” means only that the project merits further evaluation and environmental review. If the proposed resolution is approved by the Board of Supervisors, the City will be authorized to commence environmental review of the project under CEQA.

RECOMMENDATIONS

- The Board of Supervisors should amend the proposed resolution to request the Port to include the following recommendations in Waterfront Site project transaction documents, including ground leases, the development and disposition agreement (DDA), and the financing plan, if submitted, and report back to the Board of Supervisors on the inclusion of these recommendations at time of the Board of Supervisors hearing on these documents, as follows:
 - a. The only third-party parcels which are eligible for inclusion in the Waterfront Site project are the 20th/Illinois parcel and the Hoe Down Yard;
 - b. The definition of net sale proceeds for condominiums is 1.5 percent of the total sale price of the condominium net costs of sale;
 - c. Forest City’s return on equity would be calculated only on outstanding capital;
 - d. Project-generated public financing proceeds would only be used to fill the feasibility gap necessary to achieve a 10 percent profit on Buildings 12 and 21 and that Forest City would not be entitled to receive funds to fill the feasibility gap from other Port funding sources;
 - e. Project-generated public financing proceeds would only be used to reimburse Forest City for any new building construction, contingent upon those new buildings containing placemaking or other public uses which meet the legal requirements for eligible use of IFD or CFD financing; and
 - f. Financing utilizing Pier 70 payroll tax and hotel tax increment for Waterfront Site horizontal and vertical development under Charter Section B7.310 would not be utilized to fund Waterfront Site project improvements.
- The Board of Supervisors should amend the proposed resolution to require the Port to report back to the Board of Supervisors on the financing plans for the parking facilities, the placemaking parcels, and Buildings 12 and 21 as soon as Forest City and the Port have agreed on the financing approach.
- Approve the proposed resolution as amended.

Section and Title	Basic Terms and Conditions
1. Parties	The Port of San Francisco and Forest City Development California, Inc.
2. Site Description	The Pier 70 Waterfront Site is an approximately 28-acre parcel located east of Illinois Street in the Dogpatch/Central Waterfront, bordered generally by the San Francisco Bay on the east, 20 th Street on the north, 22 nd Street and the boundary of the former Potrero Power Plant on the south and the Illinois Street and 20 th Street parcels and the PG&E Hoe Down Yard to the west.
3. Project Description	The Pier 70 Waterfront Site Project will create a new mixed-use district at Pier 70 that leverages the Site's history, the waterfront setting, and the character and local experiences of the adjacent neighborhood, as described in the Land Use Summary section above.
4. Transaction Documents	<p>The parties anticipate the following primary Transaction Documents:</p> <ul style="list-style-type: none"> • <u>Disposition and Development Agreement</u> between the Port and Master Developer (the "DDA"). The DDA will set the terms and conditions for the disposition and development of parcels at the Waterfront Site. Under the DDA, the Port will enter into a ground lease with the applicable Vertical Developer (which may be Forest City or affiliates) for each development parcel or will enter into a purchase and sale agreement for development parcels to be sold in fee. • <u>Form of Ground Lease</u>: The form of ground lease to be used for development parcels at the Waterfront Site will be attached as an exhibit to the DDA. • <u>Development Agreement</u>. The Development Agreement will be a statutory development agreement between the City and Forest City, as authorized under Cal. Govt. Code Section 65864-65869.5 and the City's Administrative Code Chapter 56, and is intended to vest entitlements for the term through Project build-out and limit the applicability of new impact fees and exactions. • <u>Public Trust Exchange Agreement</u>. The Public Trust Exchange Agreement between the Port and the State Lands Commission will be the agreement implementing the public trust exchange pursuant to the authority of AB 418
5. Phasing	<p>The parties anticipate that the Project Site will be developed in up to four phases.</p> <ul style="list-style-type: none"> • Each phase will consist of one or more development parcels and associated areas for streets, infrastructure, and open spaces. • Public benefits, including development of parks, will be distributed among the phases, assuring that these benefits are completed in coordination with the completion of vertical development and associated infrastructure of each phase. • The DDA will include a schedule of performance applicable to the Project, which shall set forth outside dates for the submittal of phase applications and the commencement and completion of Infrastructure within each phase. The DDA will set forth reasonable and customary provisions regarding adequate security for construction of improvements within the Waterfront Site, including completion

	<p>requirements.</p> <ul style="list-style-type: none"> The schedule of performance will be subject to delays for force majeure, as well as delays based on to-be-negotiated indicators of a down market.
6. Statutory, Regulatory, and Plan Amendments	The Project will require approvals by State bodies, including BCDC and the State Lands Commission. To the extent necessary and after consultation with staff of the State Lands Commission and Master Developer, the Port may seek technical amendments to the Burton Act and other state legislation.
7. Zoning	<ul style="list-style-type: none"> The Waterfront Site is currently zoned M-2. Master Developer will seek approval of a new Special Use District ("SUD") for the Waterfront Site, the 20th/Illinois Parcel, and the Hoe Down Yard (subject to PG&E consent). The SUD will, among other things, establish new height and bulk limits. The Waterfront Land Use Plan will be amended to incorporate development controls for the Waterfront Site, the 20th/Illinois Parcel, and the Hoe Down Yard (subject to PG&E consent) and will incorporate SUD limitations and other development requirements.
8. Developer Return	The Master Developer will be repaid for the costs it reasonably incurs for infrastructure and public facilities and will receive a cumulative annual return of 18% (including costs of carry on Qualified Project Costs in an amount that the parties will negotiate and include in the DDA) ("Developer Return"). on invested risk capital ("Developer Capital").
9. Proceeds from 20th/Illinois Parcel and Other Port Parcels	Master Developer will include the parcel of land in Pier 70 known as the 20 th /Illinois Parcel in the approved Project SUD, and the Port will auction the parcel within one year after Project approval. Revenues generated from the lease or sale of the 20 th /Illinois Parcel will be paid to Master Developer to be applied to the accrued and unpaid Developer Return (excluding the cost of carry) on Master Developer's Project entitlement costs incurred before Project Approval. The Port, at its sole election and subject to reasonable financial protections negotiated in the DDA, may also sell other parcels within the Pier 70 area (outside of the Waterfront Site) and use the proceeds pay directly for horizontal development costs (subject to reimbursement with public financing proceeds), to pay the Developer Return, to repay Developer Capital (subject to reimbursement with public financing proceeds) and to pay any other unreimbursed Developer Capital and unpaid cost of carry after public financing proceeds have been exhausted.
10. Port Participation	<p>The financial deal structure affords the Port the following opportunities to receive one-time and on-going revenues from the value created on the Waterfront Site's land with the buildings constructed on the Site:</p> <ul style="list-style-type: none"> Prepaid ground rent, land sales proceeds, and 50% of net new interim lease revenues that Forest City brings to the site ("New Interim Lease Revenues") above amounts that the Port uses to pay Developer Return on Developer Capital or to repay Developer Capital will be distributed to the Parties as shared profit after Master Developer achieves an 18% Developer Return and is repaid Developer Capital in full, with the profits split 55% to the Port and 45% to Master Developer. <p>If Project account statements show that Master Developer has received the Developer Return the return of Developer Capital after all infrastructure and public facilities for the Project have been completed and accepted by the City and the Port, then all new Ground Leases that the Port conveys will include an annual ground rent obligation based on FMV (defined in Section 15), subject only to</p>

	<p>periodic escalation based on the Consumer Price Index (San Francisco-Oakland-San Jose, all urban consumers) with no market re-sets, and the Port will receive annual payments of 55% of the annual ground rent obligation, and Master Developer will receive or retain the remaining 45% (which may be pre-paid).</p> <p>Percentage Rent:</p> <ul style="list-style-type: none"> ○ Beginning in lease year 30, the Port will be entitled to annual payments of 1.5% of modified gross revenues from all buildings other than residential condominium buildings and Buildings 12, 21, Parcels E1A and E1B, and the district parking facilities. ○ Beginning in lease year 60, the Port will be entitled to annual payments of 2.5% of modified gross revenues on all buildings other than residential condominium buildings, Buildings 12, 21, Parcels E1A and E1B, and the district parking facilities. <ul style="list-style-type: none"> • Refinancings: The Port will be entitled to 1.5% of net proceeds from the refinancing of buildings on Ground Leases. • Participation in Transfer of Ground Leases and Fee Parcels: The Port will be entitled to 1.5% of net proceeds from the sale of ground leases or subsequent sale of fee parcels. • Condominium Transfer Tax: The Port will receive a 1.5% transfer fee payment on re-sales of condominiums (after the first sale). • Share of IFD Tax Increment: The Port will receive about 9% of the net available property tax increment (about \$0.08 per property tax dollars under FY 2012-2013 allocations) generated by development on the Waterfront Site and the 20th/Illinois Parcel for sitewide use at Pier 70.
<p>11. Horizontal Development Costs</p>	<p>Master Developer will be responsible for making horizontal improvements on the Waterfront Site. The Port and Master Developer anticipate using project-generated taxable or tax-exempt financing mechanisms to pay for qualified project costs of horizontal infrastructure, public facilities, and certain building costs if eligible (e.g., historic building rehabilitation, district parking facilities and placemaking uses for Parcels E1A and E1B). A Project financing plan that will be a part of the DDA will set forth all financing mechanisms that the parties anticipate using for the Project.</p>
<p>12. Public Financing Mechanisms</p>	<p>The primary financing mechanisms currently contemplated are:</p> <ul style="list-style-type: none"> • <u>Community Facilities District (CFD)</u>: Subject to agreement of the parties, the City will form a CFD, with improved areas annexed to the CFD at each phase. Special taxes will be levied against leasehold and fee interests in taxable parcels. The Port will have an option at its sole election to form and bond against a CFD formed before any Development Parcels in a Phase are conveyed, with special taxes levied and collected at the maximum property tax rate. • <u>Infrastructure Financing District (IFD) Project Areas</u>: The Project qualifies as a "Pier 70 district" for which a "Pier 70 enhanced financing plan" is authorized under applicable state laws enacted for the benefit of Pier 70. Consistent with Port IFD Guidelines, the City would form a single IFD consisting of all Port property ("waterfront district"). Following CEQA review, the City form a Pier 70 project area

	<p>and adopt an infrastructure financing plan for the Waterfront Site and the 20th/Illinois Parcel (“IFD financing plan”) allocating tax increment from the project area to the waterfront district to finance the costs of qualified Project costs. The parties will negotiate in detail eligible costs under the IFD financing plan with the goal of maximizing under the IFD law the eligibility for public financing of qualified Project costs.</p> <ul style="list-style-type: none"> • <u>Bonds</u>. CFD (or IFD) bonds will be issued consistent with the DDA and Project financing plan on a tax-exempt basis to the maximum extent permitted by law, and on a taxable basis in other cases. Any bonds issued will be consistent with the Port’s reimbursement obligations under the DDA, a phase budget, applicable federal tax law and regulations, other applicable law, and any acquisition agreement executed by the Port and Master Developer. <p><u>Maintenance Districts</u>: The parties will create a maintenance CFD over the entire Site. Maintenance special taxes levied against applicable taxable development parcels will provide pay-as-you-go funds for maintenance costs of certain public facilities on the Waterfront Site to be specified in the DDA.</p>
<p>13. Open Spaces, Parks, and Recreation</p>	<p>The Master Developer will develop approximately 7 acres of major new open spaces to create a distinct urban waterfront that capitalizes on the history of the Waterfront Site and complements other open spaces at Pier 70 and in the Central Waterfront. The development of these parks and open spaces will be distributed among the phases. Parks and open spaces will be owned by the Port and managed and programmed by Developer or a third-party operating entity subject to Port approval, subject to Port approval and conditions of the BCDC major permit. Maintenance of the parks and open spaces will be funded by special taxes imposed on vertical developers through the maintenance CFD.</p>
<p>14. District Parking Structures</p>	<p>The Project is anticipated to deliver approximately half of the parking for commercial users within office buildings and the other half within district parking facilities built in the later phases of the Project. Over the course of the DDA negotiations, the parties will explore financing options, which may include public financing of the District Parking Facilities, use of net operating income from the facilities, use of Developer Capital (subject to a 12% annual return on and repayment of capital invested), and use of Port Project proceeds. If Developer Capital is used to fund District Parking Facilities, return of and on Developer Capital would be funded by, among other potential sources, the Port’s 55% share of the Project Surplus, if any. The preferred option for financing the district parking facilities involves a public financing strategy that would allow the Port to own the garages. Under the preferred option, the Port and City would pay for the district parking facilities with IFD, CFD or other public financing sources, and Port will own and manage them. If Master Developer constructs the district parking facilities on behalf of the Port, Master Developer would be entitled to a market-rate development fee based on the development costs. Except to the extent pledged and used to pay CFD or IFD bond debt service, the Port would retain all net operating revenues.</p> <p>Under any financing scenario, the Port would be required to make spaces available to Master Developer at market rates.</p> <p>The DDA may include parking spaces in the garages that would be available to the Port to serve other Pier 70 parking demand subject to agreed cost-sharing and easement agreements and other conditions. In addition, the flexible site zoning scheme will allow one or more of the parcels designated for the district parking facilities to be developed for residential or commercial use if not needed for parking.</p>
<p>15. Master</p>	<p>Master Developer will have the right to purchase or lease each of the development parcels</p>

<p>Developer's Option Rights</p>	<p>within the Waterfront Site at its fair market value through an option process. Development parcels to be developed primarily as for-sale residential condominiums will be transferred in fee. The Port will transfer all other development parcels by 99-year ground leases. All development parcels will be transferred at fair market rental value for ground lease parcels or fair market value for fee parcels (in either case, "FMV"), to be determined by appraisal. The parcels containing the district parking structures, Buildings 12 and 21, and Parcels E1A and E1B will be handled outside of the option process, as described in Sections 14 and 17 of this summary.</p>
<p>16. Public Offerings</p>	<p>For each development parcel for which Master Developer fails to exercise its option and for the 20th/Illinois Parcel, a public offering process will be used. Public offerings will be managed by a broker selected by the parties and the applicable development parcel will be made available to third-party bidders that meet bidder selection guidelines for residential and commercial parcels, to be set forth in the DDA. The Port will sell the parcel to the qualified bidder submitting the highest bid price that meets or exceeds the minimum bid price, set based on appraised fair market value, and the Port's receipt of the revenues will be applied to pay directly for horizontal development costs (subject to reimbursement with public financing proceeds), to pay the Developer Return, to repay Developer Capital (subject to reimbursement with public financing proceeds) and to pay any other unreimbursed Developer Capital and unpaid cost of carry after public financing proceeds have been exhausted.</p>
<p>17. Placemaking Parcels (Parcels 12, 21, E1A and E1B)</p>	<p>The Port will convey historic Buildings 12 and 21 to Master Developer under separate 99-year ground leases for rehabilitation and reuse consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties at ground rents reflecting the impact of the rehabilitation costs on fair market value (which could mean without any ground rent obligation). The parties expect that the Port will pay for qualified historic rehabilitation costs with IFD financing, but will continue to investigate the impact of any allocation of historic tax credits on the anticipated use of IFD, required lease terms if Master Developer obtains allocations of historic tax credits, and other legal issues required to be resolved for incorporation into the DDA.</p> <p>Master Developer will have an option to ground lease Parcels E1A and E1B from the Port at no cost for the establishment of placemaking uses. The parties will continue to investigate the potential use of land-secured financing sources to reimburse Master Developer's qualified costs to the maximum extent permitted by law. If the parties conclude that legal impediments prevent the use of these sources to reimburse Master Developer for its Developer Capital investment in these buildings, the Port will have no obligation to reimburse Master Developer for those costs. In any case, Master Developer will not be entitled to Developer Return on its entitlement and development costs associated with these parcels after the effective date of the DDA. The DDA and SUD will include provisions that may allow for other uses of and disposition process for these parcels if Master Developer elects not to exercise its option on these parcels.</p>
<p>18. Noonan Building Tenants</p>	<p>Forest City will offer each Noonan Building Tenant in good standing replacement space similar in size to the tenant's existing premises. Rent will be based on the current rent schedule for the building, escalated to the date of relocation by an index to be included in the DDA.</p>

Source: The Port



HAND-DELIVERED

May 21, 2013

Ms. Angela Calvillo
Clerk of the Board, Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Pier 70 Waterfront Site: Resolution to Make Finding of Fiscal Feasibility and Endorse Term Sheet

Dear Ms. Calvillo:

Mayor Edwin M. Lee and Supervisor Malia Cohen are introducing legislation at the Board of Supervisors to find the proposed development of the Pier 70 Waterfront Site fiscally feasible under Administrative Code, Chapter 29 and to endorse the Term Sheet for Pier 70 Waterfront Site, on behalf of the Port of San Francisco and the Office of Economic and Workforce Development.

Enclosed are the following documents:

- (1) Resolution endorsing the Term Sheet between Forest City Development California, Inc. and the Port (Original plus 4 copies)
- (2) Term Sheet for the Pier 70 Waterfront Site (4 copies)
- (3) Fiscal Feasibility Report for the Pier 70 Waterfront Site and Illinois Street Parcel (4 copies)

Please add this legislation to the next available Board agenda. The Port and OEWD request that this matter be assigned to a Committee and calendared as soon as possible.

If you need further information, please contact me at 415-274-0498 or brad.benson@sport.com. Thank you.

Sincerely,

Brad Benson
Special Projects Manager

cc: Monique Moyer
Jennifer Matz
Byron Rhett
Jason Elliott
Andrea Bruss



**CITY AND COUNTY OF SAN FRANCISCO
EDWIN LEE, MAYOR**

TERM SHEET FOR PIER 70 WATERFRONT SITE

BETWEEN

**THE CITY AND COUNTY OF SAN FRANCISCO,
ACTING BY AND THROUGH THE SAN FRANCISCO PORT COMMISSION**

AND

**FOREST CITY DEVELOPMENT CALIFORNIA, INC.,
A CALIFORNIA CORPORATION**

MONIQUE MOYER, EXECUTIVE DIRECTOR

SAN FRANCISCO PORT COMMISSION

**DOREEN WOO HO, PRESIDENT
KIMBERLY BRANDON, VICE PRESIDENT
WILLIE ADAMS, COMMISSIONER
LESLIE KATZ, COMMISSIONER
MEL MURPHY, COMMISSIONER**

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Exhibits and Appendix

- Exhibit A Site Description
- Exhibit B Conceptual Land Use Plan
- Exhibit C Illustrative Phasing Plan
- Exhibit D Illustrative Public Trust Map
- Exhibit E Conceptual Height Map
- Exhibit F Third-Party Parcels
- Exhibit G Summary Pro Forma
- Exhibit H *Guidelines for the Establishment and Use of an
Infrastructure Financing District with Project Areas on
Land under the Jurisdiction of the San Francisco Port
Commission*
- Appendix Index of Defined Terms

TERM SHEET FOR PROPOSED PROJECT AT PIER 70 WATERFRONT SITE

INTRODUCTION

This Term Sheet, dated for reference purposes only as of _____, 2013, is the "**Term Sheet**" referred to in the Performance Benchmarks in the Exclusive Negotiation Agreement dated as of July 12, 2011, between the City and County of San Francisco (the "**City**"), acting by and through its Port Commission (the "**Port**"), and Forest City Development California, Inc., a California corporation ("**Master Developer**") (the "**ENA**"), and sets forth the basic terms on which the Port and Master Developer (the "**Parties**") will negotiate further agreements for the development of an approximately 28-acre portion of the approximately 69-acre Pier 70 area ("**Pier 70**") (the "**Waterfront Site**") depicted in **Exhibit A** (Site Description) as a mixed-use project as further described below (the "**Project**"). This Term Sheet is intended to provide for development that will be consistent with the Port's obligations under the Burton Act (stats. 1968, ch. 1333), as amended including amendments effected by Assembly Bill 418 (stats. 2011, ch. 447) ("**AB 418**"), and the public trust for commerce, navigation, and fisheries (collectively, the "**public trust**"). All attached exhibits are incorporated into this Term Sheet by reference.

This Term Sheet summarizes negotiations regarding the Project, has been informed by the ongoing public review process for the Project, and is subject to endorsement by the Port Commission and the Board of Supervisors (the "**Board**"), each in its respective sole discretion. The Parties have negotiated this Term Sheet to satisfy the requirements of Section 4.3 of the ENA.

After Port Commission and Board endorsement, the Parties will continue to negotiate and amplify the terms (including all defined terms) in this Term Sheet and incorporate them into a Disposition and Development Agreement (the "**DDA**") and related transaction documents between the Port and Master Developer (collectively, the "**Transaction Documents**"). The Conceptual Land Use Plan for the Project attached as **Exhibit B**, applicable provisions of this Term Sheet, and a proposed Special Use District ("**SUD**") will be used as the basis for the preparation of a land use plan for the land within the SUD including the Waterfront Site (the "**Prop D Land Use Plan**") that will be submitted to the Board for approval concurrently with the Transaction Documents under San Francisco Charter section B7.310(h). In addition, the Parties anticipate that Master Developer will assist the Port in preparing a financing plan for the remainder of Pier 70 as authorized under Charter section B7.310 (the "**Pier 70 Financing Plan**").

The Project is subject to environmental review under the California Environmental Quality Act ("**CEQA**") and certification of the final environmental impact report for the Project (the "**EIR**"), adoption of a mitigation monitoring and reporting program ("**MMRP**") if necessary, and approval of the Project and the Transaction Documents (collectively, the "**Project Approval**"). Along with any attached or underlying documents, this Term Sheet outlines certain basic terms contemplated for the Transaction Documents but is not intended to be, and will not become, contractually binding on any Party except to the

extent the City, including its Port, and Master Developer execute and deliver the DDA and other Transaction Documents incorporating the Term Sheet provisions and any other conditions to the Project Approval (the “**DDA Effective Date**”). The Parties will agree before the DDA Effective Date on the timing of the Port’s submittal of the Pier 70 Financing Plan to the Board for consideration.

OVERVIEW

A. The Waterfront Site and the Port’s Objectives for Development

The Waterfront Site is an approximately 28-acre site located in the southeast corner of Pier 70. The Waterfront Site currently contains a mix of heavy commercial and light industrial buildings and uses, including warehousing, contractor and construction storage, and, until June 2013, the City’s towed car impound facility.

The Port acquired portions of the Waterfront Site and the rest of Pier 70 from the State, the federal government, and private parties. Portions of Pier 70 are historic uplands that were never submerged tidelands subject to the public trust, and several parcels have been in and out of private and federal ownership, creating a patchwork of parcels subject to public trust restrictions. To address the land use restrictions and title uncertainties related to the public trust, AB 418 delegates to the State Lands Commission (sometimes, “**State Lands**”) the authority to enter into trust exchange agreements that reorient these lands to further benefit the trust. Reorientation of the public trust on Pier 70, including the Waterfront Site, would allow the development of cultural, institutional, office, biotech, other commercial, and residential uses in areas that are least suitable for public trust uses, fulfilling the potential of the Waterfront Site to generate the revenues needed to revitalize Pier 70 as a whole and meet the City’s and the Port’s overarching goals.

Given its size, location, and history, the Waterfront Site is one of the Port’s most desirable development sites but also one of the most challenging. From 2007 to 2010, Port staff lead a community planning process to develop a planning document in the context of existing policies for the Eastern Neighborhoods-Central Waterfront Plan to help guide potential development partners at Pier 70. On May 11, 2010, by Resolution No. 10-27, the Port Commission endorsed the vision, goals, objectives, and design criteria of the Pier 70 Preferred Master Plan (the “**Master Plan**”). The Master Plan creates a strong policy framework that also sets forth flexible strategies for Port development offerings and implementation initiatives. As expressed in the Master Plan, the Port’s vision for Pier 70 is to:

Create a vibrant and authentic historic district that re-establishes the historic activity level, activates new waterfront open spaces, creates a center for innovative industries, and integrates ongoing ship repair operations.

The Master Plan provides a framework for Pier 70 that serves to:

- Allocate land between parks, ship repair, historic rehabilitation, and new development sites in a manner to frame developer solicitations.
- Establish infill design guidelines to protect the integrity of the historic district as substantial new development occurs.
- Prioritize investment in the most significant historic buildings.
- Recognize the environmental remediation needed to reuse Pier 70.
- Establish a basis to work with the State Lands staff to define and secure legislation to rectify the public trust at Pier 70.
- Coalesce community support for a revitalized Pier 70, including substantial new development.

Through the Pier 70 planning and developer solicitation processes, the Port identified the following objectives for the Waterfront Site:

- Serve as the catalyst project for Pier 70 to support the sitewide goals established in the Master Plan, in particular, securing the necessary entitlements and approvals for public financing to fund sitewide public benefits.
- Create a first class jobs center at Pier 70 that complements existing ship repair operations and reestablishes Pier 70 as a major economic hub for San Francisco. At build-out, the Port expects the Waterfront Site to represent a significant employment center with jobs well-matched to San Francisco's workforce.
- Generate land value, tax revenues, and investment needed to support the infrastructure, parks, and historic rehabilitation investments to realize the Master Plan.
- Design and development of new buildings that enhance and respect the site's historic resources and overall the historic district.
- Open the eastern shore of the site to the public with a major new waterfront park.
- Create business and employment opportunities for local workers and businesses during the design, construction, and operation phases of the project.
- Strive for a "carbon-neutral" development program minimizing the reliance on the private automobile and enhancing the pedestrian experience of this historic site and the bayshore.

- Integrate Pier 70 into the eastern neighborhoods of San Francisco through new street networks and destinations that bring people to the Bay's edge.
- Encourage on-site alternative energy generation and conservation systems, and reduction of vehicle usage, emissions, and vehicle miles traveled to reduce carbon footprint impacts of new development, consistent with the Port's Climate Action Plan.
- Establish a street system within Pier 70 that connects with the street grid from the Dogpatch and Potrero Hill neighborhoods.

Using its Master Plan for Pier 70, together with development objectives and criteria for the Waterfront Site developed in the public planning process, the Port initiated in August 2010 a public solicitation process by a Request for Developer Qualifications (the "RFQ") to select a private developer partner for the development of the Waterfront Site. The RFQ called for the Waterfront Site developer to aid the Port in advancing the Master Plan vision, including the following efforts:

- Further the vision for the entire Pier 70 area (with the Port and stakeholders) and develop site plans with private sector expertise.
- Develop an infrastructure plan for new streets and extensions of existing streets, utilities, and other infrastructure that includes the full 69 acres and off-site needs.
- Identify the development program for the Waterfront Site.
- In collaboration with the Port, secure entitlements for the entire Pier 70 area that meet the Waterfront Site project needs and establish the framework for the area as a whole.
- Working with the Port, secure public finance and other approvals from Board using mechanisms authorized by Proposition D (described below).

Port staff, aided by consultants, an evaluation panel, and taking into consideration public comments made at a community workshop, evaluated the submittals for the Port Commission's consideration. After considering the staff memorandum presenting the evaluation and public comments at its hearings, the Port Commission in April 2011 selected Master Developer for exclusive negotiations for development of the Waterfront Site. The Parties entered into the ENA in July 2011. This Term Sheet is a result of the exclusive negotiations process.

B. General Project Description

The Waterfront Site will be a new mixed-use innovation district created on a site now used principally for City tow operations and other industrial uses. Master Developer's Waterfront Site concept plan comprises the following three primary building uses that all

work interdependently and support each other: (1) Commercial Office and Retail; (2) Innovation, Retail and Arts (described below); and (3) residential.

Residential use will be crucial to creating a mixed-use neighborhood that reflects the best of San Francisco and echoes the truly mixed-use character of the adjacent Dogpatch neighborhood. Residential/mixed-use will create more housing to meet the demand driven by job growth in San Francisco's eastern neighborhoods, reduce commuting times and traffic, support the retail and community spaces at Pier 70, and increase the density of people on the site, making it an active, vibrant, and safer place. The housing will be located primarily in the mixed-use core of the Waterfront Site that includes a combination of small scale local production, arts and cultural uses, small business incubator uses, retail and innovation retail, and other publicly-accessible and activating uses (collectively, "**Innovation, Retail and Arts**"), much in rehabilitated historic structures. These uses, which will permeate the street level, are essential to placemaking, to creating community, and to making Pier 70 a distinct part of the San Francisco waterfront. Consistent with the Master Plan, Master Developer's concept plan includes commercial/office space placed to frame the core of mixed-use residential and creative uses occupied by office knowledge economy office companies that desire the eclectic, creative district supported by the Innovation, Retail and Arts and residential uses.

At build-out, the Project would include approximately 3.25 million gross leasable square feet ("**gsf**") of vertical development with additional above-grade and below-grade parking uses, and would create approximately 7 acres of new and expanded parks and shoreline access. The Conceptual Land Use Plan for the Project is attached as **Exhibit B**.

Based on current conceptual plans, the Waterfront Site would be divided into approximately 20-25 buildable parcels (each, a "**Development Parcel**"), which would be developed in up to four major phases (each, a "**Phase**") as a mix of commercial/office, Innovation, Retail and Arts, and market rate and affordable residential uses. The precise combination of uses would be determined in response to market demands as the Project moves forward. Conceptual plans currently call for three of the parcels – Parcels C-1A, C-1B, and C-2 - to hold structured parking (collectively, the "**District Parking Facilities**") to serve the new development. Master Developer would also rehabilitate Buildings 2, 12, and 21, which have been classified as historically or architecturally significant historic resources within the proposed Pier 70 National Register Historic District and would be adaptively rehabilitated for reuse in compliance with the Secretary of the Interior's Standards for the Treatment of Historic Properties (the "**Secretary's Standards**") (collectively, the "**Historic Improvements**").

C. Description of Development

1. Land Use/Vertical Development

At final build-out of the Waterfront Site, the Project is proposed to include up to 3.25 million gsf of above-grade construction ("**vertical development**") by Master

Developer, or its affiliates or joint ventures, or third parties (each, a “**Vertical Developer**”) in new buildings and the Historic Improvements, not including square footage allocated to accessory and district parking, as shown in **Exhibit B** (Conceptual Land Use Plan). The currently estimated amounts of primary land uses at build-out are listed below.¹ The DDA will identify flexible zoning controls that will permit certain parcels to be developed for either commercial or residential uses to allow for development that responds to market conditions. The Parties anticipate that the Project will continue to evolve throughout the CEQA analysis, the public review process under CEQA, and the Project Approval process.

a. Residential: 950 units in approximately 800,000 gsf, which may increase under the flexible zoning described under Site Zoning below. Approximately 110,000 gsf of residential development (approximately 120 units) will be included in Building 2, which is one of the Historic Improvements.

b. Commercial Office, including Class A office and research and development space: up to 2.25 million gsf. Approximately 60,000 gsf of commercial development will be included in Building 12, which is one of the Historic Improvements. Commercial Office uses within flex zones will provide the opportunity to replace commercial uses with residential uses subject to a sitewide maximum of 3.25 million gsf, excluding parking.

c. Innovation, Retail and Arts: up to 400,000 gsf, including up to 120,000 gsf of Innovation, Retail and Arts space located within Buildings E-1A and E-1B, approximately 115,000 gsf within Buildings 12 and 21, which are Historic Improvements, and the remainder located within ground floors of commercial and residential parcels.

d. Open Space and Recreation: Approximately 7 acres

e. Parking: Maximum parking ratios permitted will be as follows, to be located within structured parking facilities and individual buildings, as described in **Section 5** (Phasing):

- Residential Condominium Units: one space per unit
- Residential Rental Units: 0.5 space per unit
- Commercial (including office, restaurant, retail, Innovation, Retail and Arts, and all other uses): 0.9 spaces per 1,000 gsf of floor area

2. Horizontal Development

The term “**horizontal development**” generally means the activities that Master Developer is obligated to construct, as described immediately below. The preliminary

¹ Actual square footages and unit counts may be lower or higher based on final uses built under flexible zoning, subject to a maximum sitewide square footage that will be analyzed in the Project EIR.

definition of "**Horizontal Development Costs**," in **Section 9** (Sources and Uses) means the costs Master Developer reasonably incurs for horizontal development including:

- a. predevelopment activities, including all preliminary planning and design work, environmental review under CEQA, negotiation of the financial and other terms of the Transaction Documents and other documents leading up to Project Approval, and any incremental costs of including the Third-Party Parcels (see **Section 15** (20th/Illinois and Third-Party Parcels), or any other property within or adjacent to Pier 70 at the Port's or the City's request, in the SUD and CEQA review ("**Entitlement**");
- b. site preparation, including removal of contaminated soils, grading, soil compaction and stabilization, construction and installation of water, sanitary sewer, storm drainage, and utility infrastructure, and subsurface improvements to mitigate seismic conditions ("**Infrastructure**"); and
- c. construction of streets and walkways, maritime facilities, shoreline improvements, public access, and parks ("**Public Facilities**").

3. Open Spaces, Parks, and Recreation.

The Project will create a significant new 7-acre waterfront open space network that will: (a) complement Pier 70 waterfront improvements outside of the Waterfront Site that include the new Crane Cove Park; (b) extend the Blue Greenway and Bay Trail through the southern half of Pier 70; (c) celebrate the industrial history of the site; and (d) establish a unique, urban waterfront with a local character that is activated by the uses in the buildings adjacent to the open spaces. Key zones of the open space program include:

a. Market Square will be an approximately 0.6-acre courtyard-type open space bounded by two of the Waterfront Site's historic resources, Building 2 and Building 12. Market Square will be the most urban part of the Waterfront Site. The space will open up from the market hall that will be located on the ground floor of Building 12 and will be a natural location for a farmers market, outdoor movies, and other events.

b. Slipways Commons will be a 3.9-acre zone of open space that connects the Waterfront Site's historic resources to the waterfront and will comprise three unique spaces. First, at its northernmost point adjacent to historic Building 6 (which is outside the Waterfront Site), the area will be a quieter zone of landscaping conducive to picnicking, throwing a Frisbee®, or viewing the majestic ships in drydock at the BAE Systems facility. The central portion of the park will be a unique space flanked on both sides by buildings that on the ground level contain Innovation, Retail, and Arts uses that can spill out onto the park without a vehicular roadway in between, such as an indoor/outdoor performance venue, beer garden, art galleries and studios, cultural uses, or small scale local producers. The Point will be a shoreline open space

that connects with an extended 20th Street to the north and Slipways Common to the south and offer views to the ship repair operations and city skyline. The Blue Greenway will be aligned through this open space. Slipways Promenade along the southernmost portion of the waterfront will create a generous shoreline promenade with a pedestrian and bicycle pathway, flanked on one side by restaurants and cafes below residential uses and on the other by iconic finger piers of the historic craneway structures that offer opportunities for fishing or pausing out over the Bay waters.

c. The concept plan includes approximately 1.7 acres of useable open space on the rooftops of the district parking structures. Uses may consist of recreation/sports fields/courts, urban agriculture, or other publicly-accessible uses. The spaces will be designed to be easily accessible from various locations on the Waterfront Site.

As shown in **Exhibit C** (Illustrative Phasing Plan), the development of these parks and open spaces will be fairly distributed among the Project Phases to assure that they are completed in coordination with the adjacent Development Parcels.

Parks and open spaces will be owned by and remain under the jurisdiction and control of the Port, and will be programmed by Master Developer subject to Port approval and conditions of the San Francisco Bay Conservation and Development Commission (“**BCDC**”) through a major permit applicable to the Waterfront Site. Maintenance of the parks and open spaces will be funded by special taxes imposed on privately-owned and occupied land and buildings in a community facilities district (“**CFD**”) formed on the Waterfront Site under the Mello-Roos Community Facilities Act of 1982 (Cal. Gov. Code §§ 53311-53368.3) or the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. 10) (in either case, “**CFD Law**”).

4. Flexible Zoning Scheme

A key element of the conceptual land use program is the flexibility to respond to future market demands. As shown in **Exhibit B** (Conceptual Land Use Plan), certain parcels will be residential with ground floor Innovation, Retail and Arts uses and others will be commercial. During the Project Entitlement process, Master Developer will work with the City and the Port to identify Development Parcels that will be zoned flexibly to allow either product type and that would provide the opportunity to replace commercial with residential uses, subject to the sitewide maximum of 3.25 million gsf.²

As illustrated on **Exhibit E** (Conceptual Height Map), the land use program has been designed to retain lower-scale buildings around the historic structures, fronting on the open space and along the waterfront while also incorporating the density necessary to support required infrastructure costs, project feasibility, and the foot traffic needed to

² Master Developer and the Port will examine different flexible zoning arrangements during the Project Entitlement phase, including Project variants with up to 2,000 residential units and corresponding reductions in commercial space within the sitewide maximum development envelope of 3.25 million gsf of space. These Project variants will be subject to environmental and public review during the Entitlement process.

support the Innovation, Retail and Arts uses on the street level. To retain that required density, a limited number of structures of up to 230 feet in height could be located on the Waterfront Site. The specific numbers and locations of these buildings would be within zones identified in the adopted design guidelines, with final locations to be defined during the build-out of the Project in accordance with the adopted design guidelines.

The flexible zoning will include the ability to replace the use of one of the District Parking Facilities parcels with another residential or commercial use, with corresponding adjustments to sitewide maximums for residential and commercial uses. This will allow the land use plan and program area to be adjusted in the future should Master Developer determine that Waterfront Site parking needs during Project build-out are less than currently projected for reasons that may include increased transit service to the Waterfront Site by the San Francisco Municipal Transportation Agency (“SFMTA”), other transit demand management measures that reduce the need for parking, or other reasons.

5. Parking

The Project will contain parking within the District Parking Facilities and within individual buildings. The District Parking Facilities will be constructed as necessary to support the demands of the Project. Based on the current conceptual phasing plan, the District Parking Facilities are projected to be constructed in Phases 3 and 4, although one or more could be constructed as part of an early Phase of the Project. District Parking Facilities will provide parking primarily for Waterfront Site commercial uses and Historic Improvements consistent with applicable maximum parking ratios described in Land Use/Vertical Development above, but will also include some residential parking. If the Port is able to secure sufficient additional funding sources to pay for the incremental cost, the District Parking Facilities may be designed also to serve demand for other Pier 70 users, subject to appropriate shared-use agreements.

The Port and Master Developer may agree in the course of development to move a District Parking Facility to another location at or adjacent to Pier 70, in which case the Development Parcel would be available for development for either residential or commercial use, subject to the sitewide maximum of 3.25 million gsf.

The Parties will re-examine parking needs and consider reduced parking ratios in later Phases, in light of improvements in regional and local transit service to Pier 70.

D. Affordable Housing

New housing built for the Project will meet City inclusionary housing requirements under Planning Code sections 415.1-415.9, which allows for onsite or off-site affordable units or fees in-lieu of affordable housing. With respect to rental housing, the Parties will explore the feasibility of producing 80/20 tax credit projects in which individual buildings will include 20% onsite affordable housing meeting applicable affordability requirements and restrictions. Master Developer and the City through the Mayor’s Office of Housing

("MOH"), the Office of Economic and Workforce Development ("OEWD"), and the Port's Planning Division may investigate alternative potential ways to meet current requirements. These alternatives may include a sliding scale that specifies a higher percentage of units affordable to households at higher levels of income or delivery of a portion of the affordable units in buildings in which 100% of the units are income-restricted. Affordable housing will be delivered in a balanced manner throughout the phasing of the Project.

Subject to further consultation with MOH, residential condominiums, if built, may or may not include inclusionary units. If affordable condominium units are not included onsite, the Vertical Developer will pay in lieu fees for the Development Parcel.

E. Transportation Demand Management Plan

Master Developer will implement a Transportation Demand Management Plan ("TDMP") in coordination with other Port Pier 70 tenants that will provide a comprehensive strategy to manage the transportation demands created by the Project. The mixed-use nature of the Project's land use program, the transit options in the Central Waterfront, and the Waterfront Site's proximity to San Francisco's resources and services mandate that single-occupancy vehicle trips be reduced. The transportation strategy for the Project is based on reducing vehicle miles traveled by fostering multiple modes of sustainable transportation, emphasizing pedestrian, bicycle, and public transit options. The land use plan is oriented to create a dense, urban neighborhood clustered near accessible transit with streets and paths that favor walking and bicycling. Market-based pricing strategies for parking will be supported by innovative programs to reduce automobile dependence and promote the use of public transit. A district parking strategy enables delivery of parking as needed to meet actual future demands as development proceeds. Parking for the site will be managed to maximize availability of on-street parking within Pier 70 and to maximize shared use of available parking by different users at different times of the day or week, so long as the use of the parking at the applicable parking ratios for the Project buildings and uses is assured.

The TDMP will incorporate smart and sustainable transportation planning principles to address the transportation needs of the Project, consistent with the City's Transit First, Better Streets, Climate Action, and Transportation Sustainability Plans and Policies. Consistent with the CEQA investigation, the TDMP will outline a series of implementation strategies intended to manage effectively the transportation demands created by the Project. The goal of these strategies will be to minimize the Project's dependence on the automobile and to optimize the inclusion of non-auto travel modes providing access to the Project.

The Parties will work with SFMTA to explore the feasibility of bringing bus service into the Waterfront Site and SFMTA's extension of the Central Subway turnaround loop to 20th Street to better serve the growth of the Dogpatch neighborhood and Pier 70.

F. Sustainability

Delivering a sustainable vision for the Project will be a collaborative effort involving many public, private, and, potentially, nonprofit partners. From the Department of the Environment (“DOE”) to the San Francisco Public Utilities Commission (“SFPUC”) to SFMTA to private industry to the future Pier 70 residents and visitors and more, many partners will need to contribute to realizing the long-term goals for the reuse of the Waterfront Site.

Master Developer will implement, with appropriate and necessary partners, a Sustainability Plan that will provide a comprehensive approach to achieve the Project goal of becoming a model of sustainability by exhibiting the concepts and practices of sustainable community development throughout the life span of the Project. Master Developer will collaborate with the Port and the City, specifically, DOE, the Planning Department, the Port Planning Division, and SFPUC, to develop the Sustainability Plan. Master Developer and the City will pursue status for the Project as a Type I Eco-District to help meet the City’s and Master Developer’s environmental goals. A Type 1 Eco-District is characterized by a large amount of undeveloped land typically owned by a single property owner. In general, Type 1 Eco-Districts enable horizontal infrastructure development to be implemented in advance of vertical development to help optimize Eco-District goals. This type of Eco-District maximizes efficiencies in the delivery of goods provided by infrastructure through district-scale systems. The Planning Department has identified the following potential Type 1 Eco-Districts in San Francisco: the Transbay Transit Center District Plan Area, Pier 70, and Mission Rock at Seawall Lot 337.

After the Port Commission and the Board have endorsed the Term Sheet, the Project team will study the technical and financial feasibility of elements of an Eco-District Plan in the course of infrastructure planning, drafting development standards and controls and design guidelines, and environmental review to allow one or more of the strategies below to be analyzed in the Project EIR. Master Developer and the City will develop an integrated Eco-District Plan that identifies measurable goals, standards, and performance metrics that are within the reasonable control of Master Developer. This Eco-District Plan will be included in the DDA.

Multiple sustainable site approaches will be considered from the outset of horizontal development, to enable vertical development design proposals to exceed compliance with Port Building Code requirements and achieve Project goals for integrated sustainable design and a low carbon community.

The following have been investigated and will continue to be analyzed for potential inclusion into the Project, in addition to future ideas and technological advances:

1. centralized energy, potentially utilizing co- or tri-generation systems
2. Bay source cooling
3. renewable energy technologies such as photovoltaics and solar thermal

4. wind power
5. low-impact development (LID) stormwater treatment/water-sensitive urban design
6. recycled water sharing system
7. rainwater harvesting (for reuse)
8. centralized/pneumatic waste collection system
9. reduction of vehicle miles traveled

Regardless of which of the above approaches are implemented at the Waterfront Site, Master Developer and the Port will strive to be leaders in the realm of long-term sustainability planning and design. The final strategies to be implemented at the Waterfront Site will follow the direction of Master Developer's investigation as noted above, including the goals of an Eco-District Plan.

G. Jobs and Equal Opportunity

The build-out of the Project is anticipated to create thousands of construction and permanent jobs, and the planning, design, and construction work will provide substantial contracting opportunities for local contractors and professional service firms as well as countless businesses, employers, and organizations. Master Developer will implement a Jobs and Equal Opportunity Program designed to assure that a portion of the jobs and contracting opportunities generated by the Project be directed, to the extent possible based on the type of work required and consistent with collective bargaining agreements, to local, small, and economically-disadvantaged companies and individuals.

H. Statutory, Regulatory, and Plan Amendments

1. Site Zoning

The Waterfront Site is currently zoned M-2. Master Developer will work with the Planning Department and Port staff to draft a proposed SUD that would rezone and establish development and design standards and controls applicable to the Waterfront Site, the parcel located along Illinois Street at 20th Street (the "20th/Illinois Parcel"), the PG&E-owned Hoe Down Yard at Illinois Street and 22nd Street (subject to written agreement with PG&E), and, to the extent agreed, some or all of the parcels identified as "Third-Party Parcels" on **Exhibit F** (Third Party Parcels) and certain other parcels along Illinois Street that are not part of the Project. If approved, as appropriate, by the Port Commission, the Planning Commission, and the Board, the SUD would be incorporated into the City's Planning Code, and the Waterfront Land Use Plan would be amended to incorporate the SUD and set forth other development requirements, such as the design review body and process.

2. BCDC

After a multi-year cooperative process, the Port and BCDC adopted the *San Francisco Waterfront Special Area Plan* for the San Francisco waterfront. The *Special Area Plan* applies the requirements of the McAteer-Petris Act (Gov. Code §§ 66600-66694) and BCDC's *San Francisco Bay Plan*. BCDC and the Metropolitan Transportation Commission jointly published the *San Francisco Bay Area Seaport Plan*, which calls for preservation of a 16-acre area for ship repair, which the Port incorporated into the Pier 70 Master Plan. Consistent with its mission, BCDC will require maximum feasible public access as a requirement to issue a major permit for that portion of the Project located within 100 feet of the shoreline. In addition to the process required for the major permit, the Port and Master Developer will consult with BCDC regarding the approach to realigning the San Francisco Bay Trail/Blue Greenway through Pier 70 as the area is developed.

3. State Lands

AB 418 authorizes the State Lands Commission to effect a public trust exchange within the Pier 70 area to rationalize the configuration of trust and nontrust property, subject to certain required State Lands Commission findings and conditions, including the Port Commission's and the Board's prior approval. Nontrust property along the water's edge would be impressed with the public trust to promote maritime uses and public access, and, to further trust purposes the trust would be terminated on inland trust property not needed for trust purposes.

The Port and Master Developer have initiated preliminary discussions with State Lands staff about a proposed trust exchange under AB 418. **Exhibit D** (Illustrative Public Trust Map) shows the proposed future trust configuration for the Waterfront Site after the trust exchange, should the Port Commission, the Board, and the State Lands Commission authorize the exchange. Under this anticipated configuration, all Development Parcels in the Project would be nontrust parcels that the Port would hold as trust assets.

After trust parcels are removed from the public trust, the Port may sell or ground lease the nontrust parcels without public trust limitations on use, sale, or length of ground lease term, but under AB 418, all revenues and proceeds of these parcels must be deposited into the Harbor Fund and used for trust purposes. The Port anticipates that it will sell nontrust parcels designated for residential condominiums. The Port would ground lease historic Buildings 2, 12, and 21, but the master tenant would own the Historic Improvements during the term of the applicable Ground Lease.

4. Proposition D

Proposition D is a Charter amendment (codified primarily at sections B7.310-B7.320) authored by Supervisor Maxwell and adopted by voters in 2008 (68-32%). The November 2008 Voter Pamphlet provides the following description of Proposition D:

Proposition D is a Charter Amendment that would provide City funds to develop Pier 70 if the Board approves a financial and land use plan for Pier 70 (Pier 70 Plan).

The Pier 70 Plan would determine the geographic boundaries for development, improvements, and financing. At the time the plan is submitted, the City would calculate the amount of payroll tax revenues collected from the Pier 70 Plan area and estimate the new hotel and payroll tax revenues the City would collect over the next 20 years if the proposed development occurs. If the Board approves the Pier 70 Plan, the City would provide funds for historic preservation and the development of infrastructure such as parks and utilities in an amount up to 75% of projected new Pier 70 hotel and payroll tax revenues.³

The Board's approval of the Pier 70 Plan would also authorize long-term Port leases in the area without any further Board approval.

The Mayor may also submit to the Board agreements to facilitate the transfer of funds between City agencies and the Port. If the Board approves such agreements, the City would be required to provide the necessary funding.

The Conceptual Land Use Plan for the Project attached as **Exhibit B**, applicable provisions of this Term Sheet, and the proposed SUD will be used as the basis for the proposed Prop D Land Use Plan that the Parties will submit to the Board for approval concurrently with the Transaction Documents.

In addition, Master Developer will assist the Port in preparing a Pier 70 Financing Plan. The Parties will agree on whether the Port will submit the Pier 70 Financing Plan to the Board for consideration concurrently with or after the Transaction Documents. The Port and Master Developer do not intend Proposition D funding to assist in the development of the Waterfront Site or associated public benefits. Before the Parties complete the Prop D Land Use Plan, the Port will determine the need for a Pier 70 Financing Plan for Pier 70 public benefits outside the Waterfront Site, which may include open space, historic rehabilitation, or transit serving Pier 70.

I. Assumptions Underlying Term Sheet.

The Parties acknowledge that the goal of this Term Sheet is to achieve a balance between the public policy objectives of the Project (as set forth in the RFQ, the ENA, and this Term Sheet) and Master Developer's need for a reasonable market return on its investment. After execution of this Term Sheet and during the remaining term of the ENA, the Parties will negotiate in good faith to complete final Transaction Documents and a final development program that provides a level of public benefits substantially consistent with the Term Sheet and achieves Master Developer's required market

³ Under Proposition E, passed by San Francisco voters on November 6, 2012, the City payroll tax will be phased out and replaced by a gross receipts tax that will be phased in over a 5-year period beginning in 2014.

return. If any of the key assumptions materially changes during negotiations, including market conditions or other key conditions, then the Parties will negotiate in good faith for the remaining term of the ENA to reach a fair and balanced agreement that provides Master Developer with its reasonable market rate return and the City and the Port with an appropriate public benefits package that achieves the public policy objectives for the Project.

J. Financial Structure

The financial structure for the Project is summarized briefly immediately below. See **Section 10** (Developer Return) and **Section 11** (Port Participation in Vertical Development) for more detail.

Master Developer and the Port have created a conceptual framework to take advantage of the lessons learned during the City's recent experience with phased, master planned developments and innovative financing mechanisms for public infrastructure serving new infill projects. The entitlement of a large site and building infrastructure for multiple development opportunities create many risks for both Parties, and the structure under discussion includes several provisions to reduce the normal risks of development. The following concepts serve as the foundation for this public-private partnership and will be implemented through the course of the Project.

The financial structure for the Project is based on and balances two fundamental principles:

- Use Land-Secured Financing Proceeds (defined below) on a tax-exempt basis to the maximum extent permitted by law to pay for public infrastructure and other authorized costs; and
- Maximize trust termination revenues that will be available for the purposes authorized under AB 418 after Master Developer has received a reasonable market rate return on its capital investment.

Except as otherwise agreed, the DDA will obligate Master Developer to undertake all horizontal development, using capital from any sources available to the Master Developer ("**Developer Capital**") to fund Horizontal Development Costs for the Project. Master Developer will be entitled to an 18% cumulative annual return on Developer Capital calculated quarterly at the end of each quarter (including the Cost of Carry (defined below), "**Developer Return**") for the use of its capital.

The DDA will provide flexibility for Master Developer and the Port to agree to shift certain Infrastructure obligations to Vertical Developers, such as back-of-curb improvements, improvements that might be damaged by vertical construction, or otherwise to facilitate efficient delivery of development. And the Port will have the right at any time and in its sole discretion to use any available source of public funds that will be less expensive to the Port than paying Developer Return to Master Developer, such as land-secured and alternative sources of public funding, subject to negotiating reasonable financial protections in the DDA.

Master Developer will own all Infrastructure and Public Facilities for which it pays until they are delivered to and accepted by the City or the Port, as applicable. The City and the Port will be obligated to acquire qualified Infrastructure and Public Facilities, including related soft costs ("**Qualified Facilities**"), from Master Developer in accordance with a Financing Plan and an Acquisition Agreement in the form to be attached to the DDA (see **Section 9** (Sources and Uses)). Payments under the Acquisition Agreement will repay Master Developer for its use of Developer Capital for Qualified Facilities, including interest on Developer Capital used to fund Qualified Facilities to the extent permitted by IFD Law section 53395.2(a) and CFD Law section 53314.9(a) (the "**Cost of Carry**"). The Summary Pro Forma for the DDA will demonstrate the calculation of the Cost of Carry in relation to the calculation of Developer Return. The DDA will describe how the Parties reconcile the accrual and payment of the Cost of Carry on Qualified Project Costs with the accrual and payment of Developer Return.

Primary sources of acquisition payments for eligible costs of Qualified Facilities and the related Cost of Carry (together, "**Qualified Project Costs**") and other Horizontal Development Costs will be, in the priority described in **Section 10(b)** (Priorities for Application of Project Sources):

1. "**Land-Secured Financing Proceeds**" (see **Section 12** (Financing Mechanisms)) consisting of:
 - a. pay-as-you-go special taxes under CFD Law and proceeds of CFD bonds; and
 - b. pay-as-you-go tax increment allocated to an infrastructure financing district ("**IFD**") formed under state law (Cal. Gov. Code §§ 53395-53397.11) ("**IFD Law**") under the approved IFD financing plan for the Project and proceeds of IFD bonds; and
2. "**Land Proceeds**" (see **Section 14** (Disposition of Development Parcels)) consisting of:
 - a. prepaid rent under Development Parcel Ground Leases;
 - b. proceeds of the sale of any Development Parcel, the 20th/Illinois Parcel, and any other Third-Party Parcel that the Port in its sole discretion elects to use for the Project; and
 - c. one-half of unique new interim lease revenues from the Waterfront Site that Master Developer assists the Port in generating ("**Net New Interim Lease Revenues**").

Under the financial structure for this transaction, the Port will apply Land-Secured Financing Proceeds to pay for Qualified Project Costs to the maximum extent permitted by law, before using Land Proceeds and other Project Sources for that purpose except as specifically provided otherwise. The Parties believe that the Project will generate

sufficient proceeds to reimburse Master Developer for all Horizontal Development Costs of the Project.

As required to comply with the Burton Act (as amended by AB 418), the Port will transfer all Development Parcels at fair market value. Most Development Parcels will be conveyed by 99-year ground leases (each, a "Ground Lease"), and a limited number will be transferred in fee. The disposition process, including appraisals, for Development Parcels is addressed in **Section 14** (Disposition of Development Parcels).

Subject to **Section 10(b)** (Priorities for Application of Project Sources), Land Proceeds will be used first to pay Developer Return (excluding the Cost of Carry) on unreimbursed Developer Capital. Land Proceeds from the Port's conveyance of the 20th/Illinois Parcel will be designated specifically to pay Developer Return (excluding the Cost of Carry) on Master Developer's Entitlement costs incurred before the DDA Effective Date. The Port may use any remaining Land Proceeds to repay Developer Capital or pay directly for Horizontal Development Costs in subsequent Project Phases, subject to reimbursement from Land-Secured Financing Proceeds on either a tax-exempt or taxable basis, as permitted by law. This treatment of Land Proceeds will not affect the basic principle of the financial structure that no Project Surplus will be distributed until the Port has paid Master Developer the Developer Return on and repaid Developer Capital (see **Section 10(e)** (Distribution of Project Surplus)). The purpose of applying the Land Proceeds as described in this paragraph would be to minimize the accrual of Developer Return (excluding the Cost of Carry) to meet the spirit of AB 418, which requires the Port to maximize the amount of trust termination revenues that will be available for the purposes authorized under AB 418. Land Proceeds reimbursed with Land-Secured Financing Proceeds will be deposited or deemed deposited in a Project Account for purposes of paying Developer Return and later distribution to the Port and Master Developer after Master Developer receives Developer Return (see **Section 10(c)** (Reinvestment of Surplus Proceeds)). Master Developer will be permitted to use its projected share of Land Proceeds reimbursed by Land-Secured Financing Proceeds and deemed deposited in the Project Account in any manner. Any amount of its share that Master Developer is deemed to have withdrawn from the Project Account will be credited (subject to interest and the time value of money as set forth in the DDA) against a future Horizontal Development Cost on a dollar-for-dollar basis. The Parties, in consultation with bond counsel, will continue to discuss the treatment of Land Proceeds and Land-Secured Financing Proceeds subject to final agreement in the DDA.

Land Proceeds in the Project Account (taking into account any amounts of its share that Master Developer is already deemed to have withdrawn) and future ground rents under Ground Leases will be distributed to the Parties, with the Port receiving 55% and Master Developer receiving or retaining 45% of those amounts, only **after** all of the following have occurred:

1. Master Developer has completed all Qualified Facilities for the Project.
2. The City and the Port have accepted all Qualified Facilities for the Project.

3. The Port has repaid Master Developer an amount equal to Developer Capital invested in Horizontal Development Costs.

4. The Port has paid Master Developer its Developer Return on Developer Capital.

In addition to the Port's participation in Project Surplus, the Port will participate in vertical revenues through the following:

- 1.5% of net proceeds from sales and refinancings of ground leases and associated improvements;
- 1.5% transfer fee payment from all transfers of fee parcels (including residential condominiums) after the first sale;
- 1.5% of modified gross revenues on all buildings (except Buildings 12 and 21, Parcels E-1A, and E-1B, District Parking Facilities, and all residential condominium buildings) beginning in year 30; and
- 2.5% of modified gross revenues on all buildings (except Buildings 12 and 21, Parcels E-1A, and E-1B, District Parking Facilities, and all residential condominium buildings) beginning in year 60.

The Parties have also agreed to continue to explore using Land-Secured Financing, to the maximum extent permitted by law, for the costs (collectively, "**Eligible Vertical Improvement Costs**") of constructing new buildings on Parcels E-1A and E-1B, the Historic Improvements to Buildings 12 and 21, constructing the District Parking Facilities on Parcels C-1A, C-1B, and C-2, and (under conditions to be specified in the DDA) the installation of piles (collectively, "**Eligible Vertical Improvements**"). The DDA will include the Parties' agreement on the use of Land-Secured Financing and any other sources for those purposes.

Section and Title	Basic Terms and Conditions
<p>1. Parties</p>	<p><u>Port</u>: City and County of San Francisco (the “City”), acting by and through its Port Commission (the “Port”). References to the Port in this Term Sheet also mean staff of the Port acting within their delegated authority.</p> <p><u>Master Developer</u>: Forest City Development California, Inc., a California corporation (“Master Developer”), and its affiliates and joint ventures that become Vertical Developers of Development Parcels for the Project.</p>
<p>2. Site Description</p>	<ul style="list-style-type: none"> • The Waterfront Site is shown on the map attached as Exhibit A (Site Description). • The parcel located along Illinois Street at 20th Street (the “20th/Illinois Parcel”) and shown on Exhibit F (Third-Party Parcels) is not within the Waterfront Site but because of the proposed sale of the parcel to support the Project as described in Section 15(a) (20th/Illinois Parcel), the parcel will be included in the SUD and will be considered part of the Project for purposes of environmental review. • Other parcels outside the Waterfront Site (each, a “Third-Party Parcel”) as shown on Exhibit F (Third-Party Parcels), would be considered part of the CEQA “project” for environmental review if rezoned by the proposed SUD. • Subject to agreement with PG&E, a Third-Party Parcel owned by PG&E located at the corner of 22nd Street and Illinois Street, known as the “Hoe Down Yard” will be included in the SUD and considered part of the proposed “project” for environmental review purposes. The City is separately negotiating to acquire the Hoe Down Yard from PG&E.
<p>3. Project Description</p>	<p>The proposed Project is described above and shown on the Conceptual Land Plan attached as Exhibit B. Master Developer will have no obligations for: (a) work within or that would disturb any submerged lands or improvements outside of the Waterfront Site except to the extent necessary to serve the Waterfront Site (such as mitigation measures identified in the MMRP to address significant impacts of Waterfront Site development); or (b) remediation work arising from activities or</p>

	<p>conditions related to the lands formerly owned by PG&E (now owned by NRG) and located southeast of the Waterfront Site. With respect to any remediation related to the Project, the Port and Master Developer will develop a plan to complete the remediation of the Waterfront Site in compliance with applicable regulatory requirements.</p>
<p>4. Transaction Documents</p>	<p>As soon as practicable after Project Approval, the Port and Master Developer will enter into a Disposition and Development Agreement (the “DDA”), as well as other transaction documents (the “Transaction Documents”), some of which may require additional parties, relating to public financing, construction review and approvals by other City departments, and other matters required to implement the Project. Key elements of the DDA and the form of ground lease for Development Parcels (each, a “Ground Lease”), as well as a brief summary of some of the other Transaction Documents are described below:</p> <p>(a) <u>DDA</u>. The DDA will set the terms and conditions for the disposition and development of parcels at the Waterfront Site consistent with this Term Sheet and applicable provisions of Port and other City agreements for phased master planned developments of this scale of horizontal development. Under the DDA, the Port will enter into a Ground Lease with the applicable Vertical Developer for each Development Parcel or will enter into a Purchase and Sale Agreement for Development Parcels to be sold in fee to Vertical Developers. In addition to matters covered elsewhere by this Term Sheet, key provisions of the DDA will address the Parties’ agreement on:</p> <ul style="list-style-type: none"> i. conditions to Master Developer’s exercise of its option with respect to any Development Parcel; ii. Master Developer’s obligation to complete horizontal development at no cost to the Port or the City (except to the extent that the Port elects in its sole discretion to apply other funding sources directly to Horizontal Development Costs (as defined in Section 9(b) (Developer Capital)), in accordance with an Infrastructure Plan describing the horizontal development that will be included within each Phase of development (see Section 5 (Phasing)); iii. a plan that identifies the sources of funds for the

	<p>Project, the authorized uses of funds, and the conditions for their use, to satisfy the Port's payment obligations (the "Financing Plan"), including prepaid ground rent from any Ground Leases, proceeds of the sale of any Development Parcel, and Land-Secured Financing Proceeds (see Section 9(a) (Sources));</p> <p>iv. an Acquisition Agreement that will survive the termination of the DDA and will establish procedures and conditions for the City's and the Port's use of Land-Secured Financing Proceeds to be used as acquisition payments for eligible costs of Infrastructure and Public Facilities (collectively, "Qualified Facilities") and the related Cost of Carry (as defined in Section 10(a) (Developer Return) (together, "Qualified Project Costs");</p> <p>v. the extent to which the Port will use and, if so, the priority of use of Land-Secured Financing Proceeds for the costs (collectively, "Eligible Vertical Improvement Costs") of constructing new buildings on Parcels E-1A and E-1B, the Historic Improvements to Buildings 12 and 21, constructing the District Parking Facilities, and (under conditions to be specified in the DDA) the installation of piles (collectively, "Eligible Vertical Improvements") (see Section 9(c) (Project Infrastructure and Phase Budgets));</p> <p>vi. a form of purchase and sale agreement that will describe the terms, conditions, and procedures for the sale of Development Parcels (each, a "Purchase Agreement");</p> <p>vii. anticipated phasing of the Project (the "Project Phasing Schedule") and mechanisms for adjusting the Project Phasing Schedule to address market conditions, force majeure events, and other conditions;</p> <p>viii. a form of Ground Lease and the minimum qualifications for Vertical Developers, such as appropriate financial resources for the scope of development, development experience, and capacity, and providing for Master Developer to</p>
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	<p>assign its rights and obligations under the DDA with respect to the applicable parcel to the Vertical Developer in conjunction with each Ground Lease, subject to the Port's consent, which the Port will not withhold if Master Developer has satisfied all conditions precedent and the Vertical Developer meets minimum qualifications;</p> <p>ix. conditions that Master Developer must satisfy, including approvals required by the State Lands Commission (sometimes, "State Lands") in accordance with AB 418;</p> <p>x. Master Developer's estimate of Horizontal Development Costs and provisions governing Master Developer's responsibility to complete the horizontal development necessary to the vertical development of the parcel, as determined before the close of escrow for the applicable Ground Lease or Purchase Agreement (in each case, the "Closing");</p> <p>xi. conditions under which the Port will have the right to offer a Development Parcel to third-party Vertical Developers, such as Master Developer's failure to exercise an Option (see Section 14(a) (Master Developer Option) or satisfy its DDA obligations;</p> <p>xii. City and Port construction standards that will apply to horizontal and vertical development;</p> <p>xiii. events of default and appropriate remedies for defaults or events that with the passage of time and failure to cure within any applicable cure period would be defaults by a Party;</p> <p>xiv. standards of conduct applicable to the Parties while implementing the DDA and appropriate limitations on the remedies available to either Party following a breach of the DDA;</p> <p>xv. City programs and requirements that will apply to development at the Waterfront Site; and</p> <p>xvi. providing for the DDA to expire after all</p>
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Development Parcels have been conveyed, all vertical development is complete, all Project Sources have been used to pay Developer Return and repay Developer Capital, and any Project Surplus (other than annual ground rent payments not yet due) has been distributed in accordance with the Financing Plan.

(b) Form of Ground Lease: The DDA will include a form of Ground Lease to be used for the Waterfront Site Development Parcels. At the Closing for each Development Parcel, Master Developer will assign vertical development rights and obligations under the DDA to the selected Vertical Developer, and the Port will enter into a separate Ground Lease with each Vertical Developer consistent with the approved form and its delegated approval. The Ground Lease form will be consistent with this Term Sheet and applicable terms of comparable long-term ground leases between the Port and its development partners, and include or address the following:

- i. a term of 99 years from the date of the Port's transfer to a Vertical Developer, unless otherwise agreed;
- ii. a ground rent payable annually, prepaid for a specified term (for example, 30 years) or in full at Closing, as previously determined in connection with the Option or Public Offering process described in **Section 14** (Disposition of Development Parcels);
- iii. triple net provisions requiring the Vertical Developer to pay all taxes, assessments, and expenses for the parcel, specifically including all special taxes assessed on the premises after the Ground Lease Closing;
- iv. compliance with the applicable land use and design standards, as described in **Section 7** (Zoning and Related Actions), subject to additional review and approval by Master Developer to assure quality and coordination among all Development Parcels in the Project;
- v. covenants to provide information and otherwise

	<p>cooperate with the City and the Port as necessary for Master Developer to satisfy its disclosure obligations with respect to any public financing;</p> <ul style="list-style-type: none"> vi. a mechanism by which a Vertical Developer may choose to receive IFD financing of Eligible Vertical Improvements in the priority established in Section 9 (Sources and Uses), with a specified procedure by which the appropriate value of the parcel will be adjusted; vii. a provision that all improvements constructed within the applicable Ground Lease premises will be owned by the ground lessee during the term of the Ground Lease to the extent permitted by law; viii. standard provisions such as allowed and prohibited uses; indemnification (including hazardous materials obligations) and insurance; limitations on assignment and subletting; maintenance and repair obligations, including obligations following a casualty; and surrender obligations; ix. reasonable and customary mortgagee protection provisions and mechanisms providing for notice and an opportunity to cure to Master Developer, any mortgagee, and the Port with respect to any tax or special tax default before foreclosure; x. events of default and cure rights, and providing each Party with appropriate remedies for defaults or events that with the passage of time and failure to cure within any applicable cure period would be defaults by the other Party, including the possibility of early termination; and xi. other terms as necessary to accomplish cost-effective land-secured financing as contemplated in the Financing Plan, which may include provisions to protect the interests of the bond trustee similar to mortgagee protection provisions. <p>(c) <u>Public Trust Exchange Agreement</u>. The Public Trust Exchange Agreement between the Port and State Lands will be the agreement implementing the public trust</p>
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	<p>exchange under AB 418.</p> <p>(d) <u>Development Agreement.</u> The Development Agreement will be a statutory development agreement authorized under Cal. Gov. Code sections 65864-65869.5 and SF Admin. Code chapter 56 under which Master Developer's rights granted by Project Approval will be vested for the term of the Development Agreement through Project build-out. The City's consent to the Financing Plan will be included in the Development Agreement or a separate agreement.</p>
<p>5. Phasing</p>	<p>The Parties anticipate that the Waterfront Site will be developed in phases (each a "Phase"), as shown conceptually in Exhibit C (Illustrative Phasing Plan).</p> <p>(a) <u>Development Phases.</u> The Project Phasing Schedule will be consistent with the Infrastructure Plan and structured to be as efficient as reasonably possible. Master Developer's obligations to complete horizontal development and Historic Improvements to Buildings 12 and 21 will be allocated among up to four Phases to be identified in a Project Phasing Schedule attached to the DDA. Master Developer will have an option to provide placemaking uses on Parcels E-1A and E-1B, which may include construction of new buildings. Flexible zoning and design guidelines established in connection with the SUD and provisions to be negotiated in the DDA will address the use of Parcels E-1A and E-1B if Master Developer elects not to exercise its Option on these parcels. Section 16 (District Parking Facilities) describes the Parties' intent with regard to construction of the District Parking Facilities on Parcels C-1A, C-1B, and C-2.</p> <p>Master Developer will retain the ability to modify the scope of each Phase, or to develop Phases in a different order from the Project Phasing Schedule subject to the Port's reasonable approval. The Port will not withhold its approval if the modified Phase would: (i) include a minimum of 400,000 gsf; (ii) deliver a level of public benefits proportional to the applicable square footage and adjacent public improvements in the modified Phase; and (iii) be consistent with the approved Financing Plan.</p> <p>Each Phase will consist of one or more Development</p>

	<p>Parcels and associated areas for streets and open spaces. The DDA will provide specific requirements for each Phase of the Project, so that delivery of public benefits, including development of parks, will be fairly distributed among Phases, assuring that these benefits are completed in coordination with the completion of associated vertical development of each Phase. The Project Phasing Schedule will take into account the bonding and other financial capacity of each Phase and provide for a construction and completion schedule for horizontal development of each Phase.</p> <p>(b) <u>Schedule of Performance.</u> The DDA will include a schedule of performance applicable to the Project that includes outside dates for the submittal of Phase applications and the commencement and completion of horizontal development within each Phase (the "Horizontal Phase Schedule of Performance").</p> <p>Master Developer will have no obligation to meet a schedule of performance for vertical development. The DDA will set forth reasonable and customary provisions regarding adequate security for construction of improvements within the Waterfront Site, including completion requirements.</p> <p>(c) <u>Pre-Phase Consultation.</u> No less than 60 days before Master Developer submits an application for a Phase, the Parties will meet to consider the anticipated aggregate FMV (as defined in Section 14(a)(ii) (Option Price) of the Development Parcels in the Phase, the Phase Infrastructure Budget, and anticipated CFD bonding capacity for the Phase (see Section 9(c) (Project Infrastructure and Phase Budgets)). At any time during the pre-Phase consultation period or after submittal of a Phase application, either Party may request an appraisal of a specific Development Parcel or other means by which the Parties agree to determine whether or not the dates in the Horizontal Phase Schedule of Performance will be tolled for Down Market Delay as described in Section 5(h) (Down Market Delay).</p> <p>(d) <u>Timing of Vertical Development.</u> At Master Developer's election, in consultation with the Port, but no earlier than Master Developer's submittal of a Phase application for the applicable Phase (except as otherwise provided in</p>
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Section 5(c) (Pre-Phase Consultation)), Master Developer will provide the Port with a written notice for each Development Parcel in the Phase (each, an "**Appraisal Trigger Notice**"), which will trigger the appraisal and subsequent conveyance of the applicable Development Parcel for vertical development. The Appraisal Trigger Notice will also indicate for any residential parcel whether the parcel should be appraised as a fee or ground lease parcel.

A final appraisal of the applicable Development Parcel as described in **Section 14(c)** (Appraisal Process), including any dispute resolution procedures, must be completed within 180 days after the applicable Appraisal Trigger Notice.

Unless a Down Market Delay has occurred, as determined by the procedures to be described in the DDA, Master Developer must exercise its Option under **Section 14(a)** (Master Developer Option) within 90 days after completion of each appraisal. If Master Developer does not timely exercise its Option, the appraisal will no longer be valid for any exercise by Master Developer of its Option except as provided in **Section 14(b)** (Public Offerings) following a Public Offering of the Development Parcel.

- (e) Excusable Delays Generally. Except as provided otherwise, the Project Phasing Schedule, the Horizontal Phase Schedule of Performance, and each Party's other time-sensitive rights and obligations under the DDA will be subject to customary delays, as outlined below. The Parties will meet and confer after any Force Majeure Delay or Down Market Delay that continues for more than one year to discuss whether the transaction could be restructured to allow the Project to continue. The DDA will specify maximum periods of any Force Majeure Delay or Down Market Delay and the conditions to any Party's right to an excusable delay. Port staff will present for Port Commission consideration any other request for a delay, which the Port Commission may grant or deny in its sole discretion.
- (f) Force Majeure. Customary events of force majeure will include unforeseen labor and material delivery problems, administrative or regulatory processes (excluding those covered by Litigation Force Majeure)

(each, a "**Force Majeure Delay**"). The DDA will provide a complete description of events that will give rise to a Force Majeure Delay, procedures for Master Developer to toll the Horizontal Phase Schedule of Performance for specified periods as of right due to a Force Majeure Delay, and applicable time periods available to a Party claiming a Force Majeure Delay.

- (g) Litigation Force Majeure. A proceeding before any court, tribunal, or other judicial, adjudicative, or legislative decision-making body, including any administrative appeal that challenges the validity of any City or Port regulatory approval with respect to the Project, including any findings under CEQA, will be an event of "**Litigation Force Majeure**" if the pendency of the proceeding is reasonably likely to or does prevent the Parties from timely entering into the Transaction Documents. Litigation Force Majeure events will exclude any action or proceeding brought by Master Developer, any of its affiliates or joint ventures, Project consultants, or any other third party assisted directly or indirectly by Master Developer. In general, an event of Litigation Force Majeure will excuse either Party's performance for the duration of the proceeding until finally resolved.
- (h) Down Market Delay. Recognizing that the cyclical nature of real estate markets creates risks for both Parties and their shared goal to maximize land value, the Project Phasing Schedule, the Horizontal Phase Schedule of Performance, and both Parties' other time-sensitive performance obligations and rights under the DDA will be tolled during periods of "**Down Market Delay**." The Parties will include in the DDA the procedures applicable to a Down Market Delay.
- (i) Early Ground Leases in Phases 1 and 2. Master Developer will be obligated to cause a Vertical Developer to enter into a fully prepaid Ground Lease with the Port (or a sublease with Master Developer) for the first Development Parcel scheduled for vertical development in Phase 1 and Phase 2 (each, an "**Early Ground Lease**"), each at its appraised FMV within two years after the applicable Phase begins. The Vertical Developer will not be required to begin vertical development on the parcel until it believes that market conditions are right for the product type. If the Closing

	<p>for the Ground Lease (or sublease) does not occur within this 2-year period, the Port will have the right to offer the Development Parcel at a Public Offering at the appraised FMV, which will in no event be less than a minimum price for the applicable Development Parcel that the Parties will establish by the DDA Effective Date. To the extent that Land Proceeds from the disposition of Early Ground Leases are used to pay Developer Return, repay Developer Capital, or pay directly for Horizontal Development Costs, these proceeds will be reimbursed from Land-Secured Financing Proceeds on either a tax-exempt or taxable basis, as permitted by law. Land Proceeds in excess of that required to repay Developer Capital or pay Developer Return will be deposited or deemed deposited in a Project Account for purposes of paying later Horizontal Development Costs or distribution to the Port and Master Developer after Master Developer receives repayment of Developer Capital and Developer Return. This requirement will not be subject to Down Market Delay unless the DDA uses the same minimum prices to determine when a Down Market Delay exists.</p>
<p>6. BCDC and State Lands</p>	<p>The Port and Master Developer will apply jointly to secure state and regional approvals as necessary.</p> <p>(a) <u>BCDC</u>. Master Developer will integrate its development program with the waterfront, including the Bay Trail and the Water Trail, to ensure maximum feasible public access to the waterfront. All development within 100 feet of the shoreline will be subject to BCDC approval. The Port and Master Developer will consult with BCDC regarding the approach to realigning the San Francisco Bay Trail/Blue Greenway through Pier 70 as the area is developed.</p> <p>(b) <u>State Lands</u>. The Port and Master Developer will cooperate in their efforts to obtain State Lands Commission approval of the Pier 70 public trust exchange and any other approvals required by AB 418.</p> <p>(c) <u>Legislation</u>. To the extent necessary and after consultation with staff of State Lands and with Master Developer, the Port may seek technical amendments to the Burton Act and other legislation.</p>
<p>7. Zoning and</p>	<p>(a) <u>Special Use District</u>. The Waterfront Site is currently</p>

<p>Related Actions</p>	<p>zoned M-2 and as envisioned in the Conceptual Land Use Plan must be rezoned for the Project to be developed as proposed. Key assumptions of this Term Sheet are that: (i) Master Developer will work with Planning Department and Port Planning staff to develop a proposal for an SUD that would rezone the Waterfront Site, the 20th/Illinois Parcel, and the Hoe Down Yard and further the Port's goals under the Master Plan; (ii) the Port Commission will recommend that the Planning Commission and the Board approve Planning Code amendments to incorporate the SUD and other actions necessary to allow Waterfront Site development to proceed as proposed; (iii) the Planning Commission will recommend the SUD and other Planning Code amendments to the Board and approve a motion substantially as described in Section 7(c) (Proposition M); and (iv) the Board will adopt the SUD and related Planning Code amendments and take all other actions required for Project Approval. The Parties are considering whether it would be appropriate to include in the SUD some or all of the Third-Party Parcels shown on Exhibit F (Third-Party Parcels), which are not part of the Project.</p> <p>(b) <u>Contents of SUD.</u> Master Developer intends to propose that the SUD establish the following for the Waterfront Site, among other controls on development: (i) permitted uses, including flexible zoning to permit designated Development Parcels to be developed for either commercial or residential uses to allow for development that responds to market conditions, and to allow Parcels E-1A, E-1B and the District Parking Facilities Parcels C-1A, C-1B, and C-2 to be developed for other uses as allowed by the SUD if they are not developed for their currently anticipated uses; (ii) height limits ranging from 30 feet to 230 feet; (iii) building controls regarding density, massing, and tower separation; and (iv) parking controls consistent with the parking ratios described in the Overview. Master Developer's preliminary proposal for height limits is reflected in Exhibit E (Conceptual Height Map).</p> <p>(c) <u>Proposition M.</u> The Parties will request that the Planning Commission approve a motion: (i) finding that office development within the Waterfront Site that is consistent with the SUD would be consistent with Planning Code sections 320-325 ("Prop M"); and</p>
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	<p>(ii) establishing that, subject to then-applicable annual limitations under Planning Code section 321 and any pre-existing Prop M priorities for office development (such as priorities for the former Mission Bay, Hunters Point/Candlestick, and Transbay redevelopment project areas), office development in the Waterfront Site that is consistent with the SUD will have priority over office development projects outside of the Waterfront Site that are subject to Prop M.</p> <p>(d) <u>Design Guidelines.</u> Master Developer will also work with Planning and Port staff to develop design guidelines for the Waterfront Site, the 20th/Illinois Parcel, and the Hoe Down Yard (subject to PG&E agreement), including the public realm, that will inform design review. Following Planning Commission and Board approval of the SUD and related actions, the Port staff will request Port Commission actions to amend: (i) the Waterfront Land Use Plan to incorporate the SUD's development controls and limitations and set forth other development requirements; and (ii) the Waterfront Design and Access Element of the Waterfront Land Use Plan to incorporate design and design review guidelines for the developable parcels in the SUD.</p> <p>(e) <u>Development Agreement.</u> Master Developer will seek City approval of a Development Agreement that will: (i) provide Master Developer with assurances that the SUD zoning for the Waterfront Site will remain in effect through Project build-out, unless Master Developer consents to or seeks amendments to the SUD; (ii) specify which citywide impact fees and exactions will apply to the Project; (iii) limit the City's ability to impose new or higher impact fees or exactions on the Project during the term of the Development Agreement; (iv) approve and incorporate the Planning Commission's Prop M motion; and (v) other matters. Master Developer will request that the fee schedules in effect on the Project Approval date be fixed for the term of the Development Agreement.</p> <p>The Master Developer will request and the Development Agreement will address the timing of payment of impact fees on terms generally consistent with the current fee deferral program set forth in San Francisco Building Code section 107A.13 (other than program expiration provisions).</p>
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	<p>(f) <u>Limitations on Development Fees.</u> The Parties will request that development fees and exactions be limited to the following:</p> <ul style="list-style-type: none"> i. Transit Impact Development Fee applicable to gsf of applicable non-residential development and excluding square footage within Buildings 12 and 21 and Parcels E1-A and E1-B (collectively, the “Placemaking Parcels”); ii. Jobs/Housing Linkage fee applicable to gsf of applicable development and excluding square footage within the Placemaking Parcels; iii. Child Care In-Lieu Fee applicable to the extent that child care facilities are not provided at the Waterfront Site and excluding square footage within the Placemaking Parcels; iv. School Impact Fees as required under state law; v. SFPUC Wastewater Capacity Charge to the extent applicable; vi. SFPUC Water Capacity Charge to the extent applicable; and vii. Inclusionary housing requirements under Planning Code sections 415.1-415.9.
<p>8. CEQA</p>	<p>The Parties have agreed that environmental review of the Project under CEQA will include the 20th/Illinois Parcel and the Hoe Down Yard, subject to agreement by PG&E.</p>
<p>9. Sources and Uses</p>	<p>(a) <u>Sources.</u> The Financing Plan will specify anticipated sources and uses of funds for each Project Phase and state, subject to verification, the amount of Master Developer’s Entitlement costs for the Project (and the Third-Party Parcels or other property to the extent Master Developer incurs related costs at the City or the Port’s request) as of the Project Approval date. Sources of funds for the Project (“Project Sources”) include:</p> <ul style="list-style-type: none"> • Capital sources available to and used by the Master Developer (“Developer Capital”) to pay for Horizontal Development Costs • “Land Proceeds” consisting of: proceeds of all sales of,

	<p>and prepaid Ground Lease rent for, Development Parcels (see Section 14 (Disposition of Development Parcels)); proceeds of the lease or sale of the 20th/Illinois Parcel (see Section 15(a) (20th/Illinois Parcel)); proceeds of sale of any Third-Party Parcels designated by the Port at the Port's sole option (see Section 15(b) (Third-Party Parcels)); and one-half of the New Interim Lease Revenues (see Section 18 (Interim Leasing)),</p> <ul style="list-style-type: none"> • "Land-Secured Financing Proceeds" consisting of IFD and CFD bond proceeds, pay-as-you-go special taxes, and Net Available Increment, which will be applied to uses in the priorities established in the DDA, corresponding generally to priorities in Section 12 (Financing Mechanisms) • funds provided by other entities (see Section 12(d) (Other Financing Sources)) • other funds that become available to the Port that the Port elects at any time and at its sole option to apply to Horizontal Development Costs subject to negotiating reasonable financial protections in the DDA <p>(b) <u>Developer Capital</u>. Generally and except as otherwise provided below or as amplified in the DDA, all reasonable costs that Master Developer pays directly for horizontal development ("Horizontal Development Costs") will be Developer Capital. Developer Capital will include: (i) actual fees of credit enhancement (if any) associated with CFD bonds that Master Developer pays, subject to agreement of the Parties; and (ii) any special taxes that Master Developer pays to finance Qualified Project Costs before the obligation is transferred to a Vertical Developer.</p> <p>The DDA will describe costs associated with Infrastructure improvements that serve non-Waterfront Site parcels in addition to the Waterfront Site for which Master Developer will not be responsible.</p> <p>The following Horizontal Development Costs will not be included as Developer Capital entitled to a Developer Return: (i) costs of Qualified Project Costs that the Port or the City pays directly with Land-Secured Financing Revenues or other sources; (ii) Eligible Vertical Improvement Costs that Master Developer incurs (if any)</p>
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	<p>for construction of Eligible Vertical Improvements; or (iii) other costs Vertical Developers incur for vertical development.</p> <p>(c) <u>Project Infrastructure and Phase Budgets.</u> The DDA will include an Infrastructure Plan approved by the Parties (including review by relevant City agencies) that sets forth the scope of Infrastructure, Public Facilities, and Eligible Vertical Improvements. The DDA will also include a budget (the "Project Budget") showing Master Developer's projected Horizontal Development Costs and Eligible Vertical Improvement Costs, and the Horizontal Phase Schedule of Performance for each Phase. In connection with each Phase application, Master Developer will meet and confer with Port and the City to determine the costs anticipated for that Major Phase (the "Phase Infrastructure Budget"), identify any material changes to the approved Infrastructure Plan subject to Port approval, and identify any changes to the applicable Horizontal Phase Schedule of Performance. While the DDA will not impose a hard cap on Horizontal Development Costs, the Port will have the right to timely review each Phase application for consistency with the approved Infrastructure Plan and review costs within each Phase Infrastructure Budget for commercial reasonableness. The DDA will also describe the opportunity for the Parties to meet and confer for the Port to propose value engineering of Infrastructure and Public Facilities proposed in a Phase if it would not delay construction. During each Phase, Master Developer will be required to provide periodic reports on spending sufficient for the Port to meet its reporting obligations under applicable laws, and Port will have the right to audit the costs for each Phase and at the conclusion of the Project.</p>
<p>10. Developer Return</p>	<p>(a) <u>Developer Return.</u> Master Developer will undertake horizontal development for the Project in accordance with an approved Infrastructure Plan. Master Developer will pay for Horizontal Development Costs with Developer Capital, except to the extent that horizontal obligations are shifted to Vertical Developers or the Port provides direct funding. Master Developer will be entitled to an 18% cumulative annual return on Developer Capital calculated quarterly at the end of each quarter (including the Cost of Carry (defined below), "Developer Return") for the use of its capital.</p>

The Port will use Land-Secured Financing Proceeds to pay interest on Qualified Project Costs to the extent permitted by CFD Law section 53314.9(a) and IFD Law section 53395.2(a) (the "**Cost of Carry**"). The DDA will reconcile the accrual and payment of the Cost of Carry on Qualified Project Costs with the accrual and payment of Developer Return. The Port will pay Master Developer the Developer Return and repay Developer Capital. Within a specified time after the disposition of all Development Parcels within a Phase and completion of all associated Infrastructure and Public Facilities (the "**Phase Completion Date**"), Master Developer will provide the Port with a "**Developer Return Statement**" showing the Developer Return for the Project as of the applicable Phase Completion Date.

- (b) Priorities for Application of Project Sources. The Port will apply Project Sources to the Project in the priorities outlined below.
- i. Land Proceeds will be applied in the order listed below to pay or repay: (1) directly for Horizontal Development Costs, subject to reimbursement with Land-Secured Financing Proceeds on a tax-exempt or taxable basis, as permitted by law; (2) Developer Return; (3) Developer Capital, subject to reimbursement with Land-Secured Financing Proceeds on a tax-exempt or taxable basis, as permitted by law; and (4) unreimbursed Developer Capital used for Horizontal Development Costs and unpaid Cost of Carry, but only after Land-Secured Financing Proceeds have been exhausted.
 - ii. Land-Secured Financing Proceeds will be applied in the order listed below to pay or reimburse: (1) debt service for outstanding CFD and IFD Bonds, as set forth in the DDA; (2) unreimbursed Developer Capital used for Qualified Project Costs, including unpaid Cost of Carry; (3) unreimbursed Land Proceeds used to repay Developer Capital and unpaid Cost of Carry; (4) directly for Qualified Project Costs; and (5) Eligible Vertical Improvement Costs to the extent set forth in the DDA.
 - iii. The Port may designate in its sole discretion the

	<p>uses of any other sources the Port uses for the Project, subject to reasonable financial protections negotiated in the DDA.</p> <p>(c) <u>Reinvestment of Surplus Proceeds.</u> The Developer Return Statement, in addition to showing Developer Return for the Project as of the applicable Phase Completion Date, will identify Land Proceeds, if any, not required to pay Developer Return (excluding the Cost of Carry) or to return Developer Capital for a given Phase (the "Phase Surplus"). The Phase Surplus will be deemed to have been deposited into an interest-bearing deposit account (the "Project Account") and the proceeds will be applied instead of Developer Capital to pay directly for subsequent Horizontal Development Costs. The DDA will include provisions to address accounting for the time value of money of the Phase Surplus relative to its application to subsequent Horizontal Development Costs. Nothing in this Term Sheet or the DDA will restrict Master Developer's use of its own capital or its share of the Phase Surplus.</p> <p>(d) <u>Ground Leases with Annual Rent Obligations.</u> If, after all Infrastructure and Public Facilities for the Project have been completed and accepted by the City and the Port, the Developer Return Statement for the Project shows that Master Developer has received the Developer Return, and Master Developer has received a return of Developer Capital, then the Port may elect to receive 55% of the annual rent payments under any new Ground Leases under Section 14(a)(iii) (Timing for Required Annual Ground Rent), and Master Developer will receive or retain the remaining 45%, without restrictions on either Party's use of its share except as specifically provided otherwise. The DDA will describe the mechanism by which third-party ground tenants will pay Master Developer its remaining 45% share on a pre-paid basis.</p> <p>(e) <u>Distribution of Project Surplus.</u> After all Infrastructure and Public Facilities for the Project have been completed and accepted by the City and the Port, and Master Developer has received the Developer Return and a return of Developer Capital, any prepaid ground rent, land sale proceeds, and Net New Interim Lease Revenues remaining in the Project Account (the "Project Surplus") will be distributed to the Parties with</p>
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	<p>the Port receiving 55% of the Project Surplus and Master Developer receiving or retaining 45% of the Project Surplus.</p> <p>(f) <u>Financial Reporting and Final Reconciliation.</u> At intervals to be specified in the DDA, after Master Developer begins to incur Horizontal Development Costs within any Phase, it will provide reports on Project Sources and their uses in form reasonably acceptable to the Port. Within a specified time after the Phase Completion Date of each Project Phase, Master Developer will submit a final Phase accounting to the Port, showing the cumulative Horizontal Development Costs, Developer Return for the entire the Project, and all payments made to the Port under the DDA.</p> <p>(g) <u>Audit Rights.</u> The Port will have audit rights for each Phase and for the Project as a whole, to be specified in the DDA.</p>
<p>11. Port Participation in Vertical Development</p>	<p>Each Ground Lease and Purchase Agreement will include provisions for Port participation in Ground Lease revenues and in any transfer or refinancing as defined below and to be further negotiated for the Transaction Documents.</p> <p>(a) <u>Percentage Rent.</u></p> <p>i. Beginning in lease year 30, the Port will be entitled to annual payments of 1.5% of modified gross revenues (net of taxes, insurance, utilities, and capital expenditures as further defined in the Transaction Documents, which, through commercially reasonable leasehold mortgagee protection measures will be subordinate to debt service payable on permitted secured loans) on all buildings other than residential condominium buildings, Buildings 12 and 21, Parcels E-1A and E-1B, and the District Parking Facilities.</p> <p>ii. Beginning in lease year 60, the Port will be entitled to annual payments of 2.5% of modified gross revenues (net of taxes, insurance, utilities and capital expenditures as further defined in the Transaction Documents, which, through commercially reasonable leasehold mortgagee protection measures will be subordinate to debt service payable on permitted secured loans) on</p>

all buildings other than residential condominium buildings, Buildings 12 and 21, Parcels E-1A and E-1B, and the District Parking Facilities.

- (b) Refinancing. The Port will be entitled to 1.5% of net proceeds from the refinancing of Ground Leases and associated improvements. The DDA will specify how net proceeds on refinancing will be calculated, but net proceeds will be net of the original unamortized loan amount, any portion of the refinancing proceeds designated for and actually used to reinvest in the building, and all third party costs incurred in connection with the applicable sale or refinancing, including prepayment penalties on the debt.
- (c) Ground Lease and Fee Transfers. The calculation of net proceeds for Port's participation in Ground Lease and fee transfers will be set forth in the DDA, but will exclude the seller's cost basis in the parcel.
- i. If Master Developer, or any affiliate or joint venture acting as a Vertical Developer of a Development Parcel, sells the Development Parcel to an unaffiliated (to be defined in the DDA) third party (each, a "**Third-Party Transfer**") before the earlier of: (1) three years after conveyance of the Development Parcel to Master Developer; or (2) the date that Port issues the first site permit for the transferred Development Parcel (the earliest to occur, the "**Early Transfer Date**"), then all net proceeds of the Third-Party Transfer will be included as Project Sources and applied in accordance with **Section 10** (Developer Return). The net proceeds of the Third Party Transfer will exclude Master Developer's (or its affiliate's or joint venture's) Entitlement costs incurred after the DDA Effective Date in connection with the Development Parcel (including architect, attorney, and consultant costs in preparing schematic drawings and obtaining necessary approvals) plus a 12% return calculated annually on such Entitlement costs, but the DDA will provide a more detailed description of excluded costs.
- ii. If a Ground Lease or fee is transferred on or after the Early Transfer Date, the Port will be entitled to

	<p>1.5% of the net transfer proceeds as more particularly described in the DDA.</p> <p>(d) <u>Condominium Transfers</u>. All condominium parcels sold in fee will include a transfer fee covenant that provides for a payment to the Port of 1.5% of the net sale proceeds as more particularly described in the DDA from the sale of individual condominium units after but not including the first sale.</p>
<p>12. Financing Mechanisms</p>	<p>The DDA will describe in greater detail the principal land-secured financing mechanisms being considered to finance Qualified Project Costs and ongoing operations and maintenance costs of designated Infrastructure and Public Facilities. The DDA will be drafted to implement the goal of maximizing the use of the financing mechanisms described below to directly finance or reimburse Master Developer for the Qualified Project Costs on a tax-exempt basis to the maximum extent permitted by law or on a taxable basis.</p> <p>Before Master Developer incurs any Qualified Project Costs, the Parties will enter into an Acquisition Agreement, which will specify the procedures and conditions for the City's and the Port's purchase of or direct payment for the Qualified Project Costs of Qualified Facilities and, to the extent agreed and permitted by law, Eligible Vertical Improvements with Project debt and any other available sources of funds.</p> <p>Currently, the primary financing mechanisms being considered are:</p> <p>(a) <u>Infrastructure Financing District</u>.</p> <p>i. <u>Port IFD Guidelines</u>. By Resolution No. 123-13, the Board adopted on April 23, 2013 "<i>Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land under the Jurisdiction of the San Francisco Port Commission</i>" (the "Port IFD Guidelines") attached as Exhibit H. Consistent with the Port IFD Guidelines, the City would form a single infrastructure financing district ("IFD") consisting of all Port property (the "waterfront district") in accordance with IFD Law. Following CEQA review, the City would then consider formation of project-specific project areas and adoption of project specific infrastructure financing plans,</p>

which for Pier 70 could include one or more project subareas within the Waterfront Site consistent with the Project Phasing Schedule. The City may seek judicial validation of one or more of: the formation of the waterfront district project area(s); the allocation of tax increment to the waterfront district; the issuance of tax increment bonds; and related issues. If so, Master Developer will cooperate reasonably with the City in bringing the validation action(s). The Port and OEWD will work with the Assessor's Office within 6 months after the completion of each building to have the parcel enrolled on the San Francisco tax rolls.

- ii. IFD Financing Plan and Priorities. The Project qualifies as a "Pier 70 district" for which a "Pier 70 enhanced financing plan" is authorized under IFD Law. Accordingly, the Port will prepare a Pier 70 enhanced financing plan for the Project in consultation with Master Developer and present it to the Board for adoption. As used in this Term Sheet in reference to the Project, "**IFD financing plan**" means the Pier 70 enhanced financing plan and the "**project area**" means the Pier 70 district, including any project subareas within the district, consisting of the Waterfront Site, the 20th/Illinois Parcel, and, subject to further negotiation, some or all of the Third-Party Parcels and other developable parcels at Pier 70.

The Parties will propose an IFD financing plan that would authorize the financing of all of Qualified Project Costs and Eligible Vertical Improvement Costs to the maximum extent permitted by law. The proposed plan will prioritize the use of the tax increment to fund: (1) first, the costs of horizontal development; (2) second, Master Developer's (or its affiliated or joint venture Vertical Developer's) Eligible Vertical Improvement Costs; and (3) third, unaffiliated Vertical Developers' Eligible Vertical Improvement Costs. The DDA will include detailed descriptions and definitions of eligible costs. The Port will submit a memorandum of understanding with the City Controller, as authorized under Charter section B7.320, to the

	<p>Board for approval with the proposed IFD financing plan, which together, when approved, will commit the City to allocate tax increment to the project area in accordance with the adopted IFD financing plan.</p> <p>iii. <u>Use of Tax Increment.</u> Tax increment may be used: (1) to pay Qualified Project Costs on a pay-as-you-go basis; (2) to service tax increment bond financing used to pay Qualified Project Costs; (3) to repay CFD debt; (4) to pay Eligible Vertical Improvements Costs in the priorities established under the IFD financing plan; and (5) for any other purpose authorized by the IFD financing plan and applicable law.</p> <p>iv. <u>Tax Increment Allocation to the Project Area.</u> Subject to the time limitations in IFD Law for the capture of ERAF (defined below), "Net Available Increment" will consist solely of approximately \$0.90 per property tax dollar (based on FY 2012-2013 adopted tax allocation) in the County consisting of: (1) the City's share of available tax increment from the Waterfront Site and the 20th/Illinois Parcel (i.e., \$0.646 per property tax dollar in the County in FY 2012-2013); and (2) the County's share of available tax increment from the Waterfront Site and the 20th/Illinois Parcel that would otherwise be allocated to the Educational Revenue Augmentation Fund (i.e., \$0.253 per property tax dollar in the County in FY 2012-2013) ("ERAF"), subject to limitations under IFD Law, the Port IFD Guidelines, and the adopted IFD financing plan. Under IFD Law, tax increment from the project area that is allocated to local school or college districts or taxing entities cannot be allocated to the waterfront district.</p> <p>To the extent permitted by law, Net Available Increment will be used to pay directly for or reimburse Master Developer for all Qualified Project Costs. The base year for the project area will be the fiscal year in which the Board adopts the ordinance approving the IFD financing plan unless the ordinance or the IFD financing plan as adopted specifies otherwise. Net Available</p>
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Increment may be allocated to the project area for the Project beginning in the fiscal year following the base year and allocated to the waterfront district for 45 years from the date the waterfront district actually receives \$100,000 of Net Available Increment from the project area.

After the last ERAF-secured debt (as defined in IFD Law) for the project area or subarea has been incurred (i.e., within the 20-year window available under IFD Law), no further ERAF tax increment will be allocated to the Project except to the extent previously pledged and used for any ERAF-secured debt.

v. Allocation of Tax Increment Between the Parties.

The Port will seek Board approval of an IFD financing plan that will provide for the following allocation of Net Available Increment between Master Developer and the Port to the extent allowed under IFD Law and applicable tax laws:

1. Consistent with the Port IFD Guidelines, 91.11% of the Net Available Increment allocated to the project area for the Project will be used to reimburse Master Developer for its Qualified Project Costs to the extent permitted by law, the adopted IFD financing plan, and the Port IFD Guidelines.
2. The remaining amount of the Net Available Increment will be allocated to the Port to fund other Pier 70 improvements as specified in the IFD financing plan.

The Summary Pro Forma attached as **Exhibit G** assumes that Net Available Increment available to the Project will be allocated in the manner described above.

IFD bonds may be issued that are secured by a pledge of Net Available Increment allocated, in part, to the Project and, in part, to the Port, as described above. Consequently, the DDA will outline a structure for allocation of IFD bond proceeds consistent with the allocation of Net Available Increment between Master Developer

and the Port as discussed above.

- vi. Tax Increment Shortfalls. To the extent consistent with any applicable public financing, Vertical Developers will be required to pay any shortfall in anticipated property taxes caused by a downward reassessment of the Development Parcel subject to their Ground Leases or fee interests through a levy of special taxes.

(b) Community Facilities District.

- i. Formation. The City will form a single community facilities district (“CFD”) early in the Project over the Waterfront Site, which may include other buildable parcels at Pier 70, in accordance with CFD Law. Special taxes will be levied against all leasehold and fee interests in taxable parcels in the CFD. The DDA will authorize two tranches of CFD bond debt; the first would be used to pay directly for or reimburse Master Developer for its Qualified Project Costs; the second would be available to pay for a portion of waterfront infrastructure to protect the Project from perils associated with climate change and sea level rise under certain circumstances. Master Developer may submit written requests that the City issue first tranche CFD debt, but the City will retain sole discretion over timing and other conditions of debt issuance. In addition, the City will have the right at its sole discretion to issue CFD debt early in each Project Phase in an amount that is secured by special taxes authorized under the RMA not to exceed the expected maximum property tax rate.
- ii. Use of CFD Proceeds. The DDA will authorize CFD bond proceeds to be used to pay directly for or to reimburse Master Developer for Qualified Project Costs. At the request of Master Developer, the City may agree to apply special taxes levied in the CFD to finance Qualified Project Costs on a pay-as-you-go basis to the extent not needed to pay debt service on CFD bonds, or the City may choose to hold the special taxes for reserves and other requirements under the bond indenture and other purposes consistent with the bond indenture, CFD Law, and the DDA.

	<p>In no event may the City use first tranche CFD bond proceeds or pay-as-you-go special taxes for any purpose other than the Project until the Port has satisfied its obligations under the DDA and the Acquisition Agreement.</p> <p>In no event will the DDA require Master Developer to provide or cause to be provided credit enhancement for the issuance of CFD bonds except to the extent and on terms acceptable to Master Developer in its sole discretion.</p> <p>Until all of Developer's Qualified Project Costs have been paid, all CFD special taxes generated from the Waterfront Site will be used to fund Qualified Project Costs only within the Waterfront Site.</p> <p>iii. <u>Issuance of Debt.</u> The Parties anticipate that CFD debt will be issued in coordination with horizontal and vertical development schedules and will be repaid by special taxes paid by private landowners and ground lessees and, subject to conditions to be specified in the DDA, by Net Available Increment.</p> <p>iv. <u>Rate and Method.</u> The rate and method of apportionment of special taxes ("RMA") for the CFD will establish a maximum tax rate for each taxable parcel, differentiating between residential and non-residential and developed and undeveloped parcels and specify the order in which special taxes will be levied against different types of parcels. The RMA will be developed by the Port's special tax consultant, in consultation with Master Developer, Port and City staff, and other consultants selected by the Port or the City, based on the Parties' agreement on the maximum tax rates as reflected in the DDA. The RMA may provide for the maximum rate for special taxes to escalate over time. The Port and Master Developer will agree upon the maximum tax rate and the proposed special taxes for the CFD, taking into account ad valorem property taxes, the proposed Special Taxes for the CFD, and any overlapping special taxes and</p>
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assessments.

v. Repayment through IFD. The Parties anticipate that a portion of Net Available Increment of the IFD will be used to pay CFD debt, reduce special taxes, and for other Project purposes, resulting in a proportionate reduction in CFD special taxes and debt service.

(c) Maintenance District: The City anticipates creating a perpetual maintenance community facilities district ("**Maintenance CFD**") over all of Pier 70. The City may create a Maintenance CFD over part of Pier 70, and then allow annexation as each Phase is developed, or it may form a Maintenance CFD over the entirety of Pier 70 and create zones corresponding to development Phases in which taxation commences as each Phase is developed. Maintenance special taxes levied against each taxable Development Parcel would provide pay-as-you-go funds for operations and maintenance costs (including street sweeping, landscaping, and right-of-way maintenance) of specified Infrastructure and Public Facilities subject to amounts, limitations, and conditions to be set forth in the DDA and the Financing Plan. If the proposed boundaries of the Maintenance CFD are the same as the proposed boundaries of the CFD, then the City may instead form a single CFD with two separate special taxes, one for facilities and one for maintenance. Except as otherwise agreed by Master Developer, all maintenance special taxes collected from the Waterfront Site will be used to maintain property within the Waterfront Site.

(d) Other Financing Sources. The Port retains the right to contribute other sources of funding that cost less than 18% annually to pay Horizontal Development Costs and Eligible Vertical Improvement Costs if and when available to reduce the Port's liability for return of Developer Capital and associated Developer Return. The City, the Port, and Master Developer will cooperate to explore state and federal incentives that might be available for horizontal and vertical construction of the Project, such as for brownfield remediation, transit-oriented development, and sustainability pilot programs. Possible options, in coordination with the City, could include placing on the ballot an initiative to approve a parks general obligation bond that would include funds

	<p>for certain public open spaces at Pier 70; exploring with City financial officers and other City departments the feasibility and desirability of using other public financing mechanisms that might be employed to assist in financing the Project, such as mortgage revenue bonds, revenue bonds for infrastructure, and GreenFinanceSF bond financing for energy and water conservation and renewable energy improvements to buildings.</p> <p>(e) <u>Maximum Use of Land-Secured Financing Proceeds.</u> Qualified Project Costs will be paid from IFD and CFD proceeds to the extent available.</p>
<p>13. Open Spaces, Parks, and Recreation</p>	<p>As part of the Public Facilities, Master Developer will develop major new public parks and open spaces connecting the Waterfront Site with surrounding neighborhoods and the waterfront. The development of these Public Facilities will be distributed among the Phases so that parks and open spaces are generally completed in coordination with the completion of adjacent vertical development.</p> <p>Parks and open spaces (other than privately-owned building-integrated open spaces) will be owned by, and will remain under the jurisdiction and control of, the Port, and will be managed and programmed by Master Developer or a third-party operating entity subject to Port approval under an appropriate license or management agreement meeting the requirements for a Maintenance CFD, as described in Section 12(c) (Maintenance District), subject to applicable conditions of the BCDC major permit for those portions of the Project within BCDC jurisdiction. Maintenance of the parks and open spaces on the Waterfront Site will be funded by maintenance special taxes imposed on Vertical Developers on the Waterfront Site through the Maintenance CFD. These parks, totaling approximately 7 acres, are described in the Overview.</p>
<p>14. Disposition of Development Parcels</p>	<p>(a) <u>Master Developer Option.</u></p> <p>i. <u>Option Rights.</u> Master Developer (and its affiliates and joint ventures) will have option rights (for each parcel, an “Option”) as follows: (1) on all Development Parcels; (2) on the 20th/Illinois Parcel under the conditions specified in Section 15(a) (20th/Illinois Parcel); and (3) on Parcels E-1A and E-1B under conditions to be specified in the DDA. The Port will not have any</p>

right to "put" a Development Parcel to Master Developer. The Option will not include District Parking Facilities Parcels C-1A, C-1B, and C-2 or historic Buildings 12 and 21.

- ii. Option Price. The Port will sell Development Parcels to be developed primarily as for-sale residential condominiums in fee, subject to a maximum amount of residential condominium units of the total amount residential units to be negotiated and included in the DDA. The Port will transfer all other Development Parcels by 99-year Ground Leases. All Development Parcels will be transferred at fair market rental value for Ground Lease parcels or fair market value for fee parcels (in either case, "FMV"), determined in accordance with the appraisal process described in **Section 14(c)** (Appraisal Process). Master Developer will have 90 days after completion of each appraisal process to exercise its Option.

- iii. Timing for Required Annual Ground Rent. After all of the following have occurred: (1) Master Developer has completed all Infrastructure and Public Facilities; (2) the Port or the City has accepted all completed Qualified Facilities; (3) the Master Developer Return Statement shows that Master Developer has received the Developer Return; and (4) Master Developer has received the return of Developer Capital, then all new Ground Leases that the Port conveys will include an annual ground rent obligation based on FMV, subject only to periodic escalation based on the Consumer Price Index (San Francisco-Oakland-San Jose, all urban consumers) published by the U.S. Department of Labor Bureau of Labor Statistics or, if no longer published, a similar index acceptable to the Parties, subject to a minimum and a maximum increase to be included in the DDA, with no market re-sets, and the Port will receive annual payments of 55% of the annual ground rent obligation. Until then, all Ground Leases will be fully prepaid. The Parties will continue to negotiate on an earlier date to convert to Ground Leases with annual ground rent, a mechanism to partially prepay Ground Leases (e.g., ground rent prepaid for 75 years,

	<p>followed by 24 years of annual ground rent payments) or a mechanism to create an annuity for the Port from its 55% profit participation, if any.</p> <p>iv. <u>Closing</u>. If Master Developer timely exercises the Option at the appraised FMV, Closing will occur in accordance with the DDA upon satisfaction or waiver of conditions. Subject to Section 10(b) (Priorities for Application of Project Sources), the Port will use Land Proceeds to pay Developer Return (excluding the Cost of Carry) and to repay Developer Capital, the latter subject to reimbursement from tax-exempt or taxable Land-Secured Financing Proceeds as of the date of each Closing. Any remaining Land Proceeds will be placed in the Project Account and treated as provided in Section 10(c) (Reinvestment of Surplus Proceeds).</p> <p>v. <u>Failure to Close</u>. If Master Developer does not timely close on a Ground Lease after exercising its Option at the appraised FMV, then the Port will offer the Development Parcel for a third-party public offering (in each case, a "Public Offering") at the appraised FMV according to procedures briefly described below.</p> <p>(b) <u>Public Offerings</u>.</p> <p>i. <u>Broker-Managed Offerings</u>. Public Offerings will be managed by a broker selected from a list of pre-qualified brokers selected by Master Developer and the Port and be made available to third-party bidders that meet bidder selection guidelines for residential and commercial parcels to be set forth in the DDA (each, a "Qualified Bidder") for a minimum price no less than its appraised FMV (the "Minimum Bid Price"). The Public Offering documents will specify that each bidder must agree to enter into an appropriate agreement with the Port that will require the winning bidder to comply with the SUD, the Waterfront Land Use Plan, including the Waterfront Design and Access Element, Project design review and approval procedures, and applicable City and Port requirements consistent</p>
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	<p>with the DDA. The Public Offering will be on the market for a reasonable period of time determined by the Qualified Broker in consultation with the Port and Master Developer and specify a date by which the escrow must close. The Port will sell the Development Parcel to the Qualified Bidder submitting the highest bid price that meets or exceeds the Minimum Bid Price.</p> <p>ii. <u>Failed Offering.</u> If no Qualified Bidder submits a bid at or above the Minimum Bid Price, then Master Developer will have a right to exercise an Option to purchase the Development Parcel at the Minimum Bid Price. If Master Developer chooses not to exercise its Option under this Section 14(b)(ii) (Failed Offering), then a second Public Offering for the parcel will be held. The DDA will include a procedure for proceeding if the parcel fails to sell for the Minimum Bid Price at the second Public Offering.</p> <p>(c) <u>Appraisal Process.</u> Within 30 days after Master Developer delivers an Appraisal Trigger Notice to the Port, the Parties will initiate an appraisal process to determine the FMV of the applicable Development Parcel in accordance with the following procedures:</p> <p>i. <u>Appraisal Panel.</u> The Parties will issue joint instructions ("Appraisal Instructions") to a member of the Appraisal Institute who meets specified qualifications, including requirements to avoid conflicts of interest (each, a "Qualified Appraiser"), to prepare an appraisal report consistent with Appraisal Instructions that will be attached to the DDA. The DDA may include a list of pre-approved Qualified Appraisers from which the Parties may select.</p> <p>ii. <u>Appraisal Disputes.</u> If the Parties agree on the value conclusions in an appraisal report, it will be final for the purpose of the Option. If either Party objects to the appraisal within 15 days, either Party may submit the appraisal to an expedited dispute resolution process. Under the expedited process, each Party will have the right to engage another Qualified Appraiser to prepare an</p>
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	<p>appraisal report using the same instructions. Each Party will be responsible for the costs of its own Qualified Appraiser, and will share equally in the costs of the third Qualified Appraiser. Currently, the Parties anticipate that appraisal disputes will be resolved as follows:</p> <ol style="list-style-type: none"> 1. If, based on the appraisal prepared by each of the Parties' Qualified Appraiser, the difference between the Parties' value conclusions is 10% or less of the higher value, then the FMV will be the average of the two values. 2. If the difference between Parties' value conclusions is greater than 10% of the higher value, then the Parties will select a third Qualified Appraiser to perform a third appraisal using the same instructions, and the FMV will be established as follows: <ol style="list-style-type: none"> A. If the difference between the value conclusion in the Port's appraisal and the third value is 10% or less, then the FMV will be the average of those two values. B. If the difference between value conclusion in Master Developer's appraisal and the third value is 10% or less, then the FMV will be the average of those two values. C. If neither the Port's nor Master Developer's value conclusion is within 10% of the third value, or if both the Port's and Master Developer's value conclusions are within 10% of the third value, the third value will be deemed FMV. <p>(d) <u>Other Parcels</u>. The District Parking Facilities and Buildings 12 and 21 are not subject to Master Developer's Option under Section 14(a) (Master Developer Option). Disposition, if any, is addressed in Section 16 (District Parking Facilities) and Section 17 (Placemaking Parcels).</p>
<p>15.20th/Illinois and Third-Party</p>	<p>(a) <u>20th/Illinois Parcel</u>. The Port will seek Port Commission and Board approval to publicly offer and sell the</p>

<p>Parcels</p>	<p>20th/Illinois Parcel. The Parties have agreed to the following conditions relating to this sale:</p> <ul style="list-style-type: none"> i. The Port's minimum offering price for the 20th/Illinois Parcel will be established by a proprietary appraisal and publicly offered in accordance with the Port's customary procedures as soon as practicable after the Board approves the sale, which the Parties will submit to the Board for approval as part of Project Approval. The offering will be open to all qualified bidders, including Master Developer. ii. The bid documents will specify that the winning bidder must close escrow no later than 12 months after the Board approves the sale, with sale proceeds payable through escrow to Master Developer to be applied to the accrued and unpaid Developer Return (excluding the Cost of Carry) on Master Developer's Project Entitlement costs incurred before Project Approval. iii. If Master Developer has not received funds from the sale of the 20th/Illinois Parcel within 12 months from Project Approval, then within 60 days, the Port must either pay Master Developer an amount equal to the appraised FMV of the 20th/Illinois Parcel, or offer Master Developer the right to purchase the 20th/Illinois Parcel at its appraised FMV. <p>(b) <u>Third-Party Parcels</u>. The Port intends to sell the Third-Party Parcels through proprietary public offerings. The Port may elect at its sole option to treat proceeds from the sale of Third-Party Parcels as Land Proceeds that are applied as set forth in Section 10 (Developer Return).</p> <p>The Port will also cooperate with the City on its potential purchase and later sale of the Hoe Down Yard, which will be deemed a Third-Party Parcel if the City acquires it. The DDA may describe a process by which Master Developer could obtain an Option on the Hoe Down Yard if the City acquires it by relinquishing the Option for a Development Parcel of equivalent value, with a corresponding change to the boundaries of the Waterfront Site.</p>
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**16. District Parking Facilities
(Parcels C-1A, C-1B, and C-2)**

(a) Sources for District Parking Facilities. The Parties will continue to discuss a number of options to finance the District Parking Facilities with the goal of including their agreement on how to finance these structures in the DDA. Financing options under consideration include public financing of the District Parking Facilities, use of net operating income from the facilities, use of Developer Capital (subject to a 12% annual return on and repayment of capital invested), and use of Port Project proceeds. If Developer Capital is used to fund District Parking Facilities, return of and on Developer Capital will be funded by, among other potential sources, Port's 55% share of the Project Surplus, if any.

Under the option currently preferred by the Parties, the DDA will require the Port and the City to use good faith efforts to maximize use of taxable IFD and CFD bond proceeds to construct the portion of the District Parking Facilities found to serve a public purpose. The Port would own and manage the District Parking Facilities and make spaces available to Master Developer as described below. Master Developer could undertake the construction of the District Parking Facilities on behalf of the Port in this scenario, subject to applicable public works requirements, as the Port's fee developer for a market rate development fee. The Port would be responsible for directly paying for all development costs. To the extent permitted by law, the Port would consider the use of net operating revenues as a secondary source for repayment of any CFD or IFD bonds used to finance construction any portion of the costs. Except to the extent needed to pay CFD or IFD bond debt service, the Port would retain all net operating revenues.

(b) Allocation of Parking. The DDA will specify the allocation of parking spaces between residential, commercial, and public access uses at the Waterfront Site and Pier 70 parking demand outside of the Waterfront Site. Any allocation will require cost-sharing that meets the requirements of any public financing sources. CFD special taxes from the Waterfront Site will not subsidize construction of parking spaces for dedicated use by buildings outside of the Waterfront Site. Before operations begin, the Parties will enter into reciprocal easement agreements and other ancillary agreements. The DDA will also specify a process under

	<p>which the Parties will agree on the number, if any, of parking spaces within a District Parking Facility assigned to a Development Parcel before vertical development of the parcel begins until Master Developer's overall parking allocation is assigned. The agreements allocating parking spaces to commercial and residential occupants of Development Parcels will provide for the spaces to be available at market rates, subject only to market adjustments not to exceed a market-based adjustment based on survey and provisions to ensure that public parking does not subsidize private parking.</p> <p>(c) <u>Flex Zoning</u>. The SUD will provide for flexible zoning of the parcels designated for the District Parking Facilities to enable the Parties to develop the parcel(s) for residential or commercial use if the Parties determine later that one or more are not needed for that use.</p>
<p>17. Placemaking Parcels (Buildings 12 and 21; Parcels E-1A and E-1B)</p>	<p>(a) <u>Ground Leases for Historic Buildings</u>. Master Developer will be obligated to rehabilitate these historic buildings in accordance with the Secretary's Standards. The Port will convey Buildings 12 and 21 to Master Developer under separate ground leases, each of which will reflect the building's net market value (which may be positive) or net required subsidy (which may be negative) with financial terms to be included in the DDA. The Parties expect that the Port will pay for the qualified costs of Historic Improvements with IFD financing, but will continue to investigate the impact of any allocation of historic tax credits on the anticipated use of IFD, required lease terms if Master Developer obtains allocations of historic tax credits, and other legal issues required to be resolved for incorporation into the DDA.</p> <p>(b) <u>Ground Leases for New Construction</u>: Master Developer will have an option to ground lease Parcels E-1A and E-1B from the Port at no cost for the establishment of placemaking uses, which may include construction of new buildings that will house a combination of small scale local production, arts and cultural uses, small business incubator uses, retail and innovation retail and other publically accessible and activating uses. The Parties will continue to investigate the potential use of land-secured financing sources to reimburse Master Developer's qualified Eligible Vertical Improvements to the maximum extent permitted by law and its impact on the nature and tenure of the owner</p>

	<p>and operator of the completed spaces. If the Parties conclude that legal impediments prevent the use of these sources to reimburse Master Developer for its Developer Capital investment in these buildings, the Port will have no obligation to reimburse Master Developer for those costs. In any case, Master Developer will not be entitled to Developer Return on its Entitlement and development costs associated with Parcels E1-A and E-1B incurred after the effective date of the DDA. The DDA and SUD will include provisions that may allow for other uses of and disposition process for these parcels if Master Developer elects not to exercise its option on these parcels.</p>
<p>18. Interim Leasing</p>	<p>Master Developer will work with the Port on its interim leasing of parcels at the Waterfront Site until each parcel is ready for development. If Master Developer is able to bring Net New Interim Lease Revenues to the Waterfront Site, 50% of all Net New Interim Lease Revenues that the Port receives, net of Master Developer's reasonable costs associated with the interim leasing program as set forth in the DDA, will be treated as Land Proceeds.</p>
<p>19. Noonan Building Tenants</p>	<p>The Port currently has space leases with a number of tenants in the Building 11, also known as the Noonan Building, many of whom are artists (the "Noonan Tenants"). Under Master Developer's current concept plan, Building 11 will be demolished. Master Developer will offer replacement space ("Replacement Space") to each Noonan Tenant that is of similar size to the tenant's existing premises. Rent on the Replacement Space will be based on the Port's current parameter rent schedule for the Noonan Building, inflated to the date on which the new lease for the Replacement Space begins by a process to be included in the DDA. The right to Replacement Space will be personal to the person identified on the Port lease and will be limited to Noonan Tenants who are in good standing on the date on which the Board endorses this Term Sheet and who remain in good standing under their leases with the Port until Master Developer offers the Replacement Space. Noonan Tenants will not be allowed to sublease or assign their leases for Replacement Space.</p>

Term Sheet Non-Binding

Under the San Francisco Charter, no officer or employee of the City has authority to commit the City to the Project until the appropriate City departments and agencies have approved the transaction. Except as set forth in the ENA, no legal obligation will exist with respect to the transactions described in this Term Sheet, unless and until the Parties have negotiated, executed, and delivered mutually acceptable agreements based upon information produced from the CEQA process and other public review and hearing processes and subject to all applicable governmental approvals. Before entering into final Transaction Documents, the Port and the City retain the absolute discretion to: (a) require modifications to the Project and any proposed agreements as are deemed necessary to mitigate significant environmental impacts; (b) select feasible alternatives that avoid or reduce significant adverse environmental impacts of the Project; (c) require implementation of specific measures to mitigate the significant adverse environmental impacts of the Project, as identified through environmental review; (d) reject all or part of the Project as proposed if the economic and social benefits of the Project rejected do not outweigh otherwise unavoidable significant adverse environmental impacts of the Project; or (e) approve the Project upon finding that the economic and social benefits of the Project approved outweigh otherwise unavoidable significant adverse environmental impacts of the Project. Before entering into final Transaction Documents, Master Developer also retains the absolute discretion to make modifications to the Project and to determine not to proceed with the proposed Project.

MASTER DEVELOPER:

FOREST CITY DEVELOPMENT
CALIFORNIA, Inc.,
a California corporation

PORT:

CITY AND COUNTY OF SAN
FRANCISCO, a municipal corporation,
operating by and through the
SAN FRANCISCO PORT COMMISSION

By: _____

Kevin Ratner
Authorized Representative

Date: _____

By: _____

Monique Moyer
Executive Director

Date: _____

Endorsed by Port Resolution No.
and Board Resolution No.

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Exhibit A – Site Description

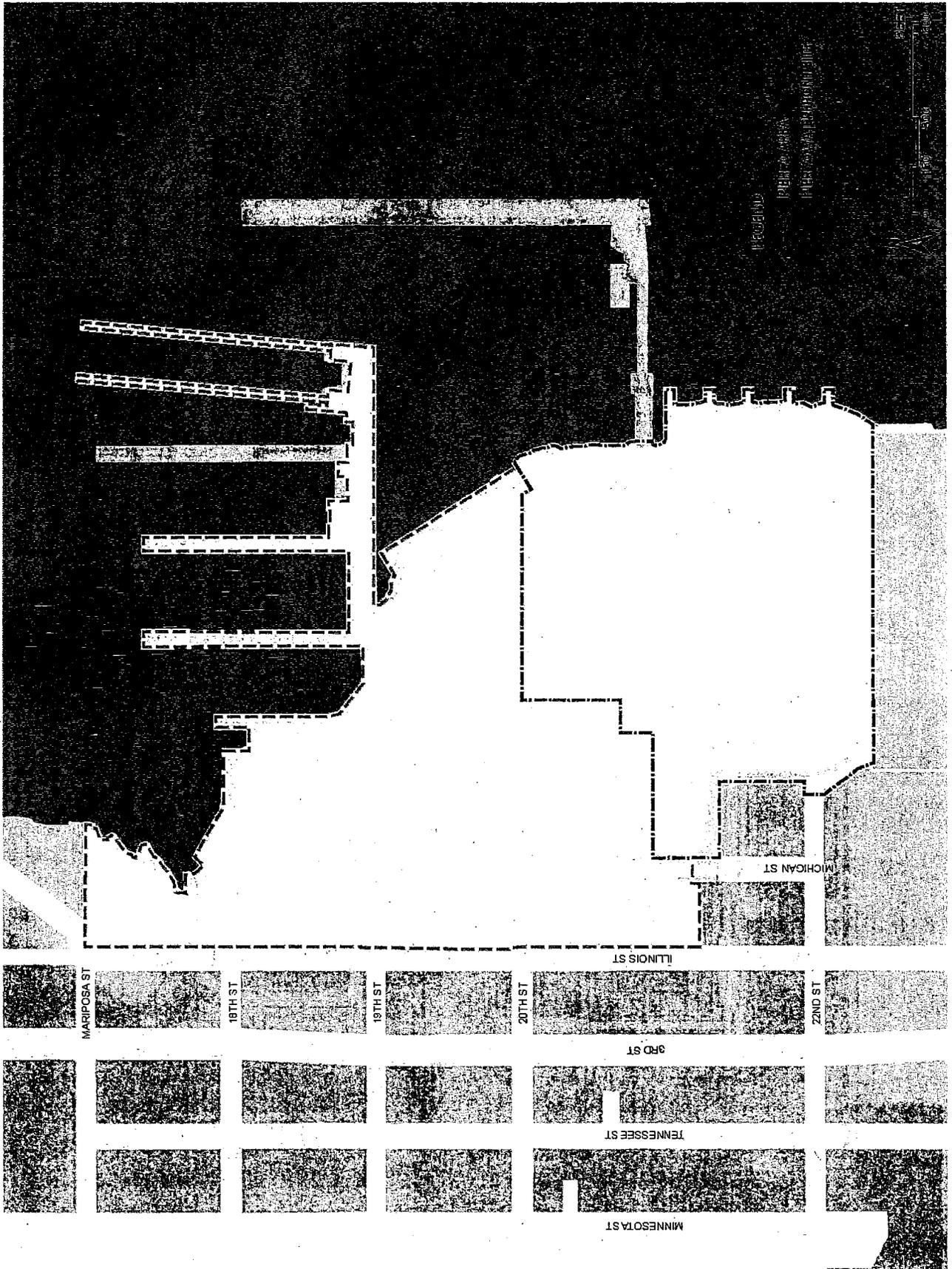


Exhibit B – Conceptual Land Use Plan

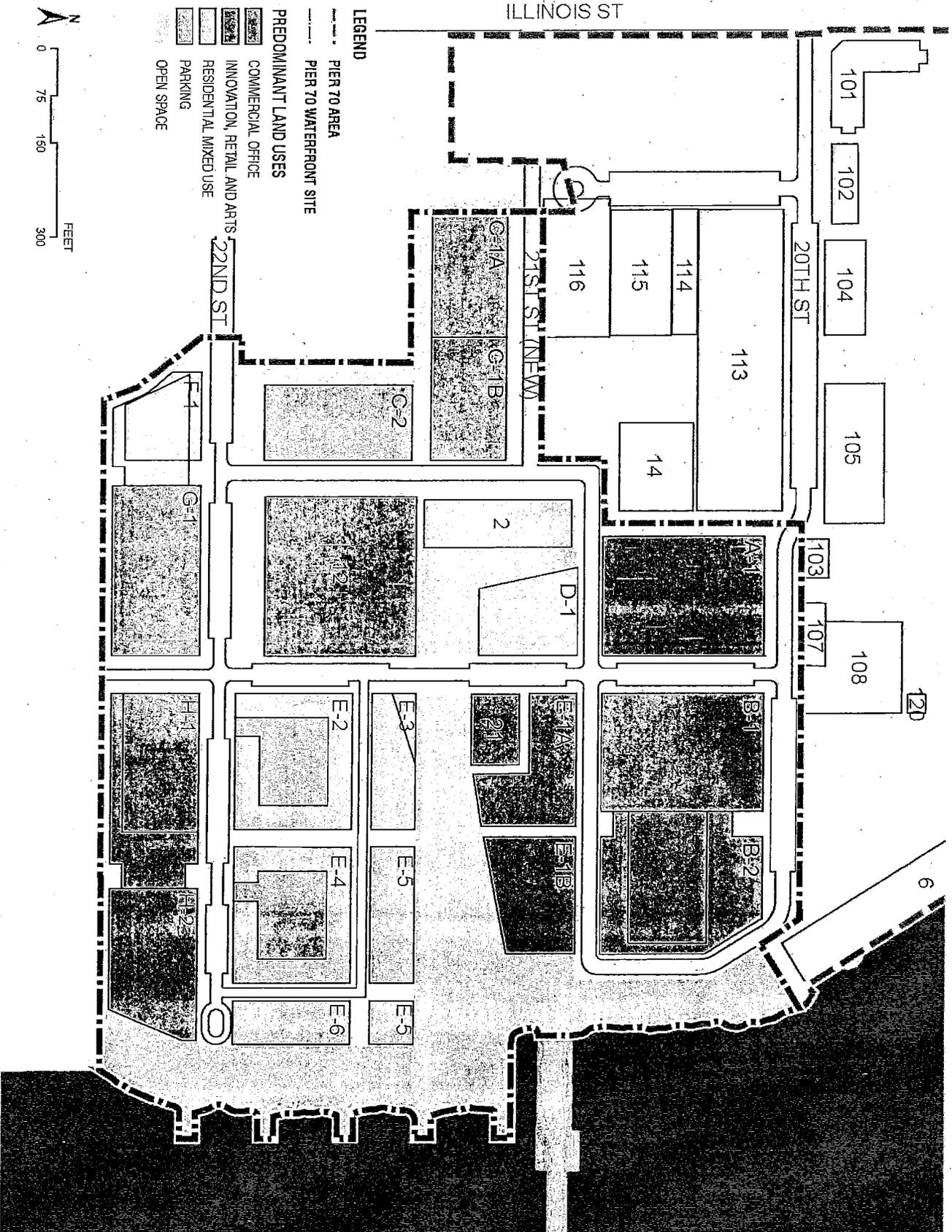


Exhibit C – Illustrative Phasing Plan

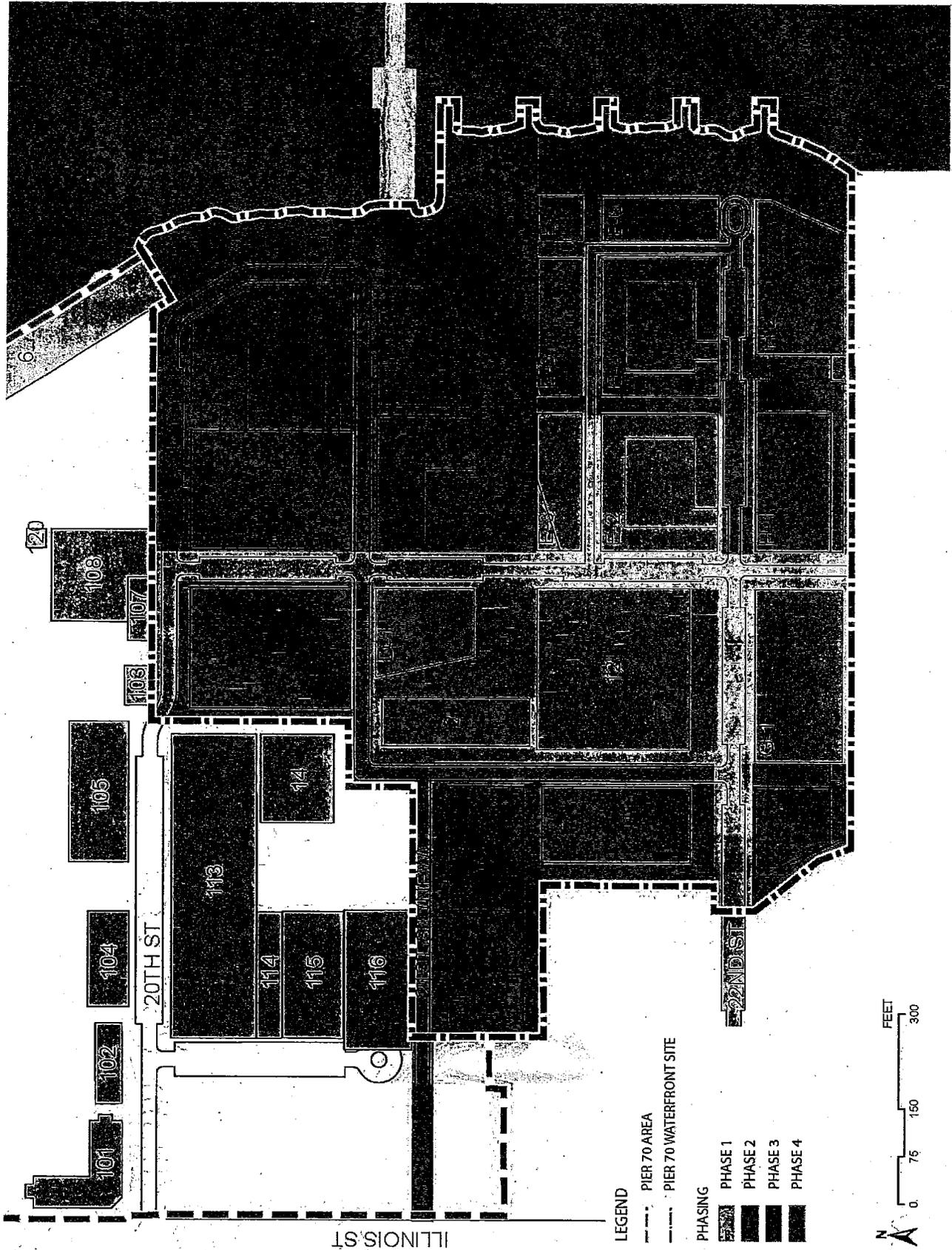


Exhibit D -- Illustrative Public Trust Map

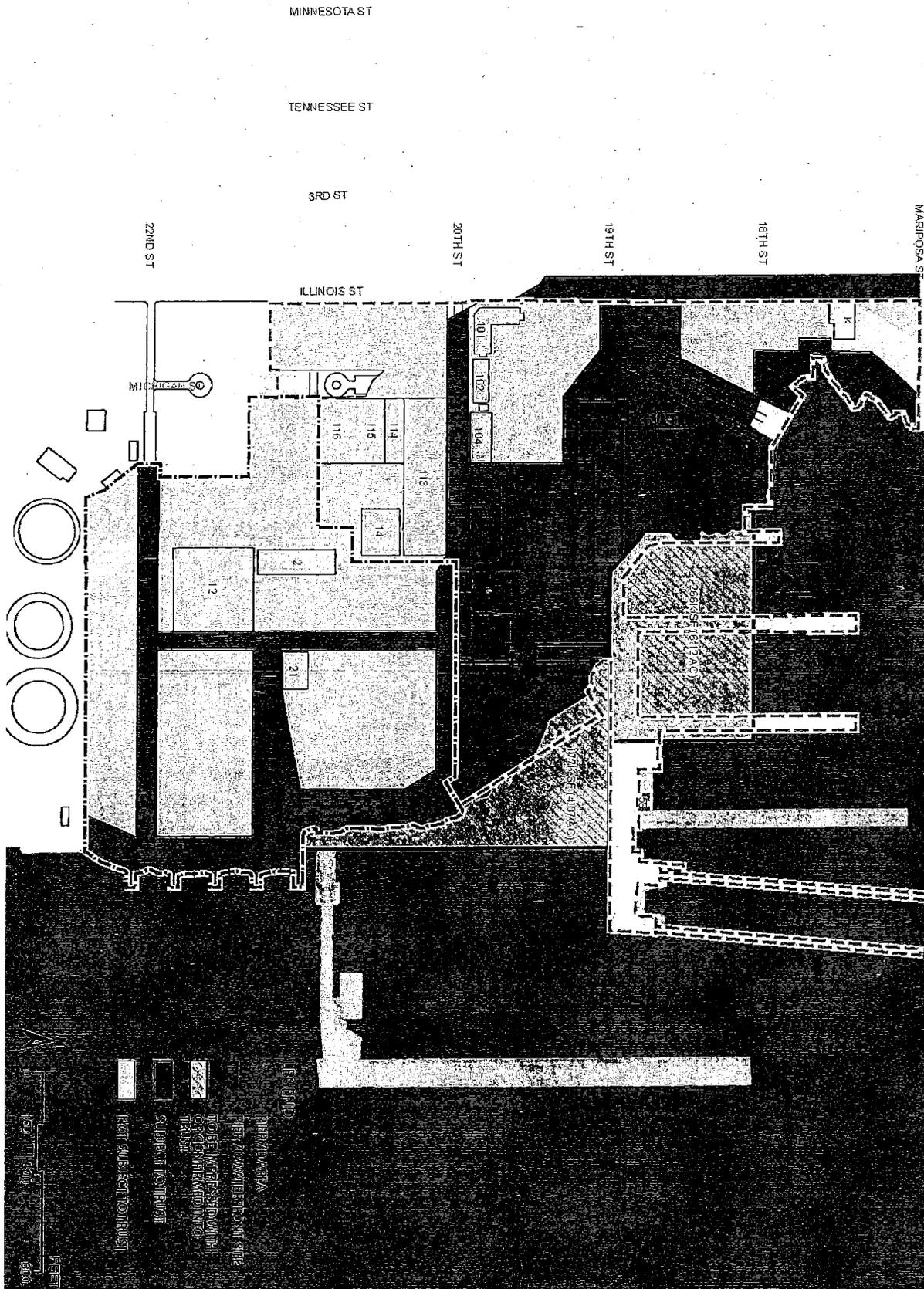


Exhibit E – Conceptual Height Map

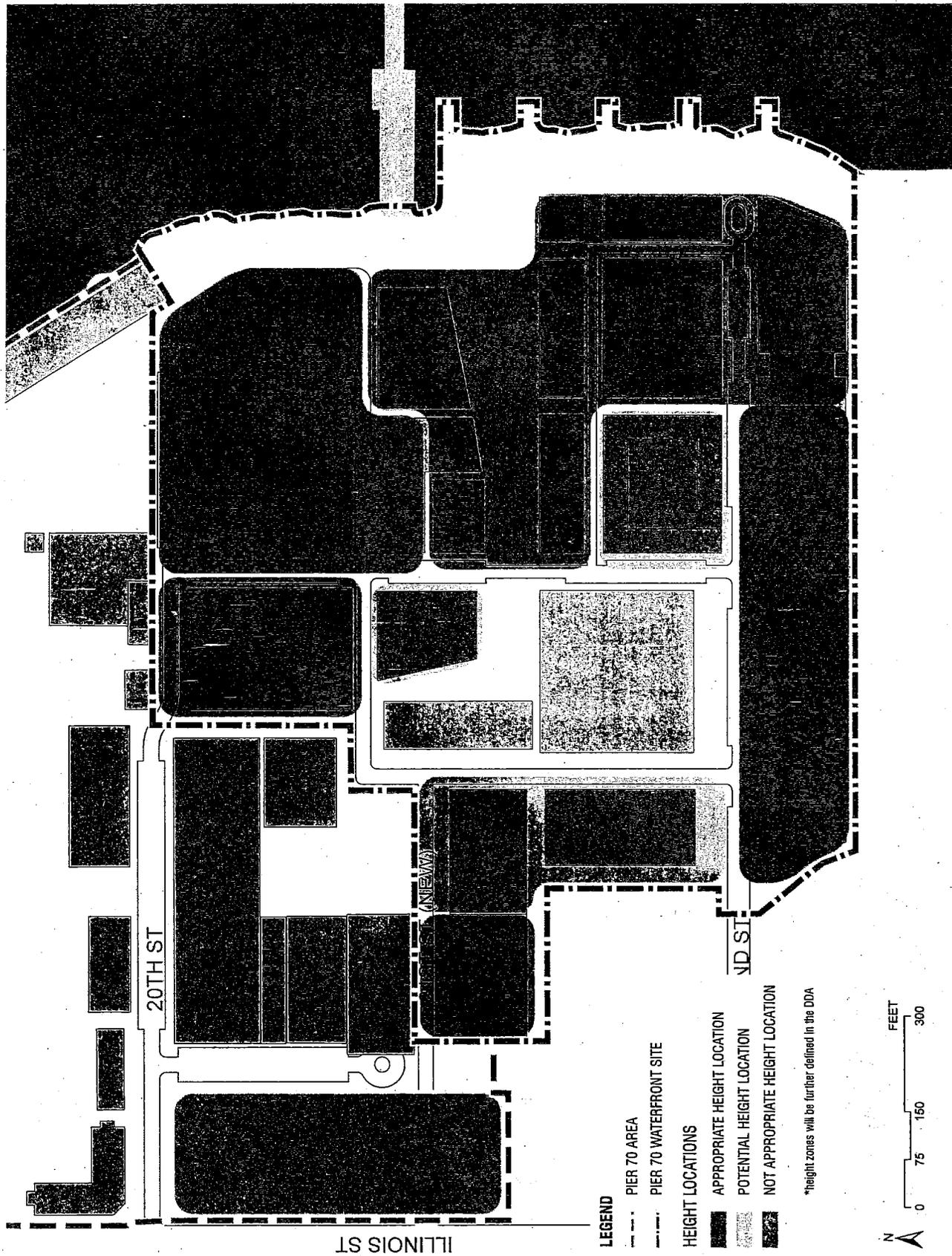


Exhibit F – Third Party Parcels

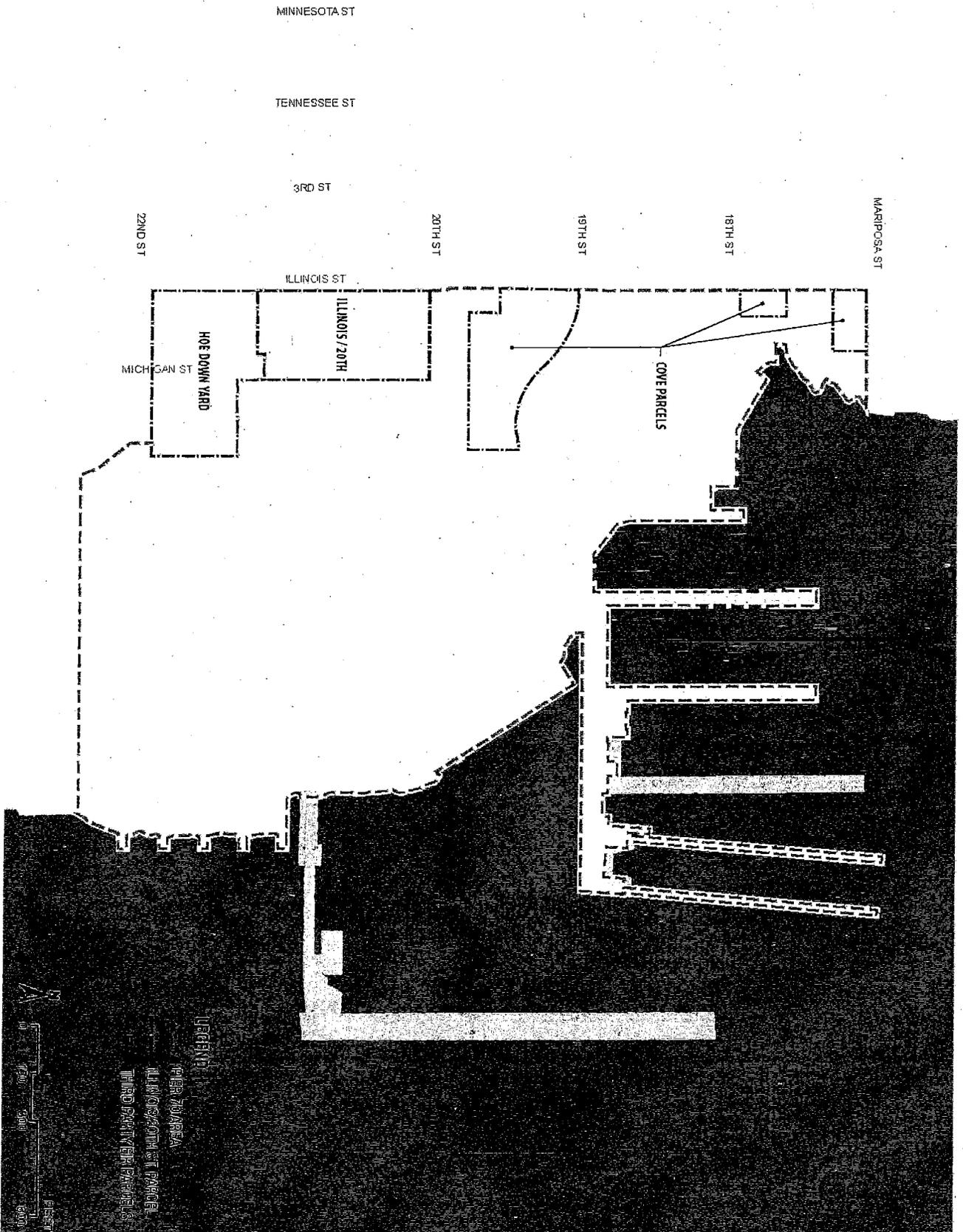


EXHIBIT G - SUMMARY PRO-FORMA UNDERWRITING (a)

A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES		
Upright Project Entitlement Expenditures	\$ 21,271,876	
Phase I Infrastructure	\$ 35,154,981	
Phase II Infrastructure	\$ 37,104,584	
Phase III Infrastructure	\$ 75,709,566	
Phase IV Infrastructure	\$ 47,689,776	
Total Horizontal Infrastructure Uses (b)	\$ 216,930,284	
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES		
Upright CFD Mello Roos Bonds	\$ -	
Phase I CFD Mello Roos Bonds	\$ -	
Total Upright CFD Mello Roos Bonds	\$ -	
IFD Bonds - Completed Buildings	\$ 40,863,046	
Phase I IFD Bonds	\$ 24,189,882	
Phase II IFD Bonds	\$ 60,756,273	
Phase III IFD Bonds	\$ 42,957,683	
Phase IV IFD Bonds	\$ 168,566,664	
Total IFD Bonds - Completed Buildings	\$ 53,925,425	
Pay Go Tax Increment Applied to Project	\$ 222,492,089	
Total Horizontal Infrastructure Investment Sources	\$ 276,417,514	
C.) MASTER DEVELOPER PEAK EQUITY (c)		
Phase I	\$ 22,271,876	
Phase II	\$ 8,933,054	
Phase III	\$ 447,330	
Phase IV	\$ -	
Total Master Developer Peak Equity	\$ 31,652,260	
D.) PREPAID AND ANNUAL GROUND RENT		
12A/ 12C (Office + Innov)	\$ 3,458,201	
G-1 (Office)	\$ 7,783,103	
D-1 (Res)	\$ 2,177,875	
E2-E3 (Res)	\$ 6,711,615	
2 (Res)	\$ 25,861,481	
3 (Res)	\$ 18,747,028	
A-1 Office	\$ 17,485,211	
E4-E6 (Res)	\$ 10,688,318	
F-1 (Res)	\$ 6,007,826	
B-1 (Office)	\$ 19,306,538	
B-2 (Office)	\$ 71,427,629	
H-1 (Office)	\$ 236,321,456	
H-2 (Office)	\$ 1,360,715,387	
Total Prepaid and Annual Ground Rent	\$ 1,787,289,566	
E.) PROJECT CASH FLOW AFTER DEBT SERVICE		
Horizontal Infrastructure Costs	\$ (216,930,284)	
Upright CFD Mello Roos Bonds	\$ 168,566,664	
IFD Bonds - Completed Buildings	\$ 53,925,425	
Pay Go Tax Increment	\$ 1,787,289,668	
Ground Rent Payments	\$ 1,792,851,473	
Total Project Profit	\$ 1,792,851,473	
F.) DISTRIBUTION OF PROFIT		
Master Developer: Return on Investment	\$ 23,714,863	
Profit Sharing:		
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ 32,563,789	
Master Developer Profit Participation - Prepaid Ground Rent	\$ 77,444,895	
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 1,564,473,044	
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ 94,654,872	
Total Master Developer Profit	\$ 133,723,567	
Total Port of San Francisco Profit	\$ 1,659,127,916	
Total Project Profit	\$ 1,792,851,473	
G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 99 YEARS		
Net Tax Increment to Port/Pier 70	\$ 120,466,943	
1.5% of Net Proceeds from Refinancings	\$ 262,468,047	
1.5% Transfer Fee From Sales (d)	\$ -	
1.5% (Yrs 31-60) & 2.5% (Yrs 61-99) of Modified Gross Revenues	\$ 2,048,198,602	
Horizontal Profit Participation - Annual Ground Rent	\$ 1,564,473,044	
Horizontal Profit Participation - Prepaid Ground Rent	\$ 94,654,872	
District Parking Garages Net Cash Flow	\$ 2,873,544,597	
Total Port of San Francisco Economic Benefit	\$ 6,960,804,105	
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 46 YEARS		
Total Gross Possessory Use Tax (1% of Value)	\$ 1,505,836,787	
ERAF and Other Taxing Entities	\$ (370,569,051)	
City & County of San Francisco Net Tax Increment	\$ 1,135,267,736	
Net Tax Increment to Port/Pier 70	\$ 1,135,267,736	
Total Project Tax Increment Applied to Infrastructure	\$ (120,466,943)	
Total Project Tax Increment Applied to Debt Service	\$ (53,925,425)	
Net Tax Increment after Infrastructure and Debt Service	\$ 436,540,795	

Notes:

*** All numbers are preliminary estimates and subject to further change. ***

- (a) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise denoted.
- (b) Horizontal Infrastructure Uses total approximately \$165 million (excluding allowances for additional costs associated with power and storm/sewer infrastructure solutions) in uninfilled 2012 dollars.
- (c) Peak equity includes master developer capital and ground rent used to pay infrastructure costs.
- (d) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-rent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (e)

	TOTAL	2011 YEAR 1	2012 YEAR 2	2013 YEAR 3	2014 YEAR 4	2015 YEAR 5	2016 YEAR 6	2017 YEAR 7	2018 YEAR 8	2019 YEAR 9	2020 YEAR 10	2021 YEAR 11
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES												
Upright Project Entitlement Expenditures	\$ 21,271,676	\$ 1,399,020	\$ 3,565,802	\$ 6,218,737	\$ 4,401,807	\$ 5,696,310	\$ 1,000,000	\$ 17,692,341	\$ 16,962,341	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ 35,154,681	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ 37,104,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ 75,709,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ 47,688,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ 216,930,284	\$ 1,399,020	\$ 3,565,802	\$ 6,218,737	\$ 4,401,807	\$ 5,696,310	\$ 1,000,000	\$ 17,692,341	\$ 17,623,241	\$ 18,568,205	\$ 18,600,987	\$ 25,235,184
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES												
Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ 40,683,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I IFD Bonds	\$ 24,189,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ 60,756,273	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ 42,957,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ 189,566,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ 593,235,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment Applied to Project	\$ 222,492,089	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Investment Sources	\$ 815,727,514	\$ 1,399,020	\$ 3,565,802	\$ 6,218,737	\$ 4,401,807	\$ 5,696,310	\$ 1,000,000	\$ 17,692,341	\$ 17,623,241	\$ 18,568,205	\$ 18,600,987	\$ 25,235,184
C.) MASTER DEVELOPER PEAK EQUITY (c)												
Phase I	\$ 22,271,676	\$ 1,399,020	\$ 4,954,822	\$ 11,173,559	\$ 15,575,366	\$ 21,271,576	\$ 22,271,676	\$ 22,271,676	\$ 14,355,554	\$ 14,355,554	\$ -	\$ -
Phase II	\$ 8,933,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ 447,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ 31,652,060	\$ 1,399,020	\$ 4,954,822	\$ 11,173,559	\$ 15,575,366	\$ 21,271,576	\$ 22,271,676	\$ 22,271,676	\$ 14,355,554	\$ 14,355,554	\$ 8,933,054	\$ 447,330
D.) PREPAID AND ANNUAL GROUND RENT												
12A/12C (Office + InnoV)	\$ 3,458,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,458,201	\$ -	\$ -	\$ -	\$ -
D-1 (Office)	\$ 7,783,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,783,103	\$ -	\$ -	\$ -	\$ -
D-2 (Office)	\$ 2,177,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,177,875	\$ -	\$ -	\$ -	\$ -
E2-E3 (Retail)	\$ 6,711,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,711,815	\$ -	\$ -	\$ -	\$ -
2 (Retail)	\$ 25,861,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,861,481	\$ -	\$ -	\$ -	\$ -
3 (Retail)	\$ 18,747,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,747,028	\$ -	\$ -	\$ -	\$ -
A-1 (Office)	\$ 17,485,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,485,211	\$ -	\$ -	\$ -	\$ -
E4-E6 (Retail)	\$ 10,686,318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,686,318	\$ -	\$ -
F-1 (Retail)	\$ 6,607,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,607,826	\$ -	\$ -
B-1 (Office)	\$ 19,305,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,305,538	\$ -	\$ -
B-2 (Office)	\$ 71,427,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
H-1 (Office)	\$ 236,321,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
H-2 (Office)	\$ 1,593,715,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Prepaid and Annual Ground Rent	\$ 1,787,269,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,165,206	\$ 50,058,308	\$ 10,686,318	\$ 25,914,364	\$ -
E.) PROJECT CASH FLOW AFTER DEBT SERVICE												
Horizontal Infrastructure Costs	\$ (216,930,284)	\$ (1,399,020)	\$ (3,565,802)	\$ (6,218,737)	\$ (4,401,807)	\$ (5,696,310)	\$ (1,000,000)	\$ (17,692,341)	\$ (17,623,241)	\$ (18,568,205)	\$ (18,600,987)	\$ (25,235,184)
Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ 160,566,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ 59,923,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ground Rent Payments	\$ 1,787,269,666	\$ (1,399,020)	\$ (3,565,802)	\$ (6,218,737)	\$ (4,401,807)	\$ (5,696,310)	\$ (1,000,000)	\$ 32,165,206	\$ 50,058,308	\$ 10,686,318	\$ 25,914,364	\$ -
Total Project Profit	\$ 1,792,891,473	\$ (1,399,020)	\$ (3,565,802)	\$ (6,218,737)	\$ (4,401,807)	\$ (5,696,310)	\$ (1,000,000)	\$ 14,573,866	\$ 32,435,067	\$ (7,861,887)	\$ 40,472,186	\$ (3,865,749)

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	TOTAL	2011 YEAR 1	2012 YEAR 2	2013 YEAR 3	2014 YEAR 4	2015 YEAR 5	2016 YEAR 6	2017 YEAR 7	2018 YEAR 8	2019 YEAR 9	2020 YEAR 10	2021 YEAR 11
F.) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment	\$ 23,714,883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,084,634	\$ 14,573,866	\$ -	\$ -	\$ 1,046,363	\$ -
Profit-Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ 32,563,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ 77,444,895	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 1,564,473,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ 94,664,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,084,634	\$ 14,573,866	\$ -	\$ -	\$ 1,046,363	\$ -
Total Master Developer Profit	\$ 133,723,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,084,634	\$ 14,573,866	\$ -	\$ -	\$ 1,046,363	\$ -
Total Port of San Francisco Profit	\$ 1,658,127,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,084,634	\$ 14,573,866	\$ -	\$ -	\$ 1,046,363	\$ -
Total Project Profit	\$ 1,792,661,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,084,634	\$ 14,573,866	\$ -	\$ -	\$ 1,046,363	\$ -
G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 89 YEARS												
Net Tax Increment to Port/Pier 70	\$ 120,466,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,592	\$ 539,852
1.5% of Net Proceeds from Refinancings	\$ 262,466,047	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% Transfer Fee From Sales (d)	\$ 2,045,196,602	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% (Yrs 31-60) & 2.5% (Yrs 61-89) of Modified Gross Revenues	\$ 1,654,473,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Horizontal Profit Participation - Annual Ground Rent	\$ 84,664,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Horizontal Profit Participation - Prepaid Ground Rent	\$ 2,873,544,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Parking Garages Net Cash Flow	\$ 6,960,804,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 539,852
Total Port of San Francisco Economic Benefit	\$ 120,466,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,592	\$ 539,852
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 46 YEARS												
Total Gross Possessory Use Tax (Y% of Value)	\$ 1,505,836,787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,082,404	\$ 6,749,400
ERAF and Other Taxing Entities	\$ (370,569,051)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (499,240)	\$ (674,940)
City & County of San Francisco Net Tax Increment - 46 Years	\$ 1,135,267,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,674,164	\$ 6,074,460
Net Tax Increment	\$ 1,135,267,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,674,164	\$ 6,074,460
Total Project Tax Increment Applied to Infrastructure	\$ (120,466,943)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (328,480)	\$ (539,852)
Total Project Tax Increment Applied to Debt Service	\$ (524,334,573)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (664,325)	\$ (864,002)
Net Tax Increment after Infrastructure and Debt Service	\$ 436,540,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,043,247)	\$ (4,370,506)

Notes:
 (a) All numbers are preliminary estimates and subject to further change.
 (b) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise denoted.
 (c) Horizontal Infrastructure Uses total approximately \$165 million (excluding allowances for additional costs associated with power and storm/river infrastructure solutions) in unimproved 2012 dollars.
 (d) Peak equity includes master developer capital and ground rent used to pay infrastructure costs.
 (e) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-rent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20	YEAR 21	YEAR 22	YEAR 23
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES												
Uplift Project Entitlement Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ 25,270,953	\$ 24,075,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ 25,270,953	\$ 24,075,910	\$ -	\$ -	\$ -	\$ 1,304,234	\$ 23,865,652	\$ 22,439,691	\$ -	\$ -	\$ -	\$ -
						\$ 1,304,234	\$ 23,865,652	\$ 22,439,691	\$ -	\$ -	\$ -	\$ -
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES												
Uplift CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Uplift CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ 11,181,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ 289,922	\$ 27,315,482	\$ -	\$ 33,135,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ 11,471,732	\$ 27,315,482	\$ -	\$ 33,135,959	\$ -	\$ -	\$ -	\$ 11,672,487	\$ 31,285,176	\$ -	\$ -	\$ -
	\$ 781,138	\$ 1,170,515	\$ 1,365,236	\$ 1,870,791	\$ 2,140,905	\$ 2,416,421	\$ 2,697,448	\$ 3,092,215	\$ 3,698,171	\$ 4,084,414	\$ 4,478,382	\$ 4,880,230
Pay Go Tax Increment Applied to Project	\$ 12,272,870	\$ 28,480,087	\$ 1,365,236	\$ 35,007,650	\$ 2,140,905	\$ 2,416,421	\$ 2,697,448	\$ 14,784,703	\$ 31,383,347	\$ 4,084,414	\$ 4,478,382	\$ 4,880,230
Total Horizontal Infrastructure Investment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C.) MASTER DEVELOPER PEAK EQUITY (c)												
Phase II	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D.) PREPAID AND ANNUAL GROUND RENT												
12M/12C (Office + Invo)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D-1 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E2-E3 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-1 Office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E4-E6 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F-1 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-1 (Office)	\$ 71,427,629	\$ -	\$ -	\$ -	\$ 4,818,627	\$ -	\$ 418,987	\$ 451,248	\$ 444,185	\$ 457,511	\$ 471,236	\$ 485,373
H-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,745,172	\$ 27,745,172	\$ 2,410,758	\$ 2,483,081	\$ 2,557,574	\$ 2,634,301	\$ 2,713,330
Total Prepaid and Annual Ground Rent	\$ 71,427,629	\$ -	\$ -	\$ -	\$ 4,818,627	\$ 27,745,172	\$ 418,987	\$ 2,842,006	\$ 2,927,266	\$ 3,014,084	\$ 3,105,537	\$ 3,186,703
E.) PROJECT CASH FLOW AFTER DEBT SERVICE												
Horizontal Infrastructure Costs	\$ (25,270,953)	\$ (24,075,910)	\$ -	\$ -	\$ -	\$ (1,304,234)	\$ (23,865,652)	\$ (22,439,691)	\$ -	\$ -	\$ -	\$ -
Uplift CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ 11,481,732	\$ 27,315,482	\$ -	\$ 33,135,959	\$ -	\$ -	\$ -	\$ 11,672,487	\$ 31,285,176	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ 12,272,870	\$ 28,480,087	\$ 1,365,236	\$ 35,007,650	\$ 2,140,905	\$ 2,416,421	\$ 2,697,448	\$ 3,092,215	\$ 3,698,171	\$ 4,084,414	\$ 4,478,382	\$ 4,880,230
Ground Rent Payments	\$ 54,426,556	\$ 4,413,096	\$ 1,365,236	\$ 35,007,650	\$ 6,959,532	\$ 28,777,360	\$ (20,746,516)	\$ (4,833,182)	\$ 37,910,613	\$ 7,099,488	\$ 7,563,819	\$ 8,076,933
Total Project Profit	\$ 54,426,556	\$ 4,413,096	\$ 1,365,236	\$ 35,007,650	\$ 6,959,532	\$ 28,777,360	\$ (20,746,516)	\$ (4,833,182)	\$ 37,910,613	\$ 7,099,488	\$ 7,563,819	\$ 8,076,933

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20	YEAR 21	YEAR 22	YEAR 23
F.) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Profit Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ 4,818,827	\$ 27,745,172	\$ -	\$ -	\$ 62,223,978	\$ 1,837,986	\$ 2,015,272	\$ 2,186,104
Master Developer Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,827,258	\$ 3,015,084	\$ 3,106,537	\$ 3,198,703
Port of San Francisco Profit Participation - Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,687	\$ 2,842,006	\$ 76,051,530	\$ 2,246,428	\$ 2,463,110	\$ 2,684,127
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,223,979	\$ 1,837,986	\$ 2,015,272	\$ 2,186,104
Total Master Developer Profit	\$ -	\$ -	\$ -	\$ -	\$ 4,818,827	\$ 27,745,172	\$ 418,687	\$ 2,842,006	\$ 76,051,530	\$ 5,281,512	\$ 5,568,647	\$ 5,882,829
Total Port of San Francisco Profit	\$ -	\$ -	\$ -	\$ -	\$ 4,818,827	\$ 27,745,172	\$ 418,687	\$ 2,842,006	\$ 141,202,776	\$ 7,039,488	\$ 7,883,919	\$ 8,078,933
Total Project Profit	\$ -	\$ -	\$ -	\$ -	\$ 4,818,827	\$ 27,745,172	\$ 418,687	\$ 2,842,006	\$ 141,202,776	\$ 7,039,488	\$ 7,883,919	\$ 8,078,933
G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 89 YEARS												
Net Tax Increment to Port/Pier 70	\$ 664,885	\$ 949,857	\$ 968,854	\$ 1,317,630	\$ 1,343,893	\$ 1,370,862	\$ 1,398,280	\$ 1,542,276	\$ 1,694,114	\$ 1,921,787	\$ 1,860,233	\$ 1,869,437
1.5% of Master Fee From Reframings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% of Master Fee From Sales (d)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% (Yrs 31-50) & 2.5% (Yrs 61-89) of Modified Gross Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,687	\$ 2,842,006	\$ 76,051,530	\$ 2,246,428	\$ 3,106,537	\$ 3,198,703
Horizontal Profit Participation - Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distrit Parking Garages Net Cash Flow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,370,862	\$ 1,370,862	\$ 4,384,282	\$ 80,862,911	\$ 7,183,309	\$ 8,451,287	\$ 9,718,424
Total Port of San Francisco Economic Benefit	\$ 664,885	\$ 949,857	\$ 968,854	\$ 1,317,630	\$ 1,343,893	\$ 1,370,862	\$ 1,816,967	\$ 4,384,282	\$ 80,862,911	\$ 7,183,309	\$ 8,451,287	\$ 9,718,424
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 45 YEARS												
Total Gross Possessory Use Tax (1% of Value)	\$ 8,312,318	\$ 11,873,208	\$ 12,110,670	\$ 16,470,375	\$ 16,709,783	\$ 17,135,778	\$ 17,478,484	\$ 19,278,454	\$ 23,851,429	\$ 24,022,466	\$ 24,502,807	\$ 24,982,865
ERAF and Other Taxing Entities	\$ (831,232)	\$ (1,187,321)	\$ (1,211,067)	\$ (1,647,038)	\$ (1,678,978)	\$ (1,713,578)	\$ (1,747,849)	\$ (1,927,845)	\$ (2,355,143)	\$ (2,402,249)	\$ (2,450,291)	\$ (2,499,297)
City & County of San Francisco Net Tax Increment - 45 Years	\$ 7,481,086	\$ 10,685,886	\$ 10,899,603	\$ 14,823,338	\$ 15,030,805	\$ 15,422,200	\$ 15,730,635	\$ 17,350,608	\$ 21,496,286	\$ 21,620,217	\$ 22,052,516	\$ 22,483,568
Net Tax Increment	\$ 7,481,086	\$ 10,685,886	\$ 10,899,603	\$ 14,823,338	\$ 15,030,805	\$ 15,422,200	\$ 15,730,635	\$ 17,350,608	\$ 21,496,286	\$ 21,620,217	\$ 22,052,516	\$ 22,483,568
Net Tax Project Tax Increment Applied to Infrastructure	\$ (664,885)	\$ (949,857)	\$ (968,854)	\$ (1,317,630)	\$ (1,343,893)	\$ (1,370,862)	\$ (1,398,280)	\$ (1,542,276)	\$ (1,694,114)	\$ (1,921,787)	\$ (1,860,233)	\$ (1,869,437)
Total Project Tax Increment Applied to Debt Service	\$ (781,138)	\$ (1,170,515)	\$ (1,365,236)	\$ (1,870,791)	\$ (1,910,791)	\$ (1,946,421)	\$ (2,097,448)	\$ (2,392,215)	\$ (2,896,171)	\$ (3,064,144)	\$ (3,178,382)	\$ (3,292,430)
Net Tax Increment after Infrastructure and Debt Service	\$ (6,034,963)	\$ (8,555,514)	\$ (8,565,514)	\$ (11,634,917)	\$ (11,634,917)	\$ (11,634,917)	\$ (11,634,917)	\$ (12,716,117)	\$ (15,611,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)

Notes:
 *** All numbers are preliminary estimates and subject to further change. ***
 (a) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise denoted.
 (b) Horizontal Infrastructure Uses total approximately \$156 million (excluding allowances for additional costs associated with power and stormwater infrastructure solutions) in unimproved 2012 dollars.
 (c) Peak equity includes master developer capital and ground rent used to pay infrastructure costs.
 (d) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-rent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2036
	YEAR 24	YEAR 25	YEAR 26	YEAR 27	YEAR 28	YEAR 29	YEAR 30	YEAR 31	YEAR 32	YEAR 33	YEAR 34	YEAR 36
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES												
Upright Project Entitlement Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES												
Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment Applied to Project	\$ 5,230,115	\$ 5,708,197	\$ 6,134,641	\$ 3,248,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Investment Sources	\$ 5,230,115	\$ 5,708,197	\$ 6,134,641	\$ 3,248,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C.) MASTER DEVELOPER PEAK EQUITY (c)												
Phase I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D.) PREPAID AND ANNUAL GROUND RENT												
T24/T25 (Office + Inmov)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E-1 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E-2 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F-1 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E-4/E8 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F-1 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Prepaid and Annual Ground Rent	\$ 489,934	\$ 514,952	\$ 530,380	\$ 546,292	\$ 562,690	\$ 579,561	\$ 596,948	\$ 614,856	\$ 633,302	\$ 652,301	\$ 671,870	\$ 692,026
	\$ 2,841,730	\$ 2,878,572	\$ 2,994,929	\$ 3,053,577	\$ 3,145,493	\$ 3,239,858	\$ 3,337,053	\$ 3,437,166	\$ 3,540,280	\$ 3,646,488	\$ 3,756,883	\$ 3,868,559
	\$ 3,294,664	\$ 3,393,504	\$ 3,495,309	\$ 3,600,166	\$ 3,708,173	\$ 3,819,418	\$ 3,934,001	\$ 4,052,021	\$ 4,173,582	\$ 4,298,789	\$ 4,427,753	\$ 4,560,585
E.) PROJECT CASH FLOW AFTER DEBT SERVICE												
Horizontal Infrastructure Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ 5,230,115	\$ 5,708,197	\$ 6,134,641	\$ 3,248,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ground Rent Payments	\$ 3,294,664	\$ 3,393,504	\$ 3,495,309	\$ 3,600,166	\$ 3,708,173	\$ 3,819,418	\$ 3,934,001	\$ 4,052,021	\$ 4,173,582	\$ 4,298,789	\$ 4,427,753	\$ 4,560,585
Total Project Profit	\$ 1,935,451	\$ 1,914,693	\$ 1,639,332	\$ 648,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
	YEAR 24	YEAR 25	YEAR 26	YEAR 27	YEAR 28	YEAR 29	YEAR 30	YEAR 31	YEAR 32	YEAR 33	YEAR 34	YEAR 35
F.) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment												
Profit Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ 2,380,552	\$ 2,568,589	\$ 2,760,588	\$ 1,461,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ 3,294,864	\$ 3,393,364	\$ 3,495,309	\$ 3,600,168	\$ 3,708,173	\$ 3,819,418	\$ 3,934,001	\$ 4,052,021	\$ 4,173,582	\$ 4,298,789	\$ 4,427,753	\$ 4,560,585
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 2,909,563	\$ 3,138,508	\$ 3,374,053	\$ 1,766,554	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ 2,380,552	\$ 2,668,589	\$ 2,760,588	\$ 1,461,726	\$ 3,708,173	\$ 3,819,418	\$ 3,934,001	\$ 4,052,021	\$ 4,173,582	\$ 4,298,789	\$ 4,427,753	\$ 4,560,585
Total Master Developer Profit	\$ 6,204,227	\$ 6,533,012	\$ 6,859,361	\$ 5,386,722	\$ 3,708,173	\$ 3,819,418	\$ 3,934,001	\$ 4,052,021	\$ 4,173,582	\$ 4,298,789	\$ 4,427,753	\$ 4,560,585
Total Port of San Francisco Profit	\$ 5,984,778	\$ 6,101,701	\$ 6,823,950	\$ 6,848,447	\$ 3,708,173	\$ 3,819,418	\$ 3,934,001	\$ 4,052,021	\$ 4,173,582	\$ 4,298,789	\$ 4,427,753	\$ 4,560,585
Total Project Profit	\$ 12,189,005	\$ 12,634,713	\$ 13,683,310	\$ 12,235,169	\$ 7,416,346	\$ 7,638,836	\$ 7,868,002	\$ 8,104,042	\$ 8,347,164	\$ 8,597,578	\$ 8,855,506	\$ 9,121,170
G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 99 YEARS												
Net Tax Increment to Port/Pier 70	\$ 801,363	\$ 1,812,185	\$ 2,121,819	\$ 2,164,255	\$ 2,207,540	\$ 2,251,691	\$ 2,296,725	\$ 2,342,659	\$ 2,389,513	\$ 2,437,303	\$ 2,486,049	\$ 2,535,770
1.5% of Net Proceeds from Refinancings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% Transfer Fee From Sales (d)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% (Yrs 31-50) & 2.5% (Yrs 51-99) of Modified Gross Revenues	\$ 3,994,654	\$ 3,393,504	\$ 3,495,309	\$ 3,600,168	\$ 3,708,173	\$ 3,819,418	\$ 3,934,001	\$ 4,052,021	\$ 4,173,582	\$ 4,298,789	\$ 4,427,753	\$ 4,560,585
Horizontal Profit Participation - Annual Ground Rent	\$ 2,809,563	\$ 3,138,508	\$ 3,374,053	\$ 1,786,554	\$ 2,908,173	\$ 2,995,020	\$ 3,082,877	\$ 3,170,734	\$ 3,258,591	\$ 3,346,448	\$ 3,434,305	\$ 3,522,162
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ 2,099,437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dedicated Parking Garages Net Cash Flow	\$ 9,045,016	\$ 10,425,421	\$ 8,991,180	\$ 12,117,518	\$ 8,224,794	\$ 6,585,701	\$ 6,957,055	\$ 10,204,224	\$ 12,048,564	\$ 10,136,517	\$ 10,592,940	\$ 10,950,556
Total Port of San Francisco Economic Benefit	\$ 12,634,713	\$ 12,634,713	\$ 12,634,713	\$ 12,117,518	\$ 7,416,346	\$ 7,638,836	\$ 7,868,002	\$ 8,104,042	\$ 8,347,164	\$ 8,597,578	\$ 8,855,506	\$ 9,121,170
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 45 YEARS												
Total Gross Possessory Use Tax (1% of Value)	\$ 25,492,824	\$ 26,002,691	\$ 26,522,736	\$ 27,053,189	\$ 27,594,253	\$ 28,146,136	\$ 28,709,061	\$ 29,283,242	\$ 29,866,907	\$ 30,466,285	\$ 31,076,611	\$ 31,697,123
ERAF and Other Taxing Entities	\$ (2,549,282)	\$ (2,600,289)	\$ (2,652,273)	\$ (2,705,339)	\$ (2,758,425)	\$ (2,814,614)	\$ (2,870,909)	\$ (2,931,714)	\$ (2,991,021)	\$ (3,051,839)	\$ (3,112,609)	\$ (3,173,332)
City & County of San Francisco Net Tax Increment - 45 Years	\$ 22,943,542	\$ 23,402,402	\$ 23,870,463	\$ 24,347,850	\$ 24,835,828	\$ 25,331,522	\$ 25,838,155	\$ 26,346,528	\$ 26,857,886	\$ 27,372,446	\$ 27,891,002	\$ 28,413,791
Net Tax Increment	\$ 22,943,542	\$ 23,402,402	\$ 23,870,461	\$ 24,347,870	\$ 24,834,928	\$ 25,331,524	\$ 25,838,155	\$ 26,346,529	\$ 26,857,886	\$ 27,372,446	\$ 27,891,002	\$ 28,413,791
Net Tax Increment to Port/Pier 70	\$ (2,038,428)	\$ (2,080,214)	\$ (2,121,819)	\$ (2,164,255)	\$ (2,207,540)	\$ (2,251,691)	\$ (2,296,725)	\$ (2,342,659)	\$ (2,389,513)	\$ (2,437,303)	\$ (2,486,049)	\$ (2,535,770)
Total Project Tax Increment Applied to Infrastructure	\$ (2,038,428)	\$ (2,080,214)	\$ (2,121,819)	\$ (2,164,255)	\$ (2,207,540)	\$ (2,251,691)	\$ (2,296,725)	\$ (2,342,659)	\$ (2,389,513)	\$ (2,437,303)	\$ (2,486,049)	\$ (2,535,770)
Total Project Tax Increment Applied to Debt Service	\$ (5,280,115)	\$ (5,709,197)	\$ (6,134,541)	\$ (6,554,541)	\$ (6,969,290)	\$ (7,378,836)	\$ (7,783,180)	\$ (8,182,324)	\$ (8,576,267)	\$ (8,964,910)	\$ (9,348,253)	\$ (9,726,296)
Net Tax Increment after Infrastructure and Debt Service	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)	\$ (15,614,001)

Notes:
 *** All numbers are preliminary estimates and subject to further change. ***
 (a) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise denoted.
 (b) Horizontal Infrastructure Uses total approximately \$155 million (excluding allowances for additional costs associated with power and storm/sewer infrastructure solutions) in uninitiated 2012 dollars.
 (c) Peak equity includes master developer capital and ground rent used to pay infrastructure costs.
 (d) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-rent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)												
	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057
	YEAR 36	YEAR 37	YEAR 38	YEAR 39	YEAR 40	YEAR 41	YEAR 42	YEAR 43	YEAR 44	YEAR 45	YEAR 46	YEAR 47
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES												
Upfront Project Entitlement Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES												
Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings												
Phase I IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment Applied to Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Investment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C.) MASTER DEVELOPER PEAK EQUITY (c)												
Phase I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D.) PREPAID AND ANNUAL GROUND RENT												
12A/12C (Office + Innov)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E-2 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E-2S (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E-4SE (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E-1 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-1 (Office)	\$ 712,787	\$ 734,170	\$ 756,195	\$ 778,861	\$ 802,248	\$ 826,315	\$ 851,105	\$ 876,638	\$ 902,937	\$ 930,025	\$ 957,828	\$ 986,663
H-2 (Office)	\$ 3,984,616	\$ 4,104,155	\$ 4,227,278	\$ 4,354,098	\$ 4,484,721	\$ 4,619,262	\$ 4,757,840	\$ 4,900,575	\$ 5,047,593	\$ 5,198,020	\$ 5,354,991	\$ 5,515,651
Total Prepaid and Annual Ground Rent	\$ 4,697,403	\$ 4,838,325	\$ 4,983,473	\$ 5,132,978	\$ 5,286,968	\$ 5,445,577	\$ 5,608,945	\$ 5,777,213	\$ 5,950,529	\$ 6,129,045	\$ 6,312,917	\$ 6,502,304
E.) PROJECT CASH FLOW AFTER DEBT SERVICE												
Horizontal Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ 4,697,403	\$ 4,838,325	\$ 4,983,475	\$ 5,132,978	\$ 5,286,968	\$ 5,445,577	\$ 5,608,945	\$ 5,777,213	\$ 5,950,529	\$ 6,129,045	\$ 6,312,917	\$ 6,502,304
Ground Rent Payments	\$ 4,697,403	\$ 4,838,325	\$ 4,983,475	\$ 5,132,978	\$ 5,286,968	\$ 5,445,577	\$ 5,608,945	\$ 5,777,213	\$ 5,950,529	\$ 6,129,045	\$ 6,312,917	\$ 6,502,304
Total Project Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057
	YEAR 36	YEAR 37	YEAR 38	YEAR 39	YEAR 40	YEAR 41	YEAR 42	YEAR 43	YEAR 44	YEAR 45	YEAR 46	YEAR 47
F.) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Profit Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Part of San Francisco Profit Participation - Annual Ground Rent	\$ 4,697,403	\$ 4,838,325	\$ 4,983,475	\$ 5,132,979	\$ 5,286,968	\$ 5,445,577	\$ 5,608,345	\$ 5,777,213	\$ 5,950,529	\$ 6,128,045	\$ 6,312,917	\$ 6,502,304
Part of San Francisco Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Profit	\$ 4,697,403	\$ 4,838,325	\$ 4,983,475	\$ 5,132,979	\$ 5,286,968	\$ 5,445,577	\$ 5,608,345	\$ 5,777,213	\$ 5,950,529	\$ 6,128,045	\$ 6,312,917	\$ 6,502,304
Total Port of San Francisco Profit	\$ 4,697,403	\$ 4,838,325	\$ 4,983,475	\$ 5,132,979	\$ 5,286,968	\$ 5,445,577	\$ 5,608,345	\$ 5,777,213	\$ 5,950,529	\$ 6,128,045	\$ 6,312,917	\$ 6,502,304
Total Project Profit	\$ 4,697,403	\$ 4,838,325	\$ 4,983,475	\$ 5,132,979	\$ 5,286,968	\$ 5,445,577	\$ 5,608,345	\$ 5,777,213	\$ 5,950,529	\$ 6,128,045	\$ 6,312,917	\$ 6,502,304
G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 89 YEARS												
Net Tax Increment to Pop/Pier 70	\$ 2,606,485	\$ 2,635,215	\$ 2,660,878	\$ 2,744,799	\$ 2,789,695	\$ 2,855,688	\$ 2,912,002	\$ 2,971,059	\$ 3,030,480	\$ 3,091,089	\$ 3,152,811	\$ 3,215,969
1.5% of Net Proceeds from Refinancings	\$ -	\$ 1,437,080	\$ 2,060,574	\$ 1,248,497	\$ 2,823,341	\$ -	\$ 3,028,089	\$ -	\$ -	\$ -	\$ 1,347,834	\$ 3,508,933
1.5% Transfer Fee From Sales (d)	\$ -	\$ -	\$ 654,856	\$ 1,477,594	\$ 1,846,454	\$ 2,853,107	\$ 2,938,700	\$ 4,551,930	\$ 4,688,488	\$ 4,825,143	\$ 4,974,017	\$ 5,662,795
Horizontal Profit Participation - Annual Ground Rent	\$ 4,697,403	\$ 4,838,325	\$ 4,983,475	\$ 5,132,979	\$ 5,286,968	\$ 5,445,577	\$ 5,608,345	\$ 5,777,213	\$ 5,950,529	\$ 6,128,045	\$ 6,312,917	\$ 6,502,304
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Diabetic Parking Garages Net Cash Flow	\$ 4,137,028	\$ 4,987,439	\$ 4,685,553	\$ 4,841,933	\$ 5,226,451	\$ 7,538,947	\$ 6,979,532	\$ 7,280,477	\$ 10,274,843	\$ 9,470,792	\$ 8,810,460	\$ 13,380,653
Total Port of San Francisco Economic Benefit	\$ 11,420,916	\$ 13,311,059	\$ 15,865,446	\$ 15,545,762	\$ 17,991,949	\$ 18,690,319	\$ 22,268,058	\$ 20,390,679	\$ 23,944,340	\$ 23,519,979	\$ 25,696,198	\$ 32,390,685
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 45 YEARS												
Total Gross Possessory Use Tax (1% of Value)	\$ 32,331,085	\$ 32,877,687	\$ 33,637,240	\$ 34,309,985	\$ 34,998,185	\$ 35,695,108	\$ 36,410,031	\$ 37,138,231	\$ 37,880,986	\$ 38,638,616	\$ 39,411,386	\$ 40,199,616
ERAP and Other Taxing Entities	\$ (9,112,259)	\$ (9,097,644)	\$ (9,279,596)	\$ (9,465,188)	\$ (9,655,218)	\$ (9,849,381)	\$ (10,042,887)	\$ (10,245,987)	\$ (10,458,749)	\$ (10,681,200)	\$ (10,913,511)	\$ (11,155,841)
City & County of San Francisco Net Tax Increment - 45 Years	\$ 23,218,826	\$ 23,780,043	\$ 24,357,644	\$ 24,844,797	\$ 25,342,967	\$ 25,845,727	\$ 26,367,144	\$ 26,892,244	\$ 27,432,237	\$ 27,957,416	\$ 28,507,875	\$ 29,043,775
Net Tax Increment	\$ 23,411,807	\$ 23,880,043	\$ 24,357,644	\$ 24,844,797	\$ 25,342,967	\$ 25,845,727	\$ 26,367,144	\$ 26,892,244	\$ 27,432,237	\$ 27,957,416	\$ 28,507,875	\$ 29,043,775
Net Tax Increment to Pop/Pier 70	\$ (2,565,485)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Infrastructure	\$ (2,565,485)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Debt Service	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)	\$ (18,642,902)
Net Tax Increment after Infrastructure and Debt Service	\$ 2,182,420	\$ 2,598,927	\$ 3,023,755	\$ 3,457,097	\$ 3,899,065	\$ 4,349,825	\$ 4,809,246	\$ 5,277,342	\$ 5,753,335	\$ 6,237,518	\$ 6,729,973	\$ 7,230,873

Notes:
 *** All numbers are preliminary estimates and subject to further change. ***
 (a) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise denoted.
 (b) Horizontal Infrastructure Uses total approximately \$185 million (excluding allowances for additional costs associated with power and stormwater infrastructure) in unimproved 2012 dollars.
 (c) Fees for infrastructure master developer capital and ground rent used to No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-ent.
 (d) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-ent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069		
	YEAR 48	YEAR 49	YEAR 50	YEAR 51	YEAR 52	YEAR 53	YEAR 54	YEAR 55	YEAR 56	YEAR 57	YEAR 58	YEAR 59
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES												
Upright Project Entitlement Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069		
	YEAR 48	YEAR 49	YEAR 50	YEAR 51	YEAR 52	YEAR 53	YEAR 54	YEAR 55	YEAR 56	YEAR 57	YEAR 58	YEAR 59
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES												
Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment Applied to Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Investment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069		
	YEAR 48	YEAR 49	YEAR 50	YEAR 51	YEAR 52	YEAR 53	YEAR 54	YEAR 55	YEAR 56	YEAR 57	YEAR 58	YEAR 59
C.) MASTER DEVELOPER PEAK EQUITY (c)												
Phase I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069		
	YEAR 48	YEAR 49	YEAR 50	YEAR 51	YEAR 52	YEAR 53	YEAR 54	YEAR 55	YEAR 56	YEAR 57	YEAR 58	YEAR 59
D.) PREPAID AND ANNUAL GROUND RENT												
124712C (Office * Innov)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D-1 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E2-E3 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-1 Office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E4-E8 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F-1 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Prepaid and Annual Ground Rent	\$ 1,016,263	\$ 1,046,751	\$ 1,078,164	\$ 1,110,498	\$ 1,143,813	\$ 1,178,128	\$ 1,213,472	\$ 1,249,876	\$ 1,287,372	\$ 1,325,993	\$ 1,365,773	\$ 1,406,746
	\$ 5,681,110	\$ 5,851,543	\$ 6,027,080	\$ 6,207,602	\$ 6,384,139	\$ 6,565,963	\$ 6,783,542	\$ 6,987,049	\$ 7,186,660	\$ 7,412,560	\$ 7,634,937	\$ 7,863,886
	\$ 6,697,373	\$ 6,898,294	\$ 7,105,243	\$ 7,318,401	\$ 7,537,953	\$ 7,764,091	\$ 7,997,014	\$ 8,236,924	\$ 8,484,032	\$ 8,738,553	\$ 9,000,710	\$ 9,270,731

	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069		
	YEAR 48	YEAR 49	YEAR 50	YEAR 51	YEAR 52	YEAR 53	YEAR 54	YEAR 55	YEAR 56	YEAR 57	YEAR 58	YEAR 59
E.) PROJECT CASH FLOW AFTER DEBT SERVICE												
Horizontal Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ 5,681,110	\$ 5,851,543	\$ 6,027,080	\$ 6,207,602	\$ 6,384,139	\$ 6,565,963	\$ 6,783,542	\$ 6,987,049	\$ 7,186,660	\$ 7,412,560	\$ 7,634,937	\$ 7,863,886
Ground Rent Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Profit	\$ 5,681,110	\$ 5,851,543	\$ 6,027,080	\$ 6,207,602	\$ 6,384,139	\$ 6,565,963	\$ 6,783,542	\$ 6,987,049	\$ 7,186,660	\$ 7,412,560	\$ 7,634,937	\$ 7,863,886

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2068	2059	2060	2061	2062	2063	2064	2066	2066	2067	2068	2069
	YEAR 48	YEAR 49	YEAR 50	YEAR 51	YEAR 52	YEAR 53	YEAR 54	YEAR 55	YEAR 56	YEAR 57	YEAR 58	YEAR 59
F.) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment												
Profit Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 6,897,373	\$ 6,898,294	\$ 7,105,243	\$ 7,318,401	\$ 7,537,953	\$ 7,764,091	\$ 7,997,014	\$ 8,236,924	\$ 8,484,032	\$ 8,739,593	\$ 9,000,710	\$ 9,270,731
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Profit	\$ 6,897,373	\$ 6,898,294	\$ 7,105,243	\$ 7,318,401	\$ 7,537,953	\$ 7,764,091	\$ 7,997,014	\$ 8,236,924	\$ 8,484,032	\$ 8,739,593	\$ 9,000,710	\$ 9,270,731
Total Port of San Francisco Profit	\$ 6,897,373	\$ 6,898,294	\$ 7,105,243	\$ 7,318,401	\$ 7,537,953	\$ 7,764,091	\$ 7,997,014	\$ 8,236,924	\$ 8,484,032	\$ 8,739,593	\$ 9,000,710	\$ 9,270,731
Total Project Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 85 YEARS												
Net Tax Increment to Port/Pier 70	\$ 3,280,289	\$ 3,345,894	\$ 3,412,812	\$ 3,481,089	\$ 3,550,690	\$ 3,621,704	\$ 3,694,138	\$ 3,767,936	\$ 3,843,187	\$ 3,919,893	\$ 4,000,042	\$ 4,083,734
Net Proceeds from Refinancings	\$ -	\$ -	\$ -	\$ -	\$ 2,238,924	\$ 4,456,836	\$ 1,945,118	\$ 4,398,673	\$ -	\$ -	\$ -	\$ -
1.5% Transfer Fee From Sales (d)	\$ 7,276,993	\$ 7,485,303	\$ 7,720,152	\$ 7,981,787	\$ 8,190,320	\$ 8,436,029	\$ 8,689,110	\$ 8,945,794	\$ 9,216,277	\$ 9,494,425	\$ 9,778,670	\$ 10,073,069
1.5% (Yrs 31-60) & 2.5% (Yrs 61-89) of Modified Gross Revenues	\$ 6,697,373	\$ 6,898,294	\$ 7,105,243	\$ 7,318,401	\$ 7,537,953	\$ 7,764,091	\$ 7,997,014	\$ 8,236,924	\$ 8,484,032	\$ 8,739,593	\$ 9,000,710	\$ 9,270,731
Horizontal Profit Participation - Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Parking Garages Net Cash Flow	\$ 12,376,143	\$ 12,747,427	\$ 13,129,850	\$ 13,523,746	\$ 13,929,458	\$ 14,347,342	\$ 14,777,752	\$ 15,221,085	\$ 15,677,728	\$ 16,148,060	\$ 16,632,901	\$ 17,131,476
Total Port of San Francisco Economic Benefit	\$ 28,060,798	\$ 30,486,919	\$ 31,368,058	\$ 32,274,982	\$ 33,447,345	\$ 34,826,002	\$ 36,370,312	\$ 38,077,912	\$ 39,907,084	\$ 42,644,587	\$ 45,644,587	\$ 48,181,970
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 45 YEARS												
Total Gross Possessory Use Tax (% of Value)	\$ 41,003,608	\$ 41,823,681	\$ 42,660,154	\$ 43,513,357	\$ 44,393,624	\$ 45,271,297	\$ 46,176,723	\$ 47,108,951	\$ 48,068,208	\$ 49,054,688	\$ 50,068,424	\$ 51,109,504
ERAF and Other Taxing Entities	\$ (13,440,072)	\$ (13,708,873)	\$ (13,993,051)	\$ (14,292,712)	\$ (14,607,956)	\$ (14,938,925)	\$ (15,285,704)	\$ (15,648,394)	\$ (16,027,006)	\$ (16,421,642)	\$ (16,832,306)	\$ (17,259,099)
City & County of San Francisco Net Tax Increment - 45 Years	\$ 27,563,537	\$ 28,114,808	\$ 28,677,104	\$ 29,250,646	\$ 29,835,669	\$ 30,432,372	\$ 31,041,019	\$ 31,671,678	\$ 32,324,202	\$ 33,000,046	\$ 33,699,118	\$ 34,420,405
Net Tax Increment	\$ 27,563,537	\$ 28,114,808	\$ 28,677,104	\$ 29,250,646	\$ 29,835,669	\$ 30,432,372	\$ 31,041,019	\$ 31,671,678	\$ 32,324,202	\$ 33,000,046	\$ 33,699,118	\$ 34,420,405
Total Project Tax Increment Applied to Infrastructure	\$ (3,280,289)	\$ (3,345,894)	\$ (3,412,812)	\$ (3,481,089)	\$ (3,550,690)	\$ (3,621,704)	\$ (3,694,138)	\$ (3,767,936)	\$ (3,843,187)	\$ (3,919,893)	\$ (4,000,042)	\$ (4,083,734)
Total Project Tax Increment Applied to Debt Service	\$ (3,879,055)	\$ (3,979,055)	\$ (4,081,055)	\$ (4,185,055)	\$ (4,291,055)	\$ (4,399,055)	\$ (4,509,055)	\$ (4,621,055)	\$ (4,735,055)	\$ (4,851,055)	\$ (4,969,055)	\$ (5,089,055)
Net Tax Increment after Infrastructure and Debt Service	\$ 20,304,164	\$ 21,877,028	\$ 23,264,291	\$ 25,769,577	\$ 26,284,969	\$ 26,810,668	\$ 27,348,881	\$ 27,898,732	\$ 28,460,015	\$ 29,032,951	\$ 29,617,063	\$ 30,212,666

Notes:
 ** All numbers are preliminary estimates and subject to further change.
 (a) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise denoted.
 (b) Horizontal Infrastructure Uses total approximately \$185 million (excluding allowances for additional costs associated with power and stormwater infrastructure solutions) in unimproved 2012 dollars.
 (c) Peak equity includes master developer capital and ground rent used to pay infrastructure costs.
 (d) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-rent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2070	2071	2072	2073	2074	2075	2076	2076	2077	2078	2079	2080	2081
	YEAR 60	YEAR 61	YEAR 62	YEAR 63	YEAR 64	YEAR 65	YEAR 66	YEAR 66	YEAR 67	YEAR 68	YEAR 69	YEAR 70	YEAR 71
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES													
Upfront Project Entitlement Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES													
Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment Applied to Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Investment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C.) MASTER DEVELOPER PEAK EQUITY (c)													
Phase I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D.) PREPAID AND ANNUAL GROUND RENT													
12A/12C (Office + Innov)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D-1 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E2-E3 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-1 Office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E4-E6 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F-1 (Res)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Prepaid and Annual Ground Rent	\$ 1,448,949	\$ 1,482,417	\$ 1,537,190	\$ 1,583,306	\$ 1,630,804	\$ 1,679,729	\$ 1,730,120	\$ 1,782,024	\$ 1,835,466	\$ 1,890,549	\$ 1,947,266	\$ 2,005,684	\$ 2,065,884
	\$ 8,096,904	\$ 8,342,901	\$ 8,593,188	\$ 8,850,884	\$ 9,116,518	\$ 9,390,009	\$ 9,671,709	\$ 9,961,951	\$ 10,261,716	\$ 10,566,538	\$ 10,885,594	\$ 11,217,162	\$ 11,561,862
	\$ 9,545,853	\$ 9,825,318	\$ 10,130,378	\$ 10,434,289	\$ 10,747,318	\$ 11,069,738	\$ 11,401,830	\$ 11,743,985	\$ 12,096,201	\$ 12,459,087	\$ 12,832,860	\$ 13,217,846	\$ 13,607,746
E.) PROJECT CASH FLOW AFTER DEBT SERVICE													
Horizontal Infrastructure Coals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ground Rent Payments	\$ 9,545,853	\$ 9,825,318	\$ 10,130,378	\$ 10,434,289	\$ 10,747,318	\$ 11,069,738	\$ 11,401,830	\$ 11,743,985	\$ 12,096,201	\$ 12,459,087	\$ 12,832,860	\$ 13,217,846	\$ 13,607,746
Total Project Profit	\$ 9,545,853	\$ 9,825,318	\$ 10,130,378	\$ 10,434,289	\$ 10,747,318	\$ 11,069,738	\$ 11,401,830	\$ 11,743,985	\$ 12,096,201	\$ 12,459,087	\$ 12,832,860	\$ 13,217,846	\$ 13,607,746

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (e)

	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081
	YEAR 60	YEAR 61	YEAR 62	YEAR 63	YEAR 64	YEAR 65	YEAR 66	YEAR 67	YEAR 68	YEAR 69	YEAR 70	YEAR 71
F.) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Profit-Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 9,548,853	\$ 9,835,318	\$ 10,130,378	\$ 10,434,289	\$ 10,747,318	\$ 11,069,738	\$ 11,401,830	\$ 11,743,885	\$ 12,086,201	\$ 12,459,087	\$ 12,832,880	\$ 13,217,848
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Profit	\$ 9,548,853	\$ 9,835,318	\$ 10,130,378	\$ 10,434,289	\$ 10,747,318	\$ 11,069,738	\$ 11,401,830	\$ 11,743,885	\$ 12,086,201	\$ 12,459,087	\$ 12,832,880	\$ 13,217,848
Total Port of San Francisco Profit	\$ 9,548,853	\$ 9,835,318	\$ 10,130,378	\$ 10,434,289	\$ 10,747,318	\$ 11,069,738	\$ 11,401,830	\$ 11,743,885	\$ 12,086,201	\$ 12,459,087	\$ 12,832,880	\$ 13,217,848
Total Project Profit	\$ 9,548,853	\$ 9,835,318	\$ 10,130,378	\$ 10,434,289	\$ 10,747,318	\$ 11,069,738	\$ 11,401,830	\$ 11,743,885	\$ 12,086,201	\$ 12,459,087	\$ 12,832,880	\$ 13,217,848
G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 99 YEARS												
Net Tax Increment to Port/Pier 70	\$ 946,009	\$ 966,870	\$ 986,309	\$ 1,006,035	\$ 743,288	\$ -	\$ -	\$ 3,488,171	\$ 6,943,606	\$ 3,030,431	\$ -	\$ -
1.5% of Net Proceeds from Refinancings	\$ -	\$ 2,099,882	\$ 5,622,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% Transfer Fee From Sales (0)	\$ 10,376,262	\$ 10,666,510	\$ 11,007,105	\$ 11,307,318	\$ 11,677,438	\$ 12,027,761	\$ 12,388,894	\$ 12,760,281	\$ 14,202,406	\$ 15,928,292	\$ 16,929,738	\$ 18,978,601
1.5% (Yrs 31-60) & 2.5% (Yrs 61-99) of Modified Gross Revenues	\$ 9,548,853	\$ 9,835,318	\$ 10,130,378	\$ 10,434,289	\$ 10,747,318	\$ 11,069,738	\$ 11,401,830	\$ 11,743,885	\$ 12,086,201	\$ 12,459,087	\$ 12,832,880	\$ 13,217,848
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Horizontal Profit Participation - Annual Ground Rent	\$ 17,645,421	\$ 18,174,783	\$ 18,720,027	\$ 19,281,628	\$ 19,860,076	\$ 20,455,679	\$ 21,069,595	\$ 21,701,542	\$ 22,352,681	\$ 23,023,272	\$ 23,713,970	\$ 24,425,389
District Parking Garages Net Cash Flow	\$ 38,577,535	\$ 41,793,463	\$ 46,746,419	\$ 42,059,270	\$ 43,028,121	\$ 43,553,377	\$ 44,899,978	\$ 49,693,549	\$ 55,584,804	\$ 64,441,082	\$ 60,329,556	\$ 56,621,836
Total Port of San Francisco Economic Benefit	\$ 11,890,117	\$ 12,087,119	\$ 12,328,861	\$ 12,576,439	\$ 9,291,108	\$ -	\$ -	\$ 3,488,171	\$ 6,943,606	\$ 3,030,431	\$ -	\$ -
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 48 YEARS												
State and County Property Use Tax (1% of Value)	\$ (3,894,205)	\$ (3,981,883)	\$ (4,041,127)	\$ (4,121,949)	\$ (3,045,419)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ERPF and Other Taxing Entities	\$ 7,995,912	\$ 8,125,230	\$ 8,287,735	\$ 8,453,488	\$ 6,245,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City & County of San Francisco Net Tax Increment - 45 Years	\$ 7,995,912	\$ 8,125,230	\$ 8,287,735	\$ 8,453,488	\$ 6,245,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment	\$ (946,009)	\$ (866,870)	\$ (866,870)	\$ (866,309)	\$ (743,288)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment to Port/Pier 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Infrastructure	\$ 7,017,902	\$ 7,156,260	\$ 7,301,425	\$ 7,447,454	\$ 5,502,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment after Infrastructure and Debt Service	\$ 7,017,902	\$ 7,156,260	\$ 7,301,425	\$ 7,447,454	\$ 5,502,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:
 All numbers are preliminary estimates and subject to further change.
 Pro forma underwriting analysis prepared by Port of San Francisco.
 Numerical estimates are expressed in nominal terms unless otherwise denoted.
 Horizontal Infrastructure Uses total approximately \$155 million (excluding infrastructure costs associated with power and storm/sewer infrastructure solutions) in unfunded 2012 dollars.
 Peak equity includes master developer capital and ground rent used to pay infrastructure costs.
 No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-ent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)												
	2082	2083	2084	2085	2086	2087	2088	2089	2080	2091	2092	2093
	YEAR 72	YEAR 73	YEAR 74	YEAR 75	YEAR 76	YEAR 77	YEAR 78	YEAR 79	YEAR 80	YEAR 81	YEAR 82	YEAR 83
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES												
Upright Project Entitlement Expenditures												
Phase I Infrastructure	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase II Infrastructure	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase III Infrastructure	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase IV Infrastructure	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Horizontal Infrastructure Uses (b)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES												
Upright CFD Mello Roos Bonds												
Phase I CFD Mello Roos Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Upright CFD Mello Roos Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
IFD Bonds - Completed Buildings												
Phase I IFD Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase II IFD Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase III IFD Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase IV IFD Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total IFD Bonds - Completed Buildings	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Pay Go Tax Increment Applied to Project												
Total Horizontal Infrastructure Investment Sources	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
C.) MASTER DEVELOPER PEAK EQUITY (c)												
Phase I	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase II	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase III	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase IV	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Master Developer Peak Equity	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
D.) PREPAID AND ANNUAL GROUND RENT												
TZA/ T2C (Office + Imrov)												
G-1 (Office)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
D-1 (Real)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
EZES (Real)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Z (Real)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 (Real)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
A-1 Office	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
E-4-ES (Real)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
E-1 (Office)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
B-2 (Office)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
H-1 (Office)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
H-2 (Office)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Prepaid and Annual Ground Rent	\$ 2,065,864	\$ 2,127,800	\$ 2,191,665	\$ 2,257,415	\$ 2,325,137	\$ 2,394,891	\$ 2,466,738	\$ 2,540,740	\$ 2,616,662	\$ 2,695,471	\$ 2,776,365	\$ 2,859,625
	\$ 11,548,527	\$ 11,894,890	\$ 12,251,832	\$ 12,619,387	\$ 12,997,969	\$ 13,387,908	\$ 13,780,545	\$ 14,203,231	\$ 14,639,326	\$ 15,089,206	\$ 15,520,254	\$ 15,995,862
	\$ 13,614,381	\$ 14,022,812	\$ 14,443,497	\$ 14,876,802	\$ 15,323,106	\$ 15,762,789	\$ 16,256,283	\$ 16,743,971	\$ 17,246,280	\$ 17,765,679	\$ 18,296,580	\$ 18,845,487
E.) PROJECT CASH FLOW AFTER DEBT SERVICE												
Horizontal Infrastructure Costs												
Upright CFD Mello Roos Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
IFD Bonds - Completed Buildings	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Pay Go Tax Increment	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Ground Rent Payments	\$ 13,614,381	\$ 14,022,812	\$ 14,443,497	\$ 14,876,802	\$ 15,323,106	\$ 15,762,789	\$ 16,256,283	\$ 16,743,971	\$ 17,246,280	\$ 17,765,679	\$ 18,296,580	\$ 18,845,487
Total Project Profit	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093
	YEAR 72	YEAR 73	YEAR 74	YEAR 75	YEAR 76	YEAR 77	YEAR 78	YEAR 79	YEAR 80	YEAR 81	YEAR 82	YEAR 83
F) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Profit Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 13,614,381	\$ 14,022,812	\$ 14,443,487	\$ 14,876,802	\$ 15,323,106	\$ 15,792,799	\$ 16,266,283	\$ 16,743,971	\$ 17,246,290	\$ 17,763,679	\$ 18,296,690	\$ 18,845,487
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Port of San Francisco Profit	\$ 13,614,381	\$ 14,022,812	\$ 14,443,487	\$ 14,876,802	\$ 15,323,106	\$ 15,792,799	\$ 16,266,283	\$ 16,743,971	\$ 17,246,290	\$ 17,763,679	\$ 18,296,690	\$ 18,845,487
Total Project Profit	\$ 13,614,381	\$ 14,022,812	\$ 14,443,487	\$ 14,876,802	\$ 15,323,106	\$ 15,792,799	\$ 16,266,283	\$ 16,743,971	\$ 17,246,290	\$ 17,763,679	\$ 18,296,690	\$ 18,845,487
G) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 89 YEARS												
Net Tax Increment to Port/Pier 70	\$ 9,251,777	\$ -	\$ -	\$ -	\$ 3,271,548	\$ 8,789,828	\$ -	\$ -	\$ -	\$ -	\$ 5,434,457	\$ 10,817,911
1.5% of Net Proceeds from Refinings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% Transfer Fee From Sales (b)	\$ 19,547,959	\$ 22,602,227	\$ 23,280,294	\$ 23,876,703	\$ 24,698,064	\$ 25,312,105	\$ 26,438,620	\$ 30,321,779	\$ 31,231,432	\$ 32,168,375	\$ 33,133,427	\$ 34,127,429
1.5% (Yrs 81-90) & 2.5% (Yrs 81-90) of Modified Gross Revenues	\$ 13,614,381	\$ 14,022,812	\$ 14,443,487	\$ 14,876,802	\$ 15,323,106	\$ 15,792,799	\$ 16,266,283	\$ 16,743,971	\$ 17,246,290	\$ 17,763,679	\$ 18,296,690	\$ 18,845,487
Horizontal Profit Participation - Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Parking Garages Net Cash Flow	\$ 25,158,151	\$ 25,912,885	\$ 26,690,282	\$ 27,490,991	\$ 28,316,720	\$ 29,165,182	\$ 30,040,143	\$ 30,941,362	\$ 31,869,593	\$ 32,825,660	\$ 33,810,451	\$ 34,824,764
Total Port of San Francisco Economic Benefit	\$ 67,612,268	\$ 62,537,935	\$ 64,414,073	\$ 66,346,496	\$ 71,608,437	\$ 80,018,923	\$ 74,735,051	\$ 78,007,182	\$ 80,347,315	\$ 82,757,735	\$ 85,074,924	\$ 88,015,592
H) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 45 YEARS												
Total Gross Possessory Use Tax (1% of Value)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ERAF and Other Taxing Entities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City & County of San Francisco Net Tax Increment - 45 Years	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment to Port/Pier 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment after Infrastructure and Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:
 *** All numbers are preliminary estimates and subject to further change. ***

(a) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise denoted.

(b) Horizontal Infrastructure Uses total approximately \$155 million (excluding allowances for additional costs associated with power and stormwater infrastructure solutions) in unimproved 2012 dollars.

(c) Peak equity includes master developer capital and ground rent used to pay infrastructure costs.

(d) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-rent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2084	2085	2086	2087	2088	2089	2100	2101	2102	2103	2104	2105
	YEAR 84	YEAR 85	YEAR 86	YEAR 87	YEAR 88	YEAR 89	YEAR 90	YEAR 91	YEAR 92	YEAR 93	YEAR 94	YEAR 95
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES												
Uplift Project Entitlement Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	2084	2085	2086	2087	2088	2089	2100	2101	2102	2103	2104	2105
	YEAR 84	YEAR 85	YEAR 86	YEAR 87	YEAR 88	YEAR 89	YEAR 90	YEAR 91	YEAR 92	YEAR 93	YEAR 94	YEAR 95
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES												
Uplift CFM Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I CFM Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Uplift CFM Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment Applied to Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Investment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	2084	2085	2086	2087	2088	2089	2100	2101	2102	2103	2104	2105
	YEAR 84	YEAR 85	YEAR 86	YEAR 87	YEAR 88	YEAR 89	YEAR 90	YEAR 91	YEAR 92	YEAR 93	YEAR 94	YEAR 95
C.) MASTER DEVELOPER PEAK EQUITY (c)												
Phase I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	2084	2085	2086	2087	2088	2089	2100	2101	2102	2103	2104	2105
	YEAR 84	YEAR 85	YEAR 86	YEAR 87	YEAR 88	YEAR 89	YEAR 90	YEAR 91	YEAR 92	YEAR 93	YEAR 94	YEAR 95
D.) PREPAID AND ANNUAL GROUND RENT												
12A/12C (Office + Innov)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D-1 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E2-E3 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-1 Office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E4-E6 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F-1 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Prepaid and Annual Ground Rent	\$ 2,945,414	\$ 3,033,777	\$ 3,124,780	\$ 3,216,534	\$ 3,315,080	\$ 3,414,542	\$ 3,516,978	\$ 3,622,408	\$ 3,731,162	\$ 3,843,087	\$ 3,958,390	\$ 4,077,142
	\$ 16,485,438	\$ 16,955,401	\$ 17,468,183	\$ 17,992,228	\$ 18,531,995	\$ 19,087,955	\$ 19,660,584	\$ 20,250,412	\$ 20,857,824	\$ 21,485,062	\$ 22,132,171	\$ 22,792,017
	\$ 18,410,852	\$ 19,993,177	\$ 20,592,973	\$ 21,210,762	\$ 21,847,085	\$ 22,502,487	\$ 23,177,572	\$ 23,872,898	\$ 24,588,086	\$ 25,326,789	\$ 26,086,562	\$ 26,866,159

	2084	2085	2086	2087	2088	2089	2100	2101	2102	2103	2104	2105
	YEAR 84	YEAR 85	YEAR 86	YEAR 87	YEAR 88	YEAR 89	YEAR 90	YEAR 91	YEAR 92	YEAR 93	YEAR 94	YEAR 95
E.) PROJECT CASH FLOW AFTER DEBT SERVICE												
Horizontal Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uplift CFM Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ 19,410,852	\$ 18,993,177	\$ 20,592,973	\$ 21,210,762	\$ 21,847,085	\$ 22,502,487	\$ 23,177,572	\$ 23,872,898	\$ 24,588,086	\$ 25,326,789	\$ 26,086,562	\$ 26,866,159
Ground Rent Payments	\$ 19,410,852	\$ 19,993,177	\$ 20,592,973	\$ 21,210,762	\$ 21,847,085	\$ 22,502,487	\$ 23,177,572	\$ 23,872,898	\$ 24,588,086	\$ 25,326,789	\$ 26,086,562	\$ 26,866,159
Total Project Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105
	YEAR 84	YEAR 85	YEAR 86	YEAR 87	YEAR 88	YEAR 89	YEAR 90	YEAR 91	YEAR 92	YEAR 93	YEAR 94	YEAR 95
F.) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Profit Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 19,410,852	\$ 19,893,177	\$ 20,592,973	\$ 21,210,762	\$ 21,847,085	\$ 22,502,487	\$ 23,177,572	\$ 23,872,899	\$ 24,589,086	\$ 25,326,759	\$ 26,086,562	\$ 26,869,159
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Port of San Francisco Profit	\$ 19,410,852	\$ 19,893,177	\$ 20,592,973	\$ 21,210,762	\$ 21,847,085	\$ 22,502,487	\$ 23,177,572	\$ 23,872,899	\$ 24,589,086	\$ 25,326,759	\$ 26,086,562	\$ 26,869,159
Total Project Profit	\$ 19,410,852	\$ 19,893,177	\$ 20,592,973	\$ 21,210,762	\$ 21,847,085	\$ 22,502,487	\$ 23,177,572	\$ 23,872,899	\$ 24,589,086	\$ 25,326,759	\$ 26,086,562	\$ 26,869,159

G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 98 YEARS

Net Tax Increment to Port/Pier 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% of Net Proceeds from Reimbursements	\$ 4,721,312	\$ 10,575,733	\$ -	\$ 14,476,286	\$ -	\$ -	\$ -	\$ 5,096,865	\$ 13,647,526	\$ -	\$ -	\$ -
1.5% Transfer Fee from Sales (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% Transfer Fee from Sales (c)	\$ 35,151,252	\$ 36,205,730	\$ 37,281,964	\$ 38,410,722	\$ 39,593,044	\$ 40,748,935	\$ 41,972,433	\$ 43,231,008	\$ 44,528,655	\$ 45,864,411	\$ 47,240,344	\$ 48,657,554
Horizontal Profit Participation - Annual Ground Rent	\$ 19,410,852	\$ 19,893,177	\$ 20,592,973	\$ 21,210,762	\$ 21,847,085	\$ 22,502,487	\$ 23,177,572	\$ 23,872,899	\$ 24,589,086	\$ 25,326,759	\$ 26,086,562	\$ 26,869,159
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Parking Garages Net Cash Flow	\$ 35,869,507	\$ 36,945,592	\$ 38,053,860	\$ 39,195,570	\$ 40,371,446	\$ 41,582,500	\$ 42,830,067	\$ 44,114,570	\$ 45,438,419	\$ 46,801,571	\$ 48,205,618	\$ 49,651,787
Total Port of San Francisco Economic Benefit	\$ 85,152,924	\$ 103,821,235	\$ 95,939,866	\$ 113,293,350	\$ 101,791,575	\$ 104,935,023	\$ 107,960,073	\$ 116,316,440	\$ 125,203,606	\$ 117,992,741	\$ 121,532,524	\$ 125,178,199

H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 45 YEARS

Total Gross Possessory Use Tax (1% of Value)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ERAF and Other Taxing Entities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City & County of San Francisco Net Tax Increment - 45 Years	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment to Port/Pier 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment after Infrastructure and Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

(a) All numbers are preliminary estimates and subject to further change.

(b) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise denoted.

(c) Horizontal Infrastructure Uses total approximately \$155 million (excluding allowances for additional costs associated with power and stormwater infrastructure solutions) in unfunded 2012 dollars. Peak equity includes master developer capital and ground rent used to pay infrastructure costs.

(d) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-rent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (e)

	2106 YEAR 86	2107 YEAR 87	2108 YEAR 88	2109 YEAR 89	2110 YEAR 90	2111 YEAR 91	2112 YEAR 92	2113 YEAR 93	2114 YEAR 94	2115 YEAR 95	2116 YEAR 96	2117 YEAR 97
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES												
Upfront Project Entitlement Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES												
Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment Applied to Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Investment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

C.) MASTER DEVELOPER PEAK EQUITY (e)												
Phase I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

D.) PREPAID AND ANNUAL GROUND RENT												
12A/12C (Office + Innet)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D-1 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E2-E3 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-1 Office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E4-E5 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F-1 (Real)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Prepaid and Annual Ground Rent	\$ 4,199,466	\$ 4,325,440	\$ 4,455,203	\$ 4,508,859	\$ 4,726,525	\$ 4,868,321	\$ 5,014,370	\$ 5,164,801	\$ 5,319,746	\$ 5,479,338	\$ 5,643,718	\$ 5,813,030
	\$ 23,475,777	\$ 24,180,050	\$ 24,805,452	\$ 25,652,615	\$ 26,422,194	\$ 27,214,860	\$ 28,031,306	\$ 28,872,245	\$ 29,738,412	\$ 30,630,564	\$ 31,549,481	\$ 32,485,968
	\$ 27,675,233	\$ 28,505,490	\$ 29,360,655	\$ 30,241,475	\$ 31,148,719	\$ 32,083,181	\$ 33,045,676	\$ 34,037,046	\$ 35,058,158	\$ 36,109,902	\$ 37,193,199	\$ 38,308,995

E.) PROJECT CASH FLOW AFTER DEBT SERVICE												
Horizontal Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Upfront CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ground Rent Payments	\$ 27,675,233	\$ 28,505,490	\$ 29,360,655	\$ 30,241,475	\$ 31,148,719	\$ 32,083,181	\$ 33,045,676	\$ 34,037,046	\$ 35,058,158	\$ 36,109,902	\$ 37,193,199	\$ 38,308,995
Total Project Profit	\$ 27,675,233	\$ 28,505,490	\$ 29,360,655	\$ 30,241,475	\$ 31,148,719	\$ 32,083,181	\$ 33,045,676	\$ 34,037,046	\$ 35,058,158	\$ 36,109,902	\$ 37,193,199	\$ 38,308,995

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117
	YEAR 96	YEAR 97	YEAR 98	YEAR 99	YEAR 100	YEAR 101	YEAR 102	YEAR 103	YEAR 104	YEAR 105	YEAR 106	YEAR 107
F) DISTRIBUTION OF PROFIT												
Master Developer Return on Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Profit Sharing:												
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 27,675,233	\$ 28,505,480	\$ 29,360,655	\$ 30,241,475	\$ 31,148,719	\$ 32,083,181	\$ 33,045,676	\$ 34,037,046	\$ 35,056,156	\$ 36,109,902	\$ 37,193,199	\$ 38,309,995
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Profit	\$ 27,675,233	\$ 28,505,480	\$ 29,360,655	\$ 30,241,475	\$ 31,148,719	\$ 32,083,181	\$ 33,045,676	\$ 34,037,046	\$ 35,056,156	\$ 36,109,902	\$ 37,193,199	\$ 38,309,995
Total Port of San Francisco Profit	\$ 27,675,233	\$ 28,505,480	\$ 29,360,655	\$ 30,241,475	\$ 31,148,719	\$ 32,083,181	\$ 33,045,676	\$ 34,037,046	\$ 35,056,156	\$ 36,109,902	\$ 37,193,199	\$ 38,309,995
Total Project Profit	\$ 55,350,466	\$ 57,010,960	\$ 58,721,310	\$ 60,482,950	\$ 62,297,438	\$ 64,166,362	\$ 66,091,352	\$ 68,074,092	\$ 70,112,312	\$ 72,219,804	\$ 74,386,398	\$ 76,619,990
G) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 99 YEARS												
Net Tax Increment to Port/Pier 70	\$ -	\$ 9,466,706	\$ 16,853,953	\$ 7,355,651	\$ 16,634,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% of Net Proceeds from Retainings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% Transfer Fee From Sales (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% (Yrs 31-60) & 2.5% (Yrs 61-99) of Modified Gross Revenues	\$ 50,117,281	\$ 51,625,789	\$ 53,169,423	\$ 54,764,506	\$ 56,407,441	\$ 58,099,664	\$ 59,842,664	\$ 61,637,934	\$ 63,487,072	\$ 65,381,864	\$ 67,321,996	\$ 69,309,995
Horizontal Profit Participation - Annual Ground Rent	\$ 27,675,233	\$ 28,505,480	\$ 29,360,655	\$ 30,241,475	\$ 31,148,719	\$ 32,083,181	\$ 33,045,676	\$ 34,037,046	\$ 35,056,156	\$ 36,109,902	\$ 37,193,199	\$ 38,309,995
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Parking Garages Net Cash Flow	\$ 51,141,350	\$ 52,575,591	\$ 54,256,848	\$ 56,093,524	\$ 57,980,028	\$ 60,026,830	\$ 62,234,435	\$ 64,593,398	\$ 67,164,320	\$ 69,848,650	\$ 72,648,685	\$ 75,567,576
Total Port of San Francisco Economic Benefit	\$ 126,933,894	\$ 141,268,576	\$ 155,559,979	\$ 148,245,155	\$ 161,760,151	\$ 149,169,675	\$ 176,307,347	\$ 166,572,378	\$ 183,329,649	\$ 169,229,436	\$ 174,881,787	\$ 181,367,642
H) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 45 YEARS												
Total Gross Possessory Use Tax (1% of Value)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ERAF and Other Taxing Entities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City & County of San Francisco Net Tax Increment - 45 Years	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment to Port/Pier 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment after Infrastructure and Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:
 ** All numbers are preliminary estimates and subject to further change. **
 Pro forma underwriting analysis prepared by Port of San Francisco.
 Numerical estimates are expressed in nominal terms unless otherwise denoted.
 Horizontal Infrastructure Uses total approximately \$185 million (excluding allowances for additional costs associated with power and stormwater infrastructure solutions) in uninitiated 2012 dollars.
 Peak equity includes master developer capital and ground rent used to pay infrastructure costs.
 No sales of any household interests are assumed, and all residential parcels are assumed to be for rent.

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)	2118	2119	2120	2121	2122	2123	2124	2125	2126
	YEAR 108	YEAR 109	YEAR 110	YEAR 111	YEAR 112	YEAR 113	YEAR 114	YEAR 116	YEAR 116
A.) HORIZONTAL INFRASTRUCTURE INVESTMENT USES									
Upright Project Entitlement Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Uses (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B.) HORIZONTAL INFRASTRUCTURE INVESTMENT SOURCES									
Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase I IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV IFD Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment Applied to Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Horizontal Infrastructure Investment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C.) MASTER DEVELOPER PEAK EQUITY (c)									
Phase I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase II	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phase IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Peak Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D.) PREPAID AND ANNUAL GROUND RENT									
12A/12C (Office + Inmov)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D-1 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E2-E3 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-1 Office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E4-E6 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-1 (Retail)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-1 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
H-2 (Office)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Prepaid and Annual Ground Rent	\$ 5,987,420	\$ 6,167,043	\$ 6,352,064	\$ 6,542,616	\$ 6,739,884	\$ 6,941,061	\$ 7,149,283	\$ 7,357,565	\$ 7,565,847
	\$ 33,470,845	\$ 34,474,970	\$ 35,500,219	\$ 36,574,486	\$ 37,671,731	\$ 38,801,863	\$ 39,965,939	\$ 41,164,817	\$ 42,394,652
	\$ 39,458,265	\$ 40,642,013	\$ 41,861,274	\$ 43,117,112	\$ 44,410,625	\$ 45,742,944	\$ 47,115,232	\$ 48,527,384	\$ 49,980,509
E.) PROJECT CASH FLOW AFTER DEBT SERVICE									
Horizontal Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Upright CFD Mello Roos Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFD Bonds - Completed Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay Go Tax Increment	\$ 39,458,265	\$ 40,642,013	\$ 41,861,274	\$ 43,117,112	\$ 44,410,625	\$ 45,742,944	\$ 47,115,232	\$ 48,527,384	\$ 49,980,509
Ground Rent Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Profit	\$ 39,458,265	\$ 40,642,013	\$ 41,861,274	\$ 43,117,112	\$ 44,410,625	\$ 45,742,944	\$ 47,115,232	\$ 48,527,384	\$ 49,980,509

EXHIBIT G - ANNUAL SUMMARY PRO-FORMA UNDERWRITING (a)

	2118	2119	2120	2121	2122	2123	2124	2125	2126
	YEAR 108	YEAR 109	YEAR 110	YEAR 111	YEAR 112	YEAR 113	YEAR 114	YEAR 115	YEAR 116
F.) DISTRIBUTION OF PROFIT									
Master Developer Return on Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Profit Sharing:									
Master Developer Profit Participation - Prepaid Annual Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Master Developer Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port of San Francisco Profit Participation - Annual Ground Rent	\$ 39,458,265	\$ 40,642,013	\$ 41,861,274	\$ 43,117,112	\$ 44,410,625	\$ 45,742,844	\$ 47,115,232	\$ 41,164,917	\$ -
Port of San Francisco Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Master Developer Profit	\$ 39,458,265	\$ 40,642,013	\$ 41,861,274	\$ 43,117,112	\$ 44,410,625	\$ 45,742,844	\$ 47,115,232	\$ 41,164,917	\$ -
Total Port of San Francisco Profit	\$ 39,458,265	\$ 40,642,013	\$ 41,861,274	\$ 43,117,112	\$ 44,410,625	\$ 45,742,844	\$ 47,115,232	\$ 41,164,917	\$ -
Total Project Profit	\$ 39,458,265	\$ 40,642,013	\$ 41,861,274	\$ 43,117,112	\$ 44,410,625	\$ 45,742,844	\$ 47,115,232	\$ 41,164,917	\$ -
G.) PORT OF SAN FRANCISCO ECONOMIC BENEFIT - 89 YEARS									
Net Tax Increment to Port/Pier 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% of Net Proceeds from Refinance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% Transfer Fee From Sales (d)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5% (Yrs 31-60) & 2.5% (Yrs 61-99) of Modified Gross Revenues	\$ 46,499,848	\$ 39,109,568	\$ 39,252,862	\$ 21,460,338	\$ 22,104,149	\$ 22,767,273	\$ 23,450,281	\$ 17,442,324	\$ -
Horizontal Profit Participation - Annual Ground Rent	\$ 39,458,265	\$ 40,642,013	\$ 41,861,274	\$ 43,117,112	\$ 44,410,625	\$ 45,742,844	\$ 47,115,232	\$ 41,164,917	\$ -
Horizontal Profit Participation - Prepaid Ground Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Parking Garages Net Cash Flow	\$ 72,875,523	\$ 75,102,783	\$ 77,355,868	\$ 79,675,542	\$ 82,056,539	\$ 84,528,843	\$ 87,064,709	\$ 89,676,650	\$ 92,366,950
Total Port of San Francisco Economic Benefit	\$ 160,873,636	\$ 153,954,361	\$ 158,468,962	\$ 144,253,992	\$ 148,591,812	\$ 153,039,060	\$ 157,630,232	\$ 148,283,891	\$ 92,366,950
H.) CITY & COUNTY OF SAN FRANCISCO TAX INCREMENT - 45 YEARS									
State Gross Property Tax (1% of Value)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ERAP and Other Taxing Entities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City & County of San Francisco Net Tax Increment - 45 Years	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment to Port/Pier 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Tax Increment Applied to Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Tax Increment after Infrastructure and Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:
 *** All numbers are preliminary estimates and subject to further change. ***
 (a) Pro forma underwriting analysis prepared by Port of San Francisco. Numerical estimates are expressed in nominal terms unless otherwise indicated.
 (b) Horizontal Infrastructure Uses total approximately \$165 million (excluding allowances for additional costs associated with power and storm/sewer infrastructure solutions) in uninitiated 2012 dollars.
 (c) Peak equity includes master developer capital and ground rent used to pay infrastructure costs.
 (d) No sales of any leasehold interests are assumed, and all residential parcels are assumed to be for-rent.

Exhibit H

***Guidelines for the Establishment and Use of an Infrastructure Financing District
with Project Areas on Land under the Jurisdiction of the San Francisco Port
Commission***

**Draft Guidelines for the Establishment and Use of an
Infrastructure Financing District with Project Areas on
Land under the Jurisdiction of the San Francisco Port Commission**
(Adopted April 23, 2013 by Resolution No. _____; File No. 130264)

Threshold Criteria: The following Threshold Criteria must be met to establish an infrastructure financing district (IFD) or project area on Port land.

1. **At formation, limit waterfront districts and project areas to Port land.** Consistent with California Infrastructure Financing District law (Gov. Code §§ 53395-53398.47) (IFD law), the City may form an IFD consisting only of land under the jurisdiction of the San Francisco Port Commission (Port) without an election (waterfront district). The formation of a waterfront district consisting of all Port land with project areas corresponding to Port development projects within the waterfront district¹ will be subject to the criteria in these *Guidelines for Establishment and Use of Infrastructure Financing Districts and Project Areas on Land under the Jurisdiction of the San Francisco Port Commission* (Port Guidelines). The City will consider allocating property tax increment from a project area to the waterfront district when the Port submits a project area-specific infrastructure financing plan that specifies: (a) the public facilities to be financed by tax increment² generated in the project area; (b) the projected cost of the proposed public facilities; (c) the projected amount of tax increment that will be generated over the term of the project area; (d) the amount of tax increment that is proposed to be allocated to the IFD to finance public facilities; and (e) any other matters required under IFD law.
2. **Consider requests to annex non-Port land to a project area on a case-by-case basis.** If an owner of non-Port land adjacent to a project area petitions to add the adjacent property to the project area in accordance with the IFD law, the City will consider on a case-by-case basis: (a) whether to annex the non-Port property to the project area to assist in financing public facilities; and (b) the extent to which tax increment generated by the non-Port land but not used for Port public facilities should be subject to the *Guidelines for the Establishment and Use of Infrastructure Financing Districts in the City and County of San Francisco* (City Guidelines).³
3. **Require completion of environmental review and the affirmative recommendation of the Capital Planning Committee before approving any infrastructure financing plan that allocates tax increment from a project area.** The City may form the Port-wide waterfront district without allocating tax increment to the waterfront district. The City will

¹ In according with Board of Supervisors intent as stated in Board Resofution No. 110-12, adopted on March 27, 2012, and Board Resolution No. 227-12, adopted on June 12, 2012. These Port Guidelines will apply even if the Board later decides to create multiple IFDs on Port land, rather than a single waterfront district.

² IFD law generally authorizes certain classes of public facilities to be financed through IFDs. The Legislature has broadened the types of authorized public facilities for waterfront districts to include: (1) remediation of hazardous materials in, on, under, or around any real or tangible property; (2) seismic and life-safety improvements to existing buildings; (3) rehabilitation, restoration, and preservation of structures, buildings, or other facilities having special historical, architectural, or aesthetic interest or value and that are listed on the National Register of Historic Places, are eligible for listing on the National Register of Historic Places individually or because of their location within an eligible registered historic district, or are listed on a state or local register of historic landmarks; (4) sfructural repairs and improvements to piers, seawalls, and wharves, and installation of piles; (5) removal of bay fill; (6) stormwater management facilities, other utility infrastructure, or public open-space improvements; (7) shoreline restoration; (8) other repairs and improvements to maritime facilities; (9) planning and design work that is directly related to any public facilities authorized to be financed by a waterfront district; (10) reimbursement payments made to the California Infrastructure and Economic Development Bank in accordance with IFD law; (11) improvements, which may be publicly owned, to protect against potential sea level rise; (12) Port maritime facilities at Pier 27; (13) shoreside power installations at Port maritime facilities; and (14) improvements to publicly-owned waterfront lands used as public spectator viewing sites for America's Cup activities in San Francisco. Gov. Code §§ 53395.3, 53395.8(d), and 53395.81(c)(1).

³ Adopted on February 8, 2011, by the Board of Supervisors Resolution No. 66-11. The City Guidelines do not apply to IFDs on land owned or managed by the Port.

not approve an infrastructure financing plan that would allocate property tax increment to the waterfront district from any project area, however, until the following have occurred: (a) the City has completed environmental review of the proposed development project associated with the project area and any proposed public facilities to be financed with property tax increment from the project area; and (b) the Capital Planning Committee has recommended approval of the related infrastructure financing plan.

4. **Public facilities financed by tax increment must be consistent with applicable laws, policies, and the Port's capital plan.** Project areas in the waterfront district must finance public facilities that are consistent with: (a) IFD law; (b) the Port's Waterfront Land Use Plan; (c) any restrictions imposed by the public trust for commerce, navigation, and fisheries, the Burton Act (stats. 1968, ch. 1333), or other applicable statute; and (d) the Port's 10-Year Capital Plan, all as in effect on the date the City approves any project area infrastructure financing plan.
5. **The Port must demonstrate the net fiscal impact of the proposed project area on the City's General Fund and show that the project area will result in a net economic benefit to the City, including the Port.** The Port must include in the infrastructure financing plan for each project area: (a) the total amount of revenue that the City's General Fund is projected to receive and the projected costs to the City's General Fund over the term of the project area; and (b) the number of jobs and other economic development benefits that the project assisted by the waterfront district is projected to produce over the term of the project area. The projections in the infrastructure financing plan should be similar to those prepared to demonstrate that certain projects are fiscally feasible and responsible in accordance with Administrative Code Chapter 29 and include projections of direct and indirect financial benefits to the City, construction costs, available funding to pay project costs, ongoing operating and maintenance costs, and debt service
6. **Where applicable, maximize State contributions to project areas through matching City contributions.** IFD law authorizes the allocation of the State's share of property tax increment to certain Port project areas in proportion to the City's allocation of tax increment to the Port project area to assist in financing specified Port public facilities, such as historic preservation at Pier 70 and the Port's new James R. Herman Cruise Terminal at Pier 27. When an allocation of the State's share of property tax increment to a Port project area is authorized under IFD law, the City will allocate to the waterfront district the amount of tax increment from the project area that will maximize the amount of the State's tax increment that is available to fund authorized public facilities. In accordance with the California Revenue and Taxation Code, the Board of Supervisors annually approves the share of City property tax dollars allocated to the City (\$0.646 in FY 2012-2013), and the State annually approves the State's share of City property tax dollars (\$0.253 in FY 2012-2013). To maximize State contributions to project areas through matching City contributions in project areas where the City's use of the State's share is authorized, the City would budget the sum of all of the City's share of property tax dollars from the project area plus all of the State's share of property tax dollars from the project area, until the earlier to occur of: (a) full financing of the authorized public facilities by tax increment; or (b) the allocation to the waterfront district of the full amount of tax increment from the project area authorized under the approved infrastructure financing plan.
7. **Determine the amount of tax increment to be allocated to the waterfront district from a project area in relation to project economics.** The City will consider approving infrastructure financing plans for Port project areas that provide for allocations of up to the sum of property tax dollars allocated to the City from the project area in accordance with tax rates established annually by the Board of Supervisors for the City, or, where permitted by IFD law, the sum of the City's share of property tax dollars from the project area plus the

State's share of property tax dollars from the project area as established annually by the State, , to fund authorized public facilities necessary for each proposed development project. Each infrastructure financing plan must include projections of the amount of tax increment that will be needed to fund necessary public facilities. The allocation should be sufficient to enable the Port to: (a) obtain fair market rent for Port ground leases after build-out of the project area; and (b) enable proposed development projects to attract private equity. No tax increment will be used to pay a developer's return on equity or other internal profit metric in excess of limits imposed by applicable state and federal law; the IFD law currently measures permissible developer return by reference to a published bond index and both the State Mello-Roos Community Facilities Act and federal tax law require a return that is consistent with industry standards. The Board of Supervisors in its discretion may allocate additional tax increment to other public facilities serving the waterfront district that require funding.

An approved infrastructure financing plan will state the City's agreement that, for any debt secured by tax increment allocated to the waterfront district from a project area to finance authorized public facilities, the City will disburse tax increment to the waterfront district from the project area in amounts sufficient to fund: (a) debt service and debt service coverage for bonds issued under IFD law (IFD Bonds), bonds issued under the Mello-Roos Community Facilities Act of 1982⁴ (CFD Bonds), and other forms of indebtedness that the Port is authorized to issue to fund public facilities authorized to be financed in the infrastructure financing plan to the extent not funded by special tax levies; and (b) costs of administration and authorized public facilities on a pay-as-you-go basis.

8. **Use excess tax increment for citywide purposes.** Any portion of the City's share of tax increment that the City allocated to the waterfront district from the project area but that is not required to fund eligible project-specific public facilities will be re-allocated to the City's General Fund or to improvements to the City's seawall and other measures to protect the City against sea level rise or other foreseeable risks to the City's waterfront. Under IFD law, any portion of the State's share of tax increment not needed to fund eligible public facilities reverts to the State and may not be re-allocated for citywide purposes.
9. **Port Capital Budget.** If the Port issues Port revenue bonds (instead of CFD Bonds or IFD Bonds) to be repaid by tax increment revenue generated in one or more Port project areas, to further the purposes Port Commission Resolution No. 12-22 adopting the Port's Policy for Funding Capital Budget Expenditures, the Port will include annually in its Capital Budget any tax increment revenue allocated to the waterfront district from the project area to provide debt service coverage on any Port revenue bond debt payable from tax increment.
10. **Require each project area infrastructure financing plan to identify sources of funding to construct, operate, and maintain public facilities financed by project area tax increment.** Tax increment will be allocated to the waterfront district from a project area under a project area infrastructure financing plan only if the Port has identified anticipated sources of funding to construct, operate, and maintain any public facilities to be financed with project area tax increment. Examples of acceptable sources for operation and maintenance are: (a) private financing mechanisms, such as a homeowners association assessment; (b) a supplemental special tax levied by a community facilities district formed under the Mello-Roos Act or assessments levied by a community benefits district; and (c) the Port's maintenance budget or other allocation of the Port Harbor Fund.

⁴ Gov. Code §§ 553311-53368.3 (Mello-Ross Act).

Strategic Criteria: are to be considered by the Board of Supervisors, but are not required to establish a Port IFD or project area.

- **Use Port IFD financing for public facilities serving Port land where other Port moneys are insufficient.** Port IFD financing should be used to finance public facilities serving Port land when the Port does not otherwise have sufficient funds.
- **Use Port IFD financing to leverage non-City resources.** Port IFD financing should be used to leverage additional regional, state, and federal funds. For example, IFD funds may prove instrumental in securing matching federal or state dollars for transportation projects.
- **Continue the Port's "best-practices" citizen participation procedures to help establish priorities for public facilities serving Port land.** Continue to use the Port's "best-practices" citizen participation procedures to: (a) establish community and municipal priorities for construction of infrastructure serving Port land; and (b) ensure that infrastructure financing plans for Port project areas provide financing to help the Port and the City meet those priorities.
- **The Port, the Mayor's Budget Office, and the Controller should collaborate to conduct periodic nexus studies.** No less than every ten years, the Port, the Mayor's Budget Office, and the Controller should collaborate on a nexus study. The nexus analysis will examine whether the cost of basic municipal services provided to Port property, such as services provided by the Fire and Police Departments, is covered by the sum of: (a) the portion of property taxes the City receives from Port land that is not allocated to the waterfront district; (b) hotel, sales, payroll or gross receipts, and any other taxes the City receives from Port land; and (c) any other revenues that the City receives from Port land.

APPENDIX
Index of Defined Terms

Many key terms are defined in the Introduction and Overview for readability. Definitions are also located in the chart at the locations specified below.

Term	Location
20 th /Illinois Parcel	Overview; § 2
AB 418	Introduction
Appraisal Instructions	§ 14(c)(i)
Appraisal Trigger Notice	§ 5(d)
BCDC	Overview
Board	Introduction
CEQA	Introduction; § 3
CFD	Overview; § 12(b)(i)
CFD Law	Overview
City	Introduction; § 1
Closing	§ 4(a)(x)
Cost of Carry	Overview; § 10(a)
DDA	Introduction; § 4
DDA Effective Date	Introduction
Developer Capital	Overview; § 9(a)
Developer Return	Overview; § 10(a)
Developer Return Statement	§ 10(a)
Development Parcel	Overview
District Parking Facilities	Overview; § 3(b)(ii)
DOE	Overview
Down Market Delay	§ 5(h)
Early Ground Lease	§ 5(i)

Term	Location
Early Transfer Date	§ 11(c)(i)
EIR	Introduction; § 8
Eligible Vertical Improvement Costs	§ 9(b)
Eligible Vertical Improvements	Overview; § (4)(a)(v)
ENA	Introduction
Entitlement	Overview; § 3(a)
ERAF	§ 12(a)(v)
Final Developer Return Report	§ 10(d)
Financing Plan	§ 4(a)(iii)
FMV	§ 14(a)(ii)
Force Majeure Delay	§ 5(f)
Ground Lease	Overview; § 4
gsf	Overview; § 7(g)
Historic Improvements	Overview
horizontal development	Overview; § 3(a)(i)
Horizontal Development Costs	Overview; § 9(b)
Horizontal Phase Schedule of Performance	§ 5(b)
IFD	Overview; § 12(a)
IFD financing plan	§ 12(a)(ii)
IFD Law	Overview; § 12(a)
Infrastructure	Overview; § 3(a)(ii)

Term	Location
Innovation, Retail and Arts	Overview
Land Proceeds	Overview; § 9(a)
Land-Secured Financing Proceeds	Overview; § 9(a)
Litigation Force Majeure	§ 5(g)
Maintenance CFD	§ 12(c)
Master Developer	Introduction; § 1
Master Plan	Overview
Minimum Bid Price	§ 14(b)(i)
MMRP	Introduction
MOH	Overview
Net Available Increment	§ 12(a)(iv)
Net New Interim Lease Revenues	Overview; § 9(a)
Noonan Tenants	§ 19
OEWD	Overview
Option	§ 14(a)(i)
Parties	Introduction
Phase	Overview; § 5
Phase Completion Date	§ 10(a)
Phase Infrastructure Budget	§ 9(c)
Phase Surplus	§ 10(c)
Pier 70	Introduction
Pier 70 Financing Plan	Introduction
Placemaking Parcels	§ 7(f)(i)
Port	Introduction; § 1
Port IFD Guidelines	§ 12(a)(i)
Project	Introduction

Term	Location
Project Account	§ 10(c)
Project Approval	Introduction
project area	§ 12(a)(ii)
Project Budget	§ 9(c)
Project Phasing Schedule	§ 4(a)(vii)
Project Sources	§ 9(a)
Project Surplus	Overview; § 10(e)
Prop D Land Use Plan	Introduction
Prop M	§ 7(b)
Public Facilities	Overview; § 3(a)(iii)
Public Offering	§ 14(a)(v)
public trust	Introduction
Purchase Agreement	§ 4(a)(vi)
Qualified Appraiser	§ 14(c)(i)
Qualified Bidder	§ 14(b)(i)
Qualified Facilities	Overview; § 4(a)(iv)
Qualified Project Costs	Overview; § 4(a)(iv)
Replacement Space	§ 19
RFQ	Overview
RMA	§ 12(b)(iv)
Secretary's Standards	Overview
SFMTA	Overview
SFPUC	Overview
State Lands	Overview; § 4(a)(ix)
SUD	Introduction
TDMP	Overview
Term Sheet	Introduction
Third-Party Parcel	§ 2
Third-Party Transfer	§ 11(c)(i)

Term	Location
Transaction Documents	Introduction; § 4
Vertical Developer	Overview
vertical development	Overview; § 3(b)
waterfront district	§ 12(a)(i)
Waterfront Site	Introduction

Report

The Economics of Land Use



Pier 70 Waterfront Site and Illinois Street Parcel Development Projects

Findings of Fiscal Responsibility and Feasibility

Prepared for:

The City and County of San Francisco

Prepared by:

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May 21, 2013

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EXECUTIVE SUMMARY

Chapter 29 of the City's Administrative Code requires that the Board of Supervisors make findings of fiscal feasibility for certain development projects before the City's Planning Department may begin California Environmental Quality Act ("CEQA") review of those proposed projects. Chapter 29 requires consideration of five factors: (1) Direct and indirect financial benefits of the project, including, to the extent applicable, cost savings and/or new revenues, including tax revenues generated by the proposed project; (2) The cost of construction; (3) Available funding for the project; (4) The long term operating and maintenance cost of the project; and (5) Debt load to be carried by the City department or agency.

This report provides information for the Board's consideration in evaluating the fiscal feasibility of a proposed development at Pier 70 (the "Project"). The Project consists of the Pier 70 Waterfront Site ("Waterfront Site") and the parcel bounded by Illinois Street to the west, 20th Street to the north, Michigan Street to the east, and Pier 70's southern border to the south ("Illinois Street Parcel"). The Port of San Francisco ("Port") owns both the Waterfront Site, which it plans to develop in partnership with Forest City Development California, Inc. ("Forest City"), and the Illinois Street Parcel, which it plans to sell to raise funds that will be reinvested in the Waterfront Site's infrastructure development. A more detailed description of the Project is provided in the **INTRODUCTION** to this report.

(1) Financial Benefits. The Project will provide a range of direct and indirect benefits to the City and the Port. Additional details on and analysis of the Project's financial benefits are provided in **CHAPTER 1** of this report.

a. Fiscal Benefits to the City and Port. The development of the Pier 70 Waterfront Site and the Illinois Street Parcel will provide both new ongoing and one-time revenues. Ongoing revenues to the City include new tax receipts from Property, Possessory Interest, Sales, Parking, and Gross Receipts taxes. These ongoing revenues are currently estimated to amount to \$28.7 million in annual revenue to the City upon full build-out of the Waterfront Site and \$1 million upon buildout of the Illinois Street Parcel (in 2013 dollars, including possessory interest and property taxes to be utilized to help fund infrastructure). A portion of the possessory interest and property tax revenues will be allocated to construction of public facilities and infrastructure on the Project site through the use of financing districts.

The City will also receive one-time benefits from Development Impact Fees, as well as revenue associated with construction of the Project. The one-time revenues generated by the Pier 70 Waterfront Site are estimated to total \$91.2 million in 2013 dollars and would be received over the course of project development. The one-time revenues from the Illinois Street Parcel are estimated to total \$10.9 million.

b. Economic Benefits to the City. The Project will have economic impacts that benefit the City's overall economy. New direct, indirect, and induced economic activity created by construction of the Pier 70 Waterfront Site is projected to create approximately 14,300 direct, indirect and induced annual full time

construction-related job equivalents.¹ The construction on the Illinois Street Parcel is estimated to create a total of 720 direct, indirect and induced annual full time construction-related job equivalents.

At full build-out, ongoing direct, indirect and induced economic activity at the Pier 70 Waterfront Site is projected to support 18,000 permanent jobs in San Francisco. The Illinois Street Parcel is estimated to support 50 permanent jobs.

- c. Direct Financial Benefits to the Port.** The Port and Forest City have drafted terms related to the Pier 70 Waterfront Site development. Under those terms, the Port will receive: a share of the appraised value of developable parcels after Forest City achieves a market-based return of and on equity it has invested in entitlements and infrastructure development; an increasing share of modified gross revenues from building leases; a share of net proceeds from sales and refinancings; net operating income from district parking garages serving the development; and a share of future net tax increment generated by the development, for funding of Pier 70 improvements.²

The Port will seek Port Commission and Board approval to publicly offer and sell the Illinois Street Parcel. Revenues to the Port from the sale of this parcel, which is anticipated to occur in the near term, are expected to repay Forest City for its expenditures during the entitlement process, with a market return. This early repayment will limit the amount of return that can accrue to the Forest City on its entitlement costs, and thereby support greater revenue generation to the Port.

- d. Direct Benefits to the City.** As currently proposed, the Waterfront Site will include a number of public benefits, including the rehabilitation and preservation of historic structures; creation of a unique San Francisco urban waterfront with a creative core of local production, arts, and innovation uses; elimination of a significant existing liability to the Port due to Pier 70's existing and anticipated capital needs; 7 acres of open space and parks; approximately 950 units of housing, including affordable housing commensurate with or exceeding the City's inclusionary housing requirements; expansion of the City's inventory of job-creating commercial space by up to 2.25 million square feet; and \$155 million of new infrastructure.

Benefits of the Illinois Street Parcel's development include the creation of additional housing and neighborhood retail amenities. The developer of the Illinois Street Parcel may also be responsible for constructing adjacent roadways and/or plaza space, unless these benefits are instead assigned to adjacent Port-owned parcels.

¹ Construction jobs represent "job-years" generated over the course of development only.

² Term Sheet

Additional details and analysis of the financial and economic benefits of the Project are provided in **CHAPTER 1**.

- (2) Cost of Construction.** The Pier 70 Waterfront Site as currently proposed will cost approximately \$1.8 billion to construct. This cost estimate includes \$1.65 billion for construction of buildings and structured parking and \$155 million for new infrastructure and public facilities, as set forth in further detail in **CHAPTER 2**.

The Illinois Street Parcel will cost approximately \$95 million to construct. This cost estimate includes vertical building construction, and infrastructure.

- (3) Available Funding for the Project.** Predevelopment, infrastructure, and historic preservation costs for the Pier 70 Waterfront Site initially will be privately financed with risk capital by the Master Developer. The Master Developer's investment in public facilities will be reimbursed and the infrastructure funding potentially augmented by several sources, including the appraised value of the improved, developable land; special taxes levied by Community Facilities Districts (each, a "CFD") formed under the Mello-Roos Community Facilities Act of 1982; tax increment financing from Infrastructure Financing District ("IFD") project areas; and debt issuance backed by CFD and IFD revenues. Private risk capital will be used for construction of all residential and commercial uses, including costs for building design and construction, City impact fees, and other agency fees, with the possible exception of historic buildings and Innovation/"Maker" uses (described in the Proposed Development section below in the **INTRODUCTION**), which may have certain IFD-eligible costs. Certain historic building rehabilitation costs will be eligible for project-generated IFD funding for purposes of gap financing and cultural/place-making uses may be eligible for support from project-generated public financing sources. Additional information is provided in the **INTRODUCTION** and **CHAPTER 3**.

The costs for vertical development on the Illinois Street Parcel will be paid entirely using private risk capital. Infrastructure obligations associated with the Illinois Street Parcel, which could consist of adjacent streets and/or a small plaza, could potentially utilize the same CFD and IFD public financing mechanisms utilized for the Waterfront Site's infrastructure.

- (4) Long-Term Operating and Maintenance Costs.** The Master Developer (and/or other property lessees or owners) will be responsible for a portion of the Pier 70 Waterfront Site's operation and maintenance costs, including those associated with all publicly accessible open space and routine street sweeping and maintenance, for the term of the ground lease. These costs may be paid through CFD special taxes from the Site, due from the Master Developer, property lessees or owners. Out-year capital improvements to these facilities (e.g., road repaving) may be funded by IFD tax increment not needed for debt service.

The Illinois Street Parcel will be subject to the same maintenance obligations as the Pier 70 Waterfront Site and may also utilize CFD special taxes and excess IFD tax increment to cover these costs, if deemed desirable by the Port and City at the time of the Parcel's disposition.

City departments, including the San Francisco Police and Fire Departments and the Municipal Transportation Agency ("SFMTA"), will have increased service responsibilities associated with the anticipated population and employment increase within the Project area. **CHAPTER 4** of this report provides additional information about the anticipated additional demands for services and cost estimates, where available. The cost estimates associated with these services will be further refined through the course of the California Environmental Quality Act ("CEQA") review of the Project.

(5) Debt Load to be Carried by the City or the Port. As described in further detail in the Term Sheet, the Waterfront Site proposes to use Project-generated proceeds of an IFD and a CFD to fund and/or reimburse the cost of construction of public facilities and infrastructure. Such debt obligations will be secured by special taxes and possessory interest taxes paid by the Project lessees and property owners and will not obligate the City's General Fund or the Port's Harbor Fund. The IFD property tax increment may be used to pay for or reimburse infrastructure costs directly or to pay debt service on CFD or IFD bonds, as described below. A CFD will be secured by the pledge of special taxes imposed by the District and either the Port's land at the Waterfront Site and the Illinois Street Parcel or by leasehold interests at the site. The Illinois Street Parcel may also utilize these forms of public financing, if deemed desirable by the Port and City at the time of the Parcel's disposition. See **CHAPTER 5** for additional information.

INTRODUCTION

Chapter 29 of the City's Administrative Code requires that the Board of Supervisors review certain development projects before the City's Planning Department may begin California Environmental Quality Act ("CEQA") review of those proposed projects. In particular, the Board of Supervisors must make a determination of fiscal feasibility and responsibility when the plan for a proposed project exceeds \$25 million in construction cost, and where at least \$1.0 million of the cost is paid by certain public monies, including rent credits.

This report provides information under Chapter 29, subsection Sec. 29.2, for the Board's consideration in evaluating the feasibility of a proposed development by Forest City Development California, Inc., (the "Master Developer") of the Waterfront Site at Pier 70 and of the proposed development of the parcel bounded by Illinois Street to the west, 20th Street to the north, Michigan Street to the east, and Pier 70's southern boundary to the south (the "Illinois Street Parcel"), collectively referred to as the "Project." The current Project program includes the construction of new office, residential, retail, cultural, parking, and open space uses and the rehabilitation of historic buildings on the Waterfront Site at Pier 70, in addition to the development of new residential, ancillary retail, and parking on the Illinois Street Parcel.

Section 29.2 of the San Francisco Administrative Code lists five criteria for evaluating the fiscal feasibility of a project:

- (1) Direct and indirect financial benefits of the project, including, to the extent applicable, cost savings or new revenues, including tax revenues generated by the proposed project;
- (2) The cost of construction;
- (3) Available funding for the project;
- (4) The long term operating and maintenance costs of the project; and
- (5) Debt load to be carried by City departments and agencies.

Each of these criteria is discussed in the chapters that follow.

Central to this analysis is the Waterfront Site project's "Term Sheet," a non-binding document between the Port and the Developer, which outlines certain basic business terms and the proposed development project. The Term Sheet:

- Has been informed by an extensive ongoing public outreach process.
- Describes negotiated deal terms, including financial terms.
- Describes the procedures for determining land value and returns of and on Developer Capital.
- Designates the Illinois Street Parcel's sale revenues as a funding source to support the Waterfront Site's infrastructure and public benefits.
- Outlines certain basic terms contemplated for the Project's final transaction documents, including a Disposition and Development Agreement ("DDA").

- Is subject to endorsement by the Port Commission and the Board of Supervisors.

Provisions in the Term Sheet will be expanded upon in greater detail within various transaction documents that will accompany the final project approvals. The evaluation of fiscal feasibility, including financial benefits to the City and the Port, is preliminary, based on the current conceptual Project plan. The information is subject to change as the project description is revised through public review, the CEQA process, and the negotiation of final transaction documents. Actual fiscal outcomes also will depend on future economic conditions; local, State and Federal policies; and other possible actions that may affect the Project.

Proposed Development

Pier 70 Waterfront Site

The Pier 70 Waterfront Site proposes a mixed-use development with the following uses:

- **Office** – Up to 2.25 million gross square feet of office uses will accommodate a range of tenants, with an emphasis on knowledge economy tenants. For the purpose of analysis, this report assumes 2,182,550 gross square feet are constructed.
- **Innovation, Retail and Arts** – Up to 400,000 gross square feet will accommodate a combination of traditional retail space (e.g., restaurants and cafes, businesses and financial services, convenience items, personal services) and “Innovation” space oriented towards small scale local production, arts and cultural uses, small business incubator uses, and other publically accessible and activating uses. The Innovation space will provide low-cost facilities to help grow start-up enterprises and encourage collaboration and networking through shared facilities. These uses will provide economic vitality and create unique local character that will attract residents and office tenants to the Waterfront Site. For the purpose of analysis, this report assumes that 272,300 gross square feet of Innovation, Retail and Arts uses are constructed and that this space is divided evenly between traditional retail and Innovation uses.
- **Residential** –The Project will meet or exceed City inclusionary housing requirements. This analysis assumes that 949 housing units will be constructed; all of which will be rental apartments and 15 percent of which provide inclusionary affordable housing subject to City income limits.
- **Parking** – The number of parking spaces will be determined based on final mix of uses, in accordance with any parking maximums in applicable ordinances. The development program assumed for this analysis assumes the following parking ratios, which are the maximum ratios laid out in the Term Sheet: 0.5 spaces per residential rental unit and 0.9 spaces per 1,000 square feet of commercial space. These ratios would result in a maximum of 2,566 parking spaces, up to 1,200 of which could be provided in structured “district parking” facilities and the balance of which would be provided within residential and commercial buildings.
- **Open Space** – Approximately 7 acres of parks will be constructed, including a 4.5 acre Waterfront Park, courtyard space, and useable open space on the roofs of district parking structures.

Development is anticipated to occur over a period of approximately 13 years, subject to economic cycles and market conditions.

Illinois Street Parcel

The Illinois Street Parcel is proposed to consist of a mixed-use building (or buildings) with residential over ground-floor retail, as follows:

- **Retail** – Up to 40,000 gross square feet will provide neighborhood serving uses for the benefit of nearby residents and employees. These uses may include restaurants and cafes, businesses and financial services, convenience items, and personal services. For the purposes of analysis, this report assumes that 7,700 gross square feet are constructed.
- **Residential** – 120,000 to 220,000 gross square feet, which corresponds with a maximum of 200 to 250 units, depending on unit size. This analysis assumes that 214 units will be constructed. They may be rental apartments or for-sale condominiums, depending upon market conditions at the time of parcel disposition, but this analysis assumes that all will be condos that will provide affordable housing through the City's Affordable Housing Fee option.
- **Parking** – The Illinois Street Parcel may include both a) parking spaces associated with residential units and retail uses on that parcel, to be determined based on the final program, and b) parking spaces to serve other portions of Pier 70, outside of the Illinois Street Parcel and the Waterfront Site, that do not supply adequate parking for their buildings' users. For purposes of this analysis, 214 parking spaces are assumed to be constructed, all of them associated with on-site uses.

Overview of Project Financing

Waterfront Site

Forest City would be responsible for infrastructure and site improvements and would be eligible to be reimbursed for its risk capital invested in predevelopment and horizontal development costs on a priority return basis from project cash flows. Sources of funds would include the value of improved and entitled land (booked as revenue to Forest City for parcels when Forest City exercised its option to serve as the vertical developer or when parcels are auctioned to third parties), disposition proceeds from the lease or sale to a third party of the Illinois/20th Street parcel, Infrastructure Financing District (IFD) revenues, and Community Facilities District (CFD) special taxes.

Forest City will have the option to serve as vertical developer for all residential and commercial development parcels on the Waterfront Site. Only if Forest City were to waive this option would another third party vertical developer be selected to "take down" a parcel. Land disposition, either to Forest City or to a third party vertical developer, will occur through a combination of fee sales (for parcels developed with condominiums) and 99-year ground leases that will commence at take-down of each parcel (prior to construction). Forest City will bear the cost of building new cultural and "place-making" uses that may not generate sufficient rents to cover costs but are expected to add value to the project overall. The Port and Forest City will examine potential project-generated public financing strategies to build the place-making uses. The Port plans to publicly finance the development of the District Parking Garages, which Forest City may

construct and the Port would own. The parties will continue to discuss a number of options for financing the District Parking Facilities, with a final financing approach included in the DDA.

In consideration for the land and investment of public funds, the Port will receive project revenues from a variety of sources, estimated to total approximately \$152 million (NPV). These potential revenues are described in greater detail in subsequent chapters.

Illinois Street Parcel

The Port will publicly offer the Illinois Street Parcel for sale to a developer, at fair market value, through an auction process that is outlined in the Term Sheet. Forest City may participate in the auction. Proceeds to the Port from the lease or sale of this parcel, which is expected to occur in the near term, are expected repay Forest City for its expenditures during the entitlement process, with a market return. This early repayment will limit the amount of return that can accrue to the Forest City on its entitlement costs, thereby generating greater Project revenues to the Port.

New development at the Waterfront Site and the Illinois Street Parcel will generate a range of ongoing tax revenues (see **TABLES 1A** and **1B**) and one-time fees and revenues (see **TABLES 2A** and **2B**). These revenues will help to fund services to the new development, as well as provide Port and Citywide services and facilities. Other economic benefits from the Project will include increased economic activity in the City and the creation of new jobs, summarized in **TABLE 3A** and **TABLE 3B**. Lease revenues to the Port are described in Section C of this chapter.

Key assumptions and calculations of fiscal benefits are shown in **APPENDIX A**; economic impact calculations are in **APPENDIX B**. For the Waterfront Site, the financial estimates are derived from the baseline development scenario proposed by Forest City. For the Illinois Street Parcel, financial estimates are derived from a development scenario consistent with analysis by Port and City staff, advised by design and economic consultants. These are the same scenarios studied in the financial analyses that have underpinned the Term Sheet negotiation process.

The development scenarios for both the Waterfront Site and the Illinois Street parcel are described in the Proposed Development subsection above. As both the Waterfront Site and Illinois Street parcel programs are expressed as floor area ranges by land use, exact fiscal benefits may vary depending on the actual development program, as well as on fiscal and economic conditions during the time the Project is developed and occupied.

a. Fiscal Benefits to the City and the Port

Pier 70 Waterfront Site

New tax revenues from the Pier 70 Waterfront Site and Illinois Street Parcel will include both ongoing annual revenues and one-time revenues, as summarized in **TABLE 1A** and **TABLE 2A**, respectively. The revenues represent direct, incremental benefits. These tax revenues will be available to help fund public improvements and services both within the Project and Citywide.

Table 1A Fiscal Results Summary – Ongoing Annual Revenues (2013\$)
Pier 70 Waterfront Site

Item	Total
Annual General Revenue	
Property Tax in Lieu of VLF	\$1,735,000
Property Transfer Tax	\$2,423,000
Sales Tax	\$604,000
Parking Tax (City and County of SF 20% share)	\$489,000
Gross Receipts Tax	<u>\$10,096,000</u>
Subtotal	\$15,347,000
Annual Other Dedicated and Restricted Revenue	
Parking Tax (MTA 80% share)	\$1,954,000
Public Safety Sales Tax	\$302,000
SF County Transportation Authority Sales Tax	<u>\$302,000</u>
Subtotal	\$2,558,000
Possessory Interest and Property Taxes (1)	\$10,776,000
Total, General plus Other Revenues	\$28,681,000

* Represent direct incremental public tax revenues attributable to Pier 70 Waterfront Site.
Numbers have been rounded to the nearest thousand.

- (1) Until project infrastructure costs are fully paid, the full \$0.65 per possessory interest tax dollar generated from the site will be utilized to fund bond debt service and on a pay-go basis to fund infrastructure costs through an IFD approved by the Board of Supervisors. The \$0.65 represents the General Fund and dedicated funds share; total IFD revenues available for infrastructure will also include the State's share that currently is distributed to ERAF.

**Table 2A Fiscal Results Summary, One-Time Revenues (2013\$)
Pier 70 Waterfront Site**

Item	Total
<u>Development Impact Fees (1)</u>	
Jobs Housing Linkage - §413	\$50,607,000
Affordable Housing-- §415 (1)	\$0
Child Care (2)	\$2,423,000
TIDF - §411.3	<u>\$28,074,000</u>
Total: Development Impact Fees (3)	\$81,104,000
<u>Other One-Time Revenues</u>	
Sales Taxes During Construction	\$4,974,000
Gross Receipts Tax During Construction	<u>\$5,076,000</u>
Total: Other One-Time Revenues	\$10,050,000
 Total One-Time Revenues	 \$91,154,000

* Numbers have been rounded to the nearest thousand.

- (1) Impact fee rates as of January, 2013. Fee estimates per San Francisco Planning Dept.
See Table A-3 for details of fee calculations.
Concept plans anticipate providing inclusionary rental units.
- (2) Childcare fee will be waived if child care facilities are constructed on site.
- (3) The Project is assumed to provide in-kind improvements in excess of Eastern Neighborhoods Dev. Impact Fees.

Table 1B Fiscal Results Summary, Ongoing Annual Revenues (2013\$)
Illinois Street Parcel

Item	Total
Annual General Revenue	
Property Tax in Lieu of VLF	\$99,000
Property Transfer Tax	\$137,000
Sales Tax	\$92,000
Parking Tax (City and County of SF 20% share)	\$0
Gross Receipts Tax	<u>\$4,000</u>
Subtotal	\$332,000
Annual Other Dedicated and Restricted Revenue	
Parking Tax (MTA 80% share)	\$0
Public Safety Sales Tax	\$46,000
SF County Transportation Authority Sales Tax	<u>\$46,000</u>
Subtotal	\$92,000
Property Taxes (1)	\$618,000
Total, General plus Other Revenues	\$1,042,000

* Represent direct incremental public tax revenues attributable to Illinois Street Parcel.
Numbers have been rounded to the nearest thousand.

(1) Until project infrastructure costs are fully paid, the full \$0.65 per property tax dollar generated from the site will be utilized to fund bond debt service and on a pay-go basis to fund infrastructure costs through an IFD approved by the Board of Supervisors. The \$0.65 represents the General Fund and dedicated funds share; total IFD revenues available for infrastructure will also include the State's share that currently is distributed to ERAF.

**Table 2B Fiscal Results Summary, One-Time Revenues (2013\$)
Illinois Street Parcel**

Item	Total
<u>Development Impact Fees (1)</u>	
Jobs Housing Linkage - \$413	\$164,000
Affordable Housing-- \$415 (1)	\$10,124,000
Child Care (2)	\$0
TIDF - \$411.3	<u>\$102,000</u>
Total: Development Impact Fees (3)	\$10,390,000
<u>Other One-Time Revenues</u>	
Sales Taxes During Construction	\$285,000
Gross Receipts Tax During Construction	<u>\$268,000</u>
Total: Other One-Time Revenues	\$553,000
 Total One-Time Revenues	 \$10,943,000

* Numbers have been rounded to the nearest thousand.

(1) Impact fee rates as of January, 2013. Fee estimates per San Francisco Planning Dept. See Table A-3 for details of fee calculations.

 Concept plans assume condos and no inclusionary units.

(2) Childcare fee only apply to office uses.

(3) The Project is assumed to provide in-kind improvements in excess of Eastern Neighborhoods Dev. Impact Fees.

New tax revenues from the Project will include both ongoing annual revenues and one-time revenues, as summarized in the prior tables. The revenues represent direct, incremental benefits of the Project. These tax revenues will be available to help fund public improvements and services both within the Project and Citywide. The following sections describe key assumptions and methodologies employed for estimating each revenue.

Possessory Interest and Property Taxes

Possessory interest tax or property tax at a rate of 1 percent of value will be collected from the land and improvements associated with the Project.³ The development on parcels transferred in fee will be charged property taxes, while the development on parcels under ground lease will be charged a "possessory interest tax" in an amount equivalent to property tax. Parcels on the Waterfront Site may be sold for residential condominium development, with a site-wide maximum for residential condominium units to be set in the final Development Agreement. The Illinois Street Parcel is assumed to be sold for purposes of condominium development, although it may be leased for residential rental housing or commercial depending on final zoning.

³ Ad valorem property taxes supporting general obligation bond debt in excess of this 1 percent amount are excluded for purposes of this analysis. Such taxes require separate voter approval and proceeds are payable only for uses approved by the voters.

The City receives up to \$0.65 of every property or possessory interest tax dollar collected. The Education Revenue Augmentation Fund (ERAF) receives \$0.25 of every property or possessory interest tax dollar collected, although the State of California has authorized the capture of this tax increment for purposes of furthering state interests at Pier 70, pursuant to AB 1199 (Assemblymember Ammiano, Chapter 664 of the statutes of 2010). The remaining \$0.10 of every property or possessory interest tax dollar collected is distributed directly to other local taxing entities, including the San Francisco Unified School District, City College of San Francisco, the Bay Area Rapid Transit District and the San Francisco Bay Area Air Quality Management District. The General Fund distributes \$0.08 cents from its \$0.65 of property tax revenue to other dedicated City purposes, including the Children's Fund, Library Fund, and Open Space Fund. Taxpayers also pay various "overrides", including taxes for Citywide General Obligation bonds, special taxes and assessments that exceed the constitutional one percent property tax. These overrides are not estimated in this analysis.

The Waterfront Site's Term Sheet proposes to use IFD tax increment revenues, including the ERAF share of tax increment, to fund predevelopment, horizontal development (site preparation, infrastructure, and site-wide amenities), and the development of a shoreline park at the Pier 70 Waterfront Site. The Illinois Street Parcel may also use IFD tax increment revenues for eligible infrastructure and public benefits, if deemed desirable by the Port and City at the time of the Parcel's disposition.

This analysis assumes that net available possessory interest tax derived from the Waterfront Site and possibly also the Illinois Street Parcel could be deployed to cover these costs, as required, rather than remaining in the General Fund or flowing to ERAF. This analysis assumes that possessory interest tax available to the IFD will only include net available increment generated by the Project itself. The infrastructure financing plan that will be adopted along with the approval of the IFD project area will direct where excess IFD increment will flow once all eligible costs have been funded. For purposes of this analysis, excess IFD taxes are assumed to flow to the City's General Fund. However, according to the Port IFD policy passed by the Board of Supervisors on April 23, 2013, excess IFD taxes may go either to the General Fund or the City's seawall, subject to the discretion of the Board and the Mayor.

For the Waterfront Site and the Illinois Street Parcel, land (and the possessory interest in the land), buildings, and other improvements will be assessed and taxed. In the event of the sale of a parcel, the land will be assessed at the new transaction price; following development of buildings (and their sale, if applicable) the property will be re-assessed. In the case of a long-term ground lease, it is likely that the land will be assessed at the "present value" of the lease, which will reflect the value of the land if sold subject to the conditions of the lease. The assessed values will be determined by the City Assessor; the estimates shown in this analysis are preliminary and subject to revision. For purposes of this analysis, the secured assessed values of the Project are estimated based on development costs; values may vary depending on actual rents and occupancy levels.

The assessed value is assumed to grow at a 2 percent annual rate (or at CPI, whichever is less) as permitted by State law, unless a transaction occurs which would reset the assessed value to the transaction price, or unless depreciation or adverse economic conditions negatively affect assessed value. The analysis assumes that the overall growth in value will keep pace with inflation. The Waterfront Site's Term Sheet includes mechanisms, for example special taxes, to

assure that infrastructure can be adequately funded even if IFD property taxes decline (e.g., due to an assessment appeal).

It is likely that taxes will also accrue during construction, depending on the timing and method of assessment and tax levy.

Property Tax In-Lieu of Vehicle License Fees

The State budget currently converts a significant portion of what used to be Motor Vehicle License Fee (VLF) subventions, previously distributed by the State based using a per-capita formula, into property tax distributions. These distributions increase over time based on assessed value growth within each jurisdiction. These revenues to the City are projected to increase proportionately to an increase in the assessed value added by new development.

Sales Taxes

The City General Fund receives 1 percent of taxable sales. Sales taxes will be generated from several Project-related sources:

- Sales at new retail and restaurant uses
- Taxable sales by businesses located in the Innovation/"Maker" space
- Taxable expenditures by new residents and commercial tenants at the Project

In addition to the 1 percent sales tax received by every city and county in California, voter-approved local taxes dedicated to transportation purposes are collected. Two special districts, the San Francisco County Transportation Authority and the San Francisco Public Financing Authority (related to San Francisco Unified School District) also receive a portion of sales taxes (0.50 and 0.25 percent, respectively) in addition to the 1 percent local portion. The City also receives revenues from the State based on sales tax for the purpose of funding public safety-related expenditures.

Sales Taxes from Construction

During the construction phases of the Project, one-time revenues will be generated by sales taxes on construction materials and fixtures. Sales tax will be allocated directly to the City and County of San Francisco in the same manner as described in the prior paragraph.

Transient Occupancy Tax (TOT)

Hotel Room Tax (also known as Transient Occupancy Tax or TOT) will be generated when hotel occupancies are enhanced by the commercial and residential uses envisioned for the Project. The City currently collects a 14 percent tax on room charges. However, given that no hotel component is envisioned for the Project (out-of-town visitors to the site will likely stay at hotels elsewhere in the City), the impact will not be direct and is excluded from this analysis.

Parking Tax

The City collects tax on parking charges at garages and lots open to the public or dedicated to commercial users. The tax is 25 percent of the pre-tax parking charge. The SFMTA retains 80 percent of the parking tax revenue; the other 20 percent is available to the General Fund for

allocation to special programs or purposes. This analysis assumes that all new parking spaces envisioned for the Project will generate parking tax, if eligible. This analysis does not include any off-site parking tax revenues that may be generated by visitors to the Project that park off-site.

Property Transfer Tax

The City collects a property transfer tax of \$6.80 per \$1,000 of transferred value on transactions up to \$1 million, \$7.50 per \$1,000 on transactions up to \$5 million, \$20.00 per \$1,000 on transactions from \$5 million to \$10 million, and \$25.00 per \$1,000 on transactions above \$10 million.

Given that most of the Pier 70 Waterfront Site's residential units are expected to be rental apartments and its commercial program will be leased, the turnover within the Project will be infrequent and limited to entire buildings. Although it is possible that several residential parcels could be sold to vertical developers outright and become condominiums, the fiscal analysis makes the conservative assumption that all residential units will be rental. The fiscal analysis therefore assumes that all property sells once every ten to twenty years, or an average of about once every 15 years. For estimating purposes, it is assumed that sales are spread evenly over every year, although it is more likely that sales will be sporadic. An average tax rate has been applied to the average sales transactions to estimate the potential annual transfer tax to the City. Actual amounts will vary depending on economic factors and the applicability of the tax to specific transactions.

The residential units on the Illinois Street Parcel are assumed to be condos, which can turn over independently of one another at a rate more frequent than rental buildings, generating more transfer tax revenue than rental buildings. This analysis conservatively assumes that the average condominium will be sold to a new owner every 10 years.

Gross Receipts Tax

Estimated gross receipts tax revenues are generated from on-site businesses and rental income. This analysis does not estimate the "phase in" of this tax during the 2014 to 2017 period and assumes gross receipts taxes will be substantial enough to replace the existing payroll tax. Actual revenues from future gross receipt taxes will depend on a range of variables, including business sizes, share of activity within San Francisco, and other factors. It is likely that the majority of businesses in the "Innovation/Maker" space will be small businesses and therefore exempt from the gross receipts tax.

Proposition D was passed by San Francisco voters in 2008 to assist with development of Pier 70 (codified primarily at sections B7.310-B7.320). The November 2008 Voter Pamphlet provides the following description of Proposition D:

Proposition D is a Charter Amendment that would provide City funds to develop Pier 70 if the Board approves a financial and land use plan for Pier 70 (Pier 70 Plan).

The Pier 70 Plan would determine the geographic boundaries for development, improvements, and financing. At the time the plan is submitted, the City would calculate the amount of payroll tax revenues collected from the Pier 70 Plan area

and estimate the new hotel and payroll tax revenues the City would collect over the next 20 years if the proposed development occurs. If the Board approves the Pier 70 Plan, the City would provide funds for historic preservation and the development of infrastructure such as parks and utilities in an amount up to 75% of projected new Pier 70 hotel and payroll tax revenues.⁴

The Board's approval of the Pier 70 Plan would also authorize long-term Port leases in the area without any further Board approval.

The Mayor may also submit to the Board agreements to facilitate the transfer of funds between City agencies and the Port. If the Board approves such agreements, the City would be required to provide the necessary funding.

The Port and Forest City do not intend to utilize the financing provisions of Proposition D to fund improvements to the Waterfront Site or to the Illinois Street Parcel. During the project entitlement phase, the Port intends to continue examining the potential role of Proposition D in funding other improvements to Pier 70 or to provide increased transit to Pier 70.

Transfer Fees to the Port

The Term Sheet provides that the Port may collect transfer fees upon certain refinancings, ground lease transfers, and property sales.⁵ These fees are separate and distinct from the current transfer taxes collected by the City. Depending on the magnitude of the fees relative to sales prices, there may be a minimal adverse impact on sales prices, assessed values, and property tax revenues. This analysis does not include any property transfer fees due to the uncertainty regarding timing and nature of refinancings. However, when sales and refinancings of residential rental and commercial buildings within the Project occur, the City, under the auspices of the Port, will receive property transfer fees from these transactions.

One-Time Revenues

The City will collect a number of revenues that are not recurring, including Development Impact Fees (see below) and sales taxes from the sale of construction materials.

Development Impact Fees

The Project will generate a number applicable City impact fees which include:

- Jobs Housing Linkage (Planning Code Sec. 413) – A fee per each new square foot of commercial development, excluding square footage within Buildings 12 and 21 and Parcels E1-A and E1-B, which will provide benefits through historic preservation, cultural, and place-making functions but are not expected to generate profits.

⁴ Under Proposition E, passed by San Francisco voters on November 6, 2012, the City payroll tax will be phased out and replaced by a gross receipts tax that will be phased in over a 5-year period beginning in 2014.

⁵ Term Sheet

- Affordable Housing (Planning Code Sec. 415) – New rental housing built for the Waterfront Site will meet City inclusionary housing requirements under Planning Code §§ 415.1-415.11 for on-site inclusionary housing by providing 15 percent of the units at 55 percent of area median income as determined by the U.S. Department of Housing and Urban Development for the San Francisco area (“AMI”). The Port and Master Developer will explore the feasibility of producing 80/20 tax credit projects at the Waterfront Site, in which individual residential rental buildings would include 20 percent inclusionary housing. The Illinois Street Parcel is assumed to be developed with condos that meet affordable housing requirements through the fee option.
- Child Care (Planning Code Sec. 414) – A fee per square foot will be paid by the commercial uses, applicable to the extent that childcare facilities are not provided on-site and excluding square footage within Buildings 12 and 21 and Parcels E1-A and E1-B.
- Transit Impact Development Fee (Planning Code Sec. 411.3) – A fee per square foot paid by all commercial uses, also expected to exclude square footage within Buildings 12 and 21 and Parcels E1-A and E1-B.

In addition to the impact fees charged by the City, there are a range of other utility connection and capacity charges that will be collected based on utility consumption and other factors.

With regard to the Eastern Neighborhoods Development Impact Fee, development projects at Pier 70 are expected to deliver in-kind improvements in excess of the attributable Eastern Neighborhoods Development Impact Fees due to the value of new infrastructure and public facilities at the Waterfront Site (estimated at \$155 million), as well as other public benefits outside the Project, including Crane Cove Park.

b. Economic Benefits to the City

The construction of the Project on the Pier 70 Waterfront Site and Illinois Street Parcel and future economic activity of businesses and households that will occupy the Project will create short-term construction spending and jobs, as well as longer-term, permanent jobs and economic activity in San Francisco. The economic analysis provides estimates of these benefits, including the “multiplier” effects from expenditures by new businesses and households that in turn generate more business to suppliers and other industries supporting the new businesses at the Project.

The estimates are based on current proposals and plans that will be refined during the planning process and environmental review. The current analysis is intended to provide a general “order of magnitude” of benefits, and to provide a description of the types of benefits. A detailed market analysis has not been prepared as a part of this report; however, the assumptions and methodologies are believed sufficient for a planning-level analysis. Assumptions and calculations are further documented in **APPENDIX B**.

The potential economic benefits of the Pier 70 Waterfront Site are summarized in **TABLE 3A**.

Table 3A Estimated Annual Economic Impacts (2013\$)
Pier 70 Waterfront Site

Impact Category	Total
Pier 70 Waterfront Site	
<u>Ongoing Project Employment¹</u>	<u>Annual Average</u>
Direct	10,540
Indirect	2,230
Induced	<u>5,250</u>
Total Employment	18,020
Annual Total Economic Output	\$3,570,007,000
<u>One-Time Construction-Related Employment</u>	<u>Job-Years</u>
Direct	9,230
Indirect	1,980
Induced	<u>3,110</u>
Total Employment	14,320
Total Economic Output During Construction	\$2,797,136,000

(1) Reflects full-time equivalents.
 Source: IMPLAN 2010; and Economic & Planning Systems.

The potential economic benefits of the Illinois Street Parcel are summarized in **TABLE 3B**.

Table 3B Estimated Annual Economic Impacts (2013\$)
Illinois Street Parcel

Impact Category	Total
Illinois Street Parcel	
<u>Ongoing Project Employment¹</u>	<u>Annual Average</u>
Direct	41
Indirect	4
Induced	<u>6</u>
Total Employment	51
Annual Total Economic Output	\$7,026,452
<u>One-Time Construction-Related Employment</u>	<u>Job-Years</u>
Direct	440
Indirect	125
Induced	<u>157</u>
Total Employment	722
Total Economic Output During Construction	\$147,284,425

(1) Reflects full-time equivalents.
Source: IMPLAN 2010; and Economic & Planning Systems.

Short-Term (One-Time) Construction Impacts

Construction expenditures for site development and vertical construction will create a range of economic benefits to the City. In addition to generating "direct" construction activity and jobs on site, the construction expenditures will also generate new business and jobs "indirectly" for San Francisco firms serving the construction industry. Expenditures in San Francisco by the households of employees of companies benefiting from these direct and indirect expenditures will create additional "induced" benefits to the City.

Pier 70 Waterfront Site

Construction expenditures of \$1.8 billion over a 13-year period will generate approximately 9,200 direct job-years⁶. The indirect and induced effects will create another 5,100 job-years.

⁶ A "job-year" is one full-time equivalent construction job for a period of one year.

Illinois Street Parcel

Construction expenditures of \$95 million over a 3-year period will generate approximately 440 direct job-years. The indirect and induced effects will create another 300 job-years.

Long-Term (Ongoing) Annual Economic Impacts

Pier 70 Waterfront Site

The Pier 70 Waterfront Site's long-term impacts will be generated by the ongoing operations of the anticipated mix of businesses and activities that will occupy the Waterfront Site at buildout, including offices, retail stores and services, innovation-focused activities and other cultural uses.

Office uses are projected to occupy the largest share of commercial space at the Waterfront Site (approximately 2.25 million square feet) and, accordingly, are estimated to generate the greatest ongoing economic impacts. The office space is designed to attract firms with an innovation focus. While the precise mix of companies cannot be predicted at this time, for evaluation purposes this analysis assumes a mix of office-based businesses consistent with employment projections for the region between 2010 and 2020.⁷ Professional and business services are assumed to account for about 85 percent of office-based employment, with information technology (IT) and related services accounting for about one-half of that 85 percent. The remaining 15 percent is assumed to comprise a mix of finance, insurance, and real estate services, and medical offices. The mix of office types used for this analysis is a projected estimate that is representative of the overall Bay Area market; the final mix may vary depending on market conditions during each Phase.

Traditional retail uses are planned to occupy about 136,000 square feet at the Waterfront Site. This analysis assumes a mix of retail/neighborhood service businesses consistent with employment projections for the region between 2010 and 2020.⁸ Food services and drinking places including restaurants, coffee shops, and bars are assumed to comprise almost 60 percent of retail type businesses, followed by retail stores (30 percent), with the remaining 10 percent made up of a mix of neighborhood financial services and variety of personal services.

Small-scale local production, and cultural uses ("Innovation, Retail, and Arts" uses), are proposed to occupy 136,000 square feet. These uses can include a range of activities, such as incubator/accelerator organizations and shared workspace environments; shared technical workspaces and local production (e.g., crafts, electronics, apparel, food and beverage products); artist workspace, galleries, and performance venues; and food stalls and kiosks. These uses are intended to create a highly collaborative and creative environment to encourage innovation and business growth, which in turn will help to activate the Pier 70 Waterfront Site and encourage increased residential and office occupancies and rents. While the planned innovation and production uses are anticipated to be densely occupied during certain periods of time, the total

⁷ Projections published by the Labor Market Information Division of the California Employment Development Department for the San Francisco-San Mateo-Redwood City Metropolitan Division, October 2012.

⁸ Ibid.

estimated utilization also reflects the likely mix of part-time and avocational users of shared facilities, as well as use by independent professionals, businesses located elsewhere requiring special facilities, and home-based businesses. Many of the businesses utilizing the incubator space will support employees, however it is possible that a majority will be early-stage startups not yet generating sales and economic output beyond salaries funded by equity investors.

Illinois Street Parcel

The Illinois Street Parcel will accommodate new residents who will help to support commercial activity on site, on the Pier 70 Waterfront Site, and Citywide. Additional jobs will be created by services specific to the new 214 residential units. In addition, 7,700 square feet of retail, assumed to include a mix of commercial services similar to the traditional retail proposed for the Waterfront Site, will generate new, ongoing jobs.

Other Economic Factors

New Households

Development of residential units at the Pier 70 Waterfront Site and Illinois Street Parcel will generate a small number of new jobs directly serving the residential buildings and occupants, for example building maintenance, janitorial and repair services, waste collection, domestic services, and child care. Expenditures by the residents of the new units are not included in the economic impact numbers because the analysis projects economic activity generated by the Project due to onsite jobs, and the indirect and induced expenditures associated with those onsite jobs. However, the addition of a significant supply of residential units will help to ensure that induced expenditures are captured in San Francisco, and that expenditures by residents re-locating from other communities are also spent in the City. These effects will be a substantial benefit to San Francisco business revenues.

Total Output

"Direct" output refers to the total income from all sources to the businesses located at the Project; these sources of income in turn are spent by the businesses on supplies, labor, and profit required to produce the goods and services provided by the businesses. In addition, Project businesses will spend money on goods, supplies, and services in San Francisco, which will generate additional "indirect" economic activity and support additional jobs at those suppliers. The San Francisco households holding those direct and indirect jobs will spend a portion of their income in the City, which is an additional source of "induced" output. Total output is the sum of direct, indirect, and induced business income in the City as a result of the Project.

Employment

New permanent full and part-time jobs will be created by the Project. The number of jobs to San Francisco residents will depend on the ability of local residents to compete for Project employment opportunities and implementation of local hire policies.

"Innovation" jobs are based on a potential mix of businesses and uses, including shared office environments, shared manufacturing work environments, arts and culture, and food-related uses. The number of jobs potentially generated by the shared uses is based on a percentage of the total potential patronage, ranging from 10 percent to 50 percent. The users sharing the work, manufacturing and arts/culture spaces are assumed to include a percentage of users who are either hobbyists or self-employed persons who would otherwise be working at home or in

other public spaces; therefore, these users are not treated as a net increase in San Francisco jobs.

c. Direct Financial Benefits to the Port

The following sections provide a summary of key financial terms from the Waterfront Site's Term Sheet, as well as a summary of the anticipated land disposition structure for the Illinois Street Parcel. They are not, however, meant to be comprehensive descriptions of deal structures. For the Waterfront Site, they should be reviewed in the Term Sheet and its associated exhibits and materials.

Waterfront Site

The transfer of Waterfront Site parcels for vertical development will occur through 99-year leases and a limited number of outright land sales for condominium development, which are allowable because the land will be removed from the Public Trust through "Trust Swaps" that add the Trust to other Port Pier 70 land in exchange. The Port will receive various revenues over the 99-year lease period and in conjunction with any land sales; the estimates below provide the net present value (NPV) of revenues that are projected to be generated to the Port, based on current financial projections based on the program assumptions described in the **INTRODUCTION** to this report.

- Profit participation in land value, calculated as 55 percent of all horizontal cash flow after Forest City achieves an 18 percent return on its predevelopment and infrastructure investments, estimated at \$67 million (NPV);
- participation in modified gross rent from buildings, starting at 1.5 percent 30 years after construction and increasing to 2.5 percent 60 years after construction, estimated at \$22 million (NPV);
- 1.5 percent of all net proceeds from sale or refinancing of properties, along with transfer fees when any on-site condominiums are sold, collectively estimated at \$6 million (NPV);
- a share of parking revenues estimated at \$39 million (NPV);
- a share of IFD revenues, designated for capital improvements on other portions of Pier 70, estimated at \$18 million (NPV).

Additional revenues will accrue from interim rent revenue and any additional revenues not otherwise required for Pier 70 improvements that could become available under the proposed City IFD policy for the Port.

Illinois Street Parcel

The revenues to the Port from the lease or sale of the Illinois Street Parcel (subject to Port Commission and Board approval), which is expected to occur in the near term, are expected repay Forest City for its expenditures during the entitlement process, with a market return. This early repayment will benefit the Port in the long term by limiting the amount of return that can accrue to Forest City on its entitlement costs. The Port revenues from the Waterfront Site

project, as listed above, would be substantially lower if this early repayment mechanism did not exist.

Operating Expenses

At the Waterfront Site, certain operational and maintenance expenses will be the responsibility of the Master Developer, vertical developers, and any subsequent property holders, including (i) the maintenance of all built facilities on development parcels, (ii) related landscaping, public parks, and other publicly accessible open spaces, and (iii) street sweeping and routine maintenance of public rights of way. These responsibilities are intended to be addressed through the creation of a CFD on the Pier 70 Waterfront Site for maintenance. This maintenance CFD would be additive to CFD special taxes for infrastructure funding. Special taxes levied against each taxable development parcel would provide pay-as-you-go funds for operating and maintenance costs of public access and open space areas.

IFD funds may be used for major street resurfacing and rehabilitation. Other operational responsibilities for sewers, electrical infrastructure, and water lines will be the responsibility of the applicable utility operator. **CHAPTER 3** describes public services provided by the City and the Port.

No significant operating expenses are anticipated for the Illinois Street Parcel, which is already served by City infrastructure. However, the Illinois Street Parcel is not precluded from forming a maintenance CFD or contributing to the funding of maintenance elsewhere on Pier 70 through a district or other mechanism.

Capital Investment

The Master Developer will fund, with risk capital, the Waterfront Site's entitlement and planning costs, as well as the hard and soft costs of site preparation, infrastructure, parks, and other public facilities which are not otherwise funded directly through CFD or IFD revenues. These investments are projected to equal up to \$20 million for entitlement and planning costs and up to \$155 million for infrastructure and public facilities for the Pier 70 Waterfront Site.⁹ Public infrastructure and facilities costs will be eligible for reimbursement from IFD bond proceeds and tax increment revenues, CFD bond proceeds and CFD special tax revenues.

All new commercial office and residential buildings will be funded solely through private sources of investment. Certain vertical improvements, such as the rehabilitation of historic structures and district parking structures will be eligible for reimbursement from project-generated public financing sources. The cultural and place-making uses on parcels E1-A and E1-B may also include costs that are eligible for reimbursement from project-generated public financing sources. Other public financing mechanisms may be explored including various revenue bonds specific to particular types of infrastructure and use programs.¹⁰

⁹ Term Sheet.

¹⁰ Term Sheet

Development of the Illinois Street Parcel, which is estimated to cost \$95 million, is expected to be entirely funded by the developers of those parcels, with the possible exception of infrastructure or public facilities obligations that could potentially utilize the CFD and IFD public financing mechanisms as the Waterfront Site's infrastructure.

d. Direct Benefits to the City – Creation and Maintenance of New Public Access Facilities

The Pier 70 Waterfront Site will provide a range of public parks, public access, and open space, including:

- Approximately 7 acres of public parks, including a 4.5 acre Waterfront Park and useable open space on the roofs of the district parking structures
- A network of landscaped pedestrian connections
- Multiple classes of bicycle networks, from commuting lanes to recreational pathways, throughout the Project site

As previously noted, maintenance of these facilities will be funded by a CFD. Maintenance special taxes levied against each taxable development parcel, separate from special taxes levied to pay for infrastructure, will provide pay-as-you-go funds for operating and maintenance costs of public access and open space areas.

The Illinois Street Parcel may also provide pedestrian and bicycle connections and a possible plaza but is not expected to include substantial parks or open spaces. Instead, it will be served by the adjacent Waterfront Site park system and Crane Cove Park, a 9-acre public park currently under development one block to the north. The Illinois Street parcel's developer(s) may be required to contribute to these public facilities and other new area-wide infrastructure which benefit the Illinois Street Parcel.

e. Other Public Benefits

Development of the Project represents an opportunity to complete an important component of the revitalization of the San Francisco waterfront, bringing a vital mix of uses that will support business, residential, retail, and recreational activities to an area now characterized by vacant and underutilized land and intermittent buildings. The Project will result in the rehabilitation of historic buildings, to be maintained by the building owners/tenants. The redevelopment of the Project will generate benefits for the City and community in the form of urban revitalization, employment and living opportunities, preservation of historic maritime facilities and structures, improved public waterfront access, delivery of affordable housing, improvements to Port property including sea level rise protections, new outdoor recreation opportunities, and City-wide fiscal and economic benefits as described in other sections of this report.

1. COSTS OF CONSTRUCTION FOR THE PROJECT

Development Costs for the Pier 70 Waterfront Site

Entitlement and Planning

The costs for entitlements and Project planning are estimated to total approximately \$20 million.¹¹

Project Infrastructure

The site will require substantial new infrastructure. These improvements include but are not limited to investment in streets, sewer and water systems, drainage systems, electrical and data utilities, shoreline stabilization improvements including those needed to address projected sea level rise, parks, and landscaping. These costs are estimated to total approximately \$155 million in 2013 dollars.¹² In addition, construction of structured parking will be needed to serve Project-related demand.

Building Construction and Other Improvements

The total cost for private vertical improvements, including new commercial and residential construction, historic rehabilitation, and the creation of cultural and creative spaces are anticipated to total \$1.65 billion.¹³ These costs will be privately funded through a combination of private investment sources, as well as project-generated taxable or tax-exempt financing for eligible costs. They may be delivered by the Master Developer, which has the option to serve as vertical developer for any and all parcels, or by third party vertical developers for parcels where the Master Developer chooses not to exercise its option.

Development Costs for the Illinois Street Parcel

Vertical development of the Illinois Street Parcel is estimated to total approximately \$95 million including onsite infrastructure and improvements. These costs will be privately funded through private investment sources.

¹¹ Project pro forma.

¹² Project pro forma.

¹³ Project pro forma.

2. AVAILABLE FUNDING FOR THE PROJECT

Pier 70 Waterfront Site

a. Predevelopment

The Master Developer will privately finance the predevelopment costs with risk capital. Reimbursement for these costs is anticipated to come from lease or sale proceeds from the disposition of the Illinois Street Parcel and potential other non-Waterfront Site Port land. By fully repaying the predevelopment costs as soon as possible, the City will minimize the amount of equity return owed to the Master Developer, thereby increasing the Port's participation in Project revenues.

As provided in the Term Sheet, predevelopment cost reimbursements to the Master Developer will include an 18 percent annual cost of funds. This cost of funds is within the typical market range for a major, long-term mixed-use project of this scale, considering the risks associated with potential future market conditions and cost uncertainty.

b. Project Infrastructure

The Master Developer will provide initial financing for the construction of project infrastructure, except in certain cases where financing can be obtained for a lower cost of funds. Any financing will be reimbursed and augmented from the following sources:

- Appraised value of development parcels – The development value of any given parcel, which will depend on the parcel's development capacity, type of development allowed, and disposition mechanism (e.g., prepaid ground lease, annual ground lease payments, and outright sale). Land value may also be utilized as security for project infrastructure costs intended to be reimbursed by the CFD and IFD sources described below, as those sources become available.
- Proceeds of Community Facilities District (CFD) – CFD debt payments will be secured by a special tax lien on the Waterfront Site and Illinois Street property or the Project's lessees and owners. A portion of IFD revenues generated by the value created by the Waterfront Site project are intended to pay the CFD debt service. CFD special taxes not required for debt service may be used for "pay as you go" funding.
- Proceeds of Infrastructure Financing District (IFD) – Project-generated tax increment may be used to pay or reimburse Horizontal Development Costs on a pay-as-you-go basis, to service tax increment bond financing used to pay qualified project costs, to repay CFD debt, or for any other reason authorized by IFD law.¹⁴
- IFD tax increment revenues not otherwise required for debt service ("Pay-Go") – As noted above, additional IFD revenues will be available to fund infrastructure on a pay-as-you-go basis, since only a portion of the revenues will be committed to debt service due to coverage

¹⁴ Term Sheet

requirements. Once all IFD-eligible infrastructure has been completed and debt has been serviced, the tax increment will go to the General Fund and possibly, as allowed by the Port's IFD Policy, to the Port for investment in the City's sea wall. A portion of the remaining tax increment may also flow to the Harbor Fund for infrastructure improvements consistent with the IFD financing plan.

Detailed terms and conditions related to the land value, financing district revenues and debt issuance, and rent payments are further described in the Term Sheet. The Term Sheet also identifies other funding options that will be explored, including state and federal incentives that might be available for horizontal and vertical construction of the Project, such as for brownfield remediation, and sustainability pilot programs; general obligation bonds for certain parks; housing mortgage revenue bonds; revenue bonds for infrastructure; and GreenFinanceSF bond financing for energy and water conservation and renewable energy improvements to buildings.¹⁵

c. Building Construction and Other Improvements

Private funds will be used for construction of all residential and commercial office uses, including all costs for building design and construction, City impact fees, and other agency fees.

Illinois Street Parcel

Predevelopment costs of the Illinois Street Parcel after project entitlement will be funded by the developer of the Illinois Street Parcel; design guidelines and environmental review costs to be paid by Forest City and booked as Waterfront Site project costs to be reimbursed according to the Waterfront Site project's Term Sheet. Infrastructure costs and vertical development costs will also be funded by the developer of the Illinois Street Parcel, with the possible exception of certain infrastructure obligations that could potentially utilize the same CFD and IFD public financing mechanisms utilized for the Waterfront Site's infrastructure.

¹⁵ Term Sheet

3. LONG-TERM OPERATING AND MAINTENANCE COSTS

The increase in public facilities needed to serve the Pier 70 Waterfront Site and Illinois Street Parcel, the additional parks and open space amenities, and the addition of new residents, employees, and visitors will generate demand for public services. This chapter summarizes a number of key issues facing City departments and the Port that will be further refined during the course of environmental review and addressed through a combination of Project mitigation measures. Any funding required is likely to come from a combination of Project-generated public revenues, one-time and ongoing Project fees, special taxes or assessments, or other sources to be determined. Public facilities and services will be evaluated in greater detail during the environmental review process to determine specific need, implementation, and funding.

a. Public Open Space

As described above, the Waterfront Site will include approximately 7 acres of public parks and open spaces, phased in over the course of development, while the Illinois Street Parcel will utilize adjacent parks and open spaces. All of the Waterfront Site's at-grade parks and open spaces will be owned by, and will remain under the jurisdiction of, the Port and will be managed and programmed by Master Developer or CFD maintenance district, subject to Port approval and conditions of the BCDC major permit applicable to the Waterfront Site. Maintenance of the parks and open spaces will be funded by special taxes imposed on Vertical Developers through the maintenance CFD.¹⁶

Plans for the Waterfront Site call for additional open space on the rooftops of certain buildings, including public open space on top of the proposed parking structure, which would also be maintained via maintenance CFD special taxes. The installation and maintenance of private open space on the roofs of residential and commercial buildings, on either the Waterfront Site or the Illinois Street Parcel, will be the responsibility of those buildings' vertical developers.

b. Police

The SFPD will respond to police needs and calls for service generated by the Project. The Project area is located within the Bayview District of San Francisco Police Department (SFPD). The Bayview District is one of the largest of ten districts in the City, covering more than 18 percent of the City's land area. Currently, the Bayview District extends from the eastern edge of McLaren Park to the San Francisco Bay and south of Channel Street to the San Mateo County line, although the district boundaries may be realigned in the future as new development occurs in the City. Police services in the Bayview District are provided from the Bayview Police Station, located on Williams Avenue near 3rd Street.

The Port currently contracts with the SFPD to provide two officers that respond to calls for service on Port property. It is assumed that this current level of service by the contracted

¹⁶ Term Sheet reference; verified by Katherine Petruccione, Department of Recreation and Parks May 9, 2013.

officers will continue. The Project's demand for additional police service will be generated by the new office, residential, and Retail, Innovation, and Arts uses and related residential and employment activity, as well as by events and visitors. The specific level and types of impacts will depend on the Project's design, visibility, configuration, and access.

The CEQA process is anticipated to address specific impacts and potential mitigations that may be required for this project. Based on preliminary discussions with SFPD, it is estimated that the increased population and employment at the Waterfront Site and the Illinois Street Parcel, totaling nearly 13,000 residents and employees, will require one patrol unit as a baseline. Patrol units typically consist of four or five officers on staggered shifts. Depending on the demand for additional supervisory and other specialized law enforcement services in addition to patrol, and the number and type of service calls generated from the area, the number of required sworn officers could be greater. Based on five officers at an average cost of \$143,926 per officer,¹⁷ the additional annual cost would total approximately \$720,000.

Allocating this cost between the Waterfront Site and the Illinois Street Parcel based on projected population, approximately \$691,000 of the projected annual cost (96 percent) will be attributed to the Waterfront Site and \$29,000 (4 percent) will be attributable to the Illinois Street Parcel.

c. Fire and EMS

The San Francisco Fire Department (SFFD) deploys services from the closest station with available resources, supplemented by additional resources based on the nature of the call. Responding stations for the Project are expected to include Stations 4, 8, 9, 17, 25, and 29. Emergency Medical Service (EMS) is provided by ambulances which "float" at different positions around the City, depending on coverage requirements. Approximately one-third of ambulance costs are recovered, on average, from fees and charges.

Demand from the Project will contribute to the need for the new station currently under construction as part of the new Public Safety Building in Mission Bay (Station 4), including its equipment and staffing, along with other growth and development in the City. The SFFD indicates that services from the new and existing stations will be sufficient to handle the increase in development at the Waterfront Site and Illinois Street Parcel without incurring additional costs or adversely affecting existing services levels, assuming that no current stations serving the area are closed.¹⁸ Although no additional costs would be incurred due to the Project, assuming the

¹⁷ Average cost per officer includes salary, benefits per Lieutenant Roualdes, 2/20/2013 and 5/9/2013.

¹⁸ Assistant Deputy Chief Ken Lombardi, CCSF Fire Department, 5/9/2013.

new station was already operational, an allocation of Citywide costs to the Project would indicate an annual cost of \$2.4 million, or about \$2.3 million for the Waterfront Site and \$100,000 to the Illinois Street Parcel.¹⁹

d. SFMTA

The San Francisco Municipal Transportation Agency (SFMTA) will be responsible for providing a broad range of transportation related services and facilities to the Project. Currently, SFMTA is preparing a comprehensive assessment of services and facilities that will be affected by a number of large planned development projects in the general vicinity of the Pier 70 Waterfront Site. The purpose of the assessment is to anticipate and assure a balanced, financially-sustainable transportation network designed to accommodate future growth, including the Project.

The development of the Project may be determined to have a number of impacts on SFMTA and other public transportation providers, including additional operations and maintenance costs for increased transit service required to handle increased ridership on lines serving the Project. Additional capital rolling stock and expanded facilities to maintain it may be required. The development of the Project will also require SFMTA to address parking management.

For the Waterfront Site, Forest City will implement a Transportation Demand Management Plan ("TDMP") that will provide a comprehensive strategy to manage new transportation demands. The mixed-use land use program, the transit options in the Central Waterfront, and the Waterfront Site's proximity to San Francisco's resources and services mandate that single-occupancy vehicle trips be reduced. The transportation strategy for the Project is based on reducing vehicle miles traveled by fostering multiple modes of sustainable transportation, emphasizing pedestrian, bicycle, and public transit options. The land use plan is oriented to create a dense, urban neighborhood clustered near accessible transit with streets and paths that favor walking and bicycling.

Market-based pricing strategies for parking will be supported by innovative programs to reduce automobile dependence and promote the use of public transit. A district parking strategy enables delivery of parking as needed to meet actual future demands as development proceeds. Parking for the site will be managed to maximize availability of on-street parking within the Pier 70 area and to maximize shared use of available parking by different users at different times of the day or week.

The TDMP will incorporate smart and sustainable transportation planning principles to address the transportation needs of the Project, consistent with the City's Transit First, Better Streets, Climate Action, and Transportation Sustainability Plans and Policies. Consistent with the CEQA investigation, the TDMP will outline a series of implementation strategies intended to manage

¹⁹ Assumes 800 incidents annually based on Citywide average of 64 incidents/year per 1,000 service population (population and jobs). This represents approximately 30 percent of the Citywide per-station average, each station with an average cost of \$7.7 million based on 43 stations and total budget of \$332.9 million.

effectively the transportation demands created by the Project. The goal of these strategies will be to minimize the Project's dependence on the automobile and to optimize the inclusion of non-auto travel modes providing access to the Project.

The Illinois Street Parcel shares many of the same transportation conditions as the Waterfront Site. As the Port refines the Illinois Street Parcel's land use plan and parking program, it expects to uphold the same transportation goals as the Waterfront Site's TDMP. Given that the Illinois Street Parcel is substantially smaller, however, these goals are most likely to express themselves through appropriately-scaled strategies such as pedestrian and bicycle facilities and parking management strategies.

The costs for these programs will be funded by a range of mechanisms. Public tax revenues and fees may help to mitigate SFMTA costs. SFMTA is funded through a combination of local, State and Federal sources as well as from fee revenues and other potential sources to be determined, including Developer funding. As described above, Proposition D may be an additional source of revenue to fund SFMTA capital or operating expenses. These and other issues, mechanisms, and funding sources will be further evaluated in detail in future studies as part of the SFMTA-led transportation assessment and the CEQA process.

e. DPW

Development-related funding sources will cover the street and sidewalk maintenance services commonly provided by the Department of Public Works (DPW). The Waterfront Site may create a private entity to perform these services or contract them out to DPW. Regardless, based on the lengths of streets, sidewalks, and other pedestrian ways within the Project, as well as certain short external rights of way needed within Port property to provide access to the Project, DPW estimates annual street sweeping and litter removal costs at approximately \$23,000.²⁰ Additional costs will be incurred periodically for resurfacing and other major maintenance needs, which are anticipated to be funded through IFD funds.

It is still to be determined whether any streets or sidewalks will be associated with the Illinois Street Parcels. To the extent that they are, the maintenance of these rights of way would also be privately funded and would likely be performed in the same manner as for the Waterfront Site. These streets and sidewalks would increase the Project's total right of way length by no more than 6 percent, with a corresponding maintenance cost increase estimated at \$1,400 per year.

²⁰ Larry Stringer, Department of Public Works, 5/9/2013 and 5/10/2013.

4. DEBT LOAD TO BE CARRIED BY THE CITY OR THE PORT

The Pier 70 Waterfront Site proposes to use a portion of newly created property tax funds from the Project, collected through an Infrastructure Financing District (IFD), to help pay for the horizontal development costs required by the Project. The IFD obligations will be secured by property taxes (and possessory interest taxes) paid by the Project lessees and property owners, and will not obligate the City's General Fund or the Port's Harbor Fund. The property tax increment may be used to repay IFD bonds, or to pay debt service on CFD bonds, as described below.

The Pier 70 Waterfront Site may use CFD bonds to reimburse infrastructure costs, with CFD debt service to be paid by IFD revenues. The CFD bonds will be secured by special taxes paid by Pier 70 Waterfront Site lessees, and will not obligate the City's General Fund or the Port's Harbor Fund, though such taxes may negatively impact land value and the Port's corresponding revenues.

Although specific financing vehicles will be refined as the financial planning continues, it is expected that the annual IFD revenues will fund debt service on \$169 million of net proceeds from bonds (in nominal dollars). The specific mix of CFD and IFD bonds will be determined based on future market conditions, and on the appropriate mix necessary to minimize financing costs.

The Illinois Street Parcel is not anticipated to require debt funding, with the possible exception of project-based debt serviced by CFD and/or IFD in the same manner as described for the Waterfront Site above. The Illinois Street Parcel's developer is expected to fund all development costs. Tax increment generated by new development will help to fund required infrastructure, public facilities and services. As noted above, there will be no impact or obligation on the City's General Fund or the Port's Harbor Fund.

APPENDIX A:
Fiscal Analysis



**Table A-1
Project Description Summary
Pier 70 Waterfront Site and Illinois Street Parcel**

Item	Gross Bldg. Sq.Ft.	Units or Spaces	Notes
Pier 70 Waterfront Site			
Retail (1)	136,150	na	
Innovation (2)	136,150	na	
Office	2,182,550	na	
Residential (3)	803,991	949 units	modeled as rental (3)
Parking	955,935	2,566 spaces	
Subtotal	4,078,626		
Illinois Street Parcel			
Retail	7,700		
Residential (3)	213,500	214 units	assumed condo (3)
Parking	69,336	214 spaces	
Subtotal	290,536		
Total	4,369,162		

(1) For analysis purposes, conventional retail is assumed to comprise 50% of the floor areas dedicated to the Innovation, Retail, and Arts use delineated in the Waterfront Site's Term Sheet.

(2) Reflects a mix of small scale local production, arts and cultural uses, small business incubator uses, innovation retail and other publicly accessible and activating uses. For analysis purposes, these uses are assumed to comprise 50% of the floor area dedicated to the Innovation, Retail, and Arts use delineated in the Term Sheet.

(3) Includes 0.5 spaces/rental residential unit, 0.9 spaces/1,000 commercial sq.ft., and additional spaces to serve other Pier 70 uses.
Sources: Forest City and Economic & Planning Systems, Inc.

**Table A-2
Population and Employment
Pier 70 Waterfront Site and Illinois Street Parcel**

Item	Assumptions	Total
Pier 70 Waterfront Site		
Population (1)	2.2 persons per unit	2,088
<u>Employment (FTEs)</u>		
Retail (2)	300 sq.ft. per FTE	454
Innovation (3)	429 sq.ft. per FTE	318
Office (4)	225 sq.ft. per FTE	9,700
Residential (5)	15 units per FTE	63
Parking (2)	270 spaces per FTE	<u>10</u>
Total		10,544
Total Service Population.		12,632
<hr/>		
Illinois Street Parcel (2)		
Population (1)	2.2 persons per unit	471
<u>Employment (FTEs)</u>		
Retail (2)	300 sq.ft. per FTE	26
Office (4)	225 sq.ft. per FTE	0
Residential (5)	15 units per FTE	14
Parking (2)	270 spaces per FTE	<u>1</u>
Total		41
Total Service Population		512

(1) Based on ABAG and Woods & Poole projections.

(2) EPS estimate.

(3) Based on Forest City/AECOM, adjusted by EPS for part-time and other jobs likely to exist in the City independent of the Project.

(4) EPS estimates based on Forest City/AECOM projections.

(5) Includes janitorial, cleaning and repair, childcare, and other domestic services.

Table A-3
San Francisco City Development Impact Fee Estimate*
Pier 70 Waterfront Site and Illinois Street Parcel

Item	Residential	Office	Innovation/ Retail	TOTAL
		<i>per gross building sq. ft.</i>		
Pier 70 Waterfront Site				
New Development (sq.ft.) (1)	803,991	2,182,550	272,300	
New Residential Units	949			
Adaptive Reuse (buildings 2, 12, 21, and E1)	<u>86,093</u>	<u>0</u>	<u>235,693</u>	
Net of Adaptive Reuse	717,898	2,182,550	36,607	
City Fees (per gross building sq.ft.) (2)				
Jobs Housing-§413	\$0.00	\$22.83	\$21.30	\$50,607,346
Affordable Housing-§415 (3)	\$0.00	\$0.00	\$0.00	\$0
Child Care-§414 (4)	\$0.00	\$1.11	\$0.00	\$2,422,631
TIDF (§411.3)	\$0.00	<u>\$12.64</u>	<u>\$13.30</u>	\$28,074,305
Subtotal (per sq.ft.)		\$36.58	\$34.60	
Total		\$79,837,679	\$1,266,602	\$81,104,281
Illinois Street Parcel (2)				
New Development (sq.ft.) (1)	213,500	0	7,700	
New Residential Units	214			
City Fees (per gross building sq.ft., except for "Affordable housing" (2))				
Jobs Housing-§413	\$0.00	\$22.83	\$21.30	\$164,010
Affordable Housing-§415 (3) (assumes 1-bdrm avg.)	\$236,545	\$0.00	\$0.00	\$10,124,126
Child Care-§414 (4)	\$0.00	\$1.11	\$0.00	\$0
TIDF (§411.3)	\$0.00	<u>\$12.64</u>	<u>\$13.30</u>	\$102,410
Subtotal (per sq.ft.)		\$36.58	\$34.60	
Total	\$10,124,126	\$0	\$266,420	\$10,390,546

(1) No fees assumed related to the parking.

(2) All impact fees are as of January 2013.

(3) Concept plans anticipate providing inclusionary rental units on Waterfront Site; Illinois Street assumed to be condos and pay the fee.
Assumes in-lieu fees based on 20% of onsite units.

(4) Childcare fee will not apply if child care facilities are constructed on site. Fees only apply to office.

Sources: City of San Francisco, and Economic & Planning Systems, Inc.

**Table A-4
Assessed Value Estimate (2013 dollars)*
Pier 70 Waterfront Site and Illinois Street Parcel**

Item	Dev. Cost	Assessed Value
Pier 70 Waterfront Site (1)		
Infrastructure	\$154,700,000	<i>none assumed</i>
Innovation Retail	\$73,707,000	\$73,707,000
Office	\$1,028,268,000	\$1,028,268,000
Residential	\$488,053,000	\$488,053,000
Parking Structure	\$67,868,000	\$67,868,000
Total	\$1,812,596,000	\$1,657,896,000
Illinois Street Parcel (2)		
Infrastructure (2)		<i>included in residential total</i>
Retail		<i>included in residential total</i>
Residential	\$95,000,000	\$95,000,000
Total	\$95,000,000	\$95,000,000

*Note: estimated based on projected vertical costs and values from pro forma. Value estimates for integrated retail and parking are reflected in other uses.

(1) Mixed use retail is reflected in the values for other uses.

Innovation and traditional retail consolidated for purposes of assessed value estimates.

(2) Illinois Street onsite infrastructure and utility connections only, estimated based on 10% of vertical costs.

Sources: Forest City and Economic & Planning Systems, Inc.

**Table A-5
 Possessory Interest and Property Tax Estimate (2013 dollars)
 Pier 70 Waterfront Site and Illinois Street Parcel**

Item	Assumptions	Total
Waterfront Site		
Gross Secured Possessory Interest and Property Tax	1.0% of new AV excluding overrides (2)	\$16,579,000
Possessory Interest Tax		
Net New General Fund Share (after ERAF) (1)	65.00% of total tax increase	\$10,776,350
ERAF (2)	25.33% of total tax increase	\$4,199,000
SF Unified School District	7.70% of total tax increase	\$1,277,000
Illinois Street Parcels		
Gross Secured Possessory Interest and Property Tax	1.0% of new AV excluding overrides (2)	\$950,000
Property Tax		
Net New General Fund Share (after ERAF) (1)	65.00% of total tax increase	\$617,500
ERAF (2)	25.33% of total tax increase	\$241,000
SF Unified School District	7.70% of total tax increase	\$73,000

Notes to Table A-5

- (1) Includes special funds set aside for Library, Open Space, and Children's Fund.
- (2) Current ERAF allocations will be available to the IFD.

Sources: City of San Francisco, and Economic & Planning Systems, Inc.

Table A-6
Property Tax in Lieu of VLF Estimate (2013 dollars)
Pier 70 Waterfront Site and Illinois Street Parcel

Item	Assumptions	Total
Citywide Total Assessed Value (1)		\$165,043,120,000
Total Citywide Property Tax in Lieu of Vehicle License Fee (VLF) (2)		\$172,710,000
Pier 70 Waterfront Site		
Project Assessed Value		\$1,657,896,000
Growth in Citywide AV due to Project	1.00%	
Net New Property Tax in Lieu of VLF (3)		\$1,735,000
Illinois Street Parcel		
Project Assessed Value		\$95,000,000
Growth in Citywide AV due to Project	0.06%	
Net New Property Tax in Lieu of VLF (3)		\$99,000

(1) Based on the CCSF FY2012-13 total taxable assessed value recorded by Controller's office, City and County of San Francisco.

(2) City and County of San Francisco Annual Appropriation Ordinance for Fiscal Year Ending June 30, 2013, page 124.

(3) Equals the increase in Citywide AV due to the Project multiplied by the current Citywide Property Tax in Lieu of VLF.

Sources: City of San Francisco, and Economic & Planning Systems, Inc.

Table A-7
Property Transfer Tax (2013 dollars)
Pier 70 Waterfront Site and Illinois Street Parcel

Item	Assumptions	Total
Pier 70 Waterfront Site		
Annual Transfer Tax From Building Sales		
Residential Value (1)		
Residential Assessed Value (AV)	\$488,053,000	\$32,537,000
Avg. Sales Value	6.7% annual turnover	\$700,000
Transfer Tax From Residential Buildings (2)	(avg. sale once/15 years)	
Commercial Value		
Non-Residential Assessed Value (AV)	\$1,101,975,000	\$73,465,000
Avg. Sales Value	6.7% annual turnover	\$1,723,425
Transfer Tax From Commercial Buildings (2)	(avg. sale once/15 years)	
Annual Average Transfer Tax (2013 dollars)		\$2,423,425
Illinois Street Parcel		
Annual Transfer Tax From Building Sales		
Residential Value (1)		
Residential Assessed Value (AV)	\$95,000,000	\$9,500,000
Avg. Sales Value	10.0% annual turnover	\$136,800
Transfer Tax From Residential Buildings (2)	(avg. sale once/10 years)	
Commercial Value		
Non-Residential Assessed Value (AV)	\$0 (included above)	\$0
Avg. Sales Value	6.7% annual turnover	
Transfer Tax From Commercial Buildings (2)	(avg. sale once/15 years)	
Annual Average Transfer Tax (2013 dollars)		\$136,800

(1) Waterfront Site assumes all residential buildings are rental units, and sales of all buildings average once/15 years. Illinois Street Parcels assumed to be condos.

(2) Tax rate on the first \$10 million ranges from \$6.80/\$1,000 (first \$1 million of sales), \$7.50/\$1,000 (\$1 million to \$5 million), and \$20/\$1,000 (\$5 million to \$10 million), an average of \$13.68/\$1,000 of sales. \$25/\$1,000 applies to amount above \$10 million.

Sources: City of San Francisco, and Economic & Planning Systems, Inc.

Table A-8
Sales Tax Estimates (2013 dollars)
Pier 70 Waterfront Site

Item	Assumptions	Total
Taxable Sales From New Residential Uses		
Average Annual Housing Payment	\$35,800 per household	
Average Annual HH Income (1)	21%	\$170,900
Average HH Retail Expenditure (2)	27%	\$46,700
Residential Units		949
Total New Retail Sales from Households		\$44,318,000
New Taxable Retail Sales Captured in San Francisco	80% of retail expenditures	\$35,454,400
Net New Sales Tax to GF From Residential Uses	1.0% tax rate x taxable sales	\$355,000
Taxable Sales From Commercial Space		
Retail Sq.Ft:		
Innovation (3)		30,000
Retail		136,150
Total		166,150
Retail Taxable Sales		
Innovation	\$300 per sq.ft.	\$9,000,000
Retail	\$300 per sq.ft.	\$40,845,000
Total		\$49,845,000
Sales Tax to San Francisco	1.0% tax rate x taxable sales	\$498,450
(less) New On-Site Residential Sales (4)	25% of commercial sales	(\$124,613)
(less) Shift From Existing Sales (5)	25%	(\$124,613)
Net New Sales Tax to GF from Retail Space		\$249,225
TOTAL Sales Tax to General Fund (1%)		\$604,225
Annual Sales Tax Allocation		
Sales Tax to the City General Fund	1.00% tax rate x taxable sales	\$604,225
Other Sales Taxes		
Public Safety Sales Tax (6)	0.50% tax rate x taxable sales	\$302,113
San Francisco County Transportation Authority (6)	0.50% tax rate x taxable sales	\$302,113
SF Public Financing Authority (Schools) (6)	0.25% tax rate x taxable sales	\$151,056
One-Time Sales Taxes on Construction Materials and Supplies (rounded)		
Total Development Value		\$1,657,896,000
Supply/Materials Portion of Construction Cost	60.00%	\$994,738,000
San Francisco Capture of Taxable Sales	50.00%	\$497,369,000
Sales Tax to San Francisco General Fund	1.0% tax rate x taxable sales	\$4,973,690

- (1) Based on the 2011 American Community Survey average share of income allocated towards rent by San Francisco renters.
(2) Based on blended assumptions with average household expenditure based on typical household spending as reported for the San Francisco MSA by the State Board of Equalization.
(3) Only a small share of the tenants of innovation space will generate sales taxes (30,000 sq.ft. assumed). Innovation space will be distributed between shared office work environment, shared manufacturing, arts and culture, and food stall and kiosk retail uses. With the exception of food stall and kiosk retail, innovative retail uses are not assumed to generate substantial retail sales.
(4) A portion of new sales from San Francisco residents are assumed captured by retail in the Project (calculated above).
(5) Reflects a deduction of retail sales that could be captured elsewhere in San Francisco were the Project not built.
(6) Sales tax proportions for these entities as reported by Controller's Office.

Sources: Forest City, State Board of Equalization, and Economic & Planning Systems, Inc.

Table A-9
Sales Tax Estimates (2013 dollars)
Illinois Street Parcel

Item	Assumptions	Total
Taxable Sales From New Residential Uses		
Average Annual Housing Payment	\$35,800 per household	
Average Annual HH Income (1)	21%	\$170,900
Average HH Retail Expenditure (2)	27%	\$46,700
Residential Units		214
Total New Retail Sales from Households		\$9,994,000
New Taxable Retail Sales Captured in San Francisco	80% of retail expenditures	\$7,995,200
Net New Sales Tax to GF from Residential Uses	1.0% tax rate x taxable sales	\$80,000
Taxable Sales From Commercial Space		
Retail Sq.Ft.		7,700
Retail Taxable Sales	\$300 per sq.ft.	\$2,310,000
Sales Tax to San Francisco	1.0% tax rate x taxable sales	\$23,000
(less) New On-Site Residential Sales (3)	25% of commercial sales	(\$5,750)
(less) Shift From Existing Sales (4)	25%	(\$5,750)
Net New Sales Tax to GF from Retail Space		\$11,500
TOTAL Sales Tax to General Fund (1%)		\$91,500
Annual Sales Tax Allocation		
Sales Tax to the City General Fund	1.00% tax rate x taxable sales	\$91,500
Other Sales Taxes		
Public Safety Sales Tax (5)	0.50% tax rate x taxable sales	\$45,750
San Francisco County Transportation Authority (5)	0.50% tax rate x taxable sales	\$45,750
SF Public Financing Authority (Schools) (5)	0.25% tax rate x taxable sales	\$22,875
One-Time Sales Taxes on Construction Materials and Supplies (rounded)		
Total Development Value		\$95,000,000
Supply/Materials Portion of Construction Cost	60.00%	\$57,000,000
San Francisco Capture of Taxable Sales	50.00%	\$28,500,000
Sales Tax to San Francisco General Fund	1.0% tax rate x taxable sales	\$285,000

- (1) Based on the 2011 American Community Survey average share of income allocated towards rent by San Francisco renters
(2) Based on blended assumptions with average household expenditure based on typical household spending as reported for the San Francisco MSA by the State Board of Equalization.
(3) A portion of new sales from San Francisco residents are assumed captured by retail in the Project (calculated above).
(4) Reflects a deduction of retail sales that could be captured elsewhere in San Francisco were the Project not built.
(5) Sales tax proportions for these entities as reported by Controller's Office.

Sources: Forest City, State Board of Equalization, and Economic & Planning Systems, Inc.

Table A-10
Parking Tax (2013 dollars)
Pier 70 Waterfront Site and Illinois Street Parcel

Item	Assumption	Total
Pier 70 Waterfront Site		
Total Spaces		2,566
Residential Spaces	0.5 per unit	475
Non-Residential Spaces (1)		2,092
<u>Parking Revenues</u>		
Annual Total (2)	\$16 per day	\$9,771,488
San Francisco Parking Tax		
Parking Tax Allocation to General Fund/Special Programs	25% of revenue	\$2,442,872
Parking Tax Allocation to Municipal Transp. Fund	20% of tax proceeds	\$488,574
	80% of tax proceeds	\$1,954,298
Illinois Street Parcel		
Total Spaces		214
Residential Spaces	1.0 per unit	214
Non-Residential Spaces (1)		0
<u>Parking Revenues</u>		
Annual Total (2)	\$16 per day	\$0
San Francisco Parking Tax		
Parking Tax Allocation to General Fund/Special Programs	25% of revenue	\$0
Parking Tax Allocation to Municipal Transp. Fund	20% of tax proceeds	\$0
	80% of tax proceeds	\$0

(1) This analysis assumes that all non-residential Project parking will generate parking tax, based on parking program.

Number of residential spaces could vary depending on the mix of condo vs. rental units.

(2) Not including parking tax; assumes 80% occupancy.

Sources: Forest City, and Economic & Planning Systems, Inc.

Table A-11
Gross Receipts Tax Estimates (2013 dollars)
Pier 70 Waterfront Site and Illinois Street Parcel

Item	GR Allocated to SF for GR Tax (1)	Gross Revenue Tier (2)			Gross Receipts Tax
		up to \$1m	\$1m - \$2.5m	\$2.5m - \$25m	
Pier 70 Waterfront Site					
Business Income					
Retail	\$40,845,000	0.075%	0.100%	0.135%	\$55,141
Innovation (3)	\$6,771,000	0.075%	0.100%	0.135%	\$9,141
Office (4)	\$1,864,213,000	0.400%	0.460%	0.510%	\$9,507,486
Parking	\$9,771,000	0.075%	0.100%	0.135%	\$13,191
Subtotal	\$1,921,600,000				\$9,584,959
Rental Income (5)					
Innovation	\$6,180,000	0.285%	0.285%	0.300%	\$18,540
Office	\$120,072,000	0.285%	0.285%	0.300%	\$360,216
Structured Parking	\$3,199,000	0.285%	0.285%	0.300%	\$9,597
Residential	\$40,991,000	0.285%	0.285%	0.300%	\$122,973
Subtotal	\$170,442,000				\$511,326
Total Gross Receipts	\$2,092,042,000				\$10,096,285
Project Construction					
Total Development Value (6)	\$1,810,000,000				
Direct Construction Cost (7)	\$1,269,000,000	0.300%	0.350%	0.400%	\$5,076,000
Illinois Street Parcel					
Business Income					
Retail	\$2,310,000	0.075%	0.100%	0.135%	\$3,119
Parking	\$0	0.075%	0.100%	0.135%	\$0
Subtotal	\$2,310,000				\$3,119
Rental Income (5)					
Retail	\$349,512	0.285%	0.285%	0.300%	\$1,049
Residential	\$0	0.285%	0.285%	0.300%	\$0
Subtotal	\$349,512				\$1,049
Total Gross Receipts	\$2,659,512				\$4,167
Project Construction					
Total Development Value (6)	\$95,000,000				
Direct Construction Cost (7)	\$67,000,000	0.300%	0.350%	0.400%	\$268,000

*Note: reflects tax implementation after the payroll tax is phased out.

- (1) Rounded; gross receipts for retail, office, and manufacturing uses are based on direct output of onsite uses, from IMPLAN.
- (2) Given uncertainty about business size among various categories, this analysis applies a tax rate in the third tier, assuming an average gross revenue of \$2.5 to \$25 million per business. The actual gross receipts will depend on the size of businesses in each category and their gross receipts generated within the City.
- (3) 10% of gross receipts are assumed to be subject to the tax as businesses with receipts below \$1 million and employment outside of San Francisco will be exempt.
- (4) 90% of gross receipts are assumed to be subject to the tax as businesses with receipts below \$1 million and employment outside of San Francisco will be exempt.
- (5) Illinois Street Parcel assumed to be condos.
- (6) Pier 70 office and residential rents include rent from retail and non-structured parking components. Estimates are based on the Forest City Financial Plan.
- (7) As a planning estimate, approximately 70% is assumed to represent direct construction costs.

Sources: City of San Francisco; IMPLAN; Forest City; and Economic & Planning Systems.

APPENDIX B:
Economic Analysis



Table B-1
Summary Annual Economic Impacts at Buildout (2013 dollars)
Pier 70 Waterfront Site and Illinois Street Parcel

Impact Category	Total
Pier 70 Waterfront Site	
<u>Ongoing Project Employment¹</u>	<u>Annual Average</u>
Direct	10,540
Indirect	2,230
Induced	<u>5,250</u>
Total Employment	18,020
Annual Total Economic Output	\$3,570,007,000
<u>One-Time Construction-Related Employment</u>	<u>Job-Years</u>
Direct	9,230
Indirect	1,980
Induced	<u>3,110</u>
Total Employment	14,320
Total Economic Output During Construction	\$2,797,136,000

(1) Reflects full-time equivalents.
Source: IMPLAN 2010; and Economic & Planning Systems.

Impact Category	Total
Illinois Street Parcel	
<u>Ongoing Project Employment¹</u>	<u>Annual Average</u>
Direct	41
Indirect	4
Induced	<u>6</u>
Total Employment	51
Annual Total Economic Output	\$7,026,452
<u>One-Time Construction-Related Employment</u>	<u>Job-Years</u>
Direct	440
Indirect	125
Induced	<u>157</u>
Total Employment	722
Total Economic Output During Construction	\$147,284,425

(1) Reflects full-time equivalents.
Source: IMPLAN 2010; and Economic & Planning Systems.

Table B-2
Annual Economic Impacts by Land Use at Buildout (2013 dollars)
Pier 70 Waterfront Site

Land Use	Impact Type	Jobs	Gross Impacts	
			Employment (FTEs)	Economic Output
Traditional Retail (1)	Direct	454	454	\$40,845,000
	Indirect	77	32	\$13,966,258
	Induced	<u>90</u>	<u>50</u>	<u>\$13,636,907</u>
	Total	621	536	\$68,448,166
Innovation Retail	Direct	318	318	\$67,711,248
	Indirect	93	84	\$17,495,213
	Induced	<u>119</u>	<u>105</u>	<u>\$19,215,825</u>
	Total	530	506	\$104,422,285
Office	Direct	9,700	9,700	\$2,071,348,174
	Indirect	2,403	2,180	\$445,414,642
	Induced	<u>5,893</u>	<u>5,187</u>	<u>\$951,623,754</u>
	Total	17,996	17,068	\$3,468,386,570
Residential	Direct	63	63	\$8,679,328
	Indirect	12	9	\$2,465,818
	Induced	<u>17</u>	<u>13</u>	<u>\$2,847,491</u>
	Total	93	86	\$13,992,637
Parking (1)	Direct	10	10	\$9,771,488
	Indirect	5	5	\$5,477,380
	Induced	<u>4</u>	<u>3</u>	<u>\$3,930,858</u>
	Total	19	17	\$19,179,726
Total Ongoing Impacts	Direct	10,544	10,544	\$2,130,643,990
	Indirect	2,498	2,226	\$467,324,099
	Induced	<u>6,004</u>	<u>5,253</u>	<u>\$972,039,011</u>
	Total	19,046	18,024	\$3,570,007,099
One-Time Impacts Construction	Direct	9,228	9,228	\$1,812,596,000
	Indirect	2,191	1,977	\$410,988,485
	Induced	<u>3,546</u>	<u>3,106</u>	<u>\$573,551,523</u>
	Total	14,965	14,310	\$2,797,136,008

(1) Direct output based on net increase in estimated revenue.

Source: IMPLAN 2010; and Economic & Planning Systems.

Table B-3
Annual Economic Impacts by Land Use at Buildout (2013 dollars)
Illinois Street Parcel

Land Use	Impact Type	Jobs	Gross Impacts	
			Employment (FTEs)	Economic Output
Traditional Retail (1)	Direct	26	26	\$2,310,000
	Indirect	4	2	\$789,865
	Induced	<u>5</u>	<u>3</u>	<u>\$771,239</u>
	Total	35	30	\$3,871,104
Residential	Direct	14	14	\$1,957,193
	Indirect	3	2	\$556,043
	Induced	<u>4</u>	<u>3</u>	<u>\$642,111</u>
	Total	21	19	\$3,155,347
Parking (1)	Direct	1	1	\$0
	Indirect	0	0	\$0
	Induced	<u>0</u>	<u>0</u>	<u>\$0</u>
	Total	1	1	\$0
Total Ongoing Impacts	Direct	41	41	\$4,267,193
	Indirect	7	4	\$1,345,909
	Induced	<u>9</u>	<u>6</u>	<u>\$1,413,350</u>
	Total	57	51	\$7,026,452
One-Time Impacts Construction	Direct	440	440	\$95,000,000
	Indirect	139	125	\$23,337,435
	Induced	<u>179</u>	<u>157</u>	<u>\$28,946,989</u>
	Total	757	722	\$147,284,425

(1) Direct output based on net increase in estimated revenue.

Source: IMPLAN 2010; and Economic & Planning Systems.

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13-20**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns approximately 69 acres along San Francisco's Central Waterfront, roughly bounded by Mariposa, Illinois, 22nd Street, and the San Francisco Bay, known as Pier 70 which includes an approximately 28-acre subarea known as the "Waterfront Site", bounded generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, as shown in Exhibit A of the staff report accompanying this resolution; and
- WHEREAS, The Port Commission previously awarded to Forest City Development California, Inc. ("Developer") the opportunity to negotiate for the development of the Waterfront Site as a mixed-use development and historic preservation project (the "Project"), authorized Port staff to negotiate an Exclusive Negotiation Agreement (the "ENA") for development of the Site, and authorized the Executive Director or her designee to execute the ENA as set forth in Resolution Nos. 11-21 and 11-49, which are incorporated by this reference; and
- WHEREAS, Developer and Port staff have negotiated the Term Sheet attached as Exhibit B to the staff report accompanying this resolution (the "Term Sheet"), which sets forth the essential terms upon which the Port and Developer will negotiate in good faith to reach agreement on the final development agreement, lease, and related documents ("Transaction Documents") and is incorporated by this reference; and
- WHEREAS, The parties acknowledge that the Term Sheet is not itself a binding agreement that commits the Port or Developer to proceed with the approval or implementation of the Project and that the Project will first undergo environmental review under the California Environmental Quality Act ("CEQA") and will be subject to public review in accordance with the processes of the Port Commission, other City departments and offices, and other government agencies with approval over the proposed Project before any entitlements and other regulatory approvals required for the Project will be considered; and
- WHEREAS, Developer's parent, Forest City Development Enterprises, Inc., is a publicly-traded company with exceptional access to capital and Port financial staff have reviewed and confirmed the financial capacity of Developer's parent in amounts sufficient to satisfy its obligation to fund its remaining obligations under Phases 1 and 2 of the ENA; now, therefore be it
- RESOLVED, That the Port Commission hereby endorses the Term Sheet and authorizes and directs the Executive Director of the Port, or her designee, to execute the

Term Sheet following its presentation to and endorsement by the Board of Supervisors and a finding by the Board of Supervisors that the Project is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29 (the "Fiscal Feasibility Finding"), and if the Board of Supervisors fails to make a Fiscal Feasibility Finding for the Project or endorse the Term Sheet, to either terminate the ENA or negotiate revisions to the Term Sheet consistent with the Board of Supervisors resolution; and be it further

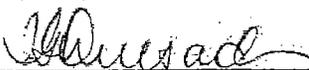
RESOLVED, That if the Board of Supervisors endorses the Term Sheet and makes a Fiscal Feasibility Finding for the Project, the Port Commission directs the Executive Director of the Port, or her designee, to work with the Planning Department and Developer to undertake review of the Project under CEQA and negotiate the terms and conditions of the final Transaction Documents, with the understanding that the final terms and conditions of the Transaction Documents negotiated between Port staff and Developer during the exclusive negotiation period will be subject to the approval of the Port Commission and as applicable, the Board of Supervisors and the Mayor; and be it further

RESOLVED, That the Port Commission reserves the right, if exclusive negotiations with Developer are unsuccessful and do not lead to approval of Transaction Documents, to undertake other efforts such as issuing a new request for qualifications or proposals, at the Port Commission's sole discretion; and be it further

RESOLVED, That the Port Commission's endorsement of the Term Sheet and direction to Port staff does not commit the Port Commission or the City to approve final Transaction Documents, implement the Project, or grant any entitlements to Developer, nor does endorsement of the Term Sheet foreclose the possibility of considering alternatives to the proposal, imposing mitigation measures, or deciding not to grant entitlement or approve or implement the Project, after conducting and completing appropriate environmental review under CEQA, and while the Term Sheet identifies certain essential terms of a proposed transaction with the Port, it does not set forth all of the material terms and conditions of any final Transaction Documents; and be it further

RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the Project, and the provisions of the Term Sheet are not intended and will not become contractually binding on the Port unless and until the Port Commission and the Planning Commission have reviewed and considered environmental documentation prepared in compliance with CEQA for the Project and the Project has been approved.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 28, 2013.


Secretary

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 11-49

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

WHEREAS, The Port owns an approximately 25-acre site, located on San Francisco's Central Waterfront, roughly bounded by 20th and 22nd Streets and Illinois Street, known as the Waterfront Site within the 69-acre Pier 70 area; and

WHEREAS, The Port Commission in Resolution 11-21 awarded to Forest City Development California, Inc. ("Forest City") the Pier 70 Waterfront Site development opportunity and Staff has negotiated an exclusive negotiations agreement ("ENA") with Forest City setting forth the terms for negotiating agreements for the development and lease of the Waterfront Site to achieve the objectives specified in the Pier 70 Waterfront Site Request for Qualifications ("RFQ"); and now therefore be it

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to execute the ENA and any additions, amendments or other modifications thereto that are necessary and advisable to complete the ENA consistent with the terms and conditions set forth in the Staff Memorandum and in a form approved by the City Attorney; and be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director of the Port, or her designee, to waive or extend the times established in the ENA for performance of specific objectives under the ENA as specified in the ENA, including the right to condition such waiver or extension on additional performance objectives or other conditions required by the Port Commission in its sole discretion; and be it further

RESOLVED, That the Port Commission reserves the right, if negotiations with Forest City are unsuccessful and do not lead to approval of a development agreement, lease and related documents to undertake other efforts, which may include determining no project will be pursued, selecting a tenant by any other means, negotiating with any other respondent to the RFQ, and issuing a new development solicitation at the Port Commission's sole discretion; and be it further

RESOLVED, That entering into the ENA with Forest City begins a process of defining a project for the Waterfront Site, and the development concepts envisioned in the Pier 70 Preferred Master Plan, the RFQ, and the Forest City submittal will evolve through the extensive public review process through changes to the uses, the mix of uses, the intensity of development, or other fundamental terms, all leading to a final project proposal to be submitted to the Port Commission for review and approval; and be it further

RESOLVED, That the ENA does not commit the Port Commission to approval of any specific development concept or project proposal, nor does ENA foreclose the possibility of alternative development concepts, mitigation measures, or deciding not to grant entitlements or approve the lease and development of the Waterfront Site; and be it further

RESOLVED, That entering into exclusive negotiations does not commit the Port Commission to approval of a final lease or related documents and that the Port Commission shall not take any discretionary actions committing it to the project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act ("CEQA").

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 12, 2011.



Secretary

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 10-27

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns an approximately 67-acre site, located on San Francisco's Central Waterfront, between 18th and 22nd Streets and east of Illinois Street, known as Pier 70, as shown on the attached site plan; and
- WHEREAS, The State Historic Preservation Office has determined that the site is eligible for listing as a historic district in the National Register of Historic Places; and
- WHEREAS, The Port Commission designated a substantial portion of the site as a Development Opportunity Area in the Waterfront Land Use Plan ("Waterfront Plan") to provide revenues for the Port's effort to preserve the Union Iron Works and Bethlehem Administration buildings; and
- WHEREAS, In 2001, the Port issued an RFP for the portion of the site identified in the Waterfront Plan as an Development Opportunity Area for mixed use development, which was not successful; and
- WHEREAS, In late 2006, the Port initiated a community planning process to develop a master plan for Pier 70 to address regulatory, economic, maritime, historic preservation, open space and shoreline access challenges to redevelopment; and
- WHEREAS, In November 2008, San Francisco's electorate added section B7.310 to the Charter by approving Proposition D, which authorizes the Board of Supervisors to approve: (1) a Pier 70 land use plan under which leases at conforming to Charter section B7.310's requirements would be deemed approved under Charter section 9.118; and (2) a financing plan for waterfront improvements such as maritime terminals, remediating environmental conditions, seismically strengthening existing structures, and rehabilitating historic maritime resources in accordance with the Secretary of the Interior's Standards for the Treatment of Historic Properties; and
- WHEREAS, The City does not currently provide funds to the Port from City tax revenues for waterfront improvements; and
- WHEREAS, Consistent with the Port's 10-Year Capital Plan, the Port intends to form infrastructure financing districts ("IFDs") (Cal. Gov. Code §§ 53395 et seq.) and community facilities districts ("CFDs") (Cal. Gov. Code §§ 53311 et seq.) to finance infrastructure and other publicly-oriented waterfront improvements for the Development Site; and

- WHEREAS, In July 2009, after six informational Commission hearings, four community workshops, Central Waterfront Advisory Group policy discussions, and additional community outreach, the Port published its draft Preferred Master Plan for review; and
- WHEREAS, The San Francisco Historic Preservation Commission and the San Francisco Planning Commission have commented on the draft Preferred Master Plan; and
- WHEREAS, After an additional informational Port Commission hearing on March 9, 2010, the Port published its final Pier 70 Preferred Master Plan, which addresses policymaker and community comment and identifies about 3 million square feet of capacity for new buildings and 700,000 square feet of potential adaptive reuse capacity, and a system of infrastructure, roadways, shoreline parks, plazas and open space while retaining 17 acres for ship repair use; and
- WHEREAS, Financial feasibility and market analyses project that rent and tax revenues from new construction can support a portion of the extraordinary costs associated with the effective redevelopment and adaptive reuse of Pier 70 but a feasibility gap of approximately \$45 million remains, largely due to high upfront costs; and
- WHEREAS, The Port Commission recognizes that implementation of the Preferred Master Plan will be a long term effort that will require many funding sources, including private investment, growth in payroll and property taxes, tax credits, and grants; and
- WHEREAS, Public and private sector real estate experts advise the Port that it would not be able to achieve the Preferred Master Plan vision area not reserved for ship repair was offered currently as a whole, due to extraordinary financial and regulatory challenges; and
- WHEREAS, The southeast corner of Pier 70 (the "Waterfront Site") presents an opportunity for new development to accommodate San Francisco's job growth and to generate rent and tax revenues to support the Port's historic preservation goals, but a successful development of the Waterfront Site would require substantial private sector acumen to identify the target market, refine project details, including infrastructure design and costing, and craft a financial strategy for the site; and
- WHEREAS, The 20th Street corridor of Pier 70 includes a cluster of several historic buildings in need of substantial rehabilitation (the "Historic 20th Street Corridor"), which, if adaptively reused would create an extraordinary showcase for 70's heritage, but the extent of interest in rehabilitating these buildings is unknown; and
- WHEREAS, Staff recommends publicly soliciting development proposals for the Waterfront Site through a request for qualifications ("RFQ") process

guided by the Preferred Master Plan to garner the best market response and provide the Port with the best opportunity to meet its goals and objectives for Pier 70; and

WHEREAS, Staff recommends publicly soliciting interest in historic buildings in the Historic 20th Street Corridor through a request for interest ("RFI") process guided by the Preferred Master Plan to allow both the potential future users and the Port to address most creatively the potential for rehabilitation and adaptive reuse of these buildings and provide the Port Commission with information upon which to direct staff on disposition of these important structures; and

WHEREAS, Issuance of an RFP or RFI does not commit the Port to proceeding with any development project, and the Port cannot approve a ground lease or development agreement for any project until after environmental review has been completed in compliance with the California Environmental Quality Act ("CEQA") and now, therefore, be it

RESOLVED, The Port Commission has reviewed the Preferred Master Plan for Pier 70 and endorses its vision, goals, objectives, and design criteria; and be it further

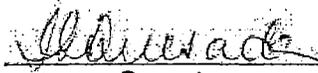
RESOLVED, The Port Commission has reviewed the development parameters for the Waterfront Site included in the staff report accompanying this Resolution and authorizes staff to prepare and issue an RFQ for that site and manage the developer solicitation process consistent with the staff report; and be it further

RESOLVED, The Port Commission authorizes staff to use an RFI to market the 20th Street Historic Corridor buildings and obtain information that will enable the Commission to consider terms and conditions for disposition of those buildings; and be it further

RESOLVED, The Port Commission establishes the following priorities for the use of public funds generated by development of the Pier 70 Waterfront Site:

1. Capital rehabilitation costs for Very Significant and Significant historic resources, including infrastructure, environmental remediation, and financing to close feasibility gaps;
2. Catalyst parks and open spaces; and
3. Other infrastructure needs of the Development Site to the extent exceeding available IFD and CFD financing.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of May 11, 2010.


Secretary



**CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE, MAYOR**

EXCLUSIVE NEGOTIATION AGREEMENT

BY AND BETWEEN

**THE CITY AND COUNTY OF SAN FRANCISCO,
ACTING BY AND THROUGH THE
SAN FRANCISCO PORT COMMISSION**

AND

**FOREST CITY DEVELOPMENT CALIFORNIA, INC.,
A CALIFORNIA CORPORATION**

**MONIQUE MOYER
EXECUTIVE DIRECTOR**

SAN FRANCISCO PORT COMMISSION

**KIMBERLY BRANDON, PRESIDENT
ANN LAZARUS, VICE PRESIDENT
FRANCIS X. CROWLEY, COMMISSIONER
DOREEN WOO HO, COMMISSIONER
LESLIE KATZ, COMMISSIONER**

JULY 12, 2011

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EXHIBITS

EXHIBIT A: THE SITE

EXHIBIT B: PERFORMANCE BENCHMARKS

APPENDIX: DEFINED TERMS AND DESCRIPTIONS

EXCLUSIVE NEGOTIATION AGREEMENT

This EXCLUSIVE NEGOTIATION AGREEMENT (this “**Agreement**”) dated as of July 12, 2011, for reference purposes only, is by and between the CITY AND COUNTY OF SAN FRANCISCO (the “**City**”), a municipal corporation acting by and through the SAN FRANCISCO PORT COMMISSION (the “**Port**” or the “**Port Commission**”), and FOREST CITY DEVELOPMENT CALIFORNIA, INC., a California corporation (“**Developer**”). Defined terms are listed in the Appendix.

RECITALS

A. The Port has jurisdiction of approximately 69 acres of land along San Francisco’s Central Waterfront, generally bounded by Mariposa Street, Illinois Street, 22nd Street, and San Francisco Bay, commonly known as Pier 70. Previously known as the San Francisco Yard and the Bethlehem Steel Shipyard, Pier 70 is a former 19th century ship building and repair facility, and the most intact historic maritime industrial complex of that era west of the Mississippi River. A portion of the site remains an active ship repair yard. In the Pier 70 Preferred Master Plan (“**Master Plan**”) published in April 2010, Pier 70 is roughly divided into five key subareas: the Waterfront Site, the Historic Core consisting of six historic buildings in serious disrepair on 20th Street (the “**20th Street Historic Buildings**”), the ship repair lease area, the vacant parcels fronting Illinois Street (the “**Illinois Street Parcels**”), and planned parks and open spaces as depicted in *Exhibit A* (together, “**Pier 70**”).

B. In November 2008, 68 percent of voters approved Proposition D (“**Prop D**”), which established a process for the San Francisco Board of Supervisors (the “**Board**”) to approve financial and land use plans for Pier 70 (the “**Prop D Plan**”), which would authorize the Port Commission to enter into leases consistent with the Prop D Plan early in the implementation process. This mechanism will allow the Port and its development partners to craft entitlement rights for Pier 70 that balance development certainty with flexibility.

C. In late 2006, the Port initiated an extensive community planning process to develop the Master Plan for Pier 70. The Master Plan identifies about 3 million square feet of capacity for new buildings and 700,000 square feet of potential adaptive reuse capacity, and a system of infrastructure, roadways, shoreline parks, plazas and open space while retaining 17 acres for ship repair use. On May 11, 2010, by Resolution 10-27, the Port Commission endorsed the vision, goals, objectives, and design criteria of the Master Plan.

D. Most Port property consists of tidelands and submerged lands that are subject to the common law public trust doctrine, the California Constitution, the Burton Act, and the related transfer agreement under which the State of California (the “**State**”) transferred most of the San Francisco waterfront to the City in 1969 (collectively, the “**public trust**”). The Port acquired much of Pier 70 subsequent to the Burton Act transfer, however, and parts of the Pier 70 are upland areas that are not tidelands. Pier 70’s complex ownership history and mix of tidelands, submerged lands, and uplands creates questions about whether certain parcels at Pier 70 are subject to public trust land use restrictions. The City, working with Assemblyperson Ammiano, has introduced Assembly Bill 418 to authorize the State Lands Commission to approve internal transfers that will align the public trust parcels within Pier 70 to achieve the goals and objectives of the Master Plan. If the legislation and subsequent trust transfers are approved, most of the approximately 25-acre Waterfront Site, located at the southeast corner of Pier 70, as shown on *Exhibit A* (the “**Site**”), will be free of public trust land use restrictions, with capacity for 2.5 million square feet of new development and 260,000 square feet in rehabilitated historic buildings.

E. By Resolution 10-27, the Port Commission authorized staff to begin implementation of the Master Plan objectives by soliciting development partners for the Site and the 20th Street Historic Buildings. The Port issued a Request for Qualifications (the “**RFQ**”) in

August 2010 to solicit qualified developers to master plan, develop, lease, and operate on the Site a mixed-use project to promote the purposes of the public trust and the goals and objectives of the Master Plan. The Port issued a Request for Interest (the "RFI") in February 2011 to initiate the difficult process of rehabilitating the 20th Street Historic Buildings for appropriate users. The RFQ and RFI both seek parties that will collaborate in the Port's infrastructure, transportation, and land use planning for Pier 70 through development of a Prop D Plan.

F. Four qualified developers made complete and timely submittals to the RFQ. On April 12, 2011, by Resolution 11-21, the Port Commission awarded Developer the opportunity to negotiate for the development of the Site and authorized Port staff to proceed with exclusive negotiations for the lease and development of the Site. This Agreement sets forth the process, terms, and conditions upon which the Port and Developer will negotiate terms for the lease, construction, and operation of an approved project for the Site (the "Project"), and seek to complete a written lease disposition and development agreement ("LDDA"), one or more long-term leases (each, a "Lease"), and other documents (collectively, the "Transaction Documents") required for the Project.

AGREEMENT

1. AGREEMENT.

1.1. *Exclusive Negotiations.*

(a) During the term of this Agreement (as extended or earlier terminated, the "Exclusive Negotiation Period"), the Port agrees: (i) not to solicit or consider any other proposals or negotiate with any other Person for development of the Site without Developer's consent, which consent shall be granted or withheld in Developer's sole discretion; (ii) to provide Developer with prior notice of any new interim tenancy or other occupancy agreements for any portion of the Site; (iii) that any new interim tenancy or other occupancy agreements will be consistent with the requirements of this Agreement, including the Port's obligation to deliver the Site to Developer under the Transaction Documents; and (iv) to discuss any new or extended interim tenancy or occupancy agreements with Developer before executing them.

(b) Developer acknowledges that: (i) certain portions of the Site are subject to existing interim leases or other occupancy agreements; and (ii) the Port has the continuing right to enter into additional interim leases and other occupancy agreement, as long as the Port delivers exclusive possession of the Site to Developer when required under the Transaction Documents, should the Project be approved.

(c) In order to achieve the purposes of this Agreement, each party agrees, during the Exclusive Negotiation Period, to: (i) act in good faith, reasonably, and diligently in performing its obligations under this Agreement; and (ii) cooperate in good faith and take all steps reasonably requested or required to assist the other party's efforts to satisfy its obligations under this Agreement. In addition, each party will make or give any determinations, findings, requests, responses to requests, approvals, or objections in its reasonable belief, judgment, and discretion and within a reasonable time under the circumstances, except where a different standard or time period is specified in this Agreement. Developer acknowledges that the Port's obligation to negotiate in good faith is limited to the actions of the Port Executive Director and Port staff and does not obligate any Regulatory Agency, including the Port Commission, except as otherwise specified.

2. TERM

2.1. *Phase 1.* The first phase of the Exclusive Negotiation Period ("Phase 1") will commence on the date the Executive Director executes this Agreement (the "Effective Date") and, subject to Section 2.3 (Regulatory Force Majeure), Section 2.4 (Litigation Force Majeure), and Section 2.5 (General Provisions Applicable to all Force Majeure Events), expire 24 months

after the Effective Date (the “**Initial Expiration Date**”). If Developer is not in default of this Agreement on the Initial Expiration Date, Phase 1 will be extended for 6 months, conditioned solely upon the Port’s receipt of Developer’s Extension Fee in the amount of \$100,000.

2.2. Phase 2. The second phase of the Exclusive Negotiation Period (“**Phase 2**”) will commence on the day after the Board Endorsement of the Term Sheet and, subject to **Section 2.3** (Regulatory Force Majeure), **Section 2.4** (Litigation Force Majeure), and **Section 2.5** (General Provisions Applicable to all Force Majeure Events), expire 36 months later (the “**Expiration Date**”). If Developer is not in default of this Agreement on the Expiration Date, Phase 2 will be extended up to two times, each time for 6 months, conditioned solely upon the Port’s receipt of Developer’s Extension Fee in the amount of \$100,000 for each extension.

2.3. Regulatory Force Majeure.

(a) The Port will grant to Developer one or more extensions under this Section (each, a “**Regulatory Force Majeure Extension**”) if Developer is unable to satisfy any Performance Benchmark because of a delay that is both reasonably outside of Developer’s control and likely to prevent the parties from timely entering into the Transaction Documents (a “**Regulatory Force Majeure Event**”). No Extension Fee will be payable for any Regulatory Force Majeure Extension. Examples of Regulatory Force Majeure Events include delays caused by: (i) Developer’s revisions made in response to the Port Commission or the Board; (ii) a regional agency’s decision to revise the standards or methods by which certain potentially significant impacts under the California Environmental Quality Act (“**CEQA**”) are evaluated; (iii) a delay in publication of any environmental review document after Developer has met all requirements for publication in the Port’s reasonable judgment; and (iv) inability to schedule a Board or commission hearing that is otherwise timely requested. Regulatory Force Majeure Events exclude any Litigation Force Majeure Event and any delay occasioned by the direct or indirect action, inaction, or negligence of Developer, any Affiliate of Developer, or any Developer consultant.

(b) In Phase 1, Developer will be entitled to one or more Regulatory Force Majeure Extensions of no more than 6 months in the aggregate upon written notice to the Port that Developer is claiming an extension of the Exclusive Negotiation Period under this **Subsection (b)** (a “**Regulatory Force Majeure Notice**”). In Phase 2, Developer will be entitled to one or more Regulatory Force Majeure Extensions of no more than 12 months in the aggregate upon delivery of a Regulatory Force Majeure Notice to the Port.

(c) Each Regulatory Force Majeure Notice given under **Subsection (b)** must: (i) describe the Regulatory Force Majeure Event and Developer’s attempts to resolve the event; (ii) be given promptly after Developer first learns of the Regulatory Force Majeure Event; and (iii) provide Developer’s good faith estimate of the dates by which Developer will be able to satisfy the remaining Performance Benchmarks, within the limitations under **Subsection (b)**.

2.4. Litigation Force Majeure.

(a) If Developer is unable to satisfy any Performance Benchmark because of a Litigation Force Majeure Event, then Developer will have the option to extend the Exclusive Negotiation Period (a “**Litigation Force Majeure Extension**”) by notice to the Port (a “**Litigation Force Majeure Notice**”), which must be given within 30 days after Developer first learns of the Litigation Force Majeure Event. In the Litigation Force Majeure Notice, Developer must describe the Litigation Force Majeure Event and provide its good faith estimate of the dates by which Developer will be able to satisfy the remaining Performance Benchmarks, the last of which must be on or before the Upset Date.

(b) The following definitions apply in this Agreement.

(i) “**Litigation Force Majeure Event**” means any proceeding before any court, tribunal, or other judicial, adjudicative, or legislative decision-making body, including

any administrative appeal that challenges the validity of any City or Port Regulatory Approval with respect to the Project, including any findings under CEQA, if the pendency of the proceeding is reasonably likely to prevent the parties from timely entering into the Transaction Documents. Litigation Force Majeure Events exclude any Regulatory Force Majeure Events and any action or proceeding brought by any Developer Affiliate or their Affiliates, any Developer consultant, or any other third party assisted directly or indirectly by Developer.

(ii) "Upset Date" means the date that is 24 months after the Expiration Date.

2.5. *General Provisions Applicable to all Force Majeure Events.*

(a) Subject to **Article 9** (Termination) and **Article 10** (Default), a Regulatory Force Majeure Extension or Litigation Force Majeure Extension, as applicable (in either case, a "Force Majeure Extension"), will be deemed validly in effect and extend the Initial Expiration Date or the Expiration Date, as applicable, for the period described in Developer's Regulatory Force Majeure Notice or Litigation Force Majeure Notice (in either case, a "Force Majeure Notice") or a shorter period if the Regulatory Force Majeure Event or Litigation Force Majeure Event (in either case, a "Force Majeure Event") is resolved before that date, unless any of the following applies:

(i) The Port gives Developer notice within 10 days after Port's receipt of the Force Majeure Notice that, based on the Port Executive Director's judgment, no basis for a Force Majeure Extension exists; or

(ii) A Terminating Event has occurred before Developer delivered its notice; or

(iii) An Event of Default, or an event that, with notice or the passage of time or both would constitute an Event of Default, has occurred and is uncured on the date the Force Majeure Notice is delivered.

(b) In addition to a Force Majeure Extension under **Section 2.3** (Regulatory Force Majeure) or **Section 2.4** (Litigation Force Majeure), Developer may request one or more additional Force Majeure Extensions under this **Section 2.5(b)** (General Force Majeure Provisions) by submitting its written request to the Port Executive Director describing the Force Majeure Event, providing Developer's good faith estimate of the dates by which Developer will be able to satisfy the remaining Performance Benchmarks, the last of which may be no later than 6 months after the dates shown in *Exhibit B*, as extended by any earlier Force Majeure Extension. Consistent with current Port Commission meeting practices, the Port Executive Director will submit Developer's request for an additional Force Majeure Extension to the Commission President, who will decide whether and when the matter will be added to the Port Commission's agenda for items to be considered in open session. The Port Commission may grant or deny Developer's request in its sole discretion.

(c) Except as specified in a valid Force Majeure Notice or a Port Commission resolution granting an additional Force Majeure Extension, no other terms of this Agreement will be affected by a Force Majeure Extension. The parties agree to proceed with due diligence and cooperate with one another to resolve the Force Majeure Event, and acknowledge that the resolution of the Force Majeure Event may affect Term Sheet provisions to which they have previously agreed and require additional Term Sheet negotiations.

2.6. *Port's Reserved Rights.* During the Exclusive Negotiation Period, the Port Commission reserves the right, in its sole discretion, to take any or all of the following actions:

(a) Enter into interim leases or licenses for any portion of the Site in the ordinary course of the Port's management, so long as: (i) the allowed uses under the interim leases or licenses are not expanded beyond those currently allowed; (ii) the interim leases or licenses expire or are terminable by Port without penalty, cost or expense to Developer before

the anticipated close of escrow under the LDDA; and (iii) the Port provides notice to Developer from time to time of the lease or license status of those areas;

(b) Direct the Executive Director to waive, extend or conditionally extend the Performance Dates for any or all of the Performance Benchmarks;

(c) Extend the Exclusive Negotiation Period; and

(d) Expand or contract the scope of the Project, including adding or removing minor areas to or from the Site, committing or withholding public financing, or otherwise altering the Project concept from that initially proposed to respond to new information, community or environmental issues, or opportunities to improve the financial return to the Port from the Project, or to enhance public benefits or maritime amenities, but if the Port takes any action described in this Subsection (d), Developer will have the right to terminate this Agreement upon notice to the Port as Developer's sole remedy.

3. REQUIRED PERFORMANCE BENCHMARKS.

3.1. *Performance Benchmarks.* Developer must satisfy the performance benchmarks (each, a "Performance Benchmark") by the dates for performance (each, a "Performance Date") specified in *Exhibit B*. Developer must satisfy each initial performance benchmark (each, an "Initial Performance Benchmark") and each remaining performance benchmark (each, a "Final Performance Benchmark") by the Performance Dates specified in *Exhibit B*. Subject to Developer's extension rights under **Article 2** (Term), Developer's failure to satisfy all of the Initial Performance Benchmarks by the Initial Expiration Date or to satisfy all of the Final Performance Benchmarks by the Expiration Date will cause this Agreement to Terminate.

3.2. *Extensions of Performance Dates.* Developer may submit requests to the Port Executive Director for extensions of the Performance Dates for Performance Benchmarks, which the Port Executive Director will not unreasonably deny if: (a) she is satisfied that Developer is proceeding diligently and making reasonable progress towards satisfying the Performance Benchmark; (b) Developer is not otherwise in default of this Agreement; (c) she has not previously granted an extension of the Performance Date that is the subject of Developer's request; or (d) the requested revised Performance Date is no later than the Initial Expiration Date for any Initial Performance Benchmark or the Expiration Date for any Final Performance Benchmark. If the Port Executive Director has previously granted an extension of a Performance Date that is the subject of Developer's request, she may either: (i) grant an additional extension if she is satisfied that an additional extension is appropriate; or (ii) submit Developer's request for an additional extension of the Performance Date to the Commission President, who will decide whether and when the matter will be added to the Port Commission's agenda for items to be considered in open session. When considering the matter, the Port Commission may grant or deny Developer's request in its sole discretion..

4. NEGOTIATION OF TERM SHEET.

4.1. *Negotiating Principals.* During the Exclusive Negotiation Period, the Port and Developer each will assign designated principals (i.e., an officer, board member, executive employee, or other agent with management level authority) and key staff members who will meet and negotiate diligently in good faith on its behalf in exclusive negotiations.

(a) The Port's designated negotiating principals are Jonathan Stern and Kathleen Diohep.

(b) Developer's designated negotiating principals are Kevin Ratner and Alexa Arena.

(c) Designated negotiating principals can be changed by notice given in accordance with **Article 13** (Notices).

4.2. Proposal. The parties acknowledge that Developer's submitted project concept is preliminary, will be refined, and currently does not include sufficient detail to allow negotiation of the Term Sheet. Accordingly, Developer must work with Port staff and consultants to develop a proposal that, when endorsed by the Port Commission, will serve as the basis for the Term Sheet (the "**Proposal**"). The Proposal must include: (a) a master plan level of detail regarding rezoning through a Prop D Plan, the development program, height and massing, parking and transportation, infrastructure strategy, and phasing (including Phase 2 Performance Benchmarks); (b) an outline of a flexible development approach that will allow Developer to respond to changes in the economic and development environment; and (c) a viable financial plan, integrated with the outlined development approach.

4.3. Term Sheet.

(a) Concurrently with negotiations between Developer and Port staff over the Proposal, the parties will negotiate a term sheet for the Project that is based on the Proposal and is consistent with the RFQ and Developer's project concept (the "**Term Sheet**"). The parties acknowledge that: (i) the Term Sheet is intended to be a summary of the general terms for negotiating the Transaction Documents, which will be subject to review and approval by the parties, their respective legal counsel, and the Port Commission; and (ii) Leases implementing the LDDA will be subject to Board approval under Charter section 9.118, unless the Board has waived section 9.118 review in a Prop D Plan approved by the Board. When the Proposal is complete, and Developer and Port staff have agreed on the Term Sheet, including any additional terms governing Developer's obligation to pay any Transaction Costs, Negotiating Fees, and Outside Transaction Costs and a process for negotiating a Transaction Cost Budget, the Executive Director will recommend that the Port Commission endorse the Proposal and the Term Sheet ("**Port Endorsement**"). Following the Port Endorsement, references to the Project in this Agreement will mean the Project as reflected in the Proposal.

(b) Following the Port Endorsement, the Port will submit the Term Sheet and framework for the Prop D Plan to the Board for its review and endorsement ("**Board Endorsement**"). If required, the Port will also submit a concurrent request for the Board's determination on the financial feasibility of the Project under Administrative Code chapter 29. Developer and the Port agree to use all efforts to coordinate and cooperate with the Board to schedule hearings on the earliest feasible dates. At the Port's request, Developer will attend the hearings and, if requested, make presentations on the Project to the full Board and any of its committees.

(c) The Executive Director will have no obligation to execute the Term Sheet until it has been approved by the Port Endorsement and the Board Endorsement.

4.4. Subsequent Changes.

(a) After execution of the Term Sheet, Developer may propose modifications or changes to the Term Sheet and Project ("**Developer's Proposed Changes**") based on a belief that Developer's Proposed Changes would be in the Port's, Developer's, or the Project's best interests. Developer must be prepared to present Developer's Proposed Changes to the Port Commission for endorsement promptly after the Port notifies Developer that the Port has determined that Developer's Proposed Changes would materially: (i) alter the Project; (ii) increase the Port's obligations or liabilities; (iii) adversely affect the Port's Management Obligations; or (iv) decrease the Port's projected financial return. Developer's presentation must include a detailed description of, and rationale for, each of Developer's Proposed Changes.

(b) The Port, after consultation with Developer, may submit Developer's Proposed Changes for Board Endorsement. None of Developer's Proposed Changes will be incorporated into the Term Sheet or Transaction Documents until endorsed by the Port Commission and the Board, if submitted to the Board.

5. REQUIRED PAYMENTS.

5.1. *Fees and Costs.* In consideration of the right to negotiate exclusively with the Port for the Site, Developer agrees to pay the Port a negotiating fee (the “**Negotiating Fee**”), extension fees (the “**Extension Fees**”), and certain Port’s costs as provided and subject to the conditions set forth below. Any sums payable to the Port under this Agreement must be tendered in United States currency in immediately available funds when due. Except as provided otherwise in this Agreement, the Effective Date will be the starting date for any sums payable on an annual or quarterly basis, and those sums will be pro-rated as appropriate to reflect the actual days elapsed in any partial quarter or year for which a payment is due.

5.2. Phase 1 Fees.

(a) The Negotiating Fee during Phase 1, as extended, will accrue at the rate of \$50,000 per quarter. The Port agrees to defer Developer’s obligation to pay the Phase 1 Negotiating Fee until the approval of the Lease for the Project become final, either by Board resolution or by Port Commission resolution if so authorized by an approved Prop D Plan (as applicable, the “**Lease Approval Date**”). The full amount of the accrued Phase 1 Negotiating Fee will be due and payable to the Port 10 business days after the Lease Approval Date (the “**Negotiating Fee Payment Date**”).

(b) In addition to the Phase 1 Negotiating Fee, as a condition to exercising the right to extend Phase 1 as provided in **Section 2.1** (Phase 1), Developer must tender an Extension Fee in the amount of \$100,000 to the Port before the Initial Expiration Date.

5.3. Phase 2 Fees.

(a) The Negotiating Fee during Phase 2, as extended, will accrue at the rate of \$50,000 per quarter. The Port agrees to defer Developer’s obligation to pay the Phase 2 Negotiating Fee until the Lease Approval Date. The full amount of the accrued Phase 2 Negotiating Fee will be due and payable to the Port on the Negotiating Fee Payment Date.

(b) In addition to the Phase 2 Negotiating Fee, as a condition to exercising each right to extend Phase 2 as provided in **Section 2.2** (Phase 2), Developer must tender an Extension Fee in the amount of \$100,000 to the Port before the Expiration Date, as extended.

5.4. *Forgiveness of Negotiating Fees.* As an incentive to Developer’s timely completion of Performance Benchmarks leading to Project approval, the Port will forgive 50 percent of the accrued Phase 1 Negotiating Fee and 50 percent of the accrued Phase 2 Negotiating Fee, effective on the date that a Board resolution adopting a Prop D Plan for substantially all of the land area included in the April 2010 Pier 70 Preferred Master Plan becomes final, if achieved by the Performance Date, as it may be extended under in **Article 2** (Term). Except as provided in this Section, Negotiating Fees accrued under this Agreement will be due and payable on the Negotiating Fee Payment Date or, if this Agreement is terminated before the Lease Approval Date, within 10 days after the date of termination.

5.5. *Port Costs.* Developer agrees to pay the Port’s Phase 1 Transaction Costs and Outside Transaction Costs from the date the Port Commission authorized exclusive negotiations through the expiration or earlier termination of the Exclusive Negotiation Period as provided in this Section.

(a) The Port agrees that Developer’s payment obligations under this Section will be subject to a cap of \$300,000 in the aggregate per year, with any unspent amounts below the cap added to the following year’s aggregate cap (as accrued during Phase 1, the “**Port Cost Cap**”). If the Port’s actual Phase 1 Transaction Costs and Outside Transaction Costs exceed the accrued amount of the Port Cost Cap during Phase 1 (“**Excess Costs**”), the Port will have the following options:

- (i) The Port may elect not to seek reimbursement of Excess Costs.

(ii) The Port may request that Developer reimburse the Excess Costs, and if Developer agrees to pay the amount of the Excess Costs, that amounts will be deducted on a dollar-for-dollar basis from Developer's obligation to pay Negotiating Fees under Section 5.2 (Phase 1 Fees) and Section 5.3 (Phase 2 Fees), as adjusted under Section 5.4 (Forgiveness of Negotiating Fees).

(iii) The Port may request that the Excess Costs be carried over into Phase 2 for reimbursement in accordance with the Term Sheet, as negotiated.

(b) As a condition to entering into this Agreement, Developer has tendered the Outside Transaction Costs Deposit to the Port. The Port will apply the Outside Transaction Costs Deposit from time to time to reimburse the Port for its Outside Transaction Costs. Developer must tender funds as needed to replenish the Outside Transaction Costs Deposit within 5 days after receipt of any Port Statement identifying the Port's application of the Outside Transaction Costs Deposit to Outside Transaction Costs. Subject to Section 5.7 (Acknowledgements), the Port will return to Developer any portion of the Outside Transaction Costs Deposit that exceeds the aggregate Port Cost Cap within 90 days after this Agreement Terminates or expires.

(c) The Port has provided Developer with a Transaction Cost Budget for Phase 1 with the Port's estimate of the Transaction Costs and Outside Transaction Costs that the Port expects to incur during Phase 1 (not including any extension under Section 2.1 (Phase 1)). Developer has approved the Port's Transaction Cost Budget for Phase 1, and the Port agrees that its right to reimbursement of Transaction Costs is limited to the Port Cost Cap, subject to adjustment as provided in Section 5.5(a) (Port Costs).

(d) Within 30 days after the beginning of each quarter during the Exclusive Negotiation Period, beginning with the quarter ending September 30, 2011, the Port will provide Developer with a Port Statement for the immediately preceding quarter. If the Port Statement projects that the Outside Transaction Costs Deposit will be depleted during the next quarter, Developer will be obligated to replenish the Outside Transaction Costs Deposit to the amount necessary to reimburse the Port for its projected costs, not to exceed the aggregate amount of the Port Cost Cap, subject to adjustment as provided in Section 5.5(a) (Port Costs).

(e) Developer will not be obligated to reimburse the Port for Port Pier 70 Costs unless and to the extent that the Port incurs Port Pier 70 Costs as a result of Developer's request for specific measures in relation to its Project. In that event, the Port and Developer will agree on a budget for the Port Pier 70 Costs to be reimbursed by Developer, and those costs will not be subject to the Port Cost Cap.

5.6. Defined Terms for Costs. In this Agreement, the following terms have the meanings set forth below.

(a) "**Consultant Invoice**" means an invoice for the fees and costs of a Port third party consultant.

(b) "**Final**" when used in reference to a Regulatory Approval means that it is final, binding, and non-appealable, and all applicable statutes of limitation relating to the action, including CEQA, have expired, or if any person has filed or commenced a judicial or administrative action or proceeding in a venue of competent jurisdiction with regard to the Regulatory Approval, the action has been upheld by a final decision.

(c) "**Outside Transaction Costs**" means all out-of-pocket costs that the Port incurs for services of architect, engineering, real estate and economics, and other professional consultants, construction management services, and City Attorney and outside counsel fees and costs during the Exclusive Negotiation Period.

(d) "**Outside Transaction Costs Deposit**" means the initial sum of \$75,000, which Developer has delivered to the Port on or before the Effective Date as a deposit against

Developer's obligation to pay the Port's Outside Transaction Costs, which the Port will apply as provided in this Agreement, and as supplemented from time to time for the Port to maintain a balance not less than \$75,000 from which to pay its Outside Transaction Costs, subject to the aggregate Port Cost Cap.

(e) "Port Pier 70 Costs" means the Port's costs associated with master planning efforts for Pier 70 as a whole, such as:

(i) Completing the nomination to list Pier 70 on the National Register of Historic Places;

(ii) Developing and obtaining approval by the San Francisco Bay Regional Water Quality Control Board of a risk management plan, a remedial action plan, or other regulatory documents specific to the conditions at Pier 70 containing standards sufficient to protect human health and the environment from hazardous substances in Pier 70;

(iii) Planning for Crane Cove Park and the Blue Greenway; and

(iv) Seeking legislative changes for the overall Pier 70 project.

(f) "Port Statement" means a reasonably detailed statement showing the Port's actual Transaction Costs, Outside Transaction Costs incurred for the immediately preceding quarter (including Consultant Invoices for any Outside Transaction Costs paid during that quarter), and the Port's projected Outside Transaction Costs for the next quarter.

(g) "quarter" means a calendar quarter beginning on January 1, April 1, July 1, or October 1 during a calendar year, or any portion of the quarter during which this Agreement begins or ends.

(h) "Transaction Costs" means expenses other than Outside Transaction Costs that the Port reasonably incurs during the Exclusive Negotiation Period directly and solely related to the Project, such as costs for: (1) Port staff time spent on the Project, including City staff costs paid by the Port; (2) negotiating this Agreement, the Term Sheet, the LDDA, the Lease, and other Transaction Documents; (3) environmental review of the Project under CEQA; (4) obtaining entitlements for which the Port is required to be a co-permittee or co-applicant; (5) actions required to effect the public trust exchange on the Site, including negotiations with State Lands Commission ("State Lands") staff and actions of the City Planning Commission and the Board; (6) State Lands' review of the Project's public trust consistency, if required, including any legislative process pursued to obtain legislative authorization of trust consistency; (7) Board and Planning Commission actions necessary to approve a Prop D Plan; (8) Board approval of a Pier 70 infrastructure financing plan and community facilities district; (9) community outreach and other public meetings; (10) materials prepared for the Port Commission, the Board, and other Commissions, including studies, legislative reports, findings, and resolutions; and (11) review of architectural design and schematic drawings, plans, and specifications. Transaction Costs do not include Port Pier 70 Costs.

5.7. *Acknowledgements.* The parties acknowledge and agree that: (a) under California Government Code section 87103.6, Developer's payments to the Port are not a "source of income" within the meaning of the California Political Reform Act; (b) the Port reserves the full and sole discretion and authority to determine which consultants, contractors, or employees to hire or assign to work on the Port's behalf on the Project, to direct and evaluate their work and to establish the amount of compensation paid; (c) Developer will have no control over which Port account the Port uses to pay for its consultants, contractors, or employees; (d) any Port fees and costs that are deferred under this Agreement are at risk, and will become due and payable only on the Lease Approval Date or as otherwise provided in this Agreement; (e) Developer will have no right to withhold payment of or recover from the Port any portion of the Negotiating Fee and Extension Fees that have become due and payable under this Agreement; and (f) Developer's obligation to pay any portion of the Negotiating Fee, Extension

Fees, Transaction Costs, and Outside Transaction Costs that have become due and payable will survive Termination or expiration of this Agreement, and the Port may offset any outstanding amounts due and payable against the Outside Transaction Costs Deposit before the Port is obligated to refund any unused balance to Developer under **Section 5.5(b)** (Port Costs).

6. DEVELOPER'S OBLIGATIONS.

Developer must pursue diligently and in good faith all of its obligations under this Agreement during the Exclusive Negotiation Period. In furtherance of this Agreement, Developer agrees as follows.

6.1. Developer's Costs. Developer will be solely responsible for all costs (including fees for its attorneys, architects, engineers, consultants, and other professionals) Developer incurs related to or arising from this Agreement, the development and construction of the Project, or the negotiations with the Port. Developer will have no claims against the Port or the City for reimbursement for Developer's costs even if: (a) the Project is determined to be inconsistent with the public trust (if such a finding is required); (b) State Lands does not approve the public trust exchange for the Site; (c) the San Francisco Bay Conservation and Development Commission ("BCDC") or any other Regulatory Agency does not approve the required permits or issue required approvals; (d) the Port Commission fails to endorse the Proposal or the Term Sheet or to approve the Lease; or (e) the Board fails to endorse the Term Sheet, find the Project fiscally feasible (if required), or approve the Prop D Plan or the Lease, if applicable.

6.2. Submittals to Port. Developer must: (a) undertake and complete its due diligence review of the Site; (b) provide copies to the Port of all of Developer's reports and studies on material aspects of the Project, including engineering reports; (c) prepare financial projections and complete concept plans and schematic design plans for the Project, including floor plans, elevations, and renderings; and (d) provide copies to the Port of any new or amended documents relating to Developer's composition, members' obligations to Developer, and operations.

6.3. Public Trust Consistency.

(a) Developer acknowledges that: (i) portions of Pier 70 and the Site are subject to the public trust, and the Port is seeking through Assembly Bill 418 to effect a public trust exchange that would result in lifting public trust restrictions from most, if not all, of the developable areas of the Site; (ii) if portions of the Site remain subject to the public trust, the Port will not enter into the Transaction Documents until the Port Commission finds, to the extent necessary, the Project to be consistent with the public trust, which may be based on a State Lands finding or an act of the California State Legislature (a "**Public Trust Consistency Determination**"); (iii) obtaining a public trust exchange and, if required, a favorable Public Trust Consistency Determination may involve a lengthy and complex entitlement process, the result of which the Port cannot guarantee; (iv) the Port is making no representations or assurances regarding the Port's ability to effect a public trust exchange or about the Project's public trust consistency; (v) Developer is assuming the risk of adverse results of the Port's efforts to effect a public trust exchange or to obtain, if necessary, a Public Trust Consistency Determination that will permit the development and construction of the Project; and (vi) other than as set forth in this Section, Developer will be responsible for obtaining a Public Trust Consistency Determination if required for the Project.

(b) Developer must engage actively, along with the Port, in a process for a Public Trust Consistency Determination for the Project, if required, which may include regular discussions with State Lands staff regarding the trust consistent elements of the Project. Except for discussions in the ordinary course of business that do not involve substantive legal, strategic, project design, or other material issues affecting the Project, Developer agrees not to engage in any substantive discussions regarding the Project or Pier 70 with State Lands staff, counsel, or commission members, or members of the State Legislature or their staff or counsel without the Port's prior consent. Developer must provide the Port with prior notice of any proposed course

of substantive discussions with State Lands or the State Legislature regarding the Project or the application of the public trust doctrine generally, and the Port may elect to participate in the discussions. The Port's failure to respond to Developer's notice will be deemed consent for Developer to confer with and meet without Port staff.

(c) Before seeking a Public Trust Consistency Determination for the Project, if required, Developer must present to the Port for the Port Executive Director's approval the basis upon which Developer proposes to obtain a favorable Public Trust Consistency Determination (the "**Public Trust Consistency Proposal**"). The Port may suggest revisions or changes to the proposed Public Trust Consistency Proposal, which Developer must consider in good faith. If the Port withholds its consent to the proposed Public Trust Consistency Proposal, the parties will work together in good faith to develop and implement a Public Trust Consistency Proposal that is consistent with the Port's Management Obligations. Developer acknowledges and agrees that maintaining professional working relations with State Lands, BCDC, and other Regulatory Agencies and undertaking the economic development, historic preservation, public access improvements, and the repair and replacement of Port facilities are critical to implementing Port's overall management goals for Port lands (the "**Port's Management Obligations**"). Accordingly, Developer must use its best efforts throughout the Exclusive Negotiation Period to take no actions relating to the Project that would adversely affect the Port's relationship with State Lands, BCDC, and other Regulatory Agencies, or result in a Public Trust Consistency Determination that would adversely affect the Port's ability to achieve the Port's Management Obligations.

6.4. *Regulatory Approvals.*

(a) In addition to obtaining a Public Trust Consistency Determination, the parties acknowledge that rezoning and other regulatory approvals and permits are required for the development of the Project, and that the Prop D Plan, if approved, will provide a master regulatory scheme for Project entitlements (each, a "**Regulatory Approval**").

(b) Before taking any action to obtain any Regulatory Approval other than a Public Trust Consistency Determination, Developer first must present to the Port for the Port Executive Director's approval the basis upon which Developer proposes to obtain the required Regulatory Approvals (the "**Regulatory Approval Strategy**"). The Port may suggest revisions or changes to the proposed Regulatory Approval Strategy, which Developer must consider in good faith. Developer acknowledges and agrees that maintaining professional working relations with other agencies with regulatory authority over the Project (each, including the Port, a "**Regulatory Agency**") is critical to implementing the Port's Management Obligations. Accordingly, Developer must use its best efforts throughout the Exclusive Negotiation Period to take no actions relating to the Project that would adversely affect the Port's relationship with any other Regulatory Agency or adversely affect the Port's ability to achieve the Port's Management Obligations.

(c) As part of its Regulatory Approval Strategy, Developer agrees to:
(i) cooperate with the Port, the shipyard operator, developers that the Port selects to negotiate for the development of the 20th Street Historic Buildings and the Illinois Parcels, and other stakeholders in preparing a Prop D Plan; (ii) include any rezoning contemplated in the proposed Prop D Plan in its environmental studies under CEQA, and (iii) cooperate with the Port and State Lands in effecting an approved public trust exchange.

(d) The Lease will not become effective until Developer has obtained all necessary Regulatory Approvals.

(e) Developer will be solely responsible for applying for, obtaining, and paying all costs associated with all Regulatory Approvals, and may not file any application for any Regulatory Approval without first obtaining the Port's authorization, which the Port will not unreasonably withhold or delay. Developer agrees that the Port's withholding or delay in

approving any application for a Regulatory Approval will be reasonable if the application conflicts with the Port's Management Obligations or does not substantially conform to the Term Sheet or any subsequent development design and program to which the Port and Developer agree.

(f) Developer must pay and discharge any fines or penalties imposed as a result of Developer's failure to comply with any Regulatory Approval, for which the Port will have no monetary or other liability.

(g) Developer must submit to the Port, State Lands, BCDC, the City Planning Commission, the San Francisco Planning Department's Major Environmental Analysis division, and any other Regulatory Agency having approval over any aspect of the Project all specifications, descriptive information, studies, reports, disclosures, and any other information as and when required to satisfy the application filing requirements of those departments or agencies.

6.5. *No Representation or Warranty.* Developer acknowledges and agrees that the Port has made no representation or warranty that the Regulatory Approvals can be obtained. Developer further acknowledges and agrees that although the Port is a Regulatory Agency, the Port has no authority or influence over other City officials, departments, boards, commissions, or agencies or any other Regulatory Agency responsible for issuing required Regulatory Approvals and that the Port is entering into this Agreement in its capacity as a landowner with a proprietary interest in the Site and not as a Regulatory Agency with certain police powers. Accordingly, no guarantee or presumption exists that any of the Regulatory Approvals will be issued by the appropriate Regulatory Agency, and the Port's status as a City Regulatory Agency will not limit Developer's obligation to obtain Regulatory Approvals from appropriate Regulatory Agencies.

6.6. *Quarterly Report.* Developer must prepare and submit to the Port no later than the first day of each quarter during the Exclusive Negotiation Period a meaningful summary of major activities during the previous quarter to achieve each Performance Benchmark, including the status of Regulatory Approvals and plans for community outreach and public relations activities for the subsequent quarter, in an agreed format. On a quarterly basis, Developer will report its expenditures for professional services. This report will also identify the costs and scope of any planning, engineering, or other work by discipline that Developer proposes to be reimbursed by future public financing by the Port, but Developer's reporting will not prejudice the Port's right to determine the extent and timing of any right of Developer to cost reimbursement as will be negotiated in the Term Sheet and the Transaction Documents. The first reports will be for the period from the Effective Date to September 30, 2011, except the report on professional services expenditures, which will be through August 31, 2011. All subsequent reports will include the three months since the last report.

6.7. *Weekly Meetings.* Developer and the Port will meet weekly to discuss Project coordination, Transaction Documents, entitlement issues, and other Project-related matters, unless the meeting is waived or rescheduled by agreement.

7. PORT'S OBLIGATIONS AND RIGHTS.

7.1. *Port's Obligations.* The Port agrees to: (a) cooperate with Developer in filing for, processing, and obtaining all Regulatory Approvals in accordance with the approved Public Trust Consistency Proposal and Regulatory Approval Strategy; (b) if required, join with Developer as co-applicant in filing, processing, and obtaining all Regulatory Approvals; and (c) respond promptly to requests for coordination, consultation, and scheduling additional meetings regarding the Project, including matters relating to Regulatory Approvals where the Port is the co-applicant. This Section does not limit or otherwise constrain the Port's discretion, powers, and duties as a Regulatory Agency.

7.2. *Final Action Subject to Environmental Review.* The Port Commission will not approve any Transaction Documents or take any other discretionary actions that will have the effect of committing the Port to the development of the Project until the final environmental

impact report (“EIR”) for the Project and the Prop D Plan is certified in accordance with CEQA and the City’s CEQA Procedures under Administrative Code Chapter 31. The Port intends through exclusive negotiations to identify the actions and activities that would be necessary to develop the Site to facilitate meaningful environmental review. If the Project is found to cause significant adverse impacts that cannot be mitigated, the Port retains absolute discretion to: (a) modify the Project to mitigate significant adverse environmental impacts; (b) select feasible alternatives to avoid significant adverse impacts of the proposed Project; (c) require the implementation of specific mitigation measures to address adverse environmental impacts of the Project identified in the EIR; (d) reject the Project as proposed if the economic and social benefits of the Project do not outweigh otherwise unavoidable significant adverse impacts of the Project; or (e) approve the proposed Project upon a finding that the economic, social, or other benefits of the Project outweigh unavoidable significant adverse impacts of the Project.

7.3. Effective Date of Lease. The effectiveness of the Lease(s) will be conditioned upon Developer obtaining all Regulatory Approvals.

8. PROHIBITED ACTIONS.

8.1. No Assignment.

(a) Developer acknowledges that the Port is entering into this Agreement on the basis of Developer’s special skills, capabilities, and experience. This Agreement is personal to Developer and, except as provided in this Agreement, may not be Transferred without the Port’s prior consent, which may be withheld in the Port’s sole and absolute discretion. Any Transfer in violation of this Section will be an incurable Event of Default under this Agreement.

(b) Port agrees that a Transfer between Affiliates will not be an Event of Default under this Agreement, and will not require the Port’s consent, if Developer provides notice to the Port at least 30 days before the effective date of the Transfer and subsequently provides information about the details of the Transfer and the skill, capability, and experience of the transferee Affiliate.

(c) The following definitions apply to this Agreement.

(i) “**Affiliate**” means: Forest City Enterprises, Inc., Forest City Residential Group, Inc., and any person that Controls, is Controlled by, or is under Common Control with Forest City Development California, Inc.

(ii) “**Control**” means a person holding or holding the right to acquire direct or indirect ownership of 50 percent or more of each class of equity interests or 50 percent or more of each class of interests that has a right to nominate, vote for, or otherwise select the members of the governing body. “**Common Control**” means two or more persons that are Controlled by another person.

(iii) “**Transfer**” means: (1) dissolution, merger, consolidation, or other reorganization, unless the Transfer is the result of a public transaction resulting in a new Controlling entity or entity under Common Control; (2) any cumulative or aggregate sale, assignment, encumbrance, or other transfer of 50 percent or more of legal or beneficial interests (25 percent or more if publicly traded); (3) the withdrawal or substitution (whether voluntary, involuntary, or by operation of law and whether occurring at one time or over a period of time) of any shareholder of Developer owning 50 percent or more of the interests in Developer or rights to its capital or profits; or (4) the occurrence of any of the events described in paragraphs (1), (2), or (3) of this clause (iii) with respect to any Affiliate.

8.2. Prohibited Payments. Developer may not pay, or agree to pay, any fee or commission, or any other thing of value contingent on entering into this Agreement, any other Transaction Document, or any other agreement with the Port related to the Project, to any City or Port employee or official; or to any City or Port consultant for the Project. By entering into this Agreement, Developer certifies to the Port that Developer has not paid or agreed to pay any fee

or commission, or any other thing of value contingent on entering into this Agreement, any other Transaction Document, or any other agreement with the Port related to the Project, to any City or Port employee or official, or to any City or Port consultant for the Project.

8.3. Ballot Measures. Developer expressly agrees not to initiate, or to promote, support or pursue directly or indirectly the initiation of, any ballot measure relating to the Project unless the Port Commission has previously consented to the measure by resolution in open session.

8.4. No Entry. Developer expressly acknowledges and agrees that this Agreement does not give Developer or any of its employees, officers, members, managers, directors, agents, contractors, consultants, architects, or engineers (collectively, "Agents") the right to enter or access the Site. The Port hereby agrees it will enter into a separate agreement with Developer specifying the terms and conditions of Developer's and its Agents' entry on and access to the Site.

8.5. Public Relations and Outreach.

(a) Developer must present to the Port for its approval Developer's proposed public relations program and plans for conducting outreach to various community groups and stakeholders in the vicinity of the Project, for educating the public with respect to the Project, and for informing the Board and other Regulatory Agencies about the Project (the "**PR & Community Outreach Program**"). The PR & Community Outreach Program must include: (i) a budget for publicizing the Project (i.e., mailers, brochures, Press Releases, and forums educating the public); (ii) Developer's strategy for publicizing the Project and for keeping the appropriate Regulatory Agencies apprised of the Project; (iii) a schedule of presentations to community groups, stakeholders, and Regulatory Agencies during the Exclusive Negotiation Period; and (iv) Developer's proposal for keeping the Port informed of its activities during the Exclusive Negotiation Period.

(b) Following the Port Executive Director's approval of the PR & Community Outreach Program, it will govern Developer's media contacts, unless the Port by written notice notifies Developer that the Port believes that Developer has not kept the Port informed of Developer's media activities with respect to the Project as provided in the PR & Community Outreach Program. After the date specified in the Port's notice, which will not be deemed a notice under **Article 10** (Default), the following will apply to Developer's media contacts.

(i) Developer may not issue, or authorize any other party to issue, any written press release, advertisement, or other formal communication regarding the Project (individually and collectively, "**Press Release**") to any media outlet (including newspapers, radio and television stations, and web sites) relating to its negotiations with the Port, including the public release or description of any of Developer's proposed development concepts and plans, phasing, or uses for the Project that have not been presented to the Port and approved for public release (collectively, "**Press Matters**"), that is not covered by the PR & Community Outreach Program without the Port's prior consent. The Port will have the right to issue separate Press Releases. Nothing in this Agreement limits Developer's right, at all times, to issue any Press Release (or other notification) necessary to satisfy any governmental or regulatory requirements that govern public companies.

(ii) Developer must provide the Port with a draft copy of any Press Release no less than 2 full business days before the proposed release of the Press Release. The Port will promptly review the Press Release and advise Developer of any comments by the end of the business day before the proposed release of the Press Release. If the Port does not respond within 2 business days, the Press Release will be deemed approved.

(1) The sole purpose of the Port's review will be to determine whether the Press Release would adversely affect the Port's Management Obligations or the Port's relationship with its constituents or another Regulatory Agency. If after review of the

Press Release, the Port reasonably believes that revisions or changes to the Press Release are advisable, Developer must work with the Port in good faith to incorporate appropriate revisions or changes into the Press Release.

(2) If the Port reasonably believes that due to the nature of Developer's Press Release, the Press Release cannot be revised or changed, irrespective of whether the Press Release may further Developer's interests, or if the Port reasonably believes that the Press Release would adversely affect the Port's Management Obligations or the Port's relationship with its constituents or another Regulatory Agency, then either: (A) Port may require by written notice to Developer that Developer add to the Press Release the following statement in bold type and no less than the font size used in the body of the Press Release: "After consultation with the Port of San Francisco relating to the matters stated in this press release, the Port Executive Director does not endorse any of the statements in this press release"; or (B) the Port may issue its own Press Release responding to Developer's Press Release.

(iii) Developer agrees not to hold any press conference relating to Press Matters without first extending an invitation to the Port to have a Port representative present at the press conference. Developer must provide the Port with no less than 2 full business days' prior notice of the date and time of any proposed press conference and state in detail the purpose of the press conference and the topics to be discussed ("**Conference Summary**"). The Port agrees to review the Conference Summary promptly and advise Developer of any comments by 5:00 p.m. on the day before the press conference. If the Port does not respond within 2 business days, the Conference Summary will be deemed approved. Developer must make efforts to schedule the press conference to accommodate the schedules of staff designated by the Port to attend, but Developer will be permitted to proceed if it determines that rescheduling is infeasible.

(iv) The sole purpose of the Port's review of a Conference Summary will be to determine whether it would adversely affect the Port's Management Obligations or the Port's relationship with its constituents or another Regulatory Agency. If after review of the Conference Summary, the Port believes that revisions or changes are advisable and appropriate, the Port may suggest revisions or changes, which Developer agrees to consider incorporating. If the Port believes that a Conference Summary cannot be revised or changed to its satisfaction, or that it would adversely affect the Port's Management Obligations or the Port's relationship with its constituents or another Regulatory Agency, the Port by written notice to Developer may require that Developer make a statement at the press conference substantially consistent with the following: "After consultation with the Port of San Francisco relating to the matters stated in this press conference, the Port Executive Director does not endorse any statements made at this press conference."

(c) The Port will designate a staff person to receive and communicate with Developer about all media matters relating to the Project ("**Media Contact**"). Developer agrees to: (i) make reasonable, good faith efforts to notify the Port's Media Contact or Project Manager for the Project before issuing any media communications regarding the Project; and (ii) give timely notice to the Port of any media inquiry and of Developer's response. Upon written or telephonic request by Developer to the Media Contact, the Port in its discretion may waive any applicable notice periods otherwise required under this Section.

(d) This Section will not: (i) apply to non-substantive communications regarding the Project in the ordinary course of Developer's business and informational brochures, flyers, and similar materials describing the elements of Developer's proposed Project; (ii) preclude Developer, its members, or its Agents from responding orally or in writing to media inquiries about its business, operations, or its role in the Project; or (iii) affect Developer's right to market its other business activities, to the extent not directly related to the Project.

9. TERMINATION.

9.1. Events Causing Termination. The occurrence of any of the following events (each, a "Terminating Event") will cause early termination of and extinguish this Agreement ("Termination"), without an opportunity to cure or further Port action:

(a) Subject to its rights under **Article 2 (Term)**, Developer fails to obtain the Port Endorsement Resolution by the Initial Expiration Date, as such may have been extended; or

(b) Subject to its rights under **Article 2 (Term)**, Developer fails to obtain the Board Endorsement Resolution by the Expiration Date, as such may have been extended; or

(c) The Exclusive Negotiation Period expires before the LDDA is executed;
or

(d) Developer voluntarily withdraws from the Project; or

(e) Developer abandons the Project; or

(f) Developer fails to comply with **Section 8.1 (No Assignment)**; or

(g) The Port exercises its right to Terminate following an Event of Default; or

(h) Developer exercises its right to terminate this Agreement pursuant to **Section 2.6(d)** (Port's Reserved Rights); or

(i) Developer exercises its right to terminate this Agreement following an Event of Default by the Port.

9.2. Effect of Termination. Following Termination, Developer, the City, and the Port will be released from all further obligations under this Agreement except for any obligations that expressly survive Termination or expiration of this Agreement.

9.3. Port's Rights Following Termination. If negotiations with Developer are unsuccessful, leading to Termination, the Port Commission in its sole discretion may: (a) agree to reinstate and consent to an assignment of this Agreement; or (b) undertake other efforts to develop the Site, including issuing a new request for proposals.

9.4. Project Assignment After Termination.

(a) If this Agreement is Terminated, Developer must:

(i) provide to the Port at no cost within 60 days after the Port's notice a Project Assignment of all Project Materials and a Project Assignment of all Structural Materials, to the extent permitted under its consulting contracts subject to any and all limitations contained therein;

(ii) satisfy all outstanding fees relating to the Project Materials that are then due and payable or will become due and payable for services relating to the Project rendered by any of the Project Consultants up to the date of Termination and provide written evidence of satisfaction to the Port; and

(iii) deliver copies of all Project Materials, subject to any and all limitations contained therein, in Developer's possession or, for materials not in Developer's possession, confirm, upon request from Project Consultants or the Port, that Project Consultants are authorized to deliver or have delivered from the appropriate parties all Project Materials to the Port.

(b) Developer will be permitted to disclaim any representations or warranties with respect to the Project Materials (other than Developer's payment of fees), and, at Developer's request, the Port will provide Developer with a release from liability for future use of the applicable Project Materials, in a form acceptable to Developer and the Port. Developer's acceptance of the Port's release will be deemed to waive and release the Port from any claims of

proprietary rights or interest in the Project Materials, and Developer agrees that, following a Project Assignment, the Port or its designee may use any of the Project Materials at the Site for any purpose, including pursuit of the same or a similar Project with a third party.

(c) The following definitions apply to this Agreement.

(i) “**Project Assignment**” means a contractual assignment of all of Developer’s rights under a consulting contract with a Project Consultant or Structural Consultants, including any rights to use the Project Consultant’s work product.

(ii) “**Project Consultants**” means all of Developer’s architects, engineers, and other consultants.

(iii) “**Project Materials**” means all non-privileged, final and material studies, applications, reports, permits, plans, drawings, and similar work product, including Structural Materials, prepared for the Project by Project Consultants for Developer.

(iv) “**Structural Consultants**” means Project Consultants who prepared Structural Materials.

(v) “**Structural Materials**” means Project Materials relating to structural strengthening, maintenance, and repair of the substructure and superstructure of piers and wharves, infrastructure and other public improvements for the Site, and subsurface stabilization of the Site.

10. DEFAULT.

10.1. Developer’s Event of Default. In addition to Terminating Events giving rise to Termination under **Article 9** (Termination), the occurrence of any of the following will constitute a default by Developer under this Agreement after the expiration of the applicable cure period, if any (each, an “**Event of Default**”):

(a) Developer fails to pay any sum (including the Negotiating Fee, Extension Fees, and replenishing the Outside Transaction Costs Deposit) when due under this Agreement, unless such failure to pay is cured within 5 days after the Port’s notice to Developer; or

(b) Developer fails to achieve any Performance Benchmark by its Performance Date, as extended, unless the default is cured within 30 days after the Port’s notice to Developer or, if the default cannot be cured within such 30-day cure period, Developer will not be in default of this Agreement if Developer commences to cure the default within the 30-day cure period and diligently and in good faith prosecutes the cure to completion; or

(c) Developer fails to comply with any other provision of this Agreement, if not cured within 30 days after the Port’s notice to Developer describing the default and specifying the manner in which it may be cured, but if the default cannot be cured within the 30-day cure period, Developer will not be in default of this Agreement if Developer commences to cure the default within the 30-day cure period and diligently and in good faith prosecutes the cure to completion; or

(d) A voluntary or involuntary action is filed: (i) to have Developer adjudicated insolvent and unable to pay its debts as they mature or a petition for reorganization, arrangement, or liquidation under any bankruptcy or insolvency law, or a general assignment by Developer for the benefit of creditors; or (ii) seeking Developer’s reorganization, arrangement, liquidation, or other relief under any law relating to bankruptcy, insolvency, or reorganization or seeking appointment of a trustee, receiver, or liquidator of Developer or any substantial part of Developer’s assets; or

(e) Any of the events described in **Subsection (d)** occurs with respect to any of Developer’s members with a Controlling interest in Developer.

10.2. Port Event of Default. The Port's failure to comply with any provision of this Agreement, if the failure is not cured within 30 days after Developer's notice to the Port, will constitute an event of default by the Port ("**Port Event of Default**"); but if the Port Event of Default cannot be cured within the 30-day cure period, the Port will not be in default of this Agreement if the Port commences to cure the Port Event of Default within the 30-day cure period and diligently and in good faith prosecutes to completion the cure of the Port Event of Default to completion.

11. REMEDIES.

11.1. Port's Remedies. Following a Developer Event of Default, the Port, at its option, may: (a) Terminate this Agreement ; (b) seek to recover from Developer any funds due and owing to the Port; (c) seek to enforce Developer's indemnity obligations; (d) seek to obtain copies or assignments of the Project Materials to which the Port is entitled; and (e) seek enforcement of any of its other remedies under this Agreement. These remedies are not exclusive, but are cumulative with any remedies now or later allowed by law or in equity.

11.2. Developer's Remedies. Following a Port Event of Default, Developer will have the option, as its sole and exclusive remedy at law or in equity, to: (a) Terminate this Agreement by delivery of notice to the Port, and Developer, the City, and the Port will each be released from all liability under this Agreement (except for those obligations that survive Termination); or (b) file in any court of competent jurisdiction an action for specific performance to require the Port to perform under this Agreement (but Developer will not be entitled to recover Monetary Damages from the Port in connection with the Port Event of Default). Other than as expressly set forth in this Agreement, Developer waives any and all rights it may now or later have to pursue any other remedy or recover any other damages on account of any Port breach or default, including loss of bargain, special, punitive, compensatory or consequential damages.

12. RELEASES.

12.1. Developer's Releases.

(a) Developer, on behalf of itself and its Agents, successors and assigns (collectively, the "**Developer Parties**"), fully, unconditionally and irrevocably releases, discharges, and forever waives (collectively, "**releases**") any and all claims, demands, rights, and causes of action (collectively, "**claims**") against, and covenants not to sue or to pay the attorneys' fees and other litigation costs of any party to sue, the Port or the City, or any of their respective Agents, successors and assigns (collectively, the "**City Parties**"), for any loss, expense, cost, compensation, damages (including foreseeable and unforeseeable loss of bargain, special, punitive, compensatory, and consequential damages, "**Monetary Damages**"), attorneys' fees, claims, liens, obligations, injuries, interest, penalties, fines, lawsuits and other proceedings, judgments, awards, or liabilities of any kind, known or unknown, contingent or otherwise, equitable relief, mandamus relief, specific performance, or any other relief (collectively, "**Losses**") arising from, accruing from, or due to, directly or indirectly: (i) the facts or circumstances of or alleged in connection with the Project to the extent arising before the Effective Date; and (ii) any failure by any Regulatory Agency other than the Port to issue any required Regulatory Approval.

(b) Developer understands that if any facts concerning the claims released in this Agreement should be found to be other than or different from the facts now believed to be true, Developer expressly accepts and assumes the risk of the possible difference in facts and agrees that the release in this Agreement will remain effective. By placing its initials below, Developer specifically acknowledges and confirms the validity of the release made above and the fact that Developer was represented by or had the opportunity to consult with counsel, who explained the consequences of the above release at the time this Agreement was made.

INITIALS: Developer: _____

12.2. Port's Releases.

(a) The Port, on behalf of the City Parties, releases any and all claims against, and covenants not to sue or to pay the attorneys' fees and other litigation costs of any party to sue, Developer or any Developer Parties for Monetary Damages and Losses arising from, accruing from, or due to, directly or indirectly: (i) the facts or circumstances of or alleged in connection with the Project to the extent arising before the Effective Date; and (ii) any Regulatory Agency's failure to issue any required Regulatory Approval.

(b) The Port understands that if any facts concerning the claims released in this Agreement should be found to be other than or different from the facts now believed to be true, the Port expressly accepts and assumes the risk of the possible difference in facts and agrees that the release set forth in this Agreement will remain effective. By placing its initials below, the Port specifically acknowledges and confirms the validity of the release made above and the fact that the Port was represented by counsel, who explained the consequences of the above release at the time this Agreement was made.

INITIALS: Port: _____

13. NOTICES.

13.1. Form and Manner of Delivery.

(a) Any notice given under this Agreement must be in writing and delivered in person, by commercial courier, or by registered, certified mail, or express mail, return receipt requested, with postage prepaid, to the mailing addresses below. All notices under this Agreement will be deemed given, received, made, or communicated on the date personal receipt actually occurs or, if mailed, on the delivery date or attempted delivery date shown on the return receipt.

(b) For the convenience of the parties, copies of notices may also be given by email, facsimile, or telephone, but email, telephonic, or facsimile notice will not be binding on either party. The effective time of a notice will not be affected by the time that email, telephonic, or facsimile notice was delivered.

13.2. Addresses for Notices. Addresses for notices given under this Agreement follow. Any contact information may be changed by giving written notice of the change in the manner provided above at least 10 days before the effective date of the change.

Port: Port of San Francisco
Pier 1
San Francisco, CA 94111
Att'n: Byron Rhett, Director, Planning & Development

Telephone: (415) 274-0400
Facsimile: (415) 274-0495
Email: byron.rhett@sport.com

With a copy to: City Attorney's Office
Port of San Francisco
Pier 1
San Francisco, CA 94111
Att'n: Robert Bryan, General Counsel

Telephone: (415) 274-0485
Facsimile: (415) 274-0494
Email: robert.bryan@sfgov.org

Developer: Forest City Development California, Inc.
949 Hope Street, Suite 200
Los Angeles, California 90015
Attention: Mr. Kevin Ratner

Facsimile: (213) 488-0039
Email: kevinratner@forestcity.net

With copies to: Forest City Enterprises, Inc.
50 Public Square
1360 Terminal Tower
Cleveland, Ohio 44113
Attention: Amanda Seewald, Esq.

Facsimile: (216) 263-6206
Email: amandaseewald@forestcity.net

13.1. Day-to-Day Communications. Developer and the Port agree that day-to-day communications will be directed as follows to:

(a) Alexa Arena, (415) 593-9224, AlexaArena@forestcity.net for Developer;
and

(b) Kathleen Diohep, Port Project Manager, (415) 274-0536,
kathleen.diohep@sport.com, for the Port.

14. CITY AND PORT REQUIREMENTS.

Developer has reviewed, understands, and is ready, willing, and able to comply with the terms and conditions of this Article, which summarizes special City and Port requirements as of the Effective Date, each of which is fully incorporated by reference. Developer acknowledges that City and Port requirements in effect when the Transaction Documents are executed will be incorporated into the Transaction Documents, as applicable, and will apply to all contractors, subcontractors, subtenants, and any other Developer parties, as applicable. City requirements of general applicability will apply to the Project even if not summarized below.

The following summary is for Developer's convenience only; Developer is obligated to become familiar with all applicable requirements and to comply with them fully as they are amended from time to time. City ordinances are currently available on the web at www.sfgov.org. References to specific laws in this Article refer to San Francisco municipal codes unless specified otherwise.

14.1. Nondiscrimination in City Contracts and Benefits Ordinance.

(a) **Covenant Not to Discriminate:** In the performance of this Agreement, Developer covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), weight, height, association with members of classes protected under this chapter, or in retaliation for opposition to any practices forbidden under Administrative Code chapter 12 of against any employee of Developer, any City employee working with Developer, any applicant for employment with Developer, or any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Developer in the City.

(b) **Subleases and Other Contracts:** Developer must include in all subleases and other contracts relating to the Premises a nondiscrimination clause applicable to each subtenant or other contractor in substantially the form of Subsection (a). In addition, Developer must incorporate by reference in all subleases and other contracts the provisions of Administrative Code sections 12B.2(a), 12B.2(c)-(k) and 12C.3 and must require all subtenants and other contractors to comply with these provisions.

(c) **Nondiscrimination in Benefits:** Developer does not as of the date of this Agreement and will not at any time while this Agreement is in effect, in any of its operations in San Francisco or where the work is being performed for the City, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits, or travel benefits (collectively "**Core Benefits**") as well as any benefits other than the Core Benefits between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity under state or local Law authorizing such registration, subject to the conditions set forth in Administrative Code section 12B.2.

(d) **HRC Form:** Before the parties enter into the Lease, Developer must execute and deliver to the Port the "Nondiscrimination in Contracts and Benefits" form approved by the San Francisco Human Rights Commission.

(e) **Penalties:** Developer understands that under Administrative Code section 12B.2(h), Developer may be subject to a monetary penalty (currently \$50) for each person for each calendar day during which Developer discriminated against that person.

14.2. Prohibition on Political Activity with City Funds. Under Administrative Code chapter 12G, Developer may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure in the performance of the services required under this Agreement. Developer agrees to comply with chapter 12G and any implementing rules and regulations promulgated by the Controller. If Developer violates this Section, in addition to any other rights or remedies available, the City may: (a) terminate this Agreement; and (b) prohibit Developer from bidding on or receiving any new City contract for a period of 2 years. The Controller will not consider Developer's use of profit as a violation of this Section.

14.3. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the city and its residents, and to prevent the further spread of graffiti.

Developer agrees to remove all graffiti from any real property owned or leased by Developer in the city within 48 hours of the earlier of Developer's: (a) discovery or notification of the graffiti; or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a tenant to breach any lease or other agreement that it may have concerning its use of the real property. The term "**graffiti**" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and that is visible from the public right-of-way, but does not include: (x) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public

Works Code, the San Francisco Planning Code, or the San Francisco Building Code; or (y) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (Calif. Civil Code §§ 987 *et seq.*) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq.*).

14.4. Requiring Health Benefits for Covered Employees. Unless exempt, Developer agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (“HCAO”), as set forth in Administrative Code chapter 12Q, including the implementing regulations. Capitalized terms used in this Section and not defined in this Agreement will have the meanings assigned to them in chapter 12Q.

(a) If, within 30 days after receiving notice of a breach of this Agreement for violating the HCAO, Developer fails to cure such breach or, if such breach cannot be cured within the 30-day period, Developer fails to commence efforts to cure within such period, or thereafter fails to diligently pursue such cure to completion, the City will have the remedies in section 12Q.5(f). Each of these remedies will be exercisable individually or in combination with any other rights or remedies available to the City.

(b) Any sublease or contract regarding services to be performed on the Site entered into by Developer must require the subtenant or contractor and subcontractors, as applicable, to comply with the requirements of the HCAO and must contain contractual obligations substantially the same as those set forth in the HCAO. Developer must notify the Purchasing Department when it enters into a sublease or contract and must certify to the Purchasing Department that it has notified the subtenant or contractor of the obligations under the HCAO and has imposed the requirements of the HCAO on the subtenant or contractor through written agreement with the subtenant or contractor. Developer will be responsible for ensuring compliance with the HCAO for each subtenant, contractor, and subcontractor performing services on the Site. If any subtenant, contractor, or subcontractor fails to comply, the City may pursue the remedies set forth in Administrative Code section 12Q.5 against Developer based on the subtenant’s, contractor’s, or subcontractor’s failure to comply, provided that the Contracting Department has first provided Developer with notice and an opportunity to cure the violation.

(c) Developer may not discharge, reprimand, penalize, reduce the compensation of, or otherwise discriminate against, any employee for notifying the City of any issue relating to the HCAO, for opposing any practice proscribed by the HCAO, for participating in any proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(d) Developer represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the requirements of the HCAO.

(e) Upon request, Developer must provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on subtenants, contractors and subcontractors. Within 5 business days after any request, Developer must provide the City with access to pertinent records relating to Developer’s compliance with the HCAO. In addition, the City and its Agents may conduct random audits of Developer at any time during the term of this Agreement. Developer agrees to cooperate with the City in connection with any such audit.

(f) If a subcontractor is exempt from the HCAO because the amount payable to the subcontractor under all of its contracts with the City or relating to City-owned property is less than \$25,000 (or \$50,000 for nonprofits) in that fiscal year, but the subcontractor later enters into one or more agreements with the City or relating to City-owned property that cause the payments to the subcontractor to equal or exceed \$75,000 in that fiscal year, then all of the subcontractor’s contracts with the City and relating to City-owned property will be thereafter

subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements to equal or exceed \$75,000 in the fiscal year.

14.5. First Source Hiring. The City has adopted a First Source Hiring Program (Admin. Code §§ 83.1 et seq.), which establishes specific requirements, procedures, and monitoring for first source hiring of qualified economically disadvantaged individuals for entry-level positions as those terms are defined by the ordinance. Developer acknowledges receiving and reviewing the First Source Hiring Program materials and requirements and agrees to comply with the ordinance as follows:

(a) No later than 30 days after the Lease begins, Developer must notify the City's Workforce Development System, Department of Human Services, of all projected entry level positions and the approximate date the positions will be available, by using the job survey form provided by the Port.

(b) Developer must follow all requirements of the San Francisco Workforce Development System, including notification of vacancies throughout the term of this Agreement and entering into a First Source Hiring Agreement, if applicable.

(c) Developer must interview qualified applicants and use good faith in hiring applicants. Developer must maintain good records of its recruitment and hiring process, and permit the Port or the City to audit the records upon request.

(d) Developer may be subject to monetary penalties for failure to comply with the ordinance.

14.6. Resource Efficiency Requirements. The Project will be subject to Chapter 7 of the San Francisco Environment Code. Accordingly, the Project must meet certain resource efficient requirements. Developer agrees that it will design the Project to comply with Chapter 7 of the San Francisco Environment Code, as may be amended from time to time, or any similar law.

14.7. Tobacco and Alcohol Products Advertising Ban. Developer acknowledges and agrees that no advertising of cigarettes, tobacco products, or alcoholic beverages is allowed on any real property owned by or under the control of the City. This prohibition includes the placement of the name of a company producing, selling or distributing cigarettes, tobacco products, or alcoholic beverages or the name of any cigarette, tobacco product, or alcoholic beverages in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local, nonprofit, or other entity designed to: (a) communicate the health hazards of cigarettes and tobacco products or alcoholic beverages; (b) encourage people not to smoke or to stop smoking, or not to drink alcohol or to stop drinking alcohol; or (c) provide or publicize drug or alcohol treatment or rehabilitation services.

14.8. Pesticide Prohibition. Developer must comply with Environment Code chapter 3 (the "Pesticide Ordinance"), which: (a) prohibits the use of certain pesticides on City property; (b) requires posting certain notices and maintaining certain records regarding pesticide usage; and (c) requires Developer to submit to the Port an integrated pest management (IPM) plan that: (i) lists, to the extent possible, the types and estimated quantities of pesticides that Developer may need to apply to the Site during the term of this Agreement; (ii) describes the steps Developer must take to meet the City's IPM policy; and (iii) identifies, by name, title, address and telephone number, an individual to act as Developer's primary IPM contact person with the City. In addition, Developer must comply with sections 303(a) and 303(b) of the Pesticide Ordinance. Through the Port, Developer may seek a determination from the City's Commission on the Environment that Developer is exempt from complying with certain portions of the Pesticide Ordinance with respect to this Agreement, as provided in section 307 of the Pesticide Ordinance. The Port will cooperate with Developer, at Developer's sole cost, if Developer seeks in good faith an exemption under the Pesticide Ordinance.

14.9. MacBride Principles Northern Ireland. The Port and the City urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The Port and the City urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

14.10. Tropical Hardwood and Virgin Redwood Ban. The Port and the City urge Developer not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood product. Except as expressly permitted by Environment Code sections 802(b) and 803(b), Developer may not provide any items to the construction of the Project, or otherwise in the performance of this Agreement that are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. If Developer fails to comply in good faith with any of the provisions of Environment Code chapter 8, Developer will be liable for liquidated damages for each violation in any amount equal to the contractor's net profit on the contract, or 5 percent of the total amount of the contract dollars, whichever is greater.

14.11. Preservative-Treated Wood Containing Arsenic. Developer may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless the Department of Environment grants Developer an exemption from the requirements of Environment Code chapter 3. The term "**preservative-treated wood containing arsenic**" means wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Developer may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Developer from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "**saltwater immersion**" means a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

14.12. Notification of Limitations on Contributions. Developer acknowledges that it is familiar with Campaign and Governmental Conduct Code section 1.126 (the "**Conduct Code**"), which prohibits any person who contracts with the City for the sale or lease any land or building to or from the City whenever the transaction would require the approval by a City elective officer or the board on which that City elective officer serves, from making a contribution to the officer, or candidate for office, or committee controlled by the officer or candidate at any time from the commencement of negotiations for the contract until the termination of negotiations for the contract or a specified amount of time (currently 6 months) has elapsed from the date the contract is approved by the City elective officer, or the board on which that City elective officer serves.

San Francisco Ethics Commission Regulation 1.126-1 provides that negotiations are commenced when a prospective contractor first communicates with a City officer or employee about the possibility of obtaining a specific contract. This communication may occur in person, by telephone or in writing, and may be initiated by the prospective contractor or a City officer or employee. Negotiations are completed when a contract is finalized and signed by the City and the contractor. Negotiations are terminated when the City and/or the prospective contractor end the negotiation process before a final decision is made to award the contract.

14.13. Sunshine Ordinance. In accordance with Administrative Code section 67.24(e), contracts, contractors' bids, leases, agreements, responses to requests for proposals, and all other records of communications between the Port and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information

provided to the Port that is within the scope of this Section will be made available to the public upon request.

14.14. Conflicts of Interest. Developer acknowledges that it is familiar with the provisions of San Francisco Charter, article III, chapter 2, section 15.103 of the City's Campaign and Governmental Conduct Code, and California Government Code sections 87100 *et seq.* and sections 1090 *et seq.*, certifies that it does not know of any facts that would constitute a violation of these provisions, and agrees that if Developer becomes aware of any such fact during the term of this Agreement, Developer will notify the Port immediately.

14.15. Wages and Working Conditions.

(a) Developer agrees that any person performing labor in the construction of the Project will be paid not less than the highest prevailing rate of wages established in accordance with Administrative Code section 6.22(E), will be subject to the same hours and working conditions, and will receive the same benefits as in each case are provided for similar work performed in the City. Developer must include in any contract for construction a requirement that all persons performing labor under the contract must be paid not less than the highest prevailing rate of wages for the labor so performed. Developer must require any contractor to provide, and must deliver to the City upon request, certified payroll reports with respect to all persons performing labor in the construction of the Project.

(b) Developer agrees to comply with the applicable requirements of the Local Hire Ordinance (Admin. Code ch. 6.22(G)), as implemented by the Local Hire Implementation Plan administered by the Office of Labor Standards and Enforcement.

14.16. Food Service Waste Reduction Ordinance. Developer agrees to comply fully with and be bound by the Food Service Waste Reduction Ordinance (Env. Code ch. 16), including implementing guidelines and rules. Developer agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, Developer agrees that the sums of \$100 in liquidated damages for the first breach, \$200 in liquidated damages for the second breach in the same year, and \$500 in liquidated damages for subsequent breaches in the same year is an estimate of the damage that the City will incur based on a violation, established in light of the circumstances existing at the time this Agreement was made. These amounts will not be considered a penalty, but rather agreed monetary damages sustained by the City because of Developer's failure to comply with this provision.

14.17. Local Business Enterprises.

(a) The Port Commission encourages the participation of local business enterprises ("LBEs") in Developer's operations. Developer agrees to work with the City's Human Rights Commission (the "HRC") to develop and/or institute appropriate programs for achieving LBE participation in the Project. Please contact the Human Rights Commission, Equal Opportunity Division at (415) 252-2500.

(b) Developer agrees that, for all trucking opportunities associated with the Project over which Developer has direct control, including hauling of materials on and off the Site, Developer will make good faith efforts to use local truckers, as defined in the LBE Ordinance ("Local Truckers"). To the extent that Developer in its sole discretion directly employs or directly contracts with truckers for hauling materials on or off the Site, Developer will cause not less than 60 percent of all materials to be hauled in trucks operated by Local Truckers. If Developer fails to meet the 60 percent threshold, Developer will not be in default of these requirements so long as Developer first offered trucking opportunities to Local Truckers, and the truckers were unavailable or unwilling to haul materials to or from the Site. During construction activities, Developer will provide the Port with a monthly report setting forth the quantities of material hauled onto or off of the Site during the preceding month and identifying the Local Truckers utilized by Developer and the quantities of materials hauled by Local

Truckers, and, if Developer failed to meet the 60 percent threshold, evidence and results of Developer's outreach to Local Truckers during the applicable period.

14.18. Card Check Ordinance. If applicable, Developer will be required to comply with the Card Check Ordinance (Admin. Code ch. 23). That ordinance requires employers of employees in hotel or restaurant projects on public property with more than 50 employees to enter into a "card check" agreement with a labor union regarding the preference of employees to be represented by a labor union to act as their exclusive bargaining representative.

15. MISCELLANEOUS PROVISIONS.

15.1. Attorneys' Fees. If either party brings an action or proceeding at law or in equity against the other party to enforce any provision of this Agreement or to protect or establish any right or remedy under this Agreement, the unsuccessful party to the litigation must pay to the prevailing party all costs and expenses incurred by the prevailing party as determined by the court, including reasonable attorneys' fees. If the prevailing party obtains a judgment in any action or proceeding, costs, expenses, and attorneys' fees will be included in and be a part of the judgment. For purposes of this Agreement, reasonable fees of attorneys of the Office of the City Attorney will be based on the fees regularly charged by private attorneys with an equivalent number of years of professional experience (calculated by reference to earliest year of admission to the Bar of any State) who practice in the City in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

15.2. California Law. This Agreement must be construed and interpreted in accordance with the laws of the State of California and the City's Charter.

15.3. Entire Agreement; Conflict. This Agreement contains all of the representations and the entire agreement between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, agreements, warranties, or written or oral representations relating to its subject matter are superseded by this Agreement. No prior drafts of this Agreement or changes from those drafts to the executed version of this Agreement may be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider those drafts in interpreting this Agreement.

15.4. Amendments. No amendment to this Agreement will be valid unless it is in writing and signed by all of the parties.

15.5. Severability. Except as otherwise specifically provided in this Agreement, a judgment or court order invalidating any provision of this Agreement, or its application to any person, will not affect any other provision of this Agreement or its application to any other person or circumstance, and the remaining portions of this Agreement will continue in full force and effect, unless enforcement of this Agreement as invalidated would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the purposes of this Agreement.

15.6. No Party Drafter; Captions. The provisions of this Agreement will be construed as a whole according to their common meaning and not strictly for or against any party in order to achieve the objectives and purposes of the parties. Any caption preceding the text of any section, paragraph or subsection or in the table of contents is included only for convenience of reference and will be disregarded in the construction and interpretation of this Agreement.

15.7. Interpretation. Whenever required by the context, the singular shall include the plural and vice versa, the masculine gender shall include the feminine or neuter genders, and vice versa, and defined terms encompass all correlating forms of the terms (e.g., the definition of "waive" applies to "waiver," waived," waiving"). In this Agreement, the terms "include," "included" and "including" will be deemed to be followed by the words "without limitation" or "but not limited to."

15.8. Authority. If Developer signs as a corporation, limited liability company or a partnership, each of the persons executing this Agreement on behalf of Developer represents and warrants that Developer is a duly authorized and existing entity, that Developer has and is qualified to do business in California, that Developer has full right and authority to enter into this Agreement, and that each and all of the persons signing on Developer's behalf are authorized to do so. Upon the Port's request, Developer must provide the Port with evidence satisfactory to the Port confirming these representations and warranties.

15.9. Waiver. None of the following will constitute a waiver of any breach under, or of the Port's right to demand strict compliance with, this Agreement: (a) the Port's failure to insist upon Developer's strict performance of any obligation under this Agreement; (b) the Port's failure to exercise any right, power, or remedy arising from Developer's failure to perform its obligations for any length of time; or (c) the Port's acceptance of any full or partial payment, including any portion of the Negotiating Fee, during the continuance of the breach. The Port's consent to or approval of any act by Developer requiring the Port's consent or approval may not be deemed to waive or render unnecessary Port's consent to or approval of any subsequent act by Developer. Any waiver by the Port of any default must be in writing and will not be a waiver of any other default concerning the same or any other provision of this Agreement.

15.10. Time is of the Essence. Time is of the essence for each provision of this Agreement, including performance of the Performance Benchmarks.

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15.11. Broker. The Port will not pay a finder's or broker's fee in connection with this Agreement or upon execution of any of the Transaction Documents. Developer agrees to indemnify and hold the Port harmless from any costs, including attorneys' fees, the Port incurs if any broker or brokers claim a commission in connection with this Agreement or any of the Transaction Documents.

Developer and the Port have executed this Agreement as of the last date written below.

DEVELOPER:

**FOREST CITY DEVELOPMENT
CALIFORNIA, INC.,** California corporation

By: _____
Kevin Ratner,
authorized signatory

Date: _____

PORT:

**CITY AND COUNTY OF SAN
FRANCISCO,** a municipal corporation,
operating by and through the San Francisco
Port Commission

By: _____
Monique Moyer
Executive Director

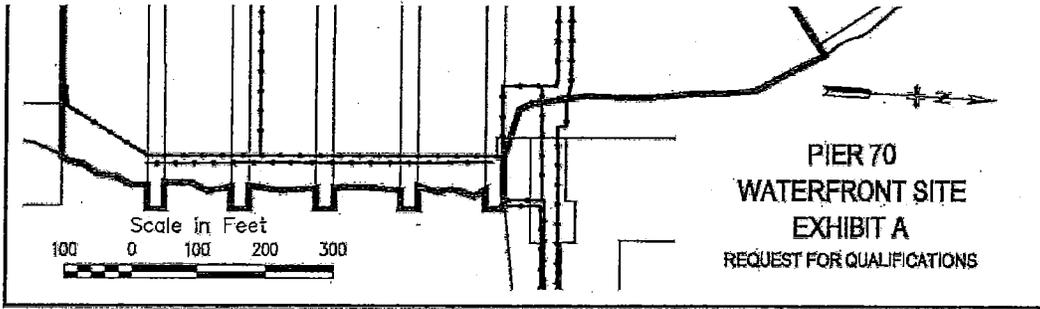
Date: _____

Authorized by Port Resolution No. 11-_____.

APPROVED AS TO FORM:
Dennis J. Herrera, City Attorney

By: _____
Joanne Sakai
Deputy City Attorney

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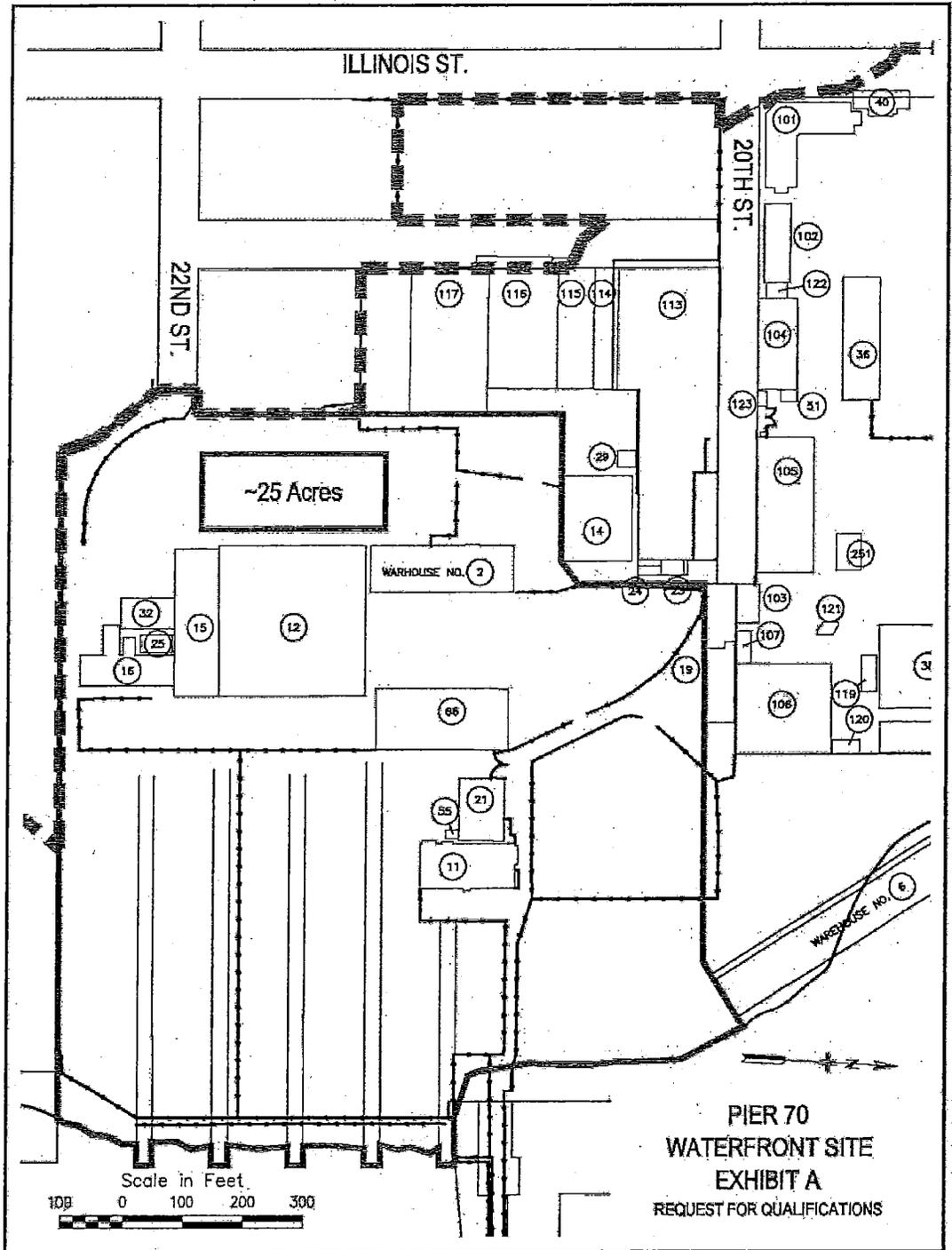


Exhibit A

EXHIBIT B

PERFORMANCE BENCHMARKS

Initial Performance Benchmarks (Phase 1)		Time for Performance (24 Months total)
1.	Developer Formation Documents: Developer must submit a copy of its Operating Agreement	October 1, 2011
2.	Preliminary Development Analysis: Developer to submit a preliminary development analysis that will identify key issues to inform the development of the Term Sheet and Project description. Scope to include the following: <ul style="list-style-type: none"> • An overview of proposed development approach • A framework for infrastructure • A public finance analysis • A public relations and community outreach program • A regulatory approval strategy 	February 1, 2012
3.	Preliminary Proposal: Developer to submit a preliminary proposal, including: (a) a master plan level of detail regarding rezoning through a Prop D Plan, the development program, height and massing, parking and transportation, infrastructure strategy, and phasing (including Phase 2 Performance Benchmarks); (b) an outline of a flexible development approach that will allow Developer to respond to changes in the economic and development environment; and (c) a financial plan, integrated with the outlined development approach	Dec 1, 2012
4.	Preliminary Land Use Plan, Trust Swap Proposal, and Term Sheet: Developer to submit preliminary land use plan, trust swap proposal, and Term Sheet	April 1, 2013
5.	Port Commission Endorsement: Port Commission to adopt a resolution endorsing the Term Sheet	June 1, 2013
6.	Board Endorsements: Board to take the following actions: (a) endorsing the Term Sheet and framework for the Prop D Plan; and (b) making a fiscal feasibility determination (if necessary)	Expiration of Phase 1
Final Performance Benchmarks (Phase 2)		Time for Performance (36 Months total)
1	CEQA Environmental Evaluation Application: Developer must submit the environmental evaluation application for the Project	3 months after Board Endorsement
2	Draft Environmental Impact Report: Publish the draft EIR	15 months after Environmental Evaluation Application
3	Final EIR Certification: Planning Commission to certify the final EIR for the Project	3 months before Expiration of Phase 2
4	Rezoning/Prop D Plan: Planning Commission to certify required rezoning for the Project as presented in the draft Prop D Plan; and Board to approve Prop D Plan	3 months before Expiration of Phase 2
5	Other Regulatory Approvals: Developer to obtain State Lands approval of Tidelands Trust Exchange, BCDC approvals, and other necessary regulatory approvals by outside agencies	Expiration of Phase 2
6	Final Transaction Documents: Developer and Port must reach final agreement on the form of LDDA, Lease and all related transaction documents	4 months before Expiration of Phase 2
7	Approval of Final Transaction Documents: Port Commission to adopt Public Trust consistency findings and approve final Transaction Documents	3 months before Expiration of Phase 2
8	Board of Supervisor Approvals: Board to approve Lease if required.	Expiration of Phase 2

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APPENDIX

DEFINED TERMS AND DESCRIPTIONS

Defined Term	Location
20 th Street Historic Buildings	Recital A
Affiliate	§ 8.1(c)(i)
Agents	§ 8.4
Agreement	Preamble
BCDC	§ 6.1
Board	Recital B
Board Endorsement	§ 4.3(b)
CEQA	§ 2.3(a)
City	Preamble
City Parties	§ 12.1(a)
claims	§ 12.1(a)
Common Control	§ 8.1(c)(ii)
Conduct Code	§ 14.12
Conference Summary	§ 8.5(b)(iii)
Consultant Invoice	§ 5.6(a)
Control	§ 8.1(c)(ii)
Core Benefits	§ 14.1(c)
Developer	Preamble
Developer Parties	§ 12.1(a)
Developer's Proposed Changes	§ 4.4(a)
Effective Date	§ 2.1
EIR	§ 7.2
Event of Default	§ 10.1
Excess Costs	§ 5.5(a)
Exclusive Negotiation Period	§ 1.1(a)
Extension Fees	§ 5.1
Expiration Date	§ 2.2
Final	§ 5.6(b)
Final Performance Benchmark	§ 3.1, Exhibit B
Force Majeure Event	§ 2.5(a)
Force Majeure Extension	§ 2.5(a)
Force Majeure Notice	§ 2.5(a)
graffiti	§ 14.3
HCAO	§ 14.4
HRC	§ 14.17(a)
Illinois Street Parcels	Recital A
Initial Expiration Date	§ 2.1
Initial Performance Benchmark	§ 3.1, Exhibit B
LBEs	§ 14.17(a)
LDDA	Recital F
Lease	Recital F
Lease Approval Date	§ 5.2(a)
Litigation Force Majeure Event	§ 2.4(b)(i)
Litigation Force Majeure Extension	§ 2.4(a)
Litigation Force Majeure Notice	§ 2.4(a)
Local Truckers	§ 14.17(b)

Defined Term	Location
Losses	§ 12.1(a)
Master Plan	Recital A
Media Contact	§ 8.5(c)
Monetary Damages	§ 12.1(a)
Negotiating Fee	§ 5.1
Negotiating Fee Payment Date	§ 5.2(a)
Outside Transaction Costs	§ 5.6(c)
Outside Transaction Costs Deposit	§ 5.6(d)
Performance Benchmark	§ 3.1, Exhibit B
Performance Date	§ 3.1
Pesticide Ordinance	§ 14.8
Phase 1	§ 2.1
Phase 2	§ 2.2
Pier 70	Recital A, Exhibit A
Port	Preamble
Port Commission	Preamble
Port Cost Cap	§ 5.5(a)
Port Endorsement	§ 4.3(a)
Port Event of Default	§ 10.2
Port Pier 70 Costs	§ 5.6(e)
Port Statement	§ 5.6(f)
Port's Management Obligations	§ 6.3(c)
PR & Community Outreach Program	§ 8.5(a)
preservative-treated wood containing arsenic	§ 14.11
Press Matters	§ 8.5(b)(i)
Press Release	§ 8.5(b)(i)
Project	Recital F
Project Assignment	§ 9.4(c)(i)
Project Consultants	§ 9.4(c)(ii)
Project Materials	§ 9.4(c)(iii)
Proposal	§ 4.2
Prop D	Recital B
Prop D Plan	Recital B
public trust	Recital D
Public Trust Consistency Determination	§ 6.3(a)
Public Trust Consistency Proposal	§ 6.3(c)
quarter	§ 5.6(g)
Regulatory Agency	§ 6.4(b)
Regulatory Approval	§ 6.4(a)
Regulatory Approval Strategy	§ 6.4(b)
Regulatory Force Majeure Event	§ 2.3(a)
Regulatory Force Majeure Extension	§ 2.3(a)
Regulatory Force Majeure Notice	§ 2.3(b)
releases	§ 12.1(a)
RFI	Recital E
RFQ	Recital E
saltwater immersion	§ 14.11
Site	Recital D, Exhibit A
State	Recital D
State Lands	§ 5.6(h)

Defined Term	Location
Structural Consultants	§ 9.4(c)(iv)
Structural Materials	§ 9.4(c)(v)
Term Sheet	§ 4.3(a)
Terminating Event	§ 9.1
Termination	§ 9.1
Transaction Costs	§ 5.6(h)
Transaction Documents	Recital F
Transfer	§ 8.1(c)(iii)
20 th Street Historic Buildings	Recital A
Upset Date	§ 2.4(b)(ii)

MEMORANDUM

May 23, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Willie Adams
Hon. Mel Murphy

FROM: Monique Moyer
Executive Director

SUBJECT: Request endorsement of the Term Sheet between the Port and Forest City Development California, Inc. for the mixed-use development of the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

Since executing an Exclusive Negotiation Agreement ("ENA") in July 2011 for the mixed use development of the Pier 70 Waterfront Site (the "Site," shown on Exhibit A), Forest City Development California, Inc. ("Forest City" or "Master Developer") and Port and City staff have negotiated a non-binding term sheet (the "Term Sheet") with the proposed financial terms for the lease and development of the Site (the "Project"), attached to this staff report as Exhibit B.

Port and City staff presented the content of this Term Sheet to the Port Commission on May 14, 2013 and are now seeking the Port Commission's endorsement of the Term Sheet at its May 28, 2013 meeting. This staff report augments the earlier staff report corresponding with the May 14 Commission meeting by providing additional analyses of Master Developer's proposed land use program within the context of Pier 70; Master Developer financial capacity; horizontal development cost analysis; analysis of projected revenues to the Port and Master Developer; fiscal feasibility analysis describing benefits to the City; and other topics in which the Port Commission and the public expressed interest at the May 14 meeting. Should the Port Commission endorse the Term Sheet, the Board of Supervisors ("Board") then will consider it for endorsement. Under the terms of the ENA, Phase 1 of the ENA concludes July 12, 2013. Required Phase 1 benchmarks include Term Sheet endorsement by the Board.

THIS PRINT COVERS CALENDAR ITEM NO.

2046

This report is divided into two sections. Section 1 contains policy and financial analysis of the proposed Term Sheet between the Port and Forest City. Section 2 contains an amended version of the staff report describing the Term Sheet that was presented to the Port Commission on May 14, 2013. City staff has combined these documents in a single document to provide the public with a single report to understand the proposed agreement and review City staff analysis of the agreement.

SECTION 1. UPDATES AND ADDITIONS SINCE MAY 14, 2013 PRESENTATION

Policy and Financial Analysis

Context and Character

Pier 70 encompasses 69 acres roughly bounded by Mariposa, Illinois, and 22nd Streets and the San Francisco Bay along San Francisco's Central Waterfront. The Pier 70 area includes Piers 68 and 70 and Seawall Lots 349 and 3492.

Pier 70 has many unique attributes, including: (a) being the site of the longest continually operating civilian shipyard in the US, where ships have been built and repaired from the Spanish American War to today; (b) having the largest floating drydock on the west coast of the Americas with the ability to repair the largest ships in the world; (c) being the oldest and most intact operating industrial complex in the western United States; (d) being eligible for listing on the National Register of Historic Places due to its importance in the evolution of steel ship building and industrial architecture and number of historic resources, including a collection of individually eligible historic buildings dating back to the late 1880s to 1910s; (e) having large expanses of currently vacant or underutilized land that open up opportunities for waterfront parks and new development to help reactivate the site to its historic activity level.

In April 2010, the Port Commission endorsed the Pier 70 Preferred Master Plan ("Pier 70 Master Plan" or "Master Plan"). The Master Plan contains goals that complement and expand on policies contained in the San Francisco Planning Department's Central Waterfront Area Plan, which is part of the City's General Plan. At a summary level, these goals include:

- preserving the long-term viability of the maritime ship repair industry;
- creating a Pier 70 National Historic District and rehabilitation of its extraordinary historic resources;
- creating a major new shoreline open space, promoting sustainable mixed-use development, infill development and economic development;
- providing sites for office, research, residential, emerging technologies, light industry and cultural and recreational uses;

- promoting development that is pedestrian-oriented and fosters use of alternative, sustainable transportation modes;
- extending the city street grid to enhance access and integrate Pier 70 with the Central Waterfront; and
- remediating environmental contamination to enable use and public enjoyment of Pier 70 and its waterfront.

The overall vision established for Pier 70 through the planning process was:

“Create a vibrant and authentic historic district that re-establishes the historic activity level, activates new waterfront open spaces, creates a center for innovative industries, and integrates ongoing ship repair operations.”

These goals were included in the Request for Qualifications for the Pier 70 Waterfront Site that ultimately led to the selection of Forest City as the Port’s development partner in May 2011.

The Forest City team has developed a unique land use program that will help the Port achieve the Master Plan goals and vision for all of Pier 70. Forest City’s vision for the Waterfront Site, which Port and City staff enthusiastically support, is to create a culturally vibrant place where new development is designed around the existing features of the Waterfront Site. The Master Developer is committed to rehabilitating the historic buildings in the earliest phases of development; designing new buildings to complement, showcase, and open up views to historic resources; designing the public realm to visually and physically connect people to the waterfront and maritime neighbors; and echoing the Dogpatch’s mixed-use character and fine-grained integration of diverse uses, with a particular interest in arts, small-scale production, and emerging businesses. The mix of uses will include commercial office, residential, retail, arts, and light industrial space, as well as a series of open spaces. This diverse combination of uses will draw a diverse group of users and visitors, creating unique and active character at the site.

Another key facet of the Waterfront Site’s design and development will be to remain integrated with the greater waterfront as it also evolves. The desire for connectivity and consistency is at the heart of the direction from Port, Planning Department, and SFMTA staff that Forest City is receiving and embracing; these goals will be reflected in the design guidelines, refined site plan, and transportation demand management plan that will be developed following Term Sheet endorsement. The current site plan already addresses these goals by extending the existing street grid (and associated infrastructure) into the Waterfront Site to maximize accessibility, prioritizes pedestrians and bicyclists, and takes advantage of the public investment in the public transit system that currently serves the site.

While Forest City’s land use program focuses on the 28 acre Waterfront Site, Forest City will be assisting the City in its efforts to examine adjacent Pier 70 parcels – particularly along Illinois Street – as discussed further in this report.

There are three elements of Forest City's proposed plan for the Waterfront Site that deserve particular attention as the Port Commission and the Board of Supervisors weigh next steps to implement the project: 1) the inclusion of residential development, 2) a corresponding increase in the proposed development footprint at the Waterfront Site, and 3) Forest City's vision for "placemaking" at Pier 70.

1. **Residential development at the Waterfront Site.** In 2012, Forest City approached Port staff and the Port Commission with a plan to consider 950 units of residential housing at Pier 70 as a critical component of a land use plan to create a new neighborhood at Pier 70. While not originally envisioned in the Port's Pier 70 Preferred Master Plan, Port staff and City staff, led by the Office of Economic and Workforce Development ("OEWD") examined the new land use proposal by Forest City and agreed that this approach would activate the site and could be designed in a manner that would avoid interference with traditional maritime activities at Pier 70. Forest City and the Port have presented the plan to BAE Systems, Inc. ("BAE"), operator of the Port's Pier 70 shipyard in the intervening period. BAE expressed comfort with the introduction of residential housing screened by commercial uses.
2. **Total Development Footprint.** With the introduction of both the residential and placemaking uses, the total development program exceeds the development proposed in the Port's Pier 70 Master Plan by approximately 1 million square feet, for a total development program of commercial and residential uses, including historic rehabilitation, of 3.5 million leasable square feet at the Waterfront Site. The combined program of uses help create a unique and vibrant mixed use neighborhood, which will address the goals of the Pier 70 Master Plan.

During the entitlement phase of the project, Forest City will examine a number of flexible zoning schemes that are designed to respond to changing market demands in San Francisco. After appropriate public review, these project variants may lead to refinements to the mix of commercial and residential uses by Forest City, provided that the total development program does not increase beyond the 3.5 million gross square feet of leasable space proposed by Forest City.

3. **Placemaking at the Waterfront Site.** The mixed-use core of the Waterfront Site will include a combination of small scale local production, arts and cultural users, small business incubators, retail and innovation retail, and other publicly-accessible and activating uses (collectively, "Innovation, Retail and Arts"), many of them located in rehabilitated historic structures (Buildings 12 and 21). Forest City envisions that these uses, which will permeate the street level, are essential to placemaking, to creating community, and to making Pier 70 a distinct part of the San Francisco waterfront. Consistent with the Master Plan, Forest City's concept plan includes commercial/office space placed to frame the core of mixed-use residential and creative uses occupied by knowledge economy office companies that desire the eclectic, creative district supported by the Innovation,

Retail and Arts and residential uses. City staff embraces this creative vision, and the investment required to realize it.

Forest City projects that this placemaking effort, combined with a district activated by residential uses, will create higher demand for office uses in the new Pier 70 neighborhood. City staff looks forward to realizing the creative, dynamic community at Pier 70 proposed by Forest City.

Master Developer Financial Capacity

Port staff have reviewed Forest City's most recent financial statements and determined that the Master Developer has the financial capacity to develop the Waterfront Site. Forest City's annual report for the fiscal year ending January 31, 2013 reported total assets of \$10.6 billion and total revenues of \$1.1 billion, with excellent access to credit. Investor interest in Forest City stock also appears to be strong. The complete analysis of Forest City's financial capacity is attached to this staff report as Exhibit C.

Horizontal Development Cost Analysis

Port Engineering has completed a preliminary review of Forest City's infrastructure concept plans and estimated costs for infrastructure improvements necessary to support the proposed development of the Waterfront Site. Forest City's current horizontal development budget is projected at \$179 million (in 2013 dollars), including predevelopment costs for the adjacent Pier 70 parcels that Forest City has agreed to entitle.

As part of the review, staff retained the services of a well-qualified and independent private engineering consultant team lead by Creegan+D'Angelo/AGS Joint Venture (C+D/AGS). The consultant team reviewed Forest City's concepts for site stabilization, building foundations, roadways and sidewalks, utilities, open spaces, sea level rise, and associated estimated costs. In general, the review concluded that Forest City's infrastructure concepts are reasonable and that cost estimating is accurate. Overall, an appropriate level of engineering has been completed for this stage of the potential project. C+D/AGS has offered several notable recommendations:

- *Secant Wall*: With an estimated cost of \$15 million, the secant wall is proposed to help mitigate earthquake induced lateral spreading and settlement of the site. Details at this point are based on engineering judgment and there is significant risk in cost escalation. Engineering should be advanced further to better define the performance, location, details and cost/benefit of the secant wall.
- *Raising the Site*: The site will be elevated several feet to accommodate sea level rise. This will present challenges at the site boundaries, particularly adjacent to the shipyard, at existing building interfaces including the 20th Street Historic Buildings, and for existing utilities. The addition of new soil may induce overall site settlement that should be further investigated; associated costs may not be captured in existing cost estimates.

- *Roadways:* There are significant grade changes where the proposed 21st and 22nd Streets enter the site and descend from the rock outcropping remnant of Irish Hill. Roadway grades and details on structures and/or embankments should be further developed.
- *Sewer and Stormwater:* The existing Pier 70 combined stormwater/sewer system does not have the capacity to support the new development. Forest City has evaluated numerous options and is basing costs on a separated stormwater/sewer system. Further discussions with the San Francisco Public Utilities Commission (“SFPUC”) are required to determine if a combined system is the preferred alternative. The consultant team recommends that a combined sewer/stormwater system alternative be developed for purposes of cost comparison and evaluating performance.
- *Site Utilities, Pier 70-Wide:* The Waterfront Site is part of the overall Pier 70 Preferred Master Plan area, and for purposes of utility services (water, sewer, electricity, gas), the entire Pier 70 site must be considered as a whole. Forest City has incorporated this thinking in its plans. There are still information gaps; when these gaps are filled in, the new information may impact costs and/or which infrastructure will be needed for each phase.
- *Markup on Direct Costs:* The independent review of estimated costs is within 1% of Forest City’s estimate for direct costs, but C+D/AGS recommends using higher design and construction contingencies for this early stage. Using the higher contingencies will increase the estimate by \$6 million or 5% over the current estimate. The cost estimate review was based on Forest City’s scope only, without consideration of any changes suggested by C+D/AGS.

City staff will continue to engage engineering support to examine infrastructure plans as these plans move from the conceptual phase to more detailed plans, and will continue to collaborate with staff from the SFPUC and the Department of Public Works (“DPW”) during the post-Term Sheet entitlements period to develop an infrastructure plan that can result in infrastructure and streets that these departments will accept. In the interim period, staff will report to the Port Commission if the estimated horizontal development costs rise more than 10%, i.e., to greater than \$195 million.

Port Revenue Projections

Based on the financial analysis performed by Master Developer and audited and restated by Port staff and its consultants, it is expected that at full build-out (expected in 2027) Port would receive a variety of revenues from the parcels leased and sold in fee at the Pier 70 Waterfront Site.

Currently the Port earns approximately \$2.9 million annually from tenants occupying the Waterfront Site. The largest Waterfront Site tenant, the San Francisco Municipal Transportation Agency tow yard (subleased to AutoReturn) is departing the site in June, 2013. Beginning July 1, 2013, total Waterfront Site rent is projected to be approximately \$1.1 million annually. The Port will continue to access this revenue stream as the

Waterfront Site is developed and may be able to augment these near-term funds by adding to interim tenants on land vacated by AutoReturn. Revenue amounts will decrease proportionally as parcels are transferred for each phase of development; these phases are expected to commence in 2017, 2019, 2021, and 2028.

Due to the variability of current rents, high and uncertain infrastructure costs (as described above), existing capital liabilities at the Waterfront Site, and high risks associated with an untested Class A office market at Pier 70, the Port and Forest City have structured a deal without a base rent component, but including a variety of revenue streams to the Port over time.

As further described in Section 2 of this report, (notwithstanding interim leasing revenues through Project buildout), the proposed deal structure defers Port compensation until the following events occur:

1. Tax increment begins to accrue under a Pier 70 Infrastructure Financing District ("IFD"), 9% of which will flow to broader Pier 70 needs;
2. All infrastructure has been constructed and Forest City receives an 18% return of and on Master Developer's capital ("Developer Capital"), after which the Port and Forest City will split remaining land proceeds 55% (Port) – 45% (Forest City);
3. Forest City or its assignees sells or refinances vertical leases;
4. District parking garages are fully paid, and the Port begins receiving net operating income from these facilities; or
5. In the 30th year of each commercial or residential rental lease, the Port commences collecting 1.5% of modified gross receipts, increasing to 2.5% at the 60th year.

Based on the proforma analysis, as summarized in the table below, Port revenue is projected to be \$7 billion (undiscounted) over the term of the Project, with a net present value of \$153 million.

The main drivers of these Port revenue projections are:

- Year 2029 Ground Rent: anticipated annual ground rents from late phase office structures (starting at \$2.8 million in the year 2029 and indexed by 3% until year 99);
- Year 2037 Parking Revenues: revenues from parking facilities after construction and related costs are fully paid (\$2.1 million starting in year 2037, and escalating based on market conditions thereafter); and
- Year 2048 Participation Rent: proceeds from modified gross receipts participation in vertical leases which commence in 2048 and increase as a result of lease-up,

escalation, and additional buildings coming online (\$4.6 million in 2053, and escalating thereafter).

Nominal Port revenues from the Waterfront Site appear higher than in other Port development agreements due to the ability to lease for periods of up to 99 years. In the view of City staff, these diversified revenue streams compensate for the lack of a base rent component to this deal structure. An annual cash flow analysis is attached as Exhibit D.

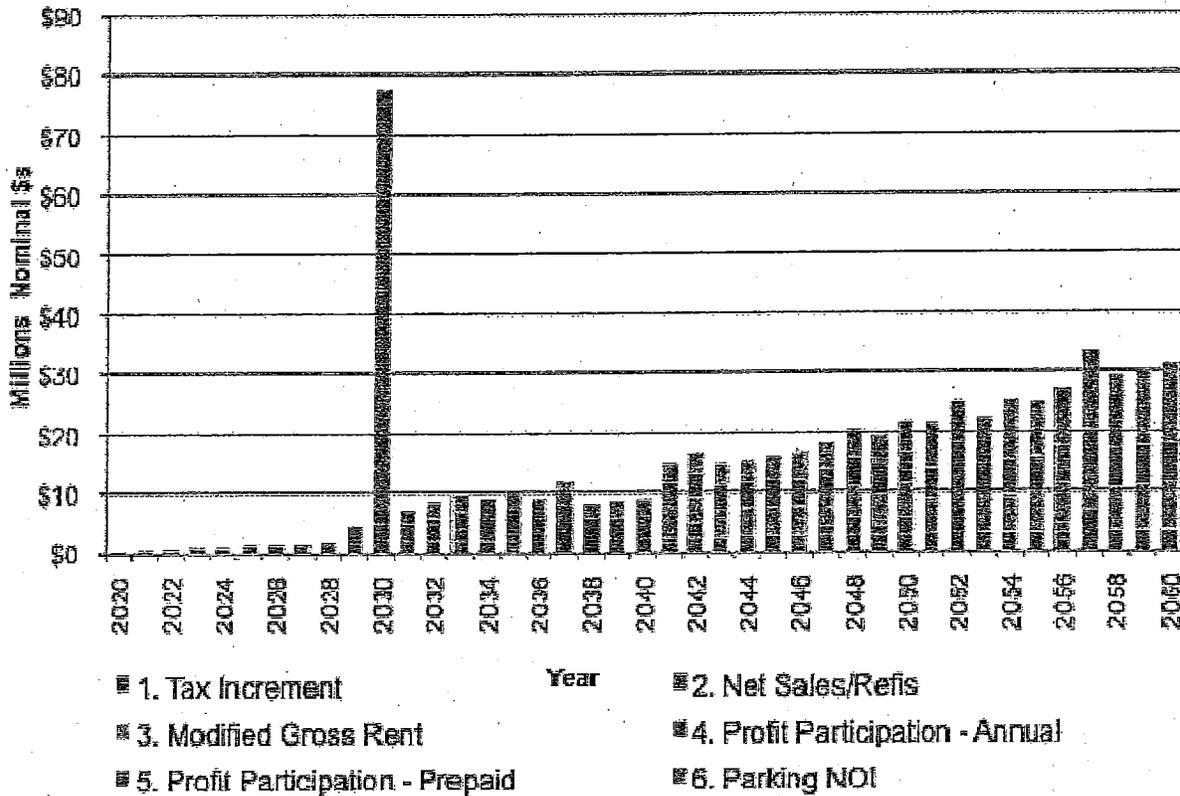
Due to the variability of interim leasing at Pier 70, these figures exclude interim leasing rents. The Term Sheet contemplates that the Port and Forest City would split new interim leasing revenues from new tenants that Forest City arranges on behalf of the Port as a way of incentivizing interim leasing while project build-out occurs and as an early source of revenue to pay return of and on Developer Capital. There is a significant opportunity for the Port and Forest City to collaborate in generating early Project revenues and enhanced Harbor Fund rents early in the Project through this mechanism. Uses will likely include placemaking efforts to introduce the public to the Waterfront Site and surface parking until structured parking is built.

Port Revenue Summary - 99 Years - \$Millions	Nominal Proceeds	NPV (6% Discount)
Net Tax Increment to Port/Pier 70	\$120.5	\$18.3
1.5% of Net Proceeds from Refinancings	\$262.5	\$7.0
1.5% Transfer Fee From Sales (1)	-	
1.5% (Yrs 31-60) & 2.5% (Yrs 61-99) of Modified Gross Revenues	\$2,045.2	\$21.6
Horizontal Profit Participation - Annual Ground Rent	\$1,564.5	\$35.1
Horizontal Profit Participation - Prepaid Ground Rent	\$94.7	\$31.8
District Parking Garages Net Cash Flow	\$2,873.5	\$39.0
Total Port Economic Benefit	\$6,960.8	\$153.0

1. No calculations have been made as to transfer fees arising from condominium sales, because the proforma assumes residential rental values for all residential development. The parties have agreed to negotiate a maximum number of residential units at the site that could be developed as condominiums.

Figure 1 below shows projected Port revenues from all sources over time.

Port of San Francisco Project Revenues Over Time, 2020-2060



The chart above illustrates the deal structure well. Except for potential interim leasing revenues (anticipated at \$1.1 million annually and potentially increasing until development commences), the Port will not realize significant revenues until approximately 2030, at which point Forest City will have constructed all horizontal infrastructure and **either will or will not achieve an 18% return**. The Port will only realize a 55% share of remaining land proceeds if Forest City achieves this return. Any leases entered after infrastructure is constructed and Forest City achieves an 18% return of and on Developer Capital will become annual ground rent leases, with the Port receiving 55% of the appraised value of the leases.

Based on proforma analysis, and largely due to the primary reliance on prepaid ground lease structures to book value to the Project, in year 2030 the Port would receive a lump sum payment of in excess of \$80 million – equal to 55% of prepaid lease revenue in excess of what is required to pay Developer Return.

Since the Port is funded with annual revenues, City staff intends to utilize the remaining negotiation period to examine mechanisms to convert this lump sum payment into an annual payment stream to the Port, preferably by reducing reliance on prepaid ground leases.

In addition to these revenues, the Project will address substantial capital liabilities attributable to existing conditions at the Waterfront Site. The Port's FY 2013-22 10-Year Capital Plan indicates a \$47 million capital liability within the Waterfront Site, which Forest City will address through horizontal and vertical site improvements. Net tax increment from the Project estimated at \$120.5 million will also be available to address other Pier 70 capital needs and public benefits. In the near term, the Port will continue to receive rent from existing Waterfront Site tenants and potential new interim tenants.

Paying for Infrastructure

As described above, in order to realize the value of the Site there are significant design, entitlement and infrastructure expenditures must be made for parcels to reach their full value and be readied for development. The primary sources to pay these expenses are: 1) Developer Capital, 2) prepaid leases or development pad sales proceeds (collectively, "Land Proceeds"), 3) Community Facilities District ("CFD") bond proceeds that can be repaid by special taxes levied on the taxable parcels or tax increment from the parcel's property tax proceeds available through the Port IFD, and 4) IFD bond proceeds and site tax increment not needed to service CFD or IFD bonds. The challenge of funding infrastructure expenditures is amplified because most of these funds only start to flow after development of the Waterfront Site has commenced.

The funding of the predevelopment and early infrastructure costs is primarily through Developer Capital. Once the Waterfront Site is entitled, Land Proceeds (in the form of the early lease or sale of the Illinois and 20th Street parcel ("20th/Illinois Parcel") through a competitive auction and, at the Port's discretion, other sites along Illinois Street) are expected to quickly pay down Developer Capital and accumulated returns. As development commences, and subject to financial protections to be negotiated in the DDA, the City will have the sole option to issue CFD bonds before vertical construction is complete to fund Site infrastructure and public amenities. The deal structure uses Land Proceeds in the form of prepaid leases to minimize use of Developer Capital and resulting returns.

To pay the costs associated with entitlement and horizontal development, the financial analysis estimates the following sources of funding:

Sources	Amount
Developer Capital	\$22 million
Prepaid Lease Payments	18 million
IFD Bond Proceeds	169 million
IFD Pay-as-you-go	54 million
Total	\$263 million

Uses	Amount
Project Infrastructure	\$217 million
Return of Developer Capital	22 million
Return on Developer Capital	24 million
Total	\$263 million

Fiscal Feasibility

If the Port Commission endorses the Term Sheet, the next step in review of the Pier 70 Waterfront Site Project is to request that the Board of Supervisors also endorse the Term Sheet and authorize environmental review of the Project by finding that the Project is fiscally feasible as required under Administrative Code Chapter 29. In addition to the Waterfront Site, the fiscal feasibility review analyzes the disposition of the 20th/Illinois Parcel, because its disposition is directly related to the Project.

Fiscal feasibility review is an assessment of the public tax revenues generated, jobs and other public benefits produced and public capital funds required to be invested for a proposed project. It provides policymakers with the opportunity to assess whether the benefits of a major project¹ warrant the public investment in it prior to the City expending the resources needed to undertake environmental review. This analysis focuses on the General Fund impacts of the Project.

City Benefits Summary (Waterfront Site)

	Annual (\$m) (1)
Property Taxes to IFD or City	\$10.7
Other Taxes to the City General Fund	\$15.3
Other Restricted City Tax Revenues Fund (2)	\$2.6
Total Fiscal Benefits	\$28.7
One-time Development Impact Fees	\$91.2
Construction Jobs	14,300
Permanent Jobs at buildout (direct & indirect)	12,800

1. All dollars in millions, constant 2013 dollars

2. The Fiscal Feasibility report also contains projections for City tax benefits associated with the 20th/Illinois Parcel.

Fiscal Benefits to the City. Attached as Exhibit E is a fiscal feasibility analysis of the Project prepared by Economic & Planning Systems, Inc. (EPS). This report analyzes ongoing revenues to the City including new receipts from Property, Possessory, Sales, Parking, Hotel, and Gross Receipts taxes. Based on the land use program proposed in the Term Sheet, the Project will create space for businesses and residents and those businesses, workers, and residents will generate on-going revenues to the City estimated at \$28 million a year when fully occupied. The disposition of the 20th/Illinois Parcel will generate an additional \$1 million in annual revenue to the City.

A portion of the property tax revenues will be allocated to construction of public facilities and infrastructure on the Waterfront Site and 20th/Illinois Parcel through the use of financing districts. In concert with the development of the Project the City will also receive one-time benefits from Development Impact Fees and revenue associated with

¹ Defined as projects greater than \$25 million with over \$1 million of public monies.

construction of the Project. These one-time revenues are estimated to be \$91 million for the Project and an additional \$11 million for the 20th/Illinois Parcel.

Economic Benefits to the City. The Project will have economic impacts that benefit the City's overall economy. New direct, indirect, and induced economic activity created by the construction of the Project is projected to create approximately 14,300 annual full time job equivalents. At full build-out, the Project itself is projected to support 12,300 permanent direct and indirect jobs. The 20th/Illinois Parcel is projected to create 700 annual full time job equivalents during the construction period and 50 permanent jobs at buildout.

Direct Benefits to the City. The proposed Project will include a number of public benefits including seven acres of new publicly accessible parks and open spaces, bicycle and pedestrian facilities, rehabilitation of historic buildings, revitalization of an underutilized portion of the waterfront, improved public waterfront access, delivery of affordable housing, and improvements to Port property including protection from sea level rise and seismic events. The 20th/Illinois Parcel will also contribute affordable housing exactions and contribute to the broader Pier 70 revitalization effort.

Cost of Construction. The Project as currently proposed will cost approximately \$1.8 billion to construct. This cost estimate includes \$1.65 billion for vertical building construction, and \$155 million for new infrastructure and public facilities as described in the infrastructure section below. The total development cost of the 20th/Illinois Street parcel is estimated at \$95 million, including any infrastructure and any horizontal site improvements.

Available Funding for the Project. Predevelopment, infrastructure, and historic preservation costs for the Pier 70 Waterfront Site initially will be privately financed with risk capital by the Master Developer. This investment will be reimbursed and the infrastructure funding potentially augmented by several sources, including: the appraised value of the improved, developable land; proceeds of community financing district ("CFD") debt issuance; and the proceeds of infrastructure facilities district ("IFD") property tax increment and possibly debt issuance. Private risk capital will be used for construction of all residential and commercial uses and for the 20th/Illinois Parcel, including costs for building design and construction, City impact fees, and other agency fees, with the possible exception of garages, historic buildings and certain Innovation, Retail and Arts uses (described in the Proposed Development section below), which may have certain IFD-eligible costs.

Municipal Debt Load to be Carried by the City or the Port. Any debt obligations pertaining to municipal bonds will be secured by special taxes and possessory interest taxes paid by the Project lessees and property owners and will not obligate the City's General Fund or the Port's Harbor Fund. The IFD property tax increment may be used to pay for infrastructure directly, repay IFD bonds, or to pay debt service on CFD bonds. The Master Developer may issue its own debt which would be repaid from sources of the Master Developer.

Long-Term Operating and Maintenance Costs. The Master Developer, its affiliates or joint-ventures, third-party developers or subtenants will be responsible for operations and maintenance on the Waterfront Site, including all public improvements and open space for the term of the ground lease. The Term Sheet contemplates a CFD special tax structure to fund maintenance of parks, street sweeping, landscaping, and public rights-of-way, assessed and administered independently from the infrastructure CFD described above. City departments, including the San Francisco police and fire departments, Municipal Transportation Agency ("SFMTA"), and DPW, will have increased service responsibilities associated with the anticipated population and employment increase within the Project Site. The fiscal feasibility report provides additional information about the anticipated additional demands for services and cost estimates, where available. The cost estimates associated with these services will be further refined through the course of the California Environmental Quality Act ("CEQA") review of the Project.

Contract Monitoring Division

Port, City and Forest City staff are working with the City's Contract Monitoring Division (formerly the Human Rights Division) to establish terms for maximizing the use of local disadvantaged business enterprises ("LBE") during the entitlement and approval period. The terms are expected to be similar to those approved for the Seawall Lot 337 and Pier 48 project. Staff intends to complete this work by the May 28, 2013 Port Commission meeting. Forest City will also make LBE commitments for work during construction, which will be incorporated in the Disposition and Development Agreement ("DDA") following review pursuant to CEQA.

Noonan Building Artists

The Port's Pier 70 Preferred Master Plan included a preliminary analysis of historic buildings at the site, and established a policy framework for prioritizing which buildings should be saved at Pier 70 (very significant and significant resources) and which buildings would either be saved or removed (context resources).

The Noonan Building (Building 11) is a context resource that has served as a hub for local artists' studio space for 40 years. The Pier 70 Preferred Master Plan proposed the removal of the Noonan Building. When the Master Plan was being finalized, Port staff met with Noonan tenants to describe the basis of the Master Plan and the recommendation to remove Building 11.

At both the Port Commission meeting on May 14, 2013 and the Central Waterfront Advisory Group meeting on May 15, 2013, representatives of the Noonan Building tenants testified about the role the Noonan artists have played in introducing San Francisco to the unique space at Pier 70 (through Open Studios, for example) and interpreting Pier 70. The Noonan tenants expressed a strong desire to remain at Pier 70, a preference for the Noonan Building to be preserved, and a goal for the Waterfront Site to include space for artists in general.

Forest City and City staff met with representatives of the Noonan Building tenants on May 20, 2013 to begin engaging the Noonan tenants in a dialogue about what new space could look like at Pier 70 that could house an eclectic, creative mix of users that includes the Noonan tenants and other complementary users. At that meeting, Forest City made the following commitment, which was incorporated in the Term Sheet at Forest City's request:

- Tenants who (i) have a current lease with the Port as of the Term Sheet endorsement and (ii) remain in good standing until the Noonan Building needs to be removed will be offered space of a similar size in a new building at the Waterfront Site; and
- Rents at the new space will be based on the Port's FY 2013-14 parameter rent schedule for the Noonan Building inflated to the date of occupancy.

Forest City welcomed the Noonan tenants to participate in the ongoing visioning of the site, including identifying areas of Pier 70 that could be activated to start building community and momentum towards the actual future development.

Forest City's offer is being communicated to the broader community of Noonan tenants as of the drafting of this report. Preliminary response has been positive. City staff expects that representatives of the Noonan tenants will communicate a response to the Port and Forest City prior to the Port Commission meeting on May 28, 2013.

Other Port Tenants

The Waterfront Site is home to a variety of other commercial tenants, including several nonprofits. Primary uses are light industrial in nature and include warehousing, storage, and marshalling. The following tenants have current interim leases at the Waterfront Site:

- Affordable Self Storage, Inc.
- Delancey Street Foundation, Inc.
- Multicultural Radio Broadcasting, Inc.
- Paul's Stores, Inc.
- SFCC Parking & Traffic (MTA) & TEGSCO, LLC ("AutoReturn")
- Sims Group USA Corporation
- SomArts

Port staff will reach out to Waterfront Site tenants on a periodic basis during the entitlement phase of the Project to inform them of progress and examine how Project phasing may affect their current leaseholds.

In other major projects that have resulted in a need to relocate Port tenants, including the Ferry Building and the 34th America's Cup, the Port has a good track record of working with tenants during the relocation process, often resulting in tenants relocating to other areas of Port property.

Southern Waterfront Beautification Policy

In 2007, the Port Commission adopted a Southern Waterfront Beautification Policy² designed to provide funding for and promote physical and economic improvements to the Port's southern waterfront, in the area from Mariposa Street in the north to India Basin in the south. The policy affects new leasing in this area, and requires lessees to beautify their lease areas; implement Good Neighbor policies; promote job training; reduce emissions of air contaminants; use low impact design and other "green" stormwater infrastructure; employ a large percentage of the managers and staff at the site who live in the local neighborhood or community; use Local Truckers (as defined by the City ordinance); and use Local Businesses (also as defined by City ordinance) within the Potrero Hill and Bayview Hunters Point Neighborhoods.

The policy also establishes a Southern Waterfront Community Benefits Fund with proceeds from a portion of revenues established by the Port Commission from leases subject to the policy to fund: open space; wetland restoration; pier removal; public art; historic preservation; and other uses approved by the Port Commission.

The policy permits the Port Commission, when authorizing an Exclusive Negotiating Agreement for purposes of development like that contemplated at Pier 70, to establish goals that may differ from the policy. The Pier 70 Preferred Master Plan incorporates the Port Commission's Southern Waterfront Beautification Policy goals with respect to Pier 70.

As described in the May 14, 2013, Pier 70 Waterfront Site staff report, Forest City will implement a Jobs and Equal Opportunity Program designed to ensure that a portion of the jobs and contracting opportunities generated by the Project be directed, to the extent possible to local, small, and economically disadvantaged companies and individuals – a further commitment to the Port Commission's policy goals in enacting the Southern Waterfront Community Benefits Policy.

In response to further Port Commission direction, Port staff will apply the set-aside of Port funds to the Southern Waterfront Community Benefits Fund to 1) any new interim lease revenues from Pier 70 and 2) future development revenues from the Waterfront Site and the 20th Street/Illinois Parcel in amounts proportional to current published rates for as long as the policy is in effect.

² For a copy of the Southern Waterfront Community Benefits policy, please see: [http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2007/Item10aAttachmentPolicyforSouthernWaterfrontBeautification\(1\).pdf](http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2007/Item10aAttachmentPolicyforSouthernWaterfrontBeautification(1).pdf)

SECTION 2. REVISED TEXT OF MAY 14, 2013 STAFF REPORT

Below, with the exception of the Next Steps and Recommendation sections, staff has included the text of the February 22, 2013 staff report with minor changes, including a revised table of terms, to reflect the final Term Sheet.

BACKGROUND

Pier 70 encompasses 69 acres roughly bounded by Mariposa, Illinois, and 22nd Streets and the San Francisco Bay along San Francisco's Central Waterfront. The Pier 70 area includes Piers 68 and 70 and Seawall Lots 349 and 3492. BAE San Francisco Ship Repair Inc. ("BAE") operates the Port's ship repair facility on a portion of the site. Outside of the BAE lease area, there are 25 buildings on Pier 70, 11 of which are currently occupied. The Noonan Building houses approximately a dozen artist studios. Other Pier 70 tenants include Delancey Street, Affordable Self Storage, Paul's Stores, Multicultural Radio, Sims Metals and the San Francisco Municipal Transportation Agency's tow yard operated by AutoReturn, which will soon be leaving Pier 70.

In April 2010, the Port Commission endorsed the Pier 70 Master Plan. The Master Plan contains goals that complement and expand on policies contained in the San Francisco Planning Department's Central Waterfront Area Plan, part of the City's Eastern Neighborhoods Plan.

Pier 70 is comprised of several related yet distinct sub-areas. These sub-areas include the Shipyard, which is leased to BAE; the Cove, which comprises the northwest corner of Pier 70 and includes several development sites and the proposed Crane Cove Park; the 20th Street Historic Core, which is the focus of a term sheet between the Port and Orton Development Inc. to rehabilitate six historically significant buildings; the Hill, which includes the 20th/Illinois Parcel, the remainder of Irish Hill, and property owned by Pacific Gas and Electric ("PG&E") at Illinois Street and 22nd Street (the "Hoe Down Yard"), which the Port is negotiating an option to acquire under a separate transaction with PG&E; and the Waterfront Site. These subareas are further detailed in the September 20, 2012 Port Commission staff report, detailing the Port's progress at Pier 70.³

The Waterfront Site, located in the southeast quadrant of Pier 70, is the largest of these subareas and is the principal opportunity area for new development at Pier 70. On May 11, 2010, the Port Commission authorized a Request for Qualifications ("RFQ") to select a developer for the Waterfront Site.

In April 2011, the Port Commission selected Forest City as the Master Developer of the Waterfront Site and in July 2011 approved an Exclusive Negotiation Agreement with Forest City (the "ENA"). The ENA between the Port and Forest City outlines a two-phase approach to completing the project negotiations. The ENA requires the Master

³ A copy of the Pier 70 Plans to Progress staff report and exhibits may be found at: <http://www.sfport.com/modules/showdocument.aspx?documentid=4723>

Developer to craft a project proposal based on due diligence and community input and to receive endorsement from the Port Commission and the Board on business terms for the project, articulated as a non-binding Term Sheet between the Port and the Master Developer, in Phase 1. The Port Commission heard an informational item on this Term Sheet on May 14, 2013 and will be asked to vote on whether to endorse the Term Sheet at the subsequent Commission meeting on May 28, 2013.

Phase 2

Phase 2 of the predevelopment process will subsequently commence and, according to the ENA, may last three years. During Phase 2, the Master Developer will be required to complete the Project entitlements, including environmental review and approvals by all necessary regulatory agencies. Phase 2 will culminate in the approval of final transaction documents by the Port Commission and Board, where necessary. These documents will include a disposition and development agreement (“DDA”) which will include a development phasing plan and series of long-term leases and, most likely, parcel sale transactions.

Several policies have been adopted at the City and State levels to facilitate the development of Pier 70 including Proposition D (“Prop D”) a Charter amendment (codified primarily at sections B7.310-B7.320) authored by Supervisor Maxwell and adopted by voters in 2008.

The Conceptual Land Use Plan for the Project attached as Exhibit F, applicable provisions of the Term Sheet, and the proposed Special Use District (“SUD”) will be used as the basis for the proposed Prop D Land Use Plan. The parties will submit the Prop D Land Use Plan to the Port Commission and the Board for approval concurrently with the Transaction Documents.

In addition, Master Developer will assist the Port in preparing a Prop D Financing Plan. The parties will agree on whether the Port will submit the Prop D Financing Plan to the Board for consideration concurrently with or after the Transaction Documents. Before the parties complete the Prop D Land Use Plan, the Port will determine the need for a Prop D Financing Plan for Pier 70 public benefits outside the Waterfront Site, which may include open space, historic rehabilitation, or transit serving Pier 70.

Public Trust Swap

Portions of Pier 70 are historic uplands that were never submerged tidelands subject to the public trust. To address the land use restrictions and title uncertainties associated with Pier 70’s patchwork of trust and non-trust parcels, Port staff sought legislation authored by Assemblymember Tom Ammiano to address the public trust at Pier 70 (AB 418, 2011). AB 418 allows the State Lands Commission (“State Lands”) to approve a public trust exchange to reorient which of Pier 70’s lands are subject to the trust and are free of the trust.

Port and Forest City staff have initiated preliminary discussions with State Lands staff about a proposed trust exchange that would reorient all of the Waterfront Site’s

development parcels as non-trust parcels (Exhibit G). In exchange, the trust would be impressed upon equivalent land within Pier 70, including waterfront park areas and trust streets within the Waterfront Site. This public trust swap would vastly improve the Waterfront Site's ability to attract development while improving the quality and orientation of the public trust within Pier 70 by reorganizing the trust over the Shipyard, park areas and streets to access these areas. After the Waterfront Site development parcels are removed from the trust, the Port may sell or ground lease them without public trust limitations on use, sale, or length of lease. Under AB 418, all revenues from these parcels must be deposited into the Harbor Fund and used for trust uses.

Removing the Waterfront Site's development parcels from the trust will enable the Port Commission and the Board to consider sale of portions of the Waterfront Site and to lease other areas of the Waterfront Site for periods of up to 99 years, as further discussed under Deal Structure below.

DEVELOPER EXPERIENCE

Forest City California Development, Inc. is a subsidiary of Forest City Enterprises, Inc. a 90-year old, public traded real estate development company. As noted in the Port Commission staff report dated April 7, 2011,⁴ Forest City is highly qualified to develop the Waterfront Site due to substantial experience with projects of similar scope and scale, including the Washington Naval Yards (waterfront site near a working naval yard), University Park at MIT (technology campus on a land lease from Massachusetts Institute of Technology), and the Presidio Landmark (thoughtful new construction in a historic district). Forest City has strong experience in public/private partnerships, historic preservation, and new construction within historic districts. Forest City staff dedicated to the Waterfront Site includes both local staff with expertise in large-scale, public/private San Francisco development projects and senior staff with relevant specialized expertise nationwide. A description of Forest City's excellent financial capacity can be found in the Updates section above.

PUBLIC OUTREACH

Forest City has conducted a lengthy community outreach effort, reaching out to over 1,000 individuals from the community and various stakeholders, to better understand the site and surrounding neighborhood, potential users of the site and the goals of community stakeholders. As part of this outreach, the Master Developer has met with representatives of the following organizations and stakeholder groups:

- Dogpatch Neighborhood Association
- Potrero Boosters
- Potrero Hill Neighborhood House
- Potrero Dogpatch Merchants Association
- Noonan Building Artists, at community-wide meetings

⁴ A copy of the April 7 Port Commission Item 9A staff report and exhibits may be found at: <http://www.sfport.com/index.aspx?page=1774>

- Bethlehem Shipyard Museum
- Market Street Railways
- Mayor's Office of Civic Innovation
- Manufacturers and "makers" operating out of the American Industrial Center, located adjacent to Pier 70 and elsewhere in the Dogpatch neighborhood
- Local business owners
- Cultural institutions and innovators (Museum of Craft and Design, La Piccola Scoula, Romer Young Gallery, Dogpatch Howler, SoMaArts, GAFFTA, TechShop, Seedling Project, Flux, Intersection for the Arts, DEGW, Fare Resources, Gensler, BurningMan), and local artist Wendy McNaughton, who researched and visually represented the character, values, and priorities of the Dogpatch neighborhood and the people who live and work there.

As plans for the Waterfront Site have evolved, the Master Developer has also made presentations to members and/or leaders of following community groups:

- Port of San Francisco Central Waterfront Advisory Group
- Dogpatch Neighborhood Association
- Potrero Boosters
- BAE Ship Repair
- American Industrial Center
- San Francisco Bicycle Coalition
- San Francisco Housing Action Coalition
- SF Architectural Heritage (Issues Committee)
- Port Commission
- California State Lands Commission
- Bay Conservation and Development Commission

The Project team has also held three community open houses on plans for the Waterfront Site, attracting approximately 600 attendees. These open houses have consisted of site tours, presentations on the proposed Project design and vision, and opportunities to provide feedback on the ideas being presented. This feedback has informed and improved Forest City's concept plan ("Waterfront Site Plan" or "Plan").

LAND USE PROGRAM SUMMARY

Utilizing the Port's Pier 70 Preferred Master Plan⁵ as a basis for developing the Waterfront Site's land use plan, Master Developer has refined the Preferred Master's Plan's concept while continuing to meet its goals. In developing the Waterfront Site Plan, Forest City conducted extensive and comprehensive due diligence. In addition to conducting the extensive community outreach described in the previous section, the Master Developer studied real estate market conditions and completed detailed infrastructure analyses and cost analyses.

⁵ See January 27, 2013 Port Commission Staff Report on Forest City Concept Plan and Pier 70 Preferred Master Plan <http://www.sfport.com/modules/showdocument.aspx?documentid=5294>

Forest City also completed user and industry research to explore how today's most innovative companies and workplaces are changing the form of commercial development. They examined these companies, which are among the types of tenants Forest City hopes to attract to the Waterfront Site, and their desire to locate in urban environments that contain a broad mix of creative and cultural uses and authentic character.

Based on this research, the Master Developer established a series of "Principles of Place" to guide the creation of a neighborhood that reflects the type of experiences, activities, uses, and sensibility that community stakeholders desire for the Pier 70 waterfront. Calling for a vibrant, authentic place with character similar to that of the adjacent Dogpatch neighborhood, these principles are consistent with the Port Commission's Master Plan for Pier 70 and include:

- Integrate the industrial past and rich history of the site
- Build sufficient density to support an active, locally-inspired waterfront experience
- Include a mix of uses, reflecting the best of San Francisco's unique neighborhoods
- Create spaces for the art, making, and design communities

Building on these principles, the Master Developer has developed a conceptual-level plan for the Waterfront Site. This Plan calls for mixed-use development that includes new waterfront parks, commercial office space, traditional retail and space for artists, makers, cultural events and other creative sector users, as well as the addition of housing. The Port and Master Developer anticipate that the Project will continue to evolve through modifications made through the environmental review process, the public review processes and, with regard to the final mix of commercial and residential uses, to market demands.

Land Use Program

The Master Developer proposes dividing the Waterfront Site into 20 to 25 buildable parcels which would be developed as a mix of commercial/office, retail, residential and parking uses. The Project will also include an "Innovation, Retail and Arts" use, which will include local-serving retail, arts and culture, small scale production, and market hall uses. These uses will permeate the street level environment, activating the Site and creating distinct character, which in turn will make the Waterfront Site a more attractive place to live and work.

The Project is proposed to include up to 3.25 million gross leasable square feet ("gsf") of above-grade development, comprised of newly constructed buildings ("Vertical Development") and historic rehabilitation of existing industrial buildings (the "Historic Improvements") consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties (the "Secretary's Standards"). This figure does not include square footage allocated to accessory and district parking or the 20th/Illinois Parcel.

The Term Sheet establishes the Vertical Development program at build-out as:

- a) Residential: 950 units in approximately 800,000 gsf of space, which may increase under the flexible zoning described under Site Zoning below
- b) Commercial, including Class A office and research and development space: up to 2.25 million gsf, adjusted according to the amount of residential and other commercial uses constructed at the site
- c) Innovation, Retail and Arts: up to 400,000 gsf, including up to 120,000 gsf of retail/arts or ancillary space in Buildings E-1A and E-1B and space in the ground floors of commercial and residential parcels

The Term Sheet establishes the Historic Improvements program as:

- d) Buildings 12 and 21: approximately 115,000 gsf of retail/arts or ancillary space and approximately 60,000 gsf of commercial office use
- e) Building 2: approximately 110,000 square feet of residential development (about 120 units)

Open Spaces, Parks and Recreation

The Project will include approximately 7 acres of new publicly accessible open space that connects the Waterfront Site with surrounding neighborhoods and the waterfront. The land use concept envisions these parks as a series of four open space “rooms.” These open spaces will benefit from adjacent new indoor uses that will attract visitors and, in some cases, help activate the opens spaces.

The overall open space program is designed to complement the adjacent system of waterfront open spaces (the Blue Greenway/Bay Trail) and will be designed so that the “rooms” can be programmed distinctly but can also be experienced together as a single large open space. These park spaces will function as follows:

1. Market Square will be a courtyard-type open space bounded by two of the Waterfront Site’s historic resources, Buildings 2 and 12. Market Square will be the most intimate open space at the Waterfront Site and will be activated by the adaptive reuse of Building 12. It will connect to the future Machine Shop Courtyard Open space planned for the Historic Core district of Pier 70 (being developed by Orton Development). Market Square is designed to accommodate special events and market days, which will complement the adjacent production uses and help activate the open space.
2. Slipways Commons will be the primary open space that connects the Waterfront Site’s historic resources to the waterfront. Slipways Commons will be a significant design feature of the Pier 70 Waterfront Site and generally aligns with the former World War II slipways that connect the water to Building 12. The Innovation, Retail and Arts ground floor uses adjacent to this open space will help activate the open space.
3. The Point will be a shoreline open space that connects with an extended 20th Street to the North and Slipways Commons to the south. This space will be a contemplative open space that offers great views to the ship repair dry dock operations and City skyline. The Blue Greenway will be aligned through this open space.

4. Slipway Promenade will be another shoreline open space that connects to Slipway Commons to the north and is accessible at the terminus of an extended 22nd Street. This open space will include the exposed ends of former slipways, which extend into the Bay and offer vistas of the Bay and City skyline. The Slipway Promenade will also be activated by ground floor retail, including restaurants and cafes. The Blue Greenway alignment will be through this open space, which is designed to connect with the future shoreline open space to be built at the former Potrero Power Plant site as part of that site's redevelopment.

In addition to the open spaces described above, the Waterfront Site's design includes a series of small plaza areas adjacent to the historic buildings and more active recreational uses on the rooftops of parking garages adjacent to Irish Hill. The development of these parks and open spaces will be distributed among the Project phases to assure completion is concurrent with the completion of adjacent vertical development.

Parks and open spaces will be owned by and remain under the jurisdiction of the Port and will be programmed by Developer, subject to Port approval and conditions of the San Francisco Bay Conservation and Development Commission ("BCDC") major permit applicable to the Waterfront Site. Maintenance of the parks and open spaces is proposed to be funded by Mello-Roos special taxes imposed on privately-owned and occupied land and buildings on the Waterfront Site.

Historic Resources

The Master Developer's plan for the Waterfront Site is consistent with the Port's plan for the treatment of the historic resources at Pier 70. The Port's Pier 70 Master Plan includes a historic preservation strategy based on extensive research regarding Pier 70's eligibility as a National Register Historic District. The Port has prepared the required nomination to the National Register of Historic Places. The Port will take the lead in securing the historic district designation, which will allow access to historic preservation funding sources and provide a framework for preservation and revitalization of the district. The Pier 70 Master Plan recognizes that significant new development is required to fund the historic preservation and establishes design guidelines to integrate that new development with historic preservation.

The Plan anticipates that some existing historic buildings will need to be removed from the Waterfront Site and that others can benefit from adding useable floor area. At the Waterfront Site, Buildings 2, 12, and 21, which total approximately 260,000 square feet, will be preserved. Their rehabilitation must comply with both the Secretary's Standards and the overall vision for the Pier 70 National Register Historic District.

These buildings will provide the foundation for an authentic, interesting, and attractive place that preserves historic neighborhood character, but urban design is also critical to achieving these historic district goals. The Pier 70 Preferred Master Plan's Infill Design Criteria include guidelines for preserving and highlighting historic qualities including the landscape, Bay shoreline, and the urban and industrial pattern of streets, rail lines, slipways, and docks. The Waterfront Site has been designed with special attention to

these considerations. The Project's proposed development density will further highlight the Waterfront Site's historic character by restoring the Site to historic population levels.

District Parking

Up to three of the Waterfront Site's parcels will hold structured parking ("District Parking" facilities) totaling approximately 1,200 parking spaces. A portion of these parking spaces will be allocated to the occupants of buildings that contain no parking or insufficient parking. This District Parking approach will reduce the Project's costs, as parking spaces within parking structures can be built in later Project phases and are less costly to build than parking spaces in mixed-use buildings, which in turn will make the underlying Port land more valuable. Because the District Parking will be provided in three separate garage structures, the Port and Forest City will be able to periodically re-examine parking needs and consider reduced parking ratios in later phases if justified by improvements in transit service to Pier 70. Reducing total parking would further reduce project costs in addition to supporting the City's transportation goals and allow the required land to be used for other residential or commercial development. The Term Sheet also provides that if the Port identifies additional funding, the District Parking Facilities may be increased in size to accommodate other Pier 70 parking needs, such as parking for the 20th Street Historic Core.

The final transaction documents will include an agreement on how District Parking Facilities will be financed, owned, and managed. The Term Sheet describes a preferred public financing strategy for the District Parking Facilities and several other financing strategies that the parties will continue to explore until the final Transaction Documents are prepared. Each of these strategies contemplates Port control of the garages once any Master Developer capital has been repaid, with a reasonable return.

Affordable Housing

New rental housing built for the Project will meet City inclusionary housing requirements. The Port and Master Developer will explore the feasibility of producing 80/20 tax credit projects in which individual residential rental buildings would include 20% inclusionary housing. The tax credits would enable the Project to deliver a greater number of affordable onsite units without increasing costs.

The Master Developer will continue to work with the City, including the Mayor's Office of Housing, to develop a preferred affordable housing strategy for possible condominium development and to explore other alternative ways to meet affordable housing requirements. Regardless of what types and percentages of affordable housing the Project provides, that affordable housing must be delivered in a balanced manner throughout the phasing of the Project.

Transportation Demand Management Plan

The Master Developer will coordinate with the Port and other Port Pier 70 tenants to implement a Transportation Demand Management Plan that provides a comprehensive strategy to manage the transportation demands created by the Project. The mixed-use nature of the Project's land use program, the transit options in the Central Waterfront, and the Waterfront Site's proximity to transportation resources and services support an

overall strategy of reducing single-occupancy vehicle trips and vehicle miles traveled. The Project will foster multiple modes of sustainable transportation and emphasize pedestrian, bicycle, and public transit options. The Master Developer and the Port will also work with SFMTA to explore opportunities for enhanced transit service that serves the entirety of the Pier 70 district as well as the growing Dogpatch neighborhood.

Jobs and Equal Opportunity Program

The Master Developer and the Port anticipate that the build-out of the Project will create thousands of construction and permanent jobs and that the planning, design, and construction work will provide substantial contracting opportunities for local contractors and professional service firms as well as countless businesses, employers, and organizations. The Master Developer will implement a Jobs and Equal Opportunity Program designed to ensure that a portion of the jobs and contracting opportunities generated by the Project be directed, to the extent possible (based on the type of work required and consistent with collective bargaining agreements), to local, small, and economically disadvantaged companies and individuals.

Site Zoning

The Master Developer and the Port will work with the Planning Department to establish the development parameters for the Project through a Special Use District ("SUD"), which will be incorporated into the City's Planning Code after environmental review is complete and the Project has been approved by appropriate Port Commission, Planning Commission, Board, and other regulatory actions. The Waterfront Site is currently zoned M-2 (Heavy Industrial).

A critical element of the design proposal for the Project is the need for flexibility to respond to future market demands. The proposed SUD will designate certain parcels as residential, certain parcels as commercial, and certain parcels to be zoned flexibly to respond to future market conditions, subject to a Waterfront Site-wide maximum of 3.25 million gsf.

Master Developer intends to propose that the SUD establish the following for the Waterfront Site, among other controls on development:

- (i) permitted uses, including flexible zoning to permit designated Development Parcels to be developed for either commercial or residential uses to allow for development that responds to market conditions⁶;
- (ii) height limits ranging from 30 feet to 230 feet;
- (iii) building controls regarding density, massing, and tower separation; and

⁶ Master Developer and Port will examine different flexible zoning arrangements during the Project entitlement phase, including Project variants with up to 2,000 residential units and corresponding reductions in commercial space within the sitewide maximum development envelope of 3.25 million gsf of space. These Project variants will be subject to public review during the entitlement phase.

- (iv) parking controls consistent with the parking ratios described in the Term Sheet.

A key design tenet is to retain lower-scale buildings over the slipways and to consider how best to locate height in relation to historic structures, open space, and the waterfront, while also incorporating the density necessary to support required infrastructure costs, project feasibility, and foot traffic. To retain this required density, a limited number of taller structures of up to 230 feet in height could be located on the Waterfront Site, within identified height zones. Community design engagement is ongoing and will further assist in defining the heights, which will likely be represented in the SUD as ranges corresponding to particular uses and parcels.

Master Developer will work with Planning and Port staff to develop design guidelines for development parcels included in the SUD that will inform design review. Following Planning Commission and Board approval of the SUD and related actions, the Port staff will request Port Commission actions to amend the Waterfront Land Use Plan to incorporate the SUD's development controls and limitations and the Waterfront Design and Access Element of the Waterfront Land Use Plan to incorporate design and design review guidelines for the developable parcels in the SUD.

Sustainability

The Master Developer will implement a Sustainability Plan that will provide a comprehensive strategy for the Project to exhibit the concepts and practices of sustainable community development throughout the lifespan of the Project. The Master Developer will collaborate with the Port and the City, specifically the Department of the Environment, the Planning Department, and the Port Planning Division, to develop the Sustainability Plan, which will be included in the final development agreement.

Multiple sustainable site strategies are being considered from the outset of horizontal development to enable vertical development design proposals to exceed compliance with Port Building Code requirements and achieve Project goals for integrated sustainable design and a low carbon community. The Project will also pursue status as a Type 1 Eco-District⁷ through the Planning Department's Eco-Districts initiative. Regardless of which specific sustainability approaches are implemented at the Waterfront Site, the Project will strive to be a leader in the realm of long-term sustainability planning and design.

BCDC and State Lands

The Port and Master Developer will apply jointly to secure state and regional approvals as necessary. These include State Lands staff approval of the Pier 70 public trust exchange (described in greater detail in the Public Trust Swap section above) and BCDC approval of any development within 100 feet of the shoreline. The Port and

⁷ Eco-Districts are characterized by a large amount of undeveloped land typically owned by a single property owner and are a strategy for integrating building and infrastructure projects. Type 1 Eco-Districts enable horizontal infrastructure development to be implemented in advance of vertical development to help optimize Eco-District goals. This type of Eco-District maximizes efficiencies in the delivery of goods provided by infrastructure through district-scale systems.

Master Developer also will consult with BCDC and the Association of Bay Area Governments regarding the approach to realigning the San Francisco Bay Trail and the Blue Greenway through Pier 70 as the area is developed.

DEAL STRUCTURE

Overview of Financial Structure

The Term Sheet discussions between the Port and Master Developer have yielded a financial structure where the Master Developer is responsible for funding (a) entitlement of the Waterfront Site and certain other portions of Pier 70 area, including the parcels along Illinois Street between Mariposa Street and 22nd Street (including the Port-owned 20th/Illinois Parcel and PG&E's Hoe Down Yard, subject to PG&E's consent), and (b) development of infrastructure and public facilities at the Waterfront Site, including underground utilities, site preparation, streets and sidewalks, parks and open spaces, and the rehabilitation of historic Buildings 2, 12, and 21. The Port and City retain the right to deploy other funding, including public financing in the form of Community Facilities District⁸ ("CFD") and Infrastructure Financing District⁹ ("IFD") proceeds, to directly finance publicly-owned infrastructure and public facilities that are eligible uses under CFD Law and IFD Law ("Qualified Project Costs") (utilities, streets, parks, etc.) in lieu of Master Developer's private equity ("Developer Capital").

The Port and the City will be obligated to acquire infrastructure and public facilities from Master Developer in accordance with a Financing Plan and Acquisition Agreement that will be incorporated into the DDA. Under the financial structure for this transaction, the Port will apply CFD and IFD proceeds ("Land-Secured Financing Proceeds") to the maximum extent permitted by law to pay for Qualified Project Costs before using land proceeds consisting of (a) revenues from the lease or sale of the 20th/Illinois Parcel, (b) revenues from the transfer of land transferred for vertical development by ground lease or sale and (c) one-half of unique new interim leasing revenues that the Port receives at the Waterfront Site with Forest City's assistance ("Land Proceeds").

Project sources will be used first to pay Master Developer a market-based 18% cumulative annual return ("Developer Return"), including a negotiated cost of carry on Qualified Project Costs ("Costs of Carry") on its Developer Capital. Land Proceeds will be used to pay Developer Return (excluding the Cost of Carry) on unreimbursed Developer Capital. Land Proceeds from the Port's conveyance of the 20th/Illinois Parcel will be designated specifically to pay Developer Return (excluding the Cost of Carry) on

⁸ The Board of Supervisors, with the Port Commission's approval as property owner, may form a Community Facilities District to levy special taxes within a development area to fund capital improvements and certain maintenance expenses pursuant to the Mello-Roos Community Facilities Act of 1982 (Cal. Gov. Code §§ 53311-53368.3) or the San Francisco Special Tax Financing Law (Admin. Code ch. 43, Art. 10) (in either case, "CFD Law").

⁹ The Board of Supervisors may form an Infrastructure Financing District to capture growth in property or possessory interest taxes from planned development to fund eligible capital improvements (Cal. Gov. Code §§ 53395-53397.11) ("IFD Law"). On April 23, 2013, the Board of Supervisors adopted Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land under the Jurisdiction of the San Francisco Port Commission.

Master Developer's Entitlement costs incurred before the DDA Effective Date. The Port may use any remaining Land Proceeds to repay Developer Capital or pay directly for Horizontal Development Costs in subsequent Project Phases, subject to reimbursement from Land-Secured Financing Proceeds on either a tax-exempt or taxable basis, as permitted by law. This treatment of Land Proceeds will not affect the basic principle of the financial structure that no Project Surplus will be distributed until the Port has paid Master Developer the Developer Return and repaid Developer Capital.

Once these sources have paid the Developer Return and repaid Developer Capital, subsequent lease or sale proceeds arising from the Project will be divided between the Port (55%) and Master Developer (45%). The Port will also receive a share of increases in land value through various forms of participation in vertical development. The overall financial structure is discussed in more detail in the remainder of this Section.

The proposed deal is structured around the principle that the parties will strive to maximize the amount of public finance proceeds available to pay for publicly-owned infrastructure and public facilities, minimize the amount of Master Developer's private equity used for these purposes, and provide Master Developer a risk-adjusted, market-rate return on equity.

Early Land Proceeds

The 20th/Illinois Parcel, consisting of two contiguous parcels divided by a proposed new 21st Street, is an important lead development parcel located outside the Waterfront Site as shown in Exhibit H. The parcel is proximate to existing utility infrastructure in Illinois Street, and is planned as the first new development parcel to go to market at Pier 70 (all of the 20th Street Historic Buildings under ENA contract with Orton Development Inc. are outside of the Waterfront Site). The Term Sheet provides a mechanism to competitively bid the 20th/Illinois Parcel early to minimize the accrual of Developer Return on Master Developer's entitlement costs as soon as feasible after the Project is approved by the Board. If the Port has not competitively bid the site within a year and transferred resulting proceeds to Master Developer within 14 months, the Term Sheet provides a mechanism for Master Developer to buy or lease the parcel on a prepaid basis at its appraised fair market value ("FMV"), which would also serve to minimize the accrual of Developer Return (excluding the cost of carry on Qualified Project Costs) on Master Developer's entitlement costs.

Master Developer will also be obligated to cause a Vertical Developer to enter into a fully prepaid ground lease with the Port for the first development parcel scheduled for vertical development in Phases 1 and 2 at the appraised FMV within two years after the applicable Phase begins. If the Ground Lease does not close within this 2-year period, the Port will have the right to offer the parcel publicly at its FMV, which will in no event be less than a minimum price established by the parties at DDA for each parcel.

Parcelization Strategy

The Project's land disposition strategy will treat the Waterfront Site as a series of 20-25 individual development parcels, as described above. Each parcel will be leased or sold to a "Vertical Developer" that will construct the buildings planned for that parcel and

receive revenues from renting or selling the space within them. For the majority of parcels, Forest City or its affiliates will have the option to serve as Vertical Developer for each parcel at FMV determined by appraisal at the time of the option. In instances when Forest City declines this option, a third party Vertical Developer will be selected through a competitive process. In all such instances, the sale or lease price will be verified as fair market value through consultation with the State Lands staff prior to lease execution to meet AB 418¹⁰ requirements.

The Term Sheet treats several of the parcels in a different manner. Two parcels adjacent to the planned Slipways Commons park are identified as locations for placemaking uses including Innovation, Retail and Arts space. These parcels will contain new buildings that are projected to cost more than the property values that the projected rents from these placemaking uses would generate, which may result in what amounts to a negative land value.¹¹ As such, the parties intend that these two parcels will be transferred to Master Developer under 99 year leases with no obligation to pay ground lease rent. Forest City will be obligated to fund the marginal costs of these buildings at its own expense, but the Port and Master Developer will continue to work with bond counsel to identify a public financing strategy to address these marginal costs in a manner consistent with CFD Law and IFD Law. The SUD and the DDA will include flexible zoning and mechanisms that will enable developing these sites for other uses if the currently proposed program is not deemed programmatically or economically viable.

Leases for the historic buildings within the Waterfront Site may each be structured in a somewhat different manner. The parties expect that the rehabilitation of Building 2, currently intended to be rehabilitated for residential rental housing, will be leased according to the FMV appraisal process described above. Buildings 12 and 21 may require public financing in the form of IFD proceeds to fund the historic rehabilitation of these resources. Like many other adaptive reuse developments involving historic structures with significant deferred maintenance and a program goal of significant public access, these sites may not have a positive land value. Accordingly, the Parties will continue to examine the best financial structure for the leases for Buildings 12 and 21, finalizing this portion of the negotiation before the Project is submitted to the Board for approval.

Leases for the development parcels, including the historic Buildings 2, 12, and 21, will be for terms of 99 years. The Term Sheet contemplates sale of some parcels for residential condominium uses only, subject to transfer fees on the second and subsequent sales of units of 1.5% in perpetuity. The parties will negotiate and include in the DDA a maximum percentage of total residential units to be developed as

¹⁰ AB 418 (Assemblyman Tom Ammiano, 2011) authorizes a public trust exchange of parcels within Pier 70 and requires the Port to lease or sell lands that are free of the trust for fair market value, with proceeds to be deposited in the Port's Harbor Fund.

¹¹ These placemaking buildings are proposed to be constructed on top of the Waterfront Site slipways, which require partial pile support along the edge of the slipways, with building foundations cantilevered over the concrete slipway structures themselves. Piles cannot be driven through the existing slipways.

condominiums. In California, the market disfavors property interests less than a fee for residential condominiums.

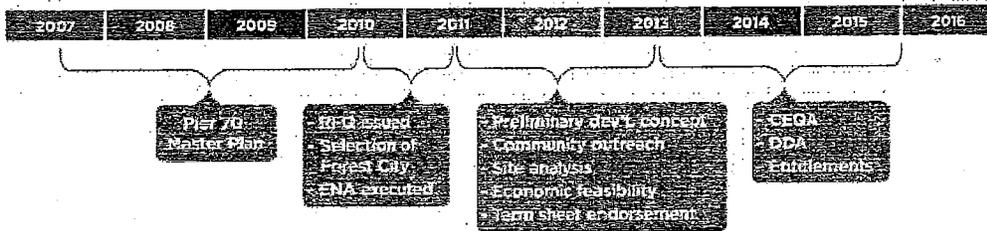
City staff supports this diverse approach to housing, including inclusionary on-site affordable housing, to allow families of different income levels and different needs to reside at Pier 70, including prospective home owners and renters. This approach will increase market absorption and speed development of the Waterfront Site as well as supporting the creation of a district that is attractive to office users to support the viability of commercial office use at Pier 70.

Phased Development and Related Infrastructure

To most efficiently align the delivery of infrastructure and buildings, horizontal development will occur in four phases. Each phase will consist of at least one Development Parcel, related infrastructure, and commensurate public benefits. The DDA will provide specific requirements for each phase, ensuring that the delivery of parks and other public benefits will be fairly distributed among phases. It will also include a Project Phasing Schedule that takes into account each phase's bonding and other financial capacity.

Exhibit I of this report shows conceptual Project phasing that reflects these considerations and that has informed the Port and Master Developer's financial analysis of proposed Project terms. However, the Master Developer will retain the ability to modify the scope of each phase and to develop phases in a different order from the Project Phasing Schedule, subject to the Port's reasonable approval. The Term Sheet aligns the Port's and the Master Developer's interests in using flexible phasing to quickly move development forward when supported by market conditions. Figure 2 below illustrates planned project phasing:

ENTITLEMENT TIMEFRAME



PROJECTED IMPLEMENTATION

PHASE	2015	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	Infra Construction												
2		Infra Construction	Infra Construction	Infra Construction	Infra Construction								
3				Infra Construction									
4											Infra Construction	Infra Construction	Infra Construction

FORESTCITY

Horizontal Development Costs

The Master Developer will incur horizontal development costs for predevelopment activities (e.g. design, environmental review, the negotiations process), site preparation, utility installation (e.g. power, water, and sewer infrastructure), street and sidewalk construction, and development of parks and open spaces. These costs are estimated at approximately \$179 million (in 2013 dollars), including predevelopment costs for the adjacent Pier 70 parcels that Forest City has agreed to entitle. As a point of comparison, the total Project cost, including the cost of developing all proposed buildings, is \$1.8 billion (in 2013 dollars). As described above, the Port’s Engineering Division has undertaken a comprehensive review of the proposed infrastructure plan and associated costs.

Forest City’s Phase 1 site due diligence has yielded substantially higher infrastructure costs than anticipated by the Port during the development of the Pier 70 Master Plan, as well as revealing site conditions that complicate development of buildings at certain locations on the site. The main drivers of these cost increases include:

- The need to elevate the site to address sea level rise;
- The need to install a secant wall along portions of the eastern shoreline to prevent lateral spread during a major seismic event (the secant wall is needed to prevent portions of the filled areas of Pier 70 from sloughing off into the Bay during a major temblor);
- Higher than expected utility infrastructure costs;

- The existence of large, concrete slipways through the center of the site, which creates additional site preparation and building foundation costs for construction in this area of the Waterfront Site; and
- Off-site intersection improvements not accounted for in the Master Plan.

Port Revenues

In early phases of the Project, the deal provides for the use of prepaid ground leases in order to generate early proceeds to pay return of Developer Capital and Developer Return as quickly as feasible, as described above. Although the Port will not receive ongoing ground rent from prepaid leases, each will include the Additional Port Participation described below.

Once the Master Developer has received the 18% Developer Return and all infrastructure and public facilities through all phases of the Project are complete and have been accepted by the City or the Port, rent on remaining ground leases will be paid on an annual basis, with annual ground rent split 45% to Forest City and 55% to the Port.

During the period between the Term Sheet endorsement and Port Commission and Board consideration of the final Transaction Documents, the parties will continue to examine methods to reduce reliance on fully prepaid leases or other mechanisms to support long-term revenue streams for the Port.

Due to unique and extraordinary risks associated with the Waterfront Site's entitlement and infrastructure needs and market position, the appropriate financial structure for the Project involves reducing market risk by the Port's deferral of revenues until the Master Developer has received its return of and on equity.

Additional Port Participation

In addition to receiving the revenues described above, the Port will benefit from the Project by receiving a percentage of gross revenues collected by the Waterfront Site's buildings, a share of net proceeds from the sale and refinancing of ground leases and fee parcels, and a condominium transfer fee payment on the re-sale of any condominium.

Summary of Anticipated Port Revenues

In summary, the Port will receive financial value from development of the Project from the following sources:

- annual ground lease rent from leases executed after infrastructure has been built and Master Developer has received the 18% Developer Return and return of Developer Capital;
- land proceeds in excess of amounts used to pay Developer Return or return of Developer Capital;

- participation in all building lease revenues (excluding the placemaking uses and Buildings 12 and 21), including participation in capital events and modified gross receipts starting in year 30 and increasing in year 60; and
- district parking garage revenues, after the cost of building the garages has been paid.

IFD Proceeds Generated to Finance Other Pier 70 Improvements

Pursuant to AB 1199 (Assemblymember Ammiano, 2010), the Board may form an IFD at Pier 70 that captures the State of California's share of property (or possessory interest) tax increment from the site, in recognition of the State's unique interests at the site. Such a Pier 70 IFD affords the opportunity to capture approximately 90 cents of each projected new property tax dollar (actual allocations are subject to State and City approval each year) to fund infrastructure and public benefits. The Term Sheet provides that 91.11% (approximately \$0.82 of each dollar under FY 2012-2013 allocations) of tax increment allocated to the Project will be used to fund infrastructure and public benefits within the Waterfront Site, with remaining tax increment available (8.89%, or approximately \$.08 of each dollar under FY 2012-2013 allocations) to the Port to fund infrastructure and public benefits throughout the remainder of Pier 70.

CEQA and Entitlement of Illinois Street Parcels Outside the Waterfront Site

Consistent with RFQ goals and objectives, Master Developer will assist the Port with entitlement of properties outside the Waterfront Site that will generate additional proceeds to the Port and the City. These sites are illustrated on the map attached as Exhibit H and include:

- 20th /Illinois Parcel. Subject to environmental review pursuant to the California Environmental Quality Act ("CEQA") for the Project, these two parcels, which are divided by 21st street, will be included in the SUD for the Waterfront Site, and will be fully rezoned with design controls.
- Hoe Down Yard. The City is negotiating separately with PG&E for an option to acquire the Hoe Down Yard. The current use of the site – soil recycling – is incompatible with the future development of Pier 70. Subject to written agreement between the City and PG&E and environmental review under CEQA, Master Developer will include the site in the SUD for the Waterfront Site, and will be fully rezoned with design controls.
- Illinois Street Parcels North of 20th Street. The Port's Pier 70 Preferred Master Plan contemplates additional new development pads north of 20th Street along Illinois Street. These pads include sites that are adjacent to the proposed Crane Cove Park, as well as new buildings north of the 20th Street Historic Core. If included in the SUD and rezoned, these sites would be considered part of the CEQA "project" for environmental review. The Port may use its own resources to concurrently entitle these sites with more detailed design controls within existing height and bulk limits established in the Planning Code.

- Other Historic Resources. The Port's Pier 70 Preferred Master Plan and BAE's ship repair operations plan require the demolition of some historic resources. These buildings will be considered in the cumulative impact analysis of the Waterfront Site Environmental Impact Report.

FINANCIAL DEAL TERMS

The key financial provisions of the Term Sheet are summarized in the chart below and represent the negotiations to date. The parties anticipate that the Project will continue to evolve through modifications made through the CEQA and public review processes and, with regard to the final mix of commercial and residential uses, to market demands.

Section and Title	Basic Terms and Conditions
1. Parties	The Port of San Francisco and Forest City Development California, Inc.
2. Site Description	The Pier 70 Waterfront Site is an approximately 28-acre parcel located east of Illinois Street in the Dogpatch/Central Waterfront, bordered generally by the San Francisco Bay on the east, 20 th Street on the north, 22 nd Street and the boundary of the former Potrero Power Plant on the south and the Illinois Street and 20 th Street parcels and the PG&E Hoe Down Yard to the west.
3. Project Description	The Pier 70 Waterfront Site Project will create a new mixed-use district at Pier 70 that leverages the Site's history, the waterfront setting, and the character and local experiences of the adjacent neighborhood, as described in the Land Use Summary section above.
4. Transaction Documents	<p>The parties anticipate the following primary Transaction Documents:</p> <ul style="list-style-type: none"> • <u>Disposition and Development Agreement</u> between the Port and Master Developer (the "DDA"). The DDA will set the terms and conditions for the disposition and development of parcels at the Waterfront Site. Under the DDA, the Port will enter into a ground lease with the applicable Vertical Developer (which may be Forest City or affiliates) for each development parcel or will enter into a purchase and sale agreement for development parcels to be sold in fee. • <u>Form of Ground Lease:</u> The form of ground lease to be used for development parcels at the Waterfront Site will be attached as an exhibit to the DDA. • <u>Development Agreement.</u> The Development Agreement will be a statutory development agreement between the City and Forest City, as authorized under Cal. Govt. Code Section 65864-65869.5 and the City's Administrative Code Chapter 56, and is intended to vest entitlements for the term through Project build-out and limit the applicability of new impact fees and exactions. • <u>Public Trust Exchange Agreement.</u> The Public Trust Exchange Agreement between the Port and the State Lands Commission will be the agreement implementing the public trust exchange pursuant to the authority of AB 418
5. Phasing	<p>The parties anticipate that the Project Site will be developed in up to four phases.</p> <ul style="list-style-type: none"> • Each phase will consist of one or more development parcels and associated areas

	<p>for streets, infrastructure, and open spaces.</p> <ul style="list-style-type: none"> Public benefits, including development of parks, will be distributed among the phases, assuring that these benefits are completed in coordination-with the completion of vertical development and associated infrastructure of each phase. The DDA will include a schedule of performance applicable to the Project, which shall set forth outside dates for the submittal of phase applications and the commencement and completion of Infrastructure within each phase. The DDA will set forth reasonable and customary provisions regarding adequate security for construction of improvements within the Waterfront Site, including completion requirements. The schedule of performance will be subject to delays for force majeure, as well as delays based on to-be-negotiated indicators of a down market.
6. Statutory, Regulatory, and Plan Amendments	The Project will require approvals by State bodies, including BCDC and the State Lands Commission. To the extent necessary and after consultation with staff of the State Lands Commission and Master Developer, the Port may seek technical amendments to the Burton Act and other state legislation.
7. Zoning	<ul style="list-style-type: none"> The Waterfront Site is currently zoned M-2. Master Developer will seek approval of a new Special Use District ("SUD") for the Waterfront Site, the 20th/Illinois Parcel, and the Hoe Down Yard (subject to PG&E consent). The SUD will, among other things, establish new height and bulk limits. The Waterfront Land Use Plan will be amended to incorporate development controls for the Waterfront Site, the 20th/Illinois Parcel, and the Hoe Down Yard (subject to PG&E consent) and will incorporate SUD limitations and other development requirements.
8. Developer Return	The Master Developer will be repaid for the costs it reasonably incurs for infrastructure and public facilities and will receive a cumulative annual return of 18% (including costs of carry on Qualified Project Costs in an amount that the parties will negotiate and include in the DDA) ("Developer Return").on invested risk capital ("Developer Capital").
9. Proceeds from 20th/Illinois Parcel and Other Parcels	Master Developer will include the parcel of land in Pier 70 known as the 20 th /Illinois Parcel in the approved Project SUD, and the Port will auction the parcel within one year after Project approval. Revenues generated from the lease or sale of the 20 th /Illinois Parcel will be paid to Master Developer to be applied to the accrued and unpaid Developer Return (excluding the cost of carry) on Master Developer's Project entitlement costs incurred before Project Approval. The Port, at its sole election and subject to reasonable financial protections negotiated in the DDA, may also sell other parcels within the Pier 70 area (outside of the Waterfront Site) and use the proceeds pay directly for horizontal development costs (subject to reimbursement with public financing proceeds), to pay the Developer Return, to repay Developer Capital (subject to reimbursement with public financing proceeds) and to pay any other unreimbursed Developer Capital and unpaid cost of carry after public financing proceeds have been exhausted.
10. Port Participation	<p>The financial deal structure affords the Port the following opportunities to receive one-time and on-going revenues from the value created on the Waterfront Site's land with the buildings constructed on the Site:</p> <ul style="list-style-type: none"> Prepaid ground rent, land sales proceeds, and 50% of net new interim lease revenues that Forest City brings to the site ("New Interim Lease Revenues") above

	<p>amounts that the Port uses to pay Developer Return on Developer Capital or to repay Developer Capital will be distributed to the Parties as shared profit after Master Developer achieves an 18% Developer Return and is repaid Developer Capital in full, with the profits split 55% to the Port and 45% to Master Developer.</p> <p>If Project account statements show that Master Developer has received the Developer Return the return of Developer Capital after all infrastructure and public facilities for the Project have been completed and accepted by the City and the Port, then all new Ground Leases that the Port conveys will include an annual ground rent obligation based on FMV (defined in Section 15), subject only to periodic escalation based on the Consumer Price Index (San Francisco-Oakland-San Jose, all urban consumers) with no market re-sets, and the Port will receive annual payments of 55% of the annual ground rent obligation, and Master Developer will receive or retain the remaining 45% (which may be pre-paid).</p> <p>Percentage Rent:</p> <ul style="list-style-type: none"> ○ Beginning in lease year 30, the Port will be entitled to annual payments of 1.5% of modified gross revenues from all buildings other than residential condominium buildings and Buildings 12, 21, Parcels E1A and E1B, and the district parking facilities. ○ Beginning in lease year 60, the Port will be entitled to annual payments of 2.5% of modified gross revenues on all buildings other than residential condominium buildings, Buildings 12, 21, Parcels E1A and E1B, and the district parking facilities. <ul style="list-style-type: none"> • Refinancings: The Port will be entitled to 1.5% of net proceeds from the refinancing of buildings on Ground Leases. • Participation in Transfer of Ground Leases and Fee Parcels: The Port will be entitled to 1.5% of net proceeds from the sale of ground leases or subsequent sale of fee parcels. • Condominium Transfer Tax: The Port will receive a 1.5% transfer fee payment on re-sales of condominiums (after the first sale). • Share of IFD Tax Increment: The Port will receive about 9% of the net available property tax increment (about \$0.08 per property tax dollars under FY 2012-2013 allocations) generated by development on the Waterfront Site and the 20th/Illinois Parcel for sitewide use at Pier 70.
<p>11. Horizontal Development Costs</p>	<p>Master Developer will be responsible for making horizontal improvements on the Waterfront Site. The Port and Master Developer anticipate using project-generated taxable or tax-exempt financing mechanisms to pay for qualified project costs of horizontal infrastructure, public facilities, and certain building costs if eligible (e.g., historic building rehabilitation, district parking facilities and placemaking uses for Parcels E1A and E1B). A Project financing plan that will be a part of the DDA will set forth all financing mechanisms that the parties anticipate using for the Project.</p>
<p>12. Public Financing Mechanisms</p>	<p>The primary financing mechanisms currently contemplated are:</p> <ul style="list-style-type: none"> • <u>Community Facilities District (CFD)</u>: Subject to agreement of the parties, the City will form a CFD, with improved areas annexed to the CFD at each phase. Special taxes will be levied against leasehold and fee interests in taxable parcels. The Port

	<p>will have an option at its sole election to form and bond against a CFD formed before any Development Parcels in a Phase are conveyed, with special taxes levied and collected at the maximum property tax rate.</p> <ul style="list-style-type: none"> • <u>Infrastructure Financing District (IFD) Project Areas:</u> The Project qualifies as a "Pier 70 district" for which a "Pier 70 enhanced financing plan" is authorized under applicable state laws enacted for the benefit of Pier 70. Consistent with Port IFD Guidelines, the City would form a single IFD consisting of all Port property ("waterfront district"). Following CEQA review, the City form a Pier 70 project area and adopt an infrastructure financing plan for the Waterfront Site and the 20th/Illinois Parcel ("IFD financing plan") allocating tax increment from the project area to the waterfront district to finance the costs of qualified Project costs. The parties will negotiate in detail eligible costs under the IFD financing plan with the goal of maximizing under the IFD law the eligibility for public financing of qualified Project costs. • <u>Bonds.</u> CFD (or IFD) bonds will be issued consistent with the DDA and Project financing plan on a tax-exempt basis to the maximum extent permitted by law, and on a taxable basis in other cases. Any bonds issued will be consistent with the Port's reimbursement obligations under the DDA, a phase budget, applicable federal tax law and regulations, other applicable law, and any acquisition agreement executed by the Port and Master Developer. <p><u>Maintenance Districts:</u> The parties will create a maintenance CFD over the entire Site. Maintenance special taxes levied against applicable taxable development parcels will provide pay-as-you-go funds for maintenance costs of certain public facilities on the Waterfront Site to be specified in the DDA.</p>
<p>13. Open Spaces, Parks, and Recreation</p>	<p>The Master Developer will develop approximately 7 acres of major new open spaces to create a distinct urban waterfront that capitalizes on the history of the Waterfront Site and complements other open spaces at Pier 70 and in the Central Waterfront. The development of these parks and open spaces will be distributed among the phases. Parks and open spaces will be owned by the Port and managed and programmed by Developer or a third-party operating entity subject to Port approval, subject to Port approval and conditions of the BCDC major permit. Maintenance of the parks and open spaces will be funded by special taxes imposed on vertical developers through the maintenance CFD.</p>
<p>14. District Parking Structures</p>	<p>The Project is anticipated to deliver approximately half of the parking for commercial users within office buildings and the other half within district parking facilities built in the later phases of the Project. Over the course of the DDA negotiations, the parties will explore financing options, which may include public financing of the District Parking Facilities, use of net operating income from the facilities, use of Developer Capital (subject to a 12% annual return on and repayment of capital invested), and use of Port Project proceeds. If Developer Capital is used to fund District Parking Facilities, return of and on Developer Capital would be funded by, among other potential sources, the Port's 55% share of the Project Surplus, if any. The preferred option for financing the district parking facilities involves a public financing strategy that would allow the Port to own the garages. Under the preferred option, the Port and City would pay for the district parking facilities with IFD, CFD or other public financing sources, and Port will own and manage them. If Master Developer constructs the district parking facilities on behalf of the Port, Master Developer would be entitled to a market-rate development fee based on the development costs. Except to the extent pledged and used to pay CFD or IFD bond debt service, the Port would retain all net operating revenues.</p> <p>Under any financing scenario, the Port would be required to make spaces available to</p>

	<p>Master Developer at market rates.</p> <p>The DDA may include parking spaces in the garages that would be available to the Port to serve other Pier 70 parking demand subject to agreed cost-sharing and easement agreements and other conditions. In addition, the flexible site zoning scheme will allow one or more of the parcels designated for the district parking facilities to be developed for residential or commercial use if not needed for parking.</p>
15. Master Developer's Option Rights	<p>Master Developer will have the right to purchase or lease each of the development parcels within the Waterfront Site at its fair market value through an option process. Development parcels to be developed primarily as for-sale residential condominiums will be transferred in fee. The Port will transfer all other development parcels by 99-year ground leases. All development parcels will be transferred at fair market rental value for ground lease parcels or fair market value for fee parcels (in either case, "FMV"), to be determined by appraisal. The parcels containing the district parking structures, Buildings 12 and 21, and Parcels E1A and E1B will be handled outside of the option process, as described in Sections 14 and 17 of this summary.</p>
16. Public Offerings	<p>For each development parcel for which Master Developer fails to exercise its option and for the 20th/Illinois Parcel, a public offering process will be used. Public offerings will be managed by a broker selected by the parties and the applicable development parcel will be made available to third-party bidders that meet bidder selection guidelines for residential and commercial parcels, to be set forth in the DDA. The Port will sell the parcel to the qualified bidder submitting the highest bid price that meets or exceeds the minimum bid price, set based on appraised fair market value, and the Port's receipt of the revenues will be applied to pay directly for horizontal development costs (subject to reimbursement with public financing proceeds), to pay the Developer Return, to repay Developer Capital (subject to reimbursement with public financing proceeds) and to pay any other unreimbursed Developer Capital and unpaid cost of carry after public financing proceeds have been exhausted.</p>
17. Placemaking Parcels (Parcels 12, 21, E1A and E1B)	<p>The Port will convey historic Buildings 12 and 21 to Master Developer under separate 99-year ground leases for rehabilitation and reuse consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties at ground rents reflecting the impact of the rehabilitation costs on fair market value (which could mean without any ground rent obligation). The parties expect that the Port will pay for qualified historic rehabilitation costs with IFD financing, but will continue to investigate the impact of any allocation of historic tax credits on the anticipated use of IFD, required lease terms if Master Developer obtains allocations of historic tax credits, and other legal issues required to be resolved for incorporation into the DDA.</p> <p>Master Developer will have an option to ground lease Parcels E1A and E1B from the Port at no cost for the establishment of placemaking uses. The parties will continue to investigate the potential use of land-secured financing sources to reimburse Master Developer's qualified costs to the maximum extent permitted by law. If the parties conclude that legal impediments prevent the use of these sources to reimburse Master Developer for its Developer Capital investment in these buildings, the Port will have no obligation to reimburse Master Developer for those costs. In any case, Master Developer will not be entitled to Developer Return on its entitlement and development costs associated with these parcels after the effective date of the DDA. The DDA and SUD will include provisions that may allow for other uses of and disposition process for these parcels if Master Developer elects not to exercise its option on these parcels.</p>
18. Noonan Building	<p>Forest City will offer each Noonan Building Tenant in good standing replacement space similar in size to the tenant's existing premises. Rent will be based on the current rent schedule for the building, escalated to the date of relocation by an index to be included in</p>

Tenants	the DDA.
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Development Risks

Though the Waterfront Site is publicly owned, the public-private partnership between the Developer and the Port is subject to the following standard risks associated with development:

Entitlement Risk

All developments that seek entitlements assume the risks that the process will last longer and be more expensive than expected and that the proposed project will fail to gain public support and regulatory approvals. This entitlement risk is compounded on a site that is as large and complicated as the Waterfront Site, especially given the high level of public scrutiny of waterfront locations. The Project's level of entitlement risk is reflected in the Master Developer's preferred return of and on pre-entitlement and infrastructure costs agreed to in the Term Sheet. The Port and the Master Developer have agreed that an 18% return on equity, compounded quarterly, represents a fair market return commensurate with anticipated Project risks.

The above financial terms reflect the level of investment balanced against the value created by the proposed amount of development. The Project can only expect to receive the projected level of revenue if the proposed density can be delivered. If a lower density is approved for the Waterfront Site, infrastructure and public benefits requirements would have to be reduced commensurately, and the lower density would negatively impact the Project's overall value. In this situation, new financial terms would need to be negotiated and approved by the Port Commission.

Financing Risk

The availability and cost of funding is a major risk for any development. By utilizing funding sources that are largely within public control (Port land value, tax increment, CFD bond issuance), the Project will reduce some of the typical financing risk. However, CFD bonds are ultimately subject to risk-based pricing from the bond markets to set price and availability.

Cost Risk

The parties are subject to uncertainty regarding the costs of entitlement and infrastructure development. The Project's phasing strategy will partially offset this risk by tying infrastructure development to anticipated building development. As noted above, additional costs from the entitlement of the Project are also a risk to be managed by the parties.

Market Risk

The structure of the Term Sheet exposes the Port to market cycle risks. Today the San Francisco market is one the strongest in recent history, supporting historically high land prices and sales prices for finished buildings. It is not reasonable to assume that current strong market conditions will exist over the span of the development period. The

Project is at risk of future development phases generating lower revenues than are currently indicated in the Project's pro forma analysis. The Term Sheet's financial structure balances this risk by positioning the Port to benefit when revenues exceed pro forma expectations.

Counterparty Risk

In long-term public-private partnerships, development risks can be addressed in part by reliance on the expertise and reliability of one's partner (and conversely can be exacerbated when those qualities are absent). The Developer, through the RFQ/P process, collaborative land-use discussions, and Term Sheet negotiations, has consistently exhibited expertise and shown the highest commitment to the public-private partnership.

Operating Risk

The Port's percentage rent income is dependent on the operating skills of the future Vertical Developers and subsequent building owners. This income is subject to the building owners' future capability to maintain high occupancy levels and rental income streams, to maintain and re-invest in the property to continue to capture high rents over time, and to seek new investment to maintain the buildings' competitive position in the market place. Forest City's option to serve as Vertical Developer for all parcels means that most or all of the income-generating development will be operated by a skilled and reliable developer.

NEXT STEPS

The Project team is seeking the Port Commission's vote on whether to endorse the Term Sheet on May 28, 2013. If the Port Commission endorses the Term Sheet, it will be submitted to the Board for endorsement and finding that the Project is fiscally feasible and that it is prudent to commence environmental review as required under Administrative Code Chapter 29. The Board action will include public hearings and opportunities for public comment. The Board review of the Term Sheet is consistent with the recommendations of the 2004 Management Audit of the Port by the Board's Budget Analyst as a means of providing the Board with an "early read" on Port development projects.

If the Port Commission and the Board endorse the Term Sheet, Port staff will move forward with Project entitlement and initiate the negotiation of Project transaction documents and an Environmental Impact Report pursuant to CEQA.

RECOMMENDATION

Port staff recommends that the Port Commission approve the attached resolution endorsing the Term Sheet as described in this staff report.

Prepared by: Brad Benson, Port Special Projects Manager
David Beaupre, Senior Waterfront Planner
Emily Lesk, Office of Economic and Workforce
Development, Project Manager

For: Byron Rhett, Port Deputy Director
Planning & Development
Jennifer Entine Matz, Office of Economic and
Workforce Development, Director of Waterfront
Development

Exhibits

Exhibit A - Site Map
Exhibit B - Term Sheet
Exhibit C - Developer Experience and Financial Capacity
Exhibit D - Summary Proforma Underwriting
Exhibit E - Fiscal Feasibility Report
Exhibit F - Conceptual Land Use Plan
Exhibit G - Public Trust Exchange Map
Exhibit H - Adjacent Parcels Map
Exhibit I - Illustrative Phasing Plan

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. _____**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns approximately 69 acres along San Francisco's Central Waterfront, roughly bounded by Mariposa, Illinois, 22nd Street, and the San Francisco Bay, known as Pier 70 which includes an approximately 28-acre subarea known as the "Waterfront Site", bounded generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, as shown in Exhibit A of the staff report accompanying this resolution; and
- WHEREAS, The Port Commission previously awarded to Forest City Development California, Inc. ("Developer") the opportunity to negotiate for the development of the Waterfront Site as a mixed-use development and historic preservation project (the "Project"), authorized Port staff to negotiate an Exclusive Negotiation Agreement (the "ENA") for development of the Site, and authorized the Executive Director or her designee to execute the ENA as set forth in Resolution Nos 11-21 and 11-49, which are incorporated by this reference; and
- WHEREAS, Developer and Port staff have negotiated the Term Sheet attached as Exhibit B to the staff report accompanying this resolution (the "Term Sheet"), which sets forth the essential terms upon which the Port and Developer will negotiate in good faith to reach agreement on the final development agreement, lease, and related documents ("Transaction Documents") and is incorporated by this reference; and
- WHEREAS, The parties acknowledge that the Term Sheet is not itself a binding agreement that commits the Port or Developer to proceed with the approval or implementation of the Project and that the Project will first undergo environmental review under the California Environmental Quality Act ("CEQA") and will be subject to public review in accordance with the processes of the Port Commission, other City departments and offices, and other government agencies with approval over the proposed Project before any entitlements and other regulatory approvals required for the Project will be considered; and
- WHEREAS, Forest City Development California, Inc. is a publicly-traded company with exceptional access to capital and Port financial staff have reviewed and confirmed Developer's financial capacity in amounts sufficient to satisfy its obligation to fund its remaining obligations under Phases 1 and 2 of the ENA; now, therefore be it

RESOLVED, That the Port Commission hereby endorses the Term Sheet and authorizes and directs the Executive Director of the Port, or her designee, to execute the Term Sheet following its presentation to and endorsement by the Board of Supervisors and a finding by the Board of Supervisors that the Project is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29 (the "Fiscal Feasibility Finding"), and if the Board of Supervisors fails to make a Fiscal Feasibility Finding for the Project or endorse the Term Sheet, to either terminate the ENA or negotiate revisions to the Term Sheet consistent with the Board of Supervisors resolution; and be it further

RESOLVED, That if the Board of Supervisors endorses the Term Sheet and makes a Fiscal Feasibility Finding for the Project, the Port Commission directs the Executive Director of the Port, or her designee, to work with the Planning Department and Developer to undertake review of the Project under CEQA and negotiate the terms and conditions of the final Transaction Documents, with the understanding that the final terms and conditions of the Transaction Documents negotiated between Port staff and Developer during the exclusive negotiation period will be subject to the approval of the Port Commission and as applicable, the Board of Supervisors and the Mayor; and be it further

RESOLVED, That the Port Commission reserves the right, if exclusive negotiations with Developer are unsuccessful and do not lead to approval of Transaction Documents, to undertake other efforts such as issuing a new request for qualifications or proposals, at the Port Commission's sole discretion; and be it further

RESOLVED, That the Port Commission's endorsement of the Term Sheet and direction to Port staff does not commit the Port Commission or the City to approve final Transaction Documents, implement the Project, or grant any entitlements to Developer, nor does endorsement of the Term Sheet foreclose the possibility of considering alternatives to the proposal, imposing mitigation measures, or deciding not to grant entitlement or approve or implement the Project, after conducting and completing appropriate environmental review under CEQA, and while the Term Sheet identifies certain essential terms of a proposed transaction with the Port, it does not set forth all of the material terms and conditions of any final Transaction Documents; and be it further

RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the Project, and the provisions of the Term Sheet are not intended and will not become contractually binding on the Port unless and until the Port Commission and the Planning Commission have reviewed and considered environmental documentation prepared in compliance with CEQA for the Project and the Project has been approved.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 28, 2013.

Secretary

Young, Victor

From: Lesk, Emily
Sent: Wednesday, May 29, 2013 3:22 PM
To: Jones, Jermain
Cc: Young, Victor; Stefani, Catherine
Subject: RE: Request for documents - BOS File 130495 - Term Sheet Pier 70
Attachments: Forest City ENA.pdf

Follow Up Flag: Flag for follow up
Flag Status: Completed

Victor,

With regard to #2 below, the map is Exhibit A of the ENA (Port Commission Resolution 11-49). I have attached the ENA, with exhibits, for your reference.

Emily

Emily Lesk
Direct: (415) 554-6162
Email: emily.lesk@sfgov.org

From: Jones, Jermain
Sent: Tuesday, May 28, 2013 3:38 PM
To: Lesk, Emily
Cc: Young, Victor; Stefani, Catherine
Subject: FW: Request for documents - BOS File 130495 - Term Sheet Pier 70

Emily,

Please see Victor Young's request for documents below.

Thanks,
jermain

From: Young, Victor
Sent: Tuesday, May 28, 2013 3:33 PM
To: Jones, Jermain
Cc: Stefani, Catherine
Subject: Request for documents - BOS File 130495 - Term Sheet Pier 70

Jermain:

Please provide the following documents for the above reference file:

1. Port Commission Resolution 10-27 referenced on Page 1 Line 18
2. Waterfront site map referenced on Page 1 Line 24. If it part of other submitted documents please let me know where.
3. Port Commission Resolution 11-49 reference on Page 2, Line 5
4. Future Port Resolution reference on Page 3, Line 3
5. In reference to Page 3, Lines 16-19, please let me know if this is referring to the Findings of Fiscal Responsibility and Responsibility Document.

Thank You.

Victor Young
Committee Clerk
Board of Supervisors
1 Dr. Carlton B. Goodlett Pl., Room 244
San Francisco CA 94102
phone 415-554-7723
fax 415-554-7714

Complete a Board of Supervisors Customer Satisfaction form by clicking the link below.
<http://www.sfbos.org/index.aspx?page=104>

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *per* Mayor Edwin M. Lee *gk*
RE: Term Sheet Endorsement - Development of Pier 70 Waterfront Site
Finding of Fiscal Feasibility
DATE: May 21, 2013

Attached for introduction to the Board of Supervisors is the resolution finding the proposed development of the Pier 70 Waterfront Site, an approximately 28-acre site located in the southeast corner of Pier 70, fiscally feasible under Administrative Code, Chapter 29, and endorsing the Term Sheet between Forest City Development California, Inc., a California corporation and the Port Commission.

Please note this item is cosponsored by Supervisor Cohen.

~~request that this item be calendared in Budget and Finance Committee on June 12th, 2013.~~

Should you have any questions, please contact Jason Elliott (415) 554-5105.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 MAY 21 PM 2:41

President, Board of Supervisors
District 3



DAVID CHIU
邱信福
市參事會主席

COB
BOS-11
Leg. Dep., Com
City and County of San Francisco
Clerk
✓(Budget)

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 MAY 30 AM 11:19
u

TO: Angela Calvillo, Clerk of the Board
FROM: Supervisor David Chiu DSC
DATE: May 30, 2013
RE: Waive 30 day hold on item 130495

Madam Clerk,

I hereby waive the 30-Day Rule on the following file:

130495 – Term Sheet Endorsement- Forest City Development- Development of Pier 70 Waterfront Site- Fiscal Feasibility; Sponsor Mayor, Malia Cohen; introduced 5/21/13 under the 30 day rule.

Thank you for your prompt assistance in this matter.

###

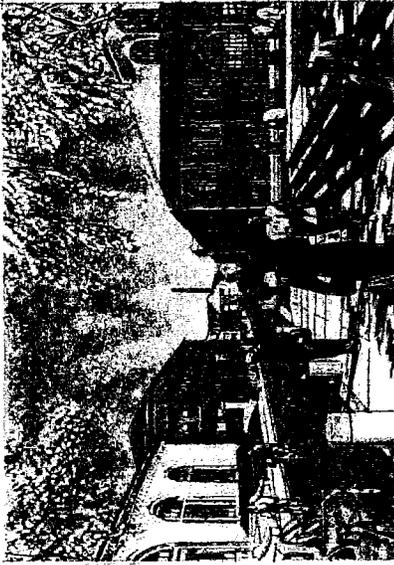
PIER 70 WATERFRONT SITE

TERM SHEET & FISCAL FEASIBILITY

MAYOR EDWIN LEE AND SUPERVISOR MALIA COHEN



PIER 70 HISTORY AND PLANNING

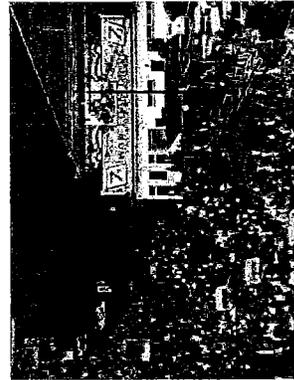


PIER 70
PREFERRED MASTER PLAN



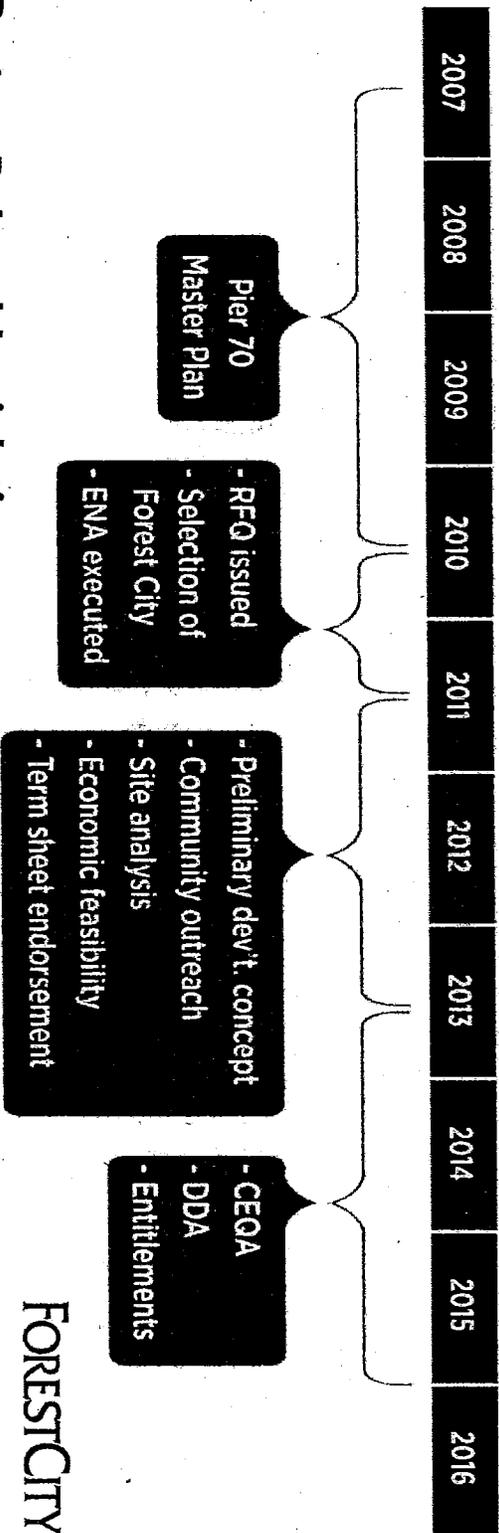
PORT OF SAN FRANCISCO
APRIL 2010

Create a vibrant and authentic historic district that re-establishes the historic activity level, activates new waterfront open spaces, creates a center for innovative industries, and integrates ongoing ship repair operations.



PROJECT MILESTONES & ENTITLEMENT TIMELINE

ENTITLEMENT TIMEFRAME

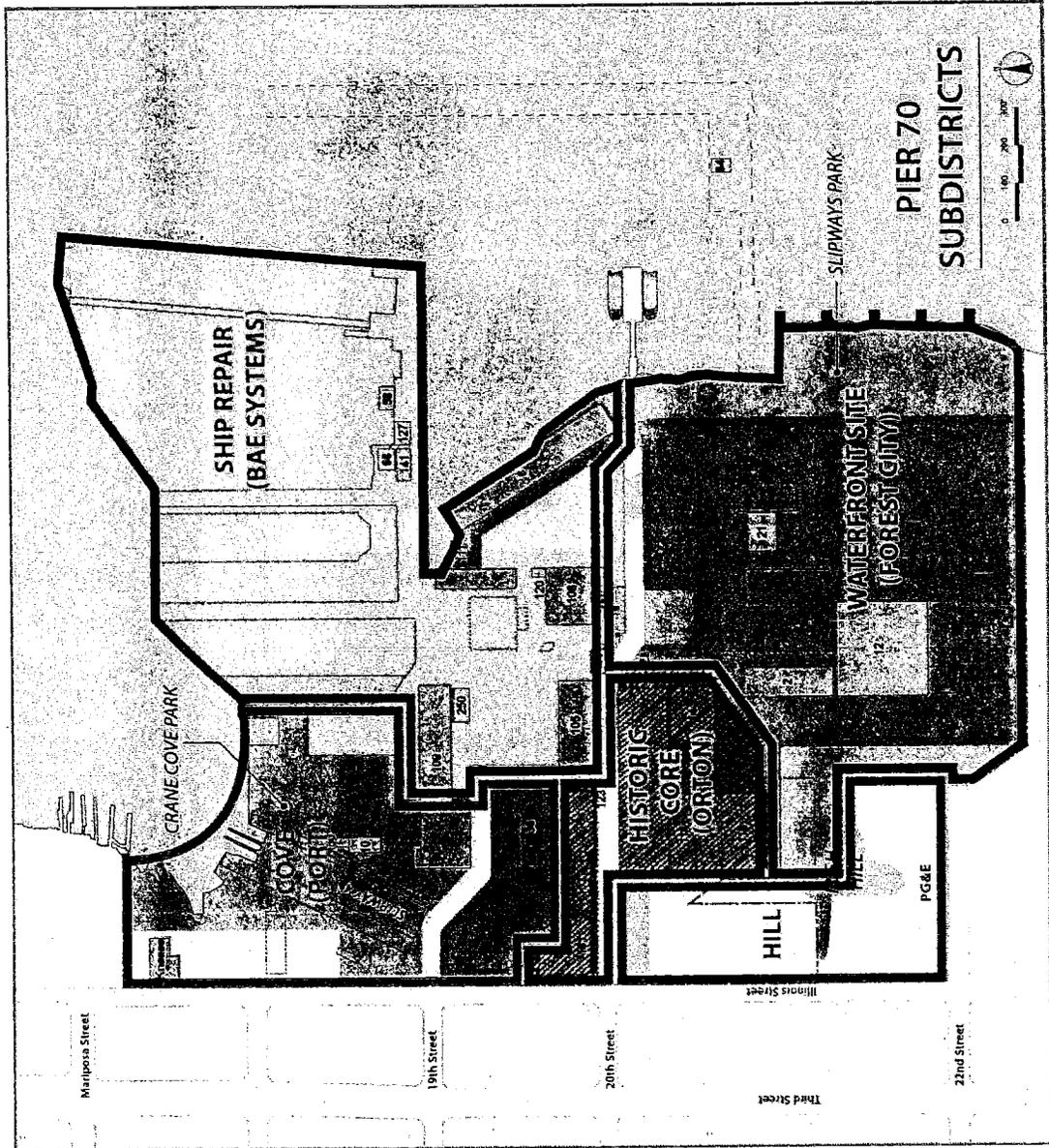


FOREST CITY

Project-Related Legislation

- Proposition D (Supervisor Sophie Maxwell), November, 2008
- AB 1199 (Assemblymember Ammiano), 2011 Pier 70 State Share of Tax Increment
- AB 418 (Assemblymember Ammiano), 2012 Pier 70 Trust Swap

28 ACRE WATERFRONT SITE



Mission of the Pier 70 Waterfront Site

Mission of Use

2097

History

Active Ground Plane

Local Experiences

Density

Unique Waterfront



CONCEPT FRAMEWORK

THIRD ST

20TH ST

ILLINOIS ST

22ND ST

THE COVE

SHIP REPAIR

HISTORIC CORE

2

12

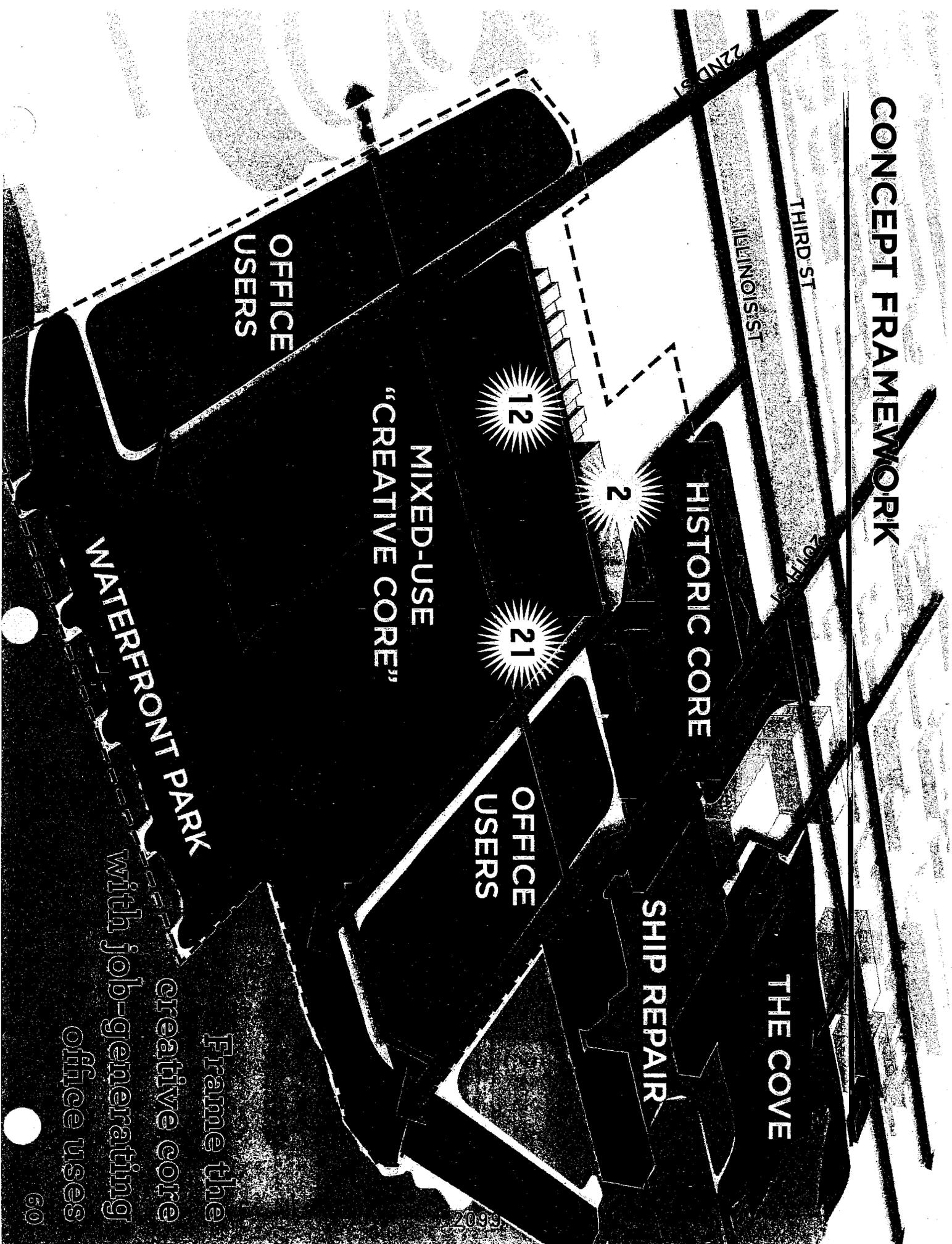
21

MIXED-USE
"CREATIVE CORE"

WATERFRONT PARK

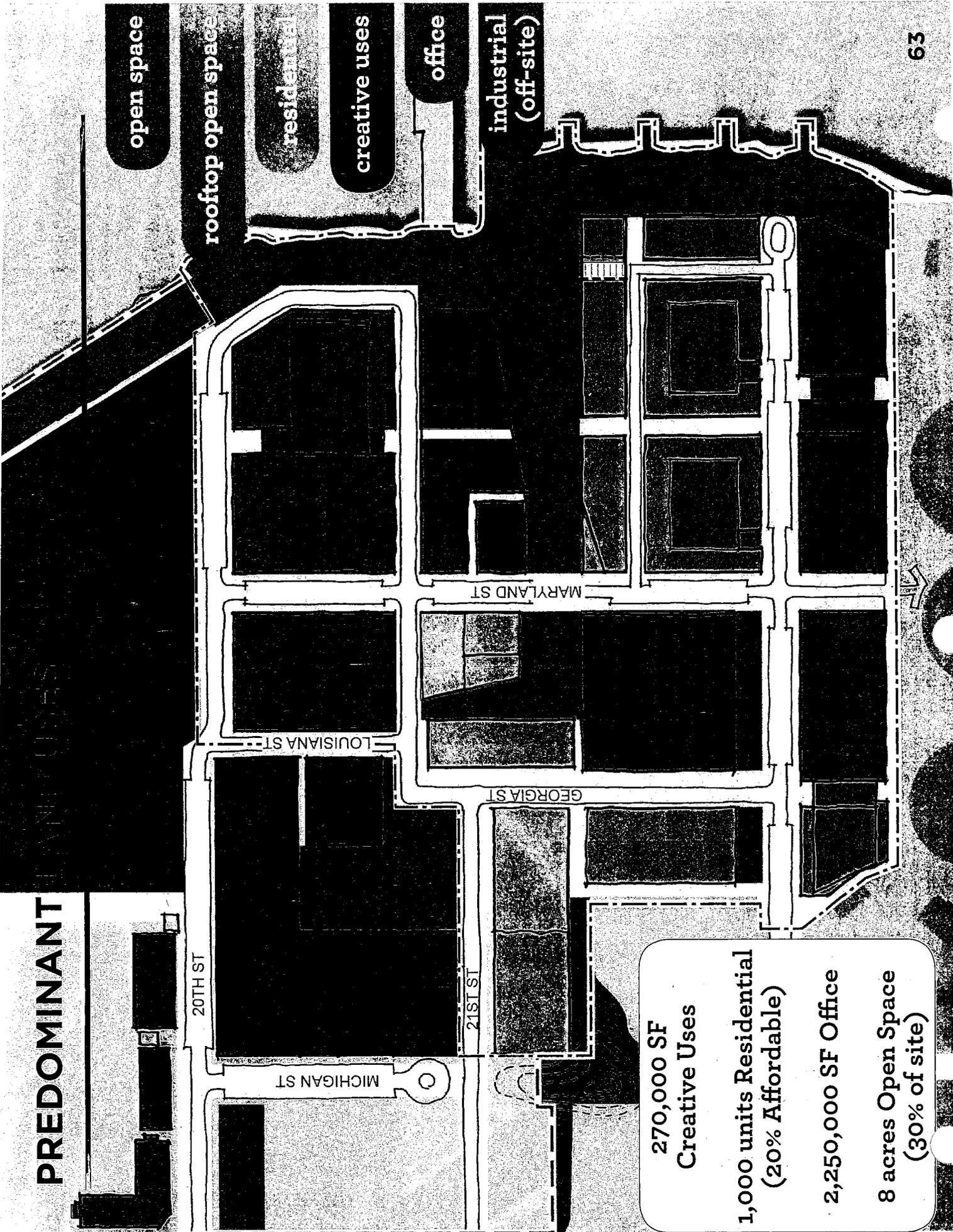
Place a
human-scaled
creative core at
the center

CONCEPT FRAMEWORK



Frame the
creative core
with job-generating
office uses

PREDOMINANT



ILLINOIS ST

2100

270,000 SF
Creative Uses

1,000 units Residential
(20% Affordable)

2,250,000 SF Office

8 acres Open Space
(30% of site)

open space

rooftop open space

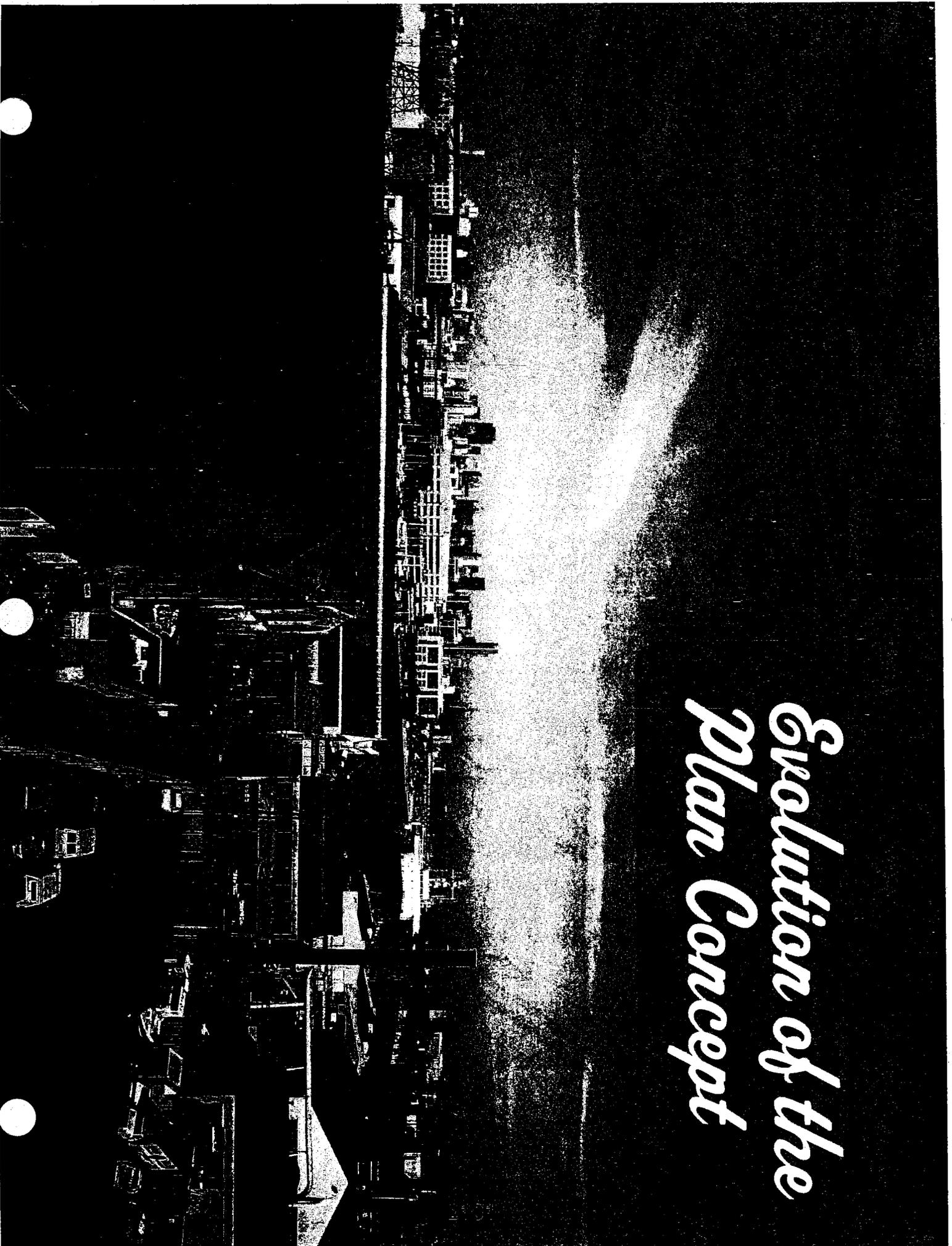
residential

creative uses

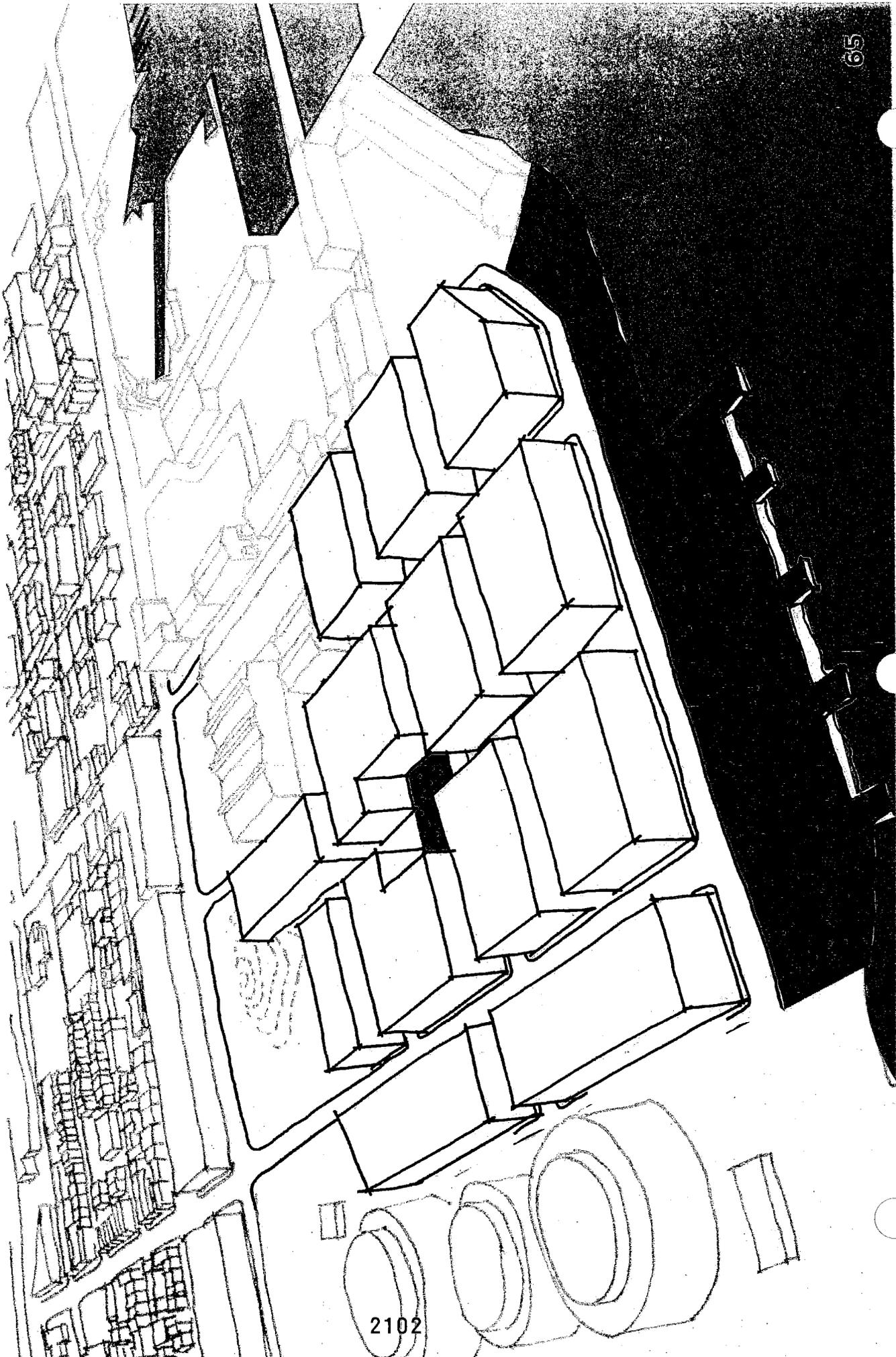
office

industrial
(off-site)

*Evolution of the
Plan Concept*



IF THE SITE WERE A BLANK SLATE + MISSION BAY FORM



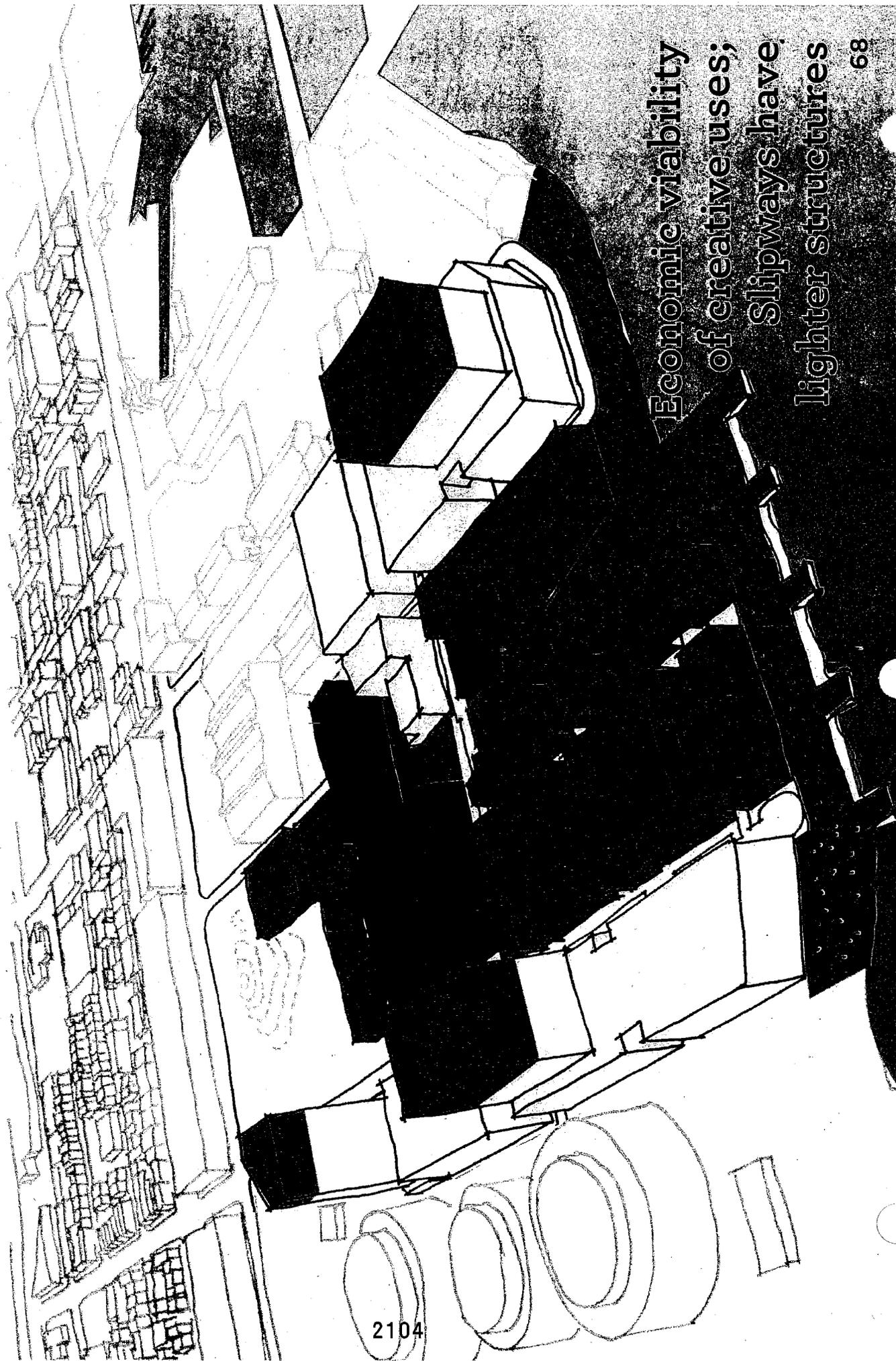
2102

CONNECT BUILDING 12 TO THE WATER



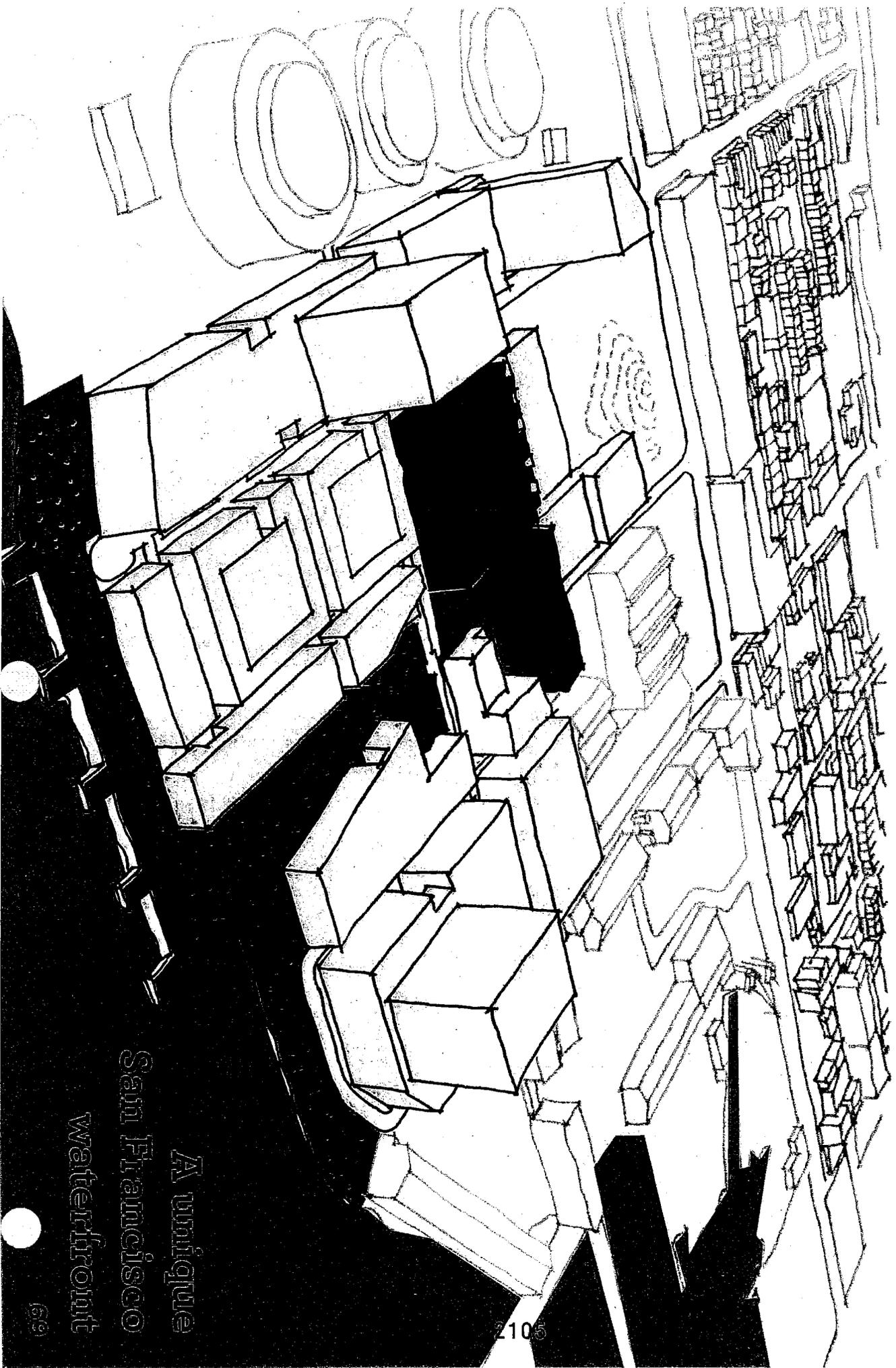
Create distinct
waterfront park
“rooms”

BUILD A LOWER-SCALED CREATIVE CORE



**Economic viability
of creative uses;
Slipways have
lighter structures**

SHIFT HEIGHT AND DENSITY TO THE EDGES

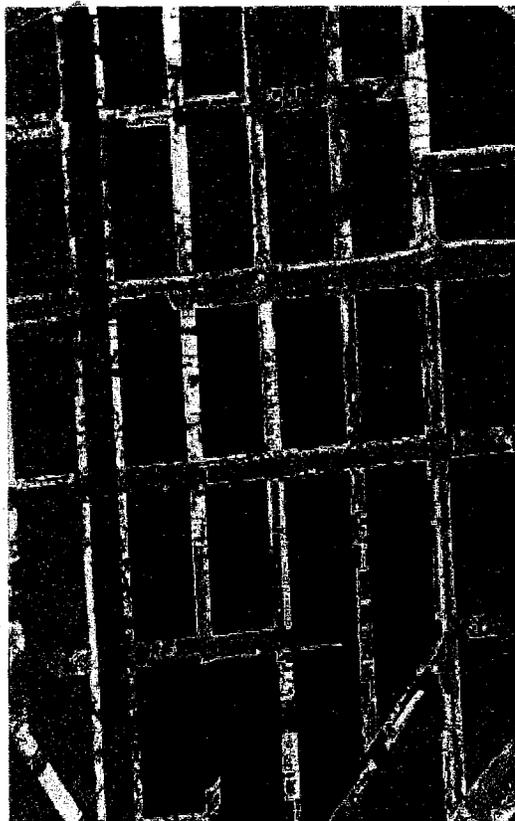


*A unique
San Francisco
waterfront*

NEIGHBORHOOD DENSITY COMPARED

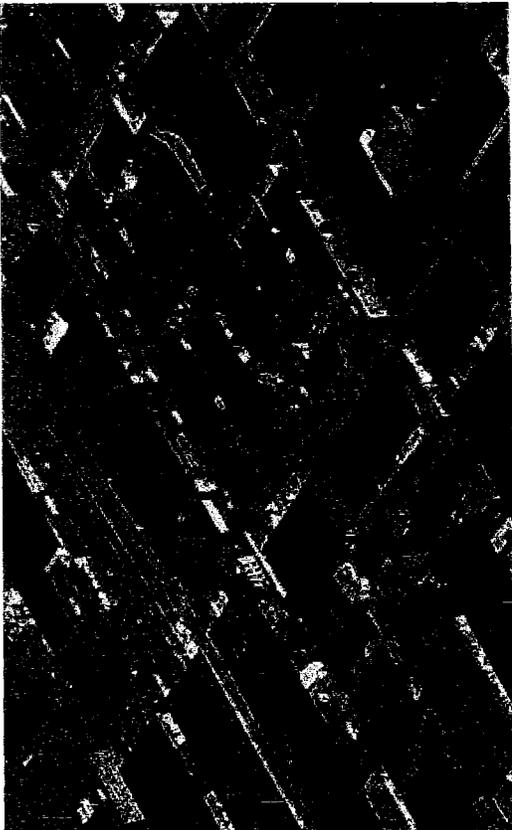
MISSION BAY density analysis

4.5 : 1



SOMA density analysis

3.8 : 1



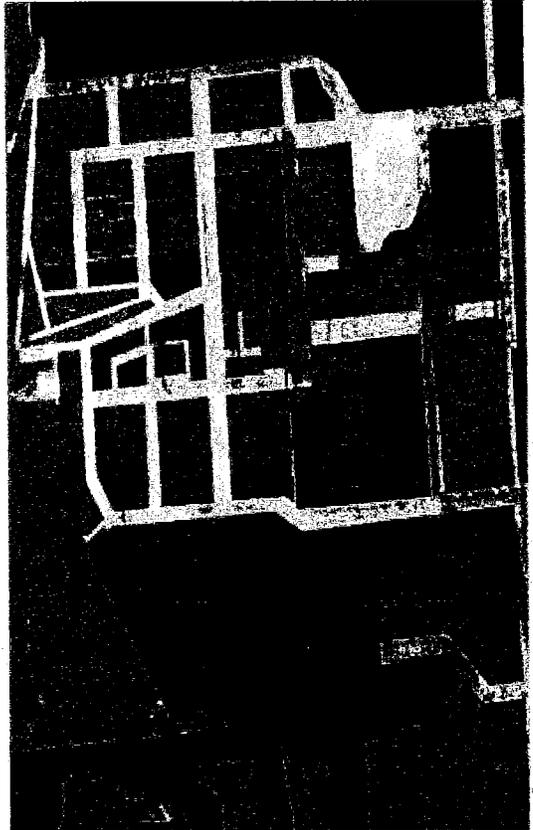
DOGPATCH density analysis

4.0 : 1

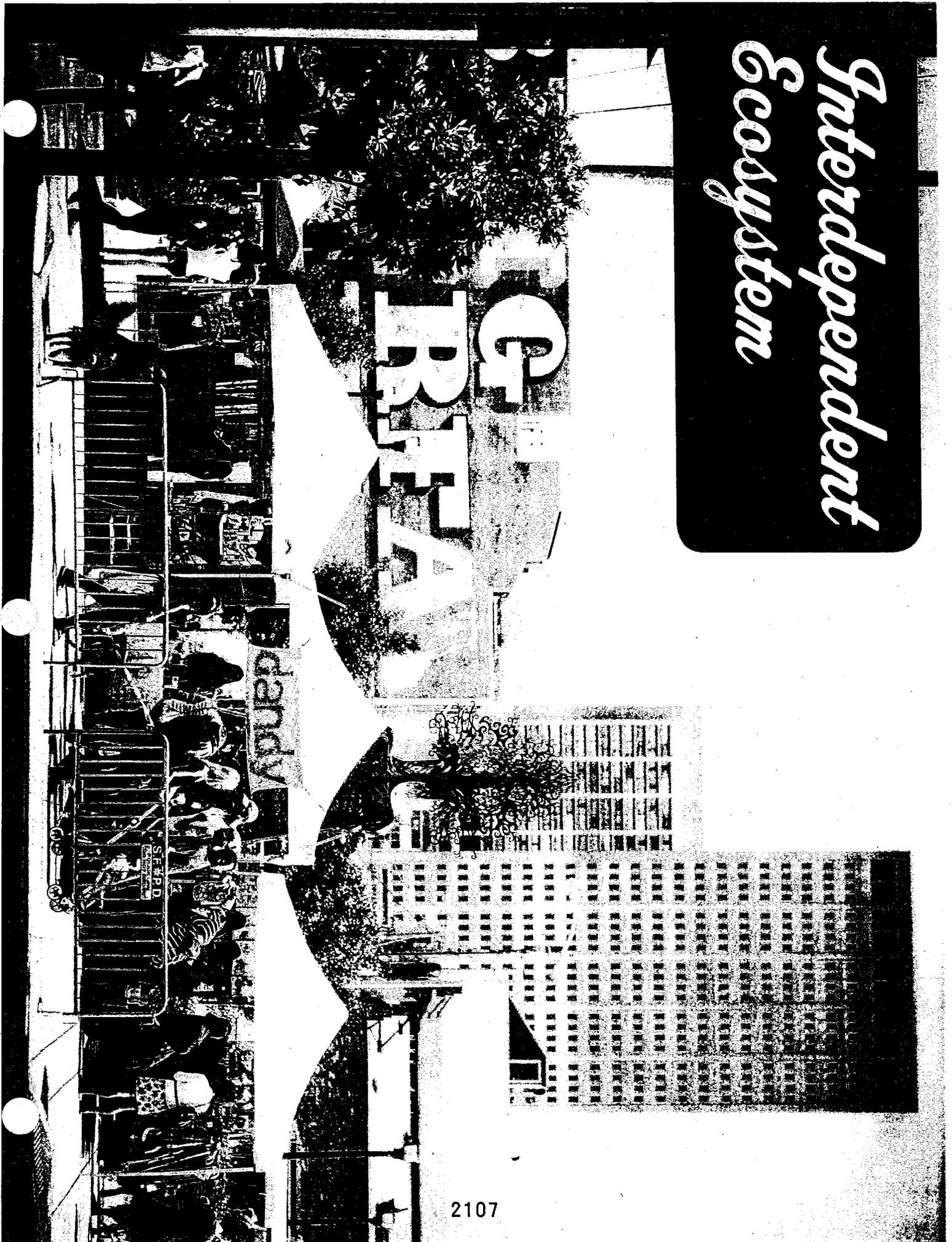


WATERFRONT SITE density analysis

4.0 : 1



Interdependent Ecosystem



GROUND FLOOR USES

community

neighborhood retail

café / restaurant

event

learning / culture

local production

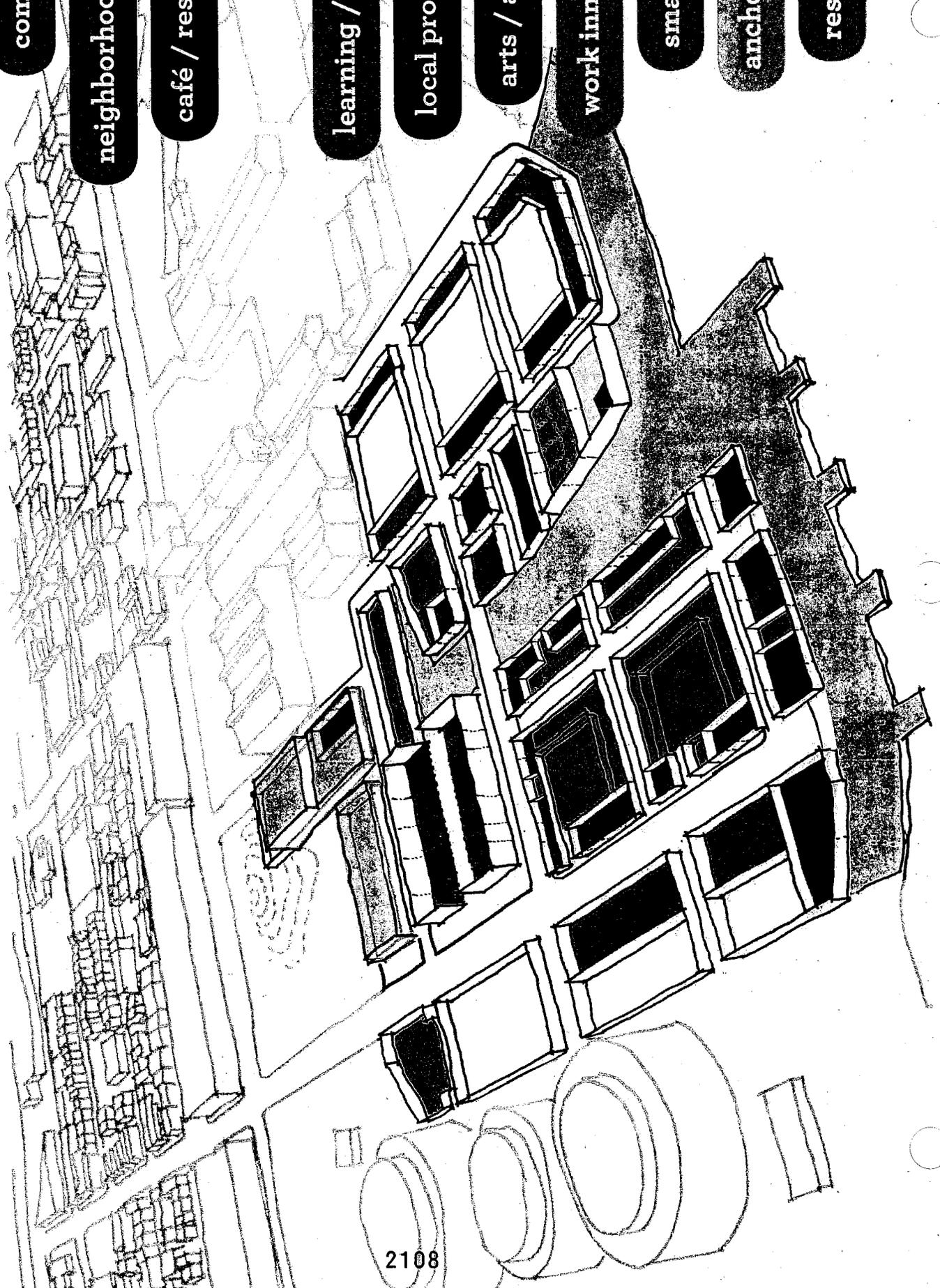
arts / artisans

work innovation

small office

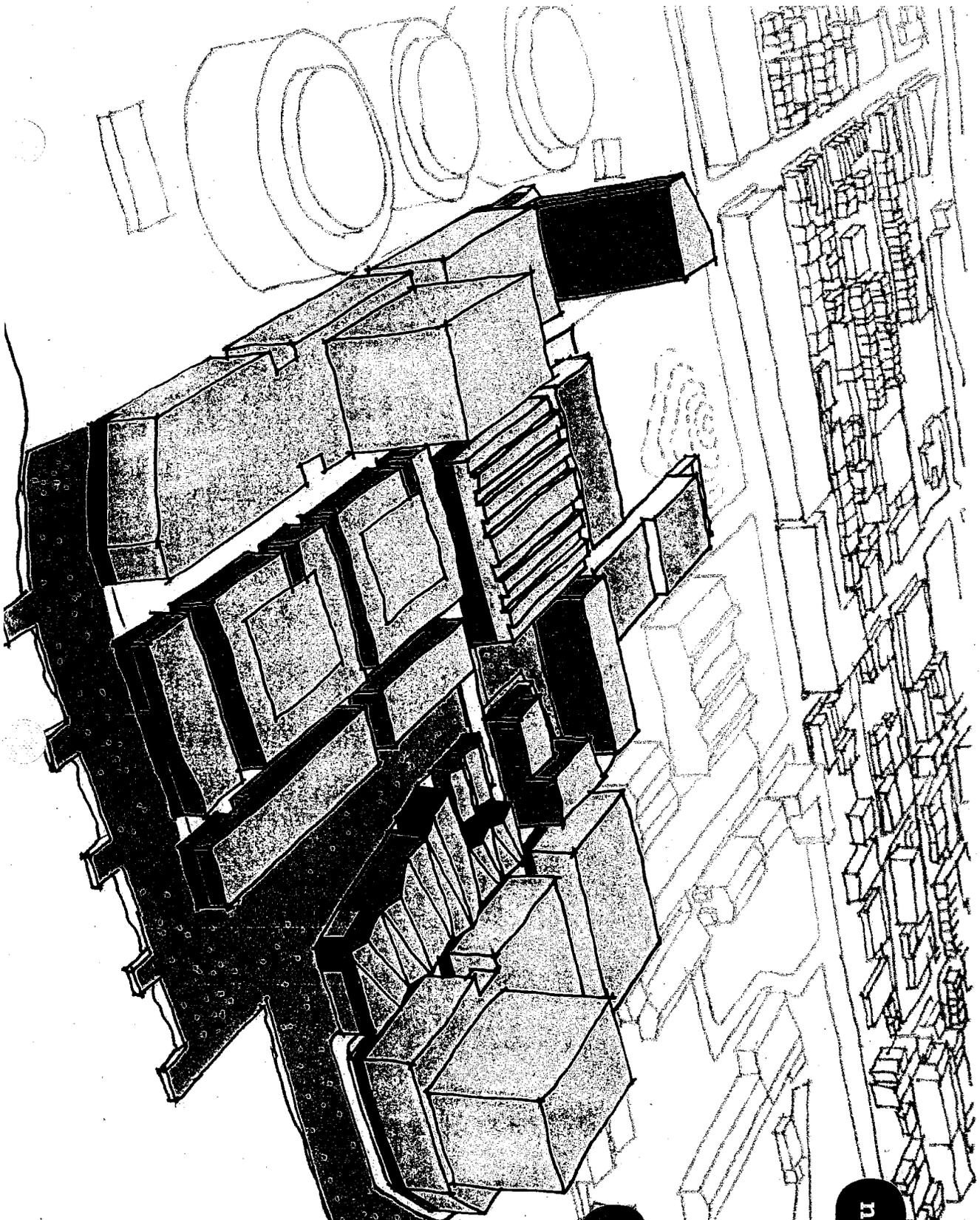
anchor office

residential



2108

ALL USES



community

neighborhood retail

café / restaurant

event

learning / culture

local production

arts / artisans

work innovation

small office

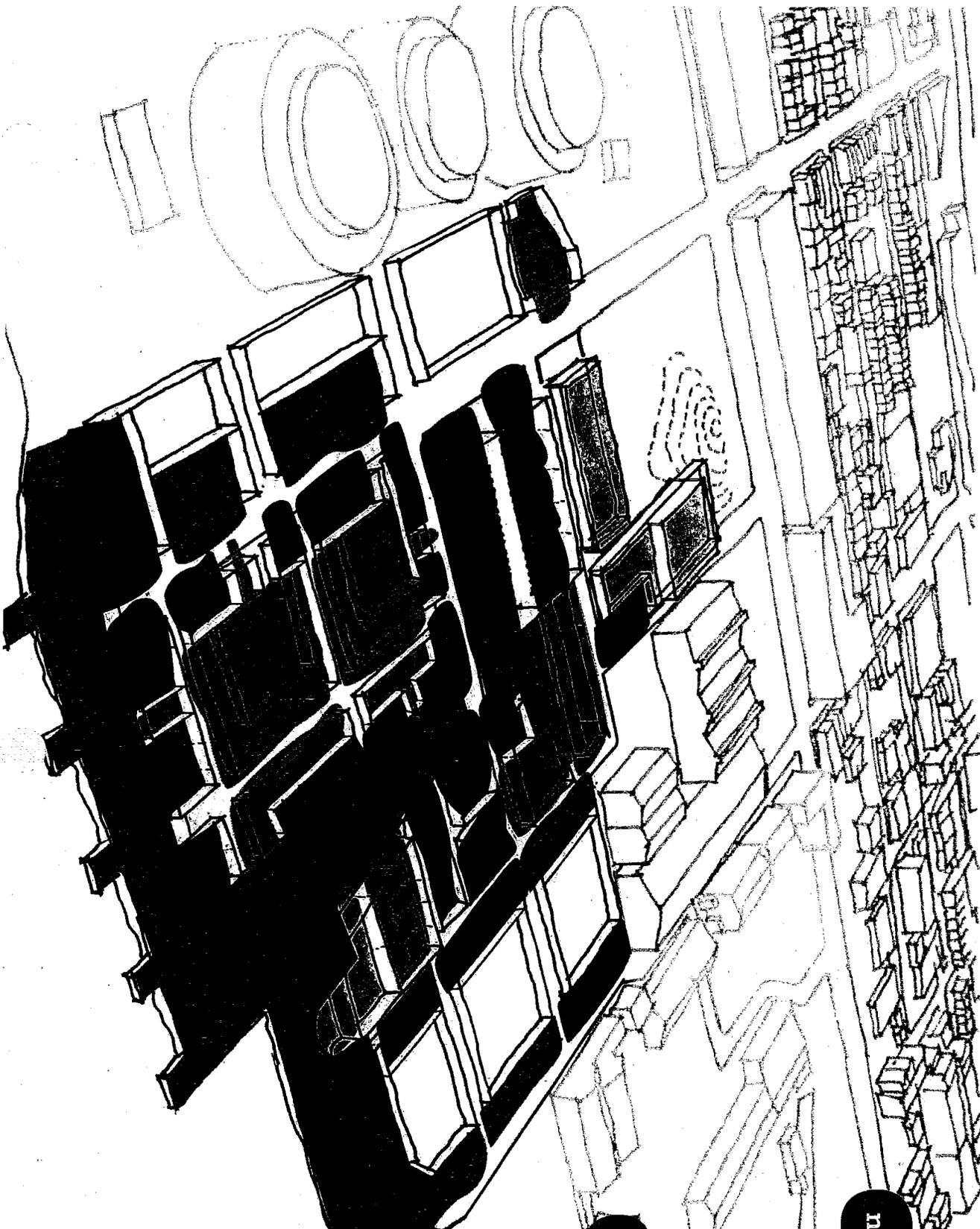
anchor office

residential



Open Space

ACTIVATED OPEN SPACE



- community
- neighborhood retail
- café / restaurant
- event
- learning / culture
- local production
- arts / artisans
- work innovation
- small office
- anchor office
- residential

ZONE ONE: MARKET SQUARE

community

café / restaurant

local production

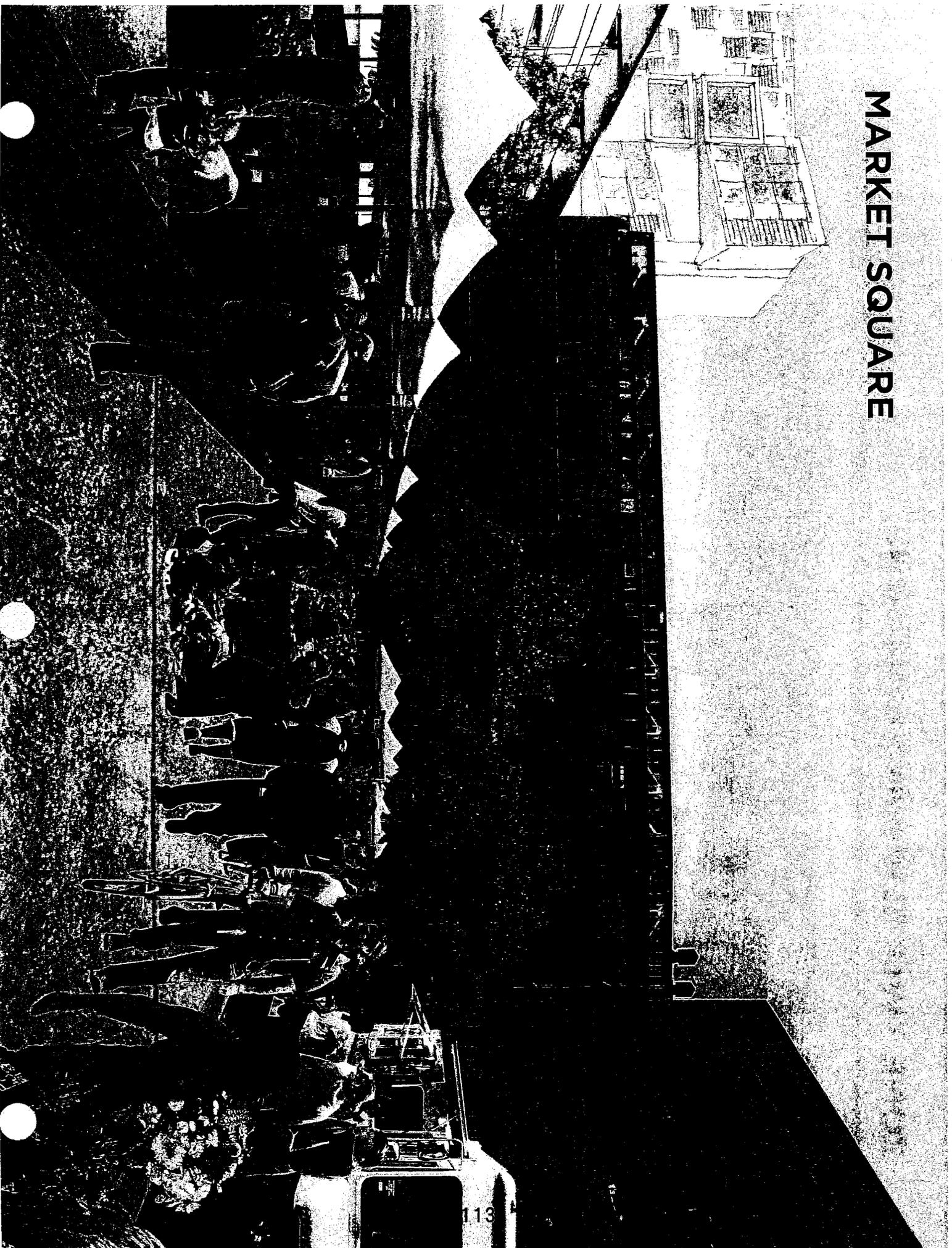
arts / artisans

residential



2112

MARKET SQUARE



ZONE TWO: SLIPWAYS COMMONS



neighborhood retail

café / restaurant

event

local production

arts / artisans

work innovation

residential

2114

SLIPWAYS COMMONS



ZONE FOUR: SLIPWAYS PROMENADE



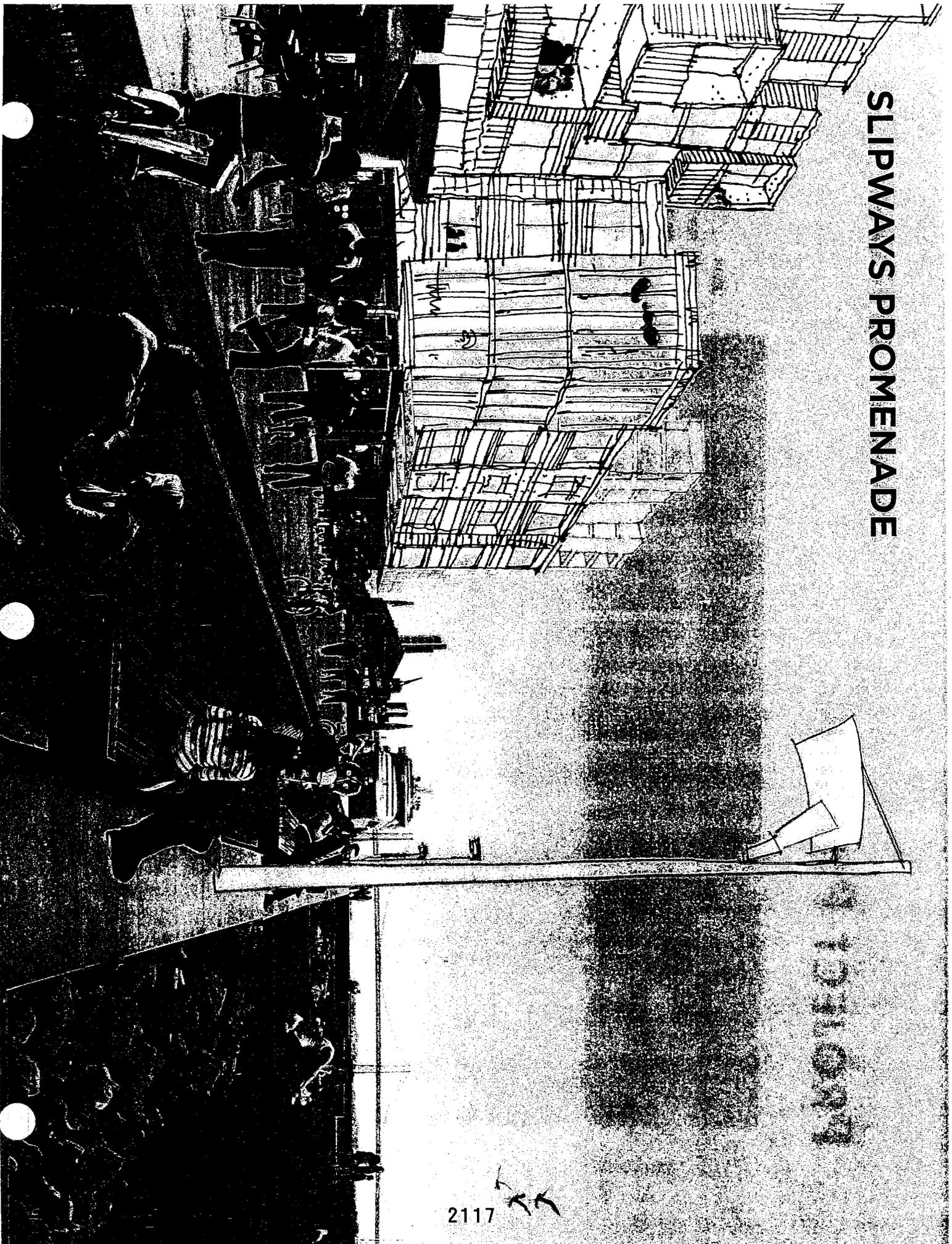
café / restaurant

local production

arts / artisans

residential

SLIPWAYS PROMENADE



PROJECT OVERVIEW

Mixed Use Development: 3.3 million gross square feet of gross leasable area, including historic rehabilitation of Buildings 2, 12 and 21, including:

Land Use	Approximate Amount
Commercial Office	Up to 2,225,000 sf
Cultural/Retail/Maker	270,000 sf
Residential	950+ units, mainly rental
Parking	Approx. 2,500 spaces

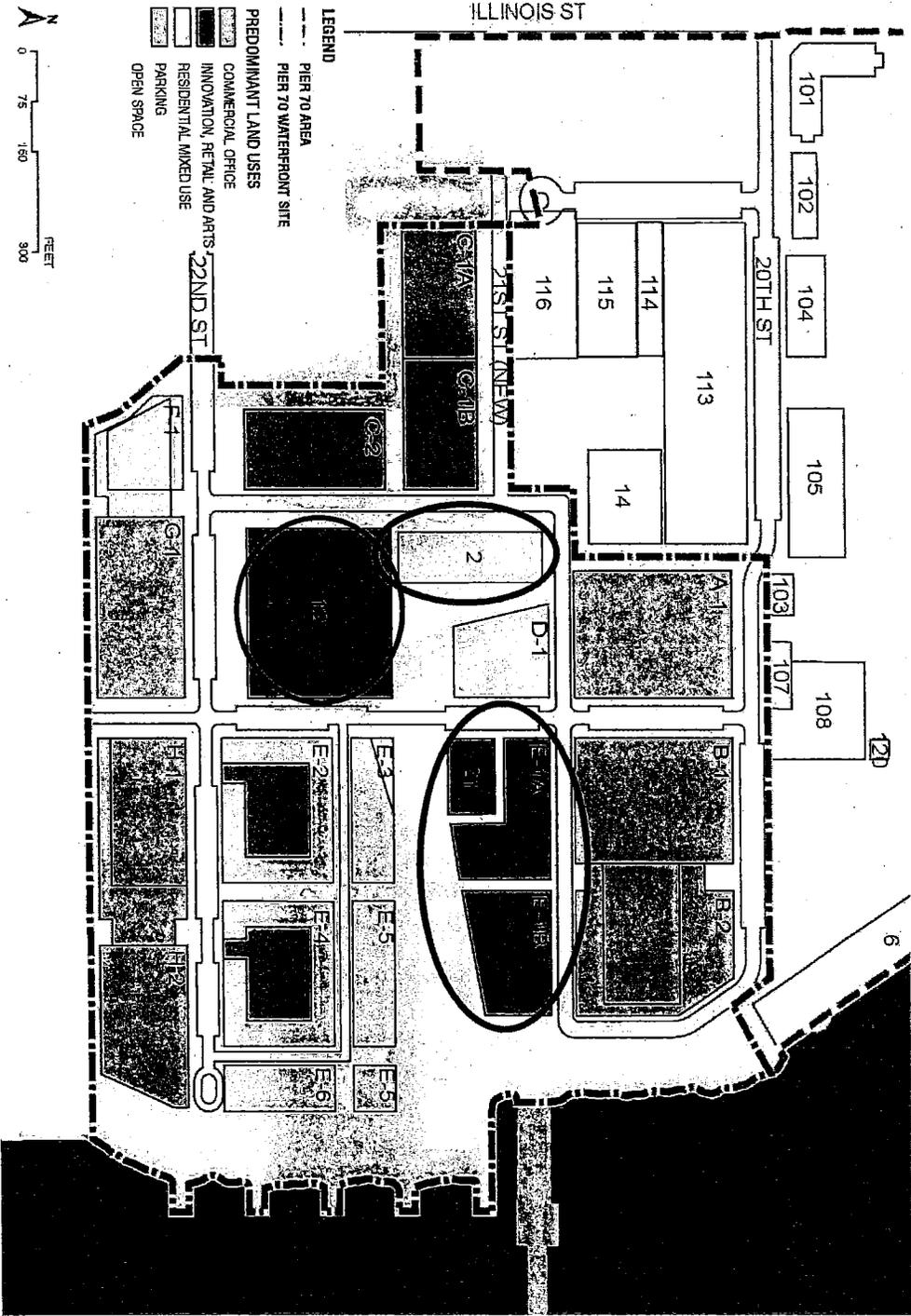
Open Space: Approximately 7 acres, including 4.5 acre Waterfront Park, courtyard space and rooftop recreation space.

Land Use Analysis

City Planning, the Port, OEWD and SFMTA conducted a four month process to analyze Forest City's proposed land use concept.

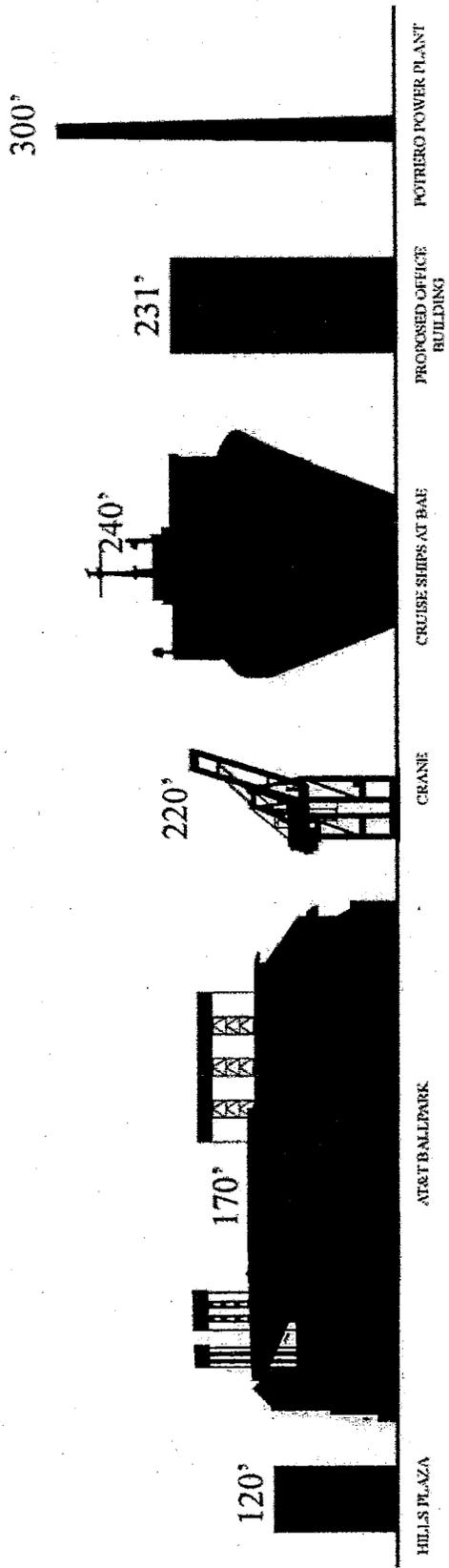
- **Density and Addition of Residential Uses:** High infrastructure costs and the desire for an active waterfront neighborhood warrant the total development footprint and the addition of 950 residential units.
- **Placemaking:** Small scale local production, arts and cultural users, small business incubators, retail and innovation retail, and other publicly-accessible and activating uses. Forest City has offered similar size space at prices based on the Port's current rents to artists in the Noonan Building.
- **Commercial:** Up to 2,225,000 sf of commercial office (depending on flexible zoning), consistent with the Port's Preferred Pier 70 Master Plan

HISTORIC REHABILITATION & PLACEMAKING

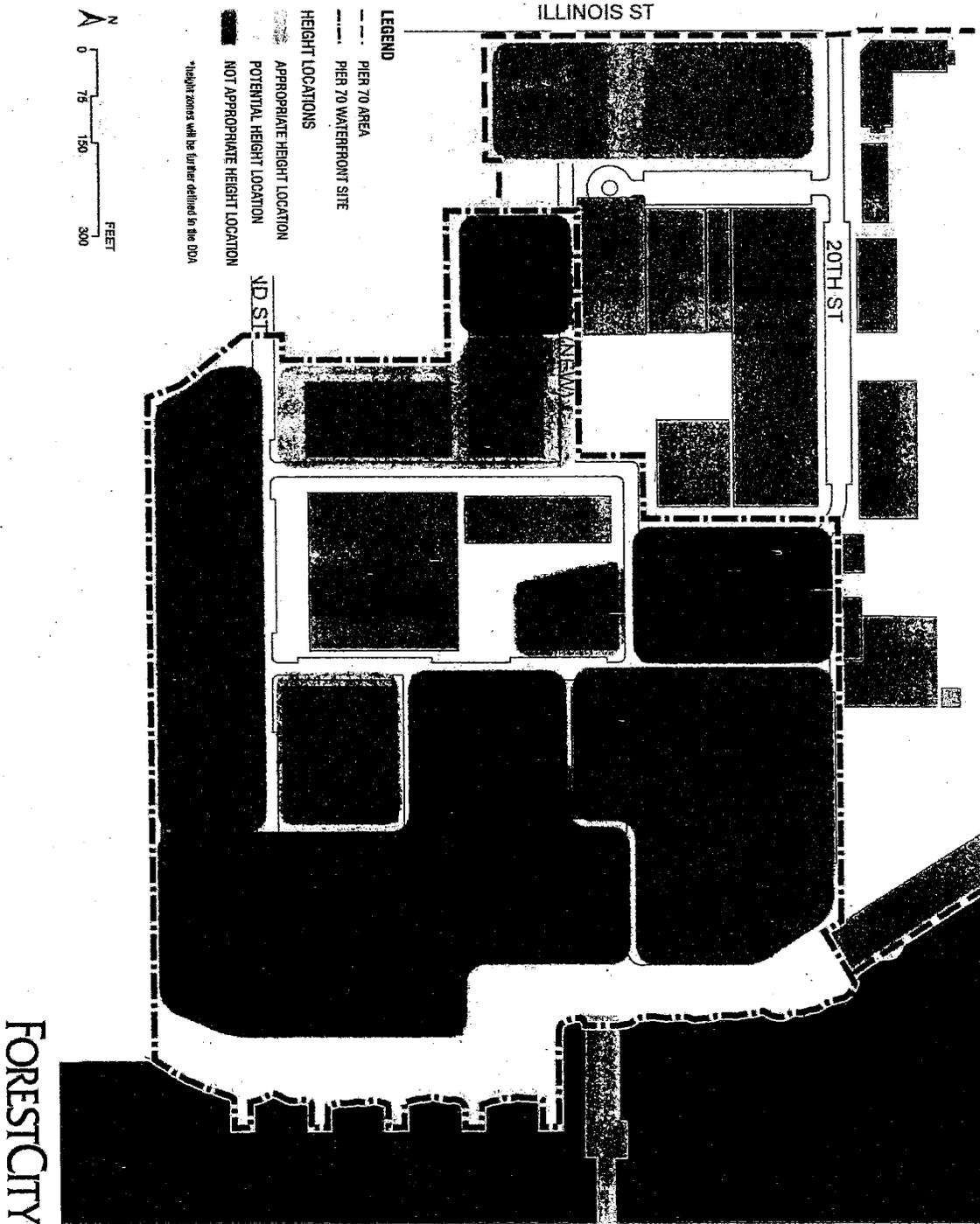


FOREST CITY

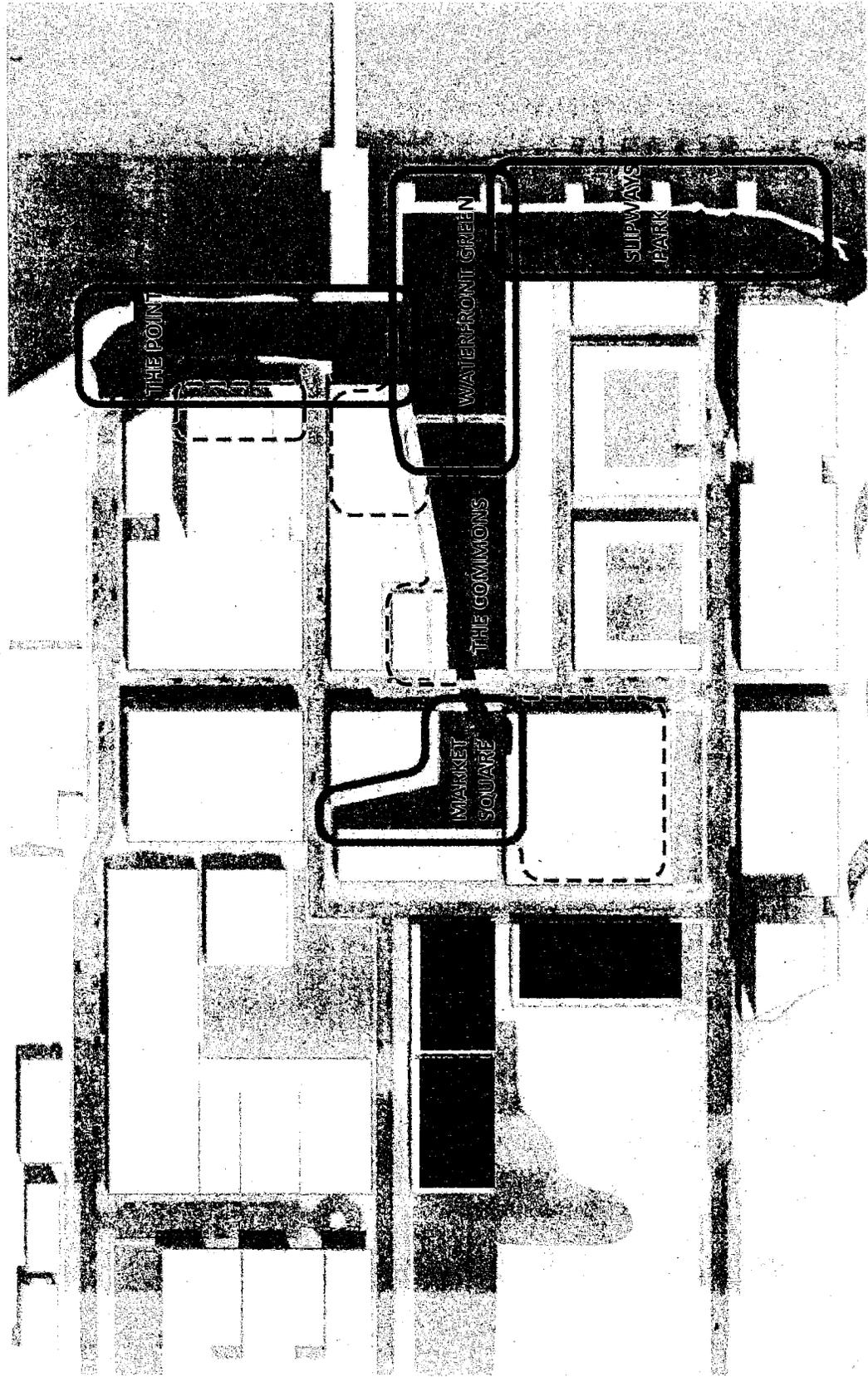
HEIGHT REFERENCE POINTS



HEIGHT ZONES



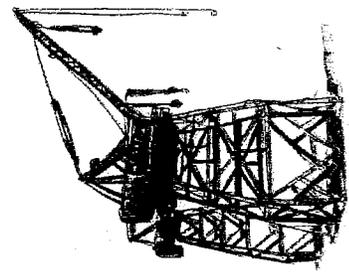
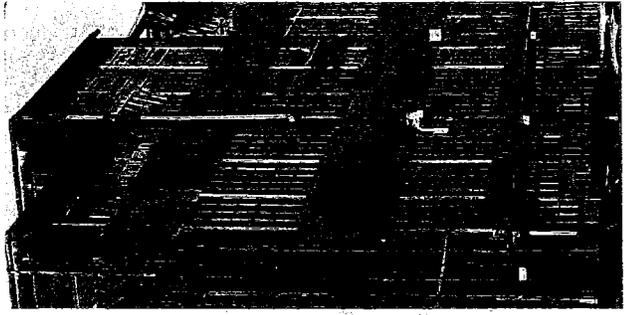
WATERFRONT PARK ZONES



PROJECT OVERVIEW

- **Entitlement & Infrastructure:** Entitlement costs are estimated at \$20 million. Phased delivery of infrastructure, currently estimated at \$160 million
- **Port Revenues:** Increased land value and higher revenues through a combination of capital events, parking revenues and ongoing participation
- **Decreased Capital Liabilities:** Reduced Pier 70 capital liabilities
- **Project Risks & Rewards:** Shared risks and financial upside

INFRASTRUCTURE & SITE CONDITIONS



Type of Infrastructure	Est. Cost (\$m)*
Onsite Right-of-Way (ROW)	\$ 30.0
Site Wide Work (demo, bldg pad prep, raising grade etc.)	\$ 25.8
Secant Wall	\$ 28.0
Waterfront Park	\$ 21.5
Site Remediation	\$ 10.6
Offsite Right-of-Way (ROW)	\$ 13.6
Offsite Intersections	\$ 11.2
Foundation premium for subsurface conditions	\$ 15.0
Contingency	\$ 5.0
Total	\$160.7

*All figures in uninflated 2012 dollars (in millions). Does not include approximately \$20 million in predevelopment costs or \$90 million in historic building rehab work. Source: Forest City California.

SEA LEVEL RISE STRATEGY

SOLUTION: RAISE GRADES TO ACCOMMODATE PROJECTED SEA LEVEL RISE

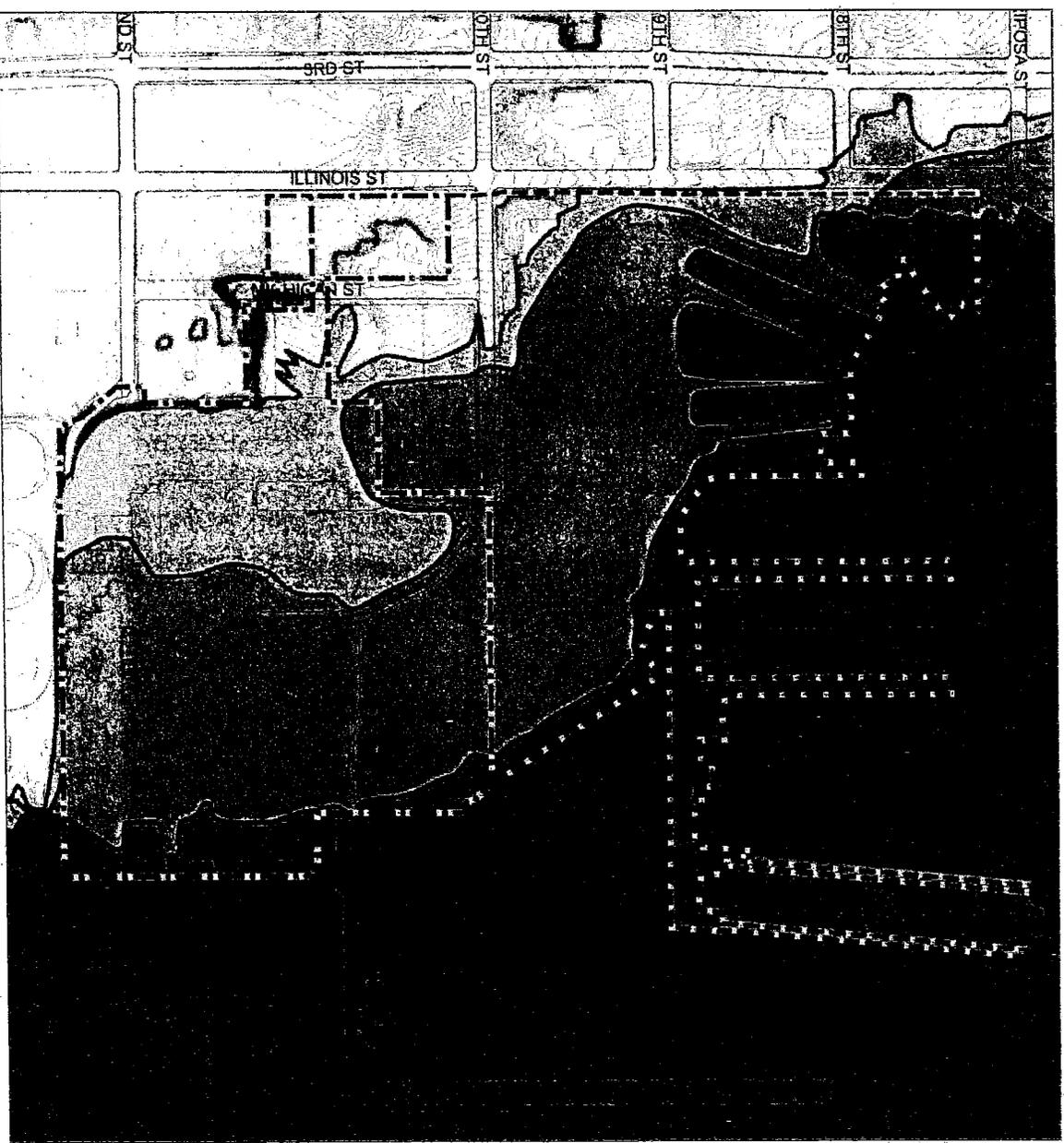
FOREST CITY

Legend

- PIER 70 (70 AC)
- WATERFRONT SITE

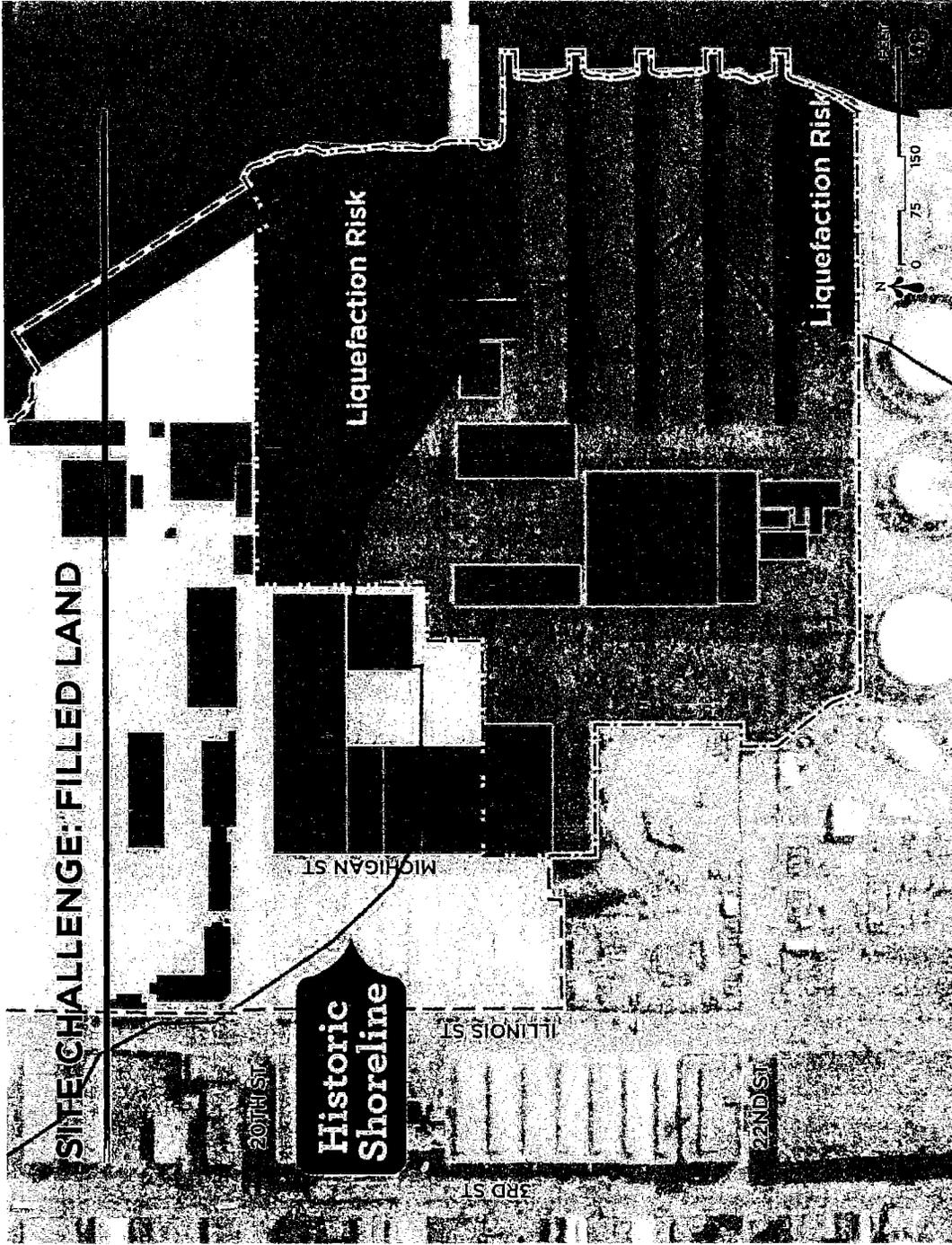
SEA RISE ELEVATIONS

Year	Sea Rise	Existing Sea Level
2012	16" Sea Rise	2100
2050	36" Sea Rise	2100
2070	55" Sea Rise	2100



SEISMIC SAFETY STRATEGY

SOLUTIONS:
SECANT WALL,
LOW RISE
BUILDINGS OVER
SLIPWAYS AND
BUILDING
FOUNDATIONS



FORESTCITY

MAJOR TERMS

Provision

Proposed Terms

- | | |
|--------------------|--|
| Project | <ul style="list-style-type: none"> • 3.3 million sf of leasable vertical development |
| Description | <ul style="list-style-type: none"> • Rehabilitation of 3 contributing resources (Buildings 2, 12, and 21) |

Phasing Development in 4 phases, with distributed public benefits

- | | |
|------------------|---|
| Project | <ul style="list-style-type: none"> • Land Proceeds from lease or sale of third-party parcels at appraised FMV • Community Facilities District (CFD) Bonds |
| Financing | <ul style="list-style-type: none"> • Infrastructure Financing District (IFD) Bonds |

Developer To procure all entitlements and pay for horizontal infrastructure development costs, reimbursed by the City with an 18% return

Capital

MAJOR TERMS

Provision	Proposed Terms
Terms of Ground Leases	<ul style="list-style-type: none"> • 99 years (sale for condominium parcels only) • No base rent would be included for fully prepaid leases • Leases would be pre-paid until Forest City 18% return of and on equity annual ground rent thereafter • After Forest City 18% return of and on equity, Port and Forest City split remaining FMV rent 55% (Port) – 45% (Forest City)
Parking Structures	<p>Preferred option: District Parking would be publicly financed (IFD/CFD) with Port ownership; other approaches under consideration</p>
Placemaking & Historic Buildings	<p>Financing not finalized but may be partially funded by the Port with IFD bond proceeds. Port will provide land for placemaking with negative value.</p>
Participation Rent	<ul style="list-style-type: none"> • 1.5% of sales/refinancings; 1.5% transfer fee on condo sales (after 1st sale) • 1.5% of modified gross revenues in year 30; 2.5% in year 60 (except placemaking)

ZONING, AFFORDABLE HOUSING & TRANSPORTATION

- **Current Zoning, SUD and Waterfront Plan:** Pier 70 is zoned M-2. Project development parameters will be established through a Special Use District (“SUD”), and zoning, General Plan and companion Waterfront Land Use Plan amendments after environmental review is complete.
- **Affordable Housing:** Rental housing will meet City inclusionary housing requirements for onsite inclusionary housing for 15% of the units and pay Jobs-Housing Linkage Fees. FC is examining 80-20% mixed income housing, with the use of tax credits.
- **TDMP & Transit:** Developer will implement a comprehensive Transportation Demand Management Plan, informed by SFMTA’s ongoing waterfront transportation assessment. The Parties will explore a **20th & Illinois Street turnaround for the Central Subway** (expected to open in 2019) and other transit improvements to enhance transit access.

CHAPTER 29 FISCAL FEASIBILITY

City Benefits – Waterfront Site	
Property Taxes to IFD or City	\$10.7 million
Other Taxes to the City General Fund	\$15.3 million
Other Restricted City Tax Revenues Fund	\$2.6 million
Total Annual Fiscal Benefits	\$28.7 million
One-time Development Impact Fees & Taxes	\$91.2 million
Construction Jobs	14,300
Permanent Jobs at buildout (direct & indirect)	12,800

The Chapter 29 Report also analyzes benefits of developing the 20th/Illinois Parcel, not included here.

JOBS & EQUAL OPPORTUNITY

- **Jobs:** 14,300 construction jobs and 12,800 permanent jobs.

- **Local Focus:** Developer is committed to fostering local job opportunities and to assure jobs and contracting opportunities be directed to local, small, and economically disadvantaged companies and individuals.

Forest City has finalized an agreement with the Contract Monitoring Division for a goal of 10% LBE participation in the entitlement phase.

- **Outreach:** Developer has reached agreement with the construction trades and community-based organizations regarding local hire via a Project Labor Agreement.
- **Southern Waterfront Community Benefit Fund.** The Port will deposit funds in the Southern Waterfront Community Benefit Fund consistent with Commission Policy.

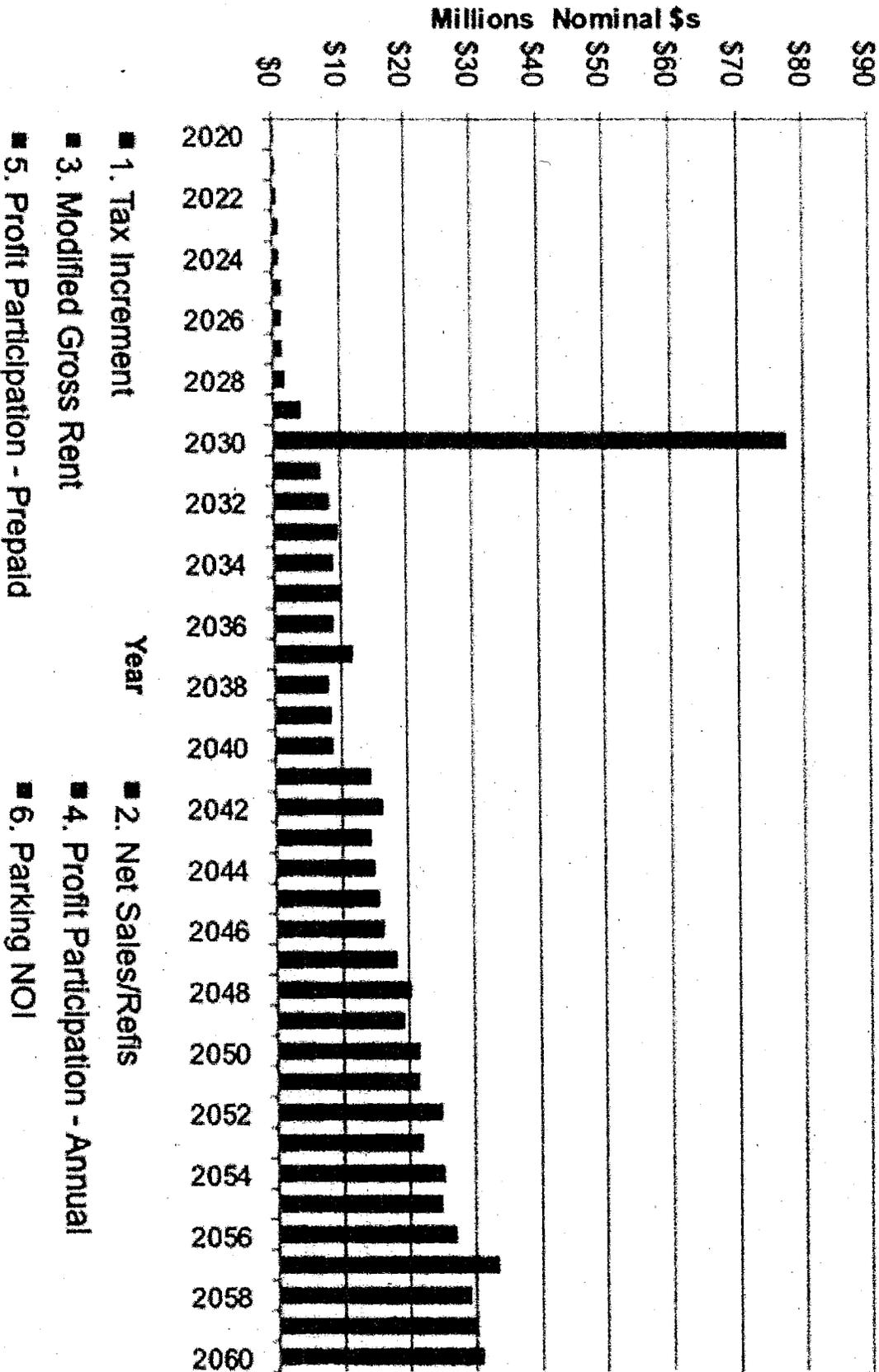
PORT REVENUES

Port Revenue Summary - 99 Years - \$Millions		Nominal Proceeds	NPV (6% Discount)
Net Tax Increment to Port/Pier 70		\$120.5	\$18.3
1.5% of Net Proceeds from Refinancings		\$262.5	\$7.0
1.5% Transfer Fee From Sales (1)			
1.5% (Yrs 31-60) & 2.5% (Yrs 61-99) of Modified Gross Revenues		\$2,045.2	\$21.6
Horizontal Profit Participation - Annual Ground Rent		\$1,564.5	\$35.1
Horizontal Profit Participation - Prepaid Ground Rent		\$94.7	\$31.8
District Parking Garages Net Cash Flow		\$2,873.5	\$39.0
Total Port Economic Benefit		\$6,960.8	\$153.0
Reduced Port Capital Liabilities (Waterfront Site)			\$47.0

(1) No calculations have been made as to transfer fees arising from condominium sales, because the proforma assumes residential rental values for all residential development.

PORT REVENUES

Port of San Francisco Project Revenues Over Time, 2020-2060



PROJECT TEAM

Port Commission

Doreen Woo Ho, President
Kimberly Brandon, Vice President
Willie Adams
Leslie Katz
Mel Murphy
Rodney Fong (past President)
Ann Lazarus (past President)
Stephanie Shakofsky (past Vice President)
Michael Hardeman (past Member)

Port Staff

Monique Moyer, Executive Director
Byron Rhett, Deputy Director of Planning & Development
Tina Olson, Former Deputy Director of Finance & Administration
Elaine Forbes, Deputy Director of Finance & Administration
Peter Dailey, Deputy Director Maritime
Ed Byrne, Chief Harbor Engineer
Susan Reynolds, Deputy Director of Real Estate
Tom Carter, Deputy Director Maintenance
Diane Oshima, Assistant Deputy Director of Planning
Jonathan Stern, Assistant Deputy Director of Development
Carol Bach, Assistant Deputy Director
Uday Prasad, Senior Civil Engineer
Kathleen Diohep, Senior Development Project Manager
Brad Benson, Special Projects Manager, Port
David Beaupre, Pier 70 Planning Project Manager
Mark Paez, Historic Preservation Planner
Wendy Proctor, Architect
Lynda Swanson, Development Project Manager
Jerry Romani, Property Manager
Gerry Roybal, Maritime Marketing Manager
Jay Ach, Maritime Manager Environmental & Regulatory Affairs
Joanne Sakai, Deputy City Attorney

City Staff

Jennifer Matz, Waterfront Projects Director, OEWD
Kelley Kahn, Project Director, OEWD
Emily Lesk, Project Manager, OEWD
John Rahaim, Director, Planning
Jose Campos, Chief of Citywide Planning, Planning
Amnon Ben-Pazi, Planner, Planning
Tara Sullivan, Planner, Planning
Richard Sucre, Historic Preservation Planner, Planning
Ken Rich, Eastern Neighborhoods Planner, (formerly) Planning
Peter Albert, Urban Planning Initiatives Manager, SFMTA
Erin Miller, Urban Planning Initiatives Manager, SFMTA

Central Waterfront Advisory Group

Toby Levine, Co-Chair
Corinne Woods, Co-Chair
Jennifer Clay
Susan Eslick
Paul Nixon
Glen Ramiskey
Jasper Rubin
Ralph Wilson
Howard Wong
Michael Buehler
Sharon Priest
Jimmie Buckland (past)
Charles Chase (past)
Judy deReus (past)

Stakeholders – Partial List

BAE San Francisco Ship Repair
Dog Patch Neighborhood Assoc.
Mission Bay Citizens Advisory Group
SF Architectural Heritage
UCSF Advisory Group
Urban Land Institute
Potrero Boosters
Noonan artists & Pier 70 tenants
SF Tomorrow
SPUR
Pier70sf.org
Neighborhood Parks Council
Consultants
Carey & Company
Economic & Planning Systems
Century Urban
ROMA Design Group
Treadwell & Rollo

NEXT STEPS

Entitlements

Project entitlement phase including CEQA, site re-zoning, and public trust swap pursuant to AB 418.

Refine conceptual infrastructure plan in concert with other City departments.

Transaction Documents

Negotiate terms for DDA, Master Lease, Form of Parcel Lease and other transaction documents.

Thank You

Janos, Alexandra

Subject: FW: 130495 - Term Sheet for Pier 70, Waterfront Project, Forest City

From: Toby Levine [tobylevine@earthlink.net]
Sent: Wednesday, June 05, 2013 12:12 AM
To: Mark.Farrell@sfgov.org; Eric.Mar@sfgov.org; John.Avalos@sfgov.org
Cc: Corinne Woods (corinnewoods@cs.com); Paez Mark
Subject: 130495 - Term Sheet for Pier 70, Waterfront Project, Forest City

Dear Supervisors Farrell, Mar and Avalos,

First, I would like to thank you for your very hard work on behalf of the citizens and residents of San Francisco. I know, from my own experience, that you are often unsung heroes.

As the Co-Chair of the Central Waterfront Citizens Advisory Group, I strongly support the approval of the Term Sheet regarding the 28 acre Forest City Waterfront Project. The Committee itself is in constant review of the development and the community outreach by Forest City has been significant.

I was first appointed as Co-Chair of the Citizens Advisory Group for Pier 70 in 2000 along with John Borg, a resident and business person in the Dog Patch neighborhood. Our mandate, at that time, was to advise the Port on the potential for preservation and development of Pier 70 and its historic resources. Over these 13 years, we have had two recessions, developed a Pier 70 Master Plan (published 2010) and reviewed numerous development proposals. And Corinne Woods has been the Co-Chair of CWAG over the past several years. I think I can say that the public has always supported a sensitive and creative development for Pier 70 which would enrich the historic aspects of the shipyards.

The CAG developed eight goals for the Pier 70 Master Plan. Following, you will find those goals and the ways in which Forest City (and Orton, the preservation developer), as well as the Port, have met or will meet these goals.

Create Historic District and save the historic buildings. The Port staff and the developers are working diligently on this goal.

Preserve the Long-term viability of ship repair industry. The Port staff and BAE are definitely making this goal a reality. The shipyard is being accommodated in all plans.

Create a major new shoreline open space system through Pier 70 that extends the Bay Trail and the Blue Greenway. Forest City is committed to this concept and will play their part and are working intensely with the Port.

Promote sustainable mixed use infill development and economic vitality. Forest City is working diligently on this goal and their work at 5M shows that they have the ability to accomplish the goal of mixed use and economic vitality for the City and its residents.

Provide sites for office, research, light industries, recreation, cultural, commercial (and now residential). This concept is a part of the Forest City development project. It will be truly mixed use, and certainly will add to the economic base of San Francisco and its Port.

Promote pedestrian modes and sustainable transportation modes. This is a work in progress. We believe Forest City is committed. Certainly, their preliminary designs will support the pedestrian, the bicycle, and public transportation.

Extend the Street Grid to enhance public access and integrate with the Central Waterfront. Both 22nd Street and 19th Street will be extended into the Waterfront Project and into BAE, the shipyard. Access will then be enhanced for workers and residents.

Remediate environmental contamination and improve environmental quality. This is goal of Forest City, The Port and it is also a requirement in today's environment.

The Central Waterfront Citizens Advisory Group will continue to monitor Forest City's progress in developing the Waterfront Site, and we are confident that Forest City will make every effort to meet the Pier 70 Master Plan Goals, including the financial goals. I urge your Committee to support the Term Sheet that has been presented.

Sincerely,

Toby Levine, Co-Chair
Central Waterfront Advisory Group
415-647-3052

One of the many historic industrial buildings on Pier 70 and in Forest City's development parcel

Building #21 - 1900 - "Electric Shop/Substation #5"



101' long x 75' wide x 44' high – The oldest remaining steel building at Pier 70, it was once thought to be constructed by Pacific Rolling Mills, the first west coast iron and steel mill that occupied this area from the 1860s until the end of the century. Research now indicates it was built by Risdon Iron and modified at least once from its original structure. It is corrugated iron on steel frame, steel columns, with a cement and wood floor. Building 21 is the last remaining building from the Risdon Iron/U.S. Steel period of significance, and it has lost many of its WWII-era neighbors. Each gable has a wide roof monitor. The building is clad with corrugated iron, and glazed with double hung wood and horizontal steel sash windows.

Janos, Alexandra

From: Bruce K Huie <brucehuie@sbcglobal.net>
Sent: Tuesday, June 04, 2013 10:31 PM
To: David Chiu; Judson.true@sfgov.org; Catherine.Stefani@sfgov.org;
Nickolas.Pagoulatos@sfgov.org; Jeremy.Pollock@sfgov.org; mark.farrell@sfgov.org;
john.avalos@sfgov.org; Eric Mar
Cc: Board.of.supervisors@sfgov.org; Supervisor Cohen; Andrea Bruss; Megan Hamilton; Janos,
Alexandra; Sylvan, Jack
Subject: Pier 70 at Board of Supervisors Finance Subcommittee

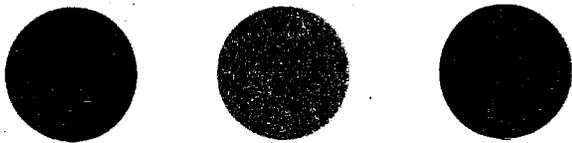
I am writing to indicate my support for the Term Sheet between the Port of San Francisco and Forest City for the development of the Pier 70 Waterfront Site. As a community member in Dogpatch, property owner in "Baja Dogpatch" and an active neighbor, I have been working to see the revitalization of Pier 70 for many years. Over the past 2 years, Forest City has actively engaged with the surrounding community and key stakeholders to develop a plan that revolves around the type of uses and character that the community expressed a desire for: an active, locally-inspired waterfront with a mix of local manufacturing, arts and cultural, neighborhood serving retail and innovation-focused uses that characterize the surrounding neighborhood. Forest City has expanded on the Port's years of community planning in a deep and comprehensive way, attracting hundreds of people to open houses to present the proposed vision and collect input.

The proposed vision is a fantastic framework from which to conduct the next phase of project planning and environmental review and I hope that you will support this step so that the Port, Forest City and the community can continue moving forward this exciting opportunity to enhance the San Francisco waterfront.

I ask for your agreement.

Regards,

Bruce Huie



susan eslick
design • direct • consult

June 3, 2013

Supervisor David Chiu, President, Board of Supervisors
Supervisor Mark Farrell, Chair, Finance Subcommittee
Supervisor John Avalos, Member, Finance Subcommittee
Supervisor Eric Mar, Member, Finance Subcommittee
Angela Calvillo, Clerk, Board of Supervisors

**RE: Pier 70 Waterfront Site Term Sheet
Resolution #130495**

Dear Supervisors,

I am writing to express my support for the Term Sheet between the Port of San Francisco and Forest City for the development of the Pier 70 Waterfront Site. As a longtime member of the Central Waterfront Advisory Group and the Dogpatch Neighborhood Association, I've been working to see the revitalization of Pier 70 for many years, including the crafting of the Port's 2010 Master Plan that led to the RFP and competitive selection of Forest City as the development partner for the site.

Over the past 2 years, Forest City has actively engaged with our community and key stakeholders to develop a plan that revolves around the type of uses and character that the community expressed a desire for: an active, locally-inspired waterfront with a mix of local manufacturing, arts and cultural, and neighborhood serving retail that characterize the surrounding neighborhood.

The proposed vision is a fantastic framework from which to conduct the next phase of project planning and environmental review. I hope you will support this step so that the Port, Forest City and the community can continue moving forward this exciting opportunity to enhance the San Francisco waterfront.

Regards,

Susan Eslick

Janos, Alexandra

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john.avalos@sfgov.org; Eric Mar
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Alexandra; Sylvan, Jack
Subject: Pier 70 at Board of Supervisors Finance Subcommittee

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susan eslick
design • direct • consult

June 3, 2013

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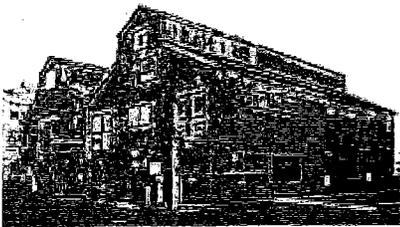
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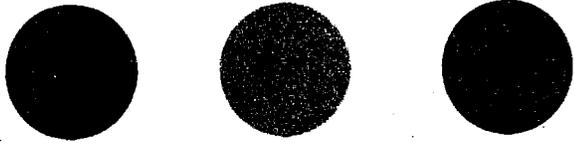
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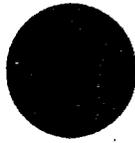
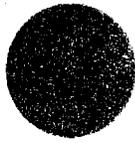
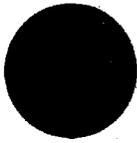
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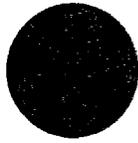
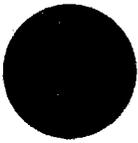
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