File No. 121044 Committee Item No. 7
Board Item No. 25

COMMITTEE/BOARD OF SUPERVISORS

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Board of Supervisors Meeting **Date** November 20, 2012

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Completed by: Victor Young **Date** November 9, 2012
Completed by: Victor Young **Date** 11-15-12

[Piers 30-32/Seawall Lot 330 - Warriors Development Project]

Resolution finding that a project proposed by GSW Arena LLC, an affiliate of the Golden State Warriors, to rehabilitate Port property at Piers 30-32, develop on the piers a multi-purpose venue useable for public assembly uses and other events, such as conventions, Warriors home games, cultural events, family shows and performing arts, and for other purposes, including public open space, maritime use, visitor serving retail, and related parking facilities, and develop on Seawall Lot 330 residential, hotel, and/or retail uses and accessory parking, is fiscally feasible and responsible under Administrative Code Chapter 29; and urging City and Port officials to make evaluating the proposed project among its highest priorities, and to take all appropriate steps to further environmental review of the proposed project.

WHEREAS, The City and County of San Francisco (the "City"), acting through its Port Commission (the "Port"), owns approximately 13 acres at Piers 30-32 located on the east side of The Embarcadero at Bryant Street (the "Waterfront Site"), which is currently used for short-term parking accommodating up to about 1,500 automobiles, occasional cruise terminal berthing when the Pier 27 and Pier 35 cruise terminal berths are occupied and occasional lay-berthing such as for Fleet Week Naval vessels, and approximately 2.3 acres of undeveloped land on Seawall Lot 330 (i.e., all of Seawall Lot 330 except for the parcel at the corner of Beale and Bryant Streets that is part of the Watermark development), located on the west side of The Embarcadero, between Beale and Bryant Streets, on the other side of the street from the Waterfront Site (the "Seawall Lot Site"), which is currently used for short-term parking accommodating up to about 260 automobiles (together, the Waterfront Site and the Seawall Lot Site are referred to in this resolution as the "Site"); and

WHEREAS, In cooperation with the City, including its Port, GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors"), proposes to build, finance and operate a development project consisting of two related components on the Site. The first part of the proposed project involves GSW's seismic upgrade and rehabilitation of Piers 30-32 and construction of a new privately financed, state-of-the art multi-purpose venue with seating for approximately 17,000 to 19,000 persons, useable for public assembly uses and other events, including, but not limited to, conventions, Warriors home games, cultural events, family shows and performing arts, along with public open space, maritime use, visitor-serving retail and related parking facilities, on the Waterfront Site. GSW would finance, build and operate these improvements under a fair market rent ground lease from the Port, and expects to complete them by the Fall of 2017; and

WHEREAS, The second part of the proposed project includes GSW's construction of improvements with residential, hotel, and/or retail uses and accessory parking on the Seawall Lot Site. The Port would convey fee title to the Seawall Lot Site to GSW for fair market value consideration if certain conditions are met; otherwise, the Port would enter into a ground lease with GSW for fair market rent consideration for the Seawall Lot Site. The improvements on the Waterfront Site and the Seawall Lot Site are collectively referred to below as the "Improvements," and both components of the proposed project, as further described in the Project Description (as defined below), are collectively referred to in this resolution as the "Project"; and

WHEREAS, The Waterfront Site is subject to the use and other restrictions imposed under the Burton Act (Stats 1968, Ch. 1333, as amended) and the Burton Act Transfer Agreement of January 24, 1969, as well as the public trust for commerce, navigation and fisheries (collectively, the "public trust"). AB 1389 (Stats. 2001, Ch. 489) allows certain uses

on the Waterfront Site that would otherwise be inconsistent with the public trust in connection with development on the Waterfront Site of a two-berth cruise ship terminal project that meets certain requirements. The Port is developing a cruise ship terminal at another pier so AB 1389 would not now seem to apply to the Project, though the Port and GSW are committed to exploring improvements to the Waterfront Site for maritime uses. The Seawall Lot Site is subject to two pieces of State legislation that could affect its development and disposition by the Port: SB 815 (Stats 2007, Ch. 660) and AB 418 (Stats 2011, Ch. 477). In contrast to the Waterfront Site, the Seawall Site is free from some or all public trust restrictions under certain conditions set forth in SB 815 and AB 418; and

WHEREAS, The Port Waterfront Land Use Plan, including the Design and Access Element (collectively, the "Waterfront Plan"), is the Port's adopted land use document for property within Port jurisdiction, including the Site, and provides the policy foundation for waterfront development and improvement projects. After a multi-year cooperative process, the Port and the San Francisco Bay Conservation and Development Commission ("BCDC") adopted the Special Area Plan, which allows for the revitalization of certain piers for uses consistent with the public trust. The Waterfront Plan contemplated the potential for developing an arena in the South Beach/Rincon Point Subarea of Port property. The Waterfront Plan and the Special Area Plan recognize that the development of the Waterfront Site and the surrounding area should further the public trust purposes of supporting maritime activities and expanding public use and enjoyment of the waterfront on public trust lands at this location. The Special Area Plan sets forth certain design considerations for the Waterfront Site, including strict limitations on new fill and a requirement to provide maximum feasible public access. A project that provides at least 35% of the pier area for public open space is deemed to provide maximum feasible public access; and

WHEREAS, The Waterfront Plan identifies the Waterfront Site as a major development opportunity site, and the City, through its Port, has undertaken numerous unsuccessful attempts to develop the site in accordance with the Waterfront Plan's objectives, including the recent effort related to the 34th America's Cup and two separate attempts to develop the proposed mixed use Bryant Street Pier project through public-private partnerships. In each of those instances, the private project sponsor abandoned its plans due to much higher than expected costs to repair the Piers 30-32 substructure; and

WHEREAS, The Waterfront Site has a limited remaining useful life, requiring a substantial capital investment to repair the substructure and bring the piers up to modern seismic standards and to preserve the piers. If the piers are not rehabilitated, the Port may be required to expend substantial sums to demolish the piers after the end of their useful life. The Port has not included the costs to improve–or demolish–the piers in its FY 2013-2022 Capital Plan, due to limited Port resources and competing Port priorities. The Port's efforts over the years to develop the Waterfront Site through public-private partnerships have not been successful. The costs to rehabilitate the piers for any long-term use is estimated to far exceed the combined fair market value of the Waterfront Site and Seawall Lot Site. The Port's independent Appraisal of the Waterfront Site (as such Appraisal is defined below) shows that rehabilitating the piers and developing the highest and best use on the Waterfront Site is not financially feasible without dedication of the proceeds from the sale of the Seawall Lot Site and an additional significant subsidy to cover the pier substructure cost; and

WHEREAS, The Waterfront Site is an extraordinary location for the proposed public assembly venue and affords a number of advantages for the City, the region and the public over other potential sites, including other Port land located to the south of the Waterfront Site:

- First and foremost, the Waterfront Site is optimal for locating the venue in light of the existing transit, bicycle and pedestrian network, as well as proposed

improvements to that network. Regional destinations such as the proposed venue achieve their best transit mode splits when they are located within walking distance from regional transit hubs. The Waterfront Site is located at a distance of 3/4 mile or less from all major regional transit hubs in downtown San Francisco, including BART, Caltrain, the Ferry Building, the Transbay Terminal, and the Capitol Corridor, and for the bulk of Muni Metro and bus lines serving these same hubs (including an adjacent Muni Metro station at Brannan serving two metro lines). The walk from these hubs along the Embarcadero is short, free of traffic conflict and pleasant. These features make the Waterfront Site a remarkably accessible location that can be reached fairly effortlessly, with a minimum of transfers, by visitors from all nine Bay Area counties. The other possible locations for the venue do not afford nearly the same level of advantages within the transit network;

- Second, the Project provides an appropriate public use that will permit rehabilitating the Waterfront Site, which is nearing the end of its useful life. Developing the Project at the Site provides the best (and perhaps last) opportunity for activating the Waterfront Site for maritime and other uses in a manner consistent with the public trust and the goals and objectives of the Waterfront Plan and BCDC's Special Area Plan;
- Third, the adjacency of the Seawall Lot Site to the Waterfront Site improves the success and economic feasibility of the Project overall by allowing cross-subsidies and complementary development that will transform the Site from an underutilized surface parking lot to a thriving and active visitor serving destination. These key Port objectives would not be accomplished by locating the facility in an area farther south; and

WHEREAS, By Resolution No. 236-12 adopted unanimously on June 12, 2012, the Board of Supervisors found that the potential real estate transactions involving the Waterfront Site and the Seawall Lot Site to rehabilitate Piers 30-32 and develop a multi-purpose venue and related facilities would generate substantial public benefits for the City, including its Port, such as:

(1) the repair, improvement and productive reuse of the Waterfront Site,

(2) the construction of needed infrastructure improvements that benefit the Site and the surrounding public trust lands and other areas,

(3) the generation of significant new jobs and economic development in a short period, including significant opportunities for local residents,

(4) the attraction of many people from the City and all over the region to enjoy the waterfront and the Bay and to patronize businesses on the Site as well as other Port land and privately owned property in the vicinity of the Site, and

(5) the enhancement of the City's tourism industry, including providing an additional venue for trust related events, conventions, sporting events, concerts and other special events; and

WHEREAS, By Resolution No. 12-50 unanimously adopted by the Port Commission on June 12, 2012, the Port Commission made the same public benefit findings; and

WHEREAS, By Resolution No. 236-12, the Board of Supervisors found that the potential real estate transaction involving the Project would generate substantial public benefits and is exempt from the competitive bidding policy set forth in Administrative Code Section 2.6-1 and endorsed sole source negotiations with GSW for that purpose; 2) endorsed the Port Commission's designation of the Office of Economic and Workforce Development ("OEWD") as the lead negotiator of the proposed transaction, in coordination with Port staff and subject to the Port Commission's direction; 3) required OEWD and the Port to engage in

outreach to affected and interested neighbors, community members and other stakeholders to ensure that the proposed Project is designed with maximum public input; 4) urged OEWD and the Port to work closely with State agencies having jurisdiction over any of the Site, including the State Lands Commission and BCDC, to develop the project description; 5) urged the OEWD Director, the Port Director and other City officials to make evaluation of the proposed Project among their highest priorities and take all appropriate steps to negotiate an exclusive negotiation agreement with GSW; and 6) acknowledged that the City may commence environmental review of the proposed project under CEQA if and when the Board of Supervisors makes the required findings of fiscal feasibility and responsibility under Administrative Code Chapter 29; and

WHEREAS, By Resolution No. 12-50, the Port Commission approved sole source negotiations with GSW and authorized staff to negotiate an Exclusive Negotiation Agreement ("ENA") with GSW for the proposed Project consistent with Board Resolution No. 236-12 (the "Port Sole Source Resolution"); and

WHEREAS, Under the Port Sole Source Resolution, the Port Commission, by its Resolution No. 12-61, approved an ENA with GSW, and on August 15, 2012 the City, through its Port, and GSW entered into the ENA; and

WHEREAS, The Board of Supervisors adopted Resolution No. 317-12, urging 1) the Port Commission to form a project-specific Citizens Advisory Committee (the "CAC") to review and provide input on the proposed Project, 2) the Port Director to appoint representatives from neighborhoods surrounding Piers 30-32 as well as others with specified policy expertise, and 3) the CAC to meet and report back regularly to the Port Commission and the Board of Supervisors; and

WHEREAS, The Port Commission adopted Resolution No. 12-62, 1) establishing the CAC, 2) authorizing the Port Director to appoint representatives from neighborhoods

surrounding Piers 30-32 as well as others with specified policy expertise, and 3) urging the CAC to meet initially on August 23, 2012, review the Project generally once per month, and develop criteria for attendance and other by-laws to encourage regular participation by CAC members; and

WHEREAS, In furtherance of Board of Supervisors Resolution No. 317-12 and Port Commission Resolution No. 12-62, the Port Director appointed members to the CAC, the CAC has held a number of public meetings, and the City, including its Port, and GSW have been working with the CAC, State regulatory agencies and many other interested stakeholders in developing a description of the proposed Project, which would undergo environmental review; and

WHEREAS, The City retained an independent appraisal firm, Carneghi-Blum & Partners, Inc., to appraise the fair market value of a ground lease of the Waterfront Site and the fair market value of a sale, or alternatively, a ground lease of the Seawall Lot Site, and a copy of that appraisal, dated September 28, 2012, and entitled "Appraisal of Seawall Lot 330, Piers 30-32, San Francisco, California" is on file with the Clerk of the Board of Supervisors in File No. 121044, which is declared to be a part of this resolution as if set forth fully here (the "Appraisal"); and

WHEREAS, Based on the Appraisal, and to help facilitate the fiscal feasibility finding under this resolution, City and Port staff and GSW have negotiated a non-binding Conceptual Framework for the Project outlining various financial terms and principles, a copy of which document is on file with the Clerk of the Board of Supervisors in File No. 121044, and which is declared to be a part of this resolution as if set forth fully here (the "Conceptual Framework"); and

WHEREAS, The basic financial principles and terms set forth in the Conceptual Framework will be subject to further negotiation between the parties, consistent with the ENA,

to develop a Term Sheet that will be subject to endorsement of the Port Commission and the Board of Supervisors. And ultimately, subject to required approvals, the terms and conditions contained in the Term Sheet will be set forth in more detail in the final Transaction Documents among GSW, the Port, the City and other parties, following the completion of public review and environmental review under CEQA (as defined below), as such documents are further generally described in the Conceptual Framework; and

WHEREAS, The Conceptual Framework includes a description of the proposed Project attached as Exhibit B to that document (the "Project Description"); and

WHEREAS, Because the cost to construct the Project will exceed $25 million and the proposed transaction structure as outlined in the Conceptual Framework contemplates providing rent credits under the Waterfront Site Ground Lease to GSW for pier substructure and other infrastructure improvements that would exceed $1 million, the proposed Project is subject to Administrative Code Section 29.1's process for the Board of Supervisors to determine whether the Project is fiscally feasible and responsible; and

WHEREAS, The Port retained an independent real estate economics firm, Economic and Planning Systems, Inc. ("EPS"), to perform a fiscal feasibility analysis for the proposed Project, and EPS, with assistance from an expert sports economics consultant firm, Barrett Sports Group, LLC, has prepared a preliminary fiscal analysis dated October 22, 2012, entitled "San Francisco Multi-Purpose Venue Project on Piers 30-32 and Seawall Lot 330 Findings of Fiscal Responsibility and Feasibility", which meets the requirements of Administrative Code Chapter 29.1 and a copy of which report is on file with the Clerk of the Board of Supervisors in File No. 121044, which is declared to be a part of this resolution as if set forth fully here (the "Fiscal Feasibility Report"); and

WHEREAS, The Fiscal Feasibility Report shows that the Project would generate substantial fiscal benefits for the City, including thousands of jobs and tens of millions of dollars a year in tax and other revenues; and

WHEREAS, Under Administrative Code Section 29.3, OEWD and the Port have submitted to the Board of Supervisors a general description of the proposed Project, the general purpose of the proposed Project, and preliminary fiscal plan that consists of the Fiscal Feasibility Report; and

WHEREAS, Administrative Code Section 29.2 requires that, before submitting an environmental evaluation application (an "Environmental Application") to the Planning Department under Administrative Code Chapter 31 and the California Environmental Quality Act, Public Resources Code Sections 21000 and Guidelines for Implementation of the California Environmental Quality Act, Title 14, Division 6, Chapter 3 of the California Code of Regulations (collectively, "CEQA") related to the proposed Project, the sponsoring City department must procure from the Board of Supervisors a determination that the plan to undertake and implement the proposed Project is fiscally feasible and responsible; and

WHEREAS, The Board of Supervisors has reviewed and considered the general description of the proposed Project, the general purpose and intended public benefits of the proposed Project, the Fiscal Feasibility Report and other information submitted to it in connection with the Project and has considered 1) the direct and indirect financial benefits of the Project to the City and its Port, including to the extent applicable cost savings or new revenues, including tax revenues, generated by the proposed Project, 2) the estimated costs of construction for the proposed Project, 3) the anticipated available funding sources for the proposed Project, 4) the long-term operating and maintenance costs of the proposed Project, 5) the debt load to be carried by the City or the Port, and 6) such other criteria from the

information presented to it as the Board of Supervisors has determined is useful in evaluating the proposed Project's fiscal feasibility; now, therefore, be it

RESOLVED, That the Board of Supervisors finds that the plan to undertake and implement the proposed Project is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29; and, be it

FURTHER RESOLVED, That under San Francisco Administrative Code Chapter 29, the Environmental Application for the Project may now be filed with the Planning Department and the Planning Department may undertake environmental review of the proposed Project as required by Administrative Code Chapter 31 and CEQA. In furtherance of this determination, the Board of Supervisors urges the Planning Department to prioritize environmental review consistent with its policies; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges OEWD, in cooperation with and with the assistance of the Port Director and her staff, the City Attorney's Office and other City staff as appropriate, to make evaluation of the proposed Project among its highest priorities and take all actions needed to initiate and undertake environmental and public review of the Project; and be it

FURTHER RESOLVED, That future discretionary approvals from the Board of Supervisors will be heard by the CAC prior to approval including the term sheet, the DDA, the Waterfront Land Use Amendment, zoning amendments and other transaction documents; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges the Pier 30-32 CAC to hold at least two meetings to review and discuss the term sheet prior to a Board of Supervisors Budget and Finance committee hearing, including a written recommendation by the CAC to the Board of Supervisors regarding the term sheet; and, be it

FURTHER RESOLVED, That the City will conduct environmental review of the proposed Project under CEQA, including a thorough analysis of potential traffic congestion and noise impacts and a scoping schedule that will be reviewed by the CAC and nothing in this resolution approves or implements the proposed Project or any of its related facilities, grants any entitlements for the proposed Project or includes any determination as to whether the Port or any other unit of City government should approve the proposed Project; nor does adoption of this resolution foreclose the possibility of considering alternatives to the proposed Project, adopting mitigation measures or deciding not to approve the proposed Project after conducting appropriate environmental review under CEQA. Any development of the Project shall be conditioned on the receipt of all required regulatory approvals, including, but not limited to, approvals from various City and State regulatory agencies with jurisdiction, following completion of the CEQA process, including required public review.

OFFICE OF THE MAYOR
SAN FRANCISCO

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 NOV -6 PM 12:12

EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: Mayor Edwin M. Lee

RE: Substitute Resolution File No. 121044 - Piers 30-32/Seawall Lot 330 Warriors Development Project

DATE: November 6, 2012

Attached for substitution is the resolution 1) finding that a project proposed by GSW Arena LLC, an affiliate of the Golden State Warriors, to rehabilitate Port property at Piers 30-32, develop on the piers a multi-purpose venue useable for public assembly uses and other events, such as conventions, Warriors home games, cultural events, family shows and performing arts, and for other purposes, including public open space, maritime use, visitor serving retail, and related parking facilities, and develop on Seawall Lot 330 residential, hotel, and/or retail uses and accessory parking, is fiscally feasible and responsible under Administrative Code Chapter 29; and 2) urging City and Port officials to make evaluating the proposed project among its highest priorities, and to take all appropriate steps to further environmental review of the proposed project.

I request that this item be calendared in Budget and Finance Committee on November 14th, 2012.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

Item 7 File 12-1044	Departments: Port of San Francisco; Office of Economic and Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objective

Proposed resolution finding that a project proposed by GSW Arena LLC, (GSW) an affiliate of the Golden State Warriors basketball team ownership group, to (1) rehabilitate Port property at Pier 30-32; (2) develop on the piers (a) a multi-purpose venue for public assembly uses and other events, such as conventions, Warriors home games, cultural events, family shows and performing arts, and for various other purposes, and (b) public open space, maritime use, visitor serving retail, and related parking facilities: and (3) develop on Seawall Lot 330 residential, hotel, and/or retail uses and accessory parking, is fiscally feasible and responsible under Chapter 29 of the City's Administrative Code. The proposed resolution further urges the City and Port officials to make evaluating the proposed project among its highest priorities, and to take all appropriate steps to further environmental review of the proposed project.

Key Points

- 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 proposed project, including the (1) direct and indirect financial benefits to the City, (2) construction cost, (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.
- In 2010, the Golden State Warriors basketball franchise, which played its home games in San Francisco from 1962 to 1971, was sold for $450 million to former Boston Celtics minority partner Mr. Joe Lacob and Mandalay Entertainment CEO Mr. Peter Guber. In the spring of 2012, the Warriors' ownership expressed interest in developing a new arena at San Francisco Pier 30-32 in time for the 2017-18 National Basketball Association (NBA) season, which corresponds with the conclusion of the team's lease of the Oracle Arena, located in Oakland.
- The 12.5 acre Pier 30-32 and 2.8 acre Seawall Lot 330 are located along the Embarcadero, between the Bay Bridge and AT&T Park. Pier 30-32 is currently used for surface parking, including parking for events at AT&T Park, and has an expected remaining useful life of 10 years without rehabilitation. A 0.5 acre portion of Seawall Lot 330 was previously sold for the Watermark condominium project, and the remaining 2.3 acres is currently used for surface parking.
- On June 12, 2012, the Board of Supervisors approved a resolution (File 12-0625) related to the development of Pier 30-32 and Seawall Lot 330, including an athletic arena for the Golden State Warriors. Under that resolution, the Board of Supervisors authorized the City to commence environmental review of the project under the California Environmental Quality Act (CEQA) if and when the Board of Supervisors makes the required findings of

fiscal feasibility and responsibility under Administrative Code Chapter 29, which is the subject of the proposed resolution.

Project Description

GSW Arena LLC (GSW), an affiliate of the Golden State Warriors basketball team ownership group, has proposed developing a multi-use development at Pier 30-32 and Seawall Lot 330. The proposed development project includes (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home basketball games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 of residential, hotel, retail uses, and accessory parking. The Conceptual Framework[1] for the proposed development was completed on October 23, 2012, based on negotiations between OEWD, the Port, and GSW.

Project Funding

Under the Conceptual Framework, GSW would lease Pier 30-32 from the Port for 66 years, and GSW would purchase the remaining 2.3 acres of Seawall Lot 330 from the Port outright. GSW would be responsible to pay all financing and constructions costs, including CEQA-related costs. Under the Conceptual Framework, up to $120,000,000 in construction costs for the rehabilitation of Pier 30-32 would be considered reimbursable by the Port to GSW. The agreement would limit this reimbursement to three sources:

1. Rent credits from the fair market lease of Pier 30-32, totaling an estimated $1,970,000 per year, plus annual consumer price index (CPI) and/or other market adjustments, to be negotiated;
2. Fair market sale revenues from Seawall Lot 330, totaling an estimated $30,400,000; and
3. Bond proceeds from a proposed Infrastructure Financing District (IFD) to be established on Pier 30-32 and Seawall Lot 330, subject to future Board of Supervisors approval, totaling an estimated $60,000,000.

Fiscal Feasibility

The proposed development at Pier 30-32 and Seawall Lot 330, including (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 residential, hotel, retail uses, and accessory parking, would provide the following estimated fiscal impacts:

(1) One-time financial benefits to the City of up to $53,835,000;

(2) Direct ongoing annual financial benefits of between $9,783,000 and $19,003,000;

(3) Undetermined indirect financial benefits from gross receipt tax revenue;

(4) Up to $120,000,000 in private construction expenditures for the rehabilitation of Pier 30-32;

[1] The Conceptual Framework is a nonbinding document between the City and GSW, which outlines certain basic business terms of the Proposed Project.

(5) Reimbursement by the Port to GSW of those private construction expenditures through the use of (a) up to 66 years of annual rent credits for Pier 30-32, valued at $1,970,000 per year, (b) the transfer of Seawall Lot 330 from the Port to GSW, valued at $30,400,000, and (c) 30 years of foregone General Fund property tax revenue which would be used to repay a $60 million IFD bond;

(5) No new ongoing maintenance costs for the Port; and

(6) Undetermined new street and sidewalk maintenance costs for DPW, for which funding options are being explored by OEWD, the Port, and GSW.

Based on these criteria, the Budget and Legislative Analyst finds the proposed development to be fiscally feasible under Chapter 29 of the City's Administrative Code.

Policy Considerations

- The Conceptual Framework assumes up to 205 events per year, including basketball games, other sporting events, concerts, family shows, and fixed-fee rentals (e.g., convention events).
- For the proposed development to proceed as described in the Conceptual Framework, the Port Commission would need to approve amendments to the City's Waterfront Plan to allow for an athletic facility at Pier 30-32, and the City's Planning Commission and Board of Supervisors would need to approve amendments to the City's Zoning Map to allow for a development taller than 40 feet.
- The finding by the Board of Supervisors that the proposed project is fiscally feasible is required prior to the City to proceed with environmental review. The proposed resolution does not authorize any transfer of property or development agreement. If the subject resolution is approved, OEWD would proceed with the drafting of a development term sheet, based on the Conceptual Framework, and the term sheet would be subject to Board of Supervisors endorsement. CEQA findings and possible zoning changes would also be subject to future Board of Supervisors review and approval.

Recommendation

Based on the review of the Conceptual Framework for the proposed development at Pier 30-32 and Seawall Lot 330, and the supporting fiscal and economic analysis provided by the Port and OEWD, the Budget and Legislative Analyst finds that the proposed development is fiscally feasible. 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.

MANDATE STATEMENT

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[2] 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:

> "A determination by the Board that the plan for implementing and undertaking the project is fiscally feasible and responsible shall not include a determination as to whether the Project Sponsor or other unit of the government of the City and County should approve the project and it is the intent of the Board of Supervisors in requiring the determination to decide only whether the proposed project merits further evaluation and environmental review."

BACKGROUND

Golden State Warriors

The Golden State Warriors is a team in the National Basketball Association (NBA). The team was established as the Philadelphia Warriors in 1945, and became the San Francisco Warriors in 1962 when the team moved to San Francisco. The team primarily played at the Cow Palace and the Bill Graham Civic Auditorium until they moved to Oakland in the 1971-72 season, at which time they were renamed the Golden State Warriors. The team plays its home games at Oakland's Oracle Arena.

In 2010, the Golden State Warriors basketball franchise was sold for a record $450 million to Boston Celtics minority partner Mr. Joe Lacob and Mandalay Entertainment CEO Mr. Peter Guber. The amount was the largest ever paid for a basketball franchise. In the spring of 2012, the Warriors' owners expressed interest in developing a new arena at San Francisco Pier 30-32 in time for the beginning 2017-18 NBA season, which corresponds with the conclusion of the team's lease of the Oracle Arena.

[2] 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.

The Golden State Warriors' attendance has averaged more than 18,000 per game each year since the 2005-06 NBA season, peaking at an average attendance of 19,630 for the 2007-08 NBA season, when the team ranked sixth for attendance out of 30 teams. Figures 1 and 2, below, illustrate the team's per-game attendance and NBA rank in the league for attendance for the past 10 seasons.

Figure 1. Warriors Average Per-Game Attendance at Oracle Arena

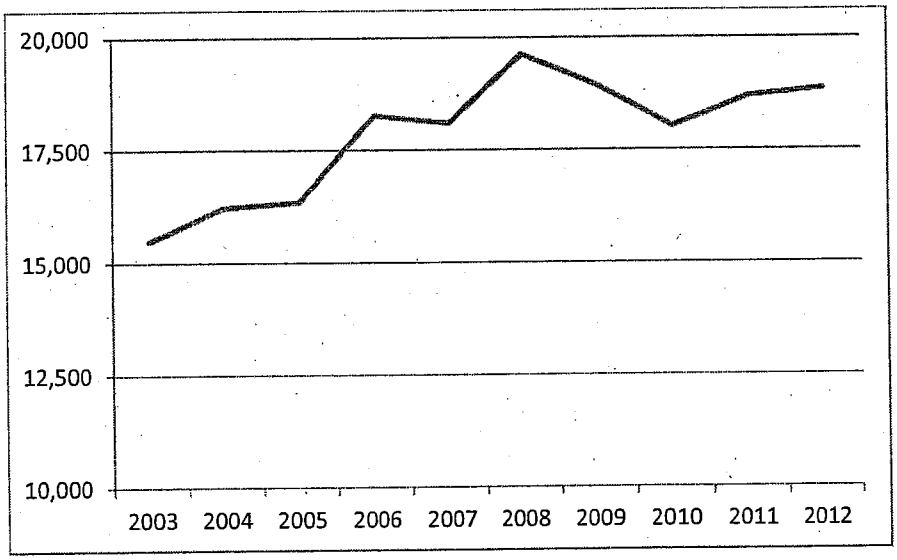
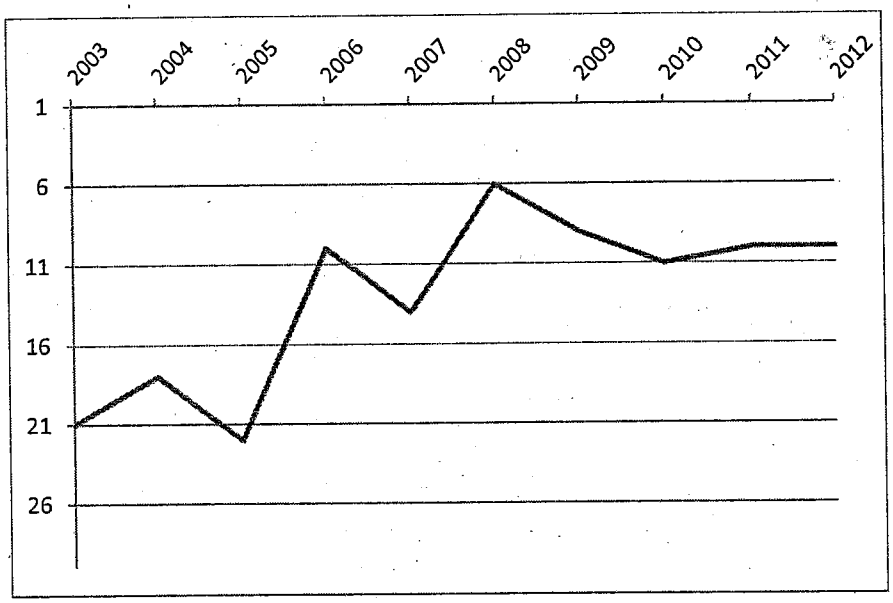


Figure 2. Warriors' Rank in NBA for Home Game Attendance

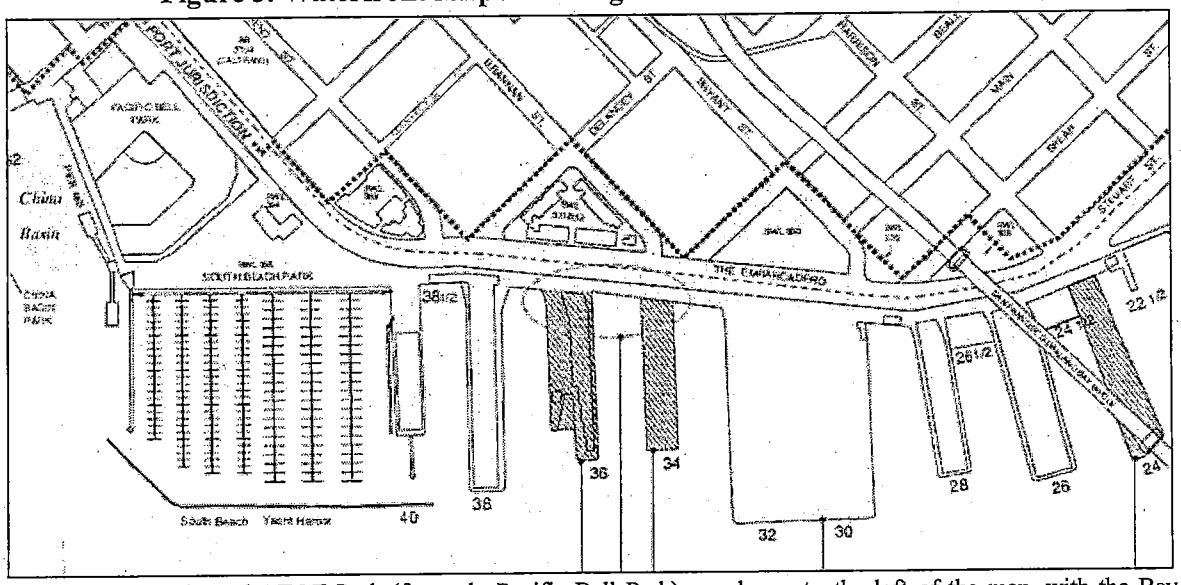


Pier 30-32 and Seawall Lot 330

Pier 30-32 is 900 feet long and measures approximately 12.5 acres. The pier is currently used for surface parking, including parking for events at AT&T Park. According to published reports, Pier 30-32 currently has an expected remaining useful life of 10 years. After the 10 year life is expired, the Port would have to either (a) include removal of the piers in a development project at a separate pier which would require increasing the size of such other pier; (b) identify a developer to renovate the pier; or, (c) remove the pier (with the costs of such removal possibly eligible for State or federal grants).

Seawall Lot 330 is a 2.8 acre lot across the Embarcadero from Pier 30-32, of which 0.5 acres were previously sold for the Watermark condominium project, which resulted in the construction of a 137 unit condominium development. The remaining 2.3 acres is currently used for surface parking. Seawall Lot 330 requires little to no infrastructure investment for development, and under certain public trust conditions, the Port may sell Seawall Lot 330 to a private entity. Figure 3, below, shows the location of Pier 30-32 and Seawall Lot 330.

Figure 3. Waterfront Map Including Pier 30-32 and Seawall Lot 330



Note: China Basin and AT&T Park (formerly Pacific Bell Park) are shown to the left of the map, with the Bay Bridge is shown to the right. Pier 30-32 and Seawall Lot 330 (SWL 330) are highlighted, right of center.
Source: San Francisco Bay Conservation and Development Commission.

Development of Pier 30-32 is subject to state and federal public trust restrictions, including prohibition of the sale of Pier 30-32 by the City. As outlined in the Port's Final Waterfront Plan, adopted by the Port Commission in 1997, acceptable uses of Pier 30-32 include assembly and entertainment, recreational enterprises, museums, restaurants and other retail establishments, as well as certain types of warehousing and limited office uses. A professional sports facility is not considered an acceptable use of Pier 30-32 under the Final Waterfront Plan. However the Plan does consider AT&T Park, which had not been developed as of the finalizing of the 1997 report,

to be acceptable for the waterfront. Acceptable uses under the Waterfront Plan and necessary modifications are discussed further in the Policy Considerations section below.

Pier 30-32 and Seawall Lot 330 have been subject to several development proposals in the past 20 years, most recently with the America's Cup Event Authority. According to a study produced for the Port by the consulting firm Bay Area Economics (BAE), a 66-year lease of an improved Pier 30-32, with an event Facility, had a value of $44,715,817, and the fair market value for selling Seawall Lot 330 outright was $33,050,413.

Prior Board of Supervisors Approval

On June 12, 2012, the Board of Supervisors approved a resolution (File 12-0625) related to the development of Pier 30-32 and Seawall Lot 330, including an athletic arena for the Golden State Warriors. Specifically, the resolution:

1) Exempted the potential real estate transaction involving Port property at Pier 30-32 and Seawall Lot 330 with GSW Arena LLC (GSW), an affiliate of the Golden State Warriors, for development of an arena and other facilities from the City's competitive bidding policy;
2) Endorsed sole source negotiations with GSW for the purpose of the Development;
3) Endorsed the Port Commission's designation of the Office of Economic and Workforce Development (OEWD) as the lead negotiator of the proposed transaction, in coordination with Port staff and subject to the Port Commission's direction;
4) Required OEWD and the Port to engage in outreach to affected and interested neighbors, community members, and other stakeholders to ensure that the proposed project is designed with maximum public input;
5) Urged OEWD and the Port to work closely with State agencies having jurisdiction over any of the site, including the State Lands Commission and the Bay Conservation and Development Commission, to develop the project description;
6) Urged the OEWD Director, the Port Director, and other City officials to make evaluation of the proposed project among their highest priorities and take all appropriate steps to negotiate an exclusive negotiation agreement with GSW; and
7) Acknowledged that the City may commence environmental review of the proposed project under the California Environmental Quality Act (CEQA) if and when the Board of Supervisors makes the required findings of fiscal feasibility and responsibility under Administrative Code Chapter 29.

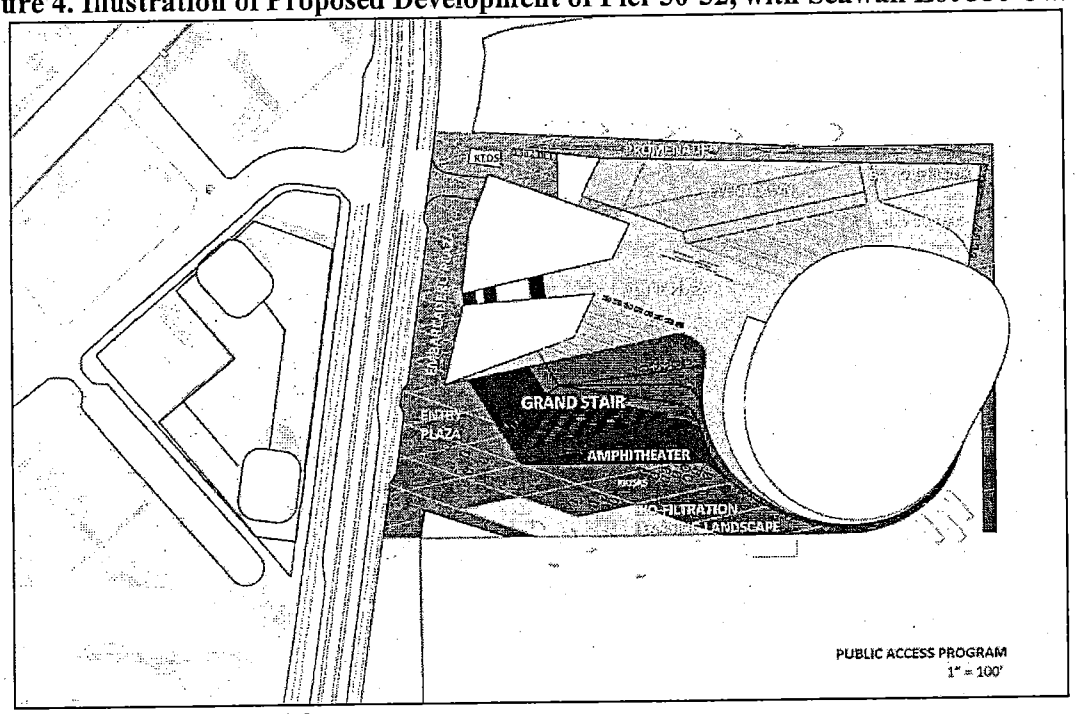
The proposed resolution (File 12-1044), described below, addresses point 7, above, asking the Board of Supervisors to find that the proposed project is fiscally feasible as required under Administrative Code Chapter 29.

DETAILS OF PROPOSED DEVELOPMENT

GSW Arena LLC (GSW), an affiliate of the Golden State Warriors basketball team ownership group, has proposed a multi-use development for Pier 30-32 and Seawall Lot 330. The proposed development includes (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 residential, hotel, or retail uses and accessory parking. Figure 4, below, is an illustration of the proposed development on Pier 30-32. GSW has not yet released a rendering of the development on Seawall Lot 330.

The Conceptual Framework[3] for the development was completed on October 23, 2012, based on negotiations between the City (OEWD and the Port and GSW. While the Conceptual Framework is not itself subject to Board of Supervisors approval, it will serve as the basis for the Term Sheet, which would be subject to future Board of Supervisors endorsement. Under the Conceptual Framework, the entire development, which is estimated to cost $1 billion, would be financed and completed by GSW. Costs related to the rehabilitation of Pier 30-32 would be reimbursed to GSW by the Port, up to $120,000,000, described in greater detail below. No new General Fund expenditures are being proposed.

Figure 4. Illustration of Proposed Development of Pier 30-32, with Seawall Lot 330 Outline



Source: Snøhetta & AECOM

[3] The Conceptual Framework is a nonbinding document between the City and GSW, which outlines certain basic business terms of the Proposed Project

Under the Conceptual Framework, the multi-purpose arena would serve as a venue for Golden State Warriors basketball games, concerts, other sporting events (e.g., college sports tournaments), family- and child-oriented events, and fixed-fee rentals (e.g., convention events). The arena would be designed to accommodate between 17,000 and 19,000 patrons, with up to 17,500 patrons for Warriors games, and would be contracted for events with smaller attendance. GSW also plans to build a team practice facility, community room, and event management and team operations space.

The Conceptual Framework assumes up to 205 events per year, including basketball games, other sporting events, concerts, family shows, and fixed-fee rentals (e.g., convention events). Event count, parking, and attendance assumptions are discussed in greater length below.

In addition to the arena, the proposed development would include other improvements and attractions to Pier 30-32, including:

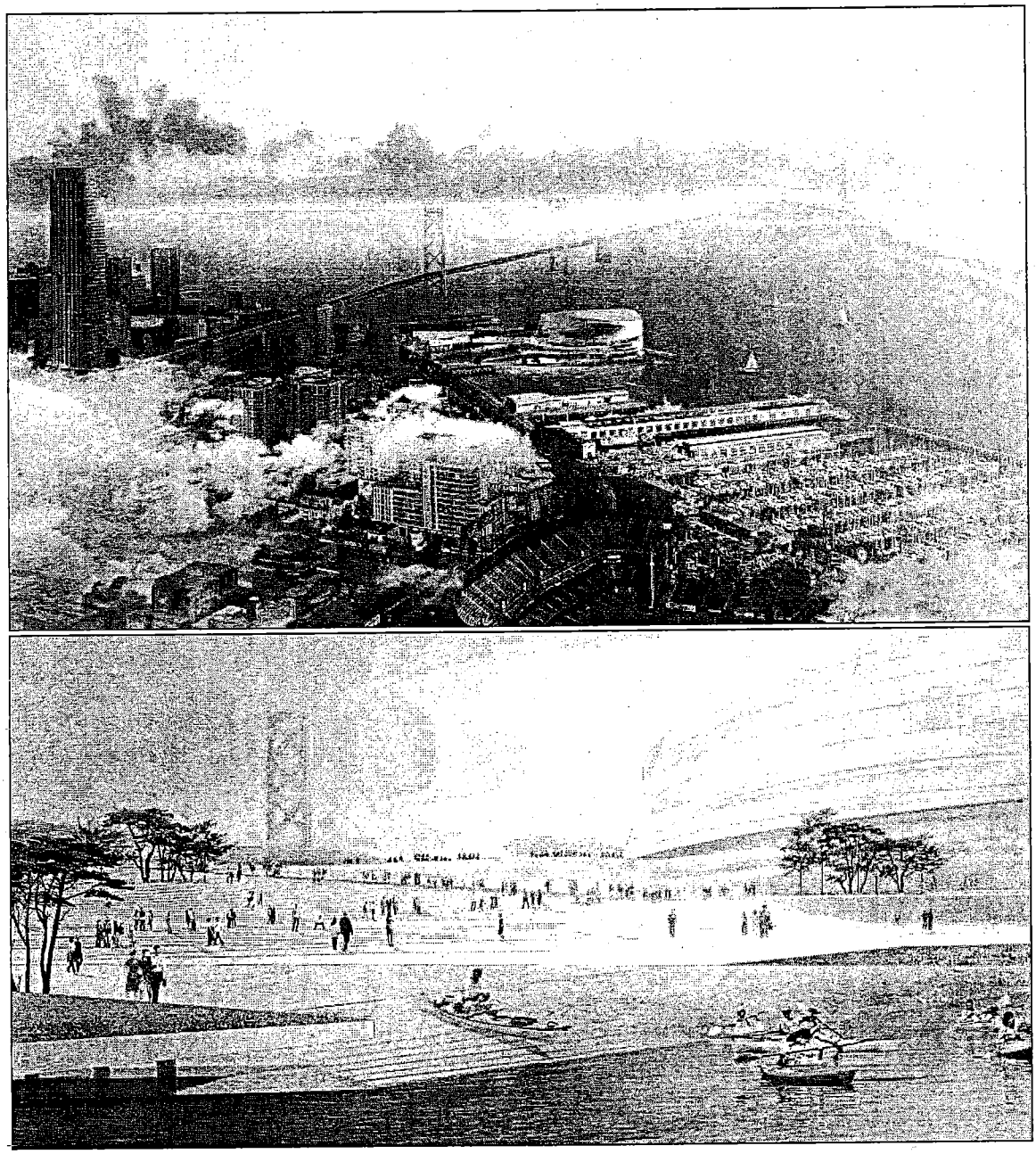
- Waterfront access improvements, including open space;
- Parking facilities (630 parking spaces);
- Retail and restaurants, up to three stories, (105,000 square feet); and
- Maritime access, including:
  - Water taxi, ferry, and tour boat access;
  - Kayaks and other person-powered watercraft access;
  - A new San Francisco Fire Department fire boat storage and fire station; and
  - A back-up deep water berth for large ships.

In total, public access and open space would amount to at least 50% of the improved Pier 30-32 development. Figure 5, below, is an artist's rendering of the arena and Pier 30-32 development.

Development of Seawall Lot 330 under the Conceptual Framework would include retail (33,000 to 34,000 square feet), parking (200 to 300 spaces), residential units (100 to 130 units), and a hotel (200 to 250 rooms) on Seawall Lot 330. While the exact size is to be determined in the term sheet, the current analysis estimates the project at 34,000 square feet of retail, 200 parking spaces, 125 residential units, and a 200-room hotel. The range of uses will be further evaluated in future analysis, as required under the California Environmental Quality Act.

As noted above, GSW envisions completing the development in time for the 2017-18 NBA season.

Figure 5. Artist's Rendering of Proposed Development of Pier 30-32



Source: Snøhetta & AECOM

FISCAL IMPACT

Under the Conceptual Framework, GSW would lease Pier 30-32 from the Port for 66 years, and GSW would purchase Seawall 30-32 from the Port outright. The Port and the Real Estate Division commissioned an appraisal of the properties by Carneghi-Blum & Partners, Inc. Once improved, the appraised annual fair market rent for a ground lease of Pier 30-32 is estimated to be $1,970,000, and the fair market sale value of Seawall Lot 330 is estimated to be $30,400,000.[4]

GSW would be responsible to pay all financing and constructions costs, including costs related to environmental planning processes (CEQA), as well as the costs of any environmental mitigations required under CEQA except those involved in the actual rehabilitation of Pier 30-32. Under the Conceptual Framework, up to $120,000,000 in construction costs for the rehabilitation of Pier 30-32 would be considered reimbursable by the Port to GSW. The agreement would limit this reimbursement to three sources:

1. Rent credits from the fair market lease of Pier 30-32, totaling an estimated $1,970,000 per year, plus annual consumer price index (CPI) and/or other market adjustments, to be negotiated;[5]
2. Fair market sale revenues from Seawall Lot 330, totaling an estimated $30,400,000; and
3. Bond proceeds from an Infrastructure Financing District (IFD) on Pier 30-32 and Seawall Lot 330, totaling an estimated $60,000,000.

Under the Conceptual Framework, GSW will be entitled to a 13% annual return on the reimbursable constructions costs, or 13%, per year, on up to $120,000,000. According to Ms. Jennifer Matz, Director of Waterfront Development at OEWD, the Port would attempt to pay as much of the principal construction costs up front as possible, so as to minimize the reimbursable construction costs subject to the 13% annual return (or interest rate). By applying the estimated sales cost of Seawall Lot 330 and IFD bond proceeds, the total outstanding reimbursable construction costs could be reduced by $90,400,000, to $29,600,000, to be reimbursed by rent credits from the 66-year Pier 30-32 ground lease. However, because the 13% annual return on $29,600,000 of $3,848,000 exceeds the estimated annual fair market rent of $1,970,000 for the Pier 30-32 ground lease, the value of rent credits over the 66-year lease term are projected to be less than the amount to be reimbursed by the Port to GSW. Under the Conceptual Framework, the Port would not be responsible for reimbursing GSW for construction costs that exceed rent credits for Pier 30-32.

[4] Carneghi-Blum & Partners, Inc. completed the appraisal for Seawall Lot 330 for this proposed development, as well as the proposed development agreement with the America's Cup Authority. The assessed value of $30,400,000 is actually a reduction in assessed value from the $33,050,413 assessment conducted for the America's Cup Authority negotiations.

[5] Under the Conceptual Framework, after 20 years the rent will be re-set to market, based on appraisal, to an amount not less than the initial rent.

According to Ms. Matz, OEWD is considering alternative paydown approaches within the parameters of the Conceptual Framework that would potentially reduce the impact of the proposed 13% annual return.

Possible Additional Reimbursements

The Conceptual Framework allows for limited additional construction costs that would be reimbursable by the Port. If the actual estimated cost of the Pier 30-32 rehabilitation is less than the $120,000,000 Maximum Reimbursable Amount, the City and Port could authorize, under the Term Sheet, additional public benefits at Pier 30-32 that would then be reimbursable by the Port to GSW under the repayment arrangement described above. Furthermore, if following negotiations between the City and Port and GSW, GSW were to construct City or Port facilities on the Pier 30-32 property, those costs would be reimbursable to GSW and the construction costs would not be applied to the $120,000,000 Maximum Reimbursable Amount. Additionally, if the Port requests revisions to GSW's conceptual design that result in increases to the cost of the Pier 30-32 rehabilitation, the Conceptual Framework would allow for the Maximum Reimbursable Amount to be increased in connection with the increased costs.

City Revenues

At OEWD's request, the consulting firm Economic & Planning Systems, Inc. (EPS) conducted and analysis on the development's fiscal responsibility and feasibility. In their report issued on October 22, 2012, EPS finds that upon completion of the Pier 30-32 and Seawall Lot 330 development, the City would receive an estimated $19,003,000 in ongoing annual revenues, including $13,768,000 in General Fund revenues and $5,235,000 in dedicated and restricted revenues, shown in Table 1, below. Additionally, EPS estimates that the City would receive $53,835,000 in one-time revenues, including $7,704,000 for the General Fund and $46,131,000 in Development Impact Fees, shown in Table 2, below. Having reviewed the EPS report, the Budget and Legislative Analyst finds these estimates to be reasonable.

Table 1. Estimated Annual Revenues to the City, Post Build-Out

Annual General Fund Revenue	Estimated Amount
Property Tax / Possessory Interest	$5,061,000
Property Tax in Lieu of VLF (State Transfer)	1,016,000
Property Transfer Tax	60,000
Sales Tax	725,000
Parking Tax	272,000
Hotel/Motel Tax	1,479,000
Stadium Admission Tax (General Fund 67.9%)	2,824,000
On-site Payroll Tax*	1,382,000
Off-site Payroll Tax*	26,000
Indirect and Induced Impacts	923,000
Subtotal – General Fund Revenue	**$13,768,000**
Dedicated and Restricted Revenue	
Hotel/Motel Tax (Cultural Programs)	$1,285,000
Parking Tax (MTA 80%)	1,087,000
Stadium Admission Tax (Recreation and Parks 32.1%)	1,335,000
Special Fund Property Taxes (Children's, Library, and Open Space)	716,000
Public Safety Sales Tax	362,000
SF County Transportation Authority Sales Tax	362,000
Transfer Fees to the Port	88,000
Subtotal – Dedicated and Restricted Revenue	**$5,235,000**
Total Revenue	**$19,003,000**

Source: EPS

* On November 6, 2012, the voters of San Francisco approved a gross receipts tax that will be phased-in over time as the payroll tax is phased out. Therefore, payroll and gross receipts tax estimates will be revised in the Term Sheet.

Infrastructure Financing District Proceeds

As is noted above, under the Conceptual Framework, following the completion of development, the property owners would form an IFD for the purpose of directing the new property taxes back to the project. The IFD would then issue a $60 million IFD Bond, to be repaid with the IFD property tax revenues. Therefore, during the 30 year expected life of the IFD Bond, the $5,061,000 in estimated new ongoing Property Tax/Possessory Interest General Fund revenues would not be available for the City, reducing the ongoing revenues from $19,003,000 to $13,942,000. According to Ms. Matz, this approach assumes that 100% of the new property tax revenues that would otherwise be distributed to the General Fund are earmarked to the IFD;

however, the actual allocation of General Fund revenues under the proposed IFD is subject to future Board of Supervisors approval.

Stadium Operator Admission Tax Revenues

The analysis prepared by EPS assumes Stadium Operator Admission Tax revenues of $4,159,000, including $2,824,000 for the General Fund and an additional $1,335,000 for the General Fund that represents a part of the tax that historically the Board has annually appropriated to the Recreation and Park Department. However, the EPS report flagged a potential question about the extent to which the City's Stadium Operator Admission Tax applies to ticketed events at the proposed arena, based on the definition of "stadium" in Article 11 of the San Francisco Business and Tax Regulations Code. Deputy City Attorney Ms. Julie Van Nostern notes that there has been no comparable facility in San Francisco since the City adopted the Stadium Operator Admissions Tax. According to Ms. Van Nostern and Treasurer and Tax Collector Policy and Legislative Manager Mr. Greg Kato, the City considers the Stadium Operator Admission Tax applicable to the proposed arena and collectible for basketball games, concerts, and other ticketed events at the arena. However, the Budget Analyst notes that if the Stadium Operator Admission Tax were not to apply to tickets for events at the new arena, then the Stadium Operator Admission Tax annual revenue estimated by EPS from the proposed development would be reduced by $4,159,000, from $19,003,000 to $14,844,000.

Combined, the IFD and Stadium Admission Tax reductions would reduce the estimated annual revenue to $9,783,000 for 30 year period of IFD Bond repayment.

Table 2. Estimated One-time Revenues to the City

Development Impact Fees	**Amount**
Jobs Housing Linkage - §413	$21,926,000
Affordable Housing-- §415	8,362,000
Child Care	244,000
Transit Impact Development - §411.3	12,808,000
Eastern Neighborhoods – Infrastructure Fee – Tier 1 (§423.3)	2,791,000
Subtotal: Development Impact Fees	**$46,131,000**
One-time General Fund Revenue	
Sales Taxes During Construction	$4,062,000
Payroll Tax During Construction	3,047,000
Property Transfer Tax from initial residential sales	595,000
Subtotal: One-time General Fund Revenue	**$7,704,000**
Total One-Time Revenues	**$53,835,000**

Source: EPS

Other City Department Costs

According to Ms. Matz, while the EPS report cites preliminary cost estimates, the costs to City departments would be determined in the Term Sheet between the City and GSW. The Term Sheet would be subject to Board of Supervisors endorsement, and Ms. Matz estimates that it will be submitted to the Board of Supervisors in the first quarter of 2013. Below are the preliminary departmental cost estimates cited by EPS.

Municipal Transportation Agency (MTA) Costs

According to the EPS report, the MTA is preparing a comprehensive assessment of services and facilities that will be affected by a number of large planned development projects. Anticipated impacts of the proposed development would include increased transit service during events, possibly through temporary reallocation of existing resources, and traffic control. According to Ms. Matz, the MTA's assessment includes possible use of the E-line, which runs the MTA's historic streetcars along the Embarcadero, from Fisherman's Wharf to the Caltrain depot. The MTA has been experimenting with E-line runs during the 2012 America's Cup preliminary races.

Although specific MTA cost or revenue estimates will not be available until the Term Sheet is drafted in early 2013, for comparison purposes, the MTA estimated gross costs at $8,292,891 and net costs of $6,430,228, after accounting for estimated fare revenues of $1,862,663, for 58 days of America's Cup activities. However, America's Cup attendance is estimated to far exceed the attendance at any events at the proposed development.

Police Department (SFPD)

Using San Francisco Giants games as a reference, the EPS report notes that providing an SFPD presence at basketball games and concerts, primarily, would not necessarily increase costs. At Giants games, SFPD officers are usually deployed temporarily from existing posts elsewhere in the City, returning to those posts as appropriate following the start of the game. The EPS report assumes that a private security firm will be utilized for maintaining the peace within the arena. According to the EPS report, SFPD representatives have indicated that they would like to work with GSW to ensure that the SFPD has an adequately-sized command post within the arena, and that the development meets specific design and use requirements. Specific SFPD cost estimates will not be available until the Term Sheet is drafted in the first quarter of 2013.

Department of Public Works (DPW)

The EPS report notes that additional DPW services would be required for the areas surrounding the development, including street and sidewalk sweeping after events. Under the Conceptual Framework, GSW and the Port will work to identify ongoing funding mechanisms to provide for DPW services. However, such funding mechanisms, and DPW cost estimates, will not be available until the Term Sheet is drafted in early 2013.

Other Costs

Although the proposed development for Pier 30-32 includes at least 50% public access and open space, GSW would be responsible for maintenance of the public space, excluding any possible City facilities, such as Port offices or a SFFD fire boat berth. Furthermore, Ms. Matz notes that the City is currently being reimbursed by GSW for City staff time incurred in the planning of the proposed development.

DETAILS OF PROPOSED LEGISLATION AND FISCAL FEASIBILITY ANALYSIS

The proposed resolution would (a) find that the development project proposed by GSW Arena LLC (GSW), an affiliate of the Golden State Warriors basketball team ownership group is fiscally feasible and responsible under Chapter 29 of the City's Administrative Code; and (b) urge City and Port officials to make evaluating the proposed project among its highest priorities, and to take all appropriate steps to further environmental review of the proposed project.

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.

1) Direct and Indirect Financial Benefits to the City

The proposed development at Pier 30-32 and Seawall Lot 330, including (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 residential, hotel, or retail uses and accessory parking, would provide: (1) direct financial benefits to the City through increased tax and fee revenues; and (b) indirect financial benefits, including one-time and ongoing employment benefits for San Francisco residents and revenues for firms serving the construction industry.

Significant changes in any of these variables, such as a significant reduction in the number of events at the proposed multi-purpose arena, would affect the estimated benefits of the proposed development. Furthermore, as is discussed above, the estimated benefits of the proposed

development would be affected if the City is found to be legally unable to levy the City's Stadium Admission Tax on tickets for events at the multi-purpose arena.

Direct Benefits

As is noted in Tables 1 and 2 above, EPS estimated that the proposed development would generate $19,003,000 in annual taxes and fees to the City and an additional $53,835,000 in one-time taxes and fees. If the Stadium Operator Admission Tax were not to apply to tickets for events at the new arena, then the estimated annual revenue from the proposed development would be reduced by $4,159,000 from $19,003,000 to $14,844,000. Additionally, IFD Bond payments would reduce the estimated annual revenue to $9,783,000 for the estimated 30 year period of IFD Bond repayment (or to $13,942,000 under the assumption that the City collects the full amount of the Stadium Operator Admission Tax).

Indirect Benefits

The EPS report estimates that the proposed development would generate indirect financial benefits from additional payroll tax revenue. However, due to the approval by San Francisco voters on November 6, 2012 of a new gross receipts tax to replace the existing payroll tax will necessitate new estimates of gross receipts tax revenues for the Term Sheet.

2) Construction Costs to the City

As discussed above, the total cost of rehabilitating Pier 30-32 is estimated to be $120,000,000. The financing and construction of this rehabilitation would be undertaken by GSW, to be reimbursed by the Port up to a maximum of $120,000,000, plus a 13% annual return on the reimbursable constructions costs. All pre-construction costs, including CEQA requirements, would be the responsibility of GSW and would not be subject to reimbursement from the Port. The City would not incur any construction costs on the improved Pier 30-32 and Seawall Lot 330, unless it was determined that the City negotiated the inclusion of City facilities, such as an SFFD fire boat berth, on that development.

3) Available Funding

As discussed above, reimbursement of the maximum $120,000,000 in Pier 30-32 rehabilitation construction costs, plus 13% annual return, is limited to three sources:

1. Rent credits from the fair market lease of Piers 30-32, totaling an estimated $1,970,000 per year;
2. Fair market sale revenues from Seawall Lot 330, totaling an estimated $30,400,000; and
3. Bond proceeds from an Infrastructure Financing District (IFD) on Piers 30-32 and Seawall Lot 330, totaling an estimated $60,000,000.

4) Ongoing Maintenance and Operating Costs

Ongoing maintenance and operating costs for the proposed development would be incurred by GSW rather than the Port or any other City agency. As noted above, new DPW costs are

expected to maintain streets and sidewalks surrounding the development, and ongoing funding options for these costs are being explored by OEWD, the Port, and GSW. In addition, the MTA and SFPD may also incur additional operations costs; however those costs have not yet been determined.

5) Debt Load

As noted above, under the Conceptual Framework, the Port would be liable to reimburse GSW for a maximum of $120,000,000 for Pier 30-32 rehabilitation costs, plus 13% annual return. In the event that any debt remained at the end of the 66 year lease, the Port would not be required to pay any remaining debt to GSW.

Conclusion

The proposed development at Pier 30-32 and Seawall Lot 330, including (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 residential, hotel, retail uses, and accessory parking, would provide the following estimated fiscal impacts: (1) One-time financial benefits to the City of up to $53,835,000; (2) Direct ongoing annual financial benefits of between $9,783,000 and $19,003,000; (3) Undetermined indirect financial benefits from gross receipt tax revenue; (4) Up to $120,000,000 in private construction expenditures for the rehabilitation of Pier 30-32; (5) Reimbursement by the Port to GSW of those private construction expenditures through the use of (a) up to 66 years of annual rent credits for Pier 30-32, valued at $1,970,000 per year, (b) the transfer of Seawall Lot 330 from the Port to GSW, valued at $30,400,000, and (c) 30 years of foregone General Fund property tax revenue which would be used to repay a $60 million IFD bond; (5) No new ongoing maintenance costs for the Port; and (6) Undetermined new street and sidewalk maintenance costs for DPW, for which funding options are being explored by OEWD, the Port, and GSW.

Based on these criteria, the Budget and Legislative Analyst finds the proposed development fiscally feasible under Chapter 29 of the City's Administrative Code. 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.

POLICY CONSIDERATIONS

GSW Assumes 205 New Events Per Year at the Proposed Multi-Use Arena, Including up to 50 Golden State Warriors Games and 155 Other Scheduled Events

For the purpose of EPS analysis of the fiscal impacts of the proposed development, GSW assumed 205 events per year at the proposed multi-use arena, with a total attendance of nearly 2,000,000 individuals annually, as shown in Table 3 below. According to Ms. Matz, the economic viability of the proposed multi-purpose arena depends on the arena hosting a variety of events in addition to Golden State Warriors games.

Table 3. 205 Annual Events, including Attendance and Parking

Event Type	Annual Events	Estimated Average Turnstile Attendance	Parking Spaces Demanded per Event
Warriors Basketball Games	50	14,875	2,975
Concerts	45	11,700	2,089
Other Sporting Events	30	6,300	1,125
Family Shows	50	5,400	675
Fixed Fee Rentals	30	8,100	2,700
Total	**205**	**1,972,250**	

Source: EPS

The impacts of this number of events on parking, traffic, and other considerations would be further explored in the completion of the project's environmental impact report.

The Proposed Development Would Require Amendments to the City's Waterfront Plan and Zoning Laws

As noted above, the Port's Final Waterfront Plan, adopted by the Port Commission in 1997, does not identify a professional athletic facility as an acceptable use of Pier 30-32, although assembly and entertainment, recreational enterprises, museums, restaurants and other retail establishments, as well as certain types of warehousing and limited office uses are acceptable uses. In addition, the City's Zoning Map limits developments on Pier 30-32 to a 40-foot height limit. According to Assistant Director of Waterfront Planning for the Port, Ms. Diane Oshima, for the proposed development to proceed as described under the Conceptual Framework, the Port Commission would need to approve amendments to the City's Waterfront Plan, and the City's Planning Commission and Board of Supervisors would need to approve amendments to the City's Zoning Map.

Environmental Impact Assessments, Transfer of Port Property, and Development Agreements Are Subject to Future Board of Supervisors Review and Approval

Approval of the proposed resolution by the Board of Supervisors, finding that the proposed project is fiscal feasible, is required for OEWD, the Port, and GSW to proceed with environmental review. The proposed resolution does not authorize any transfer of property or and does not approve a development agreement. If the subject resolution is approved, OEWD would proceed with the drafting of a development term sheet, based on the Conceptual Framework, and the term sheet would be subject to Board of Supervisors endorsement. CEQA findings and possible zoning changes would also be subject to future Board of Supervisors review and approval.

RECOMMENDATION

Based on the review of the Conceptual Framework for the proposed development at Pier 30-32 and Seawall Lot 330, and the supporting fiscal and economic analysis provided by the Port and OEWD, the Budget and Legislative Analyst finds that the proposed development is fiscally feasible. 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.

CONCEPTUAL FRAMEWORK FOR PIERS 30-32 GROUND LEASE AND SEAWALL LOT 330 CONVEYANCE

(Proposed Rehabilitation of Piers 30-32 and Development of a Public Assembly Venue Useable for Conventions, Warriors Home Games, Performing Arts, and Other Purposes, and Related Improvements, Including Public Open Space and Waterfront and Maritime Access Improvements)

This Conceptual Framework, dated for convenience of reference as of October 23, 2012, is made with reference to the Exclusive Negotiation Agreement dated as of August 15, 2012 (as such agreement may be amended, the "ENA"), between the City and County of San Francisco (the "City"), acting by and through its San Francisco Port Commission (the "Port"), and GSW Arena LLC, a Delaware limited liability company ("GSW"). As used in this Conceptual Framework, the term "GSW" includes an affiliate as described in section 1 below. Subject to the conditions provided for in this document, this Conceptual Framework sets forth the basic financial principles and terms on which the City, including its Port, and GSW will negotiate agreements for the proposed project referred to above and described in more detail below. In particular, this Conceptual Framework:

- is intended to facilitate the San Francisco Board of Supervisors' consideration of a finding that the Project (as defined below) is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29 (the "Fiscal Feasibility Finding"), consistent with the milestone for such action set forth in the ENA, and this Conceptual Framework accompanies the preliminary fiscal feasibility report that Economic and Planning Systems, Inc., an independent real estate economics firm, with the assistance of the sports economics firm Barrett Sports Group LLC, prepared on behalf of the City, and submitted to the Board of Supervisors in connection with the proposed Fiscal Feasibility Finding (the "Fiscal Feasibility Report");

- is based on a recent independent MAI appraisal of the fair market value to the Port of a long-term ground lease of the Waterfront Site and a conveyance of title to (or possibly a long-term ground lease of) the Seawall Lot Site that comprises the remainder of the Site (as such initially capitalized terms are defined below) entitled "Appraisal of Seawall Lot 330, Piers 30–32, San Francisco, California" prepared by Carneghi-Blum & Partners, Inc. and dated September 28, 2012 (the "Appraisal");

- will form the basis for a Term Sheet as contemplated by the ENA (with the deadline for endorsement extended as referred to below), following negotiations built on an analysis of a financial pro forma for the Project; and

- along with any attached or underlying documents is not intended to be, and will not become, contractually binding unless and until the City, including its Port, and GSW execute and deliver the Transaction Documents described below, subject to the conditions of the ENA.

The proposed project consists of two related components, on separate Port parcels. The first part of the proposed project involves GSW's rehabilitation of Piers 30-32 and construction of a new privately financed, state-of-the art multi-purpose venue with seating for approximately 17,000 to

19,000 persons, capable of being used as an event venue and for other public assembly uses, including for conventions, Golden State Warriors' home games, performing arts, and other purposes, along with public open space, parking facilities, visitor-serving retail, maritime use, and other related uses, on Piers 30-32 (the "Waterfront Site"). GSW would finance, build and operate these improvements under a fair market rent ground lease from the Port, and expects to complete them by the Fall of 2017.

The second part of the proposed project includes construction by GSW of improvements on the portion of Seawall Lot 330 owned by the Port (i.e., all of Seawall Lot 330 except for the parcel at the corner of Beale and Bryant Streets that is part of the Watermark development), located on the west side of The Embarcadero, between Beale and Bryant Streets, on the other side of the street from the Waterfront Site (the "Seawall Lot Site"). The Port would convey fee title to the Seawall Lot Site to GSW for fair market value consideration if certain conditions are met; otherwise, the Port would enter into a ground lease with GSW for fair market rent consideration for the Seawall Lot Site. This Conceptual Framework addresses only the preferred alternative of conveyance of fee title to the Seawall Lot Site (the Term Sheet may address both alternatives, as appropriate). GSW plans to build residential, hotel, and/or retail uses and accessory parking on the Seawall Lot Site. The improvements on the Waterfront Site and the Seawall Lot Site are collectively referred to below as the "Improvements," and both components of the proposed project are collectively referred to in this Conceptual Framework as the "Project." The Waterfront Site and the Seawall Lot Site are collectively referred to in this Conceptual Framework as the "Site."

The Waterfront Site is subject to the use and other restrictions imposed under the Burton Act (Stats 1968, Ch. 1333, as amended) and the Burton Act Transfer Agreement of January 24, 1969, as well as the public trust for commerce, navigation and fisheries (collectively, the "public trust"). AB 1389 (Stats. 2001, Ch. 489) allows certain uses on the Waterfront Site that would otherwise be inconsistent with the public trust in connection with development on Piers 30-32 of a two-berth cruise ship terminal project that meets certain requirements. The Port is developing a cruise ship terminal at another pier so AB 1389 would not now seem to apply to the Project, though the Port and GSW are committed to exploring improvements to the Waterfront Site for maritime uses.
The Seawall Lot Site is subject to two pieces of State legislation that could affect its development and disposition by the Port: SB 815 (Stats 2007, Ch. 660) and AB 418 (Stats 2011, Ch. 477). In contrast to the Waterfront Site, the Seawall Site is free from some or all public trust restrictions under certain conditions set forth in SB 815 and AB 418.

The Port Waterfront Land Use Plan, including the Design and Access Element (collectively, the "Waterfront Plan"), is the Port's adopted land use document for property within Port jurisdiction, including the Site, and provides the policy foundation for waterfront development and improvement projects. After a multi-year cooperative process, the Port and the San Francisco Bay Conservation and Development Commission ("BCDC") adopted the Special Area Plan, which allows for the revitalization of certain piers for uses consistent with the public trust. The Waterfront Plan contemplated the potential for developing an arena in the South Beach/Rincon Point Subarea of Port property. The Waterfront Plan and the Special Area Plan recognize that the development of the Waterfront Site and the surrounding area should further the public trust purposes of supporting maritime activities and expanding public use and enjoyment of the waterfront on public trust lands at this location. The Special Area Plan sets forth certain design considerations for the Waterfront Site, including strict limitations on new fill and a requirement to provide maximum feasible public access.

A project that provides at least 35% of the pier area for public open space is deemed to provide maximum feasible public access.

The Waterfront Plan identifies the Waterfront Site as a major development opportunity site, and the City, through its Port, has undertaken numerous unsuccessful attempts to develop the site in accordance with the Waterfront Plan's objectives, including the recent effort related to the 34th America's Cup and two separate attempts to develop the proposed mixed use Bryant Street Pier project through public-private partnerships. In each of those instances, the private project sponsor abandoned its plans due to much higher than expected costs to repair the Piers 30-32 substructure.

The Waterfront Site has a limited remaining useful life, requiring a substantial capital investment to repair the substructure and bring the piers up to modern seismic standards and to preserve the piers. If the piers are not rehabilitated, the Port may be required to expend substantial sums to demolish the piers after the end of their useful life. The Port has not identified sufficient funding to improve–or demolish–the piers in the Plan of Finance for its 10-Year Capital Plan, due to limited Port resources and competing Port priorities. The Port's efforts over the years to develop the Waterfront Site through public-private partnerships have not been successful. The costs to rehabilitate the piers for any long-term use is estimated to far exceed the combined fair market value of the Waterfront Site and Seawall Lot Site. The Appraisal shows that rehabilitating the piers and developing the highest and best use on the Waterfront Site is not financially feasible without dedication of the proceeds from the sale of the Seawall Lot Site and an additional significant subsidy to cover the pier substructure costs.

The Waterfront Site is an extraordinary location for the proposed public assembly venue and affords a number of advantages for the City, the region and the public over other potential sites, including other Port land to the south of the Waterfront Site. First and foremost, the Waterfront Site is optimal for locating the venue in light of the existing transit, bicycle and pedestrian network, as well as planned improvements to that network. Regional destinations such as the proposed venue achieve their best transit mode splits when they are located within walking distance from regional transit hubs. The Waterfront Site is located at a distance of 3/4 mile or less from all major regional transit hubs in downtown San Francisco, including BART, Caltrain, the Ferry Building, the Transbay Terminal, and the Capitol Corridor, and for the bulk of Muni Metro and bus lines serving these same hubs (including an adjacent Muni Metro station at Brannan Street serving two metro lines). The walk from these hubs along the Embarcadero is short, free of traffic conflict and pleasant. These features make the Waterfront Site a remarkably accessible location that can be reached fairly effortlessly, with a minimum of transfers, by visitors from all nine Bay Area counties. The other possible locations for the venue do not afford nearly the same level of advantages within the transit network.

Second, the Project provides an appropriate public use that will permit rehabilitating the Waterfront Site, which is nearing the end of its useful life. Developing the Project at the Site provides the best opportunity for activating the Waterfront Site for maritime and other uses in a manner consistent with the public trust and the goals and objectives of the Waterfront Plan and BCDC's Special Area Plan.

Third, the adjacency of the Seawall Lot Site to the Waterfront Site improves the success and economic feasibility of the Project overall by allowing cross-subsidies and complementary development that will transform the Site from an underutilized surface parking lot to a thriving and

active visitor serving destination. These key Port objectives would not be accomplished by locating the facility in an area farther south.

By Resolution No. 236-12 adopted unanimously on June 12, 2012, the Board of Supervisors found that the potential real estate transactions involving the Waterfront Site and the Seawall Lot Site to rehabilitate Piers 30-32 and develop a multi-purpose event venue and related facilities would generate substantial public benefits for the City, including its Port, such as: (1) the repair, improvement and productive reuse of the Waterfront Site, (2) the construction of needed infrastructure improvements that benefit the Site and the surrounding public trust lands and other areas, (3) the generation of significant new jobs and economic development in a short period, including significant opportunities for local residents, (4) the attraction of many people from the City and all over the region to enjoy the waterfront and the Bay and to patronize businesses on the Site as well as other Port land and privately owned property in the vicinity of the Site, and (5) the enhancement of the City's tourism industry, including providing an additional venue for trust related events, conventions, sporting events, concerts and other special events. By Resolution No. 12-50 unanimously adopted by the Port Commission on June 12, 2012, the Port Commission made the same findings.

The basic financial principles and terms set forth in this Conceptual Framework will be subject to further negotiation between the parties consistent with the ENA, to develop a Term Sheet that will be subject to endorsement of the Port Commission and the Board of Supervisors. And ultimately, subject to required approvals, the terms and conditions contained in the Term Sheet will be set forth in more detail in the final transaction documents among GSW, the Port, the City and other entities, as applicable, summarized in section 4 below (collectively, the "Transaction Documents").

The Term Sheet and the Transaction Documents will be consistent with Board of Supervisors Resolution No. 236-12 and with Port Commission Resolution 12-50, both approving sole source negotiations with GSW for the Project, and with the ENA.

Section	Provision	Summary of Principles and Terms
1.	Parties	Port: City and County of San Francisco (the "City"), acting by and through its Port Commission. GSW: GSW Arena LLC, a Delaware limited liability company (and/or any affiliate of GSW Arena LLC, or a third party, in each instance approved by the Port or meeting net worth and/or other qualifications negotiated as part of the Term Sheet and Transaction Documents). GSW Arena LLC is a wholly owned subsidiary of GSW Sports LLC. Golden State Warriors, LLC (the "Team Owner") is also a wholly owned subsidiary of GSW Sports LLC. The Team Owner owns and operates the "Golden State Warriors" NBA franchise.
2.	Site	The Site consists of these two properties: The Waterfront Site: Piers 30-32, consisting of an approximately

Section	Provision	Summary of Principles and Terms
		553,778 square foot (about 13 acre) pile-supported structure along the Embarcadero roadway as depicted on Exhibit A-1. The Seawall Lot Site: Approximately 101,330 square foot (about 2.3 acre) portion of Seawall Lot 330 that fronts the Embarcadero roadway and is bounded by Beale and Bryant Streets as depicted on Exhibit A-2.
3.	Project Description	The Project includes the following proposed elements, all as further described in Exhibit B, and subject to refinements through the public review process and the Term Sheet negotiation process: Waterfront Site Improvements: • Seismic retrofit and rehabilitation of Piers 30-32 to preserve this unique waterfront resource and support the proposed uses. • State-of-the art multi-purpose venue, with a foot print of approximately 170,000 square feet, containing a total of approximately 700,000 square feet of space, and having a height of approximately 135 feet. The venue would be capable of seating approximately 17,000–19,000 persons. • The multi-purpose venue would be used for conventions, Warriors home games, performing arts, exhibitions, public ceremonies, other special events, and other similar purposes. • A practice facility and training areas of approximately 21,000 square feet and event management and team operations support space of approximately 40,000 square feet, in connection with the multi-purpose venue. • A multi-use community room on the northeast corner of Piers 30-32 containing approximately 10,000 square feet of space. • Visitor serving retail and restaurant uses totaling approximately 105,000 square feet. Those uses would mainly be in buildings along the Embarcadero that are approximately 60 feet high–no higher than the Piers 26 and 28 bulkheads, as well as in the multi-purpose venue. • Dedicated public open spaces and waterfront access comprising at least 50% of the Waterfront Site, including public access along the entire perimeter of Piers 30-32 and along a pier segment created in part by removing part of the deck at the piers' southeast corner, and other new public open spaces integrated into the improvements to the Waterfront Site. • Parking facilities of approximately 275,000 square feet (approximately 630 spaces), located on the pier deck but with the spaces covered and situated underneath the new open space and other surface improvements. • Maritime uses on all three Bay sides of Piers 30-32, including possibly (subject to further analysis as to financial feasibility): (i) a

Section	Provision	Summary of Principles and Terms
		new facility for the City's fireboats on the north part of the pier, (ii) ferry stop and boat docking on the north side of the pier, (iii) recreational water sports access, such as a public kayak launch area, guest docks and a possible water taxi stop, on the south side of the pier, and (iv) berthing for boats on the east side of the pier, including periodic, temporary berthing for deep draft vessels (again subject to further financial analysis as to feasibility). • Preservation of Red's Java House on the Waterfront Site. <u>Seawall Site Improvements (preliminary plan)</u>: • Two buildings, with heights of up to approximately 150 feet. • Residential use, consisting of up to approximately 140,000–160,000 square feet (100-130 units). • Hotel use, consisting of up to approximately140,000–160,000 square feet (220-250 rooms). Mix of hotel and residential use to be determined. • Retail use of approximately 33,000 square feet. • Accessory parking use of approximately 105,000 square feet (in the range of 195-300 spaces).
4.	Transaction Documents	The parties anticipate that the primary Transaction Documents will consist of: • a Disposition and Development Agreement between the Port and GSW for the Site (DDA) • a Ground Lease between the Port and GSW for the Waterfront Site • a Purchase and Sale Agreement between the Port and GSW for the Seawall Lot Site (or Ground Lease, if conditions to sale are not feasible) • a Sublease between GSW and the Team Owner, for use of the multi-purpose venue • Such other appropriate agreements as the parties may negotiate through the ENA process, which may include an agreement between GSW and SF Travel governing convention use of the event venue at the Waterfront Site.
5.	Financial Responsibility for Construction of Improvements, including Pier Substructure Rehabilitation, and Other Public Improvements	GSW will construct all Site improvements for the Project at no cost to the City, including its Port, subject to reimbursement for pier substructure improvement costs on the Waterfront Site and possibly other public improvements as described in this section below. <u>Reimbursement for Pier Substructure Costs</u>: The parties recognize that the costs to rehabilitate Piers 30-32 will substantially exceed the appraised fair market rental value from the Waterfront Site and the fair market sale value of the Seawall Lot Site. GSW will be reimbursed for

Section	Provision	Summary of Principles and Terms
		its actual and verifiable costs of seismically retrofitting and rehabilitating the piers to provide waterfront public access and support the other uses proposed for the Project, and of removing any fill in or about the Waterfront Site that is part of the Project (collectively, "Pier Substructure Costs"), up to $120,000,000 (the "Maximum Reimbursement Amount"), plus the Annual Cost Return described below. Such reimbursement will be made through three sources of funds: (1) the Rent Credits due under the Waterfront Site Ground Lease as described in section 6 below; (2) the Seawall Lot Purchase Credit as described in section 7 below; and (3) proceeds of Net Available Property Tax Increment generated from the Site under an IFD as described in section 8 below. The reimbursement for Pier Substructure Costs will include a market return on cost of 13% per year (the "Annual Cost Return"), which reflects the timing and risk of GSW getting repaid for its recognized expenditures, net of the Seawall Lot Purchase Credit described in clause (2) above. The Annual Cost Return will begin when GSW incurs the recognized expenditure and will continue to apply to such expenditure until GSW is repaid as provided above. The Annual Cost Return will not count against the Maximum Reimbursement Amount. GSW's conceptual design for the work that is subject to such reimbursement will be subject to the Port's prior approval generally consistent with other Port DDAs of commercial projects of similar scale, which approval will not be unreasonably withheld or delayed. If through such approval process the Port requests revisions to GSW's conceptual design that would materially increase the Pier Substructure Costs, then the Maximum Reimbursable Amount stated above will be increased in connection with the negotiations of the Term Sheet and the Transaction Documents to reflect such increased costs. <u>Possible Reimbursement for Additional Waterfront Infrastructure Costs</u>: The parties anticipate that the total Pier Substructure Costs will be substantially greater than the Rent Credits and the Seawall Lot Purchase Credit referred to above, and that Net Available Property Tax Increment from the IFD referred to above will make up the difference. If the Pier Substructure Costs turn out to be less than the Maximum Reimbursement Amount, and if there is excess Net Available Tax Property Increment after allocating Net Available Property Tax Increment from the IFD to the reimbursement of the Pier Substructure Costs, then GSW may receive an additional reimbursement for actual and verifiable costs for waterfront public access and maritime improvements that are included as part of the Project to satisfy regulatory requirements and comply with the public trust (the

Section	Provision	Summary of Principles and Terms
		"Additional Waterfront Infrastructure Costs"). The terms and conditions for reimbursing any such Additional Waterfront Infrastructure Costs will be subject to negotiation between the parties as part of the Term Sheet and final Transaction Documents. The source for any agreed-upon reimbursement for Additional Waterfront Infrastructure Costs will be limited to the amount of excess Net Available Property Tax Increment from the IFD, that is, the extent to which such increment exceeds the amount of Net Available Property Tax Increment needed to reimburse GSW for Pier Substructure Costs, as described above. But in no event will the total reimbursement for Pier Substructure Costs together with any Additional Waterfront Infrastructure Costs, from all of the permitted sources described in this section, exceed the Maximum Reimbursable Amount. Possible Reimbursement for City Facilities: Also, GSW may construct other mutually agreed-upon public improvements on the Waterfront Site, which may include public amenities and maritime facilities that the City or its Port would use and control ("City Facilities"), subject to applicable City contracting requirements and on terms and conditions as the parties may agree through negotiations on the Term Sheet and final Transaction Documents. For instance, City Facilities may include a facility for berthing the City's fireboats and housing related support facilities. For any such City Facilities, the City or Port will, in addition to reimbursement for Pier Substructure Costs (and Additional Waterfront Infrastructure Costs, if applicable), reimburse GSW for the cost of building them on terms to be negotiated; provided that the costs of any such City Facilities will not count toward the Maximum Reimbursable Amount described above. In no event will Rent Credits, the Seawall Lot Purchase Credit or any other funds or assets of the Port serve as a source to reimburse the costs of any non-maritime City Facilities to the extent that the City (as opposed to its Port) uses and controls them.
6.	Waterfront Site Ground Lease: Basic Financial Terms	Subject to conditions to closing to be set forth in the DDA and that are consistent with other closing conditions for Port DDAs of commercial projects of similar scale, the Port will deliver a leasehold interest to GSW in the Waterfront Site in its as is physical condition. The term of the lease will be 66 years, including any and all extension options. Base Rent: GSW will pay the Port fair market rent, based on the appraised value of $1,970,000 per year, with CPI and/or other market adjustments to rent to be negotiated, and subject to the Rent Credits described in this section below; provided, however, from the closing of the Ground Lease and until the improvements on the Waterfront Site are completed, GSW will pay, again subject to the Rent Credits, a reduced construction period rent equal to the total revenues that the

Section	Provision	Summary of Principles and Terms
		Port currently receives from existing leases at the Waterfront Site, of about $1,060,000 per year. In the negotiations for the Term Sheet and the Transaction Documents, the parties may explore having the Ground Lease provide for prepayment of all or a portion of the rent. Rent Credits: GSW will receive credits against rent due under the Ground Lease, including base rent (including construction period rent) and any participation rent as described below (the "Rent Credits") until GSW is reimbursed for the Pier Substructure Costs and any Additional Waterfront Infrastructure Costs, all as generally described in section 5 above (including the agreed-upon return on costs). Participation Rent: In addition to base rent, GSW will pay to the Port participation rent based on an agreed-upon percentage of net revenues from specified Project sources and uses, after GSW is paid back for its Pier Substructure Costs, together with any Additional Waterfront Infrastructure Costs and the costs for any City Facilities, as generally described in section 5 above. Similarly, GSW will pay the Port participation rent based on an agreed-upon percentage of net proceeds of sale arising from non-affiliate transfers and refinancings, again in each instance after GSW is paid back for its Pier Substructure Costs, together with any Additional Waterfront Infrastructure Costs and the costs for any City Facilities, as generally described in section 5 above. Triple Net: The Ground Lease will be triple net, with GSW responsible for all taxes, assessments, and expenses, without offset or deduction of rent of any kind other than the Rent Credits. GSW will be responsible for operating, maintaining and repairing all Project facilities on the Waterfront Site (including, but not limited to, the pier substructure and public access areas), all at no cost to the City or its Port (except for any City Facilities, which the City or its Port use and control as provided in section 5).
7.	Seawall Lot Site Conveyance: Basic Financial Terms	Subject to conditions to closing to be set forth in the DDA and that are consistent with other closing conditions for Port DDAs of projects of similar scale, the Port will convey fee title to the Seawall Lot Site in its as is physical condition to GSW. The Port will convey fee title to the Seawall Lot free of the public trust, subject to satisfaction of required state statutory conditions. The Transaction Documents will require the Port to use its reasonable best efforts to satisfy those conditions, at no cost to GSW. Purchase Price: The Port will convey the Seawall Lot Site for its appraised fair market value of $30,400,000, subject to a mutually agreed-upon CPI adjustment at the time of the closing. (The appraised purchase price is subject to review and approval by the State Lands

Section	Provision	Summary of Principles and Terms
		Commission.) Credit for Purchase Price Against Waterfront Site Rent: In lieu of paying cash to the Port to acquire the Seawall Lot Site, GSW may, in addition to the Rent Credits under the Waterfront Site Ground Lease described in section 6, apply the purchase price as a credit against the Pier Substructure Costs (the "Seawall Lot Purchase Credit") as referenced in section 5 above, so long as GSW provides a suitable financial or other appropriate means of binding written assurance that it will complete the pier rehabilitation work, on terms satisfactory to the parties and in compliance with any applicable state statutory requirements for conveyance, including SB 815 and AB 418. Transfer Fees: The Purchase and Sale Agreement will require, as part of the consideration to the Port for the sale, GSW to record a transfer fee covenant against the Seawall Lot Site (binding on GSW and all successors) that will provide the Port with a recurring transfer fee of 1.0% on the net proceeds from (i) sales of individual residential condominium units after (but not including) the first sale, and (ii) sales or other conveyances to non-affiliates of any commercial condominium parcels after (but not including) the first sale, all on terms and conditions to be further negotiated. The transfer fees payable to the Port will be excluded from the Seawall Lot Purchase Credit, and thus will not be a source for reimbursement for the Pier Substructure Costs or any Additional Waterfront Infrastructure Costs.
8.	Infrastructure Financing District (IFD)	Subject to required approvals to form an IFD that includes the Site (as described in section 2 above), and based on the premises that (i) but for the allocation of IFD proceeds the Project would not be feasible, (ii) the Project is anticipated to generate significant net fiscal benefits to the City (as shown by the Fiscal Feasibility Report) and (iii) but for the Project, the property tax increment from the Waterfront Site to support the IFD proceeds would not exist, GSW will receive a pledge of net available property tax increment revenue generated by the Project from an IFD for the Site, on terms and conditions to be mutually agreed-upon ("Net Available Property Tax Increment"). The pledge of Net Available Property Tax Increment may be made available to GSW on a pay-as-you-go basis, or through the issuance of bonds or other debt, on terms and conditions as the parties may negotiate consistent with the following principles. Net Available Property Tax Increment: Net Available Property Tax Increment shall consist solely of the City's share of available IFD tax increment from the Site, that is the share of property tax growth that the City would receive from the Site as a result of the Project, for up to the statutorily allowed period after the IFD is created. The IFD for the Site

Section	Provision	Summary of Principles and Terms
		may be a designated project area within an IFD that includes other Port property (a "Port-wide IFD"). No tax increment for the benefit of schools or other taxing entities will be pledged under the IFD or otherwise be made available for the Project or infrastructure related to the Project. No increment from other Port property in any Port-wide IFD will be imported to pay for Project infrastructure. The parties may agree to mechanisms to enhance security for IFD debt. Any IFD debt will be secured solely by Net Available Property Tax Increment in the IFD and will not have any recourse to the City's General Fund or to the Port Harbor Fund. To the extent permitted by law, the Net Available Property Tax Increment will be used to reimburse GSW for Pier Substructure Costs, any Additional Waterfront Infrastructure Costs and any City Facilities as further described in section 5 above, all on terms and conditions that the parties will negotiate as part of the Term Sheet and Transaction Documents. Bond Assurances: The Transaction Documents will include appropriate assurances relating to payment of property taxes that support IFD bonds that may be issued for the Project (including possible downward adjustments in the assessed value of the Project) to help ensure that the district can service any such IFD bonds and maintain any required debt coverage. CFD Financing: To increase the efficiency of the proposed IFD financing, the parties will explore establishing a Mello-Roos Communities Facilities District ("CFD") comprising the Site to finance the Pier Substructure Costs and City Facilities or other mutually agreed-upon public improvement costs at the Waterfront Site for the Project, with Net Available Property Tax Increment from the IFD pledged to take out or service the CFD debt. Also, the parties will endeavor to structure any IFD debt and any CFD debt as tax-exempt in accordance with applicable tax laws.
9.	Contribution of Funds to Pay for Quality of Life Services	As part of their negotiations, and taking into account the projected net fiscal benefits to the City's General Fund from the Project, the parties will explore incorporating into the Term Sheet and then the Transaction Documents one or more mutually agreeable financing mechanisms to fund City costs associated with neighborhood quality of life improvement measures to address effects from use of the multi-purpose venue. Such improvement measures may include, by way of example, cleaning sidewalks and building facades, maintaining street trees, cleaning litter, installing wayfinding signs, providing traffic and parking control and enhanced security services, and furnishing any such other services as the parties may mutually identify and agree.

Section	Provision	Summary of Principles and Terms
10.	Revenues from Existing Leases	The Port will be entitled to all revenues from the existing leases on the Waterfront Site and the Seawall Lot Site through the closing under the DDA; commensurate with its obligation to start paying rent under the Ground Lease, GSW will be entitled to any such revenues on and after the closing should such tenancies continue after the closing. GSW will be responsible for incorporating Red's Java House into the Project, at no cost to the City, including its Port, on terms to be negotiated.
11.	Development Impact Fees	GSW will pay to the City all applicable development impact fees relating to developing the Project. The Transaction Documents, including the allocation of responsibility for any applicable mitigation and neighborhood improvement measures, will take into account GSW's payment of those fees to avoid double-charging. The parties will explore allowing GSW to defer paying applicable development impact fees until issuance of a certificate of occupancy, on terms and conditions generally consistent with the City's current fee deferral program (which is scheduled to sunset in July 2013). Also, if the Eastern Neighborhoods Infrastructure Impact Fee applies to development of the Improvements on the Seawall Lot Site, then that fee may be offset by GSW's construction of additional public improvements through an in-kind agreement with the Planning Department, subject to the Planning Commission's approval of such agreement in its sole discretion.

The ENA has been amended to extend the deadline for endorsement of the Term Sheet by the Port Commission to February 1, 2013 and the Board of Supervisors to February 15, 2013.

Under the San Francisco Charter, no officer or employee of the City, including its Port, has authority to commit the City to the proposed Project unless and until the San Francisco Port Commission, Planning Commission, Board of Supervisors and Mayor have approved the City entitlements for the Project and related Transaction Documents. While this Conceptual Framework summarizes certain basic financial principles and terms for the Project, it is not intended to be, and will not become, contractually binding on the City, including its Port, or GSW. Accordingly, consistent with the foregoing and subject to the provisions of the ENA, no legal obligation will exist regarding the transactions described in this Conceptual Framework, unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the environmental review process under the California Environmental Quality Act (CEQA) and other public review and hearing processes and subject to all applicable governmental permits and approvals.

Before entering into final Transaction Documents, the City, including its Port, retains the absolute discretion to (a) make modifications to the proposed Project and any proposed agreements as are deemed necessary to mitigate significant environmental impacts, (b) select other feasible alternatives to avoid such impacts, (c) balance benefits against unavoidable significant impacts before taking final action if such significant impacts cannot otherwise be avoided, or (d) determine

not to proceed with the proposed Project based upon the information generated by the environmental review process. Also, before entering into final Transaction Documents, GSW retains the absolute discretion to make modifications to the proposed Project and to determine not to proceed with the proposed Project, subject to the terms and conditions of the ENA.

GSW: GSW ARENA LLC,
a Delaware limited liability company

By: _____
Rick Welts
President

Date: _____, 2012

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Edwin M. Lee
Mayor

Date: _____, 2012

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: _____, 2012

Exhibits to Conceptual Framework

Exhibit A-1	Waterfront Site Map
Exhibit A-2	Seawall Lot Site Map
Exhibit B	Project Description

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-50

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 City and County of San Francisco (the "City"), acting by and through the Port Commission (the "Port"), owns approximately 13 acres at Piers 30-32 located on the east side of The Embarcadero at Bryant Street ("Piers 30-32") and approximately 2.3 acres of undeveloped land at Seawall Lot 330 located on the west side of The Embarcadero between Beale and Bryant Streets ("SWL 330"), (together, Piers 30-32 and SWL 330 are referred to in this resolution as the "Site"); and

WHEREAS, GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors"), wishes to build a new privately financed state-of-the art multi-purpose facility that would be used for Warriors' home games and other purposes, including conventions, in San Francisco, together with related public infrastructure and access improvements and other improvements, on the Site, in time for the beginning of the 2017 National Basketball Association ("NBA") season; and

WHEREAS, GSW and City staff currently contemplate that the proposed project would be consistent with the San Francisco Bay Conservation and Development Commission's ("BCDC") Special Area Plan for the San Francisco Waterfront (the "Special Area Plan") and generally consist of developing a multi-purpose facility capable of being used as an event venue seating approximately 17,000-19,000 persons for Warriors' home games and for other public assembly uses, including conventions, public open space improvements and parking facilities, visitor-serving retail, maritime access, and other related uses on Piers 30-32, together with additional improvements on SWL 330 and transportation improvements, all subject to such changes as the parties may agree including in connection with the environmental review, public review and State-agency review processes (the "Project"); and

WHEREAS, Any ground lease or other City contract relating to development of the proposed Project would be subject to the City's ordinance relating to labor representation procedures in hotel and restaurant developments in which the City has an ongoing proprietary interest (Administrative Code Sections 23.50 through 23.56) and the City's first source hiring

program (Administrative Code Chapter 83), as they may apply to the proposed Project; and

WHEREAS, The Office of Economic and Workforce Development ("OEWD"), in cooperation with Port staff, and GSW have been engaged in preliminary discussions to establish a general description for the proposed Project, including the general parameters of a fair market value long-term ground lease of Piers 30-32 and ancillary facilities as may be reasonably required, and the related fair market value long-term ground lease or other transfer of SWL 330, for the proposed Project; and

WHEREAS, As set forth in Administrative Code Section 2.6-1, the Board of Supervisors' policy is to approve only such proposed leases involving City property or facilities that departments have awarded to the highest responsible bidder under competitive bidding procedures, except where competitive bidding is impractical or impossible; and

WHEREAS, Piers 30-32, which has a limited remaining useful life, requires a substantial capital investment to repair the substructure and bring the piers up to modern seismic standards and to preserve the piers, which costs are not funded in the Port's FY 2013-2022 Capital Plan due to limited Port resources and competing Port priorities; and

WHEREAS, The Waterfront Land Use Plan and the BCDC Special Area Plan recognize that the development of Piers 30-32 and the surrounding area should further the trust purposes of supporting maritime activities and expanding public use and enjoyment of the waterfront on trust lands at this location; and

WHEREAS, The Waterfront Plan identifies Piers 30-32 as a major, mixed-use development opportunity site, and the City, through the Port, has undertaken numerous unsuccessful attempts to develop the site in accordance with the Waterfront Plan's objectives, including the recent effort related to the 34th America's Cup and a previous effort to develop a fully entitled mixed-use, two berth international cruise terminal, where in each of those two instances the private project sponsor abandoned its plans due to much higher than expected costs to repair the Piers 30-32 substructure; and

WHEREAS, The Waterfront Plan contemplated the potential for developing an arena in the South Beach/Rincon Point Subarea of Port property (at the current location of AT&T Ballpark), which is only within a few blocks of the Site; and

WHEREAS, GSW, the Port and the City are committed to designing the Project in consultation with the BCDC and the California State Lands Commission to ensure that it complies with BCDC policies, including the Special Area Plan, and that the project is consistent with the public

trust for commerce, navigation and fisheries, as described in greater detail in the staff report accompanying this resolution; and

WHEREAS, The proposed Project would generate substantial public benefits for the City, including the Port, such as: (1) the repair, improvement and productive reuse of Piers 30-32, (2) the construction of needed infrastructure improvements that benefit the Site and the surrounding public trust lands and other areas, (3) the generation of significant new jobs and economic development in a short period, including significant opportunities for local residents, (4) the attraction of many people from the City and all over the region to enjoy the waterfront and the Bay and to patronize businesses on the Site as well as other Port-owned land and privately owned property in the vicinity of the Site, and (5) the enhancement of the City's tourism industry, including providing an additional venue for trust related events, conventions, sporting events, concerts and other special events; and

WHEREAS, On June 5, 2012, a resolution was introduced at the Board of Supervisors finding that the competitive bidding policy set forth in Administrative Code Section 2.6-1 does not apply to the potential Project and endorsing sole source negotiations with GSW (Board of Supervisors File #120625, the "Board Sole Source Resolution"); and

WHEREAS, Subject to the successful negotiation of an ENA with GSW, OEWD, working in concert with the Port and other City agencies, intends to return to the Port Commission and the Board of Supervisors in several months with a proposed term sheet based on a fair market value transaction for the proposed Project for the Port Commission and the Board to consider endorsing, in conjunction with the Board's consideration of a fiscal feasibility report and a resolution making fiscal feasibility findings consistent with Administrative Code Chapter 29; and

WHEREAS, The Port Commission is proud of the success of the privately financed waterfront ballpark, which is the home of the San Francisco Giants (the "Giants") and which has greatly enhanced public access to and enjoyment of the Bay; the Port Commission recognizes the efforts the Giants have made and continue to make to have neighborhood and community support for the ballpark; and the Port Commission wishes to ensure the continued success of the ballpark and to address the parking and transportation needs of the Giants, including in the context of the proposed Mission Rock development and the proposed Project; now, therefore, be it

RESOLVED, That the Port Commission finds that due to regional civic attributes of the Warriors, the unique opportunity presented by GSW's proposal to build a new multi-purpose facility that would be used for Warriors' home games and other purposes, including conventions, and related improvements at the Site and the public benefits to the City and the

region that the proposed Project would produce, all as further described above, sole source negotiations by City and Port staff with GSW for the proposed Project at the Site consistent with the Board Sole Source Resolution is in the City's and the Port's best interests, and, subject to the Board's approval of the Board Sole Source Resolution, the Port Commission endorses such sole source negotiations with GSW; and be it further

RESOLVED, That the Port Commission authorizes staff to negotiate an ENA with GSW for the proposed Project consistent with the Board Sole Source Resolution, which ENA shall be subject to the Port Commission's approval; and be it further

RESOLVED, That the Port Commission urges OEWD, the Port and GSW to engage in outreach to affected and interested neighbors, community members, tenants, industry partners and stakeholders to ensure that the proposed Project is designed with maximum public input, and to work closely with the San Francisco Giants to ensure the continued success of the ballpark project, to address parking and transportation needs and to coordinate with the proposed Mission Rock project; and be it further

RESOLVED, That the Port Commission urges OEWD and the Port to work closely with state agencies having jurisdiction over waterfront development, including the State Lands Commission and BCDC, to develop the project description for the proposed Project; and be it further

RESOLVED, That the Port Commission urges OEWD, in cooperation with the Port Director and with the assistance of Port staff, the City Attorney's Office and other City officials as appropriate, to make evaluation of the proposed Project among its highest priorities and take all actions needed to further the process of developing a description for the proposed Project, and negotiating an ENA and then a term sheet with GSW, consistent with this resolution; and be it further

RESOLVED, That the Port Commission acknowledges that the City may commence environmental review of the proposed Project under CEQA if and when the Board of Supervisors makes the required findings of fiscal feasibility and responsibility under Administrative Code Chapter 29, and nothing in this resolution implements any approvals or facilities for the proposed Project, grants any entitlements for the proposed Project or includes any determination as to whether the Port Commission or any other unit of City government should approve the proposed Project, nor does adoption of this resolution foreclose the possibility of considering alternatives to the proposed Project, adopting mitigation measures or deciding not to approve the proposed Project after conducting appropriate environmental review under CEQA; and the Port Commission further acknowledges that any development shall be

conditioned on the project sponsor first receiving all required regulatory approvals, including, but not limited to, approvals from various City and State agencies with jurisdiction, following CEQA review.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 12, 2012.

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Secretary

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-61

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 City and County of San Francisco (the "City"), acting by and through the Port Commission (the "Port"), owns approximately 13 acres at Piers 30-32 located on the east side of The Embarcadero at Bryant Street ("Piers 30-32") and approximately 2.3 acres of undeveloped land at Seawall Lot 330 located on the west side of The Embarcadero between Beale and Bryant Streets ("SWL 330") (together, Piers 30-32 and SWL 330 are referred to in this resolution as the "Site"); and

WHEREAS, GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors"), wishes to build a new privately financed, state-of-the art multi-purpose facility capable of being used as an event venue and for other public assembly uses, including conventions, Warriors' home games and other purposes, in San Francisco, together with related public infrastructure,p ublic access improvements and other improvements (the "Project"), in time for the beginning of the 2017 National Basketball Association ("NBA") season; and

WHEREAS, On May 29,2012, the Port Commission adopted Resolution No. 12-48, designating OEWD as the lead negotiator for the proposed Project, among other designated projects, to act in coordination with Port staff and at the direction of the Port Commission; and

WHEREAS, On June 12, 2012, the Board of Supervisors adopted Resolution 236-12: 1) endorsing sole source negotiations with GSW for development of a multi-purpose facility and other improvements at the Site; 2) requiring the Office of Economic and Workforce Development ("OEWD") and the Port to engage in outreach to affected and interested neighbors, community members and other stakeholders to ensure that the proposed Project is designed with maximum public input; 3) urging OEWD and the Port to work closely with State agencies having jurisdiction over any of the Site, including the State Lands Commission and the San Francisco Bay Conservation and Development Commission ("BCDC"), to develop the project description; and 4) taking other related actions; and

WHEREAS, On June 12, 2012, the Port Commission adopted Resolution 12-50: 1) endorsing sole source negotiations by City and Port staff with GSW for the proposed Project at the Site; 2) authorizing staff to negotiate an Exclusive Negotiation Agreement ("ENA") with GSW for the proposed Project; 3) urging OEWD, the Port and GSW to engage in outreach to affected and interested neighbors, community members, tenants, industry partners and stakeholders; 4) urging OEWD and the Port to work closely with state agencies having jurisdiction over waterfront development, including the State Lands Commission and BCDC; 5) urging OEWD, in cooperation with the Port Director and with the assistance of Port staff, the City Attorney's Office and other City officials as appropriate, to make evaluation of the proposed Project among its highest priorities; and 6) acknowledging that the City may commence environmental review of the proposed Project under CEQA if and when the Board of Supervisors makes the required findings of fiscal feasibility and responsibility under Administrative Code Chapter 29; 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 Director of Waterfront Development, OEWD or her designee, to waive or extend the times established in the ENA for performance of specific objectives under the ENA on the terms specified in the ENA; and be it further

RESOLVED, That the Port Commission reserves the right, if negotiations with GSW are unsuccessful and do not lead to approval of a lease disposition and development agreement, a lease for Piers 30-32, a purchase and sale agreement or lease for SWL 330 and related documents, to undertake other efforts, which may include determining no project will be pursued, selecting a developer by any other means, and issuing a new development solicitation at the Port Commission's sole discretion; and be it further

RESOLVED, That entering into the ENA with GSW begins a process of defining a project for the Site consistent with the Waterfront Land Use Plan, the BCDC Special Area Plan for the San Francisco Waterfront and the public trust for commerce, navigation and fisheries, and the proposed Project will evolve through the extensive public review process through changes to 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 the ENA foreclose the possibility of alternative development concepts, mitigation measures, or deciding not to grant entitlements or approve the lease and development of Piers 30-32 and the sale or lease and development of SWL 330; and be it further

RESOLVED, That entering into exclusive negotiations does not commit the Port Commission to approval of a final lease disposition and development agreement, lease for Piers 30-32, purchase and sale agreement or lease for SWL 330 or related documents, and that the Port Commission shall not take any discretionary actions committing it to the proposed 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 August 14, 2011.

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Secretary

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-62

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 City and County of San Francisco (the "City"), acting by and through the Port Commission (the "Port"), owns approximately 13 acres at Piers 30-32 located on the east side of The Embarcadero at Bryant Street ("Piers 30-32") and approximately 2.3 acres of undeveloped land at Seawall Lot 330 located on the west side of The Embarcadero between Beale and Bryant Streets ("SWL 330"), (together, Piers 30-32 and SWL 330 are referred to in this resolution as the "Site"); and

WHEREAS, GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors"), wishes to build a new privately financed, state-of-the art multi-purpose facility capable of being used as an event venue and for other public assembly uses, including conventions, Warriors' home games and other purposes, in San Francisco, together with related public infrastructure, public access improvements and other improvements (the "Project"), in time for the beginning of the 2017 National Basketball Association ("NBA") season; and

WHEREAS, On May 29,2012, the Port Commission adopted Resolution No. 12-48, designating OEWD as the lead negotiator for the proposed Project, among other designated projects, to act in coordination with Port staff and at the direction of the Port Commission; and

WHEREAS, On June 12, 2012, the Board of Supervisors adopted Resolution 236-12: 1) endorsing sole source negotiations with GSW for development of a multi-purpose facility and other improvements at the Site; 2) requiring the Office of Economic and Workforce Development ("OEWD") and the Port to engage in outreach to affected and interested neighbors, community members and other stakeholders to ensure that the proposed Project is designed with maximum public input; 3) urging OEWD and the Port to work closely with State agencies having jurisdiction over any of the Site, including the State Lands Commission and the San Francisco Bay Conservation and Development Commission ("BCDC"), to develop the project description; and 4) taking other related actions; and

WHEREAS, On June 12, 2012, the Port Commission adopted Resolution 12-50: 1) endorsing sole source negotiations by City and Port staff with GSW for the proposed Project at the Site; 2) authorizing staff to negotiate an Exclusive Negotiation Agreement with GSW for the proposed Project; 3) urging OEWD, the Port and GSW to engage in outreach to affected and interested neighbors, community members, tenants, industry partners and stakeholders; 4) urging OEWD and the Port to work closely with state agencies having jurisdiction over waterfront development, including the State Lands Commission and BCDC; 5) urging OEWD, in cooperation with the Port Director and with the assistance of Port staff, the City Attorney's Office and other City officials as appropriate, to make evaluation of the proposed Project among its highest priorities; and 6) acknowledging that the City may commence environmental review of the proposed Project under CEQA if and when the Board of Supervisors makes the required findings of fiscal feasibility and responsibility under Administrative Code Chapter 29; and

WHEREAS, The Port of San Francisco Waterfront Land Use Plan ("Waterfront Plan") sets forth public participation requirements for mixed use development projects developed pursuant to the Waterfront Plan, which include the use of a Citizen's Advisory Committee established by the Port Commission and appointed by the Port Executive Director; and

WHEREAS, During early outreach efforts regarding the proposed Project, members of the public have urged the formation of a Port Citizen's Advisory Committee consistent with the requirements of the Waterfront Plan; and

WHEREAS, On July 31, 2012, the Board of Supervisors adopted Resolution 317-12 urging: 1) the Port Commission to form a project-specific Citizen's Advisory Committee to review and provide input on a multi-purpose facility on Piers 30-32, and related development on Seawall Lot 330, that would be used for the Warriors' home games, conventions and other purposes; 2) the Port Executive Director to appoint representatives from neighborhoods surrounding Piers 30-32 as well as others with specified policy expertise; and 3) the Citizen's Advisory Committee to meet and report back regularly to the Port Commission and the Board of Supervisors; and

WHEREAS, GSW and City staff contemplate a proposed Project with an entitlement and implementation schedule that underscores the need for robust public participation and frequent consultation with the Port Commission and the Board of Supervisors; now, therefore, be it

RESOLVED, That the Port Commission hereby establishes a fourteen-sixteen (14-16) member Project-specific Citizen's Advisory Committee ("CAC"), with up to eight (8) alternate members to review the proposed Project in consultation with GSW and City staff and provide input to the Port

Commission, OEWD, the Board of Supervisors, other City agencies and, where applicable, BCDC's Design Review Board and the California State Lands Commission, regarding land use, design, transportation, sustainability, good neighbor policies to protect existing tenants, community based organizations and small businesses in and around the Site, youth involvement and programs to bolster economic development and local employment; and, be it further

RESOLVED, That the Port Commission authorizes the Port Executive Director to appoint members to the CAC, including a chairperson, with representation as follows: 1) members who are residents and/or business owners in the neighborhoods adjacent to the Site including South Beach, Rincon Hill, Mission Bay, South Park; 2) members who have expertise in housing or open space issues, youth issues, workforce development, disabled access, non-profit administration, environmental protection, transportation, and organized labor; and 3) alternates who are residents or business owners in the vicinity of the Site or have expertise enumerated above; and, be it

RESOLVED, That the Port Commission urges the CAC to: 1) meet initially on August 23, 2012; 2) review the Project generally once per month; and 3) develop criteria for attendance and other by-laws to encourage regular participation by CAC members. (1) meet initially on August 23, 2012; (2) review the project generally once per month, (3) develop criteria for attendance and other bylaws to encourage regular participation by CAC members; and (4) adopt a written charter that includes a process for proposing CAC solutions.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 14, 2012.

_____
Secretary

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-62

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

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WHEREAS, GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors"), wishes to build a new privately financed, state-of-the art multi-purpose facility capable of being used as an event venue and for other public assembly uses, including conventions, Warriors' home games and other purposes, in San Francisco, together with related public infrastructure, public access improvements and other improvements (the "Project"), in time for the beginning of the 2017 National Basketball Association ("NBA") season; and

WHEREAS, On May 29,2012, the Port Commission adopted Resolution No. 12-48, designating OEWD as the lead negotiator for the proposed Project, among other designated projects, to act in coordination with Port staff and at the direction of the Port Commission; and

WHEREAS, On June 12, 2012, the Board of Supervisors adopted Resolution 236-12: 1) endorsing sole source negotiations with GSW for development of a multi-purpose facility and other improvements at the Site; 2) requiring the Office of Economic and Workforce Development ("OEWD") and the Port to engage in outreach to affected and interested neighbors, community members and other stakeholders to ensure that the proposed Project is designed with maximum public input; 3) urging OEWD and the Port to work closely with State agencies having jurisdiction over any of the Site, including the State Lands Commission and the San Francisco Bay Conservation and Development Commission ("BCDC"), to develop the project description; and 4) taking other related actions; and

WHEREAS, On June 12, 2012, the Port Commission adopted Resolution 12-50: 1) endorsing sole source negotiations by City and Port staff with GSW for the proposed Project at the Site; 2) authorizing staff to negotiate an Exclusive Negotiation Agreement with GSW for the proposed Project; 3) urging OEWD, the Port and GSW to engage in outreach to affected and interested neighbors, community members, tenants, industry partners and stakeholders; 4) urging OEWD and the Port to work closely with state agencies having jurisdiction over waterfront development, including the State Lands Commission and BCDC; 5) urging OEWD, in cooperation with the Port Director and with the assistance of Port staff, the City Attorney's Office and other City officials as appropriate, to make evaluation of the proposed Project among its highest priorities; and 6) acknowledging that the City may commence environmental review of the proposed Project under CEQA if and when the Board of Supervisors makes the required findings of fiscal feasibility and responsibility under Administrative Code Chapter 29; and

WHEREAS, The Port of San Francisco Waterfront Land Use Plan ("Waterfront Plan") sets forth public participation requirements for mixed use development projects developed pursuant to the Waterfront Plan, which include the use of a Citizen's Advisory Committee established by the Port Commission and appointed by the Port Executive Director; and

WHEREAS, During early outreach efforts regarding the proposed Project, members of the public have urged the formation of a Port Citizen's Advisory Committee consistent with the requirements of the Waterfront Plan; and

WHEREAS, On July 31, 2012, the Board of Supervisors adopted Resolution 317-12 urging: 1) the Port Commission to form a project-specific Citizen's Advisory Committee to review and provide input on a multi-purpose facility on Piers 30-32, and related development on Seawall Lot 330, that would be used for the Warriors' home games, conventions and other purposes; 2) the Port Executive Director to appoint representatives from neighborhoods surrounding Piers 30-32 as well as others with specified policy expertise; and 3) the Citizen's Advisory Committee to meet and report back regularly to the Port Commission and the Board of Supervisors; and

WHEREAS, GSW and City staff contemplate a proposed Project with an entitlement and implementation schedule that underscores the need for robust public participation and frequent consultation with the Port Commission and the Board of Supervisors; now, therefore, be it

RESOLVED, That the Port Commission hereby establishes a fourteen-sixteen (14-16) member Project-specific Citizen's Advisory Committee ("CAC"), with up to eight (8) alternate members to review the proposed Project in consultation with GSW and City staff and provide input to the Port

Commission, OEWD, the Board of Supervisors, other City agencies and, where applicable, BCDC's Design Review Board and the California State Lands Commission, regarding land use, design, transportation, sustainability, good neighbor policies to protect existing tenants, community based organizations and small businesses in and around the Site, youth involvement and programs to bolster economic development and local employment; and, be it further

RESOLVED, That the Port Commission authorizes the Port Executive Director to appoint members to the CAC, including a chairperson, with representation as follows: 1) members who are residents and/or business owners in the neighborhoods adjacent to the Site including South Beach, Rincon Hill, Mission Bay, South Park; 2) members who have expertise in housing or open space issues, youth issues, workforce development, disabled access, non-profit administration, environmental protection, transportation, and organized labor; and 3) alternates who are residents or business owners in the vicinity of the Site or have expertise enumerated above; and, be it

RESOLVED, That the Port Commission urges the CAC to: 1) meet initially on August 23, 2012; 2) review the Project generally once per month; and 3) develop criteria for attendance and other by-laws to encourage regular participation by CAC members. (1) meet initially on August 23, 2012; (2) review the project generally once per month, (3) develop criteria for attendance and other bylaws to encourage regular participation by CAC members; and (4) adopt a written charter that includes a process for proposing CAC solutions.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 14, 2012.

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Secretary

Report

San Francisco Multi-Purpose Venue Project on Piers 30-32 and Seawall Lot 330

Findings of Fiscal Responsibility and Feasibility

Prepared for:

The City and County of San Francisco

Prepared by:

Economic & Planning Systems, Inc.

October 22, 2012

EPS #121081

The Economics of Land Use

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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 the proposed project. Chapter 29 requires consideration of five factors: (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 cost of the project; and (5) Debt load to be carried by the City department or agency.

This report provides information under for the Board's consideration in evaluating the fiscal feasibility of a proposed development by the Golden State Warriors (GSW) on Piers 30-32 and Seawall Lot 330 (SWL 330), collectively referred to as the "Project." A more detailed description of the Project is provided in **SECTION 1.**

(1) Financial Benefits. The Project will provide a range of direct and indirect benefits to the Port and the City. Additional details and analysis on the financial benefits of the Project are provided in **SECTION 2** below.

a. Fiscal Benefits to the City and Port. Development of Piers 30-32 and SWL 330 will provide new, ongoing, and one-time revenues to the City and Port. Ongoing revenues to the City include new tax receipts from Property, Possessory, Sales, Parking, Hotel, Business (Payroll or Gross Receipts), and, if applicable, Stadium Tax. Additionally, the Port will receive ongoing revenue from a Transfer Fee, assessed on the future sale of residential units. Based on the proposed development, these on-going revenues are currently estimated to amount to $19 million in annual revenue to the City.

The City will also receive one-time fiscal benefits from Development Impact Fees (Jobs Housing Linkage, Affordable Housing, Child Care, Transportation Impact Development Fee, and Eastern Neighborhood Impact Fees) as well as revenue associated with construction of the Project and the initial sale of residential units. These one-time revenues are estimated to be $53.8 million.

b. Economic Benefits to the City. Economic impacts describe the benefits of the Project to the City's overall economy.

New economic activity created by the construction of the Project is projected to create approximately 5,000 full time job equivalents and the Project itself is projected to create 2,800 permanent jobs in San Francisco.

The Project as proposed will also bring over 2 million visitors to the waterfront site annually, of which 1.4 million will reside outside San Francisco. The economic impact of these visitors amounts to over $80 million annually due to visitor spending throughout the City.

c. **Direct Financial Benefits to the Port.** GSW will pay fair market rent for Piers 30-32 and fair market price for the purchase of SWL 330. The Port will provide credits against rent and the purchase price to reimburse GSW for pier substructure costs. The Port will also receive participation rent from GSW from specified Project sources. Additionally, the Project relieves the Port of performing ongoing maintenance and capital repairs on Piers 30-32.

d. **Direct Benefits to the City.** The proposed Project will include several public benefits, including over 7 acres of new, public open space along the Embarcadero. The Project will also include a diverse range of maritime facilities and may include a new Fire Boat Station.

Additional details and analysis on the financial and economic benefits of the Project are provided in **SECTION 2** below.

(2) Cost of Construction. The Project as currently proposed will cost approximately $1 billion to construct. This cost estimate includes the $120 million cost of rehabilitating Piers 30-32 as well as the cost of improvements on both the Piers and SWL 330, laid out in further detail in **SECTION 3**.

(3) Available Funding for the Project. As described in further detail in the Conceptual Framework, GSW will provide initial financing for the rehabilitation of Piers 30-32, which will remain in City ownership, at an estimated cost of $120 million. The City will reimburse GSW for the cost of the rehabilitation, up to $120 million. Funding for the reimbursement of this work is limited to three sources: (1) rent credits from the fair market lease of Piers 30-32; (2) fair market sale (or lease) revenues from SWL 330; and (3) revenues, from an Infrastructure Financing District (IFD) on Piers 30-32 and SWL 330. Additional information is provided in **SECTION 4.**

(4) Long-Term Operating and Maintenance Costs. GSW will be responsible for operations and maintenance on both Piers 30-32 and SWL 330, including all public improvements such as maintenance of Piers 30-32 for the term of the ground lease and all public open space. Outside of the Project area, City departments, including Police, Municipal Transportation Agency (SFMTA), and the Department of Public Works, will have increased service responsibilities. **SECTION 5** of this report provides additional information about the anticipated additional demands for services associated with the Project. The cost estimates associated with providing these services will be provided 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 Conceptual Framework, the Project proposes to use revenue generated by an IFD to fund the rehabilitation of Piers 30-32. Revenue estimates presented in **SECTION 6** project IFD proceeds of up to $5.8 million annually, which could support up to $60 million in bond proceeds or $1 million per year in "pay as you go" funding.

1. 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 the proposed project. In particular, the Board of Supervisors must make a determination of the fiscal feasibility when the plan for a proposed projects 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, is fiscally feasible and responsible.

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 the Golden State Warriors (GSW) on Piers 30-32 and Seawall Lot 330 (SWL 330), collectively referred to as the Project. Section 29.2 of the San Francisco Administrative Code lists five criteria to evaluate 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 cost of the project; and
(5) Debt load to be carried by the City department or agency.

Each of these criteria is discussed in the following chapters.

The current Project includes construction of a multi-purpose venue and retail uses, GSW practice facility and offices, parking, open space and maritime uses on Piers 30-32. On SWL 330 the preliminary plan includes development of a mix of residential and hotel uses, retail and parking.

Central to this analysis is the Conceptual Framework. The Conceptual Framework is a non-binding document between the City and GSW, which outlines certain basic business terms of the Proposed Project. The Conceptual Framework addresses:

(1) Reimbursement to GSW for substructure rehabilitation of Piers 30-32
(2) Rent and other basic financial Lease terms for Piers 30-32
(3) Sales price and other basic financial terms for SWL 330
(4) Potential use of Infrastructure Financing District (IFD)
(5) Development Impact Fees

A copy of the Conceptual Framework is attached as **APPENDIX C.**

As presented in the Conceptual Framework, no public monies will be used to fund any portion of the multi-purpose venue or any other structure. The rehabilitation of Piers 30-32 will also be privately financed by GSW. The City will reimburse GSW for the infrastructure improvements to the Pier, which will remain in City ownership, up to $120 million with a 13 percent annual return on costs. Funds for reimbursing GSW for providing infrastructure improvements to the Pier are limited to three sources: (1) rent credits from GSW's fair market value lease of Piers 30-32; (2)

conveyance of SWL 330 at its appraised fair market value; and (3) net available property tax revenue generated by the Project from the development site, under an IFD.

The evaluation of fiscal feasibility, including financial benefits to the City and its Port, is preliminary, based on the early stage of the Project. The information is subject to change as the project description is revised through the public review process and through negotiation of a term sheet and final transaction documents.

Proposed Development

The proposed Project includes two related components on separate Port parcels. Piers 30-32 consist of an approximately 553,778-square foot (about 13 acres) pile-supported structure along the Embarcadero roadway. The proposed Project involves GSW's rehabilitation of Piers 30-32 and construction of a new privately financed, state-of-the art multi-purpose venue with seating for 17,000 to 19,000 persons, capable of being used as an event venue and for other public assembly uses, including conventions, Golden State Warriors' home games, performing arts, and other purposes, along with public open space (at least 50 percent of Piers 30-32), waterfront access improvements, parking facilities (630 parking spaces), visitor-serving retail and restaurants (105,000 square feet), maritime access, and other related uses. The current analysis evaluates a program of 17,500 seats venue. GSW also plans to build a team practice facility (21,000 square feet), plus a community room (10,000 square feet) and event management and team operations space (40,000 square feet) on Piers 30-32. GSW will finance and build these improvements under a fair market rent ground lease from the Port, and complete them by the fall 2017.

Across the Embarcadero roadway from Piers 30-32, between Beale and Bryant Streets, is SWL 330, which is approximately 101,330 square feet (about 2.3 acres). The proposed Project includes GSW's construction of improvements on the undeveloped portion of SWL 330. The Port will convey fee title to SWL 330 to GSW for fair market value consideration if certain conditions are met; otherwise, the Port will enter into a 75 year ground lease with GSW for the appraised fair market rent consideration for that site.

GSW plans to build retail (33,000 to 34,000 square feet), parking (200 to 300 spaces), residential units (100 to 130 units) and a hotel (200 to 250 rooms) on SWL 330. The current analysis evaluates a program that falls within those ranges, and includes 34,000 square feet of retail, 200 parking spaces, 125 residential units, and a 200-room hotel. The range of uses will be further evaluated in future analysis.

2. FINANCIAL BENEFITS

The Project will generate a range of tax revenues that are summarized in **TABLES 1** and **2.** These revenues will help to fund services to the Project area, as well as Port and Citywide services and facilities. This chapter also describes other economic benefits from the Project, including increased economic activity in the City and the creation of new jobs summarized in **TABLE 3.** Key assumptions and calculations of fiscal benefits are shown in **APPENDIX A;** economic impact calculations are in **APPENDIX B.** The financial estimates are based on a development scenario that falls within the ranges proposed by GSW; actual results will vary depending on the final program, as well as fiscal and economic conditions at the time the Project is completed and open.

a. Fiscal Benefits to the City and the Port

The Project will generate a range of new tax revenues to the City. These revenues include ongoing annual revenues, as well as one-time revenues as summarized in **TABLE 1** and **TABLE 2,** respectively. These revenues will be available to help fund public improvements and services both to the Project and to Port facilities and property, and services benefiting residents and businesses Citywide.

Table 1 Fiscal Results Summary – Ongoing Revenues

Item	Total
Annual General Revenue	
Property Tax / Possessory Interest (1)	$5,061,000
Property Tax in Lieu of VLF	$1,016,000
Property Transfer Tax	$60,000
Sales Tax (2)	$725,000
Parking Tax (3)	$272,000
Hotel/Motel Tax (4)	$1,479,000
Stadium Admission Tax (5)	$2,824,000
Payroll Tax:	
On-site	$1,382,000
Off-site (6)	$26,000
Indirect and Induced Impacts	$923,000
Subtotal	$13,768,000
Annual Other Dedicated and Restricted Revenue	
Hotel/Motel Tax (Cultural Programs)	$1,285,000
Parking Tax (MTA 80%)	$1,087,000
Stadium Admissions Tax (Recreation and Parks) (5)	$1,335,000
Special Fund Property Taxes (Children's, Library, and Open Space) (1)	$716,000
Public Safety Sales Tax	$362,000
SF County Transportation Authority Sales Tax	$362,000
Transfer Fees to the Port	$88,000
Subtotal	$5,235,000
Total, General plus Other Dedicated and Restricted Revenues	**$19,003,000**

(1) The City and County's share of Property tax is 65% of total possessory interest tax, which absent an Infrastructure Financing District (IFD) (or Redevelopment Area), is divided between the General Fund (57%) and Special Funds (8%). A portion of the Property Tax revenues may be required to help fund the rehabilitation of Piers 30-32.

(2) Sales taxes generated in the Multi-Purpose Venue and new retail on Piers 30-32 and SWL 330.

(3) Includes parking tax revenue on- and off-site from visitors to Multi-Purpose Venue events.

(4) Hotel taxes are generated from preliminary estimates of potential overnight visitors, less deductions to account for: (1) visitors from outside the region who do not choose to book a hotel in San Francisco and (2) visitors from outside the region who booked a hotel in San Francisco for another purpose and would have booked that hotel with or without the development of the MPV. These two deductions total 50 percent of the estimate of potential overnight visitors.

(5) To the extent possible.

(6) Additional tax generated by the Multi-Purpose Venue visitors off-site from additional hotel and parking activity.

* Numbers have been rounded to the nearest thousand.

Table 2 Fiscal Results Summary, One-Time Revenues

Item	Total
Development Impact Fees (1)	
Jobs Housing Linkage - §413	$21,926,000
Affordable Housing-- §415	$8,362,000
Child Care	$244,000
TIDF - §411.3	$12,808,000
Eastern Neighborhoods - Infrastructure Fee - Tier 1 (§423.3)	$2,791,000
Subtotal: Development Impact Fees	$46,131,000
Sales Taxes During Construction	$4,062,000
Payroll Tax During Construction	$3,047,000
Property Transfer Tax from initial residential sales	$595,000
Total One-Time Revenues	**$53,835,000**

(1) Impact fee rates as of January 1, 2012. Fee estimates per San Francisco Planning Dept. See Table A-4 for details on fee calculations.
* Numbers have been rounded to the nearest thousand.

Property Taxes

Property tax based on 1 percent of value will be collected from the land and improvements on Piers 30-32 and SWL 330. The development on Piers 30-32 and SWL 330 (if remaining in public ownership but leased to private interests) will be charged a "possessory interest tax" in an amount equivalent to property tax. The City receives up to $0.65 of every property tax dollar collected; the balance goes to other agencies, including the Education Revenue Augmentation Fund, which provides funding for schools. The General Fund distributes $0.08 cents from its property tax revenue to other dedicated City purposes, including the Children's Fund, Library Fund, and Open Space Fund. The assessed value is assumed to grow at a 2 percent annual rate (or at CPI, whichever is less) as required by State law, unless a transaction occurs which would reset the assessed value to the transaction price, or depreciation negatively affects assessed value.

The Conceptual Framework proposes to use IFD revenues to help fund the rehabilitation of the substructure of Piers 30-32. This analysis assumes that the property tax available to the IFD would only include those net available property taxes derived directly from the Project itself. To the extent that IFD property taxes are not required for the funding of the substructure and other public improvements to Piers 30-32, excess IFD taxes would flow to the City's General Fund.

In addition to the value of the multi-purpose venue, buildings, and other improvements, the value of the land will be assessed and taxed. In the event of the sale of SWL 330, the SWL 330 land will be assessed at the transaction price; following development of buildings (and their sale, if applicable) the property would be re-assessed. In the case of a long-term ground lease, it is likely that the land would be assessed at the "present value" of the lease, which is essentially the value of the land as if it were sold subject to the conditions of the lease. The assessed values

would be determined by the City Assessor; the estimates shown in the analysis are preliminary and subject to revision.

The assessed value of the multi-purpose venue and public improvements built on the pier, including parking, are estimated in the current analysis based on construction costs (excluding "soft costs" such as entitlement costs, finance costs, profit, and design and engineering). The improvements to the substructure are included in the value of the ground lease of Piers 30-32; for purposes of analysis, the multi-purpose venue assessed value is assumed to include the value of the ground lease. The values of other new buildings are estimated based on the capitalized value of their net income stream. Unsecured property tax revenues are added to the estimates; the values shown are based on current GSW tax payments, and are likely to be higher in a new facility. It is likely that property 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

Changes in the State budget converted a significant portion of Motor Vehicle License Fee (VLF) subventions, previously distributed by the State based on a per-capita formula, into property tax distributions. These distributions increase over time based on assessed value growth within each entity. To the extent that development of the pier and SWL 330 results in an increase in the City assessed value, these revenues are projected to increase proportionately.

Sales Taxes

The City General Fund receives 1 percent of taxable sales, in addition to sales taxes for public safety and transportation purposes.

Sales taxes will be generated from several Project-related sources:

- Concession sales in the multi-purpose venue
- Sales at new retail and restaurant uses on Piers 30-32
- Taxable expenditures by new residents and visitors on SWL 330
- Sales outside the multi-purpose venue attributable to multi-purpose venue event attendees

Visiting basketball teams can generate a significant amount of commercial activity, including taxable expenditures and hotel revenues; however, nearly all of the Warriors opponents currently stay in San Francisco, therefore they will not represent a net increase in economic activity or public revenues.

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

One-time revenues during the construction phases of the Project will be generated by sales and use tax on construction materials and fixtures. Sales tax would be allocated directly to the City and County of San Francisco.

Transient Occupancy Tax (TOT)

Hotel Room Tax (also known as Transient Occupancy Tax, or TOT) will be generated by hotel occupancies generated by the Project. The City currently receives 14 percent of room charges. Approximately 53 percent of the Hotel Room Tax proceeds are allocated to the General Fund. The remainder is allocated to other special programs. The actual allocations may vary depending on future policy decisions by the Board of Supervisors.

TOT estimates are based on total room-nights generated by visitors from outside the region. The estimates assume a potential market demand based on visitors to the multi-purpose venue from outside of the Bay Area; this potential demand was reduced by 50 percent to account for a portion of demand that will choose not to stay overnight in San Francisco, and to account for a share of visitors already spending money at competing venues and staying in San Francisco. A new hotel is likely to capture a significant share of demand during events, and the balance of new demand would be distributed to other hotels in the City. The new hotel will also capture occupancies during other periods; however, these are not included in the analysis since they could represent a shift of occupancies from existing hotels.

Parking Tax

The City collects tax on parking charges at garages and lots open to the public. 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.

Although the proposed parking garage on Piers 30-32 will provide parking that is included in the cost of certain basketball season tickets, it is assumed that the equivalent parking tax would be charged for the value of the parking services provided.[1] Similarly, parking tax is assumed to be paid for the use of garage parking spaces by GSW staff and visiting teams, as well as other staff or performers at the multi-purpose venue.

Additional parking tax revenues would be generated by visitors to events at the multi-purpose venue and other uses on the piers. For purposes of this analysis, it is assumed that no more than 50 percent of multi-purpose venue event attendees would arrive by car.[2] Parking tax is based on total cars parking on-site and off-site generated by demand from the multi-purpose venue events. A detailed parking and transit analysis will be conducted as a part of further

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[1] Correspondence from the Treasurer-Tax Collector's Office, David Augustine to Jennifer Matz, 09/14/2012

[2] Survey of modal split of attendees at AT&T Park (MTA)

evaluations of the Project, which are likely to refine this assumption. The parking tax estimates deduct parking tax revenues currently generated on-site.

Stadium Admissions Tax

Events at the multi-purpose venue may be subject to the current stadium admissions tax.[3] Currently, the San Francisco Giants pay a Stadium Tax of $0.25 a ticket for events at AT&T Park. The majority of events at the proposed multi-purpose venue would be subject to a higher tax rate of $2.25 ticket. To the extent the Stadium Tax applies to the Project, Stadium Tax receipts will be deposited into the City's General Fund. A portion is allocated to the Recreation and Park Department, the amount of which may vary depending on future policy decisions by the Board of Supervisors. The analysis applies the tax, assuming a mix of ticket prices, to all events except fixed fee rentals.

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.

The City will receive the tax from land transactions, sale of newly developed condominium units and commercial space, as well as the re-sale of units and commercial space. Ten percent of condominiums are assumed to sell every year after the initial sale of new units; this rate will vary year to year depending on economic conditions and average length of ownership by the occupants. During periods of strong real estate activity, rates of turnover could be much higher than assumed in the current analysis. Because of the infrequency of commercial sales, no transfer taxes are assumed from commercial properties.

Payroll Tax/Gross Receipts Tax

The analysis estimates the additional payroll tax that would be generated by the new uses in the Project. The taxes apply to GSW players proportionate to the games played in the City. Payroll tax revenues from other types of businesses and activities are derived from employment and payroll estimates. A proposal to switch to a gross receipts tax in lieu of a payroll tax is on the ballot this November. The gross receipts taxes for the Project are estimated to be generally less than the amount of total taxes that would be paid by businesses at the Project under the current payroll tax system.

Additional taxes would be generated through indirect and induced economic activity; these were estimated and shown in the summary tables separately from direct tax revenues because of their secondary nature.

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[3] Correspondence from the Treasurer-Tax Collector's Office, David Augustine to Jennifer Matz, 09/14/2012

Transfer Fees to the Port

Transfer fees are included in the Conceptual Framework as a means to fund Port activities and replace the loss of existing Port revenue from Piers 30-32 and SWL 330. These fees will be collected upon the sale of condominium units on SWL 330; the estimates shown assume that a 1.0 percent fee is collected after initial sale and all subsequent re-sales. The analysis assumes, similar to the calculation of transfer taxes, that 10 percent of the residential property sells annually (after the initial sale). This fee is separate and distinct from the current transfer taxes collected by the City. Depending on the magnitude of the fee relative to sales prices, there may be a minimal adverse impact on sales prices, assessed values and property tax revenues.

One-Time Revenues

The City will collect a number of revenues that are not recurring, for example:

- Development Impact Fees (see below)
- Transfer taxes on the initial sale of condominium units; taxes from resales would be spread over multiple years, depending on rates of resale (see prior discussion)
- Sales taxes from the sale of construction materials

Development Impact Fees

GSW will pay to the City all applicable development impact fees relating to developing the Project, according to the Conceptual Framework; the allocation of responsibility for any applicable mitigation and neighborhood improvement measures will take into account GSW's payment of those fees to avoid double-charging. The parties to the Conceptual Framework will explore deferral of applicable development impact fees, on terms and conditions consistent with the City's current fee deferral program (which is scheduled to sunset in July 2013), in the context of negotiations over the Term Sheet and final transaction documents.[4]

Applicable City impact fees include:

- Jobs Housing Linkage (Planning Code Sec. 413) – a fee appropriate to the use and scale of the Project.
- Affordable Housing (Planning Code Sec. 415) – It is assumed that the residential project on SWL 330 pays the affordable housing in-lieu fees instead of constructing 15 percent inclusionary affordable units onsite. These in-lieu fees apply to 20 percent of the units. The other commercial uses do not pay the Affordable Housing Fee.
- Child Care (Planning Code Sec. 414) – A fee per square foot paid by the commercial uses (hotel, office and retail).
- Transit Impact Development Fee (Planning Code Sec. 411.3) – A fee per square foot paid by all commercial uses.

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[4] Conceptual Framework for Piers 30-32 Ground Lease and SWL 330 Conveyance

- Eastern Neighborhoods Infrastructure Fee Tier 1 (Planning Code Sec. 423.3) – A fee per square foot paid by all uses on SWL 330 (not on Piers 30-32). Eastern Neighborhood Infrastructure Fees may be reduced, with the approval of an in-kind agreement by the Planning Commission, to the extent the Project provides public amenities and infrastructure.

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. Other fees will include school impact fees to be paid to the San Francisco Unified School District.

b. Economic Benefits to the City

The construction of a new multi-purpose venue, retail and restaurant space on Piers 30-32, new development on SWL 330, and the economic activity generated by basketball games, other events, and the relocation of the Warriors 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, residents and visitors that in turn generate more business to suppliers and other industries supporting the new businesses resulting from the Project. The potential benefits were previously summarized in **TABLE 3.**

Table 3 Net Adjusted Annual Economic Impacts

Item	Total
Ongoing Employment (1)	
Direct	1,712
Indirect	608
Induced	523
Total Employment	**2,842**
Annual Total Output	**$476,884,000**
One-Time Employment (Construction) (2)	
Direct	2,623
Indirect	1,110
Induced	1,278
Total Employment	**5,011**
Total Output (Construction)	**$1,474,909,715**

*Note: Table includes economic impacts generated by the Multi-Purpose Venue (MPV), other land uses on Pier 30-32 and SWL 330, and MPV visitors' spending in the City but away from the Project site.

Also, note that the totals are "net adjusted" meaning that the gross impacts - including direct, indirect, and induced impacts driven from the Project - have been adjusted to account for impacts that already occur in San Francisco, due to Oracle Arena's operations in Oakland. For example, visiting NBA basketball teams playing in Oakland often book hotel rooms in San Francisco. These types of impacts have been deducted from the gross impacts to arrive at a "net adjusted" number that estimates new impacts, due to a new MPV in San Francisco. See Appendix B for details on calculations.

(1) Reflects full-time employee equivalents (FTEs), including jobs generated by the Project on the Pier and SWL and off-site.

(2) Reflects FTE job-years.

Source: IMPLAN 2010; and Economic & Planning Systems.

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. Activity already occurring in the City is recognized to the extent possible in order to generate estimates of the "net increase" in economic benefit. A detailed market analysis has not been prepared at this time, but the assumptions and methodologies are believed sufficient for a planning-level analysis. Assumptions and calculations are further documented in **APPENDIX B.**

Construction Impacts

Construction expenditures are likely to total approximately $1 billion, as the multi-purpose venue and other new development are constructed over a three- to five-year period. In addition to "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.

Economic Impacts

The Warriors franchise represents a significant source of economic activity within the region, in addition to the expenditures by fans at the multi-purpose venue. The team generates substantial income not only from ticket sales, but also from television and radio income, sponsorships and naming rights, and other sources. This income supports player, staff and administrative expenditures within the economy. In addition, visiting teams spend substantial sums on hotel accommodations, food and beverages, transportation and other services. Much of this economic activity already occurs in San Francisco. For example, nearly all visiting teams to the Oracle Arena in Oakland currently stay in San Francisco. Because of the relatively short distance involved in the team re-location, it is not likely there will be a significant shift immediately in the pattern of current economic activity; the analysis recognizes this issue, and deducts approximately 50 percent of current team-related and employee household activity that is not likely to represent a net increase and benefit to the City. There is likely to be a growth in benefit from team-related activity over time as employee turnover occurs and San Francisco residents are hired, and as service and supply contracts are renewed. This analysis assumes that relocating the Golden State Warriors team and providing a new multi-purpose venue on the San Francisco waterfront will generate increased overall attendance and income relative to GSW's current operation. These assumptions are the basis for the current, conservative estimates of economic activity and tax revenues outlined below.

Events at the multi-purpose venue will attract approximately 2 million attendees annually who will spend money on food, beverages and merchandise in addition to the cost of admissions. Some of the spending in the multi-purpose venue by local residents, who are assumed to account for approximately 30 percent of total attendees, will shift expenditures from existing businesses in the City; however, the multi-purpose venue provides a new venue likely to retain dollars otherwise spent in other cities, including expenditures by Warriors fans who live in the City, as well as other City residents whose expenditures on concerts and events will occur in San Francisco rather than at other venues in the Bay Area. The current analysis reduces projected resident expenditures (on non-basketball events) by 50 percent to generally account for potential "substitution" effects; in other words, these residents would have spent a significant portion of their entertainment and retail dollars on other events in the City anyway. The net result is a reduction of 15 percent, since residents account for about 30 percent of attendance.

Approximately 70 percent of event attendees, or about 1.4 million, are anticipated to reside outside of San Francisco, and their expenditures represent a net increase in economic activity in the City. It is likely that a portion of visitors from outside of the City and region will stay overnight, generating hotel revenues in addition to other expenditures at restaurants, shops and services in the City as well as at the proposed Project. As noted in the prior fiscal analysis section regarding hotel taxes, the analysis assumes that about half of the visitors from outside the Bay Area generate net new hotel room demand in the City. This estimate is preliminary, and will be refined as further market analysis is prepared.

Approximately 105,000 square feet of new retail and restaurant space is proposed by GSW on Piers 30-32, which will capture expenditures of attendees pre- and post-events, as well as expenditures by residents and current visitors to San Francisco. Other existing businesses in the area are likely to benefit as well from visitors coming into town early for dinner, or staying after events and patronizing local bars and restaurants. Retail and restaurant spending by visitors has been reduced by 25 percent to reflect the likelihood that many of these visitors would already have been staying in San Francisco, and reflected in current occupancies, while attending venue events elsewhere in the region.

A new hotel constructed on SWL 330 is likely to capture a portion of demand generated by events; the balance of new hotel room-nights from visitors to the Project will be spread throughout the City and region.

New Households

Development of residential units on SWL 330 will accommodate new households, generating a small number of new jobs and economic activity within the City. Expenditures by the occupants of the new units (other than to support the small number of jobs in the residential building) are not included in the economic impact numbers.

Total Output

"Output" represents total income from all sources to the businesses located at the Project; it includes all supplies, labor, and profit required to produce the good or service provided by the business. In addition, Project businesses will spend money on goods, supplies and services in San Francisco, which generates additional "indirect" economic activity and supports additional jobs at those suppliers. The expenditures of 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 "output". Total output is the sum of direct, indirect, and induced business income in the City as a result of the Project. Ticket sales are included in output, as they help to support the expenditures related to operations of the multi-purpose venue. The analysis assumes a relatively conservative average ticket price of $30 overall; higher ticket prices are possible, particularly for major entertainers; however, this increase in ticket revenue would not necessarily generate a corresponding proportionate increase in economic activity within the City.

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 implementation of local hire policies, and the specific number and type of businesses involved in multi-purpose venue activities and other new Project development.

c. Direct Financial Benefits to the Port

Appraisal

The Port and the Department of Real Estate commissioned an appraisal of both Piers 30-32 and SWL 330 by Carneghi-Blum & Partners, Inc., a copy of which is provided in **APPENDIX D.** The appraisal provided the fair market sale and lease value for both properties by determining the highest and best use based on existing height and bulk requirements and use restrictions,

including the Public Trust on Piers 30-32. Additionally, for Piers 30-32, the appraiser was instructed to assume that the site was delivered with a rehabilitated substructure.

Subject to the approval of the State Lands Commission, the annual fair market lease value for Piers 30-32 is $1,970,000. The fair market sale value of SWL 330 is $30,400,000 and the annual fair market lease value is $2,130,000.

Base Rent and Percentage Rent

Upon commencement of the fair market value lease for Piers 30-32, GSW will be responsible for paying a minimum base rent. The rent will be based on the appraised fair market value of the piers post-rehabilitation; during construction, it is anticipated that the rent will be less, based on revenues received from Piers 30-32 before the Project. GSW will receive credits until GSW is reimbursed for the pier substructure costs and, subject to further negotiation, other public realm improvements.

GSW will also pay to the Port a percentage of net revenues from specified Project sources, including a percentage of net proceeds of sales arising from non-affiliate transfers and refinancings, after GSW has recovered its costs plus a return on those costs.

In fiscal year 2011-2012, the Port received revenue of approximately $1.7 million from Piers 30-32 and SWL 330, including $693,333 from SWL 330 parking revenues, $997,423 for Piers 30-32 parking revenues and $59,848 from Red's Java House.[5] The Port is not currently receiving parking review from Piers 30-32 due to the America's Cup use of Piers 30-32 for sailing team bases for the 34th America's Cup.

Sale Proceeds

The Port will convey fee title to SWL 330 free of the public trust to GSW at appraised fair market value, subject to approval by the State Lands Commission. The value of SWL 330 will be applied towards the cost of the substructure rehabilitation of Piers 30-32. In the event that conditions for conveyance cannot be satisfied SWL 330 will be leased to GSW. The lease payments will be at appraised fair market value and will be applied towards the rehabilitation costs of Piers 30-32.

Operating Expenses

All operating expenses will be the responsibility of GSW, including the maintenance of SWL 330, Piers 30-32 and all built facilities and public open spaces over the life of the lease.

Capital Repairs

GSW will be responsible for all repairs and rehabilitation required for the Project improvements, including the substructure of Piers 30-32. Pier substructure costs will be subject to verification and limited to reimbursement from the three identified Project sources: (1) rent credits from GSW's fair market value lease of Piers 30-32; (2) conveyance of SWL 330 at its appraised fair market value; and (3) net available property tax revenue generated by the Project from the development site, under an IFD.. Costs will be reimbursed up to $120 million, the projected cost

[5] Port of San Francisco, Office of Finance & Administration, for operations July 2011 through June 2012.

of the rehabilitation work;[6] actual costs and reimbursement could be less. Without this investment, the useful remaining life of the Piers 30-32 will be limited to ten years. Additional Port funds exceeding $45 million will be necessary to extend the life of the Piers or to demolish the Piers at an estimated cost of $45 million.[7]

Capital Investment

GSW will privately finance the rehabilitation of Piers 30-32 and will provide waterfront public access from the Piers, as noted above, subject to reimbursement of up to $120 million.[8] As presented in the Conceptual Framework, GSW is obligated to rehabilitate the Piers 30-32, even if actual costs exceed $120 million. The other uses on the Piers and the development of SWL 330 will be entirely privately funded[9]; the estimated total cost, including $120 million rehabilitation cost, is approximately $1 billion.[10]

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

The Project includes a minimum of 50 percent of Piers 30-32 as public open space.[11] The actual amount provided could exceed 50 percent, depending on the final configuration and design of the Project. The Project also proposes to include maritime facilities, including ferry landings, water taxi docking, and a kayak launch. The Project may also include a new station for the City's fire boats and other maritime activities.

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[6] Conceptual Framework for Piers 30-32 Ground Lease and SWL 330 Conveyance

[7] A report prepared by BAE cited by the Budget and Legislative Analyst's report on the 34th America's Cup Event (12/13/2010) indicated that ten years may remain of the useful life of Piers 30-32. Further analysis and repairs at the site have lead Port Engineering staff to also conclude that the life of the piers is estimated at ten years. Costs to demolish the Piers are estimated at $45 million (per OEWD, 10/15/12 based on Port information).

[8] Conceptual Framework

[9] Certain waterfront infrastructure improvements, public open space and maritime improvements may receive funding from the IFD to the extent the pier rehabilitation cost is less than $120 million, and the City and Port agree to the funding.

[10] GSW estimate of total cost includes "soft costs" such as design, engineering, and contingency. Assessed value, which is the basis for property and possessory interest taxes, may be less depending on actual costs and assessment methodologies applied by the Assessor's office.

[11] GSW

e. Other Public Benefits

In addition to the benefits noted above, the Project will also provide the following benefits:

- The attraction of many people from the City and all over the region to enjoy the waterfront and the Bay and to patronize businesses on the Piers 30-32 and SWL 330 as well as other Port land and privately owned property in the vicinity the Project.
- The enhancement of the City's tourism industry, including providing an additional venue for trust related events, conventions, sporting events, concerts and other special events.
- It is likely that there will be a positive impact on overall property values in the general vicinity of the Project; however, specific effects will vary depending on the type and location of individual properties. These effects have not been quantified.

The presence of the GSW Team and organization, the significant increase in visitor expenditures, and the new development will create a range of fiscal and economic benefits which are described in the prior sections.

3. Costs of Construction for the Project

Development Costs

Rehabilitation of Piers 30-32

The cost for rehabilitating Piers 30-32 is shown in the current analysis to total $120 million. This figure represents the maximum reimbursable amount per the Conceptual Framework.[12] The cost estimates will continue to be refined during the course of design and planning.

Cost of Other Improvements

The total cost for other private improvements, including the multi-purpose venue, commercial buildings on Piers 30-32, and the development on SWL 330, are anticipated to cost $1 billion. These costs will be privately funded through a combination of equity and commercial financing mechanisms.

[12] GSW

4. AVAILABLE FUNDING FOR THE PROJECT

a. Rehabilitation of Piers 30-32

GSW will provide initial financing for rehabilitation of Piers 30-32 and public access improvements on the piers. The Conceptual Framework proposes that the following sources will repay GSW for the costs for rehabilitating the Piers 30-32 substructure. The total combined reimbursement is limited in the Conceptual Framework to $120 million.

- Rent credits from the fair market value lease of Piers 30-32
- Revenues from the fair market sale (or lease) from SWL 330
- Property Tax revenues, including bond proceeds and "pay as you go" funds generated by an Infrastructure Financing District (IFD), on Piers 30-32 and SWL 330[13]

As provided in the Conceptual Framework, GSW will receive a 13 percent annual rate of return for financing the rehabilitation of Piers 30-32. A return of 12 percent to 14 percent[14] is typical for a condo building or major office project; the current multi-purpose venue and retail project represents an additional level of risk relative to a single condo or office project in San Francisco, but is expected to fall within the 12 percent to 14 percent range considering the unique location, design, mix of uses and relatively discrete development period compared to other major mixed-use projects with a longer development period.

The key terms and conditions related to rent credits, infrastructure financing districts, and SWL proceeds are further described in the Conceptual Framework.

b. Funding for Other Improvements

Private funds will be used for construction of the multi-purpose venue and all residential and commercial uses, including all costs for entitlement, design and construction, City impact and other agency fees.

If GSW, through cost savings, completes the rehabilitation of Piers 30-32 under the projected cost of $120 million, the Conceptual Framework allows the City and GSW to negotiate for the reimbursement of other, specific public realm improvements, up to the $120 million cap.

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[13] The initial funding may also include bond proceeds from a Mello-Roos Community Facilities District (CFD). Subsequent IFD funds (bonds and/or "pay as you go") can repay the CFD bonds.

[14] Unleveraged returns

5. Long-Term Operating and Maintenance Costs

Maintenance and operation of the multi-purpose venue, associated open space and all residential and commercial uses will be the responsibility of GSW. GSW will be responsible for funding the maintenance of public improvements, including the piers, over the life of the ground lease.

Similar to other large venues in the City, it is assumed GSW will provide security and emergency medical services within the multi-purpose venue and on leased premises. The City will be responsible for providing a range of public services to visitors, employees and residents of the Project outside of the site. It is expected that the significant increase in visitors to the Project area drawn by events at the multi-purpose venue will create a range of service requirements that may require additional staff, equipment and facilities. This chapter summarizes a number of key issues facing City departments 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, for example as may be required for emergency services, will be evaluated during the environmental review process to determine specific need, implementation and funding.

a. Public Open Space

At least 50 percent of Piers 30-32 will be improved by GSW for public access and open space. It is assumed in this analysis that these areas will be maintained by GSW and will not create a fiscal impact on the City or the Port, similar to other recent projects with public space such as the Exploratorium.[15]

b. Police

The Project area is located within the Southern District of San Francisco Police Department (SFPD). The Southern District is one of ten districts in the City and is typically patrolled by five units.

The majority of the Project's demand for police service is likely to be generated by the multi-purpose venue events, such as basketball games and concerts. SFPD indicates that multi-purpose venue events may result in a range of types of incidents requiring police responses including retail theft, illegal ticket sales, and other public nuisances in the neighborhood; the specific level and types of impacts will depend on the Project's design, visibility, and access.[16]

It is likely that officers will be required to patrol entrances during the pre-game. For comparison, typical Giants games require approximately 10 officers and in some instances up to 20 officers. For every game, at least two officers are pulled from each district in the City. These

[15] Interview with Katherine Petrucione, City Recreation, 9/11/12.

[16] Interview with Lieutenant Roualdes, 9/7/12.

officers return to duty in their assigned district during the course of the game as the need for officers reduces. Although coverage would be reduced elsewhere during this period, additional costs are not incurred to fund additional officers. Security within the multi-purpose venue is likely to be provided by a combination of private security and contracted City police officers and paid for by GSW. The City contract ("10B" contract) paid by a multi-purpose venue operator would cover all City costs during an event, including an overhead and administrative charge.

Police Department representatives indicated that they would like an adequately-sized command post within the venue; specific design and use requirements will be defined during the planning process similar to the Giants.[17] Impacts on police services during the pre-game period could potentially be mitigated to the extent that the contract police officers hired for security inside the multi-purpose venue can also provide pre-game security. It is anticipated that these issues and other impacts and mitigations will be further evaluated and addressed during the CEQA process.

c. Fire and EMS

The San Francisco Fire Department (SFFD) deploys services with the closest station responding, supplemented by additional resources based on the nature of the call. Station 35, located on the Embarcadero north of the Bay Bridge, is the fire station nearest the Project. Station 35 is responsible for staffing three fireboats and one engine. If Station 35 responders are out on a fireboat call, no staff would be available to respond on the engine and the response would be the responsibility of the next nearest station. Emergency Medical Service (EMS) is provided by ambulances which "float" at different positions around the City, depending on coverage requirements. The South of Market area typically has a high ambulance ratio due to a high service call volume. Approximately one-third of ambulance costs are recovered, on average, from fees and charges.[18]

The majority of calls related to the Project are likely to be medical injuries before and after the game, outside the multi-purpose venue. It is anticipated that the multi-purpose venue events would contract with private EMS companies for services inside the multi-purpose venue. Currently the Department does not realign services to accommodate events such as Giants games, although certain one-time, large events sometimes do require re-positioning of ambulances, particularly if road closures are involved. The Department currently is able to meet its response time standards for critical calls, even in the event of Giants games. The Department does not anticipate increased costs, including additional staffing, resulting from the Project.[19]

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[17] Ibid.

[18] Interview with Captain Zanoff, CCSF Fire Department, 9/11/12.

[19] Interview with Lieutenant Ken Lombardi, 10/15/12.

Congestion at the Embarcadero from the Project is a concern to SFFD, as it could impede response times during events. Transit will help to reduce the auto congestion, however increased foot traffic leads to a potential increase in pedestrian injuries. It is anticipated that these issues and other impacts and mitigations will be further evaluated and addressed during the CEQA process.

d. MTA

The Municipal Transportation Agency (MTA) will be responsible for providing a broad range of services and facilities to the Project. Currently, MTA is preparing a comprehensive assessment of services and facilities that will be affected by a number of large planned development projects. The purpose of the assessment is to assure a balanced transportation network needed to accommodate future growth.

The development of the Project will have a number of impacts on MTA, including additional transit service requirements to handle increased ridership on lines serving the Project, as well as potential impacts on other lines. For example, during Giants games, services are pulled from other areas of the City. While MTA is concerned about maximizing transit services and transit options, designing management structures to increase utilization of existing parking spaces available during evenings and weekends to serve Project events also presents a challenge. Traffic control during events will also be required.

A number of mechanisms exist for managing the range of issues noted above. Additional public tax revenues and fees, for example Transit Impact Development Fees (TIDF), will help to mitigate MTA costs. Additional mechanisms for addressing increased travel to the site includes parking management and parking shuttles, additional transit options such as water taxis, management of the number, type and timing of events, coordination among the multiple transit systems serving the area, potentially the addition of rolling stock and/or personnel as needed to provide services, and an integrated command center to handle special events in the City. MTA is funded through a combination of local, State and Federal sources as well as from fee revenues. Large development projects generally contribute funding to improvements through increased property taxes, as well as development impact fees and specific project mitigations, programs and funding mechanisms. These and other issues, mechanisms and funding sources will be further evaluated in detail in future studies as part of the CEQA process.

e. DPW

The Department of Public Works (DPW) will be responsible for providing additional services for an area surrounding the Project, including street and sidewalk cleaning.[20] It is anticipated that larger events, especially basketball games and concerts, will require a higher level of service than smaller events, such as family shows. As provided in the Conceptual Framework, GSW and the City will work to identify ongoing funding mechanisms to be directed to DPW and other City Departments to the extent additional funds are required to maintain the area's quality of life.

[20] Interview with Larry Slinger, Department of Public Works, 10/16/12.

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

The Project proposes to use newly created Property Tax funds generated by an Infrastructure Financing District (IFD) to help pay for the rehabilitation of the Piers 30-32 substructure. The IFD obligations are secured by property taxes (and possessory interest taxes) paid by the Project lessees and property owners, and do not obligate the City's General Fund or the Port's Harbor Fund.

Although specific financing vehicles have not been determined at this point, it is expected that the annual IFD revenues, which are estimated to total $5.8 million annually, will repay debt service on IFD bonds. This level of revenue could support approximately $60 million in bond proceeds (net of issuance costs), and provide an additional $1 million annually for "pay as you go" funding.

APPENDIX A:

Fiscal Analysis

Table A-1
Project Description Summary*
Pier 30-32 Fiscal Feasibility Analysis

Item	Total
Multi-Purpose Venue	
Building Area	700,000 sq.ft.
Number of Seats	17,500 seats
Events	205 annually
Annual Paid Attendance	2,240,000
Annual turnstile Attendance (1)	1,972,250
Parking	630 spaces
Parking Area	220,500 sq.ft.
Rest of Pier 30-32	
Practice Facility/Training Areas	31,000 sq.ft.
Event Management/Team Operations Space	40,000 sq.ft.
Retail	105,000 sq.ft.
Open Space	At least 50% of Pier 30/32 area.
SWL 330	
Residential	125 units
Hotel	200 rooms
Retail	34,000 sq.ft.
Parking	200 spaces
Parking Area	96,000 sq.ft.

*Note: preliminary and subject to change.

(1) Based on 85% of sold tickets for basketball events and 90% of sold tickets for all other events per Barrett Consulting.

Source: GSW; Economic & Planning Systems, Inc.

Table A-2
San Francisco Revenue Summary (2012 dollars)
Pier 30-32 Fiscal Feasibility Analysis

Item	Calculation Reference	Annual Total
Annual General Revenue		
Property Tax / Possessory Interest (General Fund)	*Table A-5*	$5,061,274
Property Tax in Lieu of VLF	*Table A-6*	$1,016,258
Property Transfer Tax	*Table A-7*	$59,500
Sales Tax	*Table A-8*	$724,568
Payroll Tax:		
On-site	*Table A-10*	$1,381,894
Off-site (1)	*Table A-10*	$25,900
Indirect and Induced Impacts	*Table A-10*	$923,000
Parking Tax	*Table A-11 - A-12*	$271,633
Hotel/Motel Tax (General Fund)	*Table A-13*	$1,478,864
Stadium Admissions Tax	*Table A-14*	$2,823,791
Subtotal		$13,766,682
Annual Other Dedicated and Restricted Revenue		
Special Fund Property Taxes (Children's, Library, and Open Space)	*Table A-5*	$715,501
Transfer Fees to the Port	*Table A-7*	$87,500
Public Safety Sales Tax	*Table A-8*	$362,284
San Francisco County Transportation Authority Sales Tax	*Table A-8*	$362,284
MTA Parking Tax	*Table A-11 - A-12*	$1,086,531
Hotel/Motel Tax (Cultural Programs)	*Table A-13*	$1,285,367
Stadium Admissions Tax (Recreation and Parks)	*Table A-14*	$1,334,959
Subtotal		$5,234,426
TOTAL REVENUES		**$19,001,108**

(1) Reflects additional tax generated by the Multi-Purpose Venue visitors off-site as part of additional hotel and parking activity.

Source: Economic & Planning Systems, Inc.

Table A-3
San Francisco One-Time Revenue Summary (2012 dollars)
Pier 30-32 Fiscal Feasibility Analysis

Item	One-Time Total
Development Impact Fees (1)	$46,131,000
Sales Taxes During Construction (2)	$4,062,000
Payroll Tax During Construction	$3,047,000
Property Transfer Tax	$595,000
TOTAL REVENUES	**$53,835,000**

(1) Development impact fees includes fees for jobs-housing linkage, affordable housing, child care, TDIF, and Eastern Neighborhood fees. While most fees are set for calendar year 2012 on a per building square foot level and are therefore relatively straightforward to calculation, several fees include some interpretation. The following key assumptions have been used to estimate the fee:

- Affordable housing fee paid for residential development assumes: 125 market rate units will require payment for 20 affordable units (125*20%). Fee paid is estimated based on a rate of $334,478 per 2-bedroom unit.
- Multi-Purpose Venue square footage development is assumed to pay entertainment development rate.

See Table A-4 for details on fee calculations.

(2) Assumes that 60% of total development costs are for supplies and construction materials; Of that amount, San Francisco is expected to capture 50% of taxable sales.

Source: Economic & Planning Systems, Inc.

Table A-4
San Francisco City Development Impact Fee Revenue Estimate
Pier 30-32 Fiscal Feasibility Analysis

Item	Residential *per gross sq.ft., except for affordable housing fee, or Total Fee*	Hotel	Office	Retail	Entertainment (includes Multi-Purpose Venue, Practice Facility, Training area)	TOTAL
			per gross building sq. ft. or Total Fee			
New Development (sq.ft.) (1)	160,000	190,000	40,000	139,000	731,000	
New Residential Units	125					
City Fees (per gross building sq.ft., except for "Affordable housing" (2)						
Jobs Housing-§413	$0.00	$16.52	$22.06	$20.58	$20.58	**$21,925,800**
Affordable Housing-§415 (3)	$334,478	$0.00	$0.00	$0.00	$0.00	**$8,361,950**
Child Care	$0.00	$1.06	$1.06	$0.00	$0.00	**$243,800**
TIDF (§411.3)	$0.00	$9.65	$12.06	$12.06	$12.06	**$12,808,100**
Eastern Neighborhoods - Infrastructure Fee - Tier 1 (§423.3) (4)	$8.51	$6.38	$0.00	$6.38	$0.00	**$2,790,720**
Subtotal (per sq.ft.)	$60.77	$33.61	$35.18	$39.02	$32.64	
Total Development Impact Fee	$9,723,550	$6,385,900	$1,407,200	$4,753,880	$23,859,840	**$46,130,370**
Other In-Lieu Impact Fees						
Public Art - Installation or Fee	$0.00	1% const. cost	1% const. cost	1% const. cost	1% const. cost	
Street Trees	1 tree per 20' frontage, with an additional tree per remaining 10'. In-lieu fee is $1,744/tree that can't be planted.					

(1) Parking is not included in any of these fees. If the parking exceeds the accessory amounts permitted, the impact fees may be affected.
(2) All impact fees are preliminary as of 10/12/12 and are subject to change based on final project scope of project.
(3) Total in lieu fee estimate based on a 125 unit project paying fees for 25 in lieu units, based on 2-bedroom unit fees.
(4) Can be offset by the developer's construction of public improvements that get addressed through an "In-Kind Agreement"; fees apply to SWL only.

Table A-5
Possessory Interest/Property Tax Estimate
Pier 30-32 Fiscal Feasibility Analysis

Item	Assumptions	Total
Secured Assessed Value (1)		
Multi-Purpose Venue		$550,000,000
Remainder of Piers 30-32		
Practice Facility/Training Areas		$17,505,882
Event Management/Team Operations Space		$23,200,000
Retail		$38,587,500
Parking		$22,050,000
Subtotal		$101,343,382
SWL330		
Residential		$87,500,000
Hotel		$105,400,000
Retail		$12,495,000
Parking		$10,000,000
Subtotal		$215,395,000
Net New Assessed Possessory Interest/Property Tax Value		**$866,738,382**
Gross Secured Possessory Interest/Property Tax	1.0% of new AV	$8,667,384
Unsecured Tax from the Warriors (2)		$220,000
Unsecured Tax From Other Uses (3)		$74,283
Subtotal		$8,961,666
(less) Existing Taxes (4)		($17,906)
Total		$8,943,760
Possessory Interest/Property Tax (5)		
Net New General Fund Share (after ERAF)	56.59% possessory interest tax increase	**$5,061,274**
Special Funds (6)	8.00%	**$715,501**
SF Unified School District	7.70% possessory interest tax increase	**$688,670**

Notes to Table A-5

(1) Initial secured assessed valuation is based on the assessed value of $550 million for the Multi-Purpose Venue (equal to the hard construction costs of the structure), the market values of all other uses, as follows: $580 per square foot for Warriors Event Management/Team Operations Space, $700,000 per unit for residential, $527,000 per unit for hotel, $368 per square foot for retail, and construction cost of $45,000 per space for parking.

Note: Total assessed value slightly less than total development costs due to the exclusion of "soft costs" from assessed value; this is a conservative assumption.

(2) Assumed at 10% of Warriors Event Management/Team Operations Space and retail assessed value.

(3) Reflects the existing possessory interest tax paid by Red's Java House and Imperial Parking as reported by the San Francisco Assessor Office.

(4) Based on the existing Golden State Warriors assessment and payment; the new assessment is likely to exceed this payment.

(5) Property tax allocations from Rincon Hill Infrastructure Financing District documentation.

(6) Special funds include property tax set aside for Library, Open Space, and Children's Fund.

Sources: Golden State Warriors; City of San Francisco; Economic & Planning Systems, Inc.

Table A-6
Property Tax in Lieu of VLF Estimate
Pier 30-32 Fiscal Feasibility Analysis

Item	Assumptions	Total
Citywide Total Assessed Value (millions $) (1)		$147,300
Project Assessed Value (millions $)		$866.74
Growth in Citywide AV due to Project		0.59%
Total Property Tax in Lieu of Vehicle License Fee (VLF) (FY2012-13) (2)		$172,710,000
Net New Property Tax in Lieu of VLF		**$1,016,258**

(1) Based on the CCSF FY11 total taxable assessed value recorded by Controller's office, City and County of San Francisco, California Comprehensive Annual Financial Report Year Ended June 30, 2011, page 209.

(2) City and County of San Francisco Annual Appropriation Ordinance for Fiscal Year Ending June 30, 2013-14, page 124.

Sources: Economic & Planning Systems, Inc.

Table A-7
Property Transfer Tax and Port Transfer Fee Estimates
Pier 30-32 Fiscal Feasibility Analysis

Item	Assumptions		Total
Annual Transfer Tax From Building Sales			
Average Market-Rate For-Sale Residential Unit Value (1)	$700,000	per unit	
Residential Assessed Value (AV)	$87,500,000		
Transfer Tax From New Residential Sales	$6.80	per $1,000 value	$595,000
Transfer Tax From Residential Re-sales	10%	annual turnover	$59,500
Average Commercial Value on SWL 330 (2)			
SWL 330 Non-Residential (AV)	$127,895,000		
Transfer Tax From Non-Residential Space Sales on SWL 330	$25.00	per $1,000 value	$0
Transfer Tax From Resales of Non-Residential Space on SWL 330	0%	annual turnover	$0
Average Commercial Value on Piers 30/32 (3)	$651,343,382	total AV	
Transfer Tax From New Commercial Space Sales	$25.00	per $1,000 value	$0
Transfer Tax From Commercial Re-sales	0%	annual turnover	$0
One-time Transfer Tax			**$595,000**
Ongoing Annual Average Transfer Tax (constant $)			**$59,500**
Annual Port Transfer Fee From Residential Sales (4)			
Transfer Fee From Residential Re-sales (assumes 10% of units sell each year)	1.0%	of resold price	**$87,500**

(1) The San Francisco Assessor's office charges a property transfer tax in order to record documents with the office. The amount of the tax varies by the value of the sale. Estimated transfer taxes are shown for residential units on SWL 330 assuming units sell between $250,000 and $1 million. After construction and sale of all of the units, estimated one time taxes are shown. As units resell, the City will also receive ongoing revenues.

(2) SWL 330 non-residential uses include Warriors Event Management/Team Operations Space, hotel, retail, parking, and a practice facility/training areas. No initial or future sale assumed.

(3) Uses on Piers 30/32 include the Multi-Purpose Venue, retail, and parking. Development is assumed to be located on piers which was leased from the Port of San Francisco. Transfer taxes apply at the initial lease; no lease transfer is expected to take place therefore no ongoing taxes are anticipated to be generated.

(4) Port transfer fee is assumed to begin with the second sale of each residential unit.

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

Table A-8
Sales Tax Estimates
Pier 30-32 Fiscal Feasibility Analysis

Item	Assumptions	Total
Taxable Sales From Multi-Purpose Venue		
Game Concessions and Merchandise	$21.60 per attendee (turnstile)	$16,065,000
Other Event Concessions	$11.00 per attendee (turnstile)	$32,175,000
Total		$48,240,000
Sales Tax to General Fund	1.0% of sales	$482,400
(less) Existing Sales Shift (1)		($45,082)
Net New Sales Tax		$437,318
Taxable Sales From Commercial Space		
Pier 30-32 Retail	$450 per sq.ft.	$47,250,000
SWL330 Retail	$300 per sq.ft.	$10,200,000
Total		$57,450,000
Sales Tax to San Francisco	1.0% of taxable sales	$574,500
(less) Shift From Existing Sales (2)		($287,250)
Net New Sales Tax		$287,250
Annual Sales Tax after Shift of Existing Sales		
Sales Tax to the City General Fund	1.00%	**$724,568**
Public Safety Sales Tax (3)	0.50% of taxable sales	**$362,284**
San Francisco County Transportation Authority (3)	0.50% of taxable sales	**$362,284**
SF Public Financing Authority (Schools) (3)	0.25% of taxable sales	**$181,142**
One-Time Sales Taxes on Construction Materials and Supplies		
Total Development Value (4)		$1,015,506,506
Supply/Materials Portion of Construction Cost	80.00%	$812,405,205
San Francisco Capture of Taxable Sales	50.00%	$406,202,602
Sales Tax to San Francisco	1.0% of taxable sales	**$4,062,026**

(1) A portion of new sales from San Francisco residents at the facility are expected to have occurred elsewhere in San Francisco, were the project not built. To account for this, sales that would have occurred elsewhere in San Francisco are deducted from the total. This proportion is estimated based on the following factors: 30% of Multi-Purpose Venue visitors are San Francisco residents with the remainder drawn from other locations; half of the spending of San Francisco residents is assumed to be shifted from other purchases in the City on non-basketball events.

(2) Deducts a share of visitor sales that would have occurred elsewhere in San Francisco.

(3) Sales tax proportions for these entitles are as reported in Controller's Office publication on sales tax from 2008.

(4) Construction cost estimates per GSW; includes soft costs (planning, design, etc.).

Sources: Golden State Warriors; City of San Francisco; Economic & Planning Systems, Inc.

Table A-9
Employment Estimates
Pier 30-32 Fiscal Feasibility Analysis

Item	Assumption	FTE/Total $	Source
Pier 30-32			
Multi-Purpose Venue (1)			
Full-time operations		100	Golden State Warriors
Event staff (2)		205	EPS estimate, based on GSW input
Golden State Warriors			
Players		15	Golden State Warriors
Other Staff (3)		150	Golden State Warriors
Retail	300 sq.ft. per FTE	350	SF Controller
Parking	270 spaces per FTE	2	HPS FIA
Subtotal		823	
SWL 330			
Residential (4)	15 units per FTE	8	Treasure Island EIR
Hotel	1.25 rooms per FTE	160	Treasure Island EIR
Retail	300 sq.ft. per FTE	113	SF Controller
Parking	270 spaces per FTE	1	HPS FIA
Subtotal		282	
Total Permanent Employment On-site		**1,105**	
Project Construction			
Total Development Value (5)		$1,015,506,506	
Labor Portion of Construction Cost (6)	20% of construction value	$203,101,301	
Construction: Job-Years (temporary) (7)	$77,500 average annual wage	**2,621**	California Economic Development Department

(1) Assumes 100 full-time workers with the remainder as part-time staff; part-time workers are converted into FTEs based on 205 annual Multi-Purpose Venue events assuming a typical 5-day 50-week work cycle.
(2) Reflects 500 employees in 6-hour shifts during the Warriors games and 280 employees in 6-hour shifts for all other events.
(3) Includes the Golden State Warriors non-staff franchise employment, such as trainers, coaches, doctors, scouts, and administration.
(4) Reflects employment in the property management and building maintenance industries.
(5) Construction cost estimates per GSW; includes soft costs (planning, design, etc.).
(6) Treasure Island Fiscal Analysis.
(7) Wage based on the average annual construction annual salaries reported for the San Francisco MSA by EDD.

Sources: Golden State Warriors and Economic & Planning Systems, Inc.

Table A-10
Payroll and Payroll Tax Estimates
Pier 30-32 Fiscal Feasibility Analysis

Item	Assumption	Total	Source
On-site Payroll Tax			
Pier 30-32			
Multi-Purpose Venue (1)			
Full-time operations	$75,000	$7,500,000	EPS Estimate
Event staff (2)	$30,000 per year	$6,156,000	EPS and GSW Estimate, $15/hr
Golden State Warriors			
Players	$4,733,333 per year	$71,000,000	GSW
Other Staff (3)	$133,333 per year	$20,000,000	EPS Estimate
Retail	$43,000 average annual wage	$15,050,000	California Economic Development Department
Parking	$30,000 average annual wage	$70,000	EPS Estimate
Subtotal		$119,776,000	
SWL 330			
Residential	$43,300 average annual wage	$360,833.33	California Economic Development Department
Hotel	$33,000 average annual wage	$5,280,000	California Economic Development Department
Retail	$43,000 average annual wage	$4,873,333	California Economic Development Department
Parking	$30,000 average annual wage	$22,222	EPS Estimate
Subtotal		$10,536,389	
Total Wage		$130,312,389	
Wage Subject to Payroll Tax (4)		$92,126,278	
Payroll Tax	1.5% of net payroll	**$1,381,894**	
Off-site Payroll Tax Generation: Off-site Hotel and Parking Lot Impacts (5)			
Hotel payroll tax		$25,000	
Parking payroll tax		$900	
Total offsite payroll tax		**$25,900**	
Payroll Tax from Indirect and Induced Economic Impacts (6)			
Total Indirect and Induced Jobs		1,131	
Tax per Job generated from direct employment (7)		$816	
Total Indirect and Induced Payroll Tax		**$923,000**	
Project Construction			
Payroll Tax (temporary) (8)	$77,500 average annual wage	$3,046,520	California Economic Development Department

Table A-10 Notes

(1) Assumes 100 full-time workers with the remainder as part-time staff; part-time workers are converted into FTEs based on 205 annual Multi-Purpose Venue events assuming a typical 5-day 50-week work cycle.

(2) Reflects 500 employees in 6-hour shifts during the Warriors games and 280 employees in 6-hour shifts for all other events.

(3) Includes the Golden State Warriors non-staff franchise employment, such as trainers, coaches, doctors, scouts, and administration.

(4) Reflects 1/2 of the Warriors players' payroll due to home games and exempts the following employment categories which are anticipated to fall below the salary threshold for payroll tax application: multi-purpose venue, 1/2 hotel, and 1/2 parking.

(5) Throughout the report, visitor spending on hotel rooms and on Parking has been tracked. Consistent with this methodology, an estimate for the payroll tax associated with the employment supported at off-site hotel and parking locations through Multi-Purpose Venue-visitor expenditures is calculated. The calculations are based on the on-site calculations, scaled proportionate to the amount of spending captured off-site, relative to the on-site spending capture.

(6) The economic impact tables in appendix B detail the impact of the project on suppliers to the new Multi-Purpose Venue, Warriors Event Management/Team Operations Space, and retail space (called indirect effects) and the impact due to new employees' and residents' spending on goods and services (called induced effects). The estimated payroll taxes from these second rounds of spending are shown here.

(7) Tax per direct job is estimated based on all direct jobs, except the players.

(8) Based on the average annual construction annual salaries reported for the San Francisco MSA by EDD.

Sources: GSW and Economic & Planning Systems, Inc.

Table A-11
Daily Parking Demand Estimate
Pier 30-32 Fiscal Feasibility Analysis

Events	Event Turnstile Attendance (1)	% Driving	Average per Car	Daily Demand	Annual Events	Annual Parking Space Demand
Basketball Games	14,875	50%	2.5	2,975	50	148,750
Concerts	11,700	50%	2.8	2,089	45	94,018
Other Sporting Events	6,300	50%	2.8	1,125	30	33,750
Family Shows	5,400	50%	4.0	675	50	33,750
Fixed Fee Rentals	8,100	50%	1.5	2,700	30	81,000
Total	1,972,250				205	391,268

(1) Reflects 85% attendees relative to sold tickets for basketball games and 90% attendees for other events.

Sources: Golden State Warriors, Review of AT&T Park modal split survey (MTA); and Economic & Planning Systems, Inc.

Table A-12
Parking Tax
Pier 30-32 Fiscal Feasibility Analysis

Item	Assumption	Total
Total Spaces On Site		
Pier 30-32		630
SWL330		200
Total		830
Parking Revenues On Site		
Pier 30-32 (1)	$20 per day	$2,453,850
SWL330 (2)	$320 per month	$729,600
Total		$3,183,450
Spaces Off Site		
Annual Demand (spaces) (3)		268,575
Total Parking Revenue	$16 per day	$4,297,206
San Francisco Parking Tax	25% of annual revenue	**$1,870,164**
(less) Existing Revenue (4)		-$512,000
Net		**$1,358,164**
Parking Tax Allocation to General Fund/Special Programs	*20% of tax proceeds*	$271,633
Parking Tax Allocation to Municipal Transp. Fund	*80% of tax proceeds*	$1,086,531

(1) Based on parking revenue of $20 a day net of taxes at 95% occupancy.
(2) Based on parking revenue of $320 a month net of taxes at 95% occupancy.
(3) Reflects parking demand generated by the Multi-Purpose Venue visitors only in excess of the capacity that is available at Pier 30-32; it is likely that additional revenue will be generated by parking demand resulting from other Project components, such as commercial space.
(4) Per Port of San Francisco information.

Sources: GSW and Economic & Planning Systems, Inc.

Table A-13
Transient Occupancy Tax Estimates
Pier 30-32 Fiscal Feasibility Analysis

Item	Estimating Factor	Total
Overnight Attendees in San Francisco for Multi-Purpose Venue Events		
Events per Year		205
Total turnstile attendance		1,972,250
Potential Overnight Visitors (1)		310,500
Net New Overnight Visitors (2)	50%	155,250
Hotel Room Demand	1.90 people per room	81,711
Hotel Revenue On Site		
Hotel Rooms (3)		200
Hotel room-nights during events	205 event-nights per year	41,000
Gross Annual Hotel Room Revenue	$295 per room- night	$12,095,000
Hotel/Motel Revenue Off Site		
Additional Annual Room Night Demand by Multi-Purpose Venue Visitors	40,711 off-site room nights	
Off Site Hotel/Motel Room Proceeds (4)	$188 per room- night	$7,649,508
Total Annual Hotel/Motel Revenue from Project		$19,744,508
Total Hotel/Motel Tax Revenue	14% of room revenue	$2,764,231
Hotel/Motel Tax		
Allocation to General Fund (5)	53.5% of total tax	**$1,478,864**
Allocation to Cultural Amenities (6)	46.5% of total tax	**$1,285,367**

(1) Based on estimate of non-resident visitors from outside Bay Area as estimated by Strada Investment Group.
(2) Estimated share of potential room demand from visitors outside region, who may already have stayed in San Francisco, or may choose to stay elsewhere.
(3) Due to the proximity and enhanced marketing that can be done for the hotel on the SWL, the new hotel is assumed to be fully utilized on event nights. Hotel taxes from events are included here; note that the hotel will generate revenue during non-event days. To be conservative, revenues from non-event visitors are not included here.
(4) Reflects the 2011 Citywide average reported by PKF.
(5) Based on budget allocation (discretionary portion) between the General Funds and other funds FY09-10 Budget Letter, Controller's Office, Tb. 1-5, pg. 10).
(6) Include cultural equity endowment fund, culture centers, publicity/advertising events, and War Memorial.

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

Table A-14
Stadium Admissions Tax
Pier 30-32 Fiscal Feasibility Analysis

Item		Total
Annual Multi-Purpose Venue Paid Attendance (1)		
Warriors Games		875,000
Other Events		1,095,000
Average Admission Tax (2)		
Warriors Games		$2.25
Other Events		$2.00
Total Annual Admission Tax		**$4,158,750**
General Fund	67.9%	$2,823,791
Recreation and Parks	32.1%	$1,334,959

(1) Paid attendance; excludes fixed fee rental events.
(2) Reflects a range of ticket prices with "other events" assumed to have lower ticket values relative to the Warriors games; combines regular admission and supplemental admission tax.

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

Table A-15
Gross Receipts Tax Estimates
Pier 30-32 Fiscal Feasibility Analysis

Item	Total Gross Receipts (GR)	GR Allocated to SF for GR Tax	Gross Revenue Tier: up to $1m	$1m - $2.5m	$2.5m - $25m	$25m+	Gross Receipts Tax
Pier 30-32 On-Site Impacts							
Multi-Purpose Venue (1)	$89,190,000	$89,190,000	0.285%	0.285%	0.300%	0.300%	$207,000
Golden State Warriors (2)	$120,000,000	$73,186,813	0.300%	0.325%	0.325%	0.400%	$274,000
Retail	$47,250,000	$47,250,000	0.075%	0.100%	0.135%	0.165%	$72,000
Parking	$2,453,850	$2,453,850	0.075%	0.100%	0.135%	0.160%	$2,100
Subtotal	$258,893,850	$258,893,850					$555,100
SWL 330 On-Site Impacts							
Retail	$10,200,000	$10,200,000	0.075%	0.100%	0.135%	0.165%	$12,500
Parking	$729,600	$729,600	0.075%	0.100%	0.135%	0.160%	$0
Hotel (3)	$14,514,000	$14,514,000	0.300%	0.325%	0.325%	0.400%	$47,000
Subtotal	$25,443,600	$25,443,600					$59,500
Off-Site Impacts							
Parking	$4,297,206	$4,297,206	0.075%	0.100%	0.135%	0.160%	$5,000
Rent							
Pier 30-32 Retail	$4,410,000	$4,410,000	0.285%	0.285%	0.300%	0.300%	$13,500
SWL 330 Retail	$1,428,000	$1,428,000	0.285%	0.285%	0.300%	0.300%	$4,100
Subtotal	$10,135,206	$10,135,206					$22,600
Total Gross Receipts	**$294,472,656**	$294,472,656					**$637,200**
Off-site Hotel	$9,179,400	$9,179,400	0.300%	0.325%	0.325%	0.400%	$59,500
Project Construction							
Total Development Value (4)	$1,015,506,506	$1,015,506,506					
Direct Construction Cost (5)	$700,000,000	$700,000,000	0.300%	0.325%	0.400%	0.450%	**$3,100,000**

(1) Includes concessions and merchandise sales during events and ticket sales for non-Warrior games assuming an average ticket sale price of $30; Warriors ticket sales are captured under the Warriors revenues.
(2) Assumes that 61% of the maximum tax potential would be generated to the City given that players would not be subject to the tax for games played outside of San Francisco.
(3) Includes room revenue and other revenue, such as food and beverage sales, assumed at about 20% of room revenue.
(4) Construction cost estimates per GSW; includes soft costs (planning, design, etc.).
(5) Hard costs have not been estimated for the entire project; As a planning estimate, roughly 30% of costs are assumed to be planning and engineering costs.
Sources: City of San Francisco; Economic & Planning Systems.

APPENDIX B:

Economic Analysis

Table 1
Net Adjusted Annual Economic Impacts
Pier 30-32/SWL 330 Economic Impact Analysis

Item	Total
Ongoing Employment (1)	
Direct	1,712
Indirect	608
Induced	523
Total Employment	**2,842**
Annual Total Output	**$476,884,000**
One-Time Employment (Construction) (2)	
Direct	2,623
Indirect	1,110
Induced	1,278
Total Employment	**5,011**
Total Output (Construction)	**$1,474,909,715**

*Note: Table includes economic impacts generated by the Multi-Purpose Venue (MPV), other land uses on Pier 30-32 and SWL 330, and MPV visitors' spending in the City but away from the Project site.

Also, note that the totals are "net adjusted" meaning that the gross impacts - including direct, indirect, and induced impacts driven from the Project - have been adjusted to account for impacts that already occur in San Francisco, due to Oracle Arena's operations in Oakland. For example, visiting NBA basketball teams playing in Oakland often book hotel rooms in San Francisco. These types of impacts have been deducted from the gross impacts to arrive at a "net adjusted" number that estimates new impacts, due to a new MPV in San Francisco. See Appendix B for details on calculations.

(1) Reflects full-time employee equivalents (FTEs), including jobs generated by the Project on the Pier and SWL and off-site.

(2) Reflects FTE job-years.

Source: IMPLAN 2010; and Economic & Planning Systems.

Table B-1
Summary of Annual Economic Impacts
Pier 30-32/SWL 330 Economic Impact Analysis

Entity/Land Use/Activity	Impact Type	Gross Impacts Jobs (FTEs)	Gross Impacts Output	Factor	Adjusted Net Impacts Jobs (FTEs)	Adjusted Net Impacts Output
Warriors[1]	Direct	165	$120,000,000	*100%*	165	$120,000,000
	Indirect	235	$35,151,892	*50%*	118	$17,576,000
	Induced	376	$68,056,705	*50%*	188	$34,028,000
	Total	**776**	**$223,208,597**		**470**	**$171,604,000**
Multi-Purpose Venue[2]	Direct	305	$89,190,000	*85%*	259	$75,812,000
	Indirect	415	$63,499,000	*85%*	353	$53,974,000
	Induced	171	$30,975,000	*85%*	145	$26,329,000
	Total	**891**	**$183,664,000**		**757**	**$156,115,000**
Pier 30-32/SWL 330 Uses	Direct	634	$33,531,000	*100%*	634	$33,531,000
	Indirect	56	$10,697,000	*100%*	56	$10,697,000
	Induced	96	$17,564,000	*100%*	96	$17,564,000
	Total	**786**	**$61,792,000**		**786**	**$61,792,000**
Visitor Spending, Offsite	Direct	653	$53,580,947	*100%*	653	$53,580,947
	Indirect	81	$16,649,278	*100%*	81	$16,649,278
	Induced	94	$17,142,424	*100%*	94	$17,142,424
	Total	**828**	**$87,372,649**		**828**	**$87,372,649**
Total Ongoing Impacts	Direct	1,757	$296,301,947		1,712	$282,923,947
	Indirect	787	$125,997,170		608	$98,896,278
	Induced	737	$133,738,129		523	$95,063,424
	Total	**3,281**	**$556,037,246**		**2,842**	**$476,883,649**
One-Time Impacts						
Construction	Direct				2,623	$1,016,227,962
	Indirect				1,110	$227,640,207
	Induced				1,278	$231,041,546
	Total				**5,011**	**$1,474,909,715**

[1] Indirect and induced impacts discounted 50% to reflect business and employee spending already occuring in SF.

[2] About 30% of MPV impact is estimated to be attributed to San Francisco residents; about half of this impact or 15% is netted out to reflect the shift from other entertainment uses.

Source: IMPLAN 2010; and Economic & Planning Systems.

Table B-2
Team and Arena Employment and Revenue Assumptions
Pier 30-32/SWL 330 Economic Impact Analysis

Type of Operations	Employment	Gross Revenues
Team Employment		
Players	15	-
Other Basketball Staff	20	-
Event Management/Team Operations Space	130	-
Total	**165**	**$120,000,000**
One-Time Employment (Construction) (2)		
Full-time Employment	100	-
Event-specific (part-time)	280-500	-
Total	**380-600**	
Event-specific, FTEs[1]	205	-
Total Employment, FTEs	**305**	**$89,190,000**

[1] Conversion of part-time workers to FTEs assumes, 6 hours per event, 40 hours/week per FTE, and 50 work weeks per year.

Sources: Strada Investment Group; and Economic & Planning Systems, Inc.

Table B-3
Other Onsite Land Use, Employment and Revenue Assumptions
Pier 30-32/SWL 330 Economic Impact Analysis

Location	Land Use	Gross Sq. Ft.	Sq. Ft. per Employee	Total Jobs	Employment Distribution by Retail Subsector[1]			
					General Merchandise	*Food & Beverage*	*Health & Personal Care*	*Sporting Goods, Hobby, Book & Music*
Pier 30-32	Retail	105,000	300	350	88	88	88	88
SWL 330	Neighborhood Retail	34,000	300	113	28	28	28	28
	Subtotal	**139,000**		**463**	**116**	**116**	**116**	**116**

		Units/Rms/ Spaces		Units per Employee	
SWL 330	Residential	125	125,000	15	8
SWL 330	Hotel	200	125,000	1.25	160
Pier 30-32 & SWL 330	Parking	825	313,000	270	3
	Total Jobs				**634**

[1] Assumes an even distribution of employment across the four types of retail anticipated at the Project.

Sources: City of San Francisco; Strada Investment Group; and Economic & Planning Systems, Inc.

Table B-4
Visitor Spending Assumptions and Calculations[1]
Pier 30-32/SWL 330 Economic Impact Analysis

Expenditure Category	Assumptions	Basketball Games	Concerts	Other Sporting Events	Family Shows	Fixed Fee Rentals	Annual Total
Parking							
Onsite Spaces	*630*	31,500	28,350	18,900	31,500	18,900	129,150
Onsite Spaces Used/Event	*95% utilization*	29,925	26,933	17,955	29,925	17,955	122,693
Onsite Parking Revenues	*$20/space*	$598,500	$538,650	$359,100	$598,500	$359,100	$2,453,850
Offsite Space Demand		118,825	67,085	15,795	3,825	63,045	268,575
Offsite Parking Revenues	*$16/space*	$1,901,200	$1,073,366	$252,720	$61,200	$1,008,720	$4,297,206
Lodging							
Outside Bay Area Visitors	*100%*	22,313	52,650	37,800	27,000	170,100	309,863
% Overnighters[2]	*67%*	14,875	35,100	25,200	18,000	113,400	206,575
Less Existing Demand[3]	*25%*	(3,719)	(8,775)	(6,300)	(4,500)	(28,350)	(51,644)
Net New Demand		11,156	26,325	18,900	13,500	85,050	154,931
Avg. Party Size	*1.9*						
Hotel Room-Nights Demand		5,872	13,855	9,947	7,105	44,763	81,543
Less Pier 30-32 room-nights[4]	*200 rooms*	(10,000)	(9,000)	(6,000)	(10,000)	(6,000)	(41,000)
Offsite Room-Nights Demand		(4,128)	4,855	3,947	0	38,763	43,438
Net Hotel Spending Offsite	*$188/room*	**($775,706)**	**$912,304**	**$741,711**	**$0**	**$7,283,597**	**$8,161,906**
Food and Beverage							
Total $$ per Visitor in SF	*$47/person/day*	$24,313,188	$14,752,530	$6,178,410	$8,826,300	$10,213,290	$64,283,718
Less Existing Demand[3]	*25%*	($6,078,297)	($3,688,133)	($1,544,603)	($2,206,575)	($2,553,323)	($16,070,929)
Less F&B Concessions		($6,039,250)	($1,866,150)	($781,550)	($1,116,500)	($1,291,950)	($11,095,400)
Net Spending rest of City		**$12,195,641**	**$9,198,248**	**$3,852,258**	**$5,503,225**	**$6,368,018**	**$37,117,388**
Retail							
Total $$ per Visitor in SF	*$36/person/day*	$18,789,082	$11,400,665	$4,774,637	$6,820,911	$7,892,768	$49,678,063
Less Existing Demand[3]	*25%*	($4,697,271)	($2,850,166)	($1,193,659)	($1,705,228)	($1,973,192)	($12,419,516)
Less Merchandise Concessions		($5,206,250)	($1,608,750)	($673,750)	($962,500)	($1,113,750)	($9,565,000)
Less Pier 30-32 Retail[5]		($6,254,762)	($3,795,206)	($1,589,445)	($2,270,636)	($2,627,450)	($16,537,500)
Net Spending rest of City		**$2,630,800**	**$3,146,542**	**$1,317,783**	**$1,882,547**	**$2,178,375**	**$11,156,047**
Total Annual Visitor Spending, Gross		$47,073,029	$31,236,416	$14,057,015	$18,087,016	$30,688,541	$141,142,016
Total Spending, net of Existing Demand		$35,929,697	$23,830,316	$10,695,716	$13,730,187	$23,358,361	$107,544,276
Total Spending, Onsite		$19,977,762	$9,499,856	$4,531,245	$6,827,136	$6,519,650	$47,355,650
Total Visitor Spending, Offsite[6]		$15,951,935	$14,330,459	$6,164,471	$7,446,972	$16,838,710	**$60,732,547**

[1] Does not include spending on game and event ticket purchases.

[2] Assumes that two-thirds of visitors outside the Bay Area spend a night in the City; coupled with a 25% assumption for net new visitors (see below) implies that 50% of Outside Bay Area visitors generate net new demand for hotel room-nights.

[3] Assumes that at least 25% of non-local attendees would still have visited the City without the MPV, so only 75% are assumed to represent new demand.

[4] Assumes 100% occupancy on event days.

[5] Assumes that non-local visitors account for approximately 35% of onsite retail sales (i.e. total visitors account for 50% of onsite sales and 70% are non-local visitors).

[6] Total spending is greater than direct output in Table B-1 because gross retail sales are adjusted for margins to derive direct output.

Source: Strada Investment Group; SFTA Travel Research; and Economic & Planning Systems, Inc.

APPENDIX C:

Conceptual Framework

October 23, 2012

CONCEPTUAL FRAMEWORK FOR PIERS 30-32 GROUND LEASE AND SEAWALL LOT 330 CONVEYANCE

(Proposed Rehabilitation of Piers 30-32 and Development of a Public Assembly Venue Useable for Conventions, Warriors Home Games, Performing Arts, and Other Purposes, and Related Improvements, Including Public Open Space and Waterfront and Maritime Access Improvements)

This Conceptual Framework, dated for convenience of reference as of October 23, 2012, is made with reference to the Exclusive Negotiation Agreement dated as of August 15, 2012 (as such agreement may be amended, the "ENA"), between the City and County of San Francisco (the "City"), acting by and through its San Francisco Port Commission (the "Port"), and GSW Arena LLC, a Delaware limited liability company ("GSW"). As used in this Conceptual Framework, the term "GSW" includes an affiliate as described in section 1 below. Subject to the conditions provided for in this document, this Conceptual Framework sets forth the basic financial principles and terms on which the City, including its Port, and GSW will negotiate agreements for the proposed project referred to above and described in more detail below. In particular, this Conceptual Framework:

- is intended to facilitate the San Francisco Board of Supervisors' consideration of a finding that the Project (as defined below) is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29 (the "Fiscal Feasibility Finding"), consistent with the milestone for such action set forth in the ENA, and this Conceptual Framework accompanies the preliminary fiscal feasibility report that Economic and Planning Systems, Inc., an independent real estate economics firm, with the assistance of the sports economics firm Barrett Sports Group LLC, prepared on behalf of the City, and submitted to the Board of Supervisors in connection with the proposed Fiscal Feasibility Finding (the "Fiscal Feasibility Report");

- is based on a recent independent MAI appraisal of the fair market value to the Port of a long-term ground lease of the Waterfront Site and a conveyance of title to (or possibly a long-term ground lease of) the Seawall Lot Site that comprises the remainder of the Site (as such initially capitalized terms are defined below) entitled "Appraisal of Seawall Lot 330, Piers 30–32, San Francisco, California" prepared by Carneghi-Blum & Partners, Inc. and dated September 28, 2012 (the "Appraisal");

- will form the basis for a Term Sheet as contemplated by the ENA (with the deadline for endorsement extended as referred to below), following negotiations built on an analysis of a financial pro forma for the Project; and

- along with any attached or underlying documents is not intended to be, and will not become, contractually binding unless and until the City, including its Port, and GSW execute and deliver the Transaction Documents described below, subject to the conditions of the ENA.

The proposed project consists of two related components, on separate Port parcels. The first part of the proposed project involves GSW's rehabilitation of Piers 30-32 and construction of a new privately financed, state-of-the art multi-purpose venue with seating for approximately 17,000 to 19,000 persons, capable of being used as an event venue and for other public assembly uses,

including for conventions, Golden State Warriors' home games, performing arts, and other purposes, along with public open space, parking facilities, visitor-serving retail, maritime use, and other related uses, on Piers 30-32 (the "Waterfront Site"). GSW would finance, build and operate these improvements under a fair market rent ground lease from the Port, and expects to complete them by the Fall of 2017.

The second part of the proposed project includes construction by GSW of improvements on the portion of Seawall Lot 330 owned by the Port (i.e., all of Seawall Lot 330 except for the parcel at the corner of Beale and Bryant Streets that is part of the Watermark development), located on the west side of The Embarcadero, between Beale and Bryant Streets, on the other side of the street from the Waterfront Site (the "Seawall Lot Site"). The Port would convey fee title to the Seawall Lot Site to GSW for fair market value consideration if certain conditions are met; otherwise, the Port would enter into a ground lease with GSW for fair market rent consideration for the Seawall Lot Site. This Conceptual Framework addresses only the preferred alternative of conveyance of fee title to the Seawall Lot Site (the Term Sheet may address both alternatives, as appropriate). GSW plans to build residential, hotel, and/or retail uses and accessory parking on the Seawall Lot Site. The improvements on the Waterfront Site and the Seawall Lot Site are collectively referred to below as the "Improvements," and both components of the proposed project are collectively referred to in this Conceptual Framework as the "Project." The Waterfront Site and the Seawall Lot Site are collectively referred to in this Conceptual Framework as the "Site."

The Waterfront Site is subject to the use and other restrictions imposed under the Burton Act (Stats 1968, Ch. 1333, as amended) and the Burton Act Transfer Agreement of January 24, 1969, as well as the public trust for commerce, navigation and fisheries (collectively, the "public trust"). AB 1389 (Stats. 2001, Ch. 489) allows certain uses on the Waterfront Site that would otherwise be inconsistent with the public trust in connection with development on Piers 30-32 of a two-berth cruise ship terminal project that meets certain requirements. The Port is developing a cruise ship terminal at another pier so AB 1389 would not now seem to apply to the Project, though the Port and GSW are committed to exploring improvements to the Waterfront Site for maritime uses. The Seawall Lot Site is subject to two pieces of State legislation that could affect its development and disposition by the Port: SB 815 (Stats 2007, Ch. 660) and AB 418 (Stats 2011, Ch. 477). In contrast to the Waterfront Site, the Seawall Site is free from some or all public trust restrictions under certain conditions set forth in SB 815 and AB 418.

The Port Waterfront Land Use Plan, including the Design and Access Element (collectively, the "Waterfront Plan"), is the Port's adopted land use document for property within Port jurisdiction, including the Site, and provides the policy foundation for waterfront development and improvement projects. After a multi-year cooperative process, the Port and the San Francisco Bay Conservation and Development Commission ("BCDC") adopted the Special Area Plan, which allows for the revitalization of certain piers for uses consistent with the public trust. The Waterfront Plan contemplated the potential for developing an arena in the South Beach/Rincon Point Subarea of Port property. The Waterfront Plan and the Special Area Plan recognize that the development of the Waterfront Site and the surrounding area should further the public trust purposes of supporting maritime activities and expanding public use and enjoyment of the waterfront on public trust lands at this location. The Special Area Plan sets forth certain design considerations for the Waterfront Site, including strict limitations on new fill and a requirement to provide maximum feasible public access. A project that provides at least 35% of the pier area for public open space is deemed to provide maximum feasible public access.

The Waterfront Plan identifies the Waterfront Site as a major development opportunity site, and the City, through its Port, has undertaken numerous unsuccessful attempts to develop the site in accordance with the Waterfront Plan's objectives, including the recent effort related to the 34th America's Cup and two separate attempts to develop the proposed mixed use Bryant Street Pier project through public-private partnerships. In each of those instances, the private project sponsor abandoned its plans due to much higher than expected costs to repair the Piers 30-32 substructure.

The Waterfront Site has a limited remaining useful life, requiring a substantial capital investment to repair the substructure and bring the piers up to modern seismic standards and to preserve the piers. If the piers are not rehabilitated, the Port may be required to expend substantial sums to demolish the piers after the end of their useful life. The Port has not included the costs to improve–or demolish–the piers in its FY 2013-2022 Capital Plan, due to limited Port resources and competing Port priorities. The Port's efforts over the years to develop the Waterfront Site through public-private partnerships have not been successful. The costs to rehabilitate the piers for any long-term use is estimated to far exceed the combined fair market value of the Waterfront Site and Seawall Lot Site. The Appraisal shows that rehabilitating the piers and developing the highest and best use on the Waterfront Site is not financially feasible without dedication of the proceeds from the sale of the Seawall Lot Site and an additional significant subsidy to cover the pier substructure costs.

The Waterfront Site is an extraordinary location for the proposed public assembly venue and affords a number of advantages for the City, the region and the public over other potential sites, including other Port land to the south of the Waterfront Site. First and foremost, the Waterfront Site is optimal for locating the venue in light of the existing transit, bicycle and pedestrian network, as well as planned improvements to that network. Regional destinations such as the proposed venue achieve their best transit mode splits when they are located within walking distance from regional transit hubs. The Waterfront Site is located at a distance of 3/4 mile or less from all major regional transit hubs in downtown San Francisco, including BART, Caltrain, the Ferry Building, the Transbay Terminal, and the Capitol Corridor, and for the bulk of Muni Metro and bus lines serving these same hubs (including an adjacent Muni Metro station at Brannan Street serving two metro lines). The walk from these hubs along the Embarcadero is short, free of traffic conflict and pleasant. These features make the Waterfront Site a remarkably accessible location that can be reached fairly effortlessly, with a minimum of transfers, by visitors from all nine Bay Area counties. The other possible locations for the venue do not afford nearly the same level of advantages within the transit network.

Second, the Project provides an appropriate public use that will permit rehabilitating the Waterfront Site, which is nearing the end of its useful life. Developing the Project at the Site provides the best (and perhaps last) opportunity for activating the Waterfront Site for maritime and other uses in a manner consistent with the public trust and the goals and objectives of the Waterfront Plan and BCDC's Special Area Plan.

Third, the adjacency of the Seawall Lot Site to the Waterfront Site improves the success and economic feasibility of the Project overall by allowing cross-subsidies and complementary development that will transform the Site from an underutilized surface parking lot to a thriving and active visitor serving destination. These key Port objectives would not be accomplished by locating the facility in an area farther south.

By Resolution No. 236-12 adopted unanimously on June 12, 2012, the Board of Supervisors found that the potential real estate transactions involving the Waterfront Site and the Seawall Lot Site to rehabilitate Piers 30-32 and develop a multi-purpose event venue and related facilities would generate substantial public benefits for the City, including its Port, such as: (1) the repair, improvement and productive reuse of the Waterfront Site, (2) the construction of needed infrastructure improvements that benefit the Site and the surrounding public trust lands and other areas, (3) the generation of significant new jobs and economic development in a short period, including significant opportunities for local residents, (4) the attraction of many people from the City and all over the region to enjoy the waterfront and the Bay and to patronize businesses on the Site as well as other Port land and privately owned property in the vicinity of the Site, and (5) the enhancement of the City's tourism industry, including providing an additional venue for trust related events, conventions, sporting events, concerts and other special events. By Resolution No. 12-50 unanimously adopted by the Port Commission on June 12, 2012, the Port Commission made the same findings.

The basic financial principles and terms set forth in this Conceptual Framework will be subject to further negotiation between the parties consistent with the ENA, to develop a Term Sheet that will be subject to endorsement of the Port Commission and the Board of Supervisors. And ultimately, subject to required approvals, the terms and conditions contained in the Term Sheet will be set forth in more detail in the final transaction documents among GSW, the Port, the City and other entities, as applicable, summarized in section 4 below (collectively, the "Transaction Documents").

The Term Sheet and the Transaction Documents will be consistent with Board of Supervisors Resolution No. 236-12 and with Port Commission Resolution 12-50, both approving sole source negotiations with GSW for the Project, and with the ENA.

Section	Provision	Summary of Principles and Terms
1.	Parties	Port: City and County of San Francisco (the "City"), acting by and through its Port Commission. GSW: GSW Arena LLC, a Delaware limited liability company (and/or any affiliate of GSW Arena LLC, or a third party, in each instance approved by the Port or meeting net worth and/or other qualifications negotiated as part of the Term Sheet and Transaction Documents). GSW Arena LLC is a wholly owned subsidiary of GSW Sports LLC. Golden State Warriors, LLC (the "Team Owner") is also a wholly owned subsidiary of GSW Sports LLC. The Team Owner owns and operates the "Golden State Warriors" NBA franchise.
2.	Site	The Site consists of these two properties: The Waterfront Site: Piers 30-32, consisting of an approximately 553,778 square foot (about 13 acre) pile-supported structure along the Embarcadero roadway as depicted on Exhibit A-1. The Seawall Lot Site: Approximately 101,330 square foot (about 2.3

Section	Provision	Summary of Principles and Terms
		acre) portion of Seawall Lot 330 that fronts the Embarcadero roadway and is bounded by Beale and Bryant Streets as depicted on Exhibit A-2.
3.	Project Description	The Project includes the following proposed elements, all as further described in Exhibit B, and subject to refinements through the public review process and the Term Sheet negotiation process: Waterfront Site Improvements: • Seismic retrofit and rehabilitation of Piers 30-32 to preserve this unique waterfront resource and support the proposed uses. • State-of-the art multi-purpose venue, with a foot print of approximately 170,000 square feet, containing a total of approximately 700,000 square feet of space, and having a height of approximately 135 feet. The venue would be capable of seating approximately 17,000–19,000 persons. • The multi-purpose venue would be used for conventions, Warriors home games, performing arts, exhibitions, public ceremonies, other special events, and other similar purposes. • A practice facility and training areas of approximately 21,000 square feet and event management and team operations support space of approximately 40,000 square feet, in connection with the multi-purpose venue. • A multi-use community room on the northeast corner of Piers 30-32 containing approximately 10,000 square feet of space. • Visitor serving retail and restaurant uses totaling approximately 105,000 square feet. Those uses would mainly be in buildings along the Embarcadero that are approximately 60 feet high–no higher than the historic sheds on Piers 26 and 28, as well as in the multi-purpose venue. • Dedicated public open spaces and waterfront access comprising at least 50% of the Waterfront Site, including public access along the entire perimeter of Piers 30-32 and along a breakwater created by removing part of the deck at the piers' southeast corner, and other new public open spaces integrated into the improvements to the Waterfront Site. • Parking facilities of approximately 275,000 square feet (approximately 630 spaces), located on the pier deck but with the spaces covered and situated underneath the new open space and other surface improvements. • Maritime uses on all three Bay sides of Piers 30-32, including possibly (subject to further analysis as to financial feasibility): (i) a new facility for the City's fireboats on the north part of the pier, (ii) ferry stop and boat docking on the north side of the pier, (iii) recreational water sports access, such as a public kayak launch area, guest docks and a possible water taxi stop, on the south side of the pier, and (iv) berthing for boats on the east side of the pier,

Section	Provision	Summary of Principles and Terms
		including periodic, temporary berthing for deep draft vessels (again subject to further financial analysis as to feasibility). • Preservation of Red's Java House on the Waterfront Site. Seawall Site Improvements (preliminary plan): • Two buildings, with heights of up to approximately 150 feet. • Residential use, consisting of up to approximately 140,000–160,000 square feet (100-130 units). • Hotel use, consisting of up to approximately140,000–160,000 square feet (220-250 rooms). Mix of hotel and residential use to be determined. • Retail use of approximately 33,000 square feet. • Accessory parking use of approximately 105,000 square feet (in the range of 195-300 spaces).
4.	Transaction Documents	The parties anticipate that the primary Transaction Documents will consist of: • a Disposition and Development Agreement between the Port and GSW for the Site (DDA) • a Ground Lease between the Port and GSW for the Waterfront Site • a Purchase and Sale Agreement between the Port and GSW for the Seawall Lot Site (or Ground Lease, if conditions to sale are not feasible) • a Sublease between GSW and the Team Owner, for use of the multi-purpose venue • Such other appropriate agreements as the parties may negotiate through the ENA process, which may include an agreement between GSW and SF Travel governing convention use of the event venue at the Waterfront Site.
5.	Financial Responsibility for Construction of Improvements, including Pier Substructure Rehabilitation, and Other Public Improvements	GSW will construct all Site improvements for the Project at no cost to the City, including its Port, subject to reimbursement for pier substructure improvement costs on the Waterfront Site and possibly other public improvements as described in this section below. Reimbursement for Pier Substructure Costs: The parties recognize that the costs to rehabilitate Piers 30-32 will substantially exceed the appraised fair market rental value from the Waterfront Site and the fair market sale value of the Seawall Lot Site. GSW will be reimbursed for its actual and verifiable costs of seismically retrofitting and rehabilitating the piers to provide waterfront public access and support the other uses proposed for the Project, and of removing any fill in or about the Waterfront Site that is part of the Project (collectively, "Pier Substructure Costs"), up to $120,000,000 (the "Maximum Reimbursement Amount"), plus the Annual Cost Return described

Section	Provision	Summary of Principles and Terms
		below. Such reimbursement will be made through three sources of funds: (1) the Rent Credits due under the Waterfront Site Ground Lease as described in section 6 below; (2) the Seawall Lot Purchase Credit as described in section 7 below; and (3) proceeds of Net Available Property Tax Increment generated from the Site under an IFD as described in section 8 below. The reimbursement for Pier Substructure Costs will include a market return on cost of 13% per year (the "Annual Cost Return"), which reflects the timing and risk of GSW getting repaid for its recognized expenditures, net of the Seawall Lot Purchase Credit described in clause (2) above. The Annual Cost Return will begin when GSW incurs the recognized expenditure and will continue to apply to such expenditure until GSW is repaid as provided above. The Annual Cost Return will not count against the Maximum Reimbursement Amount. GSW's conceptual design for the work that is subject to such reimbursement will be subject to the Port's prior approval generally consistent with other Port DDAs of commercial projects of similar scale, which approval will not be unreasonably withheld or delayed. If through such approval process the Port requests revisions to GSW's conceptual design that would materially increase the Pier Substructure Costs, then the Maximum Reimbursable Amount stated above will be increased in connection with the negotiations of the Term Sheet and the Transaction Documents to reflect such increased costs. <u>Possible Reimbursement for Additional Waterfront Infrastructure Costs</u>: The parties anticipate that the total Pier Substructure Costs will be substantially greater than the Rent Credits and the Seawall Lot Purchase Credit referred to above, and that Net Available Property Tax Increment from the IFD referred to above will make up the difference. If the Pier Substructure Costs turn out to be less than the Maximum Reimbursement Amount, and if there is excess Net Available Tax Property Increment after allocating Net Available Property Tax Increment from the IFD to the reimbursement of the Pier Substructure Costs, then GSW may receive an additional reimbursement for actual and verifiable costs for waterfront public access and maritime improvements that are included as part of the Project to satisfy regulatory requirements and comply with the public trust (the "Additional Waterfront Infrastructure Costs"). The terms and conditions for reimbursing any such Additional Waterfront Infrastructure Costs will be subject to negotiation between the parties as part of the Term Sheet and final Transaction Documents. The source for any agreed-upon reimbursement for Additional Waterfront Infrastructure Costs will be limited to the amount of excess Net Available Property Tax Increment from the IFD, that is, the extent to

Section	Provision	Summary of Principles and Terms
		which such increment exceeds the amount of Net Available Property Tax Increment needed to reimburse GSW for Pier Substructure Costs, as described above. But in no event will the total reimbursement for Pier Substructure Costs together with any Additional Waterfront Infrastructure Costs, from all of the permitted sources described in this section, exceed the Maximum Reimbursable Amount. Possible Reimbursement for City Facilities: Also, GSW may construct other mutually agreed-upon public improvements on the Waterfront Site, which may include public amenities and maritime facilities that the City or its Port would use and control ("City Facilities"), subject to applicable City contracting requirements and on terms and conditions as the parties may agree through negotiations on the Term Sheet and final Transaction Documents. For instance, City Facilities may include a facility for berthing the City's fireboats and housing related support facilities. For any such City Facilities, the City or Port will, in addition to reimbursement for Pier Substructure Costs (and Additional Waterfront Infrastructure Costs, if applicable), reimburse GSW for the cost of building them on terms to be negotiated; provided that the costs of any such City Facilities will not count toward the Maximum Reimbursable Amount described above. In no event will Rent Credits, the Seawall Lot Purchase Credit or any other funds or assets of the Port serve as a source to reimburse the costs of any such facilities to the extent that the City (as opposed to its Port) uses and controls them.
6.	Waterfront Site Ground Lease: Basic Financial Terms	Subject to conditions to closing to be set forth in the DDA and that are consistent with other closing conditions for Port DDAs of commercial projects of similar scale, the Port will deliver a leasehold interest to GSW in the Waterfront Site in its as is physical condition. The term of the lease will be 66 years, including any and all extension options. Base Rent: GSW will pay the Port fair market rent, based on the appraised value of $1,970,000 per year, with CPI and/or other market adjustments to rent to be negotiated, and subject to the Rent Credits described in this section below; provided, however, from the closing of the Ground Lease and until the improvements on the Waterfront Site are completed, GSW will pay, again subject to the Rent Credits, a reduced construction period rent equal to the total revenues that the Port currently receives from existing leases at the Waterfront Site, of about $1,060,000 per year. In the negotiations for the Term Sheet and the Transaction Documents, the parties may explore having the Ground Lease provide for prepayment of all or a portion of the rent. Rent Credits: GSW will receive credits against rent due under the Ground Lease, including base rent (including construction period rent) and any participation rent as described below (the "Rent Credits") until GSW is reimbursed for the Pier Substructure Costs and any Additional

Section	Provision	Summary of Principles and Terms
		Waterfront Infrastructure Costs, all as generally described in section 5 above (including the agreed-upon return on costs). Participation Rent: In addition to base rent, GSW will pay to the Port participation rent based on an agreed-upon percentage of net revenues from specified Project sources and uses, after GSW is paid back for its Pier Substructure Costs, together with any Additional Waterfront Infrastructure Costs and the costs for any City Facilities, as generally described in section 5 above. Similarly, GSW will pay the Port participation rent based on an agreed-upon percentage of net proceeds of sale arising from non-affiliate transfers and refinancings, again in each instance after GSW is paid back for its Pier Substructure Costs, together with any Additional Waterfront Infrastructure Costs and the costs for any City Facilities, as generally described in section 5 above. Triple Net: The Ground Lease will be triple net, with GSW responsible for all taxes, assessments, and expenses, without offset or deduction of rent of any kind other than the Rent Credits. GSW will be responsible for operating, maintaining and repairing all Project facilities on the Waterfront Site (including, but not limited to, the pier substructure and public access areas), all at no cost to the City or its Port (except for any City Facilities, which the City or its Port use and control as provided in section 5).
7.	Seawall Lot Site Conveyance: Basic Financial Terms	Subject to conditions to closing to be set forth in the DDA and that are consistent with other closing conditions for Port DDAs of projects of similar scale, the Port will convey fee title to the Seawall Lot Site in its as is physical condition to GSW. The Port will convey fee title to the Seawall Lot free of the public trust, subject to satisfaction of required state statutory conditions. The Transaction Documents will require the Port to use its reasonable best efforts to satisfy those conditions, at no cost to GSW. Purchase Price: The Port will convey the Seawall Lot Site for its appraised fair market value of $30,400,000, subject to a mutually agreed-upon CPI adjustment at the time of the closing. (The appraised purchase price is subject to review and approval by the State Lands Commission.) Credit for Purchase Price Against Waterfront Site Rent: In lieu of paying cash to the Port to acquire the Seawall Lot Site, GSW may, in addition to the Rent Credits under the Waterfront Site Ground Lease described in section 6, apply the purchase price as a credit against the Pier Substructure Costs (the "Seawall Lot Purchase Credit") as referenced in section 5 above, so long as GSW provides a suitable financial or other appropriate means of binding written assurance that it will complete the pier rehabilitation work, on terms satisfactory to the

Section	Provision	Summary of Principles and Terms
		parties and in compliance with any applicable state statutory requirements for conveyance, including SB 815 and AB 418. Transfer Fees: The Purchase and Sale Agreement will require, as part of the consideration to the Port for the sale, GSW to record a transfer fee covenant against the Seawall Lot Site (binding on GSW and all successors) that will provide the Port with a recurring transfer fee of 1.0% on the net proceeds from (i) sales of individual residential condominium units after (but not including) the first sale, and (ii) sales or other conveyances to non-affiliates of any commercial condominium parcels after (but not including) the first sale, all on terms and conditions to be further negotiated. The transfer fees payable to the Port will be excluded from the Seawall Lot Purchase Credit, and thus will not be a source for reimbursement for the Pier Substructure Costs or any Additional Waterfront Infrastructure Costs.
8.	Infrastructure Financing District (IFD)	Subject to required approvals to form an IFD that includes the Site (as described in section 2 above), and based on the premises that (i) but for the allocation of IFD proceeds the Project would not be feasible, (ii) the Project is anticipated to generate significant net fiscal benefits to the City (as shown by the Fiscal Feasibility Report) and (iii) but for the Project, the property tax increment from the Waterfront Site to support the IFD proceeds would not exist, GSW will receive a pledge of net available property tax increment revenue generated by the Project from an IFD for the Site, on terms and conditions to be mutually agreed-upon ("Net Available Property Tax Increment"). The pledge of Net Available Property Tax Increment may be made available to GSW on a pay-as-you-go basis, or through the issuance of bonds or other debt, on terms and conditions as the parties may negotiate consistent with the following principles. Net Available Property Tax Increment: Net Available Property Tax Increment shall consist solely of the City's share of available IFD tax increment from the Site, that is the share of property tax growth that the City would receive from the Site as a result of the Project, for up to the statutorily allowed period after the IFD is created. The IFD for the Site may be a designated project area within an IFD that includes other Port property (a "Port-wide IFD"). No tax increment for the benefit of schools or other taxing entities will be pledged under the IFD or otherwise be made available for the Project or infrastructure related to the Project. No increment from other Port property in any Port-wide IFD will be imported to pay for Project infrastructure (except for any cross-collateralization as the parties may agree to enhance security for IFD debt). Any IFD debt will be secured solely by Net Available Property Tax Increment in the IFD and will not have any recourse to the City's General Fund or to the Port Harbor Fund.

Section	Provision	Summary of Principles and Terms
		To the extent permitted by law, the Net Available Property Tax Increment will be used to reimburse GSW for Pier Substructure Costs, any Additional Waterfront Infrastructure Costs and any City Facilities as further described in section 5 above, all on terms and conditions that the parties will negotiate as part of the Term Sheet and Transaction Documents. Bond Assurances: The Transaction Documents will include appropriate assurances relating to payment of property taxes that support IFD bonds that may be issued for the Project (including possible downward adjustments in the assessed value of the Project) to help ensure that the district can service any such IFD bonds and maintain any required debt coverage. CFD Financing: To increase the efficiency of the proposed IFD financing, the parties will explore establishing a Mello-Roos Communities Facilities District ("CFD") comprising the Site to finance the Pier Substructure Costs and City Facilities or other mutually agreed-upon public improvement costs at the Waterfront Site for the Project, with Net Available Property Tax Increment from the IFD pledged to take out or service the CFD debt. Also, the parties will endeavor to structure any IFD debt and any CFD debt as tax-exempt in accordance with applicable tax laws.
9.	Contribution of Funds to Pay for Quality of Life Services	As part of their negotiations, and taking into account the projected net fiscal benefits to the City's General Fund from the Project, the parties will explore incorporating into the Term Sheet and then the Transaction Documents one or more mutually agreeable financing mechanisms to fund City costs associated with neighborhood quality of life improvement measures to address effects from use of the multi-purpose venue. Such improvement measures may include, by way of example, cleaning sidewalks and building facades, maintaining street trees, cleaning litter, installing wayfinding signs, providing traffic and parking control and enhanced security services, and furnishing any such other services as the parties may mutually identify and agree.
10.	Revenues from Existing Leases	The Port will be entitled to all revenues from the existing leases on the Waterfront Site and the Seawall Lot Site through the closing under the DDA; commensurate with its obligation to start paying rent under the Ground Lease, GSW will be entitled to any such revenues on and after the closing should such tenancies continue after the closing. GSW will be responsible for incorporating Red's Java House into the Project, at no cost to the City, including its Port, on terms to be negotiated.
11.	Development Impact Fees	GSW will pay to the City all applicable development impact fees relating to developing the Project. The Transaction Documents, including the allocation of responsibility for any applicable mitigation and neighborhood improvement measures, will take into account

Section	Provision	Summary of Principles and Terms
		GSW's payment of those fees to avoid double-charging. The parties will explore allowing GSW to defer paying applicable development impact fees until issuance of a certificate of occupancy, on terms and conditions generally consistent with the City's current fee deferral program (which is scheduled to sunset in July 2013). Also, if the Eastern Neighborhoods Infrastructure Impact Fee applies to development of the Improvements on the Seawall Lot Site, then that fee may be offset by GSW's construction of additional public improvements through an in-kind agreement with the Planning Department, subject to the Planning Commission's approval of such agreement in its sole discretion.

The ENA has been amended extend the deadline for endorsement of the Term Sheet by the Port Commission to February 1, 2013 and the Board of Supervisors to February 15, 2013.

Under the San Francisco Charter, no officer or employee of the City, including its Port, has authority to commit the City to the proposed Project unless and until the San Francisco Port Commission, Planning Commission, Board of Supervisors and Mayor have approved the City entitlements for the Project and related Transaction Documents. While this Conceptual Framework summarizes certain basic financial principles and terms for the Project, it is not intended to be, and will not become, contractually binding on the City, including its Port, or GSW. Accordingly, consistent with the foregoing and subject to the provisions of the ENA, no legal obligation will exist regarding the transactions described in this Conceptual Framework, unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the environmental review process under the California Environmental Quality Act (CEQA) and other public review and hearing processes and subject to all applicable governmental permits and approvals.

Before entering into final Transaction Documents, the City, including its Port, retains the absolute discretion to (a) make modifications to the proposed Project and any proposed agreements as are deemed necessary to mitigate significant environmental impacts, (b) select other feasible alternatives to avoid such impacts, (c) balance benefits against unavoidable significant impacts before taking final action if such significant impacts cannot otherwise be avoided, or (d) determine not to proceed with the proposed Project based upon the information generated by the environmental review process. Also, before entering into final Transaction Documents, GSW retains the absolute discretion to make modifications to the proposed Project and to determine not to proceed with the proposed Project, subject to the terms and conditions of the ENA.

GSW: GSW ARENA LLC,
a Delaware limited liability company

By: _____
Rick Welts
President

Date: _____, 2012

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Edwin M. Lee
Mayor

Date: _____, 2012

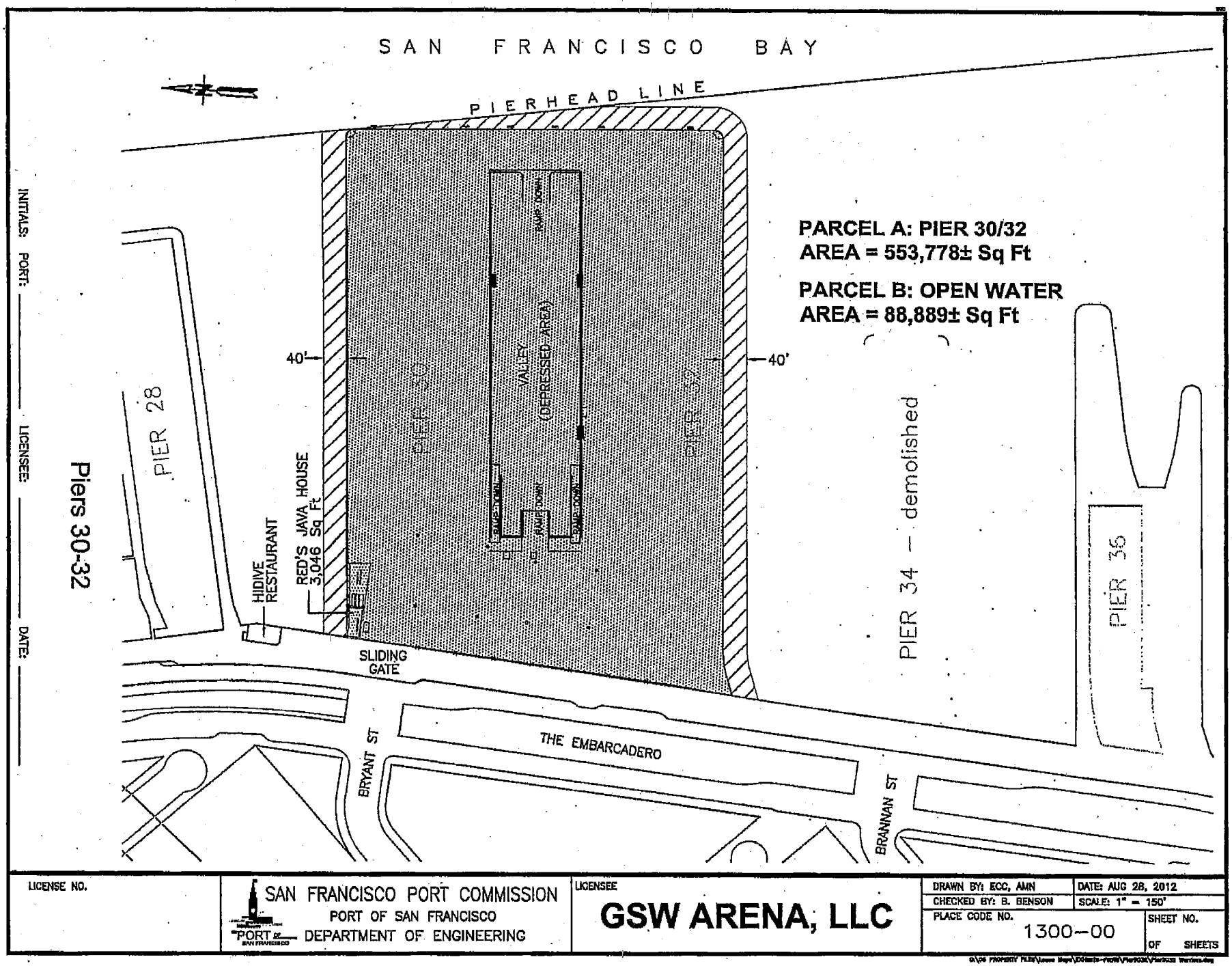
PORT: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, operating by and through the
San Francisco Port Commission

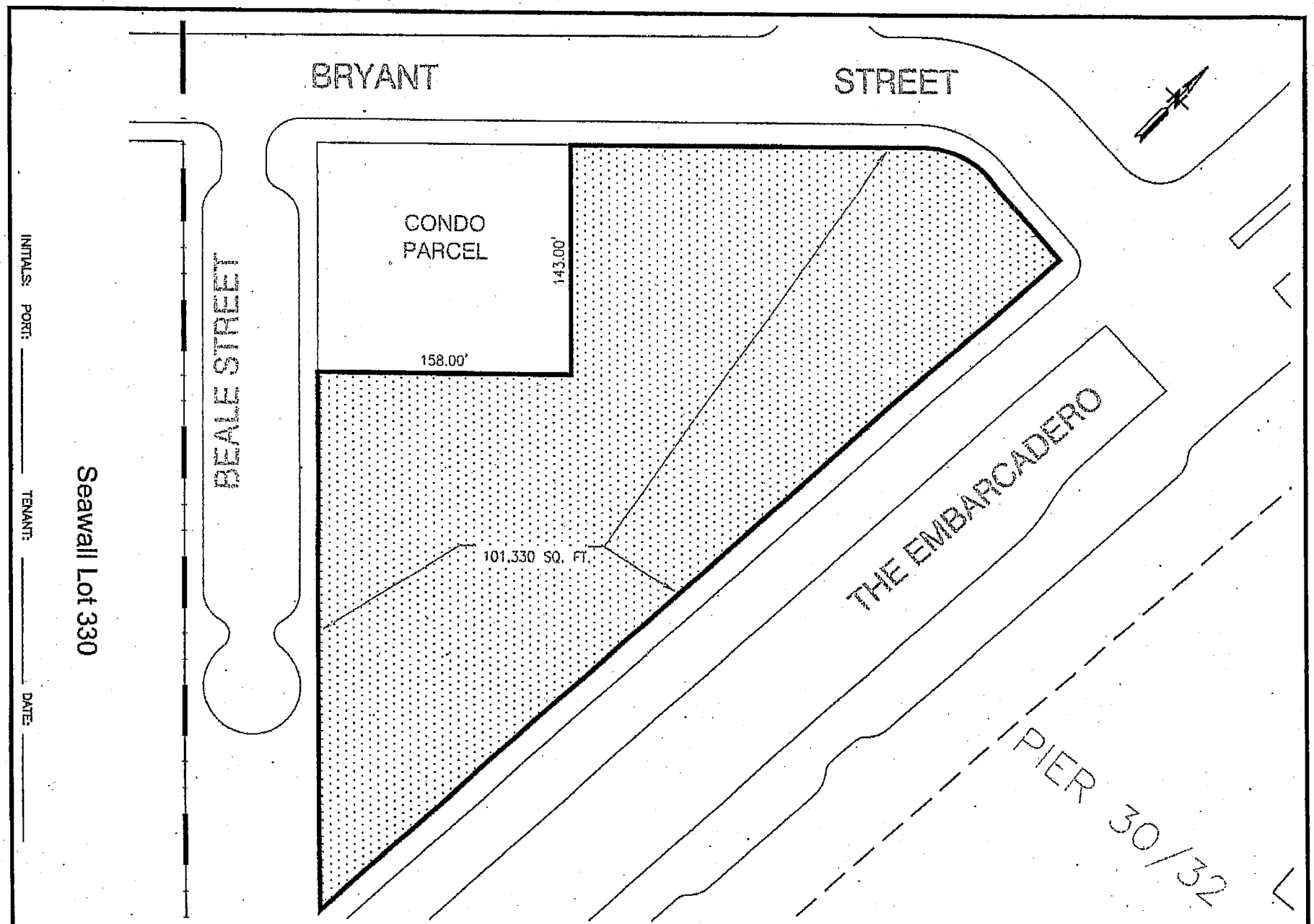
By: _____
Monique Moyer
Executive Director

Date: _____, 2012

Exhibits to Conceptual Framework

Exhibit A-1	Waterfront Site Map
Exhibit A-2	Seawall Lot Site Map
Exhibit B	Project Description


SAN FRANCISCO BAY
PIERHEAD LINE
PARCEL A: PIER 30/32
AREA = 553,778± Sq Ft
PARCEL B: OPEN WATER
AREA = 88,889± Sq Ft
40'
40'
PIER 30
PIER 32
VALLEY
(DEPRESSED AREA)
RAMP DOWN
RAMP DOWN
RAMP DOWN
RAMP DOWN
PIER 28
RED'S JAVA HOUSE
3,046 Sq Ft
HIDIVE
RESTAURANT
SLIDING
GATE
PIER 34 – demolished
PIER 36
BRYANT ST
THE EMBARCADERO
BRANNAN ST
Piers 30-32
INITIALS: PORT: _____ LICENSEE: _____ DATE: _____
LICENSE NO.
SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING
LICENSEE
GSW ARENA, LLC
DRAWN BY: ECC, AMN
DATE: AUG 28, 2012
CHECKED BY: B. BENSON
SCALE: 1" = 150'
PLACE CODE NO.
1300–00
SHEET NO.
OF SHEETS



LEASE NO.	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT **GSW ARENA, LLC**	DRAWN BY: AMN CHECKED BY: B. BENSON PLACE CODE NO. 3300-00 DATE: AUG 28, 2012 SCALE: 1" = 80' SHEET NO. 1 OF 1 SHEETS

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San Francisco Waterfront Multi-Purpose Venue and Mixed Use Development Project

PROJECT DESCRIPTION

INTRODUCTION

The Golden State Warriors propose to create a new regional serving waterfront attraction in San Francisco on Piers 30-32 that will include a multi-purpose venue, public open space, maritime uses, and regional visitor-serving retail, restaurants and entertainment. The privately financed multi-purpose venue would host the Bay Area's National Basketball Association (NBA) basketball team, the Golden State Warriors, during the NBA season as well as provide a year-round venue for a variety of other uses, including, but not limited to, concerts, cultural events, family shows, and conferences/ conventions. The multi-purpose venue would be located with convenient access to public transit options, including San Francisco Municipal Railway (Muni), Bay Area Rapid Transit (BART), CalTrain, ferry service, and pedestrian/bicycle routes. The project would include substantial repair and structural upgrades to the currently underutilized and deteriorating Piers 30-32. The Piers 30-32 project is scheduled for completion in time for the 2017-18 NBA season.

In conjunction with the development of Piers 30-32, the Golden State Warriors also propose to develop Seawall Lot 330, located directly across The Embarcadero from Piers 30-32, with mixed-use development. Seawall Lot 330 would be developed with a variety of mixed uses, including, but not limited to, residential/hotel uses, and retail uses along The Embarcadero.

PROJECT LOCATION AND SETTING

As shown in **Figure 1**, Piers 30-32 and Seawall Lot 330 are located along The Embarcadero, between Bryant Street and Brannan Street, within the City's Rincon Point-South Beach neighborhood, and within the Port of San Francisco's Waterfront Land Use Plan (WLUP) South Beach/China Basin Waterfront.[1]

Piers 30-32 is an approximate 13-acre rectangular-shaped pier structure extending from The Embarcadero into the San Francisco Bay. Piers 30-32 is formed from two originally separate piers that were altered and merged into one facility prior to 1955. Portions of the deck of the newer center section of Piers 30-32 are constructed at a lower elevation than the two former individual pier sections. Piers 30-32 has no existing on-deck structures, except for Red's Java House, located on the northwest end of the pier along The Embarcadero. Piers 30-32 is located outside the Embarcadero Historic District, however, Red's Java House is considered a potential non-contiguous contributor to the District. Piers 30-32 is currently used for parking (consisting of an estimated 1,505 spaces managed by a parking operator); occasional passenger cruise, military, research, and

[1] The Waterfront Land Use Plan South Beach/China Basin Waterfront extends from Pier 22½ to Mariposa Street.

INSERT FIGURE 1: AERIAL PHOTO

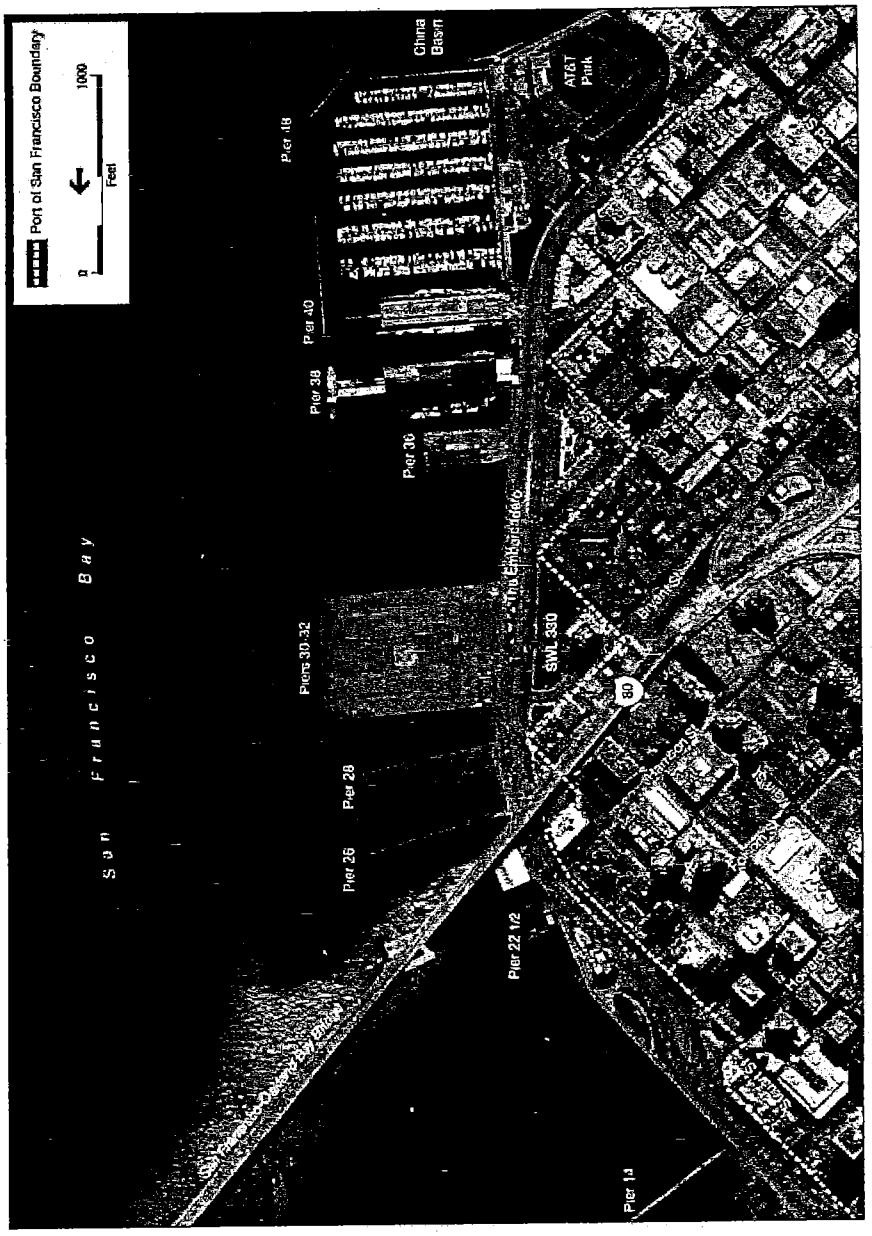


Figure 1
Aerial Photo of Project Site and Vicinity

SOURCE: Google Maps; ESA

other vessel moorage (on the east berth); and special events. Piers 30-32 is in poor structural condition, and has load restrictions that preclude large truck access to this facility. Some improvements to Piers 30-32 have recently been made to enable it to be used for team bases in support of the 34th America's Cup races.

Seawall Lot 330 is an approximately 2.33-acre paved, inland site, located directly across The Embarcadero from Piers 30-32. It is located within a triangular-shaped block bounded by Bryant Street to the northwest, Beale Street to the southwest, and The Embarcadero on the east; a high-rise condominium building (the Watermark) located on the west end of this block, adjacent to Seawall Lot 330. Seawall Lot 330 is currently operated as a parking lot (with an estimated 268 spaces) and is managed by a parking operator.

PROJECT COMPONENTS

The following describes the various project components proposed for Piers 30-32 and Seawall Lot 330, respectively.

Piers 30-32

Piers 30-32 would be developed with a multi-purpose venue, visitor-serving retail uses, a parking garage, maritime uses and open space/public access areas. **Table 1**, below, summarizes the principal project characteristics for the proposed uses at Piers 30-32. ***All numbers are approximate.***

TABLE 1
PIERS 30–32 PROJECT CHARACTERISTICS SUMMARY

Project Component	Characteristic
Multi-Purpose Venue Seating Capacity	17,000 – 19,000 seats
Size	
Multi-Purpose Venue	700,000 GSF
Retail	105,000 GSF
Practice Facility & Training Areas	21,000 GSF
Community Room	10,000 GSF
Event Management & Team Operations	40,000 GSF
Parking	275,000 GSF
Total Building Area (GSF)	**1,151,000 GSF**
Height/Levels	
Multi-Purpose Venue Maximum Height	135 feet
Retail Maximum Height/Levels	60 feet/ 3 Levels
Parking Height/Levels	40 feet / 3 levels
Parking Spaces	630
Vehicular Access	at The Embarcadero/Bryant Street
Open Space	minimum 50% GSF of site
Red's Java House (existing)	retained in place or incorporated into design

Maritime Uses	north side:	SFFD fire boat facility; ferry stop, boat docking
	east side:	Berthing for boats, including periodic, temporary berthing for deep draft vessels (subject to further financial feasibility analysis)
	south side:	Recreational water sports access, public kayak launch area, guest docks; water taxi stop

The proposed multi-purpose venue would have a seating capacity of 17,000 to 19,000 seats, encompass approximately 700,000 gross square feet in area, and have an approximate height of 135 feet. Red's Java House, located in the northwest corner of Piers 30-32, would not be demolished; rather, it would either be retained in place or incorporated into the design of the proposed development at Piers 30-32.

The proposed multi-purpose venue would be designed to integrate and maximize public access and open space on Piers 30-32 and to maintain important public view corridors of San Francisco Bay. A minimum of 50% of the gross square floor area of Piers 30-32 is proposed to be open space. The open space will be split into distinct levels, each serving multiuse event center entrances at different building floors. Each level will have both large gathering areas as well as smaller scaled spaces that allow the public to enjoy view of the Bay. These areas will be connected by a grand stair and accessible ramp, creating a dramatic arrival sequence to the upper plaza, focusing views on the Bay Bridge and providing opportunities to sit on south facing steps. Planted areas will also be provided for and integrated with a storm water management system

An approximate 630-space parking garage would be provided at Piers 30-32 to serve project uses and would be screened from public view. All parking ingress and egress would occur at the intersection of The Embarcadero and Bryant Street. The garage would be accessible for the public during designated non-game / -event days.

In addition, the Piers 30-32 project would include approximately 105,000 square feet of retail development consisting of stores and restaurants on up to 3 levels.

The proposed waterfront development would also include several maritime uses, which may include a San Francisco Fire Department boat facility and station house and ferry stop (on the north side of the pier); recreational water sports access public kayak launch, guest docks, water taxi stop (on the south side of the pier), and the berthing for boats, including the periodic, temporary berthing for deep draft vessels (on the east side of the pier). Project construction would include extensive repair, structural strengthening, and seismic upgrade to Piers 30-32, requiring installation of new support piles and other water-based construction. Some dredging may also be required. Construction is scheduled to commence by June 1, 2014, and operation of the facilities is anticipated to commence in fall of 2017.

Proposed Multi-Purpose Venue Use

The proposed multi-purpose venue would serve as the new home of the Golden State Warriors, who currently play at the Oracle Arena in Oakland. The Warriors would play approximately 50 home games per year at the proposed multi-purpose venue, generally between late-October and late-April. The NBA season games are split evenly between weekdays and weekends. NBA basketball games are played in the evening (starting at 7:30 p.m. and running through about 9:40 p.m.), except for one day game each season that is typically scheduled over Martin Luther King, Jr. weekend.

In addition, there would also be approximately 155 non-Warriors game regional-serving events at the multi-purpose venue each year, which could include concerts, cultural events, family shows, conferences/ conventions, and other events. A diverse calendar of events would be roughly split amongst four major categories: concerts, other sporting events, family shows, and fixed fee rentals:

- Concerts would range from national tour acts to smaller cultural and niche performances and are anticipated to occur mainly in the evenings on both weekends and weekdays. Given the stage layout requirements of national concert tours and general demand for cultural performances, attendance to this category of events is projected to average 13,000.

- Other Sporting Events may include NCAA tournaments for basketball, volleyball, and gymnastics, as well as U.S. Olympic and other international qualifying tournaments. Local, regional, and state level championship games for youth, high school, and collegiate teams could also be hosted. The majority of Other Sporting Events are likely to be held during the daytime on weekends with average attendance projected to be 7,000.

- Family Shows consist of musical, dance, and other performance acts that are geared toward children. Examples of current touring acts that fall within this category include Disney on Ice, Yo Gabba Gabba Live! and How to Train Your Dragon Live! These acts generally have multiple shows on consecutive days, with the majority of shows occurring on the weekend with matinee, afternoon, and evening performances. Projected attendance at these shows is estimated to be 6,000.

- Fixed Fee Rentals are generally conferences and conventions where the facility could be used in connection with Moscone Center as a venue for large capacity keynote speakers and for general assembly. Most fixed fee rentals are likely to be reserved for single or multi-day events with participants utilizing the facility throughout the day. Average attendance at these types of events is estimated to be 9,000.

Integrated within the event center would be the Warriors practice facility and multi-purpose venue management offices. The practice facility would include 2 full length NBA basketball courts, with approximately 21,000 square feet of playing surface, state-of-the-art weight room and medical treatment facilities, locker rooms, and players' lounge. The multi-purpose venue management and team operations space would accommodate venue employees and the organization's employees, including the Warriors coaching and operations staff, management,

administration, finance, marketing, broadcasting, merchandising and public relations, and ticket operations. A third court of approximately 10,000 square feet would be utilized as a community amenity, including events such as basketball camps for youths and community meetings.

Seawall Lot 330

In conjunction with development of Piers 30-32, a mixed-use development is proposed at Seawall Lot 330, which would include a combination of retail, residential, hotel, and parking uses. **Table 2**, below, summarizes the principal project characteristics for the proposed uses at Seawall Lot 330. ***All numbers are approximate.***

TABLE 2
SEAWALL LOT 330 PROJECT CHARACTERISTICS SUMMARY

Project Component	Characteristic
Size	
Residential	140,000 – 160,000 GSF
Retail	33,000 GSF
Hotel	140,000 - 160,000 GSF
Parking	105,000 GSF
Total Building Area (GSF)	**418,000 - 458,000 GSF**
Height/Levels	
Residential Maximum Height/Levels	150 feet/ 14 Levels
Retail Maximum Height/Levels Parking	15 feet/ 1 Level
Maximum Height/Levels	45 feet / 3 levels
Parking	195 - 300 parking spaces
Vehicular Access	at Bryant Street and Beale Streets

Seawall Lot 330 would include an approximately 195 - 300-space garage. The garage would provide off-street parking and loading for residential and hotel uses within the development.

APPENDIX D:

Appraisal Piers 30-32 & SWL 330

CBP CARNEGHI-BLUM & PARTNERS, INC.
Real Estate Appraisers & Consultants in Urban Economics

APPRAISAL OF:

SEAWALL LOT 330, PIERS 30 - 32

SAN FRANCISCO, CALIFORNIA

PREPARED FOR:

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO, CALIFORNIA

SEPTEMBER 2012

12-ASF-425

CBP CARNEGHI-BLUM & PARTNERS, INC.
Real Estate Appraisers & Consultants in Urban Economics

September 28, 2012

Mr. John Updike
Acting Director of Real Estate
City and County of San Francisco
Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Re: 12-ASF-425, Appraisal
Seawall Lot 330, Piers 30 - 32
San Francisco, California

Dear Mr. Updike:

At your request and authorization, Carneghi-Blum & Partners, Inc. has appraised the market value of the above-referenced property. The subject property appraised is the fee simple interest and the market rent of the site identified as the remaining unimproved portion of Seawall Lot 330, and the market rent for Piers 30 -32. The Seawall Lot 330 subject site (Seawall Lot Site) consists of a vacant parcel currently improved as a pay parking lot, located between Bryant and Beale Streets, and The Embarcadero, in the South Beach neighborhood of the City and County of San Francisco, California. The site contains approximately 101,330 square feet (2.33 acres) and is currently unentitled. The zoning designation is South Beach Downtown Residential. This subject site is identified by the San Francisco Assessor as Lot 002 of Block 3771, and a portion of Lot 002, Block 3770.

The Piers 30-32 subject property (Waterfront Site) consists of a wooden pier structure built on concrete piles that contains a total area of approximately 533,778 square feet (12.71 acres), as well as 88,889 square feet of water area within the Port's pierhead line. The piers reportedly are in need of significant structural upgrading and repairs. The site is zoned M-2, Heavy Industrial, and has a 40-foot height limit. The property is identified by the San Francisco County Assessor as Lots -030 and -032 of Block 9900.

This appraisal was requested by Mr. John Updike, Acting Director of Property for the City and County of San Francisco, California. The purpose of this appraisal is to estimate the market value of the fee simple interest and market rent of the currently unimproved portion of Seawall Lot 330, as well as the market rent for Pires 30 - 32, under the conditions defined by the client, as described in this report. The intended use/user of the report is to assist the City and the Port, as well as State Lands Commission, with negotiations pertaining to a proposed development project that includes a public assembly venue. ***This report should not be used or relied upon by any other parties for any reason.***

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL LIMITING CONDITIONS

1. It is noted that the title reports for Seawall Lot 330 do not appear to cover the portion of Main Street that has been vacated and is now a part of the subject property appraised. This appraisal assumes no adverse easements or restrictions affect this portion of the subject property.

2. The preliminary title reports are somewhat dated (2003 and 2010), and therefore this appraisal assumes that no adverse easements or restrictions have been recorded since the date of the title reports provided for review.

3. For purposes of his assignment, the appraisers have been instructed to appraise the Seawall Lot subject property without consideration of any potential remaining Pubic Trust use restrictions. The Waterfront Site subject property, however, is appraised assuming it remains affected by the Public Trust use restrictions.

4. The Piers 30 - 32 subject property reportedly will require significant structural upgrades and repairs, in order to be developed to their highest and best use. The cost of the required work was not available to the appraisers. The Piers 30 - 32 (Waterfront Site) subject property has therefore been appraised as if any required structural upgrades and repairs have been completed.

The use of any hypothetical conditions or extraordinary assumptions in this report might have affected the assignment results.

VALUE CONCLUSIONS

Seawall Lot 330 (Seawall Lot Site)

Based on the research and analyses contained herein, subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property, in its present, as-is condition, consistent with the Appraiser Instructions contained herein, as of September10, 2012, is estimated to be:

THIRTY MILLION FOUR HUNDRED THOUSAND DOLLARS

($30,400,000)

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the annual market rental value of the subject property, in its present, as-is condition, consistent with the Appraiser Instructions contained herein, as of September 10, 2012, is estimated to be:

TWO MILLION ONE HUNDRED THIRTY THOUSAND DOLLARS PER YEAR

($2,130,000 per year, triple net)

Ground lease market terms include escalations occurring every five years based on a cumulative CPI, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of the ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

Piers 30 - 32 (Waterfront Site)

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the annual hypothetical market rental value of the subject property, assuming the piers have been structurally upgraded and repaired as planned, consistent with the Appraiser Instructions contained herein, as of September 10, 2012, is estimated to be:

ONE MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS PER YEAR

($1,970,000 per year, triple net)

Ground lease market terms include escalations occurring every five years based on a cumulative CPI, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of the ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

This letter must remain attached to the appraisal report, which is identified on the footer of each page as 12-ASF-425 plus related exhibits, in order for the opinion of value set forth to be considered valid.

CERTIFICATION OF THE APPRAISERS

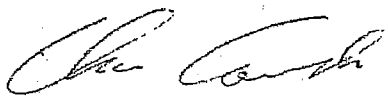
We, the undersigned, hereby certify that, to the best of our knowledge and belief: the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions; we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved; we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; our engagement in this assignment was not contingent upon developing or reporting predetermined results, our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan; our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute; we have made a personal inspection of the property that is the subject of this report; no one provided significant professional assistance to the persons signing this report. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Chris Carneghi and Timothy Runde have completed the requirements under the continuing education program of the Appraisal Institute. In accordance with the Competency Provision in the USPAP, we certify that our education, experience and knowledge are sufficient to appraise the type of property being valued in this report.

We have previously appraised the subject Seawall Lot 330 property in 2011. We have otherwise not performed any real estate services concerning the property that is the subject of this report in the 36 months prior to accepting this assignment.

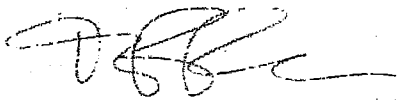
We are pleased to have had this opportunity to be of service. Please contact us if there are any questions regarding this appraisal.

Sincerely,

CARNEGHI-BLUM & PARTNERS, INC.



Chris Carneghi, MAI
Certified General Real Estate Appraiser
State of California No. AG001685



Timothy P. Runde, MAI, LEED AP
Certified General Real Estate Appraiser
State of California No. AG011358

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TABLE OF EXHIBITS

I. REPORT SUMMARY AND LIMITING CONDITIONS

A. Property Appraised

The subject property appraised is the fee simple interest and the market rent of the site identified as the remaining unimproved portion of Seawall Lot 330, and the market rent for Piers 30 -32. The Seawall Lot 330 subject site (Seawall Lot Site) consists of a vacant parcel currently improved as a pay parking lot, located between Bryant and Beale Streets, and The Embarcadero, in the South Beach neighborhood of the City and County of San Francisco, California. The site contains approximately 101,330 square feet (2.33 acres) and is currently unentitled. The zoning designation is South Beach Downtown Residential. This subject site is identified by the San Francisco Assessor as Lot 002 of Block 3771, and a portion of Lot 002, Block 3770.

The Piers 30-32 subject property (Waterfront Site) consists of a wooden pier structure built on concrete piles that contains a total area of approximately 533,778 square feet (12.71 acres), as well as 88,889 square feet of water area within the Port's pierhead line. The piers reportedly are in need of significant structural upgrading and repairs. The site is zoned M-2, Heavy Industrial, and has a 40-foot height limit. The property is identified by the San Francisco County Assessor as Lots -030 and -032 of Block 9900.

B. Property Identifications

Assessor's Parcel Nos.	
Seawall Lot 330	Block 3771 Lot 002 Block 3770 Lot 002 (portion)
Piers 30 - 32	Block 9900, Lots -030, -032
Zoning	SB-DTR (SWL 330) M-2 (Piers 30 -32)
Census Tract Number	179.01
Flood Zone	N/A (Flood insurance not required)
Earthquake Zone	N/A

C. Client, Purpose, Intended Use and Intended User of Appraisal

This appraisal was requested by Mr. John Updike, Acting Director of Property for the City and County of San Francisco, California. The purpose of this appraisal is to estimate the market value of the fee simple interest and market rent of the

currently unimproved portion of Seawall Lot 330, as well as the market rent for Pires 30 - 32, under the conditions defined by the client, as described in this report. The intended use/user of the report is to assist the City and the Port, as well as State Lands Commission, with negotiations pertaining to a proposed development project that includes a public assembly venue. ***This report should not be used or relied upon by any other parties for any reason.***

D. Date of Appraisal

The effective date of valuation is September 10, 2012.

The date of the report is September 28, 2012.

E. Scope of Work and Report Format

The scope of work for this appraisal assignment report is to utilize the appropriate approaches to value in accordance with Uniform Standards of Professional Appraisal Practice to arrive at a market value conclusion. Specific steps include the inspection of the subject property and the research, analysis and verification of comparable data to arrive at value indication as put forth in the this report. The Sales Comparison Approach is considered to be the best indicator for the subject property and is utilized. The Income and Cost Approaches are not considered relevant and are not included.

This is a summary report.

F. Appraiser Instructions (Exhibit D, Engagement Letter)

The appraiser instructions are contained within Exhibit D of the Engagement Letter, which is reproduced in the Addenda. The key parameters are summarized below:

1. Seawall Lot 330

a. Site Area is 101,330 square feet

b. As-Is Market Value of Fee Simple Interest

c. As-Is Market Rent: 75-year term (30-year base plus additional 45 years)

d. Existing Zoning

e. Property is unentitled

f. Title is clear and marketable

g. Property is NOT subject to Public Trust Use restrictions

h. Port Transfer fee of 0.5% on net proceeds of condominiums

i. Below-grade parking requirement per instructions

2. Piers 30 - 32

a. Site area is 553,778 square feet

b. As-Is Market Rent: 66-year term (30-year base plus additional 36 years)

c. Existing Zoning (M-2, 40-X height/bulk)

d. Property is unentitled for the proposed use

e. Title is clear and marketable

f. Property IS subject to Public Trust use restrictions

g. Proposition H (hotel ban) applies

h. At least 35% of site dedicated to public open space, including perimeter

i. Pier substructure upgrade costs to be provided by Port

j. Red's Java House to be incorporated into any new development

G. Definition of Terms

1. Market Value *(OCC 12 CFR 34.42 (g)) (OTS 12 CFR, Part 564.2 (g))*

"Market Value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a. Buyer and seller are typically motivated;

b. Both parties are well informed or well advised, and acting in what they consider their own best interest;

c. A reasonable time is allowed for exposure in the open market;

d. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and

e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

2. **Fee Simple Interest** ***(The Appraisal of Real Estate, 13th Edition, 2008, p.111)***

A fee simple interest in valuation terms is defined as "... absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." It is an inheritable estate.

3. **Market Rent** ***(The Dictionary of Real Estate Appraisal, 4th Edition, 2002, p.176)***

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

a. Lessee and lessor are typically motivated.

b. Both parties are well informed or well advised, and acting in what they consider their best interests.

c. A reasonable time is allowed for exposure in the open market.

d. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.

e. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

H. Value Conclusions

Seawall Lot 330 (Seawall Lot Site)

Based on the research and analyses contained herein, subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property, in its present, as-is condition, consistent with the Appraiser Instructions contained herein, as of September10, 2012, is estimated to be:

THIRTY MILLION FOUR HUNDRED THOUSAND DOLLARS

($30,400,000)

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the annual market rental value of the subject property, in its present, as-is condition, consistent with the Appraiser Instructions contained herein, as of September 10, 2012, is estimated to be:

TWO MILLION ONE HUNDRED THIRTY THOUSAND DOLLARS PER YEAR

($2,130,000 per year, triple net)

Ground lease market terms include escalations occurring every five years based on a cumulative CPI, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of the ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

Piers 30 - 32 (Waterfront Site)

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the annual hypothetical market rental value of the subject property, assuming the piers have been structurally upgraded and repaired, consistent with the Appraiser Instructions contained herein, as of September 10, 2012, is estimated to be:

ONE MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS PER YEAR

($1,970,000 per year, triple net)

Ground lease market terms include escalations occurring every five years based on a cumulative CPI, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of the ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

I. Limiting Conditions

Extraordinary Assumptions and Hypothetical Limiting Conditions

1. It is noted that the title reports for Seawall Lot 330 do not appear to cover the portion of Main Street that has been vacated and is now a part of the subject property appraised. This appraisal assumes no adverse easements or restrictions affect this portion of the subject property.

2. The preliminary title reports are somewhat dated (2003 and 2010), and therefore this appraisal assumes that no adverse easements or restrictions have been recorded since the date of the title reports provided for review.

3. For purposes of his assignment, the appraisers have been instructed to appraise the Seawall Lot subject property without consideration of any potential remaining Pubic Trust use restrictions. The Waterfront Site subject property, however, is appraised assuming it remains affected by the Public Trust use restrictions.

4. The Piers 30 - 32 subject property reportedly will require significant structural upgrades and repairs, in order to be developed to their highest and best use. The cost of the required work was not available to the appraisers. The Piers 30 - 32 (Waterfront Site) subject property has therefore been appraised as if any required structural upgrades and repairs have been completed.

The use of any hypothetical conditions or extraordinary assumptions in this report might have affected the assignment results.

Standard Limiting Conditions

5. It is the client's responsibility to read this report and to inform the appraiser of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.

6. No responsibility is assumed for legal matters. It is assumed that title of the property is marketable and it is free and clear of liens, encumbrances and special assessments other than as stated in this report.

7. Plot plans and maps are included to assist the reader in visualizing the property. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser is assumed by the appraiser.

8. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.

9. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering studies which might be required to discover such factors. It is assumed that no soil contamination exists as a result of chemical drainage or leakage in connection with any production operations on or near the property.

10. In this assignment, the existence (if any) of potentially hazardous materials used in the construction or maintenance of the improvements or disposed of on the site has not been considered. These materials may include (but are not limited to: the existence of formaldehyde foam insulation, asbestos insulation, or toxic wastes. The appraiser is not qualified to detect such substances; the client is advised to retain an expert in this field.

11. Any projections of income and expenses in this report are not predictions of the future. Rather, they are an estimate of current market thinking of what future income and expenses will be. No warranty or representation is made that these projections will materialize.

12. The appraiser is not required to give testimony or appear in court in connection with this appraisal unless arrangements have been previously made.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with the proper written qualification and only in its entirety, and only for the contracted intended use as stated herein.

14. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, new sales, or other media without the written consent and approval of the appraiser, particularly as to the valuation conclusions, the identity of the appraisers, or any reference to the Appraisal Institute or the MAI designation.

II. AREA AND NEIGHBORHOOD OVERVIEW

A. San Francisco and the Bay Area

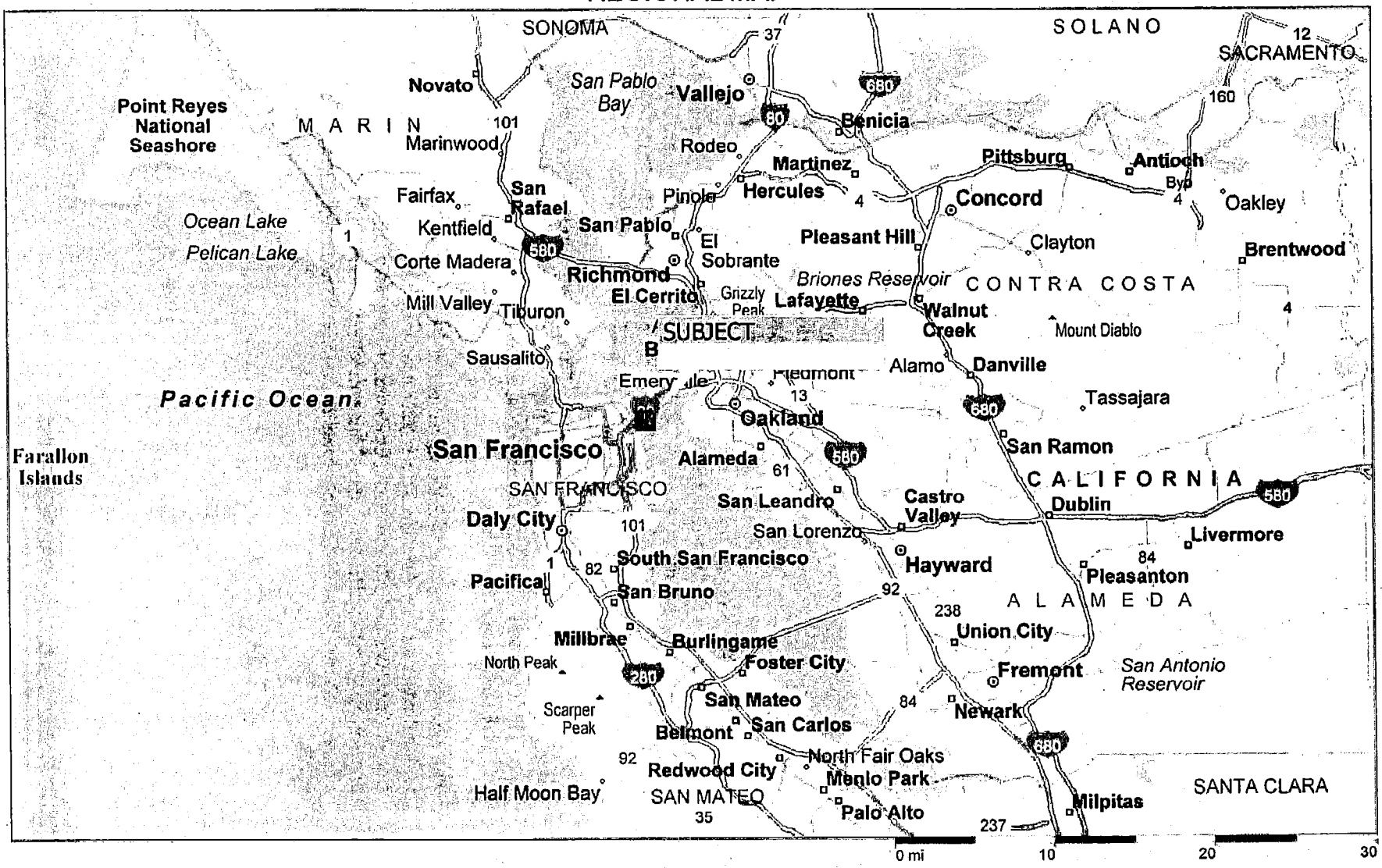
While San Francisco covers a relatively small land area of approximately 45 square miles, it is the geographic center of a major metropolitan area consisting of nine counties surrounding San Francisco Bay. The Bay Area is the fifth largest metropolitan center in the United States with a population exceeding 6,800,000. It has a relatively stable economic base which will likely expand in the future. Principal economic activities include finance, high technology, manufacturing, and transportation. The population within San Francisco proper was approximately 812,538 as of January 1, 2012 (most recent available data), according to estimates prepared by the California Department of Finance.

The economic outlook for San Francisco and the Bay Area is positive. According to the Association of Bay Area Governments (ABAG) Projections 2009, San Francisco will have 606,540 jobs by 2015, up from an estimated 568,730 jobs in 2010. The largest employment sectors in 2010 in San Francisco were financial and professional services (181,680 jobs)and health, educational and recreational services (198,800 jobs). These sectors comprise approximately 67 percent of total jobs in San Francisco. Also according to ABAG's 2009 Projections, San Francisco's mean household income was $102,000 as of 2010, up from $97,400 in 2005. ABAG projects income will rise to $107.900 by 2015, and $113,800 by 2020.

The California Employment Development Department reports San Francisco unemployment at 7.4 percent as of May 2012, down from 8.4 percent the previous year. This compares to the State unemployment rate of 10.8 percent as of May 2012 and 11.4 percent one year earlier.

The economic outlook for San Francisco and the Bay Area is favorable. On a regional basis, the Bay Area has a diversified economic base which helps insulate it from national economic fluctuations. Employment patterns within San Francisco are generally oriented to office activities. These activities, as opposed to functions such as heavy industry, have traditionally been less vulnerable to changes in the business cycle.

REGIONAL MAP



B. Neighborhood Description

The subject properties are situated on either side of The Embarcadero, south of Bryant Street and east of Beale Street, in the South Beach neighborhood. The neighborhood is generally bounded by San Francisco, the Bay Bridge, and Second Street. The area has undergone significant redevelopment over the past 30 years, facilitated by its original designation as a redevelopment district.

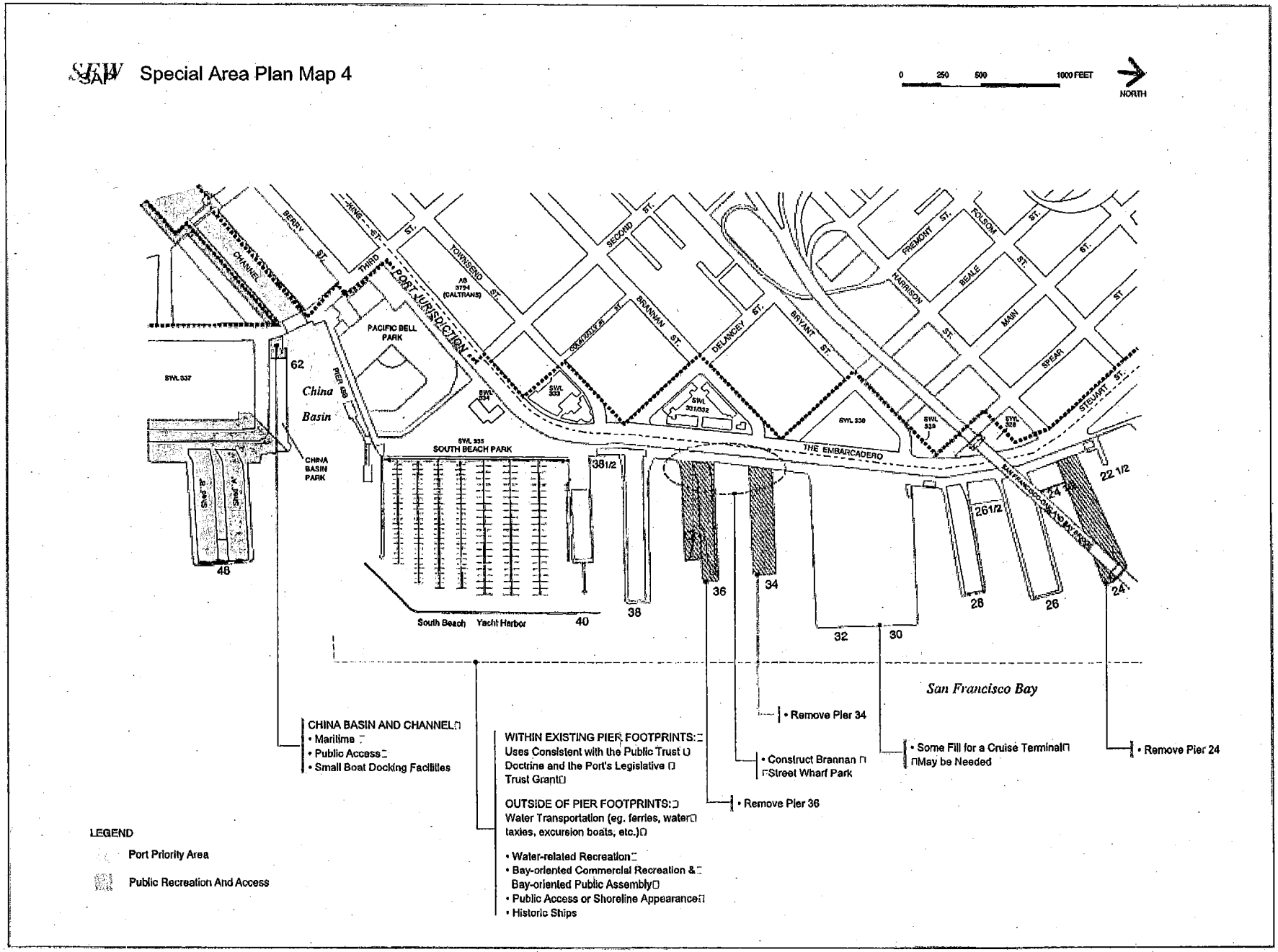
The subject Seawall Lot 330 shares the block with The Watermark (501 Beale Street), a 22-story for-sale residential condominium project that was completed in 2006. At the time of its original sell-out, the project attained some of the highest per square foot prices for new residential condominium towers (Infinity, One Rincon). To the north of the subject is the Portside, which is a lower density project that was completed in the 1980s and contains primarily small for-sale condominium units. West of the Portside is a Caltrans maintenance yard. To the west of the subject Seawall Lot 330, south of Bryant Street, is Bayside Village Apartments. This 1980s era rental apartment complex contains a series of three and four-story buildings built over partially subterranean garages. To the south of that project is the Delancey Street complex, which includes group housing and services for recovering addicts and ex-offenders. South Beach Marina apartments are located further south, and reflect a slightly higher density of development.

Further west, the neighborhood is improved with a mix of new residential building of medium to high density, as well as mixed office and commercial uses. North of the Bay Bridge, the neighborhood becomes increasingly office-oriented approaching the core of the Financial District. There are a number of high-rise residential projects in the area as well, including the Avalon Bay rental Apartments, and the Infinity and One Rincon for-sale condominium towers. Vacant land in the area currently used for parking has, for the most part, been entitled for high-density residential development.

The neighborhood on the east side of The Embarcadero, north and south of Piers 30 and 32 is mixed industrial in nature. Piers 34 and 36 to the south are in the process of being demolished and a new public park is under construction along The Embarcadero. Further south, the Piers are primarily occupied by industrial and maritime-related use. To the north is Hi Dive, a small waterfront bar. Piers 26 and 28 to the north are substantially in original condition, with some limited upgrading, and include maritime and light-industrial uses.

The subject is well located with respect to area amenities. The Embarcadero has been upgraded with landscaping and street improvements, as well as pedestrian walkways and small park areas. Epic Roasthouse and Waterbar restaurants are

Neighborhood Map



located just north of the Bay Bridge, and the subject is within walking distance of the Ferry Plaza, which includes a food hall and large farmers market on Saturdays, plus a smaller version on Tuesday and Thursday. Numerous restaurants, hotels and entertainment facilities are located north of the subject along The Embarcadero approaching the core Financial District. To a lesser degree, there are commercial, restaurant and entertainment uses to the south along the west line of The Embarcadero.

The subject site is also well located with respect to the technology corridor that runs down Second Street, Brannan and Townsend Streets. Here, former brick and timber warehouses have been converted to "creative" tech office space, which is popular with the start-ups in the technology field. Further south, restaurants, bars and shops are located in the vicinity of the Giants baseball stadium, AT&T Park.

The Embarcadero was completely reconstructed to include a street car line that links Fisherman's Wharf to the baseball stadium, as well as extending up Market Street to the Castro. Infrastructure improvements included the construction of a large plaza in front of the Ferry Building, expanded and reconstructed boulevard, new lighting standards and palm trees, new turn lanes and traffic signals.

In summary, the subject location benefits from its proximity to the Financial District, the SOMA tech corridor, and the emerging Mission Bay neighborhood to the south of the Ballpark. Proximity to the waterfront is the most significant amenity of the subject's location. There has been significant public and private investment centered on the waterfront, particularly in the past five years. Efforts to redeploy underutilized Port lands and piers continue. Overall, the outlook for the subject neighborhood is positive.

III. MARKET OVERVIEW

The highest and best use of the Seawall Lot 330 site is concluded later in this report as multifamily residential development. For Piers 30 - 32, a commercial entertainment/retail development, possibly including a public assembly component, is concluded as the highest and best use. Market conditions of each of these sectors is discussed in the following sections.

A. Residential Market Overview

The City of San Francisco has traditionally been one of the most expensive housing markets in the country. Although not immune to the financial crisis, it has recently rebounded strongly and early in the cycle. In past years, strong demand and high barriers to entry have kept San Francisco housing prices at roughly two times the national average. Even as sales activity dropped in late-2007, while the credit crisis took hold, prices remained near peak levels. However, as inventory began to accumulate and the recession worsened, sellers finally reduced prices by late-2008. This downward movement in pricing continued throughout 2009 but moderated somewhat in 2010. New condominium projects, along with lower priced single family homes, have recently experienced a surge in buying activity. More recently, luxury homes ($2 million) are beginning to see strong appreciation. These trends are further discussed in the following sections.

Sales Trends

Based on recent sales trends for the San Francisco housing market, sales prices and sales volume are both increasing after an extended period of decline and comparatively weak market demand. According to the Real Estate Report, a real estate data provider which culls data from the MLS, the median price for a single family home in San Francisco in July 2012 was $800,750. This represents an increase of 6 percent from July 2011. In terms of sales volume, 204 single family homes were sold in San Francisco during the month of July 2012. Home sales totaled 191 in July 2011.

For condominium, loft and TIC units, the city-wide median price for July 2012 was $692,500. This is represents a 9 percent increase as compared to July 2011. A total of 264 attached housing units were sold in San Francisco in July 2012. This represents a 17 percent increase from July 2011. The average sale/list price ratio for condominiums, lofts and TICs in San Francisco for July 2012 was 101.1 percent, an increase from July 2011 ratio of 98.5 percent. The average time on market for attached housing in July 2012 was 59 days, whereas the average time on the market in July 2011 was 77 days.

Beginning in late-2008, developers in newer projects throughout San Francisco began lowering prices in response to reduced demand. While price reductions proved to be successful in off-loading inventory, some developers preferred to convert projects to rentals. Some of those projects have returned to the for sale market, such as the 179-unit Argenta in the Civic Center submarket on Polk Street.

Supply Trends

According to The San Francisco Planning Department's Q1 2012 Pipeline Report (most recent available), there are 4,420 housing units currently under construction. A total of 27,840 housing units are approved by planning, although many of these will not be built in the near future. Most of the new condominium projects are located in Bayview/Hunter's Point/Candlestick , Treasure Island and Park Merced, areas which have land available for new development.

According to a June 29, 2012 article in the San Francisco Business Times, there is a short supply of newly constructed condominiums in the San Francisco market. Reportedly, approximately 20 percent of newly constructed condominiums sold in June 2012, "the city's supply of available for-sale condominiums has shrunk from 881 homes in 15 developments to just 378 homes in 10 developments." According to the article, one condominium project, the Madrone in Mission Bay, will be delivered to the market in the latter half of 2012. The remaining supply of 3,000 units are designated as apartment rentals. According to media reports, apartment projects include a 750-unit project at 1401 Market, a 308-unit project at 333 Harrison St, a 173-unit project at 1150 Ocean Avenue, a 106-unit project at 1280 Sutter Street, Avant Housing's 194-unit Mission Gardens project and United Dominion Realty Trust's 300-unit Mission Bay project.

Apartment Trends

According to Cassidy Turley BT Commercial's Apartment Market Report for the second quarter of 2012 (most recent available), apartment complexes under 99 units in San Francisco posted a 3.6 percent vacancy rate and an average rent of $2,670 per month across all unit mixes. The average rental rate (for complexes with < 100 units) was reported at $2,096, one-bedroom units were reported at $2,655, two-bedroom/one-bathroom units were reported at $2,906, two-bedroom/two-bathroom units were reported at $3,649, and three-bedroom/two-bathroom units were reported at $3,392. In apartment complexes with 100 units or more, the average vacancy in San Francisco was slightly higher at 4.6 percent, and with a higher average rental rate of $2,723. The average rental rate for a studio was reported at $2,098, one-bedroom units at $2,701 per month, two-bedroom/one-bathroom units were reported at $3,512, two-bedroom/two-bathroom units were reported at $3,231, and three-

bedroom/two-bathroom units were reported at $2,902. Cassidy Turley expects rental rates to continue to grow rapidly in 2012, until vacancy rates reach 5 percent. Cassidy Turley project rental rate growth of 5 percent annually into 2014.

Investment Market

The investment market in San Francisco has traditionally been one of the strongest in the Nation. By 2009 however, disruptions in the credit market caused investment conditions to weaken. Sales velocity dropped off by almost 30 percent, mainly due to highly leveraged buyers pulling out of the buyer pool. This has begun to change and large investors have purchased several projects in the South Bay and East Bay over the last year. Freddie Mac and FNMA financing remains available and is being utilized by investors.

In San Francisco, there has been recent sales activity among smaller properties, typically under 15 units and on some larger properties which were previously owned by an entity controlled by Skyline Realty but have been given back to lenders in lieu of foreclosure. These are typically older, rent-controlled properties in core neighborhoods. Capitalization rates for these transactions have been in the low- 5 percent range but have edged up. Brokers active in the market suggest that for larger properties, capitalization rates are up over the peak but are still in the 5.0 to 6.0 percent range for well-located properties with realistic income streams that reflect upside potential. According to Marcus & Millichap, assets in the Bay Area with strong locations have been selling at capitalization rates of 6 percent or less, with top tier properties selling at capitalization rates of 4 percent. Demand for properties in high-density areas with access to mass transit remains intense, and capitalization rates for assets in these areas are showing declines in the near term.

The improving market fundamentals for apartments has had a positive effect on the development land market. While there remains ample supply of sites, beginning in the second half of 2010, land sale activity increased significantly in San Francisco, due to increased interest from apartment developers. The apartment market appears to be recovering before the for-sale housing market.

Residential Market Conclusion

Overall, the outlook for the San Francisco for-sale housing market has stabilized and is improving. City-wide, median home prices have increased in both the single family home sector and attached housing sector over the last year. In addition, the rental market has been performing well with increases in rental rates and occupancy. In spite of the sluggish national economy, the underlying fundamentals in San Francisco, including strong demand and high barriers to development, is helping

San Francisco fare better than other parts of the country. The lack of supply additions is a further stabilizing factor. The recent shift of technology hiring by firms of all sizes, demonstrating a preference for SOMA and downtown San Francisco over traditional suburban areas, is also a strong contributor to the recovery in the housing sector in San Francisco.

B. Waterfront Retail Market Overview

San Francisco is considered a premier retail city with a high per capital income and a healthy tourism and convention business. Most of the maritime-oriented retail is focused along the northern waterfront. San Francisco's northern \waterfront retailers and restauranteurs cater primarily to tourists. According to the Fisherman's Wharf Merchants Association, an estimated 10 million people visited Fisherman's Wharf this year. Pier 39 is San Francisco's number one attraction and hosts an estimated 10.5 million visitors each year. Reportedly, Fisherman's Wharf ranks as the No. 8 tourist attraction in the United States, according to a recent Forbes.com survey.

The largest shopping centers in the neighborhood include Pier 39, The Anchorage Shopping Center and Ghirardelli Square. The prime shopping streets are Beach and Jefferson Streets from Aquatic Park to the Embarcadero. Pier 39, six blocks east of Fisherman's Wharf at Beach Street and the Embarcadero has more than 200,000 square feet of retail and restaurant space. There are over 100 shops and restaurants at Pier 39. The Anchorage Shopping Center, bounded by Jefferson, Beach, Leavenworth and Jones Streets, has 150,000 square feet of space on six levels and is directly across from Fisherman's Wharf. This shopping center has leased retail space to Hooters, Starbucks and In-N-Out Burgers. Ghirardelli Square occupies the block bounded by Beach, Larkin, North Point and Polk directly across from Aquatic Park. This development was renovated and the upper floor office and some retail space was converted to residential fractional ownership. The residential portion is called Fairmont Heritage Place and was completed in June 2008. It contains 53 units which are fully furnished. The two and three bedroom units contain between 1,200 to 1,900 square feet. Anchor tenants include the Ghirardelli chocolate store and ice cream parlor, and the McKormick and Kuleto's seafood restaurant.

The retail market in the area has a vacancy rate estimated to be in the range of 5 to 10 percent. The rate on prime blocks is lower, while there remains ample second tier space available on secondary arterials. Several active leasing agents, tenants and owners were surveyed regarding current market conditions in Fisherman's Wharf. According to merchants in the area, retail profits have declined slightly to the weak economy. However, many businesses have been busier, with stronger retail sales than expected, due to the families staying locally and not traveling. Further, the

location of the ferry service which provides access to Alcatraz draws tourists to this area.

The Fisherman's Wharf area in general functions as an urban entertainment center. It contains Pier 39 located on the eastern edge, Ghirardelli Square on the west and The Anchorage Shopping Center is in the center of the district. In between these large speciality centers there are small individual shops as well as entertainment venues. There is a tremendous flow of pedestrian shoppers traveling along Jefferson Street in the summer time, and the cable car, Muni and ferries provide an attraction to tourists to visit the area.

Outside of the Fisherman's Wharf area, the only major retail development on the waterfront is the Ferry Plaza, which underwent a complete renovation to a food hall and office development in 2003. The original 1898 structure was restored and upgraded, and transformed into 65,000 square feet of ground floor specialty food hall retail space, and 175,000 square feet of upper floor, Class A office space. The Ferry Plaza is one of the most successful of the Port's projects, catering to both local residents and tourists, and hosting one of the largest year-round farmer's markets in the area.

Limited retail development has occurred along the Embarcadero outside of the Fisherman's Wharf and Ferry Plaza developments. The limited pace of retail development is due in part to the restrictions of the Public Trust and other limitations affecting waterfront development. Restaurants have met with the most success, occupying renovated portions of pier buildings between the Bay Bridge and Fisherman's Wharf.

Fisherman's Wharf remains a stable tourist draw with strong foot traffic on major streets like Jefferson Street. Ferry Plaza, and to a lesser extent, the restaurants further south along the north waterfront, provide a wider draw that includes local residents. The new Cruise Ship Terminal under construction at Piers 27 - 29 should contribute positively to commercial development along the waterfront. ,In conclusion, the retail market in San Francisco and the north waterfront is considered stable, appealing primarily to tourists. While the economy has impacted the retail market in many areas, and rental rates are lower than in the past, the recovering economy is setting the stage for a recovery in the retail and entertainment market along the waterfront.

C. Marketing/Exposure Time

The exposure period is defined as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal." Thus, it is assumed to have occurred prior to the appraisal date. In contrast the marketing period is the estimated time that it would take to consummate the sale after the appraisal date.

Market sales and conversations with brokers have indicated that properly priced development sites would require a 9 to 12-month marketing periods. Given the current market environment, balanced by the appeal of the subject's location, a 12-month marketing and exposure period is concluded.

IV. PROPERTY DATA AND ANALYSIS

A. Site Description and Identification

Seawall Lot Site

The subject Seawall Lot site consists of the fee simple interest in the site commonly referred to as Seawall Lot 330. The site consists of the entirety of the block bounded by the Embarcadero, Bryant Street and Beale Street, excluding the northwest corner that is improved with the 22-story Watermark residential condominium building. The site configuration is shown in the parcel map reproduced on the following page. It is irregularly shaped but functional, with frontage on all three streets. The site is generally level and at street grade. It is currently improved as a paved parking lot with landscaping. The underlying Assessor's parcels include Lot 002 of Block 3771, and a portion of Lot 002 of Block 3770. The site also includes a portion of Main Street that appears to have been abandoned.

The site contains 101,330 square feet (2.33 acres) according to the client and the parcel map provided for review.

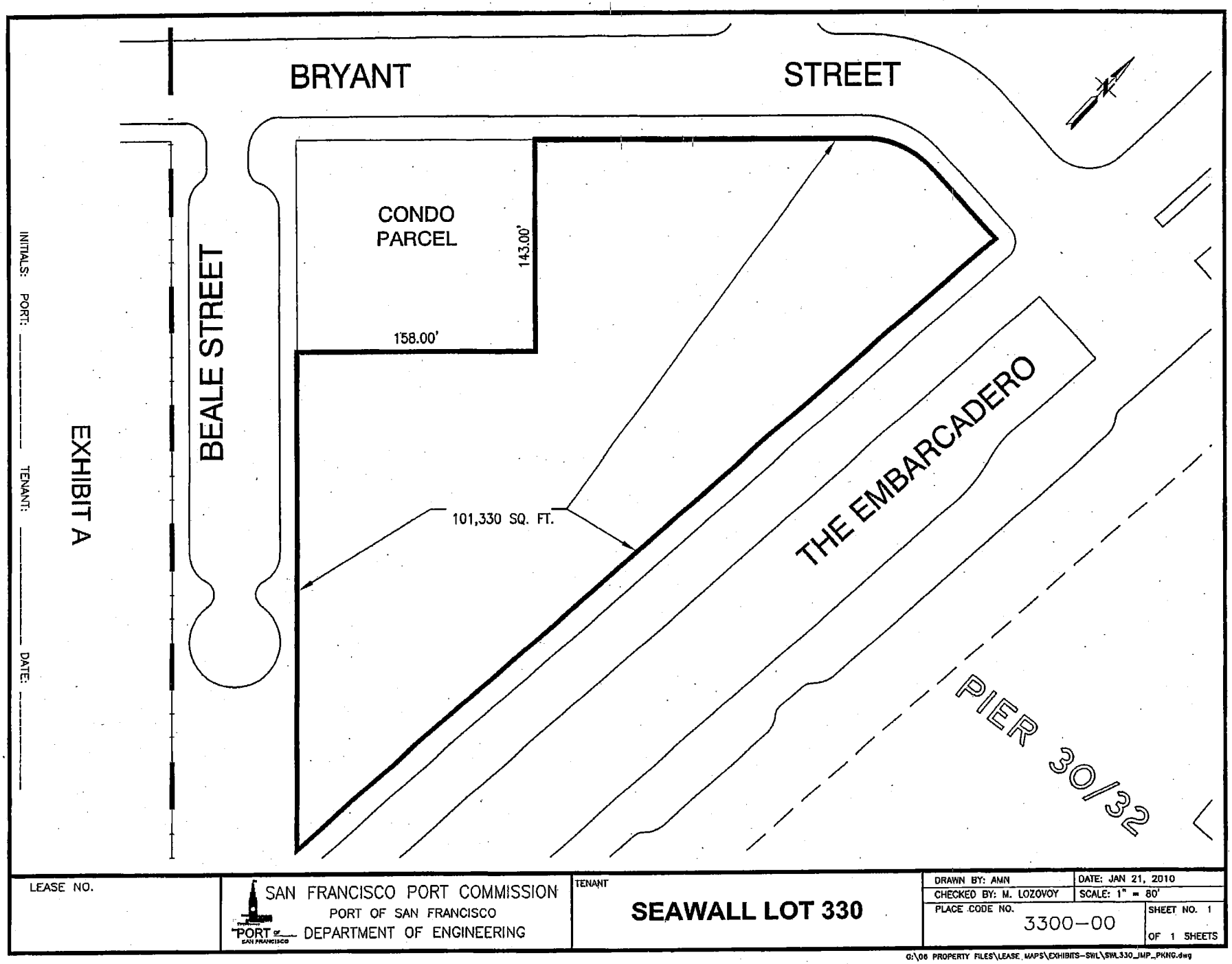
According to a geotechnical review prepared by Subsurface Consultants, Inc., dated June 25, 2001, the subject's underlying soils consist of Bay Mud and fill, which is typical of the area. The report concludes that pile foundations will be required, which is typical for the new construction in the area. Ground water is 5 to 9 feet below the surface, and most construction in the area does not include basements due to the cost and difficulty in controlling ground water intrusion.

The soils conditions are considered typical of the area. Pile foundations are commonly used for mid and high-rise construction as proposed for the subject.

The subject property is served with typical urban utilities, including public water and sewer systems. Local companies supply electricity, gas and telephone service.

Waterfront Site

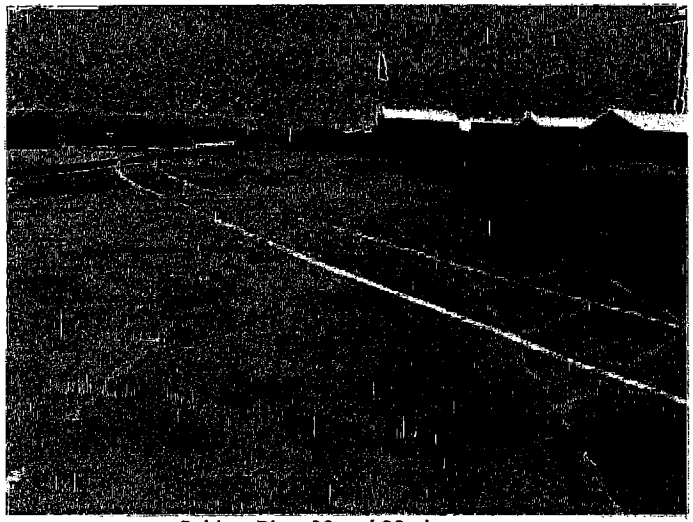
The Piers 30-32 subject property (Waterfront Site) consists of a paved pier structure built on concrete piles that contains a total area of approximately 533,778 square feet (12.71 acres), according to the client. The property is identified by the San Francisco County Assessor as Lots -030 and -032 of Block 9900. The site configuration is generally rectangular. A site plan is reproduced on the following page. The central portion of the piers is depressed slightly, and is accessed by multiple ramps. There are multiple access points for vehicle traffic along The Embarcadero. The street frontage is currently fenced.


BRYANT
STREET
CONDO
PARCEL
143.00'
158.00'
BEALE STREET
EXHIBIT A
101,330 SQ. FT.
THE EMBARCADERO
PIER 30/32
INITIALS: PORT: _____ TENANT: _____ DATE: _____
LEASE NO.
SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING
TENANT
SEAWALL LOT 330
DRAWN BY: AMN
DATE: JAN 21, 2010
CHECKED BY: M. LOZOVOY
SCALE: 1" = 80'
PLACE CODE NO.
3300-00
SHEET NO. 1
OF 1 SHEETS
G:\06 PROPERTY FILES\LEASE MAPS\EXHIBITS-SWL\SWL330_JMP_PKNG.dwg

SAN FRANCISCO BAY
PIERHEAD LINE
PIER 30/32
AREA = 554,537± Sq Ft
VALLEY
(DEPRESSED AREA)
RAMP DOWN
RAMP DOWN
RAMP DOWN
RAMP DOWN
HIDIVE
RESTAURANT
RED'S JAVA HOUSE
3,046 Sq Ft
SLIDING
GATE
THE EMBARCADERO
BRYANT ST
BRANNAN ST
EXHIBIT A
INITIALS: PORT: _____ LICENSEE: _____ DATE: _____
SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING
PIER 30/32
DRAWN BY: ECC, AMN
CHECKED BY: M. LOZOVOY
PLACE CODE NO.
1300-00, 1320-00
DATE: AUG 1, 2012
SCALE: 1" = 150'
SHEET NO. 1
OF 1 SHEET

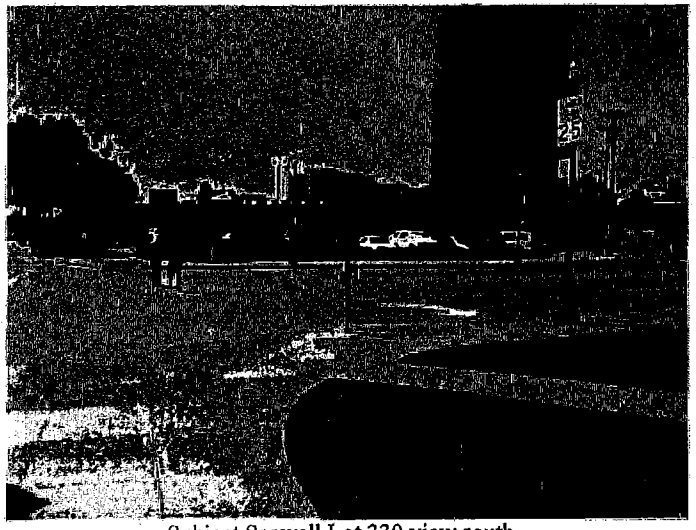
SUBJECT & NEIGHBORHOOD PHOTOGRAPHS

Subject Piers 30 and 32 view south



Subject Piers 30 and 32 view east

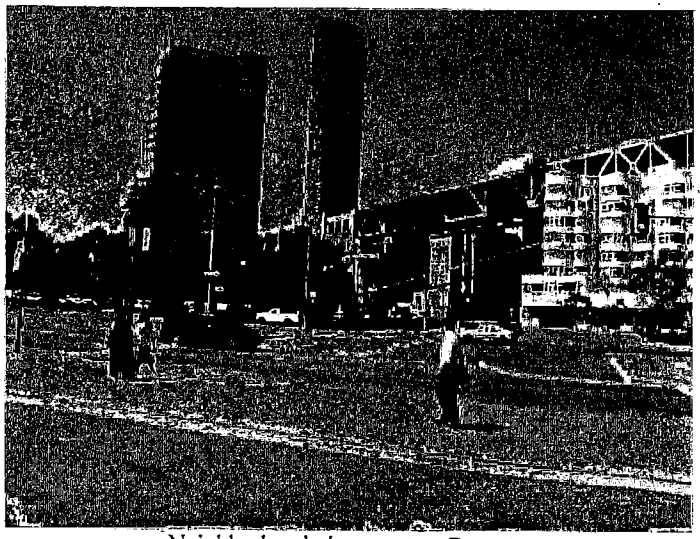
Subject Piers 30 and 32 view northeast



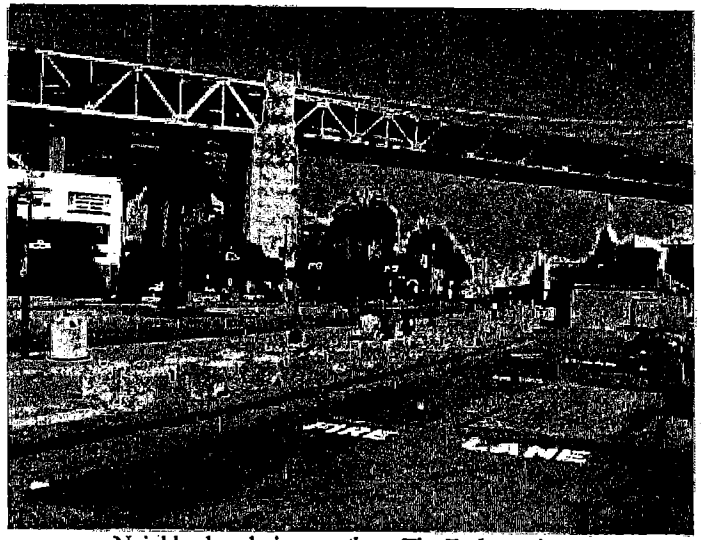
Subject Seawall Lot 330 view south

SUBJECT & NEIGHBORHOOD PHOTOGRAPHS

Subject Seawall Lot view north



Neighborhood view west on Bryant



Neighborhood view north on The Embarcadero

Neighborhood view south on The Embarcadero

A soils report was not provided for review for this portion of the subject property.

B. Ownership and Sales History

According to the public record, title to the subject is presently held in trust by the City and County of San Francisco under the jurisdiction of the Port of San Francisco. No transfers have occurred in the last three years, according to our research.

C. Easements and Restrictions

The preliminary title reports provided for review for the Seawall Lot are dated October 5, 2010, and were prepared by Chicago Title Company. The title reports note a number of items, including the Burton Act, which pertains to Public Trust restrictions. The subject is appraised assuming the Public Trust limitations have been lifted. The title reports also note matters pertaining to street widening and street vacating. Mineral rights are also excluded. Overall, the exceptions noted in the title reports do not appear to adversely affect utility or marketability of title to the subject property. It is noted that the title reports do not cover the portion of Main Street that has been vacated and is now a part of the subject property appraised. This appraisal assumes no adverse easements or restrictions affect this portion of the subject property.

The preliminary title report provided for review for Piers 30 - 32 is dated March 3, 2003, and was prepared by Chicago Title Company. This title report notes some of the same restrictions affecting the Seawall Lot site, including the lack of mineral rights, and the Public Trust issues.

Since the preliminary title reports are somewhat dated, this appraisal assumes that no adverse easements or restrictions have been recorded since the date of the title reports provided for review.

D. Taxes and Assessments

In California, real property is assessed at full market value as determined by the County Assessor at the time of transfer. A property's assessed value may be increased by a maximum of two percent annually, as mandated by Proposition 13, until the property transfers or is improved. Therefore until the time of transfer, assessed values and property taxes are predictable with great accuracy. Historical taxes have minimal relevance as they are reset at the time of transfer.

Due to the public ownership of the subject property, ad valorem taxes are not assessed against the properties.

E. Zoning and Land Use Controls

Seawall Lot Site

The subject Seawall Lot property is zoned South Beach Down Town Residential, which is described in the Planning Code as follows:

> *"The South Beach Downtown Residential Mixed Use District (SB-DTR), the boundaries of which are shown in Section Map No. 1 of the Zoning Map, is established for the purposes set forth below. The SB-DTR District is adjacent to the southern edge of the downtown, generally bounded by the Bay Bridge, Bryant Street, the Embarcadero, and 2nd Street, and is primarily comprised of the former South Beach Redevelopment Area. High-density residential uses and supporting commercial and institutional uses are allowed and encouraged within the limits set by height, bulk, and tower spacing controls. Individual townhouse dwelling units with ground floor entries directly to the street are generally required on streets.*
>
> *While lot coverage is limited for all levels with residential uses that do not face onto streets or alleys, traditional rear yard open spaces are not required. Specific height, bulk, and setback controls establish appropriate heights for both towers and mid-rise podium development and ensure adequate spacing between towers in order to establish a neighborhood scale and ensure light and air to streets and open spaces. Setbacks are required where necessary to provide transition space for ground floor residential uses and to ensure sunlight access to streets and open spaces. Off-street parking must be located below grade."*

There is no designated maximum density for residential uses in this district. The height limit for the subject site varies from 65 feet to 105 feet. Nonresidential uses are permitted up to a ratio of one to six square feet of residential use. Parking is not required for residential uses, and are permitted up to a maximum of 0.75 stalls per unit. Parking above grade level is not permitted.

The subject is also located in the Eastern Neighborhoods area and is in the Tier 1, for which an Infrastructure Impact Fee of $8.24 per gross square foot of net additional residential area ($6.18 per square foot of commercial) applies to new development.

The Seawall Lot Site is affected by two pieces of State legislation. SB 815 declared that Seawall Lots 328, 330 and 337 were free from the use requirement of the Public Trust. The Port therefore has the ability to enter into long-term ground leases for non-trust uses of Seawall Lot 330 of up to 75 years, but not extending past 2094.

Subsequently, AB 418 authorized the Port to sell the fee interest in Seawall Lot 330 free of the Public Trust, or to lease Seawall Lot 330 for non-trust uses on terms similar to those in SB 815, subject to certain requirements and required approvals by the State Lands.

The Port's Waterfront Land Use Plan (WLUP) was approved June 1997. The WLUP allows residential, hotel, assembly/entertainment, and parking on the subject Seawall Lot Site.

Waterfront Site (Piers 30 - 32)

The subject Waterfront site is zoned M-2, Heavy Industrial, with a 40-foot height limit and a floor area ratio maximum of 5.0:1. M-2 is the least restrictive zoning in the City. However, there are a series of other land use regulations affecting this site, as summarized in the table on the following page.

The most significant restriction is the Public Trust and the Burton Act. The Public Trust generally limits use to maritime, recreational, visitor-serving related uses, and precludes residential use. The Burton Act limits ground leases to 66 years.

The San Francisco BCDC retains regulatory control over development within the Bay, and within 100 feet of the shoreline. BCDC has broad powers to approve or disallow proposed development under its jurisdiction. Our research indicates that key elements of successful projects include improving public access to the Bay/waterfront, encouraging interaction between the public and the waterfront, and preserving, enhancing, and/or creating new view corridors. BCDC typically does not weigh in on a project until late stages of the design and approval process.

The subject is also within the Waterfront Special Use District No.1, which is part of the San Francisco Planning Code. According to the code, "...uses associated with waterborne commerce, navigation, fisheries and recreation, and industrial, commercial and other operations directly related (thereto)..." are permitted.

Proposition H was passed in 1990 by voter initiative, banning hotels on waterfront sites, and authorizing the Port to create a Waterfront Land Use Plan (WLUP), in order to define acceptable uses for waterfront and other Port-owned property.

The Waterfront Land Use Plan (WLUP) was approved June 1997. The WLUP prohibits residential and hotel uses, and allows retail/restaurant uses, assembly/entertainment uses and existing industrial uses. Maritime uses and maritime-related office and educational uses, are also permitted, as is accessory parking.

PIERS 30 - 32 LAND USE RESTRICTIONS
Appraisal of Piers 30 - 32, Seawall Lot 330
San Francisco, California

Land Use Control	Authori	Descri ion	Development Permitted								
			Maritime	sidential	Office	Retail/ Restaurant	Hotel	Industrial	Educational	Assembly/ Entertainment	Parkin

Source: Cameghi-Blum & Partners, Inc. September 2012, 12-ASF-425

In 2001, the State Legislature passed AB 1389 (amended in 2003), which was the enabling legislation that allowed for the Bovis Lend Lease cruise ship terminal project on Piers 30 - 32, including certain non-trust uses. In addition to the cruise ship terminal, the proposed project included 200,000 square feet of trust and non-trust retail, 300,000 square feet of office, 25,000 square feet of accessory office, and 7 acres of open space on Piers 30-32.

Bovis Lend Lease ultimately abandoned the cruise ship terminal project, after completing only the Watermark condominium project on a portion of Seawall Lot 330, due in part to the high cost of substructure repairs. The Port has since commenced construction on a new cruise ship terminal at Piers 27 - 29. Therefore, the cruise ship terminal development plan and related uses is no longer a viable option.

In summary, the subject Piers 30 - 32 remain a highly regulated development site with very limited allowed uses. Permitted uses generally include maritime-related offices, restaurants, retail that does not primarily serve the local residents, and certain assembly/entertainment uses. Parking is permitted as an accessory use. Open space and public access are also allowed.

F. Flood Zone and Seismic Zone

San Francisco has historically not participated in the federal flood insurance program. No flood zone rating is available for the subject.

According to governmental geological evaluations, the entire San Francisco Bay Area is located in a seismic zone. No active faults, however, are known to exist on the subject property. Inasmuch as similar seismic conditions generally affect competitive properties, no adverse impact on the subject property is considered. The subject is not located in an Alquist Priolo earthquake zone.

G. Environmental Observations

No toxic or environmental contamination was observed based on our inspection of the subject property. A Hazardous Materials Investigation prepared by Subsurface Consultants, Inc. (SCI) and dated June 28, 2001 indicated that there are elevated levels of some toxic compounds and metals, but that they are below the levels that require remediation. There is some evidence of methane generation, which may be due to decomposition of organic material in the Bay mud. Some of the excavated soil may need to be disposed of in a Class I hazardous waste landfill, due to elevated lead concentrations. However, excavate fill below threshold levels would not require special treatment. According to the report, elevated levels of TPH and/or VOCs in the groundwater samples are typical of other nearby waterfront properties.

Sampling was conducted in the areas planned for excavation, and the contemplated plan at that time did not include a basement garage. Since the current assignment specifically presumes a below-grade garage, and considering the time that has passed since the soil sampling was completed, more extensive soil and ground water sampling would likely be required as part of the due diligence for any proposed development. However, the information provided to the appraisers does not suggest any environmental contamination above and beyond what is typically found at San Francisco development sites.

An environmental report was not available for the Waterfront Site (Piers 30 - 32). This appraisal assumes that the Waterfront site is unaffected by adverse environmental contamination.

H. Existing Improvements

The subject Seawall Lot is presently improved as a paved parking lot. The Waterfront Site is paved and currently partially used as a staging area for the 34th America's Cup race. It has been historically used as a pay parking lot. There is a small restaurant/bar (Red's Java House) at the northwest corner of Pier 30, which is leased on a short-term basis and space for this tenant will be incorporated into any new development, according to the Port. The existing improvements are relatively old and in fair condition, with no contributory value to the larger pier structure.

V. HIGHEST AND BEST USE ANALYSIS AND VALUATION METHODOLOGY

A. Highest and Best Use

Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.[1] The four criteria the highest and best use must meet are physical possibility, legal permissibility, financial feasibility, and maximum productivity. Analysis of the subject's highest and best use is made as if the site were vacant, and as improved with the existing improvements.

[1] *The Appraisal of Real Estate, 13th Edition, 2008, p.277-278*

1. Seawall Lot Site (Seawall Lot 330)

a. Legal Permissibility

The subject property is located in an area zoned for medium to high-density residential with ground floor commercial uses allowed. The height limit and zoning limit the use of the site to residential and ground floor commercial. The zoning does not appear to adversely impact the highest and best use of the subject site.

As a condition of this assignment, the appraisers have been instructed to assume that the subject Seawall Lot site is free of Public Trust use restrictions.

b. Physical Possibility

The subject site is irregularly shaped but functional. The site has extensive street frontage on three streets. It is generally level and at street grade. The physical characteristics of the site do not adversely affect the development potential of the site. Piles will be required due to the nature of the area soils, but this type of foundation is typical for sites in San Francisco.

c. Financial Feasibility

Apartment development is currently feasible, and recently for-sale condominium developers have begun a number of projects throughout the city, which are reportedly experiencing faster than anticipated absorption, and relatively high per square foot prices. The outlook for the residential market in San Francisco is quite strong in the medium

and long term. Incorporating a hotel component into the larger residential development could potentially be feasible, depending on the developer's specific plan. However, the track record of this type of development has been inconsistent in San Francisco, so a partial hotel use is considered a speculative option pending a specific development plan.

d. Maximally Productive/Highest and Best Use Conclusion

The maximally productive use of the subject site is to pursue entitlements for multi-family housing, either rental or for-sale, with construction timed for delivery as the market and economy indicate. Inclusion of a hotel component or condominium-hotel hybrid development may also be feasible, but would not, in our opinion, likely result in a higher net land value.

The highest and best use of the site under the ground lease scenario would be limited to rental housing. Under the fee simple ownership scenario, the highest and best use could be either for-sale residential condominiums, or rental apartments.

2. Waterfront Site (Piers 30 - 32)

a. Legal Permissibility

As discussed in the previous chapter, commercial development of the Waterfront Site is highly regulated, and a narrow range of possible uses are permitted due to Public Trust and other land use controls.

Permitted uses generally include maritime-related offices, restaurants, retail that does not primarily serve the local residents, and certain assembly/entertainment uses. Parking is permitted as an accessory use. Open space and public access are also allowed. However, any development requiring an improvement to the pier is subject to the approval for compliance with the McAteer-Petris Act and consistency with BCDC's Special Area Plan.

b. Physical Possibility

The subject site is a pier structure that is reportedly in need of significant repairs. The highest and best use of the site assumes necessary repairs have been completed.

The subject piers consist of a rectangular, level site of approximately 533,778 square feet (12.71 acres), as well as 88,889 square feet of water area within the Port's pierhead line. The site has extensive street frontage on The Embarcadero, with adequate accessibility to support most types of legally allowed uses. It is surrounded by water on three sides. The client has instructed the appraisers to assume that 35 percent of the site (including the perimeter) will have to remain open space for public access, and that the developer would be responsible for those improvements. The developable site area is therefore approximately 360,000 square feet (533,778 square feet x 65%, rounded).

Development constraints on the building envelope include a 40-foot height limit and a 5.0 to 1 floor area ratio (FAR). The maximum potentially feasible FAR is much lower, however, due primarily to the height limit, but also to aesthetic design requirements for the uses which are legally allowed; i.e maritime oriented restaurants, retail and assembly. (Although maritime office is allowed it is unlikely to be a significant demand generator). The subject's potential maximum development envelope at 360,000 square feet is so large, that 100 percent coverage would not be feasible. In order to allow for adequate window line, and create a marketable space for tenants, the lot coverage would likely be 50 percent or less.

For commercial development, the height limit restricts the building to no more than two stories. This expectation is supported by recent Port developments on sites with similar height limits and zoning, as summarized in the table on the following page.

The San Francisco Port Development Densities table shows seven projects on sites of 23,644 to 640,768 square feet, with buildings ranging from 18,000 to 240,000 square feet. All but the Ferry Plaza and Hotel Vitale are two stories or less, and reflect FARs ranging from 14 percent (Cruise Terminal) to 76 percent (Epic Roasthouse and Waterbar). Ferry Plaza was an existing historic structure, both this project and Hotel Vitale have C-2 zoning with an 84-foot height limit. Therefore, these two projects are not reliable indicators of the development potential for the subject, which has less than half the height limit of these properties.

Of the remaining comparables, the highest FAR is the Exploratorium, which is utilizing an existing pier shed as the building envelope, and adding a small addition. The lowest FAR is the Cruise Terminal,

SF PORT RECENT DEVELOPMENT DENSITIES
Appraisal of Pier 30 - 32, Sewall Lot 330
San Francisco, California

No.	Location	Date	Site/Pier Area (SF)	Building Area (SF) Stories	Floor Area Ratio (FAR)	Planned Development	Zoning FAR Height Limit	Developer
1	**Exploratorium** Piers 15 - 17 APN: 9900-015,-017	2010 (construction start)	127,388 SF P 15 102,067 SF P 17 **229,466 SF Total** 5.27 AC	227,000 SF Est.	99%	Renovate existing 1-story shed on Pier 15 and add a small 2-story Observatory building. Use Pier 17 for storage currently, possibly future expansion. Reportedly $205 million project.	M-1 5.0:1 40'	The Exploratorium
2	**Cruise Ship Terminal** Pier 27 - 29 APN: 9900-027,-029	8/12 (lease with America's Cup)	384,446 SF P 27 125,642 SF P 29 130,680 SF GTA **640,768 SF Total** 14.71 AC	88,000 SF 2-story	14%	Demolish 220,000 SF of pier sheds and replace with 88,00 SF, 2-story cruise ship terminal plus 2.5-acre park. 3-acre paved "valley" between Piers 27 & 29 to be Ground Transportation Area (GTA) for buses, taxis, trucks.	M-1 5.0:1 40'	SF Port
3	**Epic Roasthouse/Waterbar** 369 & 399 The Embarcadero APN: 3743-001	1/08 (lease signed)	**23,644 SF** 0.54 AC	16,000 SF 2-story	76%	New leasehold construction: 2, 2-story restaurants totaling 16,000 SF plus 8,000 SF outdoor plazza. Adjacent to Rincon Park 15-yr lease at $41/SF bldg.+annual CPI. 7% overage.	M-1 5.0:1 64'	JMA Waterfront Partners
4	**Ferry Plaza** APN: 9900-274	2003 (completion)	**174,000 SF (est)** 3.99 AC	240,000 SF 3-story	138%	Renovate historic Ferry Terminal into a mixed-use project with 65,000 square feet of food hall/retail space and 175,000 square feet of Class A offices.	C-2 3.6:1 (minimum) 84'	Wilson-Meaney-Sullivan
5	**Piers 1 1/2, 3, 5** APN: 9900-015,-017	2001 (developer selected) 2007 (completion)	107,854 SF P 1 1/2 98,605 SF P 3, 5 **206,459 SF Total** 4.74 AC	77,000 SF 2-story	37%	Renovate existing pier sheds into 60,000 SF office and 17,000 SF restaurants. General office was allowed since renovating the historic structures was viewed as furthering the public interest.	C-2 3.6:1 (minimum) 84'	Pacific Waterfront Partners
6	**Hotel Vitale** 10 Mission Street APN: 3714-006, -007, -008,-009,-016,-017	9/01 (terms) 9/03 (lease signed)	**46,200 SF** 1.06 AC	142,000 SF 8-story	307%	51-year (+14-yr. option) pre-paid ground lease ($11,190,000). Since improved with 200-room hotel + restaurant.	P N/A 84'	Emerald Fund & Joi de Vivre
7	**Pier 39** APN: 9900-039	1978	**229,750 SF Est.** 5.27 AC	200,000 SF 1 + 2-story	87%	Festival-themed tourist shopping center with 100+ shops and restaurants. First opened in 1978.	C-2 3.6:1 (minimum) 40'	Pier 39 LP
	SUBJECT Piers 30 - 32		**553,778 SF (65% developable)** 12.71 AC				M-2 5.0:1 40'	

(1) Estimated contributory value of improvements.

Source: Carneghi-Blum & Partners, Inc. September 2012, 12-ASF-425

which includes a large bus, car and taxi area, and a public park area. Pier 39 is perhaps the best indicator of the potential development density/FAR of the subject, considering that the use is similar to the highest and best use of the subject, and the height limit is similar. This property reflects an 87 percent FAR.

Based on Port development projects with similar zoning/height limits, the practical maximally feasible FAR on the subject Pier 30 - 32 site is concluded at 100 percent of the maximum 65 percent of the site area that is developable, or 360,000 square feet of total building area (FAR).

Such a density would allow for a mix of one and two-story buildings typically found along the Embarcadero, would fit within the 40-foot height limit, and would permit functional floor plates in a series of small, interconnected and/or detached structures similar to Pier 39. This density would also permit adequate pedestrian circulation through the site, as well as limited accessory parking. Thus, the development potential of the site would be maximized within the allowable building envelope, while optimizing the functional utility of the space, including ceiling height, window line, exposure, and parking proximity.

The legally allowed uses include maritime-related offices, restaurants, retail that does not primarily serve the local residents, and certain assembly/entertainment uses. A large-scale assembly/entertainment venue such as an arena would not be physically feasible within the 40-foot height limit.

c. *Financial Feasibility*

Of the legally allowed and physically possible uses, demand is not likely sufficient to support speculative development of marine-related offices. Development of a large-scale tourist or maritime-related retail project (ala Pier 39), would likely not be supported due to the limited marginal demand for additional tourist-themed retail use, and the lack of synergies in the surrounding area (such as in the Fisherman's Wharf area). The size of the subject would also be of concern, as it would be nearly twice as large as Pier 39. A retail development that included one or more large anchor tenants (department store or value retailer) would most likely be perceived as primarily serving local residents, rather than bringing new people to the waterfront from outside the area. The size of the project would also make a restaurant-themed

development challenging. Restaurants are typically 3,000 to 5,000 square feet. Even the large-scale restaurants Epic Roasthouse and Waterbar are only 18,000 square feet, combined.

Economic conditions on a national level, and the challenges facing retailers due to Internet competition and changing consumption patterns would also likely limit the interest of retailers, especially the anchors and large chains necessary to secure financing for this size development.

Other less mainstream developments, such as a regionally focused food venue might gain level of interest but not likely sufficient interest to tenant this size project. A convention or meeting/assembly venue could fit on the site, but it is most likely not financially feasible for a private sector developer to construct a stand-alone meeting/convention facility. Such facilities are almost exclusively developed by the public sector, or with significant financial support of the public sector.

Utilizing the site for parking reflects an interim use, but is not considered the highest and best use on a long-term basis.

The financial feasibility of the legally allowed and physically possible uses are uncertain, particularly for a large scale developments such as this. A combination of the uses may provide the synergy necessary for a successful development. An entertainment and restaurant-oriented retail project with ancillary office and parking, and possibly a public assembly component, could be viable, but may not prove financially feasible, especially at the scale of the subject site. Even if an event venue such as an indoor arena were physically possible within the 40-foot height limit restrictions, it would not likely be financially feasible without a significant level of public subsidy, over and above the cost of repairing the piers.

d. Maximally Productive/Highest and Best Use Conclusion

The maximally productive use of the subject site is to therefore to pursue entitlements for a proposed mixed-use entertainment and restaurant-oriented retail project with ancillary office and parking, and possibly a public assembly component.

B. Valuation Methodology

The valuation of any parcel of real estate is derived principally through three approaches to market value. From the indications of these analyses and the weight accorded to each, an opinion of value is reached. Each approach is more particularly described below.

1. Cost Approach

This approach is the summation of the estimated value of the land, as if vacant, and the reproduction of replacement cost of the improvements. From these are deducted the appraiser's estimate of physical deterioration, functional obsolescence and economic obsolescence, as observed during inspection of the property and its environs. The Cost Approach is based on the premise that, except most unusual circumstances, the value of a property cannot be greater than the cost of constructing a similar building on a comparable site.

2. Sales Comparison Approach

This approach is based on the principal of substitution, i.e., the value of a property is governed by the prices generally obtained for similar properties. In analyzing the market data, it is essential that the sale prices be reduced to common denominators to relate the degree of comparability to the property under appraisal. The difficulty in this approach is that two properties are never exactly alike.

3. Income Approach

An investment property is typically valued in proportion to its ability to produce income. Hence, the Income Approach involves an analysis of the property in terms of its ability to provide a net annual income. This estimated income is then capitalized at a rate commensurate with the risks inherent in ownership of the property, relative to the rate of return offered by other investments. In this analysis, direct capitalization is used, which is explained more fully in the Income Approach chapter.

In this analysis, the fee simple market value of the land is valued using the Sales Comparison Approach, which is the most reliable method for vacant land. The Cost and Income Approaches lack relevance for vacant land and are not included in this analysis. Market rent for each site is estimated by applying a market-derived rate of return to the underlying site value conclusion.

VI. FEE SIMPLE LAND VALUATION - SEAWALL LOT SITE

The fee value of the subject Seawall Lot 330 site is best measured by prices generally paid for similarly zoned properties in the surrounding area, with similar highest and best uses.

The comparables are adjusted for various factors including market conditions, location, utility, entitlements, size, zoning, and physical characteristics. Financing terms and the conditions of each sale are also considered. The table on the following page summarizes recent land transactions in the subject marketplace considered comparable to the subject property. The sales have been verified by public record and/or substantiated with the principles involved in the transaction. The comparables are individually discussed below. They are all cash to seller transactions unless specified otherwise.

For unentitled residential land, the most reliable basis of analysis is price per square foot of land area. Price per proposed dwelling unit is less reliable and therefore it is considered in a secondary capacity, due to the uncertainty of the ultimate density of development that will be approved for the site.

A. Comparable Land Sale Data

Residential Land Sale 1 is located at the southeast corner of Oak and Franklin Streets in the Hayes Valley neighborhood of San Francisco. The site consists of three parcels that form a flag-shaped site with a approximately 54 feet of frontage on Market Street in addition to the corner frontage on Oak and Franklin Streets. The site contains approximately 22,338 square feet, or 0.51 acres. It is level, at street grade, and was paved for use as a pay parking lot at the time of sale. The site is zoned C-3-G, which permits residential and commercial uses, but general office use requires a conditional use permit. The maximum FAR is 6.0:1. The site was unentitled at the time of sale. However, a development proposal provided as part of the marketing package indicated 115 dwelling units in a seven-story structure, with a total oaf 127,708 square feet. The proposed development appears to maximize the building envelope, reflecting a 5.7 FAR. The site is located in the Market-Octavia Impact Fee area, and impact fees are $9.27 per square foot of residential building area. The inclusionary housing requirement is 15 percent.

The site was marketed and competitively bid among a number of residential developers, as well as at least one other school, besides the ultimate purchaser, the French-American International School. The site sold for $9,000,000, which is equivalent to $403 per square foot of land, and $78,261 per dwelling unit. The broker reported that the interest was strong enough that an additional round of bidding could have been undertaken, potentially resulting in a higher price. However, the seller reportedly preferred to sell the site to the school.

COMPARABLE RESIDENTIAL LAND SALES

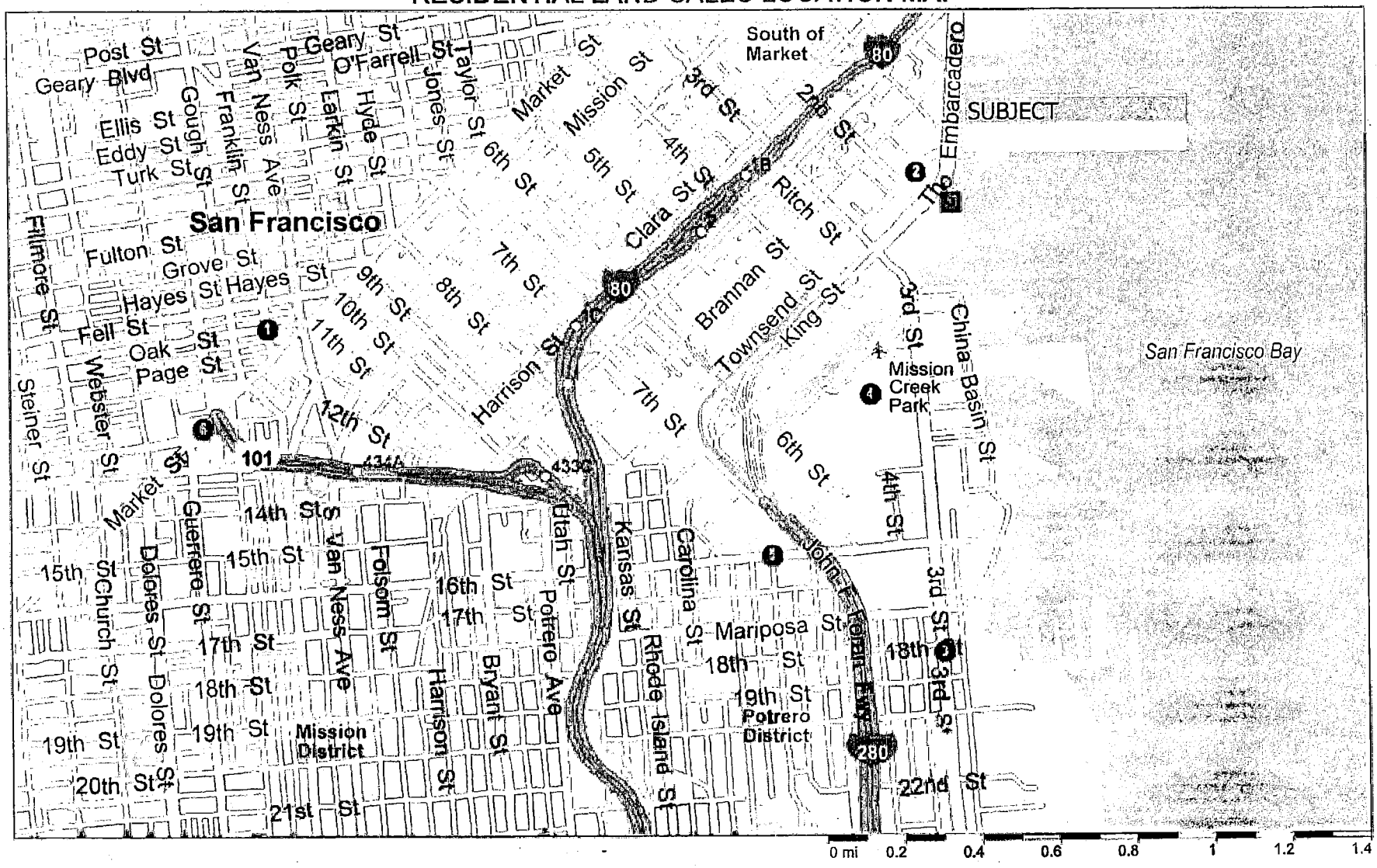
Appraisal of Seawall Lot 330
San Francisco, California

No.	Location	Sale Date	Land Area	Sale Price	Price Per SF Land Area	Proposed Dwelling Units DU/Acre	Price per Residential Dwelling Unit	Planned Development	Zoning Height Limit On-Site BMR % Impact Fees/SF (1)	Grantor/ Grantee/ Document No.
1	**98 Franklin Street** San Francisco APN: 0836-008, -009, -013	8/12	22,338 SF 0.51 AC	$9,000,000 (unentitled)	$403	115 Dus (est.) 224 DU/Ac	$78,261	Corner parking lot on Oak Street. Purchased by adjacent school, but was bid on by multiple residential developers.	C-3-G 85' 15% $9.27	Columbus Environmental Co. LP / 98 Franklin Street LLC #464748
2	**72 Townsend Street** San Francisco APN: 3789-972, -0974	5/12	29,101 SF 0.67 AC	$11,800,000 (entitled)	$405	74 DUs 111 DU/Ac	$159,459	Entitled for 74 DUs in 9-story bldg. Buyer also reimbursed $400k for bldg permits.	SB-DTR 105' 15% $8.24/SF	Northshore Resources IX, LP / Hooper's Ventures, LLC #405440
3	**2121-41 Third Street** San Francisco APN: 4045-002, -006	2/12	22,242 SF 0.51 AC	$6,900,000 (entitled)	$310	106 DUs 208 DU/Ac	$65,094	Entitled for 106 DUs in a 6-story building with 80 parking stalls.	UMU 68' 17% $12.60/SF	Richard K. Pooler, Inc. / Mission Piers Development LLC #347825
4	**650-690 Long Bridge St.** Mission Bay Block 13 West San Francisco APN: 8711-013	11/11	69,696 SF 1.60 AC	$32,760,000 (entitled)	$470	273 DUs 171 DU/Ac	$120,000	Site entitled for 273 DUs. No BMR requirement.	MB-RA N/A None Apx $7.79/SF (Bonds)	Bosa Development CA II, Inc./ BRE Properties Inc. #K525-0772
5	**1000 16th Street** San Francisco APN: 3833-001 thru -033, 3834-001	9/11	136,969 SF 3.14 AC	$36,100,000 (not entitled)	$264	470 DUs 149 DU/Ac	$76,809	Proposed for 470 DUs plus 25,000 SF commercial/PDR space. Entitlements nearly complete at COE.	UMU 68' 20% $8.24/SF	Cherokee Mission Bay LLC / Archstone Apartments #259169
6	**1844 Market Street** San Francisco APN: 0871-016	5/11	22,880 SF 0.53 AC	$8,000,000 (2) $1,100,000 (3) $9,100,000 (entitled)	$398	113 DUs 215 DU/Ac	$80,531	Entitled for 113 DUs over 3,745sf of commercial space and subterranean garage with 84 spaces.	NCT-3 85' 12% $12.60/SF	Upper Market Place, LLC 1844 Market Street, LLC #179627
	Subject		101,330 SF 2.33 AC			232 Dus (est.) 100 DU/Ac to 291 Dus (est.) 125 DU/Ac			SB-DTR 65' - 105' 15% $8.24/SF	

(1) Neighborhood-specific impact fees per GROSS SF of market-rate residential building area (fees were reduced and basis was changed from net to gross in December 2010).
(2) Price paid for outstanding note on the property.
(3) Amount paid to prior owner ($1,500,000), less estimated value of crane ($400,000).

Source: Cameghi-Blum & Partners, Inc., September 2012, 12-ASF-425

RESIDENTIAL LAND SALES LOCATION MAP



Residential Land Sale 2 is the sale of the property located at 72 Townsend Street, between First and Second Streets in the South Beach area of San Francisco. The rectangular shaped site contains 29,101 square feet of land area (0.67 acres) and is situated at the northwest corner of Townsend Street and Colin P. Kelly Jr. Streets. The property has a zoning designation of South Beach Downtown Residential Mixed-Use District (SB-DTR) and has a maximum height limit of 105 feet. The site is improved with a 28,839 rentable square foot, brick and timber building that was built in 1874 and renovated for office use in 2010, and a parking garage with 16 parking spaces. The property is fully leased to Federated Media Publishing through 2015. Reportedly, the existing rental rate is significantly below current market levels and the lease includes a termination clause allowing the owner to terminate the lease in 2013 without penalty.

The property is entitled for the development of a 9-story, 74 unit residential condominium project with 5,000 square feet of commercial space and two levels of parking with 74 parking spaces. The existing historic building facade will be incorporated into the proposed development.

In May 2012, Hooper's Ventures, LLC purchased this property from Northshore Resources IX, LP for $11,800,000, or $405 per square foot of land area and $159,459 per proposed residential dwelling unit. Reportedly, the buyer also reimbursed the seller for the cost of the building permits, which were approximately $400,000.

Residential Land Sale 3 is the sale of the site located at 2121-41 Third Street in the Potrero Hill neighborhood of San Francisco. The property is located mid-block on the east side of Third Street between 18th Street and 19th Street. The property consists of two contiguous parcels totaling approximately 22,242 square feet of land area (0.51 acres). There is approximately 120 linear feet of street frontage on Third Street and approximately 120 linear feet of street frontage on Illinois Street. The property is entitled for a 6-story, 106 dwelling unit building. The property is zoned Urban Mixed Use (UMU) with a height limit of 68 feet. The inclusionary BMR requirement is 17 percent. Impact Fees are $12.60 per square foot.

In February 2012, the property was purchased by a developer for $6,900,000, equivalent to $310 per square foot of land area and $65,094 per proposed residential dwelling unit.

Residential Land Sale 4 is the sale of the site located at 650-690 Long Bridge Street in the Mission Bay neighborhood of San Francisco. The single, rectangular site is located at the terminus of Long Bridge Street, with additional street frontage on Channel Street. The site contains 69,696 square feet (1.60 acres). The site was vacant at the time of sale. The site is entitled for 273 residential dwelling units. There is no BMR requirement. The parcels are located within an assessment district. The

current maximum assessment for undeveloped and for-sale residential properties within the district is $138,965.36 per acre, or $3.19 per square foot of land area, annually. The maximum amount increases on an annual basis and the bonds expire in approximately 2028. Based on an 8 percent discount rate, the present value of the bond obligation is approximately $30.50 per square foot of land area. Otherwise sites in Mission Bay are not subject to other impact fees. Assuming an average gross unit size of 1,000 square feet, the impact fees are equivalent to approximately $7.79 per square foot of proposed building area.

In November 2011, the property was purchased by a developer for $32,760,000, equivalent to $470 per square foot of land area and $120,000 per proposed residential dwelling unit.

Residential Land Sale 5 is the sale of the site located at 1000 16th Street, at the northwest corner of 7th Street, in San Francisco. The site contains four parcels totaling 136,969 square feet of land area (3.14 acres). Daggett Street, a one block road, separates the three northern parcels from the southern parcel. The property is zoned UMU and has a height limit of 68 feet. The unimproved site is nearly entitled for development of 470 residential units plus 25,000 square feet of commercial space. The inclusionary BMR requirement is 20 percent of the total units. Reportedly, Daggett Street will be vacated and improved as a park. Impact Fees are $12.60 per square foot.

In September 2011, Archstone Apartments purchased this property from Cherokee Mission Bay, LLC for $36,100,000 or $264 per square foot of land area and $76,809 per proposed residential dwelling unit.

Residential Land Sale 6 is the sale of the property located at 1844 Market Street, between Octavia and Laguna Streets in San Francisco. The parcel contains 22,880 square feet of land area (0.53 acres). The site has approximately 198 feet of frontage along the north side of Market Street and 95 feet along the south side of Waller Street. The property is zoned NCT-3 and has a height limit of 85 feet. The site is entitled for development of 113 residential units, and two retail units on the Market Street side. The proposed building will have 8 floors of units plus 3 levels of underground parking. The unit mix includes 59 one-bedroom, one-bath units, 51 two-bedroom, two bath units, and 3 three-bedroom, two-bath units. Parking for 84 vehicles, or 0.74 spaces per residential unit, will be provided on three subterranean levels. Total saleable unit area will be 90,651 square feet, of which 86,906 square feet is residential, and 3,745 square feet is ground floor retail. Total gross building area will be 184,413 square feet. Construction will be reinforced concrete, and will be U-shaped with a central courtyard and towers facing both Market and Waller Streets. The property is currently vacant and the site has been partially excavated with some shoring completed to date. A total of 14 units, or 12.4 percent of the total

units are designated as inclusionary BMR units. Impact Fees are $12.60 per square foot.

In May 2011, 1844 Market Street LLC (MacFarlane Partners) purchased the existing note on this property from East West Bank for $8 million. In addition, the buyer paid $1.5 million to the Centrix Builders, Inc., the previous owner of the property. The amount paid to Centrix included an approximately $1.1 million buyout plus approximately $400,000 for the crane situated at the site. Adding the $1.1 million to the price of the note indicates a total purchase price of $9.1 million, or $398 per square foot of land area and $80,531 for each residential dwelling unit. The buyer intends to develop the approved project.

Residential Land Sales 5a and 5b consists of two non-contiguous parcels located in the Mission Bay Redevelopment Area. The total site area consists of approximately 160,905 square feet of land area, or 3.69 acres. The sites are entitled for two buildings containing 360 market rate residential units with 17,000 square feet of ground floor commercial space. The properties are zoned MB-RA and there are no on-site requirements for below market rate(BMR) units. The sites are identified as Blocks 5 and 11 and are further identified by the San Francisco Assessor as Block 8711, Lot 017 and Block 8710, Lot 007. The parcels are located within an assessment district. The current maximum assessment for undeveloped and for-sale residential properties within the district is $138,965.36 per acre, or $3.19 per square foot of land area, annually. The maximum amount increases on an annual basis and the bonds expire in approximately 2028.

Comparable 5a represents the sale of Block 5 which sold In April 2011. Bosa Development CA II Inc. sold this parcel to BRE Properties Inc. for $20,700,000, or $264 per square foot of land area and $109,000 per dwelling unit. Comparable 5b represents the sale of Block 11 which sold In April 2011. FOCIL-MB, LLC sold this parcel to BRE Properties Inc. for $20,700,000, or $251 per square foot of land area and $121,765 per dwelling unit. The total price for the two sites is $41.4 million, or $257 per square foot and $115,000 per proposed unit. Based on an 8 percent discount rate, the present value of the bond obligation over the remaining 16 years is approximately $30.50 per square foot of land area. Otherwise sites in Mission Bay are not subject to other impact fees. Assuming an average gross unit size of 1,000 square feet, the impact fees are equivalent to approximately $13.63 per square foot of proposed building area.

B. Residential Land Sales Analysis

The subject consists of a 2.33-acre site fronting The Embarcadero, in an otherwise built-up, established residential neighborhood. The subject is appraised as an unentitled site. While the previously performed EIR (2002) allowed up to 214 dwelling units on the subject site, this is considered neither a minimum nor a maximum. At 92 dwelling units per acre, it is below the development density of the comparables (105 to 629 dwelling units per acre), and lower than recently approved projects in the downtown area. There are several reasons why this density is not a reliable indicator for the subject.

First, the subject's zoning has changed since the EIR was prepared. San Francisco has been moving away from specific density limitations and towards form-based zoning, in which the density is the result of maximizing the building envelope. This new approach to zoning generally allows greater flexibility in design and therefore, a higher density could ultimately result.

Second, the 92 dwelling unit per acre density is below all of the comparables, including Sale 2, which has the same zoning and a similar height limit. Sales 3 and 5 have an inferior height limit, yet reflect higher densities of 208 and 149 units per acre, respectively. Thus, it would appear very likely that a density in the range of 100 to 125 dwelling units would be reasonably expected by the market.

The ultimate entitled density of the subject is likely to be higher than that allowed under the 2002 EIR, but it remains uncertain, and the property is to be appraised as if unentitled. Therefore, price per dwelling unit is not a reliable indicator, and price per square foot will be used as a primary indicator in this analysis.

The comparables reflect a range of unit values of $264 to $470 per square foot of land area. The range in unit values primarily reflects the development density of the comparables.

Density and price per square foot of land are directly correlated. Although the relationship is not necessarily purely linear (diminishing returns occur at ever higher densities), higher density sites trade at higher prices per square foot of land, all else equal.

Land Sale 1 is a smaller site in a superior Hayes Valley location. A slight downward adjustment is applied for location and project size. The allowable density is higher, for which additional downward adjustment is applied. In other respects, the comparables are generally similar and no additional adjustments are applied. The adjusted unit value is $342 per square foot.

COMPARABLE RESIDENTIAL LAND SALE ADJUSTMENT GRID

Appraisal of Seawall Lot 330
San Francisco, California

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
	98 Franklin San Francisco	72 Townsend San Francisco	2121-41 Third San Francisco	650-690 Long Bridge San Francisco	1000 16th San Francisco	1844 Market San Francisco
Proposed Units	115	74	106	273	470	113
Site Size (SF)	22,338	29,101	22,242	69,696	136,969	22,880
Density (DU/Ac)	224	111	208	171	149	215
Sale Date:	8/12	5/12	2/12	11/11	9/11	5/11
Transaction Price:	$9,000,000	$11,800,000	$6,900,000	$32,760,000	$36,100,000	$9,100,000
Unadjusted Price/DU	$78,261	$159,459	$65,094	$120,000	$76,809	$80,531
Unadjusted Price/SF	**$403**	**$405**	**$310**	**$470**	**$264**	**$398**
Financing Terms:	0%	0%	0%	0%	0%	0%
Conditions of Sale:	0%	0%	0%	0%	0%	0%
Adjusted Sale Price:	$9,000,000	$11,800,000	$6,900,000	$32,760,000	$36,100,000	$9,100,000
Adjusted Price/SF	$403	$405	$310	$470	$264	$398
Market Conditions:	0%	0%	0%	0%	5%	10%
Price Adj. For Mkt. Cond.	$403	$405	$310	$470	$277	$438
Location:	-5.0%	0.0%	10.0%	0.0%	10.0%	-5.0%
Commercial Appeal	0.0%	0.0%	0.0%	0.0%	0.0%	-5.0%
Site Utility:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Project Size:	-5.0%	-10.0%	-5.0%	0.0%	0.0%	-5.0%
Height Limit/Density	-5.0%	0.0%	-5.0%	-5.0%	0.0%	-5.0%
Impact Fees	0.0%	0.0%	5.0%	0.0%	0.0%	5.0%
On-Site BMR %	0.0%	0.0%	2.0%	-15.0%	5.0%	-3.0%
Entitlements	0.0%	-15.0%	-15.0%	-15.0%	-5.0%	-15.0%
Total Adjusted %:	-15.0%	-25.0%	-8.0%	-35.0%	10.0%	-33.0%
Adjusted Unit Value for the Subject:	**$342**	**$304**	**$285**	**$306**	**$304**	**$293**

Source: Carneghi-Blum & Partners, Inc. September 2012
12-ASF-425

Land Sale 2 is a smaller site than the subject, entitled for a project of similar density, and located in the same zoning district. The smaller project size requires downward adjustment. The entitled nature of the site also requires downward adjustment. In other respects, the comparable is generally similar to the subject and no additional adjustment is applied. The indicated unit value is $304 per square foot.

Land Sale 3 is located in the Dogpatch neighborhood, which is inferior to the subject's waterfront location. Upward adjustment for location is required. Slight downward adjustment is applied for the smaller project size. The site has a higher density, which requires a slight downward adjustment. Impact fees are higher, as is the inclusionary housing requirement. Upward adjustments for theses factors are offset by the entitled nature of the site. The adjusted unit value is $285 per square foot.

Land Sale 4 is a site in the northwestern portion of the Mission Bay redevelopment area. No adjustment for location is applied. A slight downward adjustment for density is applied. Impact fees on this site are similar to the subject, but the lack of an inclusionary housing requirement is a superior feature that requires a downward adjustment. As this site is fully entitled, additional downward adjustment is warranted for this factor. The adjusted unit value is $306 per square foot.

Land Sale 5 is located not far from Land Sale 2. The location warrants an upward adjustment. Market conditions have continued to improve since this sale closed. The height limit is inferior, although the overall density is slightly higher, which is offsetting. The inclusionary housing requirement is more onerous for this comparable, requiring an upward adjustment with respect to the subject. Likewise, impact fees are higher, and an additional upward adjustment is required for this factor. Although not fully entitled at the time of sale, this comparable was well on its way to being entitled, so a slight downward adjustment is applied. The adjusted unit value is $304 per square foot.

Land Sale 6 is located in the Upper Market area, which is considered a slightly superior overall location. The date of sale requires upward adjustment, as the market has continued to improve. The comparable is smaller than the subject, and it has superior commercial appeal. It is also a higher density site. These factors are partially offset by the comparable's higher impact fees. Finally, downward adjustments are necessary for he comparable's lower inclusionary housing requirement, and fully entitled status. The adjusted unit value is $293 per square foot.

C. Fee Simple Land Value Conclusion

The comparables, after adjustment, support an adjusted price per square foot of land of $293 to $342 per square foot of land. Sale 1 represents the high end of the range. It is a smaller site in a superior location. Further, the zoning is more flexible. The remaining comparables reflect a range of $293 to $306. Considering the size and unentitled status of the subject, as well as the uncertain density likely to be permitted, balanced with the appeal of the waterfront-oriented location, a mid-range unit value of $300 per square foot of land area is therefore concluded and used in this analysis. The fee simple market value of the Seawall Lot Site is therefore estimated as follows:

101,330 square feet land x $300 per square foot =	$30,399,000
Rounded:	$30,400,000

At a likely entitled density of 100 to 125 dwelling units per acre, a total 233 to 291 dwelling units would be possible. The fee simple land value concluded above is equivalent to approximately $104,000 to $130,000 per dwelling unit, based on this density range. This unit value range is considered reasonable with respect to the comparables, considering the relatively low density.

VII. FEE SIMPLE LAND VALUATION - WATERFRONT SITE

The fee simple market value of the Piers 30 - 32 site is estimated in order to develop a market rent estimate for a ground lease.

The table on the following page summarizes a number of recent comparable commercial land sales in and around the downtown area of San Francisco. The comparables were selected as the most recent and relevant transactions that are consistent with the subject's highest and best use as a commercial site.

The comparables are analyzed primarily on a price per buildable square foot basis. Gross Floor Area (GFA) is utilized, based on the definition in the Planning Code, and best reflects the development potential of the site. In the downtown area, where density can vary widely based zoning, FAR and height/bulk limitations, price per square foot of buildable area (GFA) is generally more widely used than price per square foot of land area. Gross Floor Area as defined by the Planning Code approximates the net rentable area of the project, and is utilized as such in the marketplace.

As discussed in the highest and best use chapter, the maximum feasible developable area of the Waterfront Site is estimated at 360,000 square feet of building area (GFA), in one and two-story buildings with associated parking and open space.

A. Land Sales Data

Commercial Land Sale 1 is the pending sale of the Transbay Center Parcel T in San Francisco, which is now identified as 101 First Street. The single, rectangular parcel is located at the southeast corner of the intersection of First Street and Mission Street in the South of Market neighborhood. There is street frontage on First Street, Mission Street, and Fremont Street. The site contains 51,512 square feet of land area (1.18 acres). The comparable is to be entitled for a 61-story office tower at a FAR of 26.2 to 1. The office tower will contain a gross building area of approximately 1,498,812 square feet and a net rentable area of approximately 1,352,032 square feet. The site is subject to a proposed zoning change. Currently, the site is zoned Public (P). According to the San Francisco Planning Department, the proposed zoning designation is Downtown Commercial Special Use District (C-3-O (SD).

The site is currently in contract to sell to a developer for $185,000,000, equivalent to $3,591 per square foot of land area and $137 per square foot of gross floor area. Close of escrow is expected in 2013, after entitlements have been attained.

Commercial Land Sale 2 is the development site previously known as City Place, and now identified as Market Street Place. It is located at 935 - 965 Market Street, mid-block between Fight Street and Sixth Street, just west of the Union Square

COMPARABLE COMMERCIAL LAND SALES

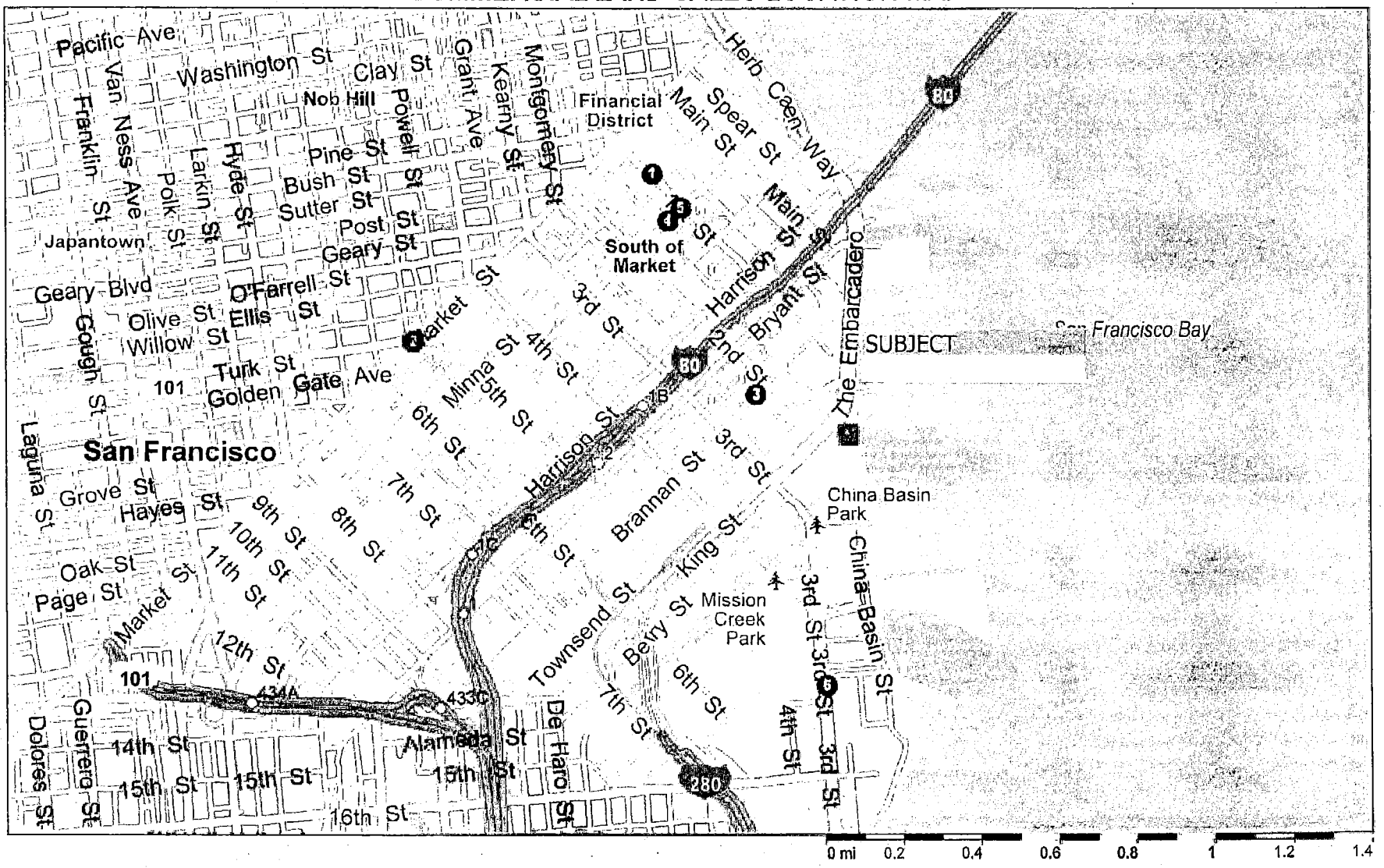
Appraisal of Piers 30 - 32
San Francisco, California

No.	Location	Sale Date	Land Area	Sale Price	Price Per SF Land Area	Proposed: Planning Code GFA FAR Stories Bldg. Height	Price per Gross Floor Area (GFA) Square Foot	Planned Development	Zoning Base FAR Height Limit	Grantor/ Grantee/ Document No. / Confirmation Source
1	101 First Street (Parcel T) San Francisco APN: 3720-001	Pending COE 2013	51,512 SF 1.18 AC	$185,000,000 (entitled at COE)	$3,591	1,352,032 SF GFA 26.2 FAR 61 Stories 850 feet (apx)	$137	61-story office tower with GBA of 1,495,812 and proposed NRA of 1,352,032 SF	P N/A	State Property / Hines #N/A
2	935 - 965 Market Street San Francisco APN: 3704-071,-072,-073	7/12	46,063 SF 1.06 AC	$25,150,000 $3,072,215 (1) $28,222,215 (entitled)	$546 $613	276,378 SF GFA 6.0 FAR 5 Stories 94 feet	$91 $102	Market Street Place (previously City Place) development consisting of 276,378 SF (gross) retail in five levels above grade, 1 basement retail, 2 basement parking for 167 (self) stalls. REO sale, includes TDRs ($771,000) for optional mezzanine. $105 million construction cost before land.	C-3-R 6.0:1 120-X	LSREF2 Clover Properties 20 LLC / CRP of Cypress Market Street LLC #450487
3	329 Brannan Street San Francisco APN: 3788-042	7/12	35,700 SF 0.82 AC	$18,530,000 (not entitled)	$519	175,000 SF GFA 4.9 FAR 6 Stories 65 feet (max)	$106	Proposed for a 6-story office building of 175,000 square feet	MUO 6.0:1 65-X	Jack Litke, et al / KR 329 Brannan LLC #K693-194
4	524 Howard Street San Francisco APN: 3721-013	6/12	12,266 SF 0.28 AC	$15,850,000 (entitled)	$1,292	191,950 SF GFA 15.6 FAR 23 Stories 325 Feet (est.)	$83	Site approved for a 23-story, 191,950 square foot office building, but bought by an apartment developer. Includes all TDRs required for development (118,354 SF TDRs).	C-3-O (SD) 6.0:1 450-S	Howard Street Prop. Investors LLC / Crescent Heights #N/A
5	505 & 525 Howard Street San Francisco APN: 3736-121, -114	4/12	37,963 SF 0.87 AC	$37,000,000 (entitled)	$975	288,000 SF GFA 7.6 FAR 10 Stories 150 Feet (est.)	$128	Site approved for 10-story office building of 288,000 net rentable square feet (Foundry Square III).	C-3-O (SD) 6.0:1 200-S & 350-S	Wilson Meany / Tishman Speyer #386426
6	1515 Third Street San Francisco APN: 8722-001 (pln), -008, 8721-029, -033, 9725-001, -004	11/10	739,479 SF 16.98 AC	$278,000,000 (not entitled)	$376	2,030,000 SF GFA 2.7 FAR 4-8 Stories N/A Feet (est)	$137	Master redevelopment plan allows for apx 2,030,000 SF office. Planned for campus-style HQ for Salesforce.com. Purchase includes parking rights in an existing garage.	MB-RA N/A	ARE-San Francisco No. 16, LLC / Bay Jacaranda No. 2932 Bay Jacaranda No. 2527 #K261-0327,#K261-0333
	SUBJECT Piers 30 - 32 Waterfront Site		553,778 SF 12.71 AC					Development must preserve minimum of 35% open space at periphery	M-2 5.0:1 40-X	

NOTE: Planning Code GFA approximates NRA SF
(1) Demolition costs plus hazmat, incl. contractor overhead, contingency, insurance.

Source: Cameghi-Blum & Partners, Inc., 12-ASF-425, September 2012

COMMERCIAL LAND SALES LOCATION MAP



district in San Francisco. The rectangular site contains approximately 46,063 square feet (1.06 acres). With 275 feet of street frontage on Stevenson Street as well as Market Street. The site is level, at street grade, and at the time of sale, was improved with vacant older office/retail buildings that were planned for demolition. The site was entitled for a 276,378 square foot (GFA) retail project, consisting of five above-grade floors, one basement retail level, and two basement garage levels with parking for 167 automobiles (self-park). The ceiling heights range from 16 to 18 feet on the upper floors, 15 feet in the retail basement, and 21 feet on the ground floor. The noted GFA does not include the parking garage levels. Including mechanical and parking area, the gross building area as proposed is 368,190 square feet. The site is zoned C-3-R with a 120-foot height limit and a 6.0:1 FAR.

The site sold in July 2012 for $26,150,000, or $546 per square foot of land, and $91 per approved GFA square foot. The demolition and remediation costs were reported at $3,072,215, for a total cost of $28,222,215. Including demolition, the purchase price is equivalent to $613 per square foot of land, and $102 per square foot of proposed building area. The price included TDRs purchased for approximately $771,000, that allowed for an optional mezzanine that is not included in the approved building area. The reported construction cost estimate before land was $105 million.

Commercial Land Sale 3 is the sale of 329 Brannan Street in the South of Market neighborhood of San Francisco. The single, rectangular parcel is located at the south corner of the intersection of Brannan Street and Stanford Street. It contains approximately 35,700 square feet of land area (0.82 acres), with approximately 140 linear feet of street frontage on Brannan Street. Improvements on the site consist of two single-story, masonry, industrial buildings totaling approximately 13,740 square feet. The improvements were constructed in 1972 and are not considered to have a contributory value to the site. The site is zoned Mixed-Use Office (MUO) with a designated base FAR of 6 to 1 and a height limit of approximately 65 feet.

In July 2012, the site was purchased by a developer for $18,530,000, equivalent to $519 per square foot of land area and $106 per square foot of gross floor area. The buyer plans to develop a 6-story office building of approximately 175,000 square feet at a FAR of 4.9 to 1. The proposed building will contain ground floor retail along Brannan Street and one subterranean parking level accessed via Stanford Street. The proposed project is currently unentitled, however, a preliminary project assessment was filed with the San Francisco Planning Department on July 13, 2012. According to a press release from the buyer, entitlements are expected at the end of 2013. The buyer reportedly will complete construction in 2015.

Commercial Land Sale 4 is the sale of 524 Howard Street in the South of Market neighborhood of San Francisco. The comparable is located mid-block on the northwest side of Howard Street between First and Second Streets, and is within the

Transbay Special Use District. The site shape is stepped but generally rectangular. The property contains approximately 12,266 square feet of land area (0.28 acres) and has approximately 75 linear feet of street frontage on Howard Street and approximately 74 linear feet of street frontage on Natoma Street. The property is currently utilized as a paved surface parking lot. The site is entitled for a 23-story, 191,950 square foot office building at a FAR of 15.6 to 1. The property is zoned C-3-O (SD).

In June 2012, a residential real estate developer purchased the property for $15,850,000, equivalent to $1,292 per square foot of land area and $83 per square foot of gross floor area. The sale price includes all transfer development rights required for development (118,354 square feet of transfer development rights).

Commercial Land Sale 5 is the sale of the Foundry III site located at 505 & 525 Howard Street in the South of Market neighborhood of San Francisco. The comparable consists of two adjacent parcels. 505 Howard is located at the south corner of the intersection of Howard and First Streets. The site does not contain building improvements and is used as a surface paved parking lot. 505 Howard contains approximately 29,713 square feet of land area, with frontage on Howard, First, and Tehama Streets. 525 Howard is the adjacent southwest parcel. It contains approximately 8,250 square feet of land area, with street frontage on Howard and Tehama Streets. The 525 Howard site is improved with a one-story, masonry building containing approximately 14,230 square feet. The parcels total approximately 37,963 square feet of land area (0.87 acres). The site is zoned C-3-O (SD). The site is entitled for a 10-story office building containing 288,000 square feet of gross floor area at a FAR of 7.6 to 1.

In April 2012, the property sold to real estate developer and operator Tishman Speyer for $37,000,000, equivalent to $975 per square foot of land area and $128 per square foot of gross floor area. The proposed office building is the final phase of the Foundry Square development project, consisting of four buildings at the intersection of First and Howard Street. Foundry Square II and IV were completed in 2003 and Foundry Square I was completed in 2007.

Commercial Land Sale 6 is the sale of 1515 Third Street in the Mission Bay neighborhood of San Francisco. The property consists of eight parcels totaling 739,479 square feet of land area (16.98 acres). The parcels are situated on the east side of Third Street between Pierpont Lane and Mariposa Street. The property is within the Mission Bay Redevelopment Area, a 303-acre, mixed-use residential, office, and biotechnology development project.

In November 2012, the property was purchased by Salesforce.com for $278,000,000, equivalent to $376 per square foot of land area and $137 square feet of gross floor

area. The redevelopment plan allows for 2,030,000 square feet of office at the site. Salesforce.com purchased the property with the intent to construct a campus-style headquarters for the technology company. The purchase includes parking rights in an existing garage adjacent to the property. The buyer has since abandoned plans to construct the campus.

B. Commercial Land Sale Analysis

Land Sale 1 is the pending sale of the Transbay Center Parcel T, which is now being identified as 101 First Street. The developer has agreed to pay the equivalent of $137 per FAR square foot for this very prominent site. This site is now planned for a 61-story office tower at a FAR of 26.2 to 1. Due to the very high FAR of this comparable, price per square foot of land is not a reliable indicator. However, the price per GFA square foot is considered a reasonable unit value indicator for the subject. The prominence of this site, the views offered from the upper floors, and the onerous use restrictions affecting the subject, all require downward adjustment. Since escrow will not close until the entitlements are secured, additional downward adjustment is applied for this factor. The much higher density of the comparable, and its much larger size, support offsetting upward adjustment. The adjusted unit value is $82 per square foot of GFA.

Land Sale 2 is a retail development site that is located just southwest of the Union Square retail area. The overall location requires no adjustment, but the waterfront views of the subject are superior. The comparable has slightly inferior utility, due to its mid-block location. The overall density of development requires upward adjustment, due to the inefficiencies inherent in vertical construction, as well as the added costs. These upward adjustments are more than offset by the onerous use restrictions affecting the subject, as well as the entitlements that transferred with the comparable. The adjusted unit value is $77 per square foot of GFA.

Land Sale 3 is the unentitled site at 329 Brannan, purchased for speculative office construction. The location is slightly superior, due to the preference of technology tenants for the Second Street/Brannan corridor. The subject's views are considered offsetting. The proposed density for the comparable requires an upward adjustment, offset by the onerous land use restrictions on the subject site. The adjusted unit value is $94 per square foot.

Land Sale 4 is an entitled, mid-block site adjacent to the Foundry IV building, just west of First Street and across the street from Land Sale 5. The more central location is considered a superior feature, offset by the subject's waterfront views. This mid-block site also has a relatively small buildable floor plate, for which an upward adjustment is applied/ Density requires an upward adjustment as well, which is more than offset by the subject's use restrictions. No adjustment for entitlement status is

COMPARABLE COMMERCIAL LAND SALE ADJUSTMENT GRID

Appraisal of Piers 30 -32
San Francisco, California

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
	101 First San Francisco	935-965 Market San Francisco	329 Brannan San Francisco	524 Howard San Francisco	505 & 525 Howard San Francisco	1515 Third San Francisco
Site Size (SF)	51,512	46,063	35,700	12,286	37,963	739,479
Proposed Buidling Area (GFA SF)	1,352,052	276,378	175,000	191,950	288,000	2,030,000
Density (FAR)	26.2	6.0	4.9	15.6	7.6	2.7
Sale Date:	2013	7/12	7/12	6/12	2013	11/10
Transaction Price:	$185,000,000	$28,222,215	$18,350,000	$15,860,000	$37,000,000	$278,000,000
Unadjusted Price/SF Land	$3,591	$613	$514	$1,291	$975	$376
Unadjusted Price/GFA SF	**$137**	**$102**	**$105**	**$83**	**$128**	**$137**
Financing Terms:	0%	0%	0%	0%	0%	0%
Conditions of Sale:	0%	5%	0%	0%	0%	0%
Adjusted Sale Price:	$185,000,000	$29,633,326	$18,350,000	$15,860,000	$37,000,000	$278,000,000
Adjusted Price/SF	**$137**	**$102**	**$105**	**$83**	**$128**	**$137**
Market Conditions:	0%	0%	0%	0%	0%	0%
Price Adj. For Mkt. Cond.	**$137**	**$102**	**$105**	**$83**	**$128**	**$137**
Location:	-10.0%	-5.0%	-5.0%	-5.0%	-5.0%	0.0%
Views	-10.0%	5.0%	5.0%	5.0%	5.0%	0.0%
Site Utility:	0.0%	5.0%	0.0%	10.0%	0.0%	0.0%
Project Size:	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Density	15.0%	10.0%	10.0%	15.0%	10.0%	0.0%
Use Restrictions	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%
Parking	0.0%	0.0%	0.0%	0.0%	0.0%	-10.0%
Entitlements	-20.0%	-20.0%	0.0%	0.0%	-20.0%	-10.0%
Total Adjusted %:	-40.0%	-25.0%	-10.0%	5.0%	-30.0%	-40.0%
Adjusted Unit Value for the Subject:	**$82**	**$77**	**$94**	**$87**	**$90**	**$82**

Source: Carneghi-Blum & Partners, Inc. September 2012
12-ASF-425

applied. Although the site was entitled for office use, it was purchased for residential development, and will have to be re-entitled. The adjusted unit value is $87 per square foot of FAR.

Land Sale 5 is the Foundry III site, which was recently purchased by Tishman and is under construction with a 10-story office building, which is the last phase of the Foundry Square project. This project has a superior location, but inferior views. Land use restrictions on the subject more than offset the density differential. The site sold with entitlements, which requires a downward adjustment. The adjusted unit value is $90 per square foot of GFA.

Land Sale 4 is the Salesforce (owner-user) purchase of the former Alexandria site in Mission Bay. The site is planned for over 2 million square feet of office space, an FAR of 2.7:1. No adjustment is applied for location or views, as this is a waterfront site. The density is somewhat higher, but similar construction type would be utilized, so no adjustment for density is applied The project size suggests moderate upward adjustment, which is offset in this case by the owner-user nature of the buyer, which eliminates the risk of lease-up for a typical speculative developer. No adjustment is applied for size. The subject's more onerous use restrictions require downward adjustment, as does the included rights to parking that transferred with the comparable. Although not fully entitled, the project was further along in the process than the subject, warranting a downward adjustment. The adjusted unit value is $82 per square foot of GFA.

C. Fee Simple Land Value Conclusion

The comparables reflect a relatively narrow range of unit prices on an GFA square foot basis of $77 to $94 per GFA square foot. A mid-range unit value of $85 per GFA square foot is concluded for the subject and is applied to the maximum developable building area estimate developed previously, of 360,000 square feet. The fee simple land value of the subject is therefore estimated as follows:

360,000 GFA square feet x $85 per GFA square foot = $30,600,000

The above value conclusion assumes that the piers have been repaired and upgraded as necessary to be structurally and seismically sound.

VIII. MARKET GROUND RENT VALUATION

The client has requested that the appraisers estimate the current market value of for a ground lease for each of the subject properties.

In this analysis, market rent for the land will be estimated by applying a ground lease rate of return to the underlying land.

A. Proposed Ground Lease Terms

The client has specified only the term of the proposed ground leases. The remaining parameters of the ground leases have not been specified. For the Waterfront Site, the initial term is to be 30 years, with possible renewal option(s) of up to 36 years, for a total of 66 years. For the Seawall Lot Site, the initial term is 30 years, with a possible renewal options of up to an additional 45 years, for a total of 75 years.

B. Market Ground Rent Rate of Return Estimate

Ground rent is typically determined by applying a market-derived rate of return to the fee simple value of the underlying land. The appropriate rate of return depends on a number of factors, including the investment magnitude, location, use, leasehold improvements, and escalations. The most reliable method of estimating ground lease rates of return is from the sale of ground leased properties, which are shown in the table on the following page.

The ground leases reflect rates of return that range from 5.0 to 8.0 percent. The low end of the range reflects a small site in San Francisco's Richmond District, used for car storage. The date of the transaction suggests a higher rate would apply today. While interest rates remain low, the lessor would be in a stronger position due to the economic recovery underway in San Francisco. The small size of the comparable also supports a much higher rate of return for the subject, due to the larger pool of potential lessees for small sites.

The high end of the range is a 2006 ground lease for a freeway-visible site to an auto dealer in Milpitas. The market conditions at the time were far stronger, which allows the lessor a superior negotiating position. The location, suggest a lower rate as well. A lower rate is therefore indicated for the subject.

The remaining comparables reflect a range of 6.4 to 7.0 percent. Within this narrow range are two Google ground leases in Mountain View, one with the City of Mountain View, and one with NASA on a portion of the closed Moffett Field Naval Air Station. These two transactions are for large sites planned for large-scale development project, similar to the subject. In the case of Comparable 1, the parties

COMPARABLE GROUND LEASES

Appraisal of Piers 30 - 32, Seawall Lot 330
San Francisco, California

#	Lessee / Location	Lease Date	Size AC/SF	Term Options	Annual Rent	Annual Rent per SF Site Area (NNN)	Est. Site Value/SF	Indicated Rate of Return	Escalations	Comments
1	**Google** Charleston East Site NWC Charleston Rd & N. Shoreline Blvd. Mountain View APN: 116-21-051	4/11 signed 6/11 COE	9.48 AC 412,863 SF	53 Years 4 x 10 year	$693,610 NNN (negotiated) $30,500,000 (pre-paid ground rent)	$1.68	$24.00 (negotiated) $73.87 (ppd ground lease)	7.0% 2.3%	Annual 3% increase Reappraisal every 10 yrs with cap increase of 165%	Google began negotiating this ground lease with City of MV beginning 18 mos. prior based on a 7% ROR and $24/SF land value, which City concedes is below mkt. Google then offered to prepay lease at $30.5 million, COE is 6/11. Maximum FAR 285,000 sf office/R&D.
2	**GGB Hwy & Trans District** Block bound by 3rd,4th, Perry, Stillman SF-BT-05 San Francisco APN: 3762-004	9/10 Sign 2/11 Comm.	2.67 AC 116,450 SF (net of supports)	25 Years 4 x 5yrs	$628,830 NNN (1)	$5.40	$80.00	6.8%	Annual CPI Mkt re-set every 5yrs.	Site is beneath I-80, and was unpaved and w/o curbs/gutters, when leased. Lessee has paved and fenced the site. Planned for bus storage facility. Currently subleased to parking operator and used for day parking at $10/day.
3	**Exploratorium** Piers 15 & 17 San Francisco APN: 9900-0015, -017	9/09 Sign 11/10 Comm.	5.27 AC 229,455 SF	66 Years None	$1,749,192 NNN	$7.62	$120.00	6.4%	Cumulative CPI every 5 years 10% min/20% max (3% annual on Pier 17 until 2024) + Percentage Rent Clause	Existing historic pier shed of approx. 227,000 SF to be renovated. Lessee to spend $29 million to repair/upgrade Pier 15 plus $7.8 million on Pier 17, which is recoverd as a 50-year rent credit once TIs are completed. Total project cost is $205 million.
4	**Google** Nasa Research Park Mountain View Parcels 1, 2 & 4	12/07 neg. 5/08 signed	41.26 AC 1,798,157 SF	40 Years 5 x 10 yrs	$3,660,000 NNN	$2.04	$29.08	7.0%	Cumulative CPI every 5 yrs. Not to exceed 15%. Reappraisal every 10 yrs with cap increase of 216%	Google has leased this site from NASA. Tenant has right to construct 1,205,000 sf of office/R&D and a max of 105,000 sf housing. Tenant has extensive site work and received land value credit.
5	**San Francisco Toyota** 3901 Geary Boulevard San Francisco APN: 1541-001	8/09 (Renewal)	0.34 AC 15,000 SF	5 years (Renewal Term) N/A	$168,000 NNN	$11.20	$225.00	5.0%	Flat	Renewal. Site is used for inventory storage. Corner parcel
6	**Auto Dealership** Great Mall Pkwy & I-880 Milpitas APN: 086-05-021 (por.)	4/06	10.00 AC 435,600 SF	25 Years 3 x 10 yrs	$800,000 NNN	$1.84	$23.00	8.0%	15% Every 5 Years	Planned for a 90,000 SF auto dealership. Site has freeway frontage.
7	**Kohl's** SEQ Interstate 580 & Las Positas Livermore APN: 099-0015-038	2006	9.54 AC 415,448 SF	20 Years 6 x 5 yrs	$575,000 NNN	$1.38	$20.00	6.9%	10% Year 11 6% at Options	Planned for a 95,971 SF Kohls department store

(1) Rent shown is prior to 20% discount to state transportation agencies per California Transportation Commission Policy G-03-03 (per lease)

Source: Cameghi-Blum & Partners, Inc., 12-ASF-425, September 2012

GROUND LEASE LOCATION MAP

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agreed to a rate of return and a land value in the process of negotiation, so it is a particularly reliable indicator. The location, in the Shoreline Business Park, is considered comparable in overall risk. This comparable supports a 7.0 percent rate of return for the subject Seawall Lot site.

Comparable 4 is the earlier lease, for a larger site in NASA Research Park. Significant site work was required, and rent credits were applied to offset those costs. Although market conditions were stronger at the time, the size of this lease is an offsetting factor, as there are typically few potential lessees in the market for sites of this size and development potential. A similar ground rate of return is supported for the subject Seawall Lot site.

Comparable 2 is the lease of a site to be used for bus parking and staging, located in San Francisco underneath the Bay Bridge approach. The tenant completed paving, curbs and gutters, and fencing. The 6.8 percent rate of return is considered a reasonable indicator for the subject.

Comparable 3 is the most recent pier lease, to the Exploratorium. It is considered a reliable indicator of the subject Piers 30 - 32. The comparable consists of Piers 15 and 17 are historic, but dilapidated piers and pier sheds. Their historic nature precludes demolition. The lease includes a base rent with escalation, plus percentage rent based on the museum's operations. The base rent reflects a 6.4 percent rate of return to the estimated site value of $120 per square foot, considering the superior location of this comparable, and the contributory value of the pier shed. The structure supporting Pier 15 reportedly required $29 million in upgrades, and Pier 17 required $7.8 million, which was funded by the lessee, and offset by rent credits over the first 50 years of the lease. This lease is a recent transaction of a similar type of property. Considering the overall similarity to the subject Piers 30 - 32, this comparable is considered a reliable indicator for the subject.

Comparable7 is a 2006 ground lease to a department store in Livermore. The date of the transaction would suggest a somewhat lower rate of return for the subject.

For the Seawall Lot site, a 7.0 percent rate of return is concluded, based primarily on the Google comparables. The Exploratorium lease is the most reliable indicator for Piers 30 - 32, and a 6.5 percent rate of return is indicated based on the subject's similarity to this comparable. The lower rate on the Piers 30 - 32 lease reflects the more limited appeal of the site, considering its land use restrictions and the complexities of developing on a pier. The remaining comparables are considered in a supportive capacity.

Ground Leased Sale Transactions

For additional support, the appraisers researched transactions of ground leased properties, and the results of our research is shown in the table on the following page. The ground lease rates of returns based on the sale transaction data range from 3.8 to 8.0 percent. The low end of the range reflects the "marriage" of the leased fee and leasehold interest in an ground leased apartment project, where the leased fee interest in the land was purchased by the leaseholder. The inherent motivation of the leaseholder in this situation has a downward effect on the ground lease rate of return.

The high end of the range is a bank branch in Vacaville that was leased at above-market rent for a relatively short remaining term. The location and above-market rent support a lower ground lease rate of return for the subject.

The remaining sale comparables demonstrate a range of initial rates of return of 5.2 to 6.6 percent. Typically, ground leased sales reflect lower rates of return than the rates indicated by new ground lease transactions. Reasons for this disparity include the fact that an improved ground-leased property is inherently less risky to the lessor, since the improvements are typically in place, and the lessee has a track record of timely payment of the ground rent. In contrast, when a ground lessor enters a new ground lease with a lessee, the site is usually vacant, site work may be required, the ultimate improvements have typically not yet been constructed, and the risk profile of the enterprise reflects a development project rather than a more passive investment. Offsetting these landlord considerations to some extent is the risk assumed by the lessee, including tenanting and financing the development, and funding the cash outflows during the initial construction period. The balancing of these competing interests drives the ground rent rate of return, and the ultimate rate of return depends in part on the strength of the negotiating position of each party, which is influenced by factors including the lessor's desire for stable cash flow, the number of competing bidders, the risk profile of the proposed project, and the credit quality of the tenant (user versus developer/subtenant) among others.

Taken together, the ground lease sale comparables provide additional support for the rates of return to the fee land value for the subject as concluded based on the ground lease comparables.

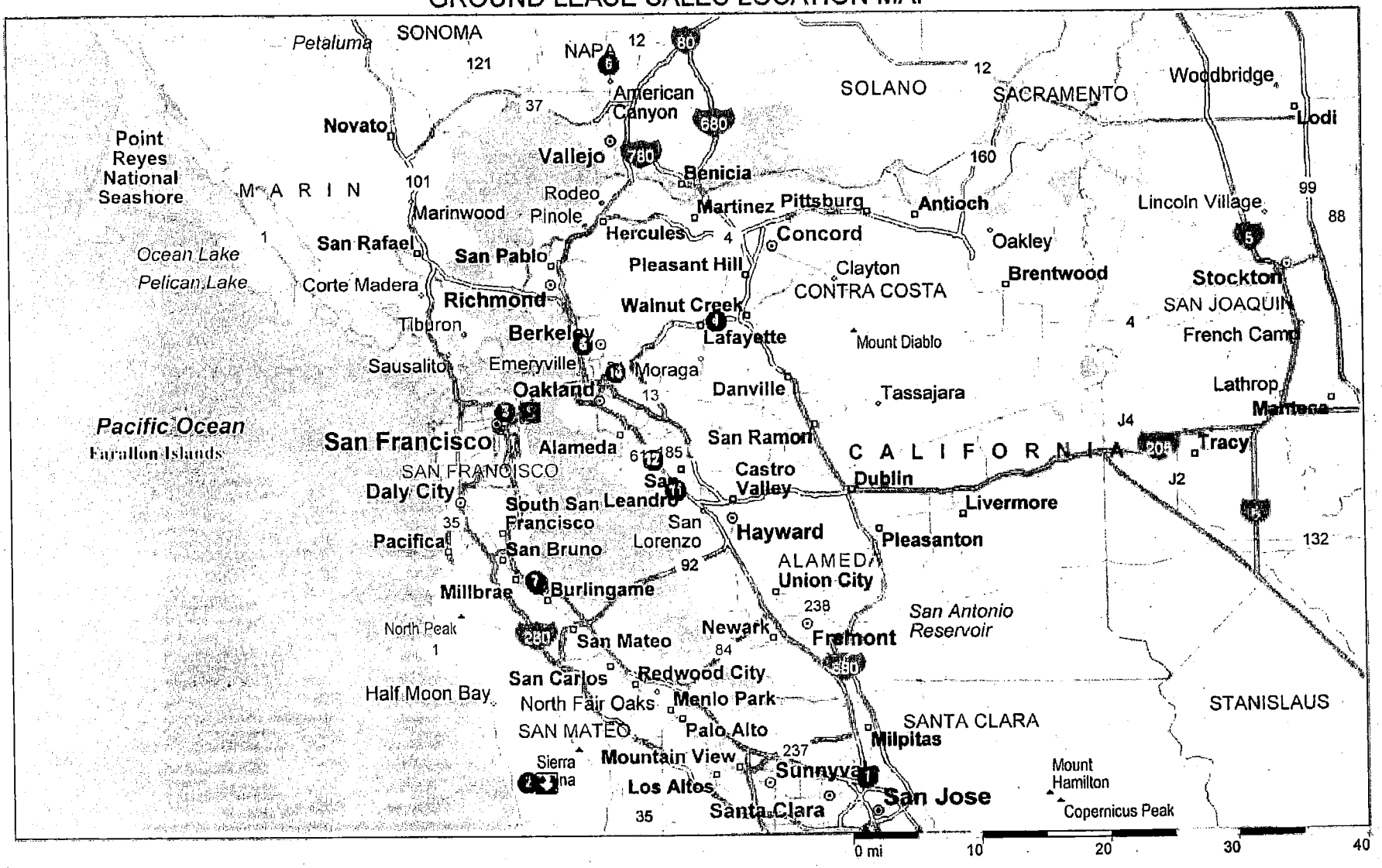
COMPARABLE SALES OF GROUND LEASED PROPERTIES

Appraisal of Piers 30 - 32, Seawall Lot 330
San Francisco, California

Location/ # APN#	Sale Date	Sale Price per SF Land	Land Area	Annual Ground Rent *per SF/Y*	Ground Lease Capitalization Rate	Escalations Next Step Remaining Term Options	Grantor / Grantee (Doc. #)	Comments
1 Lowe's 725-775 Ridder Park Drive San Jose APN: 237-05-054 (ptn), -056	4/11	$30,500,000 *$60.67*	11.54 AC 502,726 SF	$1,950,000 *$3.88*	6.4%	10% yr. 10 & 15 7.5 years 17+ years 6 x 5 yr (10% step @ each)	Pau Brokaw LLC / Castle Family LLC #21157405	Site improved with a 141,100 SF Lowe's retail warehouse plus gardencenter. Lease commenced 12/1/2008. Corporate guarantee by Lowe's Inc.
2 Aqua Via Apartments 47590 Lincoln Boulevard Marina Del Rey (Los Angeles County) APN: 4224-014-017	8/10	$40,750,000 *$235.05*	3.98 AC 173,369 SF	$1,564,800 *$9.03*	3.8%	> Base or 12% Gross 15 years 61 N/A	Marina Terrace Associates / BRE Properties, Inc. #1221083	Site improved with a 500-unit apartment project built in 2001 on leased land. Buyer negotiated to merge loased fee and leasehold interests
3 Mark Hopkins Hotel One Nob Hill San Francisco APN: 0255-002	5/10	$22,650,000 *$399.37*	1.30 AC 56,715 SF	$1,250,000 *$22.04*	5.5%	$1,500,000 in 2019 9 years 52 N/A	Lurie Mark Hopkins Inc. / SF MH Acquisition LLC #K168-58	Purchase of leased fee interest in the 380-room Mark Hopkins Hotel by ROFR by lessee, Intercontinental. Openly marketed with multiple offers.
4 Jiffy Lube 3363 Mt. Diablo Blvd. Lafayette APN: 233-060-057	11/09	$1,369,000 *$90.36*	0.35 AC 15,150 SF	$84,636 *$5.58*	6.2%	Annual CPI 1 year 20 N/A	Dwulet & Dwulet / A.H. Zandvakili #253686	Site improved with a 3,251 SF Jiffy Lube facility built in 1991. Investor to investor sale
5 Westamerica Bank 138 Peabody Road Vacaville APN: 0131-060-230	11/09	$750,000 *$38.26*	0.45 AC 19,602 SF	$60,000 *$3.06*	8.0%	N/A 2014 5 years None	Katherine Ng 1996 Trust / Schnayer Family 1991 Trust #097675	Site improved with a 3,670 SF bank branch built in 1987
6 Chevron 401 Napa Junction Road American Canyon APN: 059-351-009	7/09	$2,030,000 *$54.38*	0.86 AC 37,331 SF	$125,000 *$3.35*	6.2%	15% every 5 years 3 years 13 years (thru 9/22) 3 x 5 yr.	Napa Junction I LLC / Ramsey Family Revocable Tr #019726	Site improved with a service station. SEC Hwy 29 and Napa Junction Rd.
7 Vagabond Inn 1640 Bayshore Hwy. Burlingame APN: 026-282-200	7/09	$4,000,000 *$73.11*	1.26 AC 54,711 SF	$260,000 (base rent) *$4.75*	6.5%	Annual CPI vs % Rent of 17% of Gross 26 years None	The Baker-Watkins Group, LP (et al)/ Jad & Nawal Jajeh #099897	Site improved with a 93-room lodging facility built in 1972. Leased fee interest purchased by an investor.
8 Service Station 845-849 University Ave. Berkeley APN: 057-2096-006 & -007	4/09	$1,175,000 *$88.67*	0.30 AC 13,251 SF	$78,000 *$5.89*	6.6%	N/A	The Baker-Watkins Group, LP/ Jad & Nawal Jajeh #099897	Site improved with a service station.
9 Bay Landing Hotel 1550 Bayshore Hwy. Burlingame APN: 026-282-240	11/08	$5,500,000 *$57.83*	2.18 AC 95,100 SF	$286,000 *$3.01*	5.2%	CPI every 5 years 2013 20 years None	The Baker-Watkins Group, LP (et al)/ Pietro Partners, LLC #123302	Site improved with a 131-unit lodging facility. Leased fee interest purchased by the leaseholder.
10 Broadway 76 Service Station 5300 Broadway Oakland APN: 048A-7035-019-01	8/08	$665,000 *$74.11*	0.21 AC 8,973 SF	$37,972 *$4.23*	5.7%	CPI every 2 years 2009 5 years 1 X 5 yr.	Elizabeth Bochnak/ Lafayette Investment Group #253171	Site improved with an automobile service station known as Broadway 76. Leasehold is owned by ConocoPhillips. Leased fee interest purchased by an investor.
11 2700-2800 Merced Street San Leandro APN: 0778-0955-001-02	8/05	$6,200,000 *$9.49*	15.00 AC 653,313 SF	$350,000 *$0.54*	5.6%	Mkt Re-set at each 10y 2005 31 years None	David M. Haig / FJM Merced Associates #337824	Site improved with a 231,286 SF industrial project built in 1962.
12 Wal Mart 8400 Edgewater Drive Oakland APN: 042-4425-024	9/04	$18,000,000 *$33.52*	12.33 AC 536,990 SF	$1,125,000 *$2.10*	6.3%	10% every 10 years 1/2014 19 years 14 X 5 yr.	Cherokee Simeon Venture II / Koll Pueblo Uno Associates #106790	Site improved with a 147,000 SF Wal Mart. 20-year ground lease signed 8/03, commencement in 1/04.

Source: Carneghi-Blum & Partners, Inc., 12-ASF-425, September 2012

GROUND LEASE SALES LOCATION MAP



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C. Market Ground Rent Conclusion

Giving greatest with to the ground lease transactions, with support from the ground lease sales a 7.0 percent ground rent rate of return is therefore concluded for the subject Seawall Lot site. A 6.5 percent rate of return is concluded for the Piers 30-32 subject site. Market rent for the two subject ground leases is therefore estimated by applying the concluded ground rent rate of return to the fee simple land value concluded in the previous chapter, as follows:

Seawall Lot Annual Ground Rent

$30,400,000 (fee value) x 7.0% =	$2,128,000
Rounded:	**$2,130,000**

Waterfront Lot Annual Ground Rent

$30,600,000 (fee value) x 6.5% =	$1,989,000
Less Structural Reserve for Piers (1.0%)	($19,890)
Net Annual Ground Rent	$1,969,110
Rounded:	**$1,970,000**

A 1.0 percent deduction is applied to the Waterfront Site ground rent to provide for a structural repair and replacement reserve. Although the piers will be newly rebuilt, an allowance for wear and tear and the actions of the elements to these improvements, which are exposed to the Bay waters and the external environment, is warranted.

Based on a review of the comparable and other market data, escalations are concluded at a cumulative CPI every five years, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of each ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

ADDENDA

CHICAGO TITLE COMPANY

PRELIMINARY REPORT

FIRST UPDATED

Dated as of: March 3, 2003 at 5:00 PM

Order No.: 6049002 - MN

Regarding: Piers 30 AND 32
San Francisco, California

CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms are available upon request.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in the attached list of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

California Land Title Association Standard Coverage Policy

Visit Us On The Web: westerndivision.ctt.com

Title Department:

CHICAGO TITLE COMPANY
590 Ygnacio Valley Road, Suite 300
Walnut Creek, CA 94596
Phone: (925) 974-4700

MaryPat Noeker
NATIONAL UNDERWRITER

Escrow Department:

CHICAGO TITLE COMPANY
388 Market Street, Suite 1300
San Francisco, California 94111
(415) 788-0871 fax: (415) 956-2175
Escrow No.: 006049002

Nicole T. Carr
ESCROW OFFICER

PFP -08/05/98bk

SCHEDULE A

Order No: 6049002 MN Your Ref:

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

CITY AND COUNTY OF SAN FRANCISCO, A CHARTER CITY AND COUNTY, IN TRUST

3. The land referred to in this report is situated in the State of California, County of San Francisco and is described as follows:

SEE ATTACHED DESCRIPTION

PREA -10/31/97bk

DESCRIPTION

CITY OF SAN FRANCISCO

ALL THAT REAL PROPERTY SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY COMMONLY KNOWN AS PIERS 30 AND 32 AS SHOWN ON THE ASSESSOR'S MAP ATTACHED HERETO.

EXCEPTING THEREFROM, ALL SUBSURFACE MINERAL DEPOSITS, INCLUDING OIL AND GAS DEPOSITS, TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS ON SAID LAND FOR EXPLORATION, DRILLING AND EXTRACTION OF SUCH MINERAL, OIL AND GAS DEPOSITS, AS EXCEPTED AND RESERVED BY THE STATE OF CALIFORNIA IN THAT CERTAIN ACT OF THE LEGISLATURE ("THE BURTON ACT") SET FORTH IN CHAPTER 1333 OF THE STATUTES OF 1968 AND AMENDMENTS THERETO, AND UPON TERMS AND PROVISIONS SET FORTH THEREIN.

NOTE: THE DESCRIPTION CONTAINED HEREIN IS BASED UPON INFORMATION SUBMITTED TO THIS COMPANY FOR THE PURPOSE OF THIS REPORT, IT IS NOT BASED UPON A SURVEY. SAID DESCRIPTION DOES NOT LOCATE THE LAND BY REFERENCE TO MONUMENTS OF RECORD AND IS NOT SUFFICIENT FOR TITLE INSURANCE PURPOSES. LINES AND MONUMENTS THEREIN REFERRED TO MUST BE LOCATED BY A CORRECT SURVEY, CONSIDERATION BEING GIVEN TO DESCRIPTIONS OF ADJOINING LANDS NOT INTENDED TO BE INCLUDED WITHIN THE DEVELOPMENT AREA. ANY FINAL REPORT OR POLICY IS DEPENDENT UPON SUCH A PROPER DESCRIPTION BEING FURNISHED AND WILL BE SUBJECT TO ANY MATTERS DISCLOSED BY THE TITLE SEARCH OF ANY ADDITIONAL LAND DISCLOSED BY SUCH DESCRIPTION.

SCHEDULE B

Order No: 6049002 MN Your Ref:

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this Report would be as follows:

A 1. County and city taxes for the Fiscal Year 2003 - 2004, a lien not yet due or payable.

B 2. The Lien of Supplemental Taxes, if any, assessed pursuant to the provisions of Chapter 3.5, Revenue and Taxation Code, Sections 75 et seq.

C 3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District("CFD"), as follows:

CFD No. : 90-1
For : School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual Special Tax. This Special Tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

E 4. Any right, title, interest of person, known or unknown, who claim or may claim adversely to the vested owners herein by reason of the record title to said property not having been established and quieted under the provisions of the McEnerney Act, so called.

F 5. Rights and Easements for Commerce, Navigation and Fishery.

G 6. Conditions, Restrictions, Easements, Reservations and Limitations and Rights, Powers, Duties and Trusts contained in the Legislative Grants, and by law as to the land or any portion thereof, acquired by the City and County of San Francisco, by Chapter 1333 of the Statutes of 1968, as amended by Chapters 1296 and 1400, Statutes of 1969 and by Chapter 670, Statutes of 1970, and Chapter 1253, Statutes of 1971, and as may be further amended, and such Reversionary Rights and Interests as may be possessed by the State of California under the terms and provisions of said Legislative Grants, or by law.

H 7. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded JANUARY 30, 1969, BOOK B308, PAGE 686, SERIES NO. R40413, OFFICIAL RECORDS.

Q 8. Agreement for : BRIDGE AND HIGHWAY PURPOSES
Dated : JANUARY 30, 1969
Executed By : DEPARTMENT OF PUBLIC WORKS, DIVISION OF HIGHWAYS,

SCHEDULE B
(continued)

Order No: 6049002 MN Your Ref:

DIVISION OF TOLL CROSSINGS AND THE CALIFORNIA TOLL BRIDGE AUTHORITY OF THE STATE OF CALIFORNIA
And Between : THE SAN FRANCISCO PORT AUTHORITY
Upon the terms, provisions, covenants and conditions contained therein,
Recorded : FEBRUARY 27, 1969, BOOK B315, PAGE 786, OFFICIAL RECORDS

J Any facts, rights, interests or claims which are not disclosed by the public records but which could be ascertained by making inquiry of the parties or persons in possession of the herein described land.

K Any easements, liens (including but not limited to any Statutory Liens for labor or materials arising from any on-going or recently completed works of improvement), encumbrances, facts, rights, interest or claims which are not shown by the public records but which could be ascertained by an inspection of the herein described land.

L Discrepancies, conflicts in boundary lines, shortages in area, encroachments or any other facts which a correct survey of the herein described land would disclose which are not shown by the public records and the requirement that said survey meets with the minimum standards for ALTA/ACSM land title surveys.

N 9. Rights of the public and the City and County of San Francisco over that portion of premises, if any, lying within the lines of The Embarcadero, so called, an open public street.

Order No: 6049002 - MN

Your Ref:

CHICAGO TITLE COMPANY

PRELIMINARY REPORT

Dated as of: October 5, 2001 at 5:00 PM

Order No.: 6049001 -

Regarding: Block 3770,
San Francisco, California

CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms are available upon request.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in the attached list of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

California Land Title Association Standard Coverage Policy

Visit Us On The Web: westerndivision.ctt.com

Title Department:

CHICAGO TITLE COMPANY
590 Ygnacio Valley Road, Suite 300
Walnut Creek, CA 94596
Phone: (925) 974-4700

TITLE OFFICER

Escrow Department:

CHICAGO TITLE COMPANY
388 Market Street, Suite 1300
San Francisco, California 94111
(415) 788-0871 fax: (415) 956-2175
Escrow No.: 006049001

Nicole T. Carr
ESCROW OFFICER

SCHEDULE A

Order No: 6049001 Your Ref:

DESCRIPTION

CITY OF SAN FRANCISCO

ALL THAT REAL PROPERTY SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY COMMONLY KNOWN AS SOUTH BEACH BLOCK 19 AS SHOWN ON THE ASSESSOR'S MAP ATTACHED HERETO.

EXCEPTING THEREFROM, ALL SUBSURFACE MINERAL DEPOSITS, INCLUDING OIL AND GAS DEPOSITS, TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS ON SAID LAND FOR EXPLORATION, DRILLING AND EXTRACTION OF SUCH MINERAL, OIL AND GAS DEPOSITS, AS EXCEPTED AND RESERVED BY THE STATE OF CALIFORNIA IN THAT CERTAIN ACT OF THE LEGISLATURE ("THE BURTON ACT") SET FORTH IN CHAPTER 1333 OF THE STATUTES OF 1968 AND AMENDMENTS THERETO, AND UPON TERMS AND PROVISIONS SET FORTH THEREIN.

NOTE: THE DESCRIPTION CONTAINED HEREIN IS BASED UPON INFORMATION SUBMITTED TO THIS COMPANY FOR THE PURPOSE OF THIS REPORT, IT IS NOT BASED UPON A SURVEY. SAID DESCRIPTION DOES NOT LOCATE THE LAND BY REFERENCE TO MONUMENTS OF RECORD AND IS NOT SUFFICIENT FOR TITLE INSURANCE PURPOSES. LINES AND MONUMENTS THEREIN REFERRED TO MUST BE LOCATED BY A CORRECT SURVEY, CONSIDERATION BEING GIVEN TO DESCRIPTIONS OF ADJOINING LANDS NOT INTENDED TO BE INCLUDED WITHIN THE DEVELOPMENT AREA. ANY FINAL REPORT OR POLICY IS DEPENDENT UPON SUCH A PROPER DESCRIPTION BEING FURNISHED AND WILL BE SUBJECT TO ANY MATTERS DISCLOSED BY THE TITLE SEARCH OF ANY ADDITIONAL LAND DISCLOSED BY SUCH DESCRIPTION.

LOTS 1 AND 2, BLOCK 3770

SCHEDULE B

Order No: 6049001

Your Ref:

SCHEDULE B
(continued)

Order No: 6049001 Your Ref:

(B) All surface mineral deposits, including oil and gas deposits, together with the right of ingress and egress on the properties conveyed to the City and County of San Francisco for exploration, drilling and extraction of such mineral, oil, and gas deposits, subject, however, to the provision that during the term of any lease, franchise, permit or license of such property pursuant to Section 3 of the Burton Act, such mineral rights herein reserved including the right of ingress and egress, shall not be exercised so as to disturb or otherwise interfere with the leasehold estate or the right or encumbrances to which any such lease, franchise, permit or license may be subject; provided, however, that any lease, franchise, permit or license of such property pursuant to Section 3 of this Act must contain a provision specifying at least one point from which the manner which the right of ingress and egress to said subsurface deposits may be exercised, which point or points may be outside the area of the leasehold, franchise permit or license, providing the point or points are adequate to permit the rights reserved to the State to be exercised.

H 8. The rights and interests of the State of California under the Common Law Trust under which tide and submerged lands are held as Trustor-beneficiary of the trust under which said lands are granted to the City and County of San Francisco by the acts and agreements referred to in Exception No. 7 above, including the right to amend, modify or revoke said trust as expressed in said grants and existing as a matter of law.

The Burton Act, as amended, provides, among other things, that no amendment, modification or revocation shall impair or affect the rights or obligations of third parties including lessees, lenders for value, holders of contracts conferring the right to the use and occupation of, or the right to conduct operations upon or within, such lands, arising from leased, contract, or other instruments, lawfully entered into prior to the effective date of such amendment, modification or revocation.

I 9. Any defect or invalidity of any lease, franchise, permit, license or privilege authorized to be issued pursuant to the Burton Act, so called, or of any agreement made or other act done pursuant to the Burton Act, based upon the assertion that the uses of the land contemplated by any such lease, franchise, permit, license, privilege, agreement or other act are not consistent with the trust under which such lands are held by the State of California and the City and County of San Francisco, or that the Delegation to the Harbor Commission (Port Commission) of the City and County of San Francisco, by Paragraph 6 of Section 3 of the Burton Act, as amended, of the power to determine that said lands are not required for the purposes of commerce, navigation and fisheries numerated in said Paragraph 6 constitutes an unauthorized Delegation of Authority, or that the procedures before said Port Commission authorizing said agreement and

SCHEDULE B
(continued)

Order No: 6049001 Your Ref:

leases are otherwise defective.

J 10. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded JANUARY 30, 1969, BOOK B308, PAGE 686, SERIES NO. R40413, OFFICIAL RECORDS.

K 11. Agreement for : BRIDGE AND HIGHWAY PURPOSES
Dated : JANUARY 30, 1969
Executed By : DEPARTMENT OF PUBLIC WORKS, DIVISION OF HIGHWAYS, DIVISION OF TOLL CROSSINGS AND THE CALIFORNIA TOLL BRIDGE AUTHORITY OF THE STATE OF CALIFORNIA
And Between : THE SAN FRANCISCO PORT AUTHORITY
Upon the terms, provisions, covenants and conditions contained therein,
Recorded : FEBRUARY 27, 1969, BOOK B315, PAGE 786, OFFICIAL RECORDS

L 12. Matters disclosed by that certain Map entitled, "Map of Lands Transferred in Trust to the City and County of San Francisco", situated in the City and County of San Francisco, State of California filed in Book "W" of Maps at Pages 66 thru 72 in the City and County of San Francisco Recorder's Office, a copy of which was recorded May 14, 1976 in Official Records of City and County of San Francisco, State of California at Instrument No. Y88209.

M 13. Matters disclosed by that certain instrument entitled "Legal Description" recorded May 14, 1976 in Official Records of City and County of San Francisco, State of California at Instrument No. Y88210.

T 14. Matters disclosed by that certain Map entitled, "Map Showing the Widening of Bryant Street Between Main Street and the Embarcadero" which was recorded January 26, 1993 in Reel F802, Image 769 Official Records, Instrument No. F279498.

Terms and provisions of Resolution No. 92-47 of the Port Commission adopted April 22, 1992 as disclosed by said Map.

Terms and provisions of Resolution No. 970-92 by the Board of Supervisors as disclosed by said Map.

N 15. If extended coverage title insurance will be requested, or if this report has been issued to facilitate a request for extended coverage title insurance, then the following would also be exceptions to coverage:

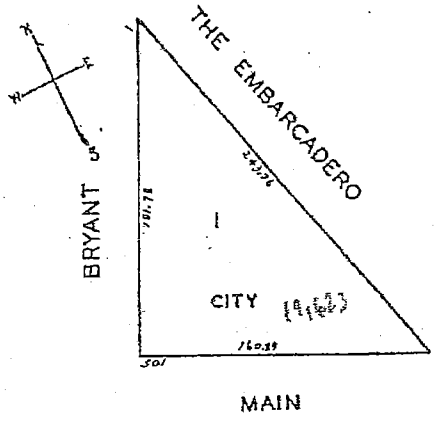
O Any facts, rights, interests or claims which are not disclosed by the public records but which could be ascertained by making inquiry of the parties or persons in possession of the herein described land.

SCHEDULE B
(continued)

Order No: 6049001 Your Ref:

3770

SO. BEACH BLK. 19

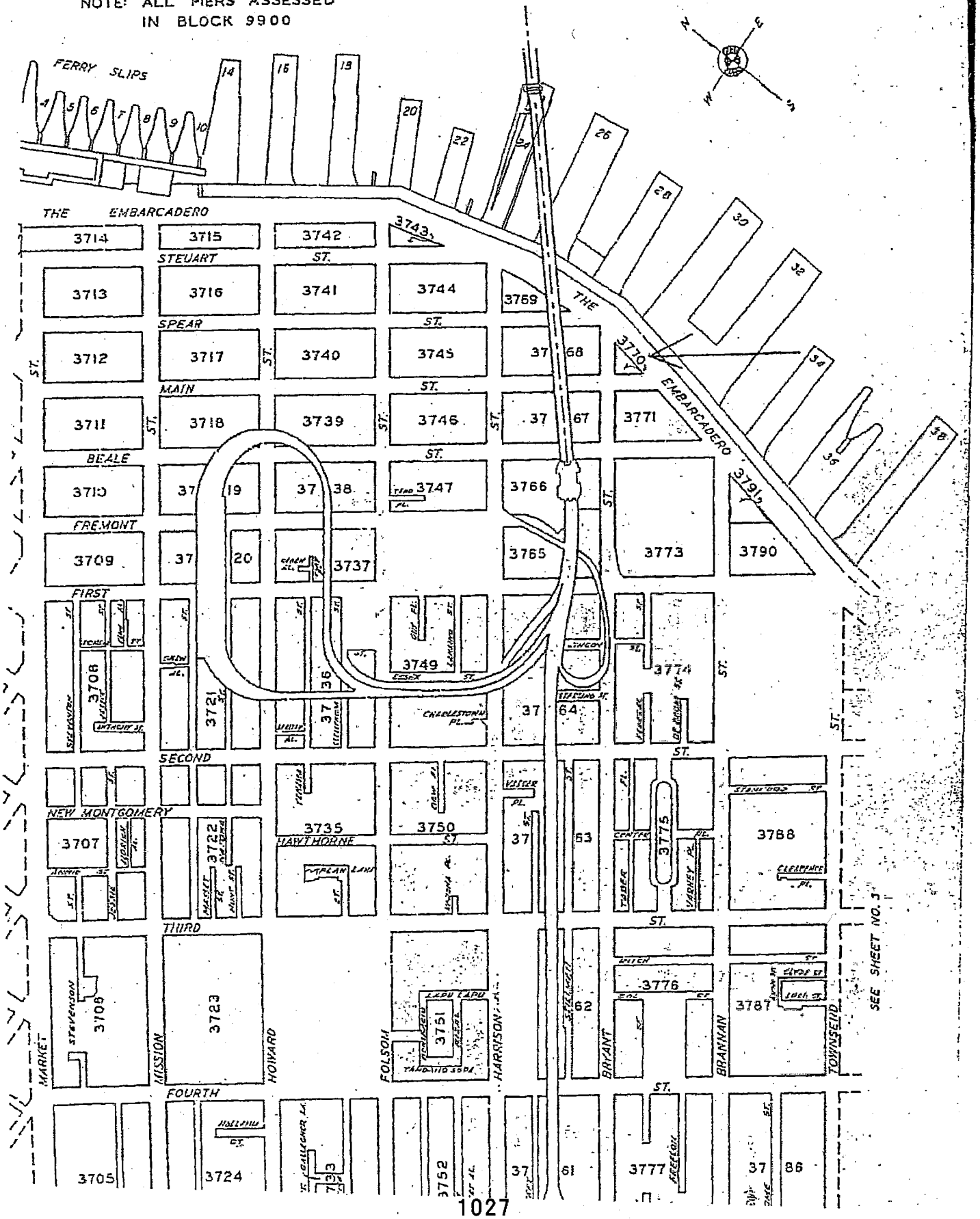


See Street Widening

VOLUME NO. 25

SHEET NO. 1 OF 3

NOTE: ALL PIERS ASSESSED IN BLOCK 9900



CHICAGO TITLE COMPANY

PRELIMINARY REPORT

Dated as of: October 5, 2001 at 5:00 PM

Order No.: 6048999 - MN

Regarding: BLOCK 3771
San Francisco, California

CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms are available upon request.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in the attached list of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

California Land Title Association Standard Coverage Policy

Visit Us On The Web: westerndivision.cit.com

Title Department:

CHICAGO TITLE COMPANY
590 Ygnacio Valley Road, Suite 300
Walnut Creek, CA 94596
Phone: (925) 974-4700

MaryPat Noeker
NATIONAL UNDERWRITER

Escrow Department:

CHICAGO TITLE COMPANY
388 Market Street, Suite 1300
San Francisco, California 94111
(415) 788-0871 fax: (415) 956-2175
Escrow No.: 006048999

Nicole T. Carr
ESCROW OFFICER

PFP - 08/05/99bk

SCHEDULE A

Order No: 6048999 MN Your Ref:

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

CITY AND COUNTY OF SAN FRANCISCO, A CHARTER CITY AND COUNTY, IN TRUST

3. The land referred to in this report is situated in the State of California, County of San Francisco and is described as follows:

SEE ATTACHED DESCRIPTION

PREA -10/31/97bk

DESCRIPTION

CITY OF SAN FRANCISCO

ALL THAT REAL PROPERTY SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY COMMONLY KNOWN AS SOUTH BEACH BLOCK 30 AS SHOWN ON THE ASSESSOR'S MAP ATTACHED HERETO.

EXCEPTING THEREFROM, ALL SUBSURFACE MINERAL DEPOSITS, INCLUDING OIL AND GAS DEPOSITS, TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS ON SAID LAND FOR EXPLORATION, DRILLING AND EXTRACTION OF SUCH MINERAL, OIL AND GAS DEPOSITS, AS EXCEPTED AND RESERVED BY THE STATE OF CALIFORNIA IN THAT CERTAIN ACT OF THE LEGISLATURE ("THE BURTON ACT") SET FORTH IN CHAPTER 1333 OF THE STATUTES OF 1968 AND AMENDMENTS THERETO, AND UPON TERMS AND PROVISIONS SET FORTH THEREIN.

NOTE: THE DESCRIPTION CONTAINED HEREIN IS BASED UPON INFORMATION SUBMITTED TO THIS COMPANY FOR THE PURPOSE OF THIS REPORT, IT IS NOT BASED UPON A SURVEY. SAID DESCRIPTION DOES NOT LOCATE THE LAND BY REFERENCE TO MONUMENTS OF RECORD AND IS NOT SUFFICIENT FOR TITLE INSURANCE PURPOSES. LINES AND MONUMENTS THEREIN REFERRED TO MUST BE LOCATED BY A CORRECT SURVEY, CONSIDERATION BEING GIVEN TO DESCRIPTIONS OF ADJOINING LANDS NOT INTENDED TO BE INCLUDED WITHIN THE DEVELOPMENT AREA. ANY FINAL REPORT OR POLICY IS DEPENDENT UPON SUCH A PROPER DESCRIPTION BEING FURNISHED AND WILL BE SUBJECT TO ANY MATTERS DISCLOSED BY THE TITLE SEARCH OF ANY ADDITIONAL LAND DISCLOSED BY SUCH DESCRIPTION.

LOT 001, BLOCK 3771

SCHEDULE B

Order No: 6048999 MN Your Ref:

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this Report would be as follows:

A 1. County and city taxes for the Fiscal Year 2001 - 2002, a lien not yet due or payable.

B 2. The Lien of Supplemental Taxes, if any, assessed pursuant to the provisions of Chapter 3.5, Revenue and Taxation Code, Sections 75 et seq.

C 3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District("CFD"), as follows:

CFD No. : 90-1
For : School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual Special Tax. This Special Tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

D 4. Any adverse claim based upon the assertion that any portion of said land was not tide or submerged land subject to disposition by the State of California on the effective date of the Legislative Grant of such land to the City and County of San Francisco, a Municipal Corporation; in trust, or that any portion thereof has ceased to be tide or submerged land.

E 5. Any right, title, interest of person, known or unknown, who claim or may claim adversely to the vested owners herein by reason of the record title to said property not having been established and quieted under the provisions of the McEnerney Act, so called.

F 6. Rights and Easements for Commerce, Navigation and Fishery.

G 7. Conditions, Restrictions, Easements, Reservations and Limitations and Rights, Powers, Duties and Trusts contained in the Legislative Grants, and by law as to the land or any portion thereof, acquired by the City and County of San Francisco, by Chapter 1333 of the Statutes of 1968, as amended by Chapters 1296 and 1400, Statutes of 1969 and by Chapter 670, Statutes of 1970, and Chapter 1253, Statutes of 1971, and as may be further amended, and such Reversionary Rights and Interests as may be possessed by the State of California under the terms and provisions of said Legislative Grants, or by law, including but not limited to:

(A) The right to hunt and fish in and over the waters of San Francisco Harbor.

SCHEDULE B
(continued)

Order No: 6048999 MN Your Ref:

(B) All surface mineral deposits, including oil and gas deposits, together with the right of ingress and egress on the properties conveyed to the City and County of San Francisco for exploration, drilling and extraction of such mineral, oil, and gas deposits, subject, however, to the provision that during the term of any lease, franchise, permit or license of such property pursuant to Section 3 of the Burton Act, such mineral rights herein reserved including the right of ingress and egress, shall not be exercised so as to disturb or otherwise interfere with the leasehold estate or the right or encumbrances to which any such lease, franchise, permit or license may be subject; provided, however, that any lease, franchise, permit or license of such property pursuant to Section 3 of this Act must contain a provision specifying at least one point from which the manner which the right of ingress and egress to said subsurface deposits may be exercised, which point or points may be outside the area of the leasehold, franchise permit or license, providing the point or points are adequate to permit the rights reserved to the State to be exercised.

H 8. The rights and interests of the State of California under the Common Law Trust under which tide and submerged lands are held as Trustor-beneficiary of the trust under which said lands are granted to the City and County of San Francisco by the acts and agreements referred to in Exception No. 7 above, including the right to amend, modify or revoke said trust as expressed in said grants and existing as a matter of law.

The Burton Act, as amended, provides, among other things, that no amendment, modification or revocation shall impair or affect the rights or obligations of third parties including lessees, lenders for value, holders of contracts conferring the right to the use and occupation of, or the right to conduct operations upon or within, such lands, arising from leased, contract, or other instruments, lawfully entered into prior to the effective date of such amendment, modification or revocation.

I 9. Any defect or invalidity of any lease, franchise, permit, license or privilege authorized to be issued pursuant to the Burton Act, so called, or of any agreement made or other act done pursuant to the Burton Act, based upon the assertion that the uses of the land contemplated by any such lease, franchise, permit, license, privilege, agreement or other act are not consistent with the trust under which such lands are held by the State of California and the City and County of San Francisco, or that the Delegation to the Harbor Commission (Port Commission) of the City and County of San Francisco, by Paragraph 6 of Section 3 of the Burton Act, as amended, of the power to determine that said lands are not required for the purposes of commerce, navigation and fisheries numerated in said Paragraph 6 constitutes an unauthorized Delegation of Authority, or that the procedures before said Port Commission authorizing said agreement and

SCHEDULE B
(continued)

Order No: 6048999 MN Your Ref:

leases are otherwise defective.

J 10. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded JANUARY 30, 1969, BOOK B308, PAGE 686, SERIES NO. R40413, OFFICIAL RECORDS.

K 11. Agreement for : BRIDGE AND HIGHWAY PURPOSES
Dated : JANUARY 30, 1969
Executed By : DEPARTMENT OF PUBLIC WORKS, DIVISION OF HIGHWAYS, DIVISION OF TOLL CROSSINGS AND THE CALIFORNIA TOLL BRIDGE AUTHORITY OF THE STATE OF CALIFORNIA
And Between : THE SAN FRANCISCO PORT AUTHORITY
Upon the terms, provisions, covenants and conditions contained therein,
Recorded : FEBRUARY 27, 1969, BOOK B315, PAGE 786, OFFICIAL RECORDS

L 12. Matters disclosed by that certain Map entitled, "Map of Lands Transferred in Trust to the City and County of San Francisco", situated in the City and County of San Francisco, State of California filed in Book "W" of Maps at Pages 66 thru 72 in the City and County of San Francisco Recorder's Office, a copy of which was recorded May 14, 1976 in Official Records of City and County of San Francisco, State of California at Instrument No. Y88209.

M 13. Matters disclosed by that certain instrument entitled "Legal Description" recorded May 14, 1976 in Official Records of City and County of San Francisco, State of California at Instrument No. Y88210.

T 14. Terms and provisions of that certain order vacating portions of Beale Street, First Street and Townsend Street at The Embarcadero, pursuant to Ordinance No. 172-89, recorded JUNE 8, 1989, REEL E867, IMAGE 1178, SERIES NO. E378066, OFFICIAL RECORDS.

N 15. If extended coverage title insurance will be requested, or if this report has been issued to facilitate a request for extended coverage title insurance, then the following would also be exceptions to coverage:

O Any facts, rights, interests or claims which are not disclosed by the public records but which could be ascertained by making inquiry of the parties or persons in possession of the herein described land.

P Any easements, liens (including but not limited to any Statutory Liens for labor or materials arising from any on-going or recently completed works of improvement), encumbrances, facts, rights, interest or claims which are not shown by the public records but which could be ascertained by an inspection of the herein described land.

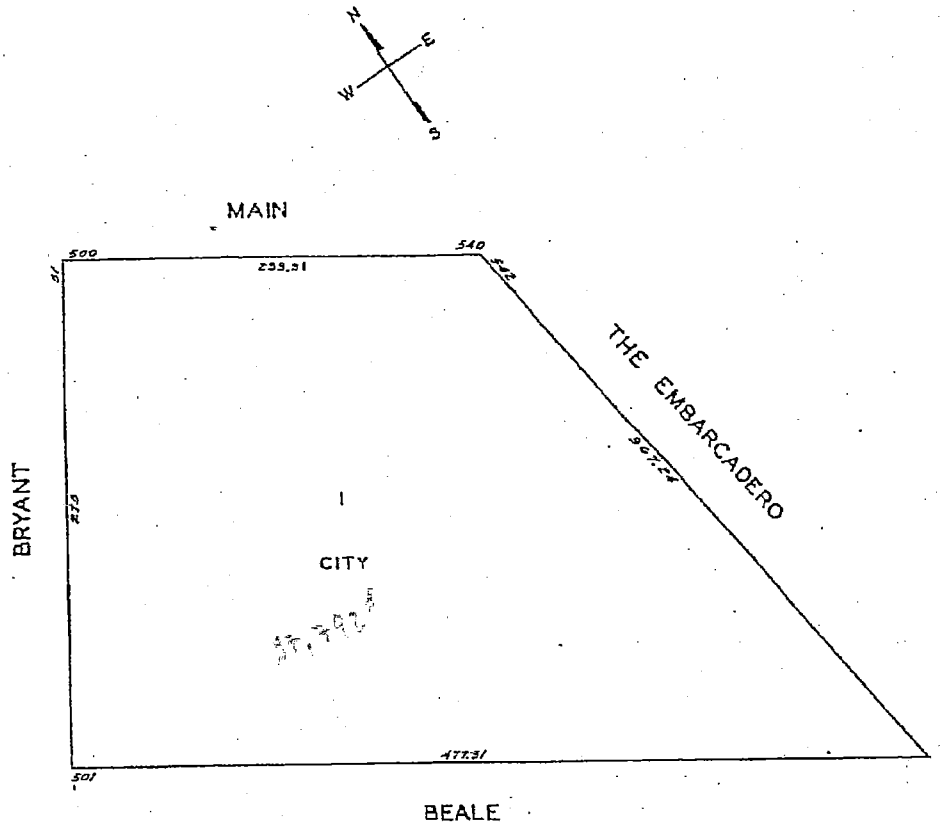
SCHEDULE B
(continued)

Order No: 6048999 MN

Your Ref:

3771

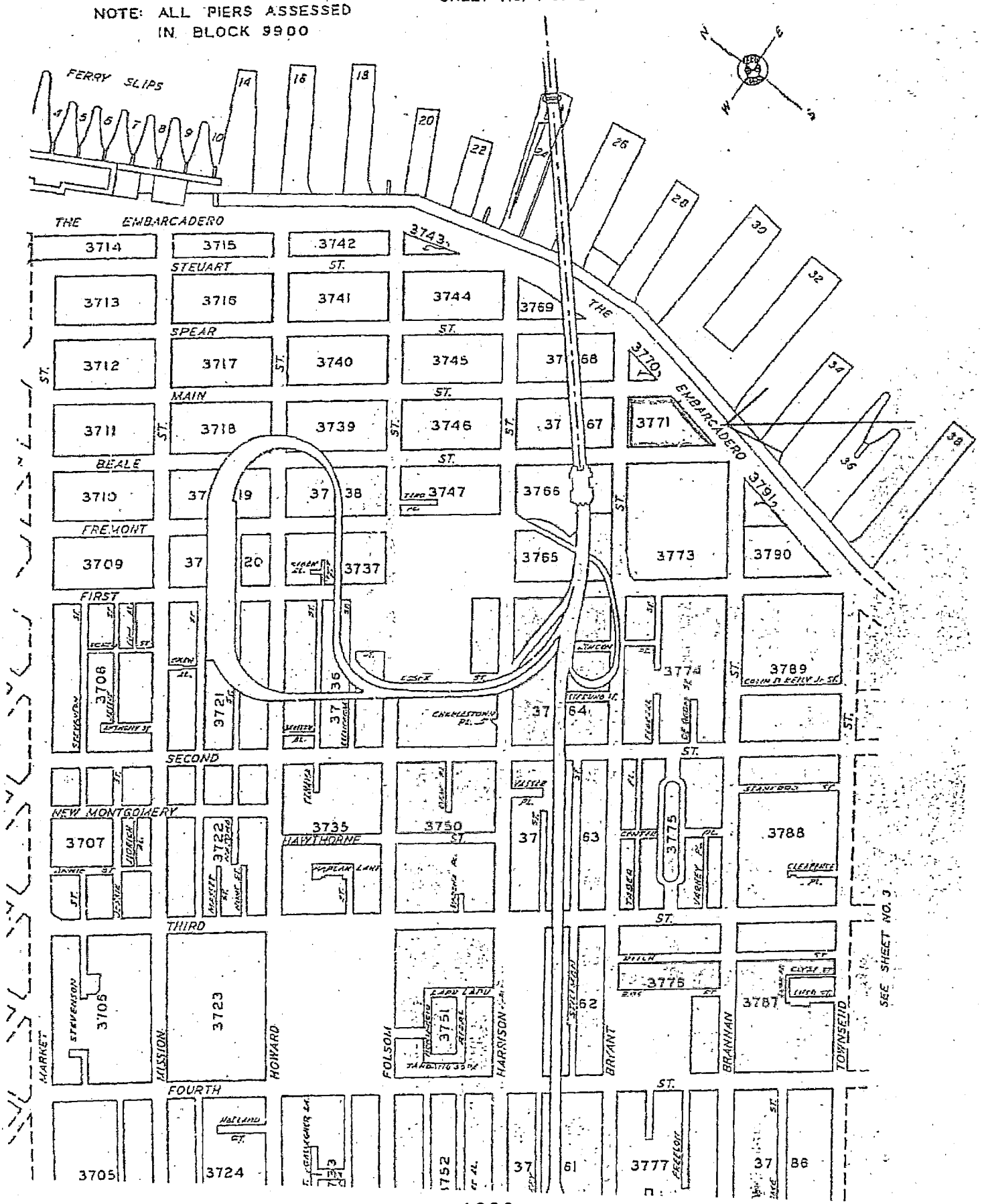
SO. BEACH BLK.20



VOLUME NO. 25

SHEET NO. 1 OF 3

NOTE: ALL PIERS ASSESSED IN BLOCK 9900



SAN FRANCISCO, CA
RECORDER'S OFFICE

DOC- E378068
No Charge Document
Thursday June 08, 1989 08:20:10
DEL ->

REEL E667 PAGE 592

Return to: Erica Peron
Board of Supervisors, Room 235, City Hall

Office of the Clerk of
BOARD OF SUPERVISORS
City Hall *San Francisco, California*

To: Recorder

Your attention is hereby directed to the following passed by the Board of Supervisors of the City and County of San Francisco:

STATE OF CALIFORNIA
City and County of San Francisco

CLERK'S CERTIFICATE

I, John L. Taylor, Clerk of the Board of Supervisors of the City and County of San Francisco do hereby certify that the annexed Ordinance No. 172-89 *is a full, true and correct copy of the original thereof on file in this office.*

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the official seal of the City and County this

8th *day of* June, *19* 89

John L. Taylor
Clerk of the Board of Supervisors
City and County of San Francisco

By Joan Lamm

SUE
1186

PUBLISHED BY THE BOARD
4/3/89

FILE NO. 188-89-1 ORDINANCE NO. 172-89

REEL E887 IMAGE 593

[Street Vacation]

ORDERING VACATION OF PORTIONS OF BEALE STREET, FIRST STREET AND TOWNSEND STREET AT THE EMBARCADERO; AND ADOPTING FINDINGS PURSUANT TO CITY PLANNING CODE SECTION 101.1.

Be It Ordained by the People of the City and County of San Francisco:

Section 1. On April 10, 1989, the Board of Supervisors adopted Resolution No. 251-89, approved by the Mayor on April 14, 1989, being a Resolution of a Declaration of Intention to order the vacation of portions of Beale Street, First Street and Townsend Street as shown on Department of Public Works' Drawing STR-1388, a copy of which is on file in the office of the Clerk of the Board of Supervisors.

Section 2. The Clerk of the Board of Supervisors did transmit to the Department of Public Works and the San Francisco Port Commission a certified copy of said Resolution, and said Department of Public Works did cause to be posted in the manner and as required by law, notice of the passage of said Resolution.

Section 3. When said matter was considered as scheduled by the Board of Supervisors at its regular meeting held in the City Hall, San Francisco, on May 15, 1989, beginning at 2:00 p.m., said Board heard all persons interested in said vacation.

Section 4. The public interest and convenience require the vacation to be done as declared in said Resolution No. 251-89.

Section 5. The San Francisco Port Commission shall have jurisdiction over the vacated street areas subject, however, to the reservations, provisions and conditions set forth in the Declaration of Intention to order said vacation and herein.

Section 6. The San Francisco Port Commission shall ensure that the costs of relocation or installation of any facilities shall be at no charge to the City.

Section 7. The Department of City Planning reported on September 7, 1988 that said proposed vacation is in conformity with the Master Plan and that review

for consistency with the Eight Priority Policies of Planning Code Section 101.1 is unnecessary since the subject proposal is the implementation of a Redevelopment Agency residential project.

Section 8. The San Francisco Board of Supervisors adopts as its own and incorporates by reference herein the findings made by the Department of City Planning, as stated in its letter dated September 8, 1988, that the proposed vacation of said portions of Beale, First and Townsend Streets is in conformity with the Master Plan and that review for consistency with the Eight Priority Policies of Planning Code Section 101.1 is not required.

Section 9. Upon vacation of the subject street areas, the jurisdiction which the Department of Public Works has over said street areas will be extinguished.

Section 10. The Board of Supervisors has acquired jurisdiction to order said vacation subject to the reservations, provisions and conditions set forth in the Declaration of Intention to order said vacation and herein.

Section 11. The Director of Property is hereby authorized to accept quitclaim deeds from the abutting property owners quitclaiming their interests in said portions of Beale, First and Townsend Streets proposed to be vacated.

Section 12. In the event the San Francisco Port Commission elects to lease said vacated street areas, the lease documents shall contain language ensuring continuance of the present rights of the public utilities and City Departments presently having facilities in the street areas and shall ensure that, if any future adjustment or relocation of said facilities is required by lessees, the cost shall be borne by lessees.

Section 13. Said portions of Beale Street, First Street and Townsend Street, as shown on said Department of Public Works' Drawing SUR-1188, are hereby ordered vacated, subject to the reservations, provisions and conditions as set forth in the Declaration of Intention to order said vacation and herein.

(Real Estate)
BOARD OF SUPERVISORS

Section 14. The Clerk of this Board is hereby directed to transmit a certified copy of this Ordinance to the Recorder, to the Director of Public Works, and to the Executive Director of the San Francisco Port Commission; and the aforesaid are hereby directed to proceed thereafter as required by law.

(SEE FILE FOR DEPARTMENTAL APPROVALS)

0435

REEL E887 IMAGE 596

Board of Supervisors, San Francisco

Passed for Second Reading	Finally Passed
May 15, 1989	May 22, 1989
Ayes: Supervisors Alioto Britt Gonzalez Hallinan Hongisto Hsieh Kennedy Maher Nelder Walker	Ayes: Supervisors Alioto Britt Gonzalez Hallinan Hsieh Kennedy Nelder Walker Ward
Absent: Supervisors Ward	Absent: Supervisors Hongisto Maher

I hereby certify that the foregoing ordinance was finally passed by the Board of Supervisors of the City and County of San Francisco

Acting Clerk

File No. 198-89-2.1

MAY 25 1989
Date Approved

Mayor

12-ASF-425

EXHIBIT D

APPRAISAL INSTRUCTIONS FOR
PIERS 30-32 GROUND LEASE AND SEAWALL LOT 330 SALE OR GROUND LEASE

(Proposed Development Of A Public Assembly Venue Usable For Conventions, Warriors Home Games, And Other Purposes, And Related Improvements)

I. Introduction

The City and County of San Francisco (the "City"), together with its Port Commission (the "Port"), are evaluating a proposal to develop a project on Port-owned properties that are the subject of the fair market value appraisal contemplated by these instructions. The proposed project consists of two related components, on separate Port parcels. The first part of the project involves construction of a new privately financed, state-of-the art multi-purpose facility with seating for approximately 17,000-19,000 persons, capable of being used as an event venue and for other public assembly uses, including for conventions, Golden State Warriors' home games, and other purposes, along with public open space improvements, parking facilities, visitor-serving retail, maritime access, and other related uses, on Piers 30-32 (the "Waterfront Site"). The developer would finance and build these improvements under a ground lease from the City's Port, and it would complete them by the Fall of 2017.

The second part of the proposed project includes the construction of improvements on the undeveloped portion of Seawall Lot 330 located on the west side of The Embarcadero, between Beale and Bryant Streets, on the other side of the street from the Waterfront Site (the "Seawall Lot Site"). The Port would convey title to the Seawall Lot Site in fee if certain conditions are met; otherwise, the Port would enter into a ground lease for that site. The scope of development for the Seawall Lot Site is not yet known.

The improvements on the Waterfront Site and the Seawall Lot Site are collectively referred to below as the "Improvements," and both components of the proposed project are collectively referred to below as the "Project." The developer of the proposed Project is GSW Arena L.L.C., or an affiliate of such entity (the "Developer"). The Developer is an affiliate of the entity that owns the Warriors franchise.

A. The Existing Site: Characteristics, Opportunities and Limitations

1. The Waterfront Site.

The Waterfront Site consists of approximately 553,778 square feet of land area, or about 13 acres with approximately 88,889 square feet of water area adjacent to the site and within the Port's piers as shown in Exhibit A. The Waterfront Site is currently used for short-term parking accommodating up to about 1,000-1,500 automobiles, occasional cruise terminal berthing when the Pier 27 and Pier 35 cruise terminal berths are occupied and occasional laying berthing such as for Fleet Week Naval vessels. The Port leases space on the pier deck of the Waterfront Site (shown on Exhibit A) on a month-to-month basis to Imperial Parking (U.S.), Inc., under Lease L-1344 , for short-term and monthly parking. The lease provides the Port with

monthly rent equal to 66% of the gross parking income net of parking tax collections. The Port received annual rental income from April 2011 to March 2012 equal to approximately $81,847. The lease is on a triple net basis, where the tenant is responsible for all operating, maintenance and tax expenses.

Also, the Port leases approximately 3,040 square feet of the Waterfront Site (as shown on Exhibit A) to Red's Java House, under Lease No. L-11914, for restaurant use. The Port has also issued to Red's Java House a companion parking license for a portion of the site. Both the lease and license are on a month-to-month basis. From April 2011 to March 2012 the lease and license generated approximately $61,241 in annual rent to the Port. The lease and license are on a triple net basis, where the tenant is responsible for all operating, maintenance and tax expenses (except for substructure maintenance or repair costs).

The piers comprising the Waterfront Site have a limited remaining useful life, requiring a substantial capital investment to repair the substructure and bring the piers up to modern seismic standards and to preserve the piers. The Port has not included the costs to improve the piers in its FY 2013-2022 Capital Plan due to limited Port resources and competing Port priorities.

The Waterfront Site has a zoning designation of M-2 (Heavy Industrial). M-2, codified in Planning Code Section 210.6, is one of the least restrictive zoning designations in terms of use and generally is located on the eastern side of the City and under the control of the Port. This district allows heavy industries served by rail, water transportation, and/or large utility lines. Typically this district has fewer requirements for screening and enclosure than Light Industrial zoning, but many of these uses are permitted only as conditional use or at a minimum distance from any Residential District.

The Waterfront Site is zoned for a 40-X height and bulk district, meaning a 40 foot height limit with unrestricted bulk.

State legislation AB 1389 (Stats 2001, Ch. 289), as amended by AB 605 (Stats 2003, Ch. 68) authorized the use of the Waterfront Site for cruise terminal development and ancillary retail and general office use, subject to obtaining all applicable regulatory approvals. More specifically, AB 1389 made various legislative findings regarding the need for a new cruise ship terminal at Piers 30-32, the creation of the Brannan Street Wharf and development in the area of Piers 34 and 36. It also declared, among other things, that: (a) the circumstances for this project were unique to Piers 30-32, (b) the act furthered the public trust purposes of increasing maritime activities and expanding public access and use of the waterfront; and (c) it was desirable to accelerate the construction of the Brannan Street Wharf adjacent to Piers 30-32.

AB 1389 authorizes the Port Commission to approve a cruise ship terminal, other maritime facilities, and retail and office space at Piers 30-32, provided that the following conditions were met: (a) The development includes a modern two-berth cruise ship terminal and a public access component. (b) Before submitting a major permit application to San Francisco Bay Conservation and Development Commission (BCDC) for the project, the Port, after review by BCDC, approves the final design concept for the Brannan Street Wharf development. (c) Before issuance of a BCDC permit for the cruise ship development project, the Port must demonstrate to the satisfaction of BCDC, and the State Attorney General's Office, that

i. has encumbered all funds necessary for completion of the Brannan Street Wharf and has placed the funds in a segregated account, (d) The amount of office space in the development does not exceed 300,000 leasable square feet, all of which must be above ground level and designed to include public spaces and public access (also, an additional 25,000 square feet of general office space is permitted for a limited period of time.) (e) The development includes a marketing program to maximize office space occupied by trust-related tenants over the life of the development. and (f) The cruise ship terminal project, as approved by BCDC, complies with certain specified "trust retail" and "nontrust retail" leasable space requirements. Under the legislation, to approve a cruise terminal project, the Port Commission does not need to obtain approval from the State Lands Commission or obtain a public trust consistency finding from BCDC.

The Port's efforts over the years to develop the Waterfront Site under AB 1389 and AB 605 through a public-private partnership have not been successful. The Port has decided to develop a cruise terminal at Pier 27 instead of at this site, and construction of that facility has begun at the Pier 27 site in connection with the 34th America's Cup event. Without the cruise terminal at the Waterfront Site, AB 1389 cannot be relied upon to allow for the ancillary retail and office uses it permits.

The Waterfront Site is subject to the Burton Act trust, the Burton Act Transfer Agreement and the public trust for commerce, navigation and fisheries (collectively, the "public trust"). The public trust limits uses of that site. For example, the public trust generally prohibits general office, retail uses that are purely local and do not serve visitors, and residential uses. The public trust also prohibits conveyance of a fee interest in the Waterfront Site. The Burton Act limits leases to 66-year terms at the Waterfront Site.

The Port Waterfront Land Use Plan, including the Design and Access Element (collectively, the "Waterfront Plan"), is the Port's adopted land use document for property within Port jurisdiction, including the Waterfront Site, and provides the policy foundation for waterfront development and improvement projects. After a multi-year cooperative process, the Port and BCDC adopted the Special Area Plan, which allows for the revitalization of certain piers for uses consistent with the public trust. The Waterfront Plan and the Special Area Plan recognize that the development of the Waterfront Site and the surrounding area should further the trust purposes of supporting maritime activities and expanding public use and enjoyment of the waterfront on trust lands at this location. The Special Area Plan sets forth certain design considerations for the site, including strict limitations on new fill and a requirement to provide maximum feasible public access. A project that provides at least 35% of the pier area for public open space is deemed to provide maximum feasible public access.

The Waterfront Plan identifies the Waterfront Site as a major development opportunity site, and the City, through its Port, has undertaken numerous unsuccessful attempts to develop the site in accordance with the Waterfront Plan's objectives, including the recent effort related to the 34th America's Cup and the previous effort described above to develop a fully entitled two berth international cruise terminal. In each of those two instances the private project sponsor abandoned its plans due to much higher than expected costs to repair the Piers 30-32 substructure. The Waterfront Plan contemplated the potential for developing an arena in the South Beach/Rincon Point Subarea of Port property (at the current location of AT&T Ballpark), which is only within a few blocks of the Waterfront Site. Pursuant to Proposition H, the

Waterfront Plan prohibits hotel use on the Waterfront Site. An amendment to this policy to allow hotel use would require a vote of the San Francisco electorate.

Piers 30-32, which comprise the Waterfront Site, are not designated as historic piers and are not within the Embarcadero Historic District. Red's Java House, which is situated on a portion of the Waterfront Site, is designated as a contributing resource to the Embarcadero Historic District. Development on the piers must be designed in a manner that is consistent with the structure's contribution to the district.

2. The Seawall Lot Site.

The Seawall Lot Site consists of approximately 101,330 square feet, or 2.3 acres, as shown on Exhibit B. The Seawall Lot Site, which fronts on the Embarcadero, is currently used for short-term parking accommodating up to about 260 automobiles. The Port currently leases the Seawall Lot Site on a month-to-month basis to Imperial Parking (US), Inc., for use as a parking lot. The monthly rent under the lease is a base rent of $38,644 plus any amount by which 66% of the gross parking income (net of parking tax) exceeds the monthly base rent. The average rental income the Port realized from April 2011 to March 2012 was $54,629. The lease is on a triple net basis, where the tenant is responsible for all operating, maintenance and tax expenses.

The Watermark, which was completed in 2006, is a 22-story condominium tower that is situated on a square lot at the corner of Beale and Bryant, to the west and immediately adjacent to the Seawall Lot Site. In 2003, the Port sold this site, which had been a portion of Seawall Lot 330. The Port used proceeds from that sale together with a contribution from a City park bond to fund construction of the Brannan Street Wharf, located on The Embarcadero Promenade just south of the Waterfront Site. Estimated to be complete by June 2013, the Brannan Street Wharf is a $25 million project for a new 57,000 square foot public park over the water and parallel to the Embarcadero Promenade.

The Seawall Lot Site has a zoning designation of SB-DTR (South Beach Downtown Residential). SB-DTR, codified in Planning Code Section 829, covers areas adjacent to the southern edge of the downtown and is within and adjacent to the South Beach Redevelopment Project Area. SB-DTR zoning allows high-density residential uses and supporting commercial and institutional uses and encourages them within the limits set by height, bulk and tower spacing controls. It also generally requires active uses on streets, such as individual townhouse dwelling units with ground floor entries leading directly to the street. SB-DTR limits lot coverage for all levels with residential uses that does not face onto a street, but does not require traditional rear yard open spaces. Specific controls govern height, bulk and massing and ensure adequate spacing between towers to establish a neighborhood scale and ensure light and air to street and open spaces. Developments must have setbacks where necessary to provide transition space for ground floor residential uses and to ensure sunlight access to street and open spaces. Off-street parking must be located below grade. Planning Code section 829 effectively requires residential development, by establishing a ratio of 6:1 between residential and other permitted uses.

The Seawall Lot Site is zoned 65/105-R, which means that the podium level is limited to 65 feet in height and any tower on the site can reach up to 105 feet with a floor area of 7,500

square feet under Planning Code Section 263.19. Towers must be at least 115 feet from any other tower above 65 feet, even if the other tower is on a different site.

The Seawall Lot Site is located in the East South of Market Area of the Eastern Neighborhood Plan. Accordingly, development in this location would require payment of the Eastern Neighborhood Infrastructure Impact Fee in addition to all other applicable City fees. The amount of that fee varies depending on the uses developed. Inclusionary housing requirements on the site would be 15% on-site or 20% off-site or in-lieu fees for buildings under 120'.

The Seawall Lot Site is subject to two pieces of State legislation that could affect its development and disposition by the City's Port: SB 815 (Stats 2007, Ch. 660) and AB 418 (Stats 2011, Ch. 477). In contrast to the Waterfront Site, the Seawall Site is free from some or all public trust restrictions under certain conditions set forth in SB 815 and AB 418, as described generally below.

In SB 815[1] the State Legislature declared that SWL 328 (under the Bay Bridge), SWL 330 and SWL 337[2] were free from the use requirements of the public trust. As a result, the City, through its Port, has the authority to enter non-trust leases at these sites for periods of up to 75 years, but terminating not later than 2094. The leases must be for fair market rent, and the State Lands Commission must approve the leases, making findings described in the act. The Port must use the net proceeds from the leases to rehabilitate the Port's historic resources and build waterfront open spaces in the Special Area Plan (Northeast Wharf Plaza[3] or Brannan Street Wharf). The Port must hold the net proceeds of the leases in a segregated account and the Executive Officer of the State Lands Commission must approve the uses of Port property where the Port proposes to expend net proceeds.

Subsequently, under AB 418[4] the State Legislature made findings about the 34th America's Cup Host Agreement between the City and the America's Cup Event Authority, lifted the public trust from SWL 330, and, subject to certain limitations, permitted the sale of the Seawall Lot Site at fair market value, subject to State Lands Commission review of the appraisal and after the Port identifies and commits to impress the public trust on land of equal acreage along San Francisco Bay, as approved by the Commission. Also, the Port can convey title to the Seawall Lot Site free of a Port reversionary interest and all public trust interests only if the America's Cup races are held in San Francisco Bay before December 31, 2013. AB 418 requires the Port to use such sales proceeds for trust purposes. The Port may accept consideration from a sale in the form of improvements to AC34 venues or other Port property.

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[1] http://leginfo.ca.gov/pub/07-08/bill/sen/sb_0801-0850/sb_815_bill_20071012_chaptered.html

[2] The legislation establishes conditions precedent to the termination of the trust as to SWL 337; BCDC must amend the Seaport Plan to remove SWL 337 and the Commission must approve a Port study of potential trust uses of SWL 337 to determine which portions of the site may be preserved for trust uses (particularly along the north and east edges of SWL 337).

[3] The Northeast Wharf Plaza at Pier 27 is an approximately two-acre plaza expected to cost $15 million and will be funded by the 2012 parks general obligation bond scheduled for a vote in November, 2012.

[4] http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_0401-0450/ab_418_bill_20111006_chaptered.html

AB 418 also authorizes the lease of SWL 330, including the Seawall Lot Site, for non-trust purposes for a term of up to 75 years. Consideration for such a lease must be fair market value, as determined by the Port, and may be in the form of improvements to Port property in accordance with the America's Cup Host Agreement. At the termination of the lease, any improvements on the Seawall Lot Site would become the property of the Port without further consideration.

B. The Proposed Project and Transaction Structure

The proposed Project is a public assembly venue that will draw visitors from the entire Bay Area, and beyond, to this unique site along San Francisco Bay for events during 200 or more days a year. The Developer and the City are committed to designing the Project to meet all of the public trust and other requirements that apply to the Waterfront Site, while taking advantage of the Project's extraordinary proximity to the Brannan Street Wharf and the Brannan Street Wharf Open Water Basin between Piers 32 and 38.

The proposed Project will be refined and improved through the public review process, including the BCDC Design Review Board (with respect to Piers 30-32) and the City's Waterfront Design Advisory Committee process. The Developer and the City are committed to designing the portions of the proposed Project on Piers 30-32 in consultation with BCDC and State Lands Commission staff to meet the various necessary design objectives of the Special Area Plan and ensure that the Project is consistent with the public trust. Key design features that will support both Special Area Plan and public trust consistency include a significant extension of the Portwalk and major new Bay-oriented public open space on the piers.

Relevant Special Area Plan design objectives include: ensuring maximum feasible public access to the Waterfront Site; creating public open space on at least 35% of the surface area on Piers 30-32; to the extent feasible preserving the iconic views of the Bay Bridge from public view corridors; creating a design that respects the Embarcadero Historic District; using the Bay as an asset in the design of the proposed Project; enhancing Bay views and providing opportunities for public views of the Bay from unique elevations along the waterfront; creating ancillary parking facilities sized and located to minimize adverse impacts on public access; and providing plentiful and high quality bicycle parking for attendees of events at the multi-purpose public venue.

To help ensure public trust consistency, the Project will provide a high-quality visitor experience before, during and after events that is appropriate to the Waterfront Site and its Bay setting. Also, the Waterfront Site will incorporate maritime use of the Piers 30-32 north and/or east berths, water-oriented transportation services and recreational boat access, visitor-serving retail and restaurants, major new open space, and event programming to benefit the Port, Bay maritime commerce, and other public trust purposes.

To implement the proposed Project, and subject to all required approvals, the Developer would acquire (1) a leasehold interest from the City, through its Port, under a long-term ground lease of the Waterfront Site (for a term of up to 66 years) and (2) fee title to the Seawall Lot Site if conditions can be met, or, instead, under a long-term ground lease of the Seawall Lot Site (for a term of up to 75 years). Both transactions would be based on the fair market value of the property interests involved. The conveyance of the leasehold interest to the Waterfront Site and of fee title (or, alternatively, leasehold title) to the Seawall Lot Site would occur concurrently, after environmental review of the proposed Project under CEQA is complete and the Project receives all required City and State approvals. The current schedule contemplates that the Developer would obtain the required approvals before the end of 2013 or the first part of 2014, that the closing of the leasehold and fee interest conveyances would occur in the first half of 2014 and the construction would begin in June, 2014.

Development of the Waterfront Site will require substantial capital improvements to the pier substructure. The parties anticipate that the Developer will be responsible for all of the costs of the substructure improvements. The Developer will be reimbursed for those costs to the extent necessary to support development of the highest and best use on the Waterfront Site, on terms to be negotiated, possibly through rent credits or other means agreed upon by the parties. The City may also establish an infrastructure financing district ("IFD") that would be comprised of the Waterfront Site and the Seawall Lot Site, and make available property tax increment from the IFD to help reimburse Developer for privately funding Piers 30-32 substructure costs needed to support the Project or for other public infrastructure costs associated with the Project, all on terms to be negotiated by the parties.

The Port will deliver each of the Waterfront Site and the Seawall Lot Site in its "as is, with all faults" physical condition. The City, including its Port, will not be responsible for any hazardous materials investigation or other site preparation or construction costs, except for funding the to be agreed-upon necessary Piers 30-32 substructure costs (piers, bulkhead and foundation improvements). In connection with its development, lease and use of the Waterfront Site and Seawall Lot Site, the Developer will indemnify the City , including its Port, for hazardous materials generated at or transported to the Waterfront Site or the Seawall Lot Site as a result of the Project. Except as provided above the transaction documents will include standard representations, warranties and covenants in Port ground leases and conveyance agreements.

Subject to reimbursement for Piers 30-32 substructure costs as described in these instructions, the Developer will be responsible for constructing and financing 100 percent of the cost of all of the improvements on the Waterfront Site and the Seawall Lot Site.

II. Purpose of the Appraisal

The appraisal assignment is to separately determine (1) the fair market rent of a 66-year leasehold interest in the Waterfront Site, and (2) the fair market value of the fee interest in the Seawall Lot Site, and as an alternative, the fair market rent of a 75-year leasehold interest in the Seawall Lot Site. The City including its Port will use the appraisal as the basis for a negotiated ground lease of the Waterfront Site between the City, through its Port, and the Developer, and a negotiated sale (or, if appropriate, ground lease) of the Seawall Lot Site between the City, through its Port, and the Developer, as part of the terms for development of the whole Project. The City also intends to use the appraisal to support findings that the proposed transactions for

the Project are consistent with the public trust and with the conditions in the State statute (AB 418) allowing for the City's sale of a fee or leasehold interest in the Seawall Lot Site free from public trust restrictions.

The appraiser shall be a member of the Appraisal Institute (MAI), selected by the Port, in consultation with the Developer, from the City's panel of appraisers (the "Appraiser"). The Appraiser shall be under contract to the City under the terms and conditions substantially consistent with the City's standard form appraisal agreement, subject to the special instructions set forth in this document. The City, including its Port, and the Developer, in consultation with State Lands Commission staff, have agreed to the City's use of an appraiser from the City's Department of Real Estate panel for these purposes.

The Developer shall pay, or reimburse the City for, all fees and costs of the Appraiser due under the contract. The fees of the Appraiser shall be mutually agreed upon by the Appraiser, the Developer, the Director of the Office of Economic and Workforce Development and the Port Director, consistent with this document.

The appraisal report shall include the Appraiser's final opinion of the fair market rent for the Waterfront Site and the fair market value for the Seawall Lot Site based on the parameters and special instructions set forth in this document. The final opinion of value must be a specific dollar figure for each property interest, the leasehold for the Waterfront Site, the fee interest for the Seawall Lot Site and as an alternative the leasehold interest in the Seawall Lot Site. The appraisal report shall contain all pertinent information or documentation supporting the conclusions, as well as a clear and detailed description of the assumptions and any limiting conditions, qualifications or omissions, and of the method of analysis the Appraiser used in reaching the conclusions. The appraisal report shall contain a duly executed certification by the Appraiser, in a form mutually agreed to by the Appraiser, the City including its Port and the Developer.

The appraised value shall reflect the independent professional judgment of the Appraiser and be consistent with the special instructions. The Appraiser shall use appropriate approaches to value in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), consistent with the following special instructions.

III. Special Appraisal Instructions

The special instructions to the Appraiser, as agreed upon by the City, including its Port, and the Developer, in consultation with the staff of the California State Lands Commission as to the appraisal of the fee (and leasehold) interest in the Seawall Lot Site (and for its information as to the leasehold interest in the Waterfront Site), are as follows:

A For Both Property Interests:

The Appraiser shall assume the following in appraising the leasehold interest for the Waterfront Site and the fee interest (and alternatively the leasehold interest) for the Seawall Lot Site:

- That the City, through its Port, owns fee simple title to the entire site, including the Waterfront Site and the Seawall Lot Site, and holds good and marketable title, subject to the public trust, and as those trusts and restrictions have been modified and amended by AB 1389 and AB 605 regarding an authorized cruise terminal project at the Waterfront Site and by SB 815 and AB 418 relating to the Seawall Lot Site.
- The Appraiser shall identify the highest and best use for the property, without limiting such use to the proposed uses under the Project. But neither site shall be appraised based on long-term use for surface parking (the current interim uses of the sites).
- The Appraiser shall use methodologies generally recognized by appraisers as necessary to produce credible appraisals.
- That the zoning districts and designations discussed above continue to apply to both sites. But neither site is entitled for development.
- The Appraiser shall factor in the costs and time necessary to secure entitlements for both the Waterfront Site and Seawall Lot Site and, in doing so, shall look to recent waterfront development projects of similar scale in San Francisco as comparables.
- That the project sponsor will pay all applicable development impact fees based on the highest and best use.
- The Appraiser should not assume that an IFD will be formed or that property tax increment proceeds or increment bond financing will be available to help pay for infrastructure costs on the Waterfront Site or the Seawall Lot Site.
- That except for a public trust exception affecting the Waterfront Site and the ban under Proposition H on hotel development for the Waterfront Site, there are no title exceptions adversely affecting value, financeability or use of the subject properties for their highest and best use and that the City, through its Port, has fee title to the properties free and clear of any so-called "McEnerney exception."
- Except as otherwise specified in these special instructions, the Appraiser shall value all of the Port property in its "as is, with all faults" condition.
- In view of the valuation of the subject property in its as is condition, the appraisal should take into account offsets for hazardous materials, geotechnical conditions and mitigation for sea-level rise, to the extent any such offsets are appropriate for the highest and best use. If the Appraiser determines that the proposed comparable sales include a factor for those matters, the Appraiser shall take into account any special conditions, such as unusual costs of geotechnical shoring, preparation of hazardous materials investigation and remediation, and costs to protect the Waterfront Site from reasonably anticipated sea-level rise, that would distinguish the subject property from the sites proposed as comparables. If there are conditions that would distinguish the property and the costs to investigate and remediate or otherwise address these issues are unavailable before the conclusion of the appraisal report, the appraisal report shall make clear that it does not include such offsets and that appropriate offsets will need to be made at such later time as such information is available.

- The Port will deliver the sites with or without the existing parking leases, as preferred by the Developer.
- The effective date of valuation is _____ _____2012.

B. Additional Special Instructions for the Appraisal of the Waterfront Site Only:

In addition to the special instructions for both properties identified above, the Appraiser shall assume the following regarding its appraisal of the Waterfront Site:

- The Appraiser shall assign a specific annual rent to the leasehold interest, and shall make clear any assumptions about annual cost-of-living adjustments in that rent or any market rate resets during the term or any extension options as well as any assumptions about percentage rent or other income participations.
- That the Waterfront Site is 553,778 square feet.
- The Waterfront Site is in a 40-X height and bulk zoning district.
- That the initial term of the ground lease is 30 years, and that the lease may be extended by an additional 36 years for up to a total of 66 years.
- That the Waterfront Site is subject to the public trust, which limits permitted uses.
- That Proposition H, an initiative ordinance approved by the voters in November 1990, bans the construction of hotels on the San Francisco waterfront, including the Waterfront Site.
- If the Appraiser finds that the highest and best use of the Waterfront Site is for a multipurpose public assembly venue that can be used part of the year by the Warriors, and the Appraiser uses an income approach to valuation in doing so, then the Appraiser shall make clear assumptions about allocating value between the property and the team, including, for example, rights to broadcast revenues.
- To satisfy BCDC's "maximum feasible public access" requirements, at least 35% of the Waterfront Site shall be dedicated to public open space use, including perimeter public access and the costs of improving public open space on the Waterfront Site shall be assumed to be borne by the Developer.
- The Appraiser shall identify what substructure improvements are necessary to Piers 30-32 to support development of the highest and best use. The estimated costs of such substructure improvements shall be mutually agreed upon by the City, Port and the Developer and provided to the Appraiser. In arriving at fair market rent, the Appraiser shall assume that the Developer will finance 100 percent of the required costs of such substructure improvements on an up-front basis and at a risk-adjusted cost of capital, and shall further assume that the Port will offer rent credits and or other mechanisms to reimburse the Developer for certain costs on terms to be negotiated, but that such rent credits and other mechanisms may not fully reimburse Developer for such costs.
- With respect to hazardous materials, that (i) the property has been a parking lot since _____, (ii) Phase I reports indicate that _____, and (iii) neither the City nor its Port will provide any representations, warranties or indemnities regarding hazardous materials on the Waterfront Site.
- That the Developer is responsible for providing space for the existing Port tenant, Red's Java House, on or adjacent to the Site, on terms and conditions substantially

consistent with its current lease and that the building which houses Red's Java House will be preserved as a contributing resource to the Embarcadero Historic District.

- That the Port may lawfully enter into the lease and related documents, consistent with the public trust, and that the lease will be binding on any successor to the Port according to its terms.

C. Additional Special Instructions for the Appraisal of the Seawall Lot Site Only:

In addition to the special instructions for both properties identified above, the Appraiser shall assume the following regarding the Seawall Lot Site:

- The Seawall Lot Site will be appraised free of any public trust restrictions.
- That the Seawall Lot Site consists of 101,330 square feet.
- With respect to the manner of conveyance, the Appraiser shall value the Seawall Lot Site under two alternative scenarios: (1) Fee Interest. The Appraiser shall determine the fair market value of a sale of a fee interest, based on the premise that all conditions to conveyance of the Seawall Lot Site under AB 418 free of the public trust have been satisfied and that a conveyance of the Seawall Lot Site by the Port free of the public trust is conclusively presumed to be valid. More specifically, the Port will identify and commit to impress other lands, of equal acreage, with the public trust, as necessary to allow the conveyance in fee of the subject property, free of the public trust, under AB 418. And the 34th America's Cup Match will be held in the City by December 31, 2013, as contemplated by AB 418, and the conveyance will close after the date the Match is held, (2) Leasehold Interest. The Appraiser shall assign a specific annual rent to the conveyance of a leasehold interest under a ground lease with an initial term of 30 years with a possible extension of up to 45 years for up to a total of 75 years. Under the leasehold alternative, the Appraiser shall make clear any assumptions about annual cost-of-living adjustments in the rent or any market rate resets during the term or any extension options as well as any percentage rent or other participations.
- The Port's policy is to retain a small percentage participation in the net income from the sale of condominium units (transfer fees) developed on property that the Port sells free of the public trust. The Appraiser shall assume a transfer fee of 0.5% on the net proceeds from sales of condominium units, beginning with the first sale and continuing for future sales based on commercially reasonable projections of turnover of such units.
- The Appraiser shall clearly identify any differing highest and best use analysis under the sale and ground lease alternatives.
- With respect to hazardous materials, that (i) the property has been a parking lot since _____, (ii) Phase I reports indicate that _____, and (iii) neither the City nor its Port will provide any representations, warranties or indemnities regarding hazardous materials on the Seawall Lot Site.
- That use of the site shall require parking constructed below-grade at a ratio of .75:1 for 1-bedroom units and 1:1 for 2-bedroom and above units, 1:1000 s.f. of retail, and 1:200 s.f. for restaurant use.

IV. Appraisal Process

The Appraiser shall perform the appraisal in three phases:

Phase 1: Provide oral report to the Director of the Office of Economic and Workforce Development, the Port Director and the Developer by August 30, 2012, including an estimated range of value for each of the Waterfront Site and the Seawall Lot Site (under both alternatives), provided that the Appraiser shall use its best efforts to give the report as early as possible before such outside date.

Phase 2: Deliver draft summary appraisal report to the Director of the Office of Economic and Workforce Development, the Port Director, and the Developer by September 10, 2012 (or such other date as mutually agreed upon by the Appraiser and the City), together with an oral presentation by the Appraiser of the draft within five business days after that.

Phase 3: Deliver final narrative appraisal report, upon request by the Director of Economic and Workforce Development, the Port Director and the Developer, by September 28, 2012 (or such other date as mutually agreed upon by the Appraiser and the City).

Phase 4: Present final narrative appraisal report, at the request of the Director of Economic and Workforce Development, the Port Director and the Developer, to State Lands Commission staff. Perform any additional work as required during the Project approval process.

In performing the work required for each of the phases described above, the Appraiser shall cooperate reasonably with other consultants providing services on behalf of the City, including its Port, in connection with the proposed Project.

Also, the Appraiser shall make such presentations to the Board of Supervisors, Port Commission, State Lands Commission, San Francisco Bay and Conservation Development Commission, and such other government bodies and agencies as the Director of the Office of Economic and Workforce Development or the Port Director may, upon consultation with the Developer, request.

V. Appraisal Fees

Fees for the appraisal of the leasehold interest in the Waterfront Site and the fee interest and leasehold interest in the Seawall Lot Site shall be paid by the Developer in accordance with the requirements of the appraisal contract.

VI. Additional Services Relating to the Appraisal

In the event that the Appraiser performs additional services, including making presentations at public hearings (including the Board of Supervisors, the Port Commission, the California State Lands Commission, and the San Francisco Bay Conservation and Development Commission), providing additional information to other consultants or State agencies involved in

QUALIFICATIONS OF CHRIS L. CARNEGHI, MAI

California Certified General Real Estate Appraiser No. AG001685

Chris Carneghi is the President of Carneghi-Blum & Partners, Inc., a California Corporation providing real estate appraisal and consulting services. The following is a summary resume of his background and experience.

EXPERIENCE

Mr. Carneghi has more than 25 years of experience as a real estate appraiser, arbitrator and consultant in the fields of real estate and urban economics. He has conducted numerous real estate appraisals of office buildings, research and development (R&D) buildings, industrial facilities, retail stores and shopping centers, hotels, apartments, condominiums and vacant land. Mr. Carneghi's real estate appraisal expertise is focused on urban/suburban buildings, development projects and land. He has extensive experience in appraising real estate for condemnations, rental and other appraisal arbitration matters, property tax assessment appeals, mortgage loans, assessment districts, community facilities districts and similar public finance bond financing. Analysis and valuation of leasehold, leased fee and other real estate interests are standard areas of practice. He also has experience in cost revenue analyses as they relate to municipal fiscal impacts from a land use project. Mr. Carneghi has been a Member of the Appraisal Institute (MAI) since 1982 and is licensed as a California Certified General Real Estate appraiser.

Mr. Carneghi frequently provides litigation support and serves as an expert witness in court or in private arbitration proceedings. He also acts as either a neutral or party arbitrator in resolving matters of real estate values, rents and related issues. He has been qualified as a real estate appraisal expert and provided testimony in the California Superior Courts of San Francisco, Santa Clara, San Mateo, Marin, Contra Costa, Alameda, Sonoma, Napa and San Joaquin Counties and in the Federal United States Bankruptcy Courts in Oakland, San Francisco, San Jose, San Diego and Santa Rosa. He has been qualified as a real estate expert and testified in Federal Tax Court in San Francisco, in California Public Utilities Commission (PUC) hearings in San Francisco and in hearings conducted at the American Arbitration Association (AAA) and Judicial Arbitration and Mediation Service (JAMS) in various locations. He has also testified in Hawaii concerning ground lease issues.

Carneghi-Blum & Partners, Inc. is a real estate appraisal and urban economics consulting company. The firm has a staff of approximately 20 real estate appraisal and market research professionals and maintains offices in San Francisco, San Jose and Walnut Creek, California. Mr. Carneghi has overall management responsibility for the firm, as well as being the partner in charge of many specific appraisal, arbitration and consulting assignments.

After graduating with academic distinction from the University of California at Berkeley, he worked for several years with Paul Fullerton, MAI, on real estate market research with emphasis on downtown rejuvenation studies. He then spent two years with Kaiser-Aetna, a national real estate development partnership, managing market research and financial analysis for their special projects office. Following this, he was the project economist for the City of San Jose Economic Development and Redevelopment Program. In 1977, Mr. Carneghi established the firm of Urban Economics Corporation, a real estate consulting firm. In 1979, he merged Urban Economics with the firm of Fullerton-Mills, a real estate appraisal firm established in 1972. The merger resulted in Mills-Carneghi, Inc. (later Mills-Carneghi-Bautovich, Inc.). The company became Carneghi-Bautovich & Partners, Inc. in August 1989 and was renamed Carneghi-Blum & Partners, Inc. in July 2004.

(Revised 07/11- QCC)

Other related experience includes teaching, speaking and publications on various facets of real estate appraisal, arbitration and market research which are listed below. Mr. Carneghi has served on the board of directors of a condominium project. He was a consultant to the San Jose City Council Jobs and Housing Committee, which was charged with investigating the fiscal impact of the imbalance between jobs and housing in that city, and a consultant to the Cupertino City Council concerning the feasibility of high density residential development in that city. He has also made numerous presentations to the rating agencies of Standard and Poor's and Moody's in connection with market studies concerning mortgage revenue bond programs.

PROFESSIONAL AFFILIATIONS & STATE CERTIFICATION

MAI Designation: (No. 6566) Appraisal Institute
Chairman Admissions Committee: AIREA Chapter 11, 1987
State of California Certified General Real Estate Appraiser No. AG001685

EDUCATION

Bachelors Degree: Urban Studies, University of California at Berkeley
Masters Degree: Business Administration, San Jose State University

SPEAKING

Topic: Legal Pitfalls in Arbitration; Lambert v. Carneghi
Location: Appraisal Institute Northern California Chapter, Annual Spring Litigation Conference, Woodside, May 2011

Topic: Real Estate Appraisal Principals and Concepts
Location: City of San Jose, Office of Economic Development, May 2011

Topic: Real Estate Appraisal Principals and Concepts
Location: City of San Jose, General Services Department, Real Estate Services and Asset Management Division, August-September 2010

Topic: The Bankruptcy Process: Appraiser / Attorney Interaction
Location: Appraisal Institute Northern California Chapter, Annual Spring Litigation Conference, Woodside, May 2010

Topic: Property Tax Assessment Appeal & Procedures
Location: Appraisal Institute Northern California Chapter, Annual Spring Litigation Conference, Woodside, May 2009

Topic: Appraisal Arbitration Workshop
Location: Appraisal Institute Northern California Chapter, Continuing Education Workshop, Pleasanton, September 2005

Topic: Before You Say Yes - Qualifying Appraisal Clients, Engaging Assignments, and Product Pricing
Location: Appraisal Institute Northern California Chapter, Fall Conference, San Francisco, October 2004

Topic: Exchange and Deposition - The Litigation Process Involving a Real Estate Appraiser as an Expert
Location: Appraisal Institute Northern California Chapter, Fall Conference, San Francisco, November 2003

Topic: The Issue of Specific Defendant Compensation For An Unrecorded Public Interest in a Condemned Parcel of Land
Location: Case Studies in Eminent Domain Seminar; Northern California Chapter of Appraisal Institute, Oakland, June 2003

Topic: Rent Arbitration in Volatile Market Conditions
Location: San Francisco Real Estate Roundtable, October 2002

Topic: Demolition and Toxic Contamination Problems in Real Estate Appraising
Location: Santa Clara County Assessor's Training Conference, September 2002

Topic: Appraisal Crossfire: Controversies in the Profession
Location: Appraisal Institute San Francisco Bay Area Fall Conference, October 1997

Topic: Reviewing the Reviewer in Real Estate Appraisal
Location: Appraisal Institute San Francisco Bay Area Fall Conference, October 1993

Topic: Property Acquisition Workshop - Nonprofit Housing
Location: San Francisco Redevelopment Agency, February 1993

Topic: Americans with Disabilities Act (ADA) & Unreinforced Masonry Buildings (UMB)
Location: Appraisal Institute San Francisco Bay Area Fall Conference, October 1992

Topic: Private Real Estate and Public Planning
Location: San Jose State University, Urban Planning 143 & 275F, April 1992

Topic: Real Estate Appraising in a Changing Market
Location: Peat Marwick Real Estate Study Group, April 1989, Sept 1985 and June 1984

Topic: Capitalization of First Year Income for a Property in a Market Involving Rent Concessions
Location: AIREA Chapter 11 Meeting, February 1989

Topic: Appraised Values - Downtown Area
Location: City of San Jose Real Estate/Relocation/Appraisal Division, September 1988

Topic: Rent Concessions in the Appraisal Process
Location: AIREA Chapter 11 Meeting, March 1987

Topic: Appraising: Where Are We?
Location: AIREA Chapter 11 Meeting, 1985

Topic: Development Approach to Industrial Land Valuation in an Inflationary Period
Location: Society of Industrial Realtors Appraisal Committee, San Francisco, November 1982

Topic: Market-Feasibility Studies for Mortgage Revenue Bond Programs
Location: Seminar sponsored by Dean Witter Reynolds, St. Francis Hotel, San Francisco, August 1981

Topic: Feasibility Studies in Real Estate Valuation
Location: Valley Seminar sponsored by Sierra Chapter SREA, Modesto Jr College, April 1981

Topic: Economic Feasibility of Downtown Office Buildings
Location: Building Owners and Managers Association Northwest Regional Conference, Spokane, Washington, October 1979

TEACHING

Course: Real Estate Appraisal (RE 302), Instructor
Location: Golden Gate University, San Francisco, Spring 1989

Course: Topics in Real Estate (BA 296), Guest Lecturer
Location: University of California at Berkeley, Spring 1988

Course: Real Estate and Urban Planning (URB P 196H), Instructor
Location: San Jose State University, Spring 1981

Course: Real Estate Appraisal Problems (BUS 104), Instructor
Location: San Jose State University, Fall 1980, Spring 1981

PUBLICATIONS

Article: Appraisal Arbitration: The Role of the Real Estate Appraiser in Resolving Value Disputes
Publication: The Appraisal Journal, April 1999

Article: Determining Ground-Lease Rental Rates
Publication: The Appraisal Journal, April 1994

Article: Real Estate Appraising Under R41c
Publication: San Jose Business Journal, March 1987

Article: Specialty Shopping Centers: Factors of Success and Failure
Publication: The Appraisal Journal, October 1981

Article: San Jose Office Market
Publication: Western Real Estate News, 1976

QUALIFICATIONS OF TIMOTHY P. RUNDE, MAI, LEED AP

California Certified General Real Estate Appraiser No. AG011358

EXPERIENCE & EDUCATION

Tim Runde, MAI, LEED AP, is a Partner with Carneghi-Blum & Partners, Inc. in San Francisco, California.

Tim has over 20 years of commercial real estate appraisal experience encompassing a wide range of property types, including commercial office, industrial, retail and multi-family assignments. Areas of special expertise include green, high-performance and sustainable real estate, Net Zero Energy (NZE) buildings, health care properties, complex highest and best use analysis, urban land and infill redevelopment sites, leasehold valuations, ground leases and ground rent determinations, auto dealerships, schools and religious facilities. He has also provided litigation support and served as an expert witness in a variety of settings including arbitration and ad valorem tax appeal proceedings.

Tim received his Masters of Science in Real Estate Appraisal and Investment Analysis from the University of Wisconsin under the direction of Dr. James Graaskamp. While studying there, he was awarded a Hollander Fellowship with the Wisconsin Housing and Economic Development Authority and worked as a project manager with a national real estate developer.

Beginning in 2007, Tim developed particular expertise in green and high-performance buildings. He remains one of only a few MAI-designated appraisers to also hold a LEED AP accreditation, giving him a unique insight into the value implications of green building design and construction. Tim is a frequent guest speaker across the country to appraisers and others in the commercial and residential real estate industry on the value impact of green and high-performance building on both green buildings and existing building stock.

PUBLICATIONS

Integrating Sustainability and Green Building into the Appraisal Process – *The Journal of Sustainable Real Estate (JOSRE)*, Volume 2, No. 1, 2010. Available at: http://www.costar.com/uploadedFiles/JOSRE/JournalPdfs/11.221_248.pdf

Are You Sustainable? – Sustainability's impact on real estate; *The Registry*, July/August 2010.

SPEAKING ENGAGEMENTS

Cracking the Code on Green Building Rating Systems – Appraisal Institute Annual Meeting, San Diego, CA; August 2012

Case Studies in Highest and Best Use Analysis of Health Care Properties – Institute for Professionals in Taxation (IPT) Healthcare Property and Sales Tax Seminar, Nashville, TN; April 2012

Fundamentals of Highest and Best Use, Economic Life and Depreciation for Health Care Properties – Institute for Professionals in Taxation (IPT) Healthcare Property and Sales Tax Seminar, Nashville, TN; April 2012

Appraising Green Residential Properties – Appraisal Institute Fall Conference, San Francisco, CA ; October 2011.

Case Studies in Green Valuation – Appraisal Institute Fall Conference, San Francisco, CA ; October 2011.

Expert Panelist, Department of Energy, Building America Experts Meeting – San Francisco, CA; June 2011.

Valuing Green Real Estate – Webinar, USGBC-Los Angeles, CA; April 2011.

Effectively Valuing and Marketing Green Real Estate – BuildingsNY/Green-BuildingsNY Conference, New York City, NY; March 2011.

Is Green the New Brown for Appraisers? 5 Lessons from the Field – Webinar, Appraisal Institute, San Francisco, CA; December 2010. Available at: http://www.norcal-ai.org/video/webinar15.html

Green Building Valuation Workshop – Appraisal Institute, Pleasanton, CA; November 2010.

Sustainability – Beyond Green Building – Appraisal Institute Fall Conference, San Francisco, CA; October 2010.

Case Studies in Green Building Valuation - Appraisal Institute Fall Conference, San Francisco, CA; October 2010.

What We See When You Say Green: Bridging the Communication Gap Between Green Building and Valuation Professionals - BuildingsNY/GreenBuildingsNY Conference, New York City, NY; June 2010.

Integrating LEED into the Appraisal Process - Appraisal Institute GGBC, San Francisco, CA; April 2010.

PROFESSIONAL AFFILIATIONS & STATE CERTIFICATION

MAI Designation: No. 10770, Appraisal Institute
LEED Accredited Professional
State of California Certified General Real Estate Appraiser No. AG011358

CONTACT INFORMATION

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SAN FRANCISCO
CHAMBER OF COMMERCE

November 9, 2012

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

Dear Supervisors,

The San Francisco Chamber of Commerce strongly supports building a sports and entertainment arena at Piers 30-32 to bring the Warriors back to San Francisco.

The state-of-the-art Warriors Arena will create thousands of new jobs and stimulate substantial economic growth along San Francisco's waterfront. Piers 30-32 will be repaired without cost to taxpayers or the general fund. Millions of dollars in new tax revenues will provide an enormous boost to city coffers that will be invested in a wide range of public services and infrastructure improvements across the City.

San Francisco has no indoor entertainment facility that can accommodate 18,000 attendees or more. The new Arena will not only bring Warriors basketball back to San Francisco, the facility will accommodate large-scale entertainment and cultural events that will attract new visitors to the City and produce millions of dollars for our local economy. This will mean a huge boost to our tourism and hospitality industries. The Arena will also be a popular venue for local residents who now must go outside the City to attend events of this nature.

The City of San Francisco cannot afford to let such a rare and beneficial opportunity pass it by. The San Francisco Chamber of Commerce supports building Warriors Arena at Piers 30-32 and urges the Port Commission and Board of Supervisors to move ahead with it.

Sincerely,

Steven B. Falk
President & CEO

Board Resolution #121044 - Pier 30-32 Sports and Entertainment Arena
Jon Ballesteros
to:
carmen.chu@sfgov.org
11/07/2012 04:12 PM
Cc:
"john.avalos@sfgov.org", "Jane.Kim@sfgov.org", "Cammy.Blackstone@sfgov.org", "raquel.redondiez@sfgov.org", "matthias.mormino@sfgov.org", "Sunny.Angulo@sfgov.org", "victor.young@sfgov.org"
Hide Details
From: Jon Ballesteros <JBallesteros@sanfrancisco.travel> Sort List...
To: "carmen.chu@sfgov.org" <carmen.chu@sfgov.org>,
Cc: "john.avalos@sfgov.org" <john.avalos@sfgov.org>, "Jane.Kim@sfgov.org" <Jane.Kim@sfgov.org>, "Cammy.Blackstone@sfgov.org" <Cammy.Blackstone@sfgov.org>, "raquel.redondiez@sfgov.org" <raquel.redondiez@sfgov.org>, "matthias.mormino@sfgov.org" <matthias.mormino@sfgov.org>, "Sunny.Angulo@sfgov.org" <Sunny.Angulo@sfgov.org>, "victor.young@sfgov.org" <victor.young@sfgov.org>
Security:
To ensure privacy, images from remote sites were prevented from downloading. Show Images

SENT ON BEHALF OF SAN FRANCISCO TRAVEL PRESIDENT AND CEO, JOE D'ALESSANDRO

San Francisco Travel

November 7, 2012

Honorable Carmen Chu
Chair, Budget and Finance Committee
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

RE: Board Resolution #121044

Dear Supervisor Chu:

The San Francisco Travel Association (San Francisco Travel) urges the approval of Board Resolution #121044 which will allow the City of San Francisco to take advantage of a rare opportunity to move forward with a plan to build a world-class sports and entertainment arena that will create thousands of jobs and generate hundreds of millions of dollars in new economic growth - particularly in the tourism

and hospitality sector.

At the same time, the developers will pay the upfront costs to repair the crumbling Piers 30-32 and will privately finance the arena – with no money coming from the City's general fund and no new taxes.

As you know, tourism is one of the City's most important industries – contributing $8.5 billion dollars a year to San Francisco's economy and generating more than 71,400 jobs. To remain competitive with other destinations, top meeting and convention planners have indicated to us that a large, indoor facility accommodating 18,000 attendees or more is essential and has been one of our biggest shortcomings for decades.

We recently conducted a survey to our top clients and among the group that responded 80% felt a new arena would add value to San Francisco as a convention and meeting destination. Forty-four percent indicated that they would use an arena for a variety of purposes ranging from general sessions to concerts and performances.

Additionally, a facility of this size gives San Francisco an opportunity to host marquee events such as the Democratic National Convention (an estimated $14.4 million in economic impact); Republican National Convention ($21.2 million), NCAA Basketball playoffs ($25 million) and Olympic gymnast trails ($18 million).

The people who attend these types of events generally contribute more to the local economy than the average visitor. According to Visit California, the non-profit charged with promoting the state as a top destination, event attendees stay longer — 3.9 nights vs. 3.4 nights — and spend more — an average of $336 vs. $175 per day. And, more than 63% stay in local hotels compared to 50 percent of all California visitors.

There is also a demand for a large arena to accommodate one-day events that are not tied to hotel rooms, which is the determining factor for the use of Moscone Center. Our staff estimates that at least 200 of these one-day events are turned away every year.

Indications are that the residents of San Francisco also understand the value a new venue for top-tier concerts and cultural events will bring to their lives by enhancing their entertainment options. In a recent resident survey San Francisco Travel conducted, the vast majority of the respondents support developing a waterfront sports and entertainment arena at Piers 30-32.

From a tourism and economic development perspective, this is an opportunity that it too good to let slip by.

For these reasons, we encourage the San Francisco Board of Supervisors to allow this project to move forward by approving Board Resolution #121044 when it comes before the Budget and Finance Committee for consideration.

If you have any questions or require additional information, please feel free to contact me directly or San Francisco Travel's Vice President of Public Policy, Jon Ballesteros, at 415.227.2655.

Sincerely,

Joe D'Alessandro
President and CEO

Jon Ballesteros | Vice President, Public Policy
E jballesteros@sanfrancisco.travel | T 415.227.2655 | F 415.227.2631

San Francisco Travel | 201 Third St, Ste 900 | San Francisco, CA 94103
www.sanfrancisco.travel | Follow us on Facebook + Twitter

SF's Never Looked More Golden
2012 *Moscone Center renovations* | **2012** *US Open, Golden Gate Bridge 75th Anniversary* | **2013** *34th America's Cup*

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 OCT 23 PM 2:23

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee
RE: Piers 30-32/Seawall Lot 330 Warriors Development Project
DATE: October 23, 2012

Attached for introduction to the Board of Supervisors is the resolution 1) finding that a project proposed by GSW Arena LLC, an affiliate of the Golden State Warriors, to rehabilitate Port property at Piers 30-32, develop on the piers a multi-purpose venue useable for public assembly uses and other events, such as conventions, Warriors home games, cultural events, family shows and performing arts, and for other purposes, including public open space, maritime use, visitor serving retail, and related parking facilities, and develop on Seawall Lot 330 residential, hotel, and/or retail uses and accessory parking, is fiscally feasible and responsible under Administrative Code Chapter 29; and 2) urging City and Port officials to make evaluating the proposed project among its highest priorities, and to take all appropriate steps to further environmental review of the proposed project.

I request that this item be calendared in Budget and Finance Committee on November 7th, 2012.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

121044

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

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Dennis G. MacKenzie, M.A.

www.RoundTheDiamond.com
DennisMacKenzie@RoundTheDiamond.com
346 Precita • San Francisco, CA 94110 USA • Ph/Fax (415) 648-5655

November 13, 2012

Budget and Finance Committee:
Honorable Carmen Chu, Chair
Honorable John Avalos, Vice Chair
Honorable Jane Kim, Member
C/o Mr. Victor Young, Clerk

San Francisco Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: SF Supervisors / Budget and Finance Committee / Tuesday, 11.14.2012
Meeting Agenda, Item #1. 121044 7.
[Piers 30-32/Seawall Lot 330 - Warriors Development Project]

Sponsor: Mayor Resolution finding that a project proposed by GSW Arena LLC, an affiliate of the Golden State Warriors, to rehabilitate Port property at Piers 30-32, develop on the piers a multi-purpose venue useable for public assembly uses and other events, such as conventions, Warriors home games, cultural events, family shows and performing arts, and for other purposes, including public open space, maritime use, visitor serving retail, and related parking facilities, and develop on Seawall Lot 330 residential, hotel, and/or retail uses and accessory parking, is fiscally feasible and responsible under Administrative Code Chapter 29; urging City and Port officials to make evaluating the proposed project among its highest priorities; and to take all appropriate steps to further environmental review of the proposed project.

San Francisco / Golden State Warriors – Multi-Purpose Basketball Arena / Piers 30-32

Public-Private Partnership:
Education Initiative: Creation of a model High School-College Career Development Classroom within the Original Design and Construction of the San Francisco/ Warriors Arena

Cross-Cultural Sports & Education Exchange Programs

Dear Supervisors Chu, Avalos and Kim,

Please review the enclosed communications from my original proposal to create a High School Education Center within the San Francisco Giants Ballpark. The initiation of Cross-Cultural Sports and Education exchange programs, can provide investment and incentive programs capable of assisting in evolving and expanding the healthy financial growth and support for the benefit of the citizens of the City and County of San Francisco and the State of California, the Port of San Francisco and the Golden State Warriors - including a wide range of local business sectors, families, organizations, schools and communities.

Through the initiation, design and creation of a High School Education and Career Development component within the proposed Warriors Multi-Purpose Basketball Arena, I trust that the San Francisco community can work together in partnership and mutual responsibility in order to build comprehensive guidance and innovation to develop an educated local work force - beginning with our high school and college age students – through creative, real-world experience and programs. This State of the Art, visionary Warrior's Multi-Purpose Arena has the potential to facilitate and inherently provide a year-round accessible Classroom for our students, youth and Community. This model educational facility can serve to establish positive benefits for the comprehensive success of our interdependent private sector businesses, public service responsibilities, as well as our entire San Francisco Bay Area Community as a whole.

The development of Cross-Cultural Exchange Programs with our neighboring Countries, can bring economic growth and healthy international relations and trade to San Francisco through partnerships with official government and business leaders, students, teachers and educational institutions and leaders; while providing the mutually beneficial communications and cross-cultural job training and careers for visiting communities and Nations including Mexico, the Yucatan, North, Central and South America and Canada. This educational career component within the new San Francisco Warriors Arena can enhance the capacity of the City and County of San Francisco and the Warriors to expand the financial health and well-being for the 'highest and best interests' of our entire San Francisco Bay Area Community, and the State of California.

Once again, thank you for your time, consideration and support to include a High School Classroom within the San Francisco Golden State Warriors Arena for the benefit of all invested parties concerned; including our youth and students for generations to come.

Sincerely,

Dennis G. MacKenzie

CC:

Mr. Joseph Lacob, Mr. Peter Guber, Golden State Warriors owners,
C/o Mr. Rick Welts, President and Chief Operating Officer

Honorable Ed Lee, Mayor, City and County of San Francisco
Honorable David Chiu, President, San Francisco Board of Supervisors and Members
C/o Ms. Angela Calvillo, Clerk of the Board

Ms. Jennifer Matz, Director, Office of Economic Workforce Development
Ms. Gloria Chan, Communications Director, OEWD

Mr. Francisco J. Escobar, Consulate General of Guatemala, San Francisco
Mr. Carlos Isauro Felix Diaz, Consulate General of Mexico, San Francisco

ECONOMIC AND WORKFORCE DEVELOPMENT
TODD RUFO, DIRECTOR

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

MEMORANDUM

TO: Honorable Members, Budget Committee of the Board of Supervisors

FROM: Jennifer Matz, Director of Waterfront Development

DATE: November 14, 2012

RE: Term Sheet Negotiations – Piers 30-32 Project

Supervisors:

In accordance with the Exclusive Negotiation Agreement (ENA), the Golden State Warriors (GSW), Port and City (the Parties) are negotiating for the development of a multi-purpose venue and associated uses on Piers 30-32 and Seawall Lot 330 (the Project). The negotiation will occur in three phases: 1) Conceptual Framework, 2) Term Sheet and 3) Final Transaction Documents.

The Parties concluded negotiations on the Conceptual Framework at the beginning on November. The Conceptual Framework is attached as Appendix C to the Fiscal Feasibility Report, which is pending approval by the Board of Supervisors.

The Term Sheet will be in front of the Port Commission for consideration between February 15 and April 15, 2013. The Final Transactions Documents will be in front of the Commission in early 2014. The Parties are now starting negotiations on the Term Sheet. Below is an outline of key terms, which will be considered during negotiations between the Port and City and GSW.

1. ***Project Refinement:*** The Parties will continue to refine the Project Description, including maritime uses on the site. These discussions will include determining whether the East Apron of Piers 30-32 may be used for deep draft berthing, incorporating the Fire Boat Station, and the preservation of Red's Java Hut. The Parties will also discuss a schedule for construction and assurances for the completion of the improvements, including substructure repairs and other City facilities.

2. ***Warriors Basketball Team:*** The Parties will discuss provisions of the Term Sheet that relate to the GSW basketball team, including City approval of a team name-change and assurances that the team will operate within the multi-purpose venue for a set amount of time.

3. ***Project Financing:*** The City and Port will require that GSW provide a pro forma or statement of financing sources and uses to inform Term Sheet negotiations. As provided in the Conceptual Framework, the City will reimburse GSW up to $120 million for substructure improvements to Piers 30-32. Moving forward, the Parties anticipate negotiating whether the maximum reimbursement cap may be increased due to substructure design revisions requested by the Port and whether there are additional costs for City facilities that may be included within the $120 million cap.

   The Parties will also be discussing further details relating to the ground lease of Piers 30-32. The parties will determine rent adjustments as well as the possibility of percentage or participation rent. The City and Port will also determine whether to capitalize the lease payment of Piers 30-32.

   In the Conceptual Framework, the Parties agreed to use an Infrastructure Financing District (IFD). The Term Sheet will provide details on the amount of IFD proceeds to be used by the Project, and whether IFD revenue will be "pay-go" or bonded against.

4. ***Community Benefits:*** The Term Sheet will provide further details on community benefits associated with the project. These community benefits include workforce commitments for construction and end-use jobs as well as neighborhood quality of life measures.

   The Term Sheet will provide a proposal for ongoing funding mechanisms for providing neighborhood services. It will also outline the services that GSW will be directly responsible for providing (e.g. on-site security).

Illustrative Pier 30 - 32 Transaction Financial Terms
Subject to Negotiation and Revision

	Scenario	
	Ground Rent Prepayment	**Ground Rent Credit**
Qualified Costs		
Pier Infrastructure Improvements (1)	$120,000,000	$120,000,000
Sources of Reimbursement		
Seawall Lot 330 Purchase Credit	$30,400,000	$30,400,000
Pier 30-32 Ground Rent Pre-pay or Annual Credit (2)	$30,600,000	$31,100,000
Projected IFD Bond Proceeds (3)	$54,800,000	$54,800,000
Total Sources of Reimbursement	$115,800,000	$116,300,000
Net Unreimbursed (4)	**$4,200,000**	**$3,700,000**

(1) Maximum reimbursement amount; actual cost may be lower.

(2) Ground rent prepayment assumed equal to fee simple appraised value; NPV of annual ground rent credit assumes periodic rent increases over 66-year term, discounted at 7% annually.

(3) Bond proceeds assume 1.10 coverage, 7% interest, 12% issuance costs, 30-year bond, 65% of net tax increment from Project. Actual terms may vary.

(4) Reimbursement is limited to the three defined sources. The 13% cost of capital is not shown; the amount and timing to be determined based on further negotiations.

Piers 30-32 Project: *Fiscal Feasibility & Conceptual Framework*

Budget Committee Hearing

Jennifer Matz, *Director of Waterfront Development*

SAN FRANCISCO
Office of Economic and Workforce Development

Fiscal Feasibility: *Background*

Purpose:

- Board of Supervisors determines whether the proposed project is fiscally feasible before substantial predevelopment costs are incurred

Gate Keeping Measure:

- Ensures that City staff time and costs are not incurred on infeasible projects
- Does not grant proposed project approvals or entitlements

1075

Fiscal Feasibility: *Background*

- **Required by local law when a proposed project:**
  - Is on City owned property;
  - Has construction costs over $25 million; and
  - Predevelopment costs, including Environmental Review, are over $1 million

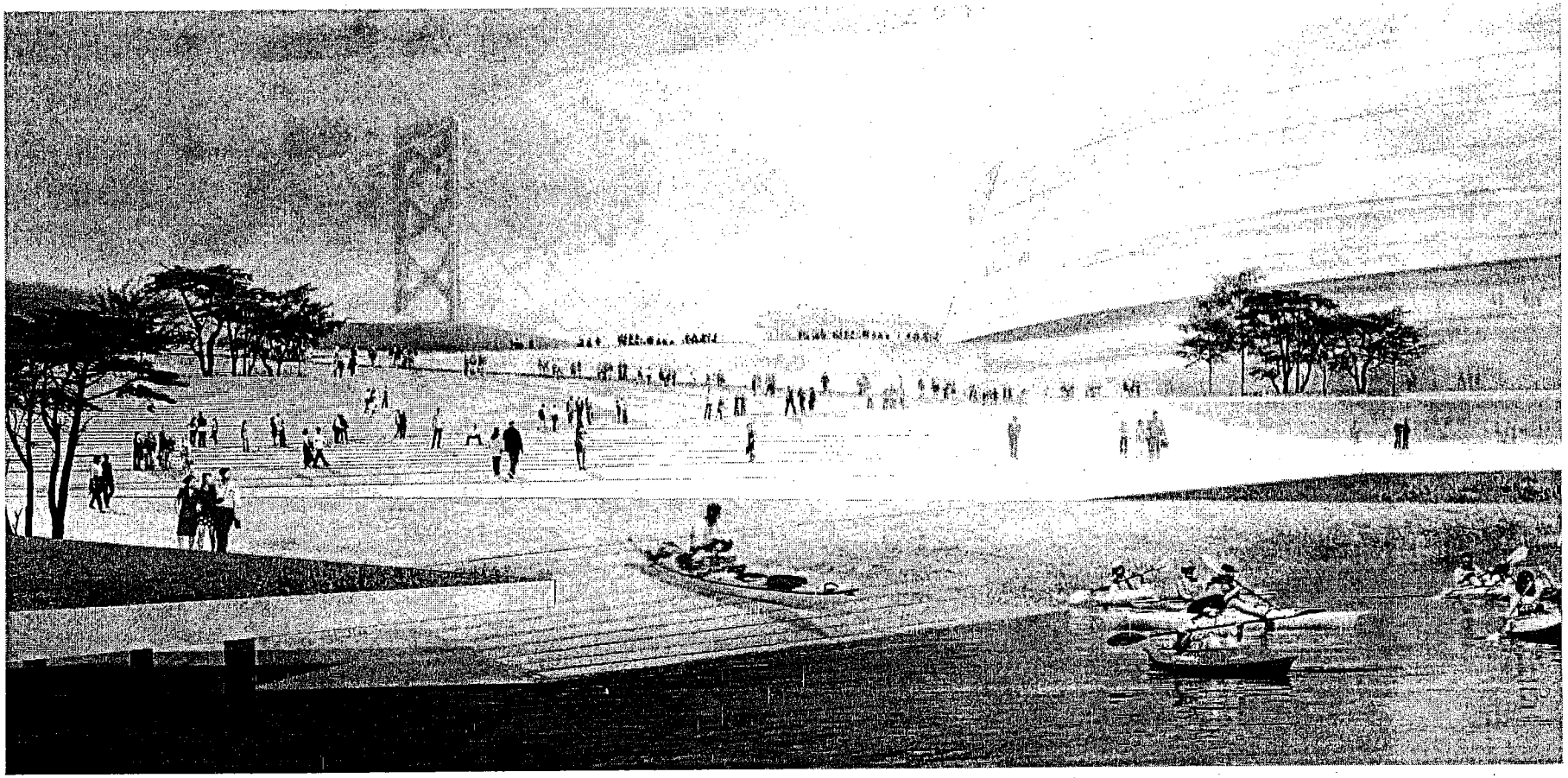
- **Determination must be completed before environmental review can commence**

- **Prior Fiscal Feasibility reports were written for:**
  - Exploratorium (Piers 15/17)
  - America's Cup
  - SF Wholesale Produce Market

1076

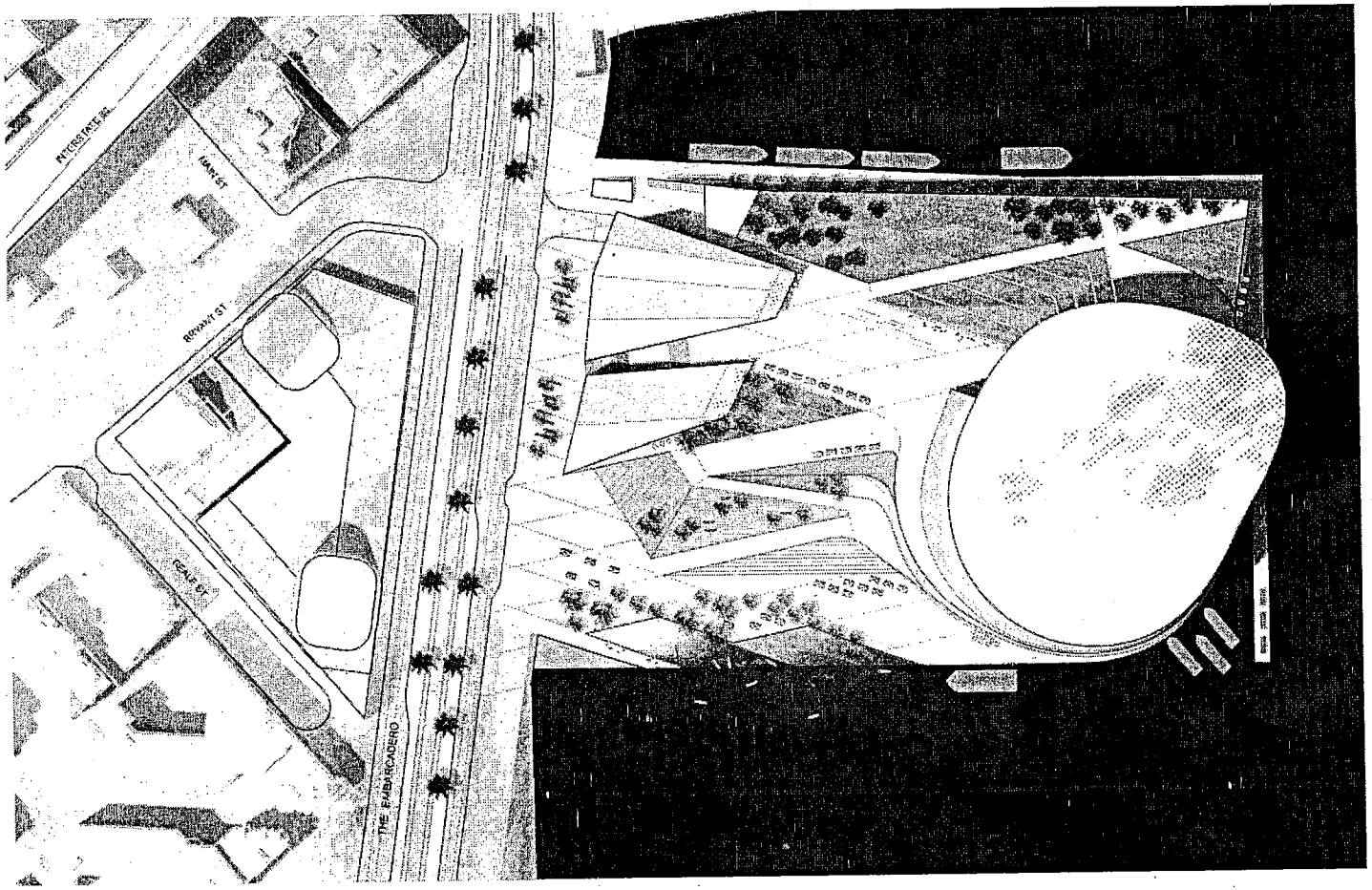
SAN FRANCISCO
Office of Economic and Workforce Development

Current Proposal: *Piers 30-32 & SWL 330*



SAN FRANCISCO
Office of Economic and Workforce Development

Current Proposal: *Piers 30-32 & SWL 330*



SAN FRANCISCO
Office of Economic and Workforce Development

Conceptual Framework

Central Terms:

A. Warriors will privately finance all development

B. City/Port will reimburse Warriors for certain agreed upon improvements to City-owned infrastructure

- Warriors expenditures for improvements capped at $120,000,000

C. Funds for reimbursing costs limited to 3 sources

1079

SAN FRANCISCO
Office of Economic and Workforce Development

Conceptual Framework

A. Warriors will privately finance all development

- **All Buildings and improvements, including multi-purpose entertainment venue**
  - ➢ Estimated cost: $ 1 billion cost
- **Rehabilitation of Piers 30-32**
  - ➢ Estimated cost: $120,000,000
- **Public open space and maritime amenities and other public facilities**
  - At least 50% of site will be public, open space
  - Public small-craft boat launch for kayaks
  - Ferries and/or water taxis

1080

Conceptual Framework

B. City will reimburse Warriors for certain agreed upon improvements to City-owned infrastructure, capped at $120,000,000 with a 13% Cost of Capital

- **Cost to rehabilitate Piers 30-32, estimated to be $120,000,000**
- **If, through cost-savings, rehabilitation of Piers 30-32 is less than $120,000,000**
  - City and Warriors may negotiate reimbursement for other public improvements up to the cap
  - Public improvements include open space & maritime amenities

Conceptual Framework

Context: Cost of Capital

Development Type	Rate of Return
Hunters Point Shipyard	20.0%
Treasure Island	18.5%
Office, Residential & Hospitality (Generally)	12.0-18.0%
Lend Lease Piers 30-32 Project	12.5%
Sprint Center (Kansas City)	12-16%
Barclays Center (Brooklyn)	11%
Warriors Piers 30-32 Project	**13%**

1082

Conceptual Framework

C. Funds for reimbursing costs limited to 3 sources:

1) **Rent credits** from the Piers 30-32 lease: $1,970,000/year
2) **Sale price** of SWL 330: $30,400,000
3) **New property tax revenue** generated by the GSW development on Piers 30-32 and SWL 330 through the creation of an Infrastructure Finance District (IFD): $5.8 million/year

Note: *rent credits and sale price determined by appraisal commissioned by Department of Real Estate with instructions provided by City and Port*

Conceptual Framework

Other Key Provisions:

- **Public Improvements:** Parties may agree on other improvements which would be built and financed by the Warriors and reimbursed by the City through other mechanisms
  - *Examples:* Fire Station & Fire Boats
- **Warriors will pay all development impact fees**
- **Transfer Fee:** Port receives 1% of proceeds on sales of SWL 330 condos, after the first sale
- **Neighborhood Services:** Create ongoing funding to pay for neighborhood quality of life services
  - *Examples:* street cleaning, traffic & parking patrols

1084

Fiscal Feasibility

Requirements:

1) Direct & indirect economic benefits of the project
2) Proposed construction costs
3) Proposed project funding
4) Operations & maintenance costs of the project
5) Any proposal to use public debt

Note: *Fiscal Feasibility purposefully made conservative assumptions*

1085

SAN FRANCISCO
Office of Economic and Workforce Development

1. Economic Benefits

Annual General Fund Revenue

Item	Annual Total
Property Tax	$ 5,061,274
Property Tax in Lieu of Vehicle License Fee	$ 1,016,258
Property Transfer	$ 59,000
Sales Tax	$ 724,568
Gross Receipts Tax	$ 637,200
Parking Tax	$ 271,633
Hotel Tax	$ 1,478,864
Stadium Admissions Tax	$ 2,823,791
Annual General Fund Revenue	**$ 12,072,588**

1086

SAN FRANCISCO
Office of Economic and Workforce Development

1. Economic Benefits

Annual Dedicated or Restricted Revenue

Item	Annual Total
Special Fund Property Taxes	$715,501
Port Transfer Fee	$87,500
Public Safety Sales Tax	$362,284
Transportation Authority Sales Tax	$362,284
MTA Parking Tax	$1,086,531
Hotel Tax – Cultural Programs	$ 1,285,367
Stadium Admissions (Recreation & Parks)	$1,334,959
Annual Restricted Revenue	**$ 5,234,426**

1087

SAN FRANCISCO
Office of Economic and Workforce Development

1. Economic Benefits

One-Time City Revenue

Item	Annual Total
Development Impact Fees	$ 46,131,000
Sales Tax During Construction	$ 4,062,000
Gross Receipts Tax During Construction	$ 3,100,000
Property Transfer Tax	$ 575,000
One Time Revenue	**$ 53,868,000**

1. Economic Benefits

Permanent Employment		Construction Employment		Annual Economic Impacts	
Direct Jobs:	1,712	Direct Jobs:	2,623	Warriors:	$120M
Indirect Jobs:	608	Indirect Jobs:	1,110	Venue:	$ 75M
Induced Jobs:	523	Induced Jobs:	1,278	Project Site:	$ 33M
				Off-Site:	$ 53M
Total Jobs:	**2,842**	**Total Jobs:**	**5,011**	**Total:**	**$282M**

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2. Proposed Construction Costs

Development	Cost of Construction
Hard Costs (Pier Rehabilitation, Pier Improvements, SWL 330 Improvements)	$700,000,000 – $750,000,000
Soft Costs (Architecture, Engineering, Insurance, etc.)	$175,000,000 - $225,000,000
Total	**$ 875,000,000 - $975,000,000**

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3. Proposed Project Funding

1. **Warriors will privately finance all development**

2. **City will reimburse Warriors for certain agreed upon improvements to City-owned infrastructure**
   - Capped at $120,000,000
   - 13% Cost-of-Capital

3. **Funds for reimbursing costs restricted to 3 sources:**
   1) Rent credits from the Piers 30-32 lease - $1,970,000/year
   2) Sale price of SWL 330 - $30,400,000
   3) Infrastructure Finance District (IFD) - $5.8 million/year

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4. Proposed Operations & Maintenance

Service	Cost of Providing Service to Development:
Police	**Cost Estimate T.B.D.** • Calls for service during events and non-events • Response to illegal vendors
Fire	**No fiscal impact from Project.** • Number of staff and hours worked will not change • SFFD may contract with GSW to provide EMS service at events
Parks	**No fiscal impact from Project.** • GSW will pay to maintain open space
DPW	**Cost Estimate T.B.D.** • Additional street cleaning after games & other events
MTA	**Cost Estimate T.B.D.** • Parking & Traffic Control Officers for events • Additional transportation service for events

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5. Proposal to Use Public Debt

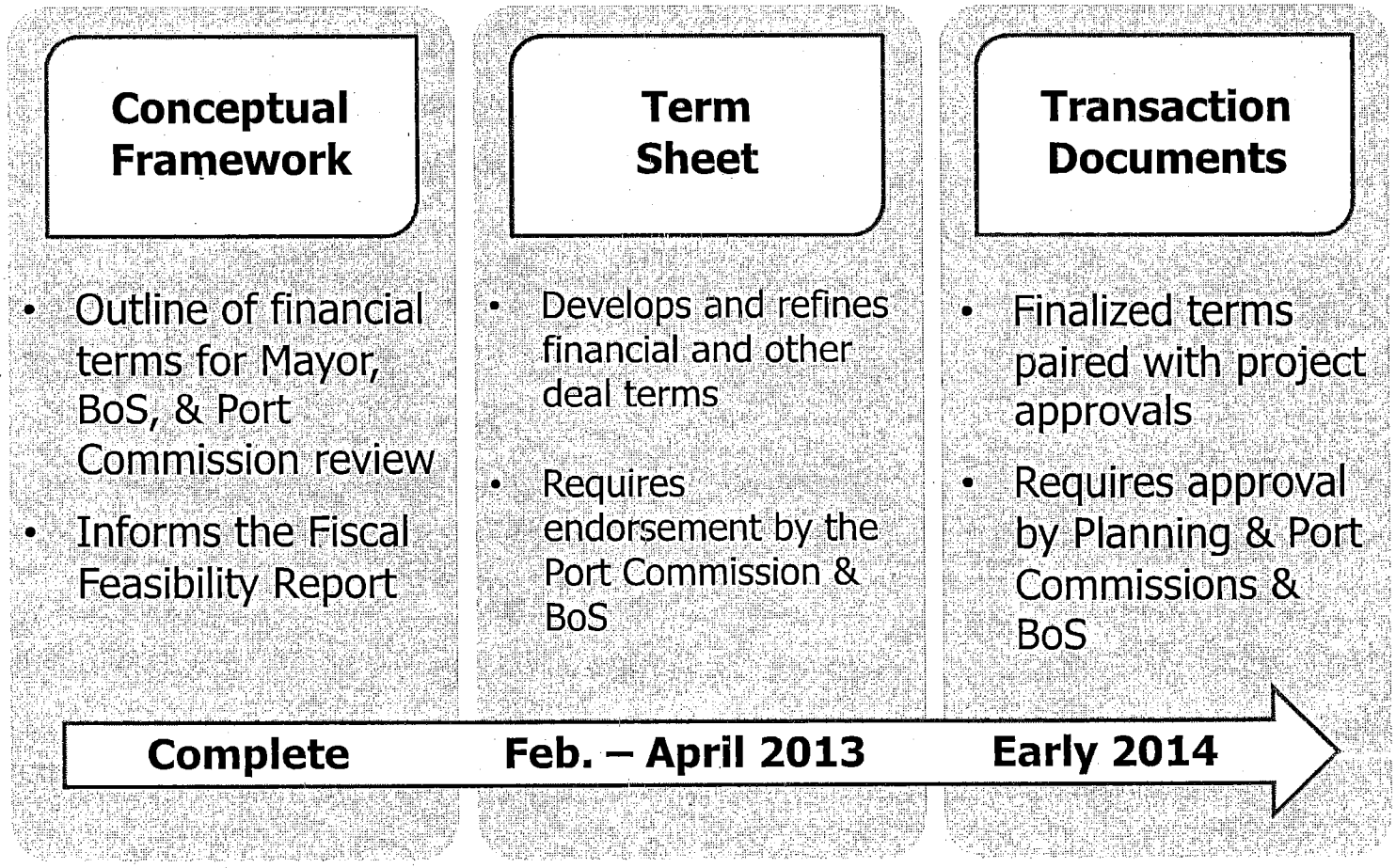
City may bond against new property tax revenue to reimburse GSW for improvements to public infrastructure (IFD bonds)

- IFD's are a means by which a portion of a project's property tax revenue is captured for a fixed amount of time and used to fund public infrastructure improvements

Benefits:

- Can bond against the annual property tax revenue from the Project itself
- Proposed debt, if issued, does not obligate either:
  - City's General Fund
  - Port's Harbor Fund

Business Terms



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Upcoming Hearings & Community Meetings

Date	Hearing
Nov. 15 – 11:30am (Port, Pier 1)	**Maritime Commerce Advisory Committee Hearing**
Nov. 19 – 1pm (City Hall, Rm. 250)	**Land Use Committee Hearing** – Informational Hearing on Project Design & Transportation Impacts
Nov. 20 – 2pm (City Hall, Rm. 250)	**Board of Supervisors Hearing** – Fiscal Feasibility
Nov. 20 – 6pm (Port, Pier 1)	**Design Workshop** – Seawall Lot 330
Dec. 4 – 6pm (Port, Pier 1)	**Transportation Workshop**
Dec. 11 – 6pm (Port, Pier 1)	**Community Advisory Committee Meeting**
Dec. 13 – TBD (TBD)	**Environmental Impact Report** – Scoping Meeting #1
Jan. 8 or 9 – TBD (TBD)	**Environmental Impact Report** – Scoping Meeting #2

Project Milestones

Date	Milestone
November 20, 2012	Fiscal Feasibility Findings
November 2012	Start Environmental Review Process
February – April 2013	Proposed Term Sheet Endorsements
May – June 2013	Draft Environmental Impact Report Published
Early 2014	Final EIR Certification (Planning Commission) Proposed Approval of Final Transaction Documents
Spring 2014	Proposed Public Trust Consistency Approvals
Summer 2014	Proposed Start of Construction