EXECUTIVE SUMMARY OF THE PROPOSED CONSOLIDATED REDEVELOPMENT OF HUNTERS POINT SHIPYARD (PHASE 2) AND CANDLESTICK POINT

This Executive Summary outlines the history, primary public benefits and key implementing agreements and documents (the “Project Documents”) for the proposed consolidated redevelopment of Phase 2 of the Hunters Point Shipyard and Candlestick Point (the “Project”). The Project Documents, once finalized, will establish the legally binding framework to realize the policy objectives and implement the provisions of Proposition G, the Bayview Jobs, Parks, and Housing Initiative, that the San Francisco voters approved in June 2008 ("Proposition G"). That framework also reflects extensive community input and environmental review under the California Environmental Quality Act (“CEQA”) that the City and Redevelopment Agency (the "Agency") have conducted for the Project

As set forth in Proposition G, the Project is designed to reconnect the Shipyard and Candlestick Point with the Bayview Hunters Point community and the rest of San Francisco and transform these long-abandoned waterfront lands into productive areas for jobs, parks and housing, including affordable housing. Specifically, the Project will generate long sought after public benefits by (i) improving and creating hundreds of acres of public parks and open space, particularly along the waterfront, (ii) significantly increasing the quality and quantity of affordable housing in southeastern San Francisco, including the complete rebuilding of the Alice Griffith Housing Development, also known as Double Rock ("Alice Griffith"), (iii) providing thousands of commercial and construction job opportunities for San Francisco residents and businesses, especially in the Bayview Hunters Point community, (iv) supporting the creation of permanent space on the Shipyard for the existing artists, (v) elevating the site into a regional center for green development and the use of green technology and sustainable building design, (vi) providing extensive transportation improvements that will benefit southeastern San Francisco generally, (vii) attracting and sustaining neighborhood serving retail and cultural amenities and services, and (viii) offering a world-class waterfront stadium site opportunity as the City's last and best chance to keep the 49ers in San Francisco over the long term, but without requiring the Project to be delayed if the 49ers do not timely decide to build a stadium in the Project site or decide to build a new stadium elsewhere.

Over the expected 15-20 year phased build out, the Project will include up to (i) 10,500 residential units, about 32% of which (3,345) will be offered at below market rates, (ii) approximately 336 acres of new and improved public parks, recreational fields, open spaces and waterfront trails and plazas, (iii) 935,000 square feet of regional and neighborhood-serving retail space (iv) 255,000 square feet of new and renovated replacement space for the Shipyard artists, including an arts education center within a new “Arts District” supporting the vibrant artist community, (v) 2,650,000 square feet of commercial, light industrial, research and development and office space, including a new United Nations Global Compact Global Warming and Technology Center; (vi) new public and community facilities on the Shipyard and Candlestick Point including a new fire station and an expanded police station; and (vii) improved land and supporting infrastructure for a new football stadium for the San Francisco 49ers, including necessary parking areas and transportation improvements. If the 49ers do not avail themselves of the opportunity to build a new stadium in the Project, the Project includes a non-stadium alternative which expands both commercial and residential uses on some of the areas of

the Shipyard currently reserved for stadium uses and slightly reduces densities on Candlestick Point.

A map of the proposed Project area, including Candlestick Point and Phase 2 of the Hunters Point Shipyard (the "Shipyard"), is attached as Exhibit A.

A map of the proposed land uses and development program is attached as Exhibit B.

Because much of the land in the Project site has been effectively abandoned for so long, the Project and its many public benefits can be delivered without displacing residents or major commercial or community centers – a stark contrast to the failed "urban renewal" projects of the 1960s and 1970s.

The total costs of building the horizontal infrastructure and associated public benefits to lay the groundwork for the phased vertical development of the Project is estimated to be $2.25 billion. The Project Documents, as required by Proposition G, provide that the Project will be developed primarily through the investment of private capital and the use of established tax-exempt financing tools that are supported by certain tax revenues generated by the Project itself– not the City's General Fund. Those tax-exempt financing tools rely on tax revenues that would not exist, and would not be available to the City or the Agency, but for the development of the Project. Accordingly, the Project Documents have been structured to support the necessary investment of private capital by (1) leveraging land value created through the approval of land use entitlements for the Project and (2) maximizing the use of tax-exempt financing tools, such as property tax increment and Mello-Roos financing, based on taxes generated by the Project. But neither the City nor the Agency bears downside financial risk if the economic projections for the Project are not achieved. In addition, the Project is expected to generate approximately 1,500 construction jobs per year and more than 10,000 permanent jobs.

I. INTRODUCTION AND CONTEXT

Probably no proposed development project in San Francisco's history has been publicly discussed, reviewed and analyzed as much and for as long as the Project. Public review of the redevelopment of the Shipyard and Candlestick Point has been ongoing, in one form or another, for more than 17 years. Throughout that time, members of the Bayview Hunters Point community, elected officials and City voters have consistently expressed their support for revitalizing the Shipyard and demanded accountability from the federal government to remediate hazardous materials on the Shipyard, and they have also sought to improve the public open space at Candlestick Point.

And for good reason: the Bayview Hunters Point has one of the highest concentrations of very low-income residents and one of the highest unemployment rates in San Francisco, and public health in the area has generally been poor compared to the rest of San Francisco. The Bayview Hunters Point has few quality open spaces and public parks, including active recreation facilities for neighborhood youth, and needs affordable housing and business and job opportunities for its residents. The area remains under-served by transit and basic neighborhood-serving retail and cultural amenities. The betterment of the quality of life for the residents of the Bayview Hunters Point community is one of the City's highest priorities.

1. The Redevelopment of the Hunters Point Shipyard:

The United States Navy ceased operations at the Shipyard in 1974 and officially closed the base in 1988. The Shipyard was then included on the Department of Defense's 1991 Base Realignment and Closure (BRAC) list. In 1993, following designation of the Shipyard by the City's Board of Supervisors as a redevelopment survey area, the City and the Agency began a community process to create a plan for the economic reuse of the Shipyard and the remediation and conveyance of the property by the Navy.

In planning for the redevelopment of the Shipyard, the Agency and City worked closely with the Hunters Point Shipyard Citizen's Advisory Committee ("CAC"). The CAC is a group of Bayview Hunters Point community residents, business owners and individuals with expertise in specific areas, who are selected by the Mayor to oversee the redevelopment process for the Shipyard. Originally convened in 1993, the CAC was instrumental in developing the original redevelopment plan for the Hunters Point Shipyard. The Agency continues to work with the CAC and with the community throughout the process of implementing revitalization activities regarding the Shipyard.

In July 1997, the Board of Supervisors adopted a Redevelopment Plan for the revitalization of the Shipyard (the "Shipyard Redevelopment Plan"). The Shipyard Redevelopment Plan contemplated the development of a mix of residential, commercial, cultural, research and development and light industrial uses, with open space around the waterfront perimeter.

In March 1999, the Agency, through a competitive process, selected Lennar/BVHP Partners (the "Shipyard Developer") as the “master developer” of the Shipyard and the Agency and Shipyard Developer entered into an Exclusive Negotiations Agreement governing negotiations for the development of the Shipyard.

On November 7, 2000, San Francisco voters passed Proposition P ("Proposition P"), which calls upon the Navy to remediate hazardous materials at the Shipyard to the highest levels practical to assure the flexible reuse of the property.

Since its selection by the Agency, the Shipyard Developer and its affiliates have worked with the City, the Agency and the Navy to facilitate the redevelopment and economic reuse of the Shipyard. In 2003, the Shipyard Developer and the Agency entered into the Hunters Point Shipyard Phase 1 Disposition and Development Agreement (“Phase 1 DDA”), under which the Shipyard Developer is constructing infrastructure for up to 1,600 residential units on Parcel A of the Shipyard, of which approximately 30% must be affordable. The Phase 1 DDA also requires the Shipyard Developer to create approximately 25 acres of public parks and open space on Parcel A.

In March 2004, the Agency, in cooperation with the City and the Shipyard Developer, and in furtherance of Proposition P, negotiated a comprehensive agreement with the Navy governing the terms and conditions of the hazardous materials remediation and conveyance of the Shipyard by the Navy to the Agency (the "Conveyance Agreement"). The Conveyance Agreement obligates the Navy to remediate hazardous materials on the Shipyard to levels consistent with the land uses designated in the original redevelopment plans for the Shipyard and to convey parcels to the Agency at no cost on a phased basis as the Navy successfully completes the remediation.

In 2005, the Navy conveyed Parcel A to the Agency under the Conveyance Agreement, and the Agency then closed escrow on its transfer of a portion of Parcel A to the Shipyard Developer under the terms of the Phase 1 DDA. This conveyance allowed the Shipyard Developer to begin site preparation and infrastructure development for the construction of new housing and parks on Parcel A.

2. Redevelopment of Candlestick Point

In June 1997, San Francisco voters adopted companion measures Propositions D and F, providing for the development and financing of a new state-of-the-art stadium for the San Francisco 49ers and an entertainment and retail shopping center at Candlestick Point. For years following the approval of Propositions D and F, the City worked with the 49ers and its retail development partner to pursue a plan for developing the stadium and adjoining entertainment retail shopping center project. But that plan proved to be economically and practically infeasible.

In the spring of 2005, the 49ers terminated their exclusive negotiation arrangement with the retail developer. In the fall of 2005, the 49ers, after having conducted a competitive process for a new developer partner, selected Lennar Corporation ("Lennar"), an affiliate of the Shipyard Developer, to explore the feasibility of a new plan for development of a stadium for the 49ers as part of a comprehensive mixed-use project at Candlestick Point. Over the course of approximately 18 months, Lennar, working in cooperation with the 49ers, the City and the Agency explored a new preliminary plan for a mixed-use development at Candlestick Point.

In the fall of 2006, the 49ers decided that the proposed stadium and mixed-use development plan for Candlestick Point did not fully meet their objectives and announced that they would instead focus on developing a new stadium project in Santa Clara.

In June 2006, following a 10-year planning process, the Board of Supervisors adopted a Redevelopment Plan for the Bayview Hunters Point Project Area that includes Candlestick Point (the "BVHP Redevelopment Plan"). The primary objective of the BVHP Redevelopment Plan is to revitalize the Bayview Hunters Point community through economic development, affordable housing and community enhancement programs for the benefit of existing residents and community-based businesses.

The policies and programs of the BVHP Redevelopment Plan incorporate community goals and objectives expressed in a Concept Plan that the BVHP Project Area Committee ("PAC") adopted in 2000, following hundreds of community planning meetings. The PAC is a body that was formed in 1997 through a public election by Bayview Hunters Point voters to work with the Agency and the City and represent the interests of the Bayview Hunters Point community in planning for the area's future. The Agency continues to work through the PAC and with the community throughout the process of implementing revitalization activities under the BVHP Redevelopment Plan.

The Alice Griffith Housing Development is located on Candlestick Point. Alice Griffith, built in the early 1960s and operated by the San Francisco Housing Authority, needs substantial improvement. An important component of the Project is to provide one-for-one replacement of Alice Griffith units at existing low income levels and to ensure that existing residents have the right to move to the new upgraded units without being displaced until the replacement units are ready for occupancy.

The Candlestick Point State Recreation Area ("CPSRA") is also located in Candlestick Point. In 1983, the City donated land at Candlestick Point to the State to form the CPSRA, with the expectation that the State would develop and implement a plan for improving the park land. The CPSRA has the potential to be a tremendous open space recreational resource for the region and for residents of Bayview Hunters Point community. But it has not reached its potential due to limited funding from the State and a challenging configuration.

3. Integrated Redevelopment of the Shipyard and Candlestick Point

Candlestick Point and the Shipyard are in close proximity to one another, separated only by the Yosemite Slough and South Basin. Together, they comprise about 702 acres, and make up the largest area of underused land in the City. As further described above, for over a decade the redevelopment of Candlestick Point and the Shipyard has proceeded on parallel, though largely separate paths. But over the last four years, the City and the Agency have been working with the Bayview Hunters Point community on redeveloping the two sites together.

A primary objective of both the Shipyard Redevelopment Plan and the Candlestick Point portion of the BVHP Redevelopment Plan is to create economic development, affordable housing, public parks and open space and other community benefits by developing the under-used lands within the Project site. Combining the planning and redevelopment of these two project areas provides a more coherent overall plan, including comprehensive public recreation and open space plans and integrated transportation plans, and provides better ways to increase efficiencies to finance the development of affordable housing and the public infrastructure necessary to expedite the revitalization of both areas.

Accordingly, in May 2007, the Board of Supervisors adopted and the Mayor approved a resolution endorsing a Conceptual Framework for the integrated development of Candlestick Point and the Shipyard (the "Conceptual Framework"). The Conceptual Framework, which is the basis for the last three years of planning for the Project, envisioned a major mixed-use project, including hundreds of acres of new waterfront parks and open space, thousands of new units of housing, a robust affordable housing program, extensive job-generating retail and research and development space, permanent space for the artist colony that exists in the Shipyard and a site for a potential new stadium for the 49ers on the Shipyard.

In furtherance of the Conceptual Framework, in May 2007, the Agency and the Shipyard Developer (whose members were reconstituted) entered into a Second Amended and Restated Exclusive Negotiations and Planning Agreement related to Phase 2 of the Shipyard ("Phase 2 ENA"). The Phase 2 ENA extended the Shipyard Developer's pre-existing exclusive negotiating rights on the Shipyard to cover Candlestick Point. Partners and affiliates of the Shipyard Developer are expected to act as the "Developer" under the Project Documents.

In June 2008, San Francisco voters approved Proposition G, an initiative petition measure named The Bayview Jobs, Parks, and Housing Initiative, regarding plans to revitalize the Project site. Proposition G: (i) adopted overarching policies for the revitalization of the Project site; (ii) authorized the conveyance of the City's land in Candlestick Point currently under the jurisdiction of the Recreation and Park Department, for development in furtherance of the Project, provided that there is a binding commitment to replace the transferred property with other property of at least the same acreage that will be improved and dedicated as public parks or open space in the Project ; (iii) repealed Proposition D and Proposition F relating to prior plans for the development of a new stadium and retail entertainment project on Candlestick Point; and (iv) urged the City, the Agency and all other governmental agencies with jurisdiction to proceed expeditiously with the Project. Proposition G also included land use open space plans and financing guiding principles. The Project Documents described below are consistent with Proposition G.

In October 2009, the State legislature approved and the Governor signed and filed with the Secretary of State Senate Bill Number 792, ("SB 792"). SB 792 was enacted in January of 2010 and provides for the reconfiguration of the CPSRA and improvement of

the State park lands, in connection with the development of the Project. SB 792 permits the exchange of certain former tide and submerged lands – or so-called public trust lands - within the Project site and authorizes the conveyance of state park land on Candlestick Point to the Agency, in exchange for cash and other consideration, including improvements to the CPSRA. While the improvement of the CPSRA has been a long-time goal of the State, the City and the Bayview Hunters Point community, insufficient funding and under-used adjacent lands have presented an insurmountable obstacle to achieving this goal. SB 792 and the Project are designed to rectify that situation and realize the potential of the CPSRA.

Continuing the unprecedented level of community based planning and public discourse that has shaped the Project over the last 17 years, in the last three years alone, the Project has been reviewed in over 180 public meetings before the PAC, the CAC, the Agency Commission, the Board of Supervisors, the Planning Commission and other City commissions, and many other local forums.

II. PUBLIC BENEFITS

The Project is ambitious and will provide an unparalleled scope and depth of public benefits, including:

- enormous local business and employment opportunities;
- more than 300 acres of much needed high quality public parks and open space;
- more than 3,000 below market housing units (about 32% of the total housing);
- hundreds of millions of dollars of transportation improvements that will significantly increase transit service for the entire area;
- the City's last best chance for keeping the 49ers in San Francisco, regardless of whether Santa Clara approves a ballot measure this June; and
- many other tangible economic and public benefits for the Bayview Hunters Point community in particular and the City as a whole

As described below, all of these public benefits can be provided without using or adversely affecting the City's General Fund. Moreover, the City and Agency expect that the Project will be a national model of smart, sustainable urban infill development.

The key public benefits generated by the Project are:

1. Jobs and Economic Development.

The Shipyard was once a thriving, major maritime industrial center that employed generations of Bayview Hunters Point residents. At its peak, the Shipyard employed more than 17,000 civilian and military personnel, many of whom lived in area. But the Navy's decision to cease operations of the base in 1974 had a profound negative impact on the economic base of the Bayview Hunters Point. Accordingly, a primary goal of the many years of planning related to the Project has been jobs and economic development.

The Project is anticipated to generate on average 1,500 construction jobs per year for the expected 15-20 year life of the build-out, across a wide range of building trades.

The Project will also create approximately 10,700 permanent jobs across an equally wide range of income and skill levels, including retail and sales, building and open space maintenance and management, and commercial, office, light industrial and research and development jobs. These opportunities will be subject to the Agency's Equal Opportunity Program goals and requirements, designed to maximize employment for economically disadvantaged local residents and businesses.

The Project will provide a range of additional programs designed to create opportunities for small and local businesses, including:

- To ensure that local residents are prepared to realize these opportunities, the Project requires the Developer to pay $8,925,000 to fund workforce training and placement programs for local residents. The City's Office of Economic and Workforce Development will match these funds with compatible programs. For construction jobs, "City Build", the City's construction workforce training and placement program, will play a central role in this process. For permanent workforce hires, the Developer will comply with the City's First Source Hiring Policy and will work with the City Build Sector Academies and community based organizations ("CBOs") to maximize access to professional development opportunities;

- A community builder program designed to support the participation of local builders in the construction of both market-rate and affordable housing;

- $2,500,000 for construction assistance programs designed to provide technical assistance and contractor workshops in conjunction with local hiring and disadvantaged business programs;

- $1,000,000 contribution towards the Agency's surety bond program designed to assist local contractors in obtaining insurance and credit support, and

- A community realtor program designed to provide specific opportunities for licensed brokers in the area.

In addition, the Project Documents will require any hotel or restaurant project constructed in the Project to comply with the Agency's Card Check Policy, as well as for custodial, security, stationary engineering services and grocery stores.

2. Parks and Open Space.

In what will be the largest parks improvement project in San Francisco since Golden Gate Park was built, the Project will include approximately 336 acres (almost half of the site) of parks, open space and recreation areas. This key component of the Project is especially critical since southeastern San Francisco has been grossly underserved with parks, open space and other recreational amenities for many years.

As part of its infrastructure obligations, the Developer will be required to construct these public park, plaza and open space improvements in phases as it builds out the Project. The open space will create a linked system of promenades, plazas, overlooks and play areas providing a variety of public spaces and amenities for both passive and

active recreation. The parks and open space plans include neighborhood parks within Candlestick Point and the Shipyard, new waterfront parks around the entire perimeter of the Shipyard, a major renovation of the Candlestick Point State Recreation Area with restored habitat areas and restored public access to the water. Part of the open space built in the first phase of the Project will include a venue for musical performances of gospel, jazz, blues, African and world music. Another part will be used as an occasional outdoor venue for farmers and antique markets and an African themed market place.

Even the parking areas for the potential stadium site have been designed as a recreational amenity. By using special "dual use" turf under the Stadium option, the Project will make available approximately 85 acres of land needed for game day parking for use as baseball, soccer and other athletic fields as well as other informal recreational activities for the remaining approximately 350 days of the year. The surface of the fields would be real seeded grass above top soil, over synthetic fibers and other base materials to support vehicle parking and tailgating for 49er fans on game days, similar to the dual use turf system used at the new Dallas Cowboys football stadium. Because of strong community support for these types of active recreation fields, the fields are included in the non-stadium alternative as well.

A diagram of the Open Space plan for the Project is attached as Exhibit C.

3. Below Market Affordable Housing.

31.86% – or 3,345 out of approximately 10,500 housing units – will be offered on site at below market rates. The below market housing requirements of the Project will far exceed what is required under California Redevelopment Law and the City's affordable inclusionary housing laws. Collectively, the Project will contribute nearly $500,000,000 to the creation of Agency affordable, public housing replacement and below market housing.

Under the Project Documents, the Developer will meet these requirements by:

(i) Rebuilding Alice Griffith Public Housing units on a one-for-one basis within new, mixed-income buildings and phasing the construction to ensure that eligible residents may move to their newly upgraded units from their existing homes without displacement off-site;

(ii) Providing fully improved buildable pads, with the entire requisite infrastructure, to the Agency at no cost for its 100% affordable stand-alone developments, which will target households earning a maximum of 50% of Area Median Income ("AMI");

(iii) Providing approximately $97,160,000 to help fund the vertical construction of the Agency's stand-alone affordable housing;

(iv) Requiring the inclusion of affordable housing units within market rate housing projects and targeting households earning between 80% and 120% of AMI;

(v) Constructing "Workforce" housing units for those San Franciscans that may not qualify for more traditional types of "affordable" housing but still cannot afford to buy a home in the City that target households earning between 140% and 160% of AMI; and

(vi) Paying an additional $28,665,000 into a Community First Housing Fund to assist qualifying residents in the purchase of housing units through opportunities such as down payment assistance programs

The below market housing development will generally track the development of the market-rate housing in the Project and will be integrated throughout the entire Project. Also, because of the need for family housing in San Francisco, the affordable housing, excluding units specifically offered to senior or special-needs residents, will average 2.5 bedrooms per unit.

The below market and affordable housing will be offered across a range of affordability levels as follows:

- 256 Alice Griffith replacement units that will serve existing public housing residents will target the same levels of affordability currently provided by the Housing Authority to public housing residents: rents are set at 30% of monthly household income. For extremely low-income residents earning 30% of AMI, rent would be approximately $650 per month for a family three;

- 1,388 stand-alone Agency Affordable Units, which will be rental units affordable to households earning a maximum of 60% of AMI, and the Agency will seek to secure additional funding that will allow it to serve households earning less than 50% of AMI. For households earning 50% of AMI, for a family of three the affordable monthly rent would be $1,089;

- 809 affordable Inclusionary Units either rental or for sale for households earning between 80% and 120% of AMI. For households earning 100% of AMI, a 3-bedroom home for a family of four will cost approximately $280,000; and

- 892 Workforce for sale units for residents earning between 140% and 160% of AMI. For households earning 150% of AMI, a 3 bedroom home for a family of four will cost approximately $556,000.

A more detailed summary of the Housing Plan for the Project is attached as Exhibit D.

4. Transportation Improvements.

Due to geography, topography and the current extent and condition of infrastructure, Candlestick Point and the Shipyard are comparatively isolated from the transit and roadway networks serving the City and region and are less accessible for pedestrians and bicyclists. These deficiencies have been identified as top community concerns in the extensive local and citywide planning efforts for the Project and across southeastern San Francisco more generally. These planning efforts consistently call for:

- comprehensive transit coverage, with more direct and faster service to Downtown and other San Francisco neighborhoods, and better access to regional transit (BART, Caltrain) serving regional employment centers and destinations;

- safer, more walkable streets with complete sidewalks and neighborhood traffic calming;
- connected, safe bicycle routes connecting to the citywide bicycle network;
- area-wide traffic management to ensure access to regional highways and arterials without overwhelming residential and commercial streets;
- comprehensive parking management coordinated with the traffic network to ensure neighborhood livability in a balanced transportation system, and
- clear and managed truck routes and good movement corridors to sustain local businesses without exacerbating congestion and street safety concerns.

To upgrade the transportation networks in this area to the level of the best-served San Francisco neighborhoods and address these deficiencies, the City has worked with the Developer, the San Francisco Municipal Transportation Agency ("SFMTA") and other key transportation providers to ensure that the Project includes these key improvements:

- A Bus Rapid Transit (BRT) network bringing fast, clean and quiet bus service on transit-exclusive lanes (designed for potential conversion to light rail) that link the Project with the rest of the Bayview, Executive Park and Visitacion Valley neighborhoods, and connect to Caltrain, BART and the T-Third light rail and numerous Muni bus lines;
- The Yosemite Slough Bridge, directly connecting Candlestick Point and Hunters Point with permanent, dedicated BRT lanes and pedestrian and bicycle paths. The bridge reduces transit travel times throughout Southeast San Francisco and provides fast, reliable connections to BART and Caltrain. On game days, the bridge accommodates four lanes of auto traffic for access to and from the proposed 49ers Stadium, reducing stadium traffic delays and congestion in residential neighborhoods. During the rest of the year, these lanes convert to a park amenity with additional pedestrian and bicycle paths. Under the non-stadium alternative, the bridge would be narrower, as further described below;
- Extensions of key cross-town Muni trolley and motor coach lines to directly serve every quadrant of San Francisco from this area, and increasing capacity and frequency on these lines to benefit the Project and the surrounding areas of the Bayview, Visitacion Valley, Dogpatch, the Central Waterfront, the Mission and Potrero Hill;
- Two new express bus routes linking Candlestick Point and the Shipyard directly to Downtown;
- Two transit transfer hubs in the Project, and a major Caltrain/light-rail/bus/BRT hub at Bayshore Station;

- A new freeway interchange to increase convenient access to the Project area from US 101;
- Arterial improvements and intelligent traffic management and signals throughout the Project area to reduce congestion and improve flow;
- Key off-site traffic management investments to improve flow and reduce congestion in surrounding neighborhoods and improve access to I-280 and US 101;
- Street design within the Project to the City's new "Better Streets" standards of accessible sidewalks, sustainable "green" infrastructure, traffic calming, landscaping, lighting and safe intersection design;
- Extensive, continuous bicycle connections within the Project to connect to existing city bicycle paths, lanes and routes, as well as the Bay Trail and the Blue Greenway network;
- Pedestrian improvements along main corridors between the Project and surrounding neighborhoods, including streets such as Gilman, Palou, Innes and Harney;
- Coordinated parking and goods movement strategies to ensure high standards of livability for residents and visitors/employees coming to the area;
- On-site Traffic Demand Management program for the entire Project area to maintain a balanced transportation system and ensure that transit, carpool, and other options remain viable and attractive, including, parking management, resident and employee transit passes, and carsharing and bikesharing facilities;
- Full accommodation of game-day traffic and transit for the proposed 49ers stadium to secure both faster automobile ingress/egress than current conditions, and more frequent, reliable transit access to the rest of San Francisco, the South Bay, and the rest of the Bay Area;
- State-of-the-Art "green" sustainable infrastructure innovations that adapt year-round amenities with specific game-day transportation needs, including the Yosemite Slough Bridge (above) and the green play/sports areas that convert to game-day parking; and
- A phasing and monitoring plan of these transportation services, coordinated with SFMTA, to ensure the cost-effective, sustainable provision of services matching each development phase of the Project.

Summary Maps of the Transportation Plan for the Project are attached as Exhibit E.

During the public review of the transportations plans for the Project, a number of questions were raised about the proposed bridge over a portion of Yosemite Slough.

How is the bridge proposed to work? The bridge links Candlestick Point and the Shipyard across Yosemite Slough. To accommodate transportation needs for the stadium development alternative, the bridge would need to be 81 feet wide. It includes an east-side bicycle/pedestrian path, two exclusive Bus Rapid Transit (BRT) lanes and a west-side pedestrian/bicycle path that, under the stadium alternative, would be converted to four lanes of stadium automobile traffic on game days only. In the non-stadium alternative, the west-side path could be reduced 28 feet to allow a 12 ft-wide bike/ped only path, or eliminated for an even narrower bridge with bike/ped paths on both sides and two BRT lanes.

Why is the bridge needed? The bridge is an important element of the Project's transportation plan, with or without the stadium, especially for the job-generating green tech center on the Shipyard. To support the "Transit-First" objectives of the Project and to provide an attractive public transit route for prospective employers and residents, the bridge's BRT lanes allow a direct, fast route between the Project neighborhoods and business centers and to and from BART, Caltrain, Muni light rail and local buses. These links help the Project achieve its transit mode split goals of over 20% for external trips and provides direct, fast transit access to BART and Caltrain. Without the bridge, the BRT would run approximately an additional mile through an industrial area around Yosemite Slough and through seven additional intersections with extra right turns, degrading the effectiveness and appeal of public transit and pushing more automobile traffic onto neighborhood streets. Analysis shows the no-bridge alternative takes five to ten minutes longer, which results in reduced line ridership to the Hunters Point Shipyard by 15%. The bridge also provides pedestrians and cyclists a direct connection between Hunters Point and Candlestick Point, avoiding a diversion through the industrial area around Yosemite Slough. The bridge also complements the Bay Trail network, by allowing bike/ped access between Candlestick Point and the Shipyard without having to go the long, indirect route around Yosemite Slough and on non-game days, to go back and forth between Candlestick Point and the Shipyard without having to cross the BRT route.

While the bridge is important in the non-stadium alternative, both the NFL and the 49ers have said that it is essential for the operation of a stadium on the Shipyard. Under the proposed stadium alternative on game-days the four lanes normally reserved for bikes and pedestrians will be used for slow moving traffic entering and exiting the stadium. If this traffic were to be diverted onto existing streets, without the bridge, the exit times for the stadium increase to longer exit times than at comparable other new NFL stadiums. Obviously, the better the Project can satisfy the 49ers and the NFL's requirements for ingress and egress, the better the City's prospects are for retaining the team.

What would the impacts of the bridge be? Environmental impact analysis identifies construction and shadowing impacts of the bridge to wetlands and habitat, but determines that these impacts are not significant as a result of the creation and restoration of habitat as proposed in the Project. In addition, the bridge can be designed as a "green bridge" to enhance public use and enjoyment of the slough through broad viewing areas over the water, and step downs for small craft like kayaks. Conversely, a "No-Bridge" alternative without the transit, pedestrian and bicycle benefits presents other environmental considerations: a likely increase in automobile traffic, noise and pollution through existing residential neighborhoods and industrial areas.

5. <u>Opportunity Site for a New 49ers Stadium</u>.

Under Proposition G, San Francisco voters expressly adopted a City policy encouraging the 49ers to remain in San Francisco by offering the 49ers a world-class site for a new stadium on the Shipyard, together with supporting infrastructure, on certain specified terms and conditions. Proposition G recognized that the 49ers are an important source of civic pride and that the team is closely identified with San Francisco, having played in the City since the 1940s and in Candlestick Point since the 1970s.

The Project provides what is likely the last and only opportunity for the 49ers to remain in San Francisco over the long-term. Even if the 49ers are successful in obtaining voter approval of a stadium plan in Santa Clara, it still makes sense for the Project to include a stadium alternative. Because of significant uncertainties regarding the financial feasibility of the new stadium in Santa Clara, it will likely take a number of years before the actual location of a new 49ers stadium is finally determined.

Consistent with Proposition G, the Project has been designed to provide the 49ers with a suitable site for a world-class waterfront stadium on the Shipyard, as well as all of the necessary parking and transportation improvements and $100,000,000 from the Developer towards the construction of the stadium itself. At the same time the City's primary goal is to assure that the Project is fiscally prudent for the City and will deliver jobs, affordable housing, parks and public open space and the other enumerated public benefits as soon as possible. Proposition G and other statements of City policy have been clear that the Project must go forward with or without the 49ers and that the City should not delay the Project while the 49ers determine whether it is feasible to build a new stadium in Santa Clara.

The Project Documents provide that the Developer's obligations to construct the stadium-related infrastructure and pay $100,000,000 towards stadium construction are contingent upon the satisfaction of certain conditions (the "Stadium Conditions"), including legally binding agreements with the City or Agency for the long-term lease of the stadium site and binding commitments from the 49ers' to construct the new stadium as approved by the Agency, the City and the NFL. The Project Documents further provide that if the Stadium Conditions are not satisfied by 2014 the Developer should proceed with the non-stadium alternative for the affected real property. The 2014 deadline was selected because, based on the Project's phasing plans described in Section C.2 below. There will not be a need for the stadium site before that date because the City, the Agency and the Developer expect a final stadium site determination by the 49ers by that date.

6. Additional Community Benefits

In addition to the jobs, parks, affordable housing and other public benefits described above, the Project will generate a number of additional community benefits, including the following:

- $3,5000,000 for an education scholarship fund for local residents;
- $10,000,000 for an education improvement fund to improve or construct new educational facilities in the area;
- $2,000,000 for community health facilities, including potentially a pediatric wellness center;
- 4.8 acres of improved land for additional community facilities as determined by a local community development process;

- 65,000 square feet of built space for additional community facilities, including an indoor African marketplace and library reading rooms;
- New and renovated space for the Shipyard's artists at affordable rates and improved land for a possible Arts Center;
- Infrastructure for the United Nations Global Compact Sustainability Center at Building 813 of the Shipyard; and
- The funding of a community benefits fund (the "Legacy Fund") through the payment of 0.5% of the initial sales price of all completed market rate homes– estimated to generate $26 million over the life of the Project – as well as 50% of profits above the specified threshold, if any.

A copy of the Community Benefits Plan for the Project is attached as Exhibit F.

III. PROJECT DOCUMENTS.

The Project Documents advance and refine plans that have already been extensively reviewed and endorsed by the Hunters Point Shipyard Citizen's Advisory Committee, the Bayview Hunters Point Project Area Committee, the San Francisco Redevelopment Agency Commission, the San Francisco Recreation and Park Commission, the San Francisco Board of Supervisors and the voters of San Francisco, including Proposition G, the Conceptual Framework, the Urban Design Plan for the Project, presented to and endorsed in January of 2009, and the Finance Plan for the Project, presented to and endorsed in December of 2008.

The structural model for many of the Project Documents is the Mission Bay redevelopment project, which is a proven model that has successfully transformed a former contaminated rail yard into a thriving neighborhood and economic hub of the City.

The Project Documents generally fall into five categories, as follows:

1. Entitlement Documents. The Entitlement Documents establish the zoning and permitted land uses for the Project, and include amendments to the current Hunters Point Shipyard and BVHP Redevelopment Plans (together, the "Redevelopment Plans"), Design for Development documents for the Shipyard and Candlestick Point ("Design for Development") and Open Space, Transportation, Infrastructure and Housing Plans. The Entitlement Documents also include corresponding amendments to the City's General Plan and Planning Code, Public Works Code, Building Code, Health Code and approval of amendments to the existing Subdivision Ordinance for the Shipyard to extend it to cover Candlestick Point. The Entitlement Documents also establish the processes for the Agency and City to review and approve the implementation of specific elements of the Project, including a Design Review and Document Approval Process ("DRDAP") and an Interagency Cooperation Agreement ("ICA"). The Entitlement Documents include a stadium alternative and a non-stadium alternative. The Developer is not directly a party to these documents.

2. Phasing Requirements. The Project's phasing requirements, generally included in the Disposition and Development Agreement ("DDA") between the Agency and the Developer, set forth the phasing of the build out of the Project, the conditions precedent to the transfer of land to the Developer and

the terms under which the Agency can terminate the Developer's right to proceed with developing the Project and proceed with one or more alternative developers.

3. Financing Agreements. These agreements describe how the infrastructure and related public benefits supporting the horizontal land development of the Project will be paid for and how the proceeds from the sales of market-rate lots will be distributed. In addition, these agreements govern the tax increment financing and the establishment of Mello-Roos Community Facilities Districts by the Agency for the Project. Key documents include a Financing Plan, which is part of the DDA with the Developer, an Acquisition and Reimbursement Agreement and a Tax-Allocation and Pledge Agreement between the Agency and the City. These financing agreements are consistent with, and provide further detail to the Financing Plan endorsed by the PAC, the CAC, the Agency Commission, the Board of Supervisors and the Mayor in December 2008.

4. Site Assembly Agreements. These agreements describe how the City's, State's and Federal Government's interests in land within the Project will be aggregated to allow the Project to be developed.

5. Other Project Requirements. The Project Documents include a number of "Other Project Requirements" that impose additional conditions on development of the Project, including the additional community benefits regarding health, education and economic development opportunities, workforce training and local-hiring requirements described above, specific mitigations identified by the Environmental Impact Report for the Project ("EIR Mitigation Measures"), requirements related to the compliance with all applicable federal, state and local environmental and hazardous materials laws during construction, and requirements requiring the Project to be built in an environmentally sustainable manner.

1. Entitlement Documents

Together, the Entitlement Documents establish "what" may go "where" in the Project site. A list of the various Entitlement Documents, including the proposed amendments to the BVHP Redevelopment Plan and to the Shipyard Plan (the "Redevelopment Plan Amendments"), which are the primary land use controls, together with the Design for Development, the Design Review and Document Approval Procedure, the Interagency Cooperation Agreement and amendments to the Subdivision Ordinance, and the corresponding approval bodies, is attached as Exhibit G.

Generally, the scope of development permitted by the Entitlement Documents comprises the following:

- 10,500 residential housing units, of which 31.86% (3,345) will be below market. The housing program includes the complete rebuilding of Alice Griffith, to provide one-for-one replacement of existing units targeted to the same income levels as those of the existing residents and phased to ensure that residents have the opportunity to move directly to the new units.

- 2,500,000 sq. ft. of research and development uses including office and light industrial uses targeting emerging industries and technologies such as green technology. Additional research and development space may be built under the non-stadium alternative.
- 150,000 sq. ft. of office and other commercial uses on Candlestick Point.
- 336 acres of new and restored open space and active recreation areas
- 635,000 sq. ft. of regional retail on Candlestick Point.
- 250,000 sq. ft. of neighborhood-serving retail, with half planned for the Shipyard and half planned for Candlestick Point.
- Permanent new and renovated space for the existing Shipyard artists as well as an arts education center.
- A 150,000 sq. ft. (220-room) hotel on Candlestick Point.
- A 10,000-seat performance venue on Candlestick Point.
- A new, 69,000-seat, world-class football stadium for the 49ers. If the 49ers do not timely avail themselves of the opportunity to build a new stadium in the Project, the Project includes a non-stadium alternative that includes expanding both commercial and residential uses on some of the areas of the Shipyard currently reserved for stadium uses and slightly reducing residential densities on Candlestick Point.
- New public and community facilities on both the Shipyard and Candlestick Point, including a new fire station on the Shipyard and, if required by the San Francisco Police Department, an expanded police station on Candlestick Point.
- A 300-slip marina on the Shipyard.

The Redevelopment Plan Amendments. Because the Project site straddles two existing redevelopment project areas it involves amendments to two Redevelopment Plans. The Redevelopment Plan Amendments set forth the basic land use designations and allowable land uses for the Project. The Redevelopment Plan Amendments also authorize the use of property tax increment financing, and the Redevelopment Plan Amendments will adjust the limitations on tax increment consistent with the new development program. The Redevelopment Plan Amendments also provide the Agency with the authority to set development standards, finance public improvements and enter into agreements with developers and property owners.

The proposed amendment to the Shipyard Redevelopment Plan revises the allowable land uses to permit the development program for Phase 2 of the Shipyard described above. Specifically, new land use districts will permit a mixed-use residential neighborhood on Parcel B of the Shipyard and includes a cultural neighborhood and commercial district focused around new and revitalized artist studios and the historic dry docks area on the waterfront. Allowable land uses on Parcel C will continue to include research and development and light industrial to provide space for the envisioned green technology campus, but anticipates more office uses and removes the heavy/maritime industrial uses from the Shipyard Plan.

The southern area of the Shipyard Project Area permits the construction of a new football stadium along with additional research and development uses and the potential

for residential in some areas, should the 49ers choose not relocate to the Shipyard. The Shipyard Plan continues to reserve the shoreline of the project area for open space development. The proposed development program for Phase 2 of the Shipyard Plan contemplates a substantial increase in the development potential for the Shipyard Project Area, and thus a significant increase in the tax increment that will be available to the Agency. The Community Redevelopment Law permits these limits to be increased by a Redevelopment Plan Amendment if blight remains in the project area.

The proposed plan amendment to the BVHP Redevelopment Plan will update the description for Candlestick Point to provide for a high-density residential community, and a new regional shopping and entertainment complex and to include the Alice Griffith neighborhood in this activity node. Similar to the Transbay and Visitacion Valley Project Areas, the redevelopment plan amendment proposes to establish two sub-areas within the redevelopment plan area. It would designate the Candlestick Point area of the Project as Zone 1 of the BVHP Redevelopment Plan, within which extensive redevelopment is anticipated, return entitlement authority to the Agency, and prescribe land use controls in the redevelopment plan.

Within Zone 1, the proposed plan amendment creates two land use districts, a mixed use residential district that includes four neighborhoods including Alice Griffith, and a mixed use commercial district to serve as the retail center of the Project, allowing regional retail, offices, a hotel, a performance art arena and housing. Due to the increased development potential under the current proposal in for Candlestick Point and the corresponding public infrastructure and affordable housing financing needs, the plan amendment for the BVHP Plan will increase the dollar limit on bonded indebtedness. Importantly, the proposed amendment will include provisions to ensure that the tax increment generated in the larger BVHP Redevelopment Plan, outside of the Project site, is reserved for the community revitalization activities in those areas and shall not be used to finance the infrastructure for Candlestick Point or the Shipyard.

Each of the Redevelopment Plan Amendments also fixes the development fees and exactions for development of the Project under the DDA for a specified period and limits the application of new development fees and exactions and changes in City regulations over the life of the Redevelopment Plans. The Redevelopment Plan Amendments do not change any of the existing provisions relating to the limitations on the Agency's use of eminent domain under the Redevelopment Plans. The General Plan and the Planning Code are also proposed to be amended to conform to the Redevelopment Plan Amendments.

<u>The Design for Development</u>. The Design for Development relating to each of the two Redevelopment Plan Amendments provides more specific land use controls and design standards that govern maximum development, height, bulk, lot coverage, street wall, open space, sunlight and wind, parking and loading standards. The Design for Development documents provide the overall urban planning framework through the street and park system, and provide specific design standards for neighborhood character areas. The goal of the Design for Development is to create regulations insuring a high quality living, working, and visitor environment, creating a series of medium to high density pedestrian-oriented neighborhoods, and clear public destination centers.

While there are two distinct Design for Development documents (one for Phase 2 of the Hunters Point Shipyard and one for Candlestick Point), the overall goals and many of the provisions are the same. Generally, design review is the responsibility of the Agency. The development controls and design guidelines set forth in the Design for

Development and the two Redevelopment Plan Amendments are consistent with Proposition G, as well as the Conceptual Framework and the Urban Design Plans endorsed in January 2009.

The Design Review and Document Approval Procedure (DRDAP). The DRDAP for the Project site describes the process by which the Agency and appropriate City departments will consider applications to approve Major Phases of the Project, Sub-Phases within each Major Phase and the construction of infrastructure, open space and parks, and individual vertical development projects. The DRDAP also describes what the Developer needs to submit during each step of the approval process, the time period for the Agency to review complete submissions, and the process for other City agencies to comment on design matters. The DRDAP process is in addition to the process for City approvals of subdivision maps under the Subdivision Ordinance and Infrastructure Plan described below.

The Interagency Cooperation Agreement (ICA). The ICA between the Agency and the City sets forth a framework for cooperation between the City and the Agency in the process of reviewing and approving subdivisions and other applicable land use, development, construction, improvement, infrastructure, occupancy and use requirements. City departments involved under the ICA include the Public Utilities Commission, Department of Public Works, the Planning Department, the Municipal Transportation Agency, the Department of Public Health and the Port.

The Infrastructure Plan and Amendments to the Subdivision Ordinance. In general, the public infrastructure requirements for build-out of the Project will be phased to serve the incremental needs of buildings as they are constructed. An amendment to the existing Subdivision Ordinance for the Shipyard will be adopted to include Candlestick Point and establish the process of mapping the new parcel configurations in the Project and to provide a mechanism for assuring the proper construction of the public infrastructure that is required under the Project Documents. The Subdivision Ordinance requires that security, such as performance bonds, be provided for building the required public improvements, including open space improvements, if those improvements are not completed to applicable City standards at the time of approval of the final subdivision map. The Infrastructure Plan and the Subdivision Ordinance, along with implementing regulations, will also establish the design and construction standards, performance criteria and specifications regarding the Developer’s responsibility for public infrastructure within the Project.

2. Phasing Requirements

The DDA. The DDA is the primary agreement that governs the Developer’s rights to develop the Project in phases in accordance with the Project Documents, including the Entitlement Documents and Other Project Requirements listed above, and the Developer's obligations as it exercises those rights. As shown on Exhibit H, the Project Documents provide for the horizontal land development of the Project to be built out over up to approximately 17 years in 3 Major Phases, with vertical development occurring during that period and beyond.

The DDA sets forth a road map for development of the Project, including the Major Phases and Sub-Phases of the Project. More particularly, it establishes the linkages between the Developer's build out of Major Phases and Sub-Phases of the Project, and the Developer's obligations to complete the parks, transportation and other infrastructure required for that build-out and to deliver affordable housing parcels and

other public benefits corresponding to that build out. The Major Phases and Sub-Phases are designed to ensure that the Developer must satisfy its public benefit obligations regarding parks, affordable housing and other community benefits proportionately along with the construction of market rate development.

Generally, the Project requires the Developer to invest hundreds of millions of private dollars in building public infrastructure and providing certain community benefits before the Developer can realize any return on its investment from development, especially in the first Major Phase where the up-front investment is especially substantial. The Developer will recover only part of its private investment in the Project through an allocation of a portion of the property tax increment generated by the Project; the Developer must recover the rest of its investment through the sales of finished lots and special taxes imposed on the market development parcels of the Project.

Specifically, the first Major Phase of the Project includes the rebuilding of Alice Griffith, together with the development of 1,812 residential units on 120.5 acres, 36 acres of parks and open space, 115,000 square feet of retail space, the renovation and construction of new replacement studios for the Shipyard artists and space for the new United Nations Global Compact Sustainability Center. Also, if the 49ers satisfy the Stadium Conditions, the Developer must build significant infrastructure for the new 49ers stadium and contribute $100,000,000 toward the cost of constructing the stadium, in the first Major Phase.

As a result, the community benefits for the Project are heavily "front loaded." For example, the below market percentages for the Project substantially exceeds the Project's overall requirement of 32% in the first Major Phase and the Developer is not projected to achieve its targeted returns on private capital until the last Major Phase. For this reason, the Agency's ability to terminate the Developer's right to proceed with the Project if the Developer fails to meet the schedule of performance for development described below is a substantial remedy.

Schedules of Performance. The DDA establishes outside dates in a schedule of performance for the Developer to proceed with constructing major components of infrastructure to serve Major Phases and Sub-Phases. The schedules of performance may be extended for a specified period of time due to events outside of the Developer's control like acts of war, natural disasters, litigation, and catastrophic economic conditions. In addition, in each of the 3 Major Phases, the Developer will be granted the right to delay the schedule of performance by up to 24 months.

If the Developer timely completes the construction of the infrastructure in a Sub-Phase, then the Developer will have in effect purchased the Agency-owned land in a Major Phase or Sub-Phase by virtue of its private investment in constructing the infrastructure and has preserved its right to proceed with development of the rest of the Project according to the Project Documents. The DDA does not require that the Developer meet a schedule of performance for the vertical build out, since the Developer will have a strong market incentive to do so, given that the Developer cannot recover its investment without timely vertical development. But if the Developer fails to timely submit applications for Major Phase and Sub-Phase approvals or to timely complete construction of an infrastructure component within a Sub-Phase, or materially defaults on obligations under the Project Documents, the Agency may terminate the Developer's rights to proceed with developing the Project.

Phased Land Conveyances; Agency Right of Reverter. The DDA also sets forth conditions for the transfer of land within the Project to the Developer that mirrors the

phasing requirements. Generally, the Agency will not convey title to any parcel within the Project to the Developer until a Sub-Phase Application for such Sub-Phase has been approved and the Developer has satisfied the conditions to close of escrow under the DDA and DRDAP and provides financial guarantees to the Agency for the completion of all infrastructure and related public benefits included in that Sub-Phase. Land transferred to the Developer within a given Sub-Phase will be subject to a "right of reverter" under which the Agency may re-take ownership of the land if the Developer fails to substantially complete the infrastructure or other public benefits allocated to that Sub-Phase within the time frame set forth in the Project Documents and corresponding Major Phase and Sub-Phase approvals.

Horizontal Development Model. As noted above, the Developer's role under the DDA reflects a "horizontal" land development model. Under this model, land is the asset that is being improved and sold, not finished buildings or housing units. The DDA is designed to transform the Project site into finished parcels that are improved with streets, sidewalks, parks, and other public infrastructure and certain community facilities. In this structure, the Developer's role is to build the horizontal infrastructure improvements, together with the provision of various community amenities and other public benefits. In return, the Developer receives the right to sell land for "vertical" development. For vertical construction, the DDA contemplates that the Developer may choose to build vertical projects itself or with affiliates (and, as required, with Community Builders), or alternatively to convey finished lots to other developers for construction. But the Project Documents require that the Developer offer not less than 25% of the market rate residential lots in each Major Phase for sale to unaffiliated third parties by an auction or other process approved by the Developer and the Agency.

A diagram showing the stages of development approvals leading up to vertical construction is attached as Exhibit I.

3. Financing Documents

The DDA incorporates various financing documents, including a Financing Plan, related to how the horizontal land development will be paid for and how the proceeds from the sales of market-rate lots will be distributed. The DDA provisions relating to tax increment financing are supported by a separate Tax Allocation Agreement between the Agency and the City.

General Requirements. The financing agreements are consistent with Proposition G, as well as the Conceptual Plan and the Financing Plan endorsed in December 2008. Specifically, those documents provided that any appropriate financing plan for the Project should meet the following requirements:

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

- The Project must be financially feasible and provide a risk adjusted market rate of return to the Developer to support the required investment of private capital in the Project and the transaction

structure should simultaneously give priority to the delivery of the Project's core public benefits (like parks, jobs and affordable housing).

- The transaction structure for the Project should provide a mechanism for the Agency – and through the Agency to the community – to participate in profits above the threshold return (defined below), if any, from the development of the Project.

- Except for the use of citywide affordable housing funds for Agency affordable housing projects and Alice Griffith replacement affordable housing units, property tax increment from redevelopment areas outside of the Project site may not be used to finance the construction of improvements within the Project site.

Project Costs. The Project must pay the costs of completing the "horizontal" development, using private capital and revenues generated by the Project itself. Horizontal development costs for the Project include:

- Completing all pre-development planning and entitlement work, including engineering, urban design and land planning, architectural, legal and financial work, market and feasibility studies and environmental review under CEQA;
- Demolishing and grading the site to prepare the land for development;
- Building the backbone wet and dry utilities, including a low-pressure potable water system, a reclaimed water system; an auxiliary fire water supply system, separate sanitary sewer and storm drainage facilities, and joint trenches throughout the area to accommodate electrical, communication, and gas utilities;
- Building on and off-site public transportation improvements, including significant capital improvements to public transit corridors and surface roadways that will serve both the Project and the surrounding Bayview Hunters Point neighborhood;
- Completing public open space improvements, including public access trails, parks, open space and shoreline improvements and other waterfront improvements to enhance public use, enjoyment and views of the San Francisco Bay;
- Building new and improved community and public facilities, including facilities for the Shipyard's permanent artists' community, an African marketplace, and land and facilities dedicated to community-serving uses;
- Delivering sites for affordable housing projects and Alice Griffith replacement projects to the Agency, at no cost, in developable condition with all of the requisite infrastructure and paying gap subsidies for vertical construction of Agency affordable housing and the Alice Griffith rebuild;
- Satisfying any other requirements necessary to convert the raw land at the Shipyard and Candlestick Point into developable pads ready for development; and
- Funding additional community benefit programs including workforce development and training programs, home buying assistance subsidies, a scholarship program for Bayview residents, physical and mental health programs for Bayview youth and other community programs as described above.

As shown on Exhibit J, in total, these costs for horizontal development are estimated to be approximately $2.25 billion.

Sources of Funds to Pay Projects Costs. As further shown on Exhibit J the sources of funding for development will come primarily from a combination of private capital, including proceeds from land sales and land-secured tax-exempt financing. It is estimated that the private capital contribution to the Project – in the form of equity and/or private debt - will be approximately $700 million. The Project Documents contemplate that private capital will be invested first so as to create the land values necessary to support the land-secured tax-exempt financing described below.

Tax-exempt land-secured financing for construction of public infrastructure and eligible community benefits, including affordable housing, is expected to generate about $1.55 billion. This form of financing uses tax-exempt financing tools made possible through the Developer's investment of private capital in the Project to capture certain tax revenues that would not otherwise exist but for the Project. To qualify for tax-exempt status, the proceeds of these types of financing are generally limited to paying for the construction of public improvements, like streets and other public infrastructure, public parks and open spaces, and affordable housing.

Whether tax-exempt or taxable, these types of debt are generally non-recourse to the public entities that issue them – that is, in this Project, neither the Agency nor the City would be legally responsible for paying the debt if the economic projections regarding the Project prove incorrect, and the tax revenues collected are not enough to make required payments on the bonds. Land-secured tax exempt financing typically takes the form of (i) the levying of special taxes in designated Community Facilities Districts and the issuance of Mello-Roos bonds supported by those taxes, and (ii) the allocation of property tax increment associated with the new property tax revenues produced in a redevelopment project area and the issuance of tax allocation bonds based on that tax increment.

- *Mello Roos Community Facilities District Bonds:* This financing mechanism allows the Developer to impose a special tax on top of the City's annual property tax bill for designated market development parcels, so long as the owners of affected parcels voting in a special election, approve the imposition of the tax by a 2/3 vote and the proceeds from this special tax are used to cover the costs of eligible public facilities or services, such as utilities, roads, geotechnical improvements and parks and open space. Mello-Roos bonds do not involve an investment of City's General Fund dollars into the Project; they are supported by a self-appointed tax on the private development and the value of the private land in the district. Here, Mello-Roos bonds will likely be used to help jump start development, before the Project has generated enough property tax increment to help finance infrastructure. The Mello-Roos special taxes will be paid by the Developer and ultimately by most residential unit owners and commercial tenants. Mello-Roos bonds are often used in large-scale development projects in California. Mello Roos Bonds have been used successfully in San Francisco in connection with the Mission Bay, Rincon Hill and Hunters Point Shipyard Phase 1 developments. Under the Project Documents, the special taxes will be levied only on market development parcels. The special Mello-Roos tax will not be levied on Redevelopment Agency sponsored affordable housing units, Alice Griffith or public open space or parks. Based on the overall

value of the proposed development, the Mello-Roos Bond proceeds to finance the infrastructure are expected to total approximately $600 million.

- *Property Tax Increment Financing*: In redevelopment project areas such as the ones proposed under the Redevelopment Plan Amendments for the Project a portion of the net new property tax revenues generated by new development or the tax appreciation of existing property can be allocated to pay for public infrastructure that primarily serves the project area. Property tax allocation bonds, which are supported by that new tax increment, can be issued by the Agency to provide funds to construct that public infrastructure as well as affordable housing. The debt service on such bonds is paid and the bonds ultimately retired by applying available property tax increment generated by the Project.

  Property tax increment financing is typical of urban revitalization projects in California, and nationwide, as a means for redevelopment activity to self-finance necessary improvements through the temporary capture of property tax revenues that would not exist but for the revitalization activity itself. The property tax increment financing in turn supports the community revitalization efforts. The proceeds of property tax increment financing will be used to build public improvements such as affordable housing and public infrastructure (e.g., parks, roads, transportation infrastructure, utilities and geotechnical improvements). Overall, for this Project it is estimated that approximately $950 million will be available from property tax increment financing.

  Under the Financing Plan and the Tax Allocation Agreement, the Agency will pledge (i) all of the net available property tax increment from the Project (about 60% of the total tax increment from the Project) to pay for public infrastructure and all of the available housing increment for affordable housing as required by the Project Documents. The Tax Allocation Agreement also serves as a "joint community facilities agreement" as required by the state laws that govern Community Facilities Districts. In this way, the Tax Allocation Agreement governs the way the City acquires and operates public infrastructure after it is completed.

- *Open Space and Parks Operations & Maintenance District ("O&M District"):* The Project financing includes a dedicated funding source for the ongoing operations and maintenance of the City's public parks and public open space in the Project site. Like the Mello-Roos district for infrastructure development, the parks and open space operations and maintenance funding is generated from a special tax that is levied on top of the annual property tax that is paid by landowners in the district. Again, the special Mello-Roos tax will apply only to private development parcels; it will not be levied on Redevelopment Agency sponsored affordable housing units or Alice Griffith or public open space or park parcels. Together with the operations and maintenance funds going to State Parks under SB 792 and revenues from the parks

themselves, these funds should cover all of the operations and maintenance needs for the Project's parks and open space.

- *Candlestick Point State Recreation Area Maintenance:* Under Senate Bill 792, $10 million is set aside for ongoing maintenance of CPSRA.

Distribution of Net Project Revenues. Land sale revenues are revenues generated through the sale or lease of finished horizontal lots in the Project for "vertical" market rate development. These revenues are the primary source of funds to repay the Developer's investment of private capital. Over the life of the Project, the total land sale revenues from the sale of the improved commercial and residential land is estimated to be approximately $1.5 billion. Under the Project Documents, net project revenues (defined as project revenues less project expenses) from these sales are distributed as follows:

- First, to the Developer, until the Project achieves a threshold return, defined to equal 22.5% unleveraged annual internal rate of return on the private capital invested in the Project (the "Threshold Return").

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

- Also, all market rate vertical development will be subject to a profit participation by the Agency at a rate of 0.5% calculated on the initial gross sales price of each market-rate residential unit. The Agency's vertical development revenue participation - estimated at $26 million over the life of the Project - will be paid directly into the Legacy Fund established under the Phase 1 Shipyard DDA, which shall be used for the benefit of the Bayview Hunters Point community.

This transaction structure is designed to allow the Developer to receive a risk adjusted market rate of return on its investment, with the Agency sharing in any profits, above the specified Threshold Return, but none of the financial downside risk. If the Threshold Return is not met, the Project may proceed more slowly, but neither the Agency nor the City would bear any financial costs if the Threshold Return were not achieved. The Agency's independent real estate economic consultants, CBRE Consulting, Inc. and C.H. Elliott & Associates, have determined based on their experience with a multitude of complex public-private joint development projects that the transaction structure defined above, including the return threshold for the Developer, is commercially reasonable taking into account the complexity and risk inherent in the revitalization of Hunters Point Shipyard and Candlestick Point.

The discussion of sources and uses of Project costs and revenues described above provides a static summary of total financing, total costs and total revenues for the full development of the Project. In actuality, these costs and revenues will be incurred over time from the inception of development planning through the build out of the Project. These timing issues have an enormous impact on the overall financial feasibility of the Project. Indeed, full vertical build out of the Project is anticipated to take at least 16 years and could take 25 years or more, depending on market conditions.

As noted above a large proportion of the costs will be incurred in the initial years, and revenues will follow much later. At the Shipyard and Candlestick Point, this is particularly true as a result of the prioritization of the rebuilding of Alice Griffith, and the significant infrastructure and transportation improvements that must be made in the early phases to support development of the land. The need to expend large sums of private capital far in advance of generating adequate revenues creates a significant amount of additional financial risk for the Developer.

Financial Terms regarding the 49ers Stadium Alternative. Proposition G, as well as the Conceptual Framework and Financing Plan, included a number of principles regarding the financing and development of a new 49ers stadium. In furtherance of Proposition G and consistent with the principles set forth in the Conceptual Framework, the Project Documents contemplate future stadium related agreements that include the following financial terms:

- The City, by itself or through the Agency, would enter into a long-term ground lease covering the approximately 17.4-acre site of the stadium pad in the Shipyard for the development of the new 49ers stadium, for $1.

- Upon satisfaction of the Stadium Conditions, the Developer will contribute to the 49ers $100,000,000 toward construction of the new stadium.

- Upon satisfaction of the Stadium Conditions, the City will cause the Developer to deliver the 49ers the stadium pad site in a condition suitable for development of a new NFL football stadium, together with all of the necessary related infrastructure, including transportation improvements and parking areas, needed for the operation of a world class NFL stadium and the Developer shall provide reasonable financial and contractual assurances assuring the City, the Agency and the 49ers that the transportation and parking infrastructure needed for the stadium will be completed and in service before the new stadium opens.

- Net available property tax increment generated from the stadium itself also may be used for public infrastructure serving the stadium, including, but not limited to, parking, transportation, and public plazas or other public improvements that may be connected to the outside of the stadium structure.

Fiscal Impacts Study. One of the requirements of the Project under Proposition G is to minimize any adverse impacts on the City's General Fund. The real estate economics advisor, Economic & Planning Systems, completed an analysis of the impacts of the Project on the City's fiscal health over the lifetime of the Project. The analysis measures the anticipated net increase in revenues accruing to the City over time from new development and additional expenses associated with providing necessary public services for the Project.

According to that fiscal impacts study, net new revenues to the City from the Project significantly exceed new costs to the City because of the Project. The analysis also identified the following key economic benefits stemming from the Project at full build out:

- More than $8 billion in net new property value
- 1,519 average annual construction jobs
- 10,730 permanent jobs

In addition, the Developer will be required to pay the Agency's and the City's costs of administering the Project Documents over the life of the Project.

4. Land Assembly

The Shipyard. Phase 2 of the Shipyard is owned by the United States Navy. Under the terms of the 2004 Conveyance Agreement, the Navy is required to transfer the Shipyard to the Agency at no cost, in phases, after all of the necessary hazardous materials clean up is complete. Under the Conveyance Agreement, California's Department of Toxic Substances Control ("DTSC") and the Federal Environmental Protection Agency ("EPA") must concur that the property is safe for both people and the environment, in light of the intended reuse of the property under the existing Redevelopment Plans, before any transfer to the Agency.

To date, the Navy has spent or budgeted over $700,000,000 on the hazardous materials remediation of the Shipyard and the anticipated schedule for the transfer of remediated land from the Navy is consistent with the phasing schedules for development described in Section C.2 above. (The remediation of Parcels B, G and D-2, which cover approximately 104.7 acres and the next six years of development on the Shipyard, are fully-funded, near complete and expected to transfer by the end of 2010.) The transfer of land from the Navy to the Agency under the Conveyance Agreement is one of the conditions to Developer's rights to construct these portions of the Project.

Candlestick Point. Candlestick Point is subject to a more varied pattern of land ownership. The City, acting by and through its Recreation and Park Department, the State of California, acting by and through State Department of Parks and Recreation ("State Parks"), and the San Francisco Housing Authority own most of Candlestick Point. There are also minor private land holdings within portions of the site.

Proposition G specifically authorized the transfer of the City's approximately 77 acre site that is the current site of Candlestick Park and related paved parking areas to implement the Project, provided that there is a binding commitment to replace the transferred property with other property of at least the same acreage that will be improved and dedicated as public parks or open space in the Project. The Project Documents include the land transfer agreement between Recreation and Park Department and the Agency authorized by Proposition G.

CPSRA. The Candlestick Point State Recreation Area covers approximately 120.2 acres (excluding Yosemite Slough) of Candlestick Point. Under SB 792, the State will transfer to the Agency 29.2 net acres of land – inland lots that were never fully developed for park uses and mainly were comprised of infrequently used surface parking lots and dirt and rubble - in exchange for $50,000,000 in improvements and dedicated operations and maintenance funding to State Parks for the CPSRA. State Parks will oversee a separate planning process to determine the precise nature of the improvements to the CPSRA and will enter into a phased transfer of portions of the State Park to the Agency as necessary to implement the Project.

Alice Griffith. Alice Griffith is owned by the San Francisco Housing Authority, under the jurisdiction of the U.S. Department of Housing and Urban Development ("HUD"). The Housing Authority, the Agency, the Mayors Office of Housing and the Office of Economic and Workforce Development intend to rebuild Alice Griffith as part of the Project, and have identified the roles and responsibilities of each party in achieving that end, including, among other things, outreach and provision of services to Alice Griffith tenants; securing all required HUD approvals and managing the predevelopment and construction process. The rebuilding of Alice Griffith will also be governed by an additional agreement between the Developer and the Housing Authority and is subject to HUD's approval.

Private Parcels. There are certain private land holdings on Candlestick Point and outside of the Shipyard. The Project Documents will require the Developer to use commercially reasonable efforts to attempt to obtain these parcels, at commercially reasonable prices. If not, the Agency and the Developer will work together to consider various options, including adjustments to the Land Use Plan to re-allocate the uses provided for on such property across the appropriate Major Phase. If the private property is not ultimately acquired, the owners of such property can either (i) opt into the Redevelopment Plans by entering into Owner Participation Agreements with the Agency, including an obligation to pay a proportionate share of Project-wide infrastructure costs or (ii) continue with a comparable zoning of the property with some restrictions on permissible land uses that would be allowed as defined in the Redevelopment Plan.

5. Other Project Requirements

The Project Documents will impose a variety of other requirements on the Project, including the additional community benefits regarding health, education and economic development opportunities, and workforce training and local-hiring requirements described above. Other Project requirements also govern (i) compliance with applicable hazardous materials and other environmental laws during construction, (ii) environmental sustainability requirements (iii) specific mitigations identified by the Environmental Impact Report for the Project and (iv) Equal Opportunity and local hiring requirements.

Compliance with Hazardous Materials Laws during Construction. Construction of the Project will be required to comply with a variety of applicable federal, state and local environmental laws. These laws will be enforced both through provisions in those laws and through mitigation measures that will be imposed through the adoption of a Mitigation Monitoring and Reporting Program (MMRP) as part of findings adopted as required by the California Environmental Quality Act (CEQA) at the time the Project is approved. The DDA will obligate the Developer to comply with all applicable mitigation requirements under the MMRP.

Development at Candlestick Point will be subject to a mitigation measure that all development comply with the process set out in S.F. Health Code Article 22A (or, for the state park property a comparable process), which requires that before any development can occur, the site must be investigated for hazardous materials in soil or groundwater that could affect use of the land, and if found, the Developer must prepare and implement a site mitigation plan, subject to approval and oversight by the S.F. Health Department.

Development at the Shipyard will be subject to a complex regulatory process imposed on the property through the Comprehensive Environmental Remediation and Compensation Liability Act (CERCLA). The Shipyard property is a federally listed

Superfund site and hazardous substances investigation and remediation has been proceeding for many years under the oversight of the U.S. Environmental Protection Agency (U.S. EPA) and two departments within Cal-EPA, the Department of Toxics Substances Control (DTSC) and the San Francisco Bay Area Regional Water Quality Control Board (SFRWQCB). Under the CERCLA law, Section 120(h), the Navy will complete the required remediation and provide a warranty that the property has been cleaned to a level that is protective of human health and the environment given the intended use and that if additional remedial action is found to be necessary after transfer, the Navy will be responsible for completing any required cleanup. The Conveyance Agreement with the Navy acknowledges that the Navy will indemnify subsequent owners and retain liability for unknown or newly discovered hazardous materials even after the transfer to the Agency and subsequent developers.

As described further below, CERCLA also provides that the Navy may transfer property before all remedial action is complete but only if U.S. EPA and the Governor of California first authorize the transfer. To do so, they must determine that the property is suitable for the use intended by the Agency, the intended use is consistent with protection of human health and the environment, restrictions are imposed in the deed for the property that will ensure protection of human health and the environment and the Agency will be able to complete any remaining remedial activities.

In either case, after the Navy conveys the property, the property can be developed only if done so in compliance with any environmental restrictions imposed on the property through the CERCLA process. To ensure that all environmental restrictions are complied with, the MMRP requires the Developer, before obtaining any permits for construction, to provide documentation to the S.F. Health Department that the work will comply with all environmental restrictions imposed on the property through the CERCLA process, or a separate process that the SFRWQCB is overseeing to address petroleum contamination. Further, under a Memorandum of Understanding between the Navy and DTSC, DTSC will have authority to enforce all land use restrictions that the Navy has imposed on the property through deed restrictions.

Other hazardous materials laws will also control construction activities. For example, if soil or groundwater containing hazardous materials must be disposed of off-site, the handling and disposal will be subject to an array of laws. DTSC and SFRWQB have authority under state law to control the handling and disposal of hazardous wastes. U.S. Department of Transportation regulates the transport of hazardous materials. Also, if buildings contain asbestos or lead-based paint, these materials will be subject to special laws governing their handling administered by the Bay Area Air Quality Control District (BAAQMD), the California Occupation Safety and Health Administration (Cal/OSHA) and the S. F. Health Department through S.F. Health Code Chapter 34.

Construction activities will generate dust at the Shipyard and Candlestick Point, and all construction activities will be subject to regulatory oversight through the CERCLA process. Also, the entire site will be subject to BAAQMD regulations and the S.F. Health Department controls on dust through S.F. Health Code Article 22B. To assure compliance with these requirements, the MMRP requires developers to obtain approval of an Asbestos Dust Mitigation Plan from BAAQMD for areas over one acre that potentially contain naturally occurring asbestos and approval of a Dust Control Plan from SFDPH for all areas of the Shipyard and for areas over 0.5 acres at Candlestick Point.

Consistent with the Preliminary Hazardous Materials Remediation Plan that was endorsed as part of the Conceptual Framework in May 2007, the Agency and Developer

are considering whether to seek approval of an "early transfer" of Parcel G and Parcel B (except for certain portions (IR 7/18)). Subsequent early transfers of other parcels (except Parcel E-2, a portion of Parcel E and IR7/18) may also be considered. In an early transfer, US EPA and the Governor would authorize the Navy to transfer ownership to the Agency before the remediation is complete, upon a finding that the property is suitable for the use intended by the Agency, the intended use is consistent with protection of human health and the environment, restrictions are imposed in the deed for the property that will ensure protection of human health and the environment and the Agency will be able to complete any remaining remedial activities.

The Navy has already completed most of the remediation of Parcels B and G and will complete all remediation related to radioactive contaminants before offering the property to the Agency. In addition, the Navy and regulatory agencies have already selected the remedy for the remaining remediation required for these parcels. Further, the Navy is in the process of preparing a remedial design document, which sets forth the specifications that must be met for the remaining remedial activities that might be required at the time of an early transfer to the Agency, consisting of installation and operation of groundwater treatment systems, application of a surface cover, installation of vapor barriers under buildings in some locations and construction of a shoreline revetment wall.

After an early transfer, the Agency would be responsible for implementing those remedial activities that remain in accordance with the approved remedial design documents. The Navy would provide a grant to the Agency of the funds necessary for the Agency to implement those remedial activities, and to procure environmental insurance covering cost over-runs and discovery of unknown contaminants. The Agency would be supervised by the same regulatory agencies supervising the Navy, and would be held to standards as strict as those the Navy is held to, under a legal agreement called an Administrative Order on Consent (AOC") which would be signed by US Department of Justice, US EPA, DTSC and the RWQCB. If the Agency were found to be unable to perform its obligations under the AOC, the regulatory agencies could require the Navy to reassume its responsibilities for completing the cleanup.

If an early transfer is not pursued for Parcels G and B, the Navy would perform the remedial activities itself under the supervision of the regulatory agencies, and transfer ownership of the property after those agencies determined the cleanup was complete.

Sustainability Requirements. The Project is targeting LEED Gold certification for Neighborhood Development for the entire development. The Sustainability Plan sets forth the vision, goals and strategies for achieving this standard and for transforming the Project site into a local, regional, and international model for sustainable living. The Sustainability Plan integrates overarching goals for seven focus areas spanning the economic, social and environmental aspects of sustainability, which include, but are not limited to: economic vitality and affordability, community identity and cohesion, public well-being, safety and quality of life, accessibility and transportation, resource efficiency, ecology, information and communications technology**.** Numerous elements of the Sustainability Plan have been incorporated into other Project Documents and plans including the Infrastructure Plan, Transportation Plan and MMRP. The Project has set an energy efficiency performance target of 15 percent below the energy efficiency standards set forth in California law and Vertical Developers will be required to implement measures such as high performance glazing, efficient lighting, daylighting, shading, envelope optimization, reflective roofs, and natural ventilation in the design of vertical improvements. Additionally, ENERGY STAR appliances are proposed for all

new residential units. Strategies to conserve water include the potential use of recycled water for non-potable water uses, the use of drought tolerant plant species and the use of efficient irrigation systems such as drip irrigation, moisture sensors, and weather data-based controllers; and progressive stormwater management to retain and treat stormwater on site and/or in adjacent areas

EIR Mitigation Measures. The Agency and the City have prepared an Environmental Impact Report ("EIR") that thoroughly analyzes potential significant environmental impacts caused by the Project. Under CEQA, the Draft EIR for the Project was published on November 12, 2009 and the City and the Agency are in the process of responding to comments about the Draft and are in the process of preparing a Final EIR. The EIR identified specific impacts and potential mitigations, and the mitigation measures have been incorporated into the MMRP and will govern build out of the Project. In addition to the issues described above regarding hazardous materials, mitigation measures have been identified and incorporated into the MMRP to address impacts from increased traffic and demands on transit; aesthetics and lighting; wind impacts from building design; emissions from construction vehicles, air quality impacts from sources of toxic air contaminants and impacts from greenhouse gases; noise impacts from construction activities and stadium noise; impacts to historic, archeological and paleontological resources; impacts from disturbance of contaminated sediment in shoreline areas and during pile driving; geological impacts associated with seismic hazards, liquefaction and other geological conditions.

Mitigation measures also address water quality impacts associated with construction activities, discharges from a storm water system, discharges from site activities and dewatering; flooding impacts from development in a flood zone and associated with sea level rise; biological impacts to wetlands and eelgrass, avian species, burrowing owls, American peregrine falcon, raptor foraging habitat, fish and marine species and aquatic habitats, and impacts from tree removals and to birds from nighttime lighting, impacts to the City's auxiliary water supply system and capacity of its wet-weather waste handling system and impacts to the City's solid waste management system.

Equal Opportunity Program and Local Hiring Requirements The Equal Opportunity Program outlines goals and requirements, designed to maximize employment for local residents and businesses. The Project's contracting, construction and permanent workforce programs will have a 50% San Francisco resident hiring goal with first consideration for BVHP area residents and second consideration for other Agency project area residents. All permanent employers and construction contractors will work with community based organizations ("CBOs") for hires. For permanent workforce jobs, the Project will comply with the City's "First Source Hiring Program" under which the City will have the opportunity to train economically disadvantaged individuals for positions in the Shipyard and Candlestick Point, and project area employers will give first priority to hiring individuals referred from the City's workforce programs. The Project will use the City's City Build Sector Academies and CBOs to maximize access to professional development opportunities. In addition, the Project must comply with the Agency's non-discrimination and equal benefits, minimum compensation, health care accountability and prevailing wage policies. The Alice Griffith Replacement Projects will, in addition, be subject to the Housing Authorities' equal opportunity and hiring requirements.

To ensure that local residents are prepared to realize these opportunities, the Project requires the Developer to pay $8,925,000 to fund workforce training and placement programs for local residents. The City's Office of Economic and Workforce Development has committed to matching these funds with compatible programs.

6. Next Steps

From January through April of 2010, public review and comments on the Project Documents, at numerous public agencies and meetings, is expected to conclude. Final certification of the Environmental Impact Report is anticipated in April/May of 2010, with the Project Documents presented for final approvals in May/June of 2010.

List of Attached Exhibits

Exhibit A – Project Site Context Map

Exhibit B – Project Land Use Map with Program

Exhibit C – Open Space Plan with Program

Exhibit D – Housing Plan Executive Summary

Exhibit E – Transportation Plan Summary and Maps

Exhibit F – Community Benefits Plan

Exhibit G – List of Approving Agencies

Exhibit H – Phasing Plan

Exhibit I – Chart of Path of Approval for the First Major Phase

Exhibit J – Sources and Uses of Funds

Exhibit A
Project Site Context Map

1. 3rd Street
2. Highway 101
3. I-280
4. Bayshore Caltrain Station
5. Bayview Hill
6. Hunters Point Hill
7. Bayview District
8. Bayview Town Center
9. India Basin
10. Candlestick Park Stadium
11. Re-Gunning Crane

Exhibit B

LAND USE PLAN / DEVELOPMENT PROGRAM

THE SHIPYARD & CANDLESTICK POINT PHASE II SUMMARY STATISTICS			
	HUNTERS POINT SHIPYARD	CANDLESTICK POINT	TOTAL
Units	2,650	7,850	10,500
Neighborhood Retail (sq.ft.)	125,000	125,000	250,000
Regional Retail (sq.ft.)	-	635,000	635,000
Artist's Space (sq.ft.)	255,000	-	255,000
Office/R&D (sq.ft.)	2,500,000	150,000	2,650,000
Hotel (sq.ft.)	-	150,000	150,000
Arena (sq.ft.)	-	75,000	75,000
Open Space (acres)	231.6	104.8	336.4

Exhibit C
Project Open Space Plan

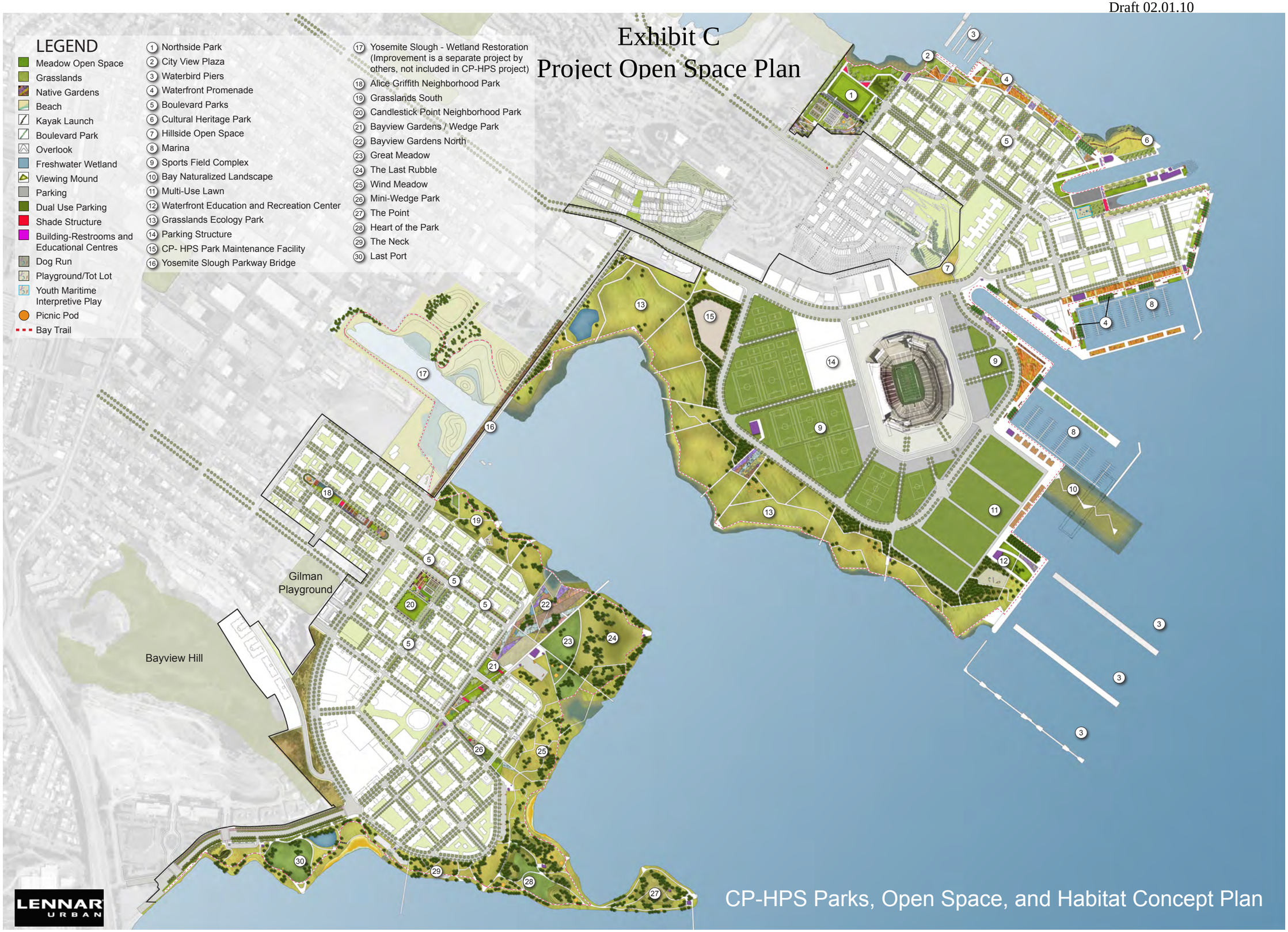


EXHIBIT D

Below-Market Rate Housing Plan Summary

The Below-Market Rate Housing Plan describes the process and requirements for the development of approximately 10,500 homes on the Project Site and is designed to provide new housing opportunities for households of diverse income, ages, lifestyles and family size. Thirty-one and eighty-six hundredths percent (31.86%) of the Total Units (or, 3,345 of 10,500 Total Units) will be Below-Market Rate Units, including Alice Griffith Replacement Units, Agency Affordable Units, Inclusionary Units and Workforce Units. The balance of the housing in the Project, approximately 7,155 Market Rate Units, will include a variety of unit types and sizes.

Subject to the terms of the DDA, Developer will prepare "building ready" land by remediating, grading and installing all of the Infrastructure for all of the residential development within the Project Site. The amount and timing of this development is dependent on the amount and pace of the overall development in the Project Site, and this development will occur in phases as described in the DDA. The timing of Developer's preparation of Lots for Below-Market Rate Units will be governed by the Schedule of Performance. Developer, the Housing Authority and the Agency have identified the anticipated location of the Agency Lots, the Alice Griffith Lots and the potential Stand-Alone Workforce Lots, all of which are identified on the Housing Map. The size and location of these Lots may be adjusted by the mutual agreement of the Parties as necessary to fulfill the purposes of the DDA, including this Below-Market Rate Housing Plan.

Following the transfer of "building ready" Lots, subject to the terms of the DDA (including the Below-Market Rate Housing Plan), three primary groups of providers will develop the approximately 3,345 Below-Market Rate Units: (1) the Agency and Qualified Housing Developers selected by the Agency will develop approximately 1,260 Agency Affordable Units on the Agency Lots; (2) Alice Griffith Developer will develop 256 Alice Griffith Replacement Units and approximately 128 Agency Affordable Units on the Alice Griffith Lots; and (3) Vertical Developers, including Developer and Affiliates of Developer, will develop approximately 809 Inclusionary Units and 892 Workforce Units. The Below-Market Rate Units will be generally integrated with or adjacent to Market Rate Units developed in the Project Site, and in each Market Rate Project, between five percent (5%) and twenty percent (20%) of the Units will be Inclusionary Units, subject to any deviation that may be Approved by the Agency Director in its sole discretion.

Through the requirements set forth in the DDA, including the Below-Market Rate Housing Plan, the Parties have attempted to address the demand in the BVHP Community for housing that is suitable for families, seniors, young adults, and others with special needs. To accommodate the needs of families, all Below-Market Rate Units, both those designated as Rental Units and Sale Units (but exclusive of those Units specifically designed for occupancy by seniors or special needs residents), will have an

average of two and one half (2.5) bedrooms. Subject to the terms of the DDA (including the Community Benefits Plan and the Parks and Open Space Plan), the Project is anticipated to include a variety of family-oriented amenities, including a community center and community rooms, art and cultural facilities, parks and open space, community gardens and athletic fields.

Under the California Community Redevelopment Law (CCRL), the Agency must set aside a minimum of twenty percent (20%) of the tax increment revenue from the Project for the sole purpose of improving, preserving, or producing affordable housing. Consistent with Agency and City policies, approximately fifty percent (50%) of the tax increment from the redevelopment project areas will be used to build and support affordable housing, including the construction of an allocable share of any new infrastructure required for affordable housing that meets the standards for low- and moderate-income housing under CCRL section 33334.2. These sources alone are not sufficient to fully cover the cost of constructing the Below-Market Rate Units for the Project. Developer will therefore provide the Alice Griffith Subsidy ($90,000 per unit) and the Agency Subsidy ($70,000 per unit) in accordance with the terms of the Below-Market Rate Housing Plan.

The Financing Plan attached to the DDA calls for the use of a variety of private and tax-exempt funding sources to create the Below-Market Rate Units envisioned by the Below-Market Rate Housing Plan, including substantial Developer equity, tax increment financing, low-income housing tax credit proceeds and land secured tax exempt financing such as Mello Roos bonds. Collectively, the Project will contribute nearly $575 million towards the creation of the Agency Affordable Units, Alice Griffith Replacement Units, and Inclusionary Housing which includes the proportionate share of Infrastructure costs and approximately $120 million of Developer subsidy for the Agency Affordable Units and the Alice Griffith Replacement Units. The Below Market Rate Housing Plan further requires that 892 Workforce Units be constructed for households earning between 140 and 160 percent of Area Median Income.

EXHIBIT E
Project Transit Improvements

Draft 02.01.10

EXHIBIT E
Project Roadway Improvements

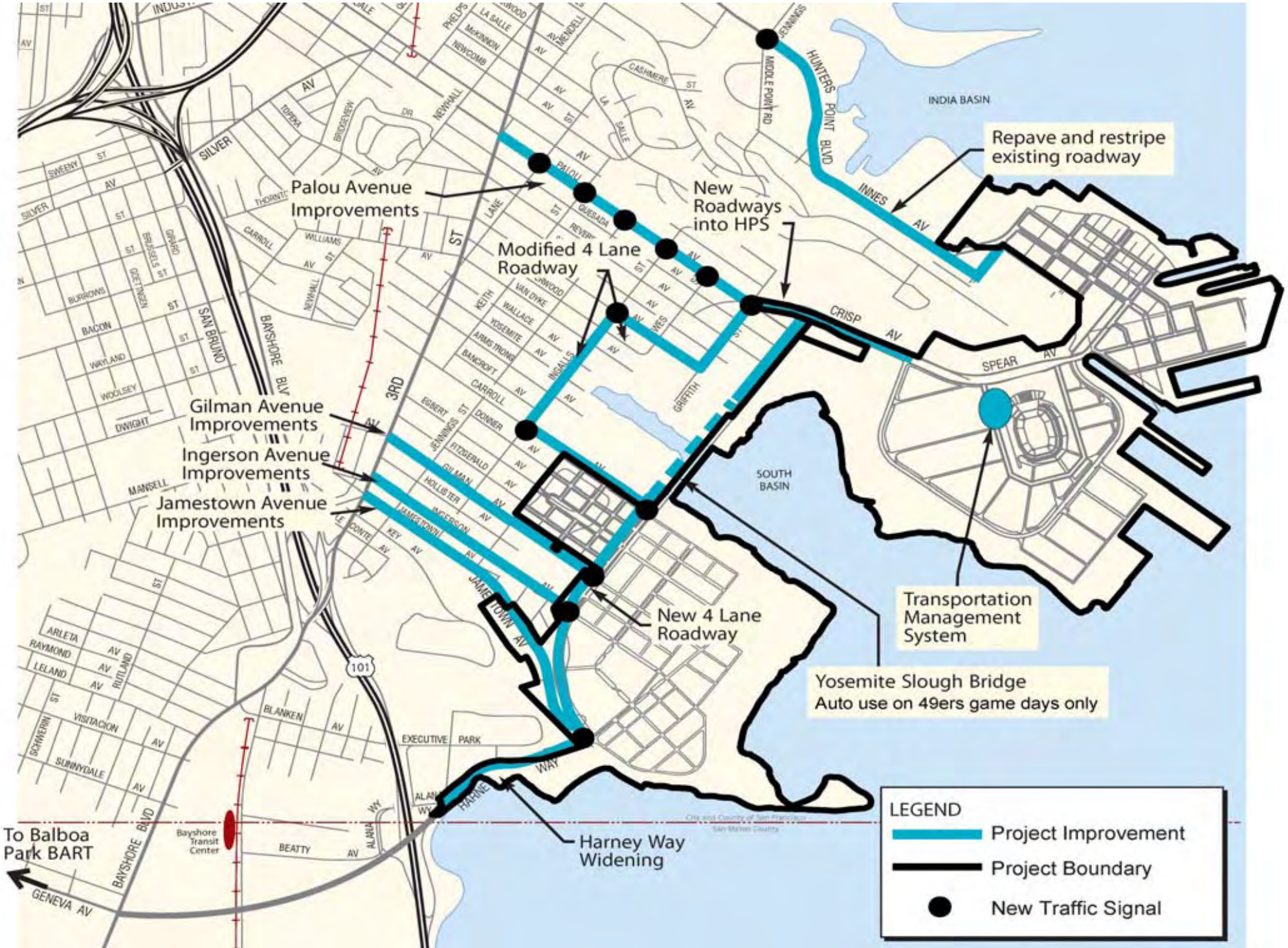


EXHIBIT E
Project Bike Improvements

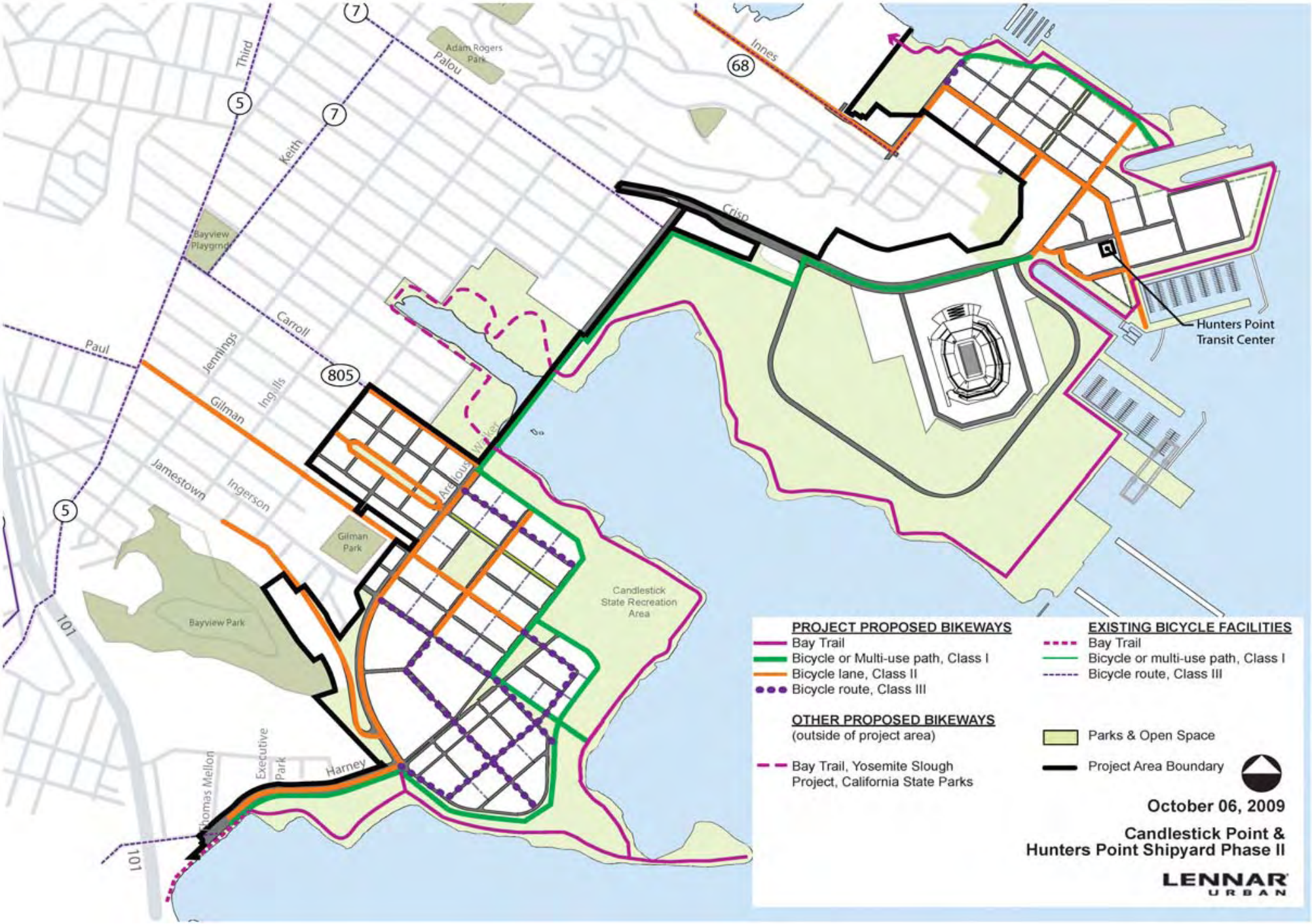


EXHIBIT E

Project Pedestrian and Trail Improvements

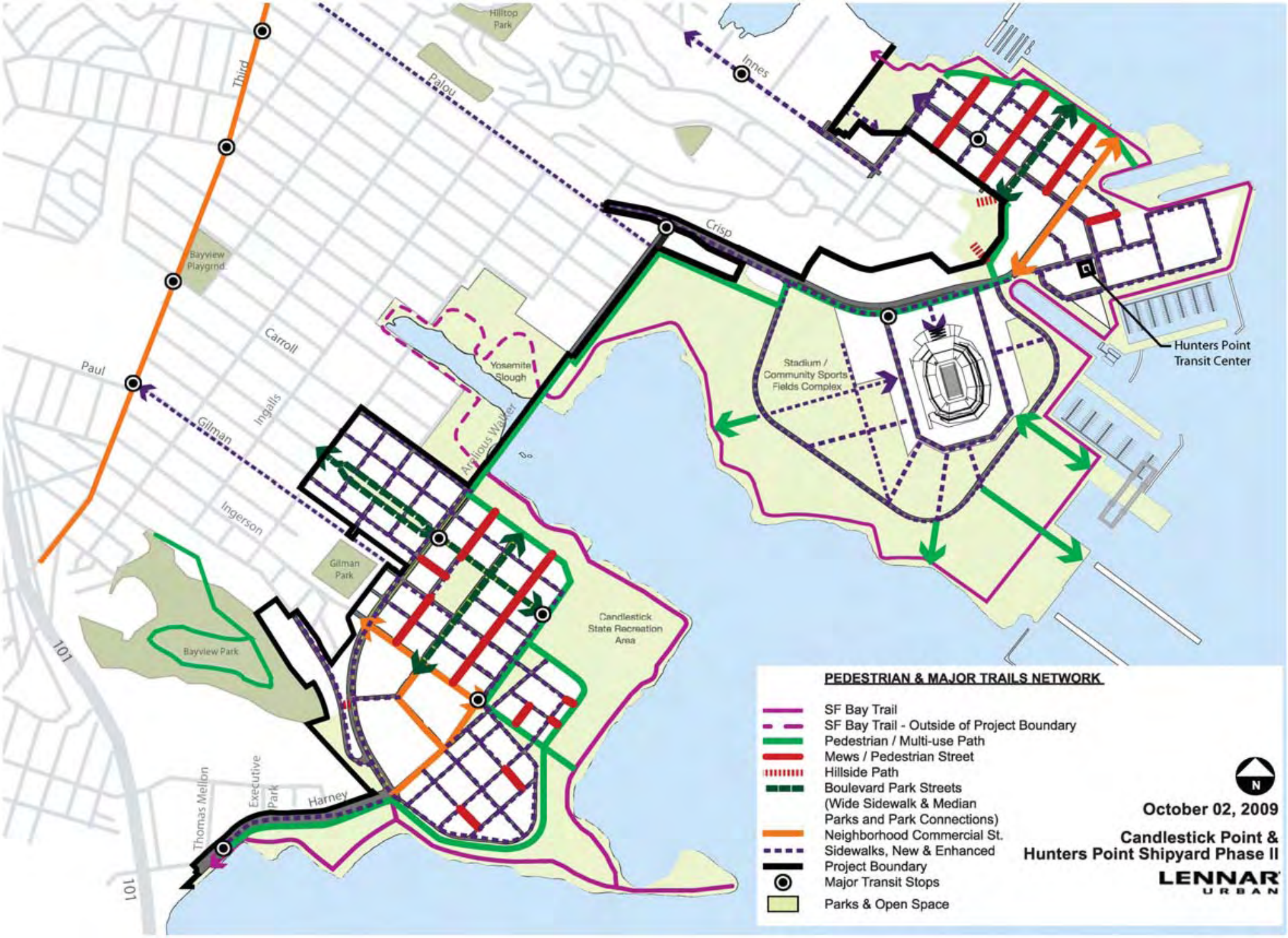


EXHIBIT E

Yosemite Slough Bridge (Non-Game Day)

EXHIBIT E

Yosemite Slough Bridge (Game Day)

Draft 01.13.10

Exhibit F

CANDLESTICK POINT AND PHASE 2 OF THE HUNTERS POINT SHIPYARD

COMMUNITY BENEFITS PLAN

Section 1.	Education	1
Section 1.01	Scholarship Program	1
Section 1.02	Education Improvement Fund	1
Section 2.	Community Health and Wellness	2
Section 3.	Community Facilities	2
Section 4.	Community First Housing Fund	8
Section 5.	Business Development/Community Asset Building	9
Section 5.01	Community Builder Program	9
Section 5.02	Construction Assistance	10
Section 5.03	Community Real Estate Broker Program	12
Section 6.	Community Benefits Fund	12
Section 6.01	Proceeds from Sale of Market Rate Housing Units	12
Section 6.02	Profit Participation	13
Section 7.	Workforce	13
Section 7.01	Workforce Program Fund Commitment	13
Section 8.	Miscellaneous	13
Section 8.01	Agency Discretion	13
Section 8.02	Community Benefits Coordinator	13
Section 8.03	Severability	13
Section 8.04	No Third Party Beneficiary	14
Section 8.05	Security	14
Section 8.06	Lot Maintenance Standards	14

Section 1. Education

Section 1.01 Scholarship Program

Developer shall contribute (or cause the contribution of) Three Million Five Hundred Thousand Dollars ($3,500,000) in all cash (the "**Scholarship Fund Contribution**") to the "Lennar Bayview Scholarship Fund" to be held as part of the Community Benefits Fund (as defined in Section 6 below) and to be used to assist youth and adults up to age 30 living in the BVHP Area with the cost of tuition and/or educational materials for any course in support of any educational program that grants a diploma, degree or certificate of completion that is offered by a college, university, community college, technical or trade school recognized by any of the six regional higher education accreditors, including the Western Association of Schools and Colleges. In addition, the Lennar Bayview Scholarship Fund will be used to fund "The Will Bass Memorial Educational Travel Scholarship" which will annually award Five Thousand Dollars ($5,000) for educational travel to Africa or Asia to one African American student (18 to 25 years old) from the greater Bayview Hunters Point area (meaning areas encompassed within the current 94124, 94134 and 94107 zip codes, the "**BVHP Area**"). The obligation to contribute the Scholarship Fund Contribution shall accrue and be made as follows: (i) Five Hundred Thousand Dollars ($500,000) on the date that is six (6) months after the Effective Date and (ii) Three Hundred Thousand Dollars ($300,000) on the date that is sixty (60) days after the conveyance of land to a Vertical Developer, including the Agency, Developer and Developer's Affiliates, on which each thousandth (e.g. the 1,000th, 2,000th, 3,000th, etc.) Housing Unit is anticipated to be developed on the Project Site.

Section 1.02 Education Improvement Fund

Developer shall contribute (or cause the contribution of) Ten Million Dollars ($10,000,000) in all cash (the "**Education Improvement Fund Contribution**") to the "Lennar Bayview Education Improvement Fund" to be used to support education enhancements within the BVHP Area, which may include new facilities or upgrades to existing education resources. The use of these funds will be determined through a community-based process that includes representatives of the San Francisco Unified School District, the BVHP Area, OEWD, the Agency and Developer. The Education Improvement Fund Contribution shall be made to the entity specified by the Agency within sixty (60) days after receipt of written notice from the Agency to Developer that such Education Improvement Fund Contribution (or a portion thereof as set forth in such notice) is required to implement the priorities established by the community-based process; provided, however, that the obligation to contribute (or cause the contribution of) the Education Improvement Fund Contribution shall accrue as follows: (i) Five Hundred Thousand Dollars ($500,000) on the date that is six (6) months after the Effective Date and (ii) One Million Dollars ($1,000,000) upon the conveyance of land to a Vertical Developer, including the Agency, Developer and Developer's Affiliates, on which each thousandth (e.g. the 1,000th, 2,000th, 3,000th, etc.)

Housing Unit is anticipated to be developed on the Project Site. Developer and the Agency may agree to accelerate the payment of the Education Improvement Fund for the construction of new educational facilities in the BVHP Area.

Section 2. Community Health and Wellness

Developer shall contribute (or cause the contribution of) Two Million Dollars ($2,000,000) in all cash (the "**Wellness Contribution**") to be used to expand, develop, finance and/or create a center focused on the health and well being of children, youth and their families, which center may include the Southeast Health Center (the "**Pediatric Wellness Center**"). The Pediatric Wellness Center will be developed with the assistance of the San Francisco District Attorney's Office, the Department of Public Health, and others with expertise in the field as determined by the Agency. Developer's obligation to contribute the Wellness Contribution shall accrue and be made as follows: (i) One Hundred Thousand Dollars ($100,000) to the Agency (or such alternative entity approved by the Agency and Developer in connection with the Wellness Contribution) on the date that is six (6) months after the Effective Date to be used to plan for the Pediatric Wellness Center and (ii) thereafter as required to complete the Pediatric Wellness Center. If required financing has not been secured and a location has not been identified for the Pediatric Wellness Center (which location may be a Community Facility) by the date land is conveyed to a Vertical Developer, including the Agency, Developer and Developer's Affiliates, on which the five thousand two hundred fiftieth (5,250th) Housing Unit is anticipated to be developed on the Project Site (the "**Mid-Point Date**"), then, unless the Agency determines that planning for the Pediatric Wellness Center requires additional time, Developer shall contribute the remainder of the Wellness Contribution to the Community Benefits Fund in five (5) equal annual installments commencing ninety (90) days following the Mid-Point Date. In such event, such Wellness Contribution shall be used for programming related to the health and wellness of residents in the Project Site and in the BVHP Area.

Section 3. Community Facilities

Developer (or Vertical Developers, as applicable) shall (A) make available to the Agency seven and one-half percent (7.5%) of the aggregate retail space in the Project (but not to exceed a maximum of 65,000 gross square feet) (the "**Community Facilities Space**"), as more particularly set forth in Section 3(a), (B) Complete the Infrastructure for the approximately four and eight tenths (4.8) acres of land identified on the Land Use Plan as "Community Facilities Lots" (the "**Community Facilities Lots**") in accordance with the applicable portions of the Infrastructure Plan and Schedule of Performance, as more particularly set forth in Section 3(b), and (C) provide the additional facilities as more particularly set forth in Section 3(c) (collectively, the "**Additional Community Facilities**", and together with the Community Facilities Lots and the Community Facilities Space, the "**Community Facilities**"). The Community Facilities shall be designed to provide, preserve and leverage such critical local resources as social services,

education, the arts and other community services, including public safety facilities such as fire and police stations and facilities for the benefit of senior citizens. As guiding principles governing the development of the Community Facilities, the Community Facilities should be used to (1) enhance the overall quality of life of residents in the Project Site and in the BVHP Area and (2) support the creation of a vibrant new Shipyard and Candlestick Point neighborhood. The Community Facilities, Completed in accordance with applicable provisions of the DDA (including this Community Benefits Plan), shall be delivered to the Agency or the City or to an organization selected by the Agency and approved by Developer or Vertical Developer, as applicable (such approval not to be unreasonably withheld, conditioned or delayed) (each, a "**Community Facilities Entity**").

(a) Community Facilities Space.

The Agency and Developer acknowledge and agree that the Community Facilities Space shall be generally distributed throughout the Project Site, although they anticipate that a significant portion of the Community Facilities Space shall be provided in the regional retail portion of the Project anticipated on the Candlestick Site. Developer shall use good faith efforts to work with the Agency to agree upon the location of any Community Facilities Spaces within a Major Phase before the submission of the applicable Major Phase Application and within each applicable Sub-Phase before the submission of a Sub-Phase Application. If Developer and the Agency reasonably agree on the location of a Community Facilities Space, then such Community Facilities Space shall be included in the applicable Sub-Phase Application. If Developer and the Agency have not agreed upon the locations of the Community Facility Spaces within a Sub-Phase, if any, then the Agency may be permitted in its sole and absolute discretion to withhold the Sub-Phase Approval. Following the Sub-Phase Approval related to such Sub-Phase, the Agency shall promptly select an appropriate Community Facilities Entity for such Community Facilities Space and notify Developer or, if applicable, Vertical Developer of the applicable Vertical Project of such selection. Developer or Vertical Developer, as applicable, shall within thirty (30) days of receipt of such notice either give written approval of such Community Facilities Entity or provide a detailed statement of the reasons for its disapproval, which must be reasonable. Following any such disapproval, the Agency and Developer or Vertical Developer, as applicable, shall negotiate in good faith until a Community Facilities Entity reasonably acceptable to both has been agreed upon. Upon any vacancy of the Community Facilities Space, the above process for identification of a Community Facilities Entity shall be repeated, and an appropriate restriction will be recorded against the Community Facilities Space so that it remains Community Facilities Space for the life of the building (subject to Vertical Developer's right to lease the Community Facilities Space to others if a new Community Facilities Entity is not selected within six (6) months as set forth below).

The Community Facilities Space shall be provided by Vertical Developer to the approved Community Facilities Entity in Cold Shell condition and on the same general terms and conditions as are provided to other similar Community Facilities Entities for other similar Community Facilities Space within the Project and as are provided to other users within the Sub-Phase and Major Phase of which the Community Facilities Space is a part, subject to the provisions set forth below. The conveyance agreement(s) applicable to such Community Facilities Space (the "**Community Facilities Space Agreement**") shall at a minimum require the Community Facilities Entity to (1) continually use such space (subject to damage and destruction and reasonable hours of operation consistent with other comparable facilities), (2) provide commercially reasonable insurance coverage, (3) adhere to maintenance and security protocols and (4) timely pay its proportionate share of all pass-through and other charges, including applicable property taxes and assessments (including in-lieu payments), insurance and maintenance, and other operating expenses; all generally consistent with other tenants or owners in the applicable Vertical Project. The Community Facilities Entity shall not, however, pay a purchase price or base rent for the Community Facilities Space. If Vertical Developer and the Community Facilities Entity are not able to reach agreement on the final form of the Community Facilities Space Agreement within six (6) months after the identification of such Community Facilities Entity notwithstanding good faith negotiations on the part of both parties, or if the Community Facilities Entity defaults in its obligations under the Community Facilities Space Agreement (after the expiration of notice and cure periods contained therein), then Vertical Developer and the Agency shall work together in good faith to find a new Community Facilities Entity for the Community Facilities Space and provide such Community Facilities Space, each as set forth above. If Vertical Developer and the Agency are unable to select a new Community Facilities Entity within six (6) months after the date Developer or Vertical Developer notifies Agency that negotiations for the Community Facilities Space Agreement have terminated or that the Community Facilities Entity has vacated the space or otherwise defaulted in its obligations as set forth above, then Vertical Developer shall have the right to rent or convey the Community Facilities Space to any user without restriction; provided, in the event of a rental, the applicable Community Facilities Space shall be offered again to a new Community Facilities Entity on the expiration that rental under the process described above.

(i) Specific Use of Community Facilities Space.

1. *International African Marketplace*.

A portion of the Community Facilities Space within retail Vertical Projects on the Candlestick Site and identified as set forth above shall be used for an indoor African

Marketplace that will serve as an African-themed, festive setting for the display and sale of arts, crafts, sculptures, fabrics and clothing, and books.

2. *Library Reading Rooms*.

A portion of the Community Facilities Space within certain Vertical Projects identified as set forth above shall be used for facilities operated by the San Francisco Public Library (the "**SFPL**"), such as (i) a library reading room, not less than 1,500 gross square feet, to be operated by the San Francisco Public Library and (ii) automated book pick-up and drop-off kiosks ("**bookautomatons**") to be operated by the SFPL. Developer will work cooperatively with the Agency and the City, including the SFPL, on the phasing of such improvements and the appropriate locations for the reading rooms and bookautomatons.

(b) Community Facilities Lots.

The Community Facilities Lots shall be provided in fee to the Agency at no cost to the Agency and (A) shall be used in a manner that is (x) consistent with the Redevelopment Requirements and (y) determined by the Agency, in its sole discretion after consultation with Developer, applicable City departments, the PAC and the CAC and (B) to the extent that Developer holds title to such Community Facilities Lots, shall not be transferred to the Agency until such time that the Agency determines that such land may be transferred to a community development corporation, community land trust, public entity, or not-for-profit organization, or the Agency otherwise agrees to accept the fee conveyance of the Community Facility Lot under the terms of this Community Benefits Plan. The Agency shall use commercially reasonable efforts to (I) select the use of such land and the identity of such transferee as soon as reasonably feasible and (II) secure the maximum feasible amount of third-party, local, state, and federal funding to pay for the completion of such selected uses so as to ensure that the benefits thereof to residents in the Project Site and the BVHP Area may be realized by in a timely fashion.

(i) Additional One Acre Lot.

If and to the extent that the approximately one (1) acre of land on the Candlestick Site identified in the Land Use Plan for public facilities is not required for a fire station, police station or school, as determined in the reasonable discretion of the Agency in connection with the applicable Sub-Phase Approval, then following the Completion of Infrastructure in accordance with the Infrastructure Plan and the Schedule of Performance, Developer shall be entitled

to acquire and dispose of such land (or the portion not retained by the Agency for public facilities) in the same manner as other land designated for development in the applicable Major Phase and consistent with the Redevelopment Requirements and the applicable Major Phase Approval and Sub-Phase Approval.

(c) Additional Community Facilities.

(i) Arts and Cultural Facilities.

1. *Shipyard Artist Studios*.

Developer shall convey to the Agency, at no cost to the Agency, fee title to new or renovated permanent artist studio space (the "**New Shipyard Artist Studios**") in accordance with the applicable Major Phase Approval and Sub-Phase Approval, the Schedule of Performance and the Artist Relocation Plan. The New Shipyard Artist Studios shall be sufficient to accommodate the Existing Artists (but not including those in Building 101, who will have the right to remain in renovated Building 101) who elect to relocate there in accordance with the Artist Relocation Plan, but not to exceed 105,000 gross square feet of space. The Agency shall grant a license to Developer, at no cost to Developer, for portions of Parcel A owned by the Agency that are proximate to Building 101 and on which Developer may construct the New Shipyard Artist Studios. In addition, the Agency shall renovate Building 101 on the Shipyard for the Existing Artists in Building 101, at no cost to Developer other than the cost to Complete the Infrastructure therefor in accordance with the Infrastructure Plan and the applicable Major Phase Approval and Sub-Phase Approval (which Infrastructure shall include reasonable water, waste water, auxiliary water, electricity, data and gas connections to Building 101) (the "**Renovated Shipyard Artist Studios**", and together with the New Shipyard Artist Studios, the "**Shipyard Artist Studios**"). Subject to the approval of a management agreement by the Agency Commission, the Agency shall lease the Shipyard Artist Studios at rates necessary to reimburse the Agency for its costs, including any operation and maintenance costs, reserves, administrative fees, and any debt service relating to the Shipyard Artist Studios, but the Agency shall not charge more than is required to reimburse such costs to the Agency. The construction of the Project must be phased to ensure that the existing artists lawfully occupying buildings on the Shipyard as of the Reference Date (the "**Existing**

Artists") who are required to move in connection with any rehabilitation, renovation or new development on the Project Site, have the right (but not the obligation) to move to the Shipyard Artist Studios without being displaced from the Project Site. In planning for the Shipyard Artist Studios and the associated relocation plan, Developer shall continue to consult with the Existing Artists, applicable City departments, the PAC and the CAC. The artist relocation plan must be completed and Approved by Developer and the Agency Commission before the relocation of any of the Existing Artists (the "**Artist Relocation Plan**").

2. *Arts Center*.

Developer shall work cooperatively with the Agency and the artists on the Shipyard, and as the case may be in consultation with the PAC and CAC, to complement the Shipyard Artist Studios by providing to the Agency, at no cost to the Agency, a parcel of land equal to between 15,000 and 30,000 square feet on which an Arts Center may be constructed.

3. *Arts District Design Elements*.

Developer shall integrate opportunities for the display of art on the Project Site in accordance with the applicable Major Phase Approval and Sub-Phase Approval and the Schedules of Performance.

(ii) Parks and Open Space Facilities.

Developer shall construct a variety of passive and active public open spaces totaling approximately 336 acres (for the full build-out of the Project), in accordance with the Parks and Open Space Plan and the applicable Major Phase Approvals and Sub-Phase Approvals and at the times required by the Schedule of Performance. The parks and open space may be used by governmental agencies with applicable jurisdiction to provide additional, integrated community facilities that support the programming and operation of such parks and open space. Part of this open space shall include open space on Parcel B of the Shipyard to be used as (i) a venue for musical performances, including for performances of gospel, jazz, blues, African and world music and (ii) an occasional outdoor venue that will serve as (1) an African-themed marketplace for the display and sale of arts, crafts, sculptures, fabrics and clothing, and books; and (2) a marketplace for farmer and antique markets, including the sale of

fresh, wholesome and healthy foods. As set forth in the Parks and Open Space Plan and as more particularly set forth in the applicable Major Phase or Sub-Phase Approval, certain portions of the park land shall be dedicated for park maintenance facilities.

(iii) Emerging Business Incubator

Developer shall reasonably cooperate with the Agency and the City, and as the case may be in consultation with the PAC and CAC, to facilitate the rehabilitation of Building 813 on the Shipyard, which totals approximately 260,000 gross square feet, for use as a center for the incubation of emerging businesses and technologies, including, but not limited to, clean tech, biotech, green business, arts and digital media. Developer shall reasonably cooperate with the Agency to ensure the timely availability of interim and permanent infrastructure to support the renovated building.

(iv) Fire Station Lot

Developer shall Complete the Infrastructure for the approximately one-half (.5) acre of land on the Shipyard identified on the Land Use Plan as "Fire Station Lot" (the "**Fire Station Lot**") in accordance with the Infrastructure Plan and the Schedule of Performance and, to the extent Developer holds fee title to such Fire Station Lot, Developer shall convey such land in fee to the City, at no cost to the City, following Completion of such Infrastructure.

Section 4. Community First Housing Fund

Developer, the San Francisco Labor Council, the San Francisco Organizing Project, and San Francisco ACORN entered into that certain Core Community Benefits Agreement dated May 30, 2008 relating to the Project (as amended or supplemented from time to time, the "**CCBA**"). The CCBA provides that, based on a Project that is entitled for 10,500 housing units, Developer shall contribute (or cause the contribution of) a maximum of Twenty Eight Million Six-Hundred Sixty-Five Thousand Dollars ($28,665,000) on the schedule set forth in the CCBA to a Community First Housing Fund (the "**Community First Housing Fund Contribution**"). Under the terms of the CCBA, the Community First Housing Fund will be used to assist qualifying residents in the purchase of Housing Units in District 10 through opportunities such as down payment assistance, rent-to-own opportunities, purchase of buildable pads, and/or the purchase of housing units, inside or outside of the Project, including those specifically designed for senior citizens.

Section 5. Business Development/Community Asset Building

Section 5.01 Community Builder Program

(a) Community Builder Program. During the build out of the Project, Five Hundred (500) Housing Units (not including Agency Affordable Units) across a spectrum of affordability levels (the "**Community Builder Units**") will be made available for development by or with the assistance of Community Builders. The Community Builder Units will be distributed throughout the Project on Lots that are identified and approved by the Agency in the Major Phase Approval for each Major Phase which contains Residential Projects (each such Lot, a "**Community Builder Lot**"). "**Community Builders**" include developers or builders (including for-profit or not-for-profit organizations) that either do business in and have a primary address in the BVHP Area or are owned with at least fifty one percent (51%) ownership interest by an individual or individuals residing in the BVHP Area. To increase the likelihood that Community Builders are able to participate in the development of the Community Builder Lots irrespective of their capital capacity and risk tolerance, Community Builder Units will be available for development under three (3) separate models, each of which will afford Community Builders with the opportunity to actively and substantially participate in the day-to-day responsibilities associated with the development of the Community Builder Units. Such models permit the development of Community Builder Units: (1) directly by a Community Builder (an "**Independent Community Builder**"); (2) by a Community Builder as an assistant developer to Vertical Developer (a "**Fee Developer Community Builder**"); and (3) in a joint venture consisting of a Community Builder and a Vertical Developer (including third-parties and Developer and its Affiliates) (a "**Joint Venture Community Builder**"). The services to be provided, capital required and return or compensation associated with each model are as follows:

Model	Services	Capital Required	Return/Compensation
Independent Community Builder	All development required to construct and dispose of Community Builder Units.	Required to fund all of the costs of acquiring the applicable Lot(s) and thereafter developing the Community Builder Units in accordance with the DDA requirements.	Any profits (or losses) applicable to such Community Builder Units.
Joint Venture Community Builder	Assist Vertical Developer with all development required to construct and dispose of Community Builder	Required to contribute a material portion of the costs of acquiring the applicable Lot(s) and thereafter developing the Community Builder	Commercially reasonable return commensurate with the portion of the costs contributed by the Community Builder.

	Units.	Units in accordance with the applicable joint venture agreement and the applicable DDA requirements.	
Fee Developer Community Builder	Assist Vertical Developer with development required to construct and dispose of Community Builder Units in accordance with the applicable development services agreement and the applicable DDA requirements.	None.	Commercially reasonable development fee commensurate with the services performed by the Community Builder.

Criteria for the selection of Community Builders are set forth in Exhibit G-1.

(b) Agency Community Builder Protégé Program. The Agency may, at its expense, provide a Protégé program which would pair Community Builders with experienced developers and real estate professionals (not including Developer or its Affiliates). Such mentors would provide Community Builders with technical support and coaching to equip such Community Builders with the skills necessary to meaningfully participate in the Community Builder program.

(c) Agency Community Partners. In keeping with the Agency's customary practice, the Agency will use good faith efforts to involve community partners in the development of not less than three hundred (300) Agency Affordable Units. Community partners include but are not limited to non-profit organizations providing services to the residents of the greater Southeast interested and qualified to develop, co-develop, or provide social or clinical services to residents of the Agency Affordable Projects.

Section 5.02 Construction Assistance

(a) Purpose

Developer shall provide Two Hundred Fifty Thousand Dollars ($250,000) per year, to an aggregate maximum amount of Two Million Five Hundred Thousand Dollars ($2,500,000) over the lifetime of the Project (the "**Construction Assistance Fund Contribution**"), to implement those components of the Construction Assistance Program outlined in Section 5.02(c) – (e). The obligation to provide the Construction Assistance Fund Contribution shall commence as of the date that Developer Commences Construction in the Initial Sub-Phase and shall

accrue on each annual anniversary thereof during every year in which Developer is actively constructing the Project. Any amounts not used in a year shall carry forward to future years of the Project or, at the option of the Agency, be paid into the Community Benefits Fund.

(b) Insurance and Credit Support

In addition to the contributions set forth in Section 5.02(a), Developer shall contribute (or cause the contribution of) One Million Dollars ($1,000,000) in all cash (the "**Credit Support Contribution**") to the Agency. The Agency shall use the Credit Support Contribution as part of a surety bond and credit support program solely in connection with the Project. Such program, which will augment the Agency's existing surety bond program, will provide security to assist contractors from the BVHP Area in obtaining insurance and credit support which may be required in order to participate in the development of the Project. The obligation to contribute the Credit Support Contribution shall accrue and be made in installments of Two Hundred Fifty Thousand Dollars ($250,000) on the date which is sixty (60) days after each of the first four Major Phase Approvals. To the extent any of these funds remain in the Agency's possession upon the final Completion of the Project, the Agency shall deposit such funds in the Community Benefits Fund. In addition, Developer shall work with the Agency to provide commercially reasonable insurance or risk-management policies or programs for the benefit of contractors from the BVHP Area such that they may participate in the development of the Project.

(c) Technical Assistance

Throughout the development of the Project, Developer will provide a contractor assistant in the Project office to serve as a liaison to contractors seeking contracts for the Project. Duties of the person in that position will include providing assistance to contractors with respect to the contract bidding process and accessing the public benefits available to contractors as described in this Community Benefits Plan.

(d) Contractor Workshops

Developer, the Agency and the City shall together conduct workshops to address matters related to the construction industry such as worksite safety matters, accounting procedures, legal, insurance, labor matters and other topics. Developer shall solicit requests from BVHP Contractors for additional topics of interest to the BVHP Contractors.

(e) Trucking Program

Developer shall maintain or develop (or cause the maintenance or development of) a program to assist truckers in the BVHP Area in

securing contracts for the trucking services needed to complete the demolition, grading, and infrastructure for the Project. The Trucking Program shall include outreach to BVHP Area truckers, who will be screened for appropriate qualifications and Developer shall form and maintain a list of eligible truckers.

Section 5.03 Community Real Estate Broker Program

For each Residential Project in which Vertical Developer is Developer or its Affiliates, Vertical Developer shall use good faith efforts to provide licensed brokers and salespersons with offices in the BVHP Area ("**Community Brokers**") with the following:

(a) First opportunity to preview and show Housing Units in such Residential Project to clients of the Community Brokers;

(b) Invitation to marketing events for Community Brokers for such Residential Project;

(c) Marketing materials for the Housing Units in such Residential Project to assist with marketing such Housing Units to clients of the Community Brokers; and

(d) Recognition and participation opportunities at homebuyer workshops related to such Residential Project.

Section 6. Community Benefits Fund

The Agency shall establish and maintain a separate account or sub-account (the "**Community Benefits Fund**") to be funded under Section 6.01 and as otherwise specified in this Community Benefits Plan. One hundred percent (100%) of the Community Benefits Fund shall be reinvested by the Agency in the Project Site and the BVHP Area to (a) benefit low- and moderate-income families; (b) eliminate blight; and/or (c) meet other community development needs of the BVHP Area as determined by the Quasi-Public Entity, including those related to social services, affordable housing, education, the arts, public safety, assistance for senior citizens and other community services. Such reinvestment shall be made by the Agency following consultation as applicable with the CAC and the PAC and shall be subject to approval by the Agency Commission as a part of each Community Benefits Budget. Until such time as the Quasi-Public Entity is formed and independently operating, expenditures from the Community Benefits Fund shall be determined by the Executive Director following consultation with the CAC and the PAC as applicable.

Section 6.01 Proceeds from Sale of Market Rate Housing Units

Each Vertical Developer shall pay (or cause payment) to the Community Benefits Fund upon the close of escrow of the initial sale to an Owner of each Market Rate

Housing Unit an amount equal to one-half of one percent (0.5%) of the sale price of such Market Rate Housing Unit.

Section 6.02 Profit Participation

Under the Financing Plan, after Developer has received the threshold rate of return on its investment in the Project specified in the Financing Plan, the Agency will receive fifty percent (50%) of net Project revenues, which will be deposited in the Community Benefits Fund.

Section 7. Workforce

Section 7.01 Workforce Program Fund Commitment

The CCBA provides that, based on a Project that is entitled for 10,500 housing units, Developer shall contribute (or cause the contribution of) a maximum of Eight Million Nine Hundred and Twenty-Five Thousand Dollars ($8,925,000) on the schedule set forth in the CCBA to a Workforce Development Fund (the "**Workforce Contribution**"). Under the terms of the CCBA, the Workforce Development Fund will be used for workforce development programs designed to create a gateway to career development for residents of District 10. Subject to the fiscal and other provisions of the City's Charter, the Parties understand that the City intends to match the Workforce Contribution in services and programs for workforce development in the BVHP Area.

Section 8. Miscellaneous

Section 8.01 Agency Discretion

Notwithstanding anything to the contrary set forth in this Community Benefits Plan, (i) the Agency shall have the right to make such changes to the use and distribution of funds within the control of the Agency as may be required by applicable law, and (ii) in no event shall the Agency be responsible for Developer's costs, liabilities or obligations under the CCBA. Except as specifically set forth herein, all approvals, decisions and consents of the Agency related to this Community Benefits Plan, including but not limited to the use and distribution of funds, shall be made by the Agency Executive Director, in his or her reasonable discretion.

Section 8.02 Community Benefits Coordinator

At all times throughout the development of the Project, Developer shall maintain a Community Benefits Coordinator who shall be the primary point of contact for issues relating to Developer's obligations under this Community Benefits Plan.

Section 8.03 Severability

If any provision of this Community Benefits Plan, or its application to any person or circumstance, is held invalid by any court, the invalidity or inapplicability of such provision shall not affect any other provision of this Program or the application of such provision to any other person or circumstance, and the remaining portions of this Community Benefits Plan shall continue in full force and effect. Without limiting the foregoing, in the event that any applicable law prevents or precludes compliance with any term of this Community Benefits Plan, the parties shall promptly modify this Community Benefits Plan to the extent necessary to comply with such law in a manner that preserves, to the greatest extent possible, the benefits to each of the parties to this Community Benefits Plan. In connection with the foregoing, the parties shall develop an alternative of substantially equal, but not greater, cost to Developer so as to realize substantially the same (from a cost perspective) overall public benefit from the Project. Nothing in this Section 8.03 shall be deemed to permit the Agency to amend the CCBA, require greater overall commitments than those contained therein or otherwise abrogate the commitments contained therein.

Section 8.04 No Third Party Beneficiary

Except to the extent set forth in the DDA, there are no express or implied third party beneficiaries to this Community Benefits Plan.

Section 8.05 Security

To the extent that the obligation to contribute (or cause the contribution of) any funds under this Community Benefits Plan has accrued but not yet been made (the "**Accrued Payments**"), Developer shall provide to the Agency Adequate Security to secure payment of the Accrued Payments. Upon the occurrence of any event that, with the giving of notice or passage of time would be deemed an Event of Default by Developer under the DDA, the Agency shall have the right, without limiting the Agency's other rights and remedies set forth in the DDA, to require the immediate payment of all such Accrued Payments as of the date such event arises; provided that Developer shall have the right to notice and cure as set forth in the DDA.

Section 8.06 Lot Maintenance Standards

The Agency shall use good faith efforts to maintain or cause all Community Facilities under its control to be maintained in a safe and orderly condition to the extent that there is available tax increment generated from the Project Site to do so.

EXHIBIT G

List of Project Approvals

CITY AND COUNTY SAN FRANCISCO APPROVAL PROCESS AND PERMITS

Redevelopment Agency Commission

- Certifies the Final Environmental Impact Report (EIR)
- Adopts CEQA findings, a statement of overriding considerations, and a mitigation monitoring and reporting program
- Approves Reports to the Board of Supervisors on the amendments to Redevelopment Plans
- Approves amendments to the *Hunters Point Shipyard Redevelopment Plan* and approves amendments to the Hunters Point Shipyard Design for Development
- Approves amendments to the *Bayview Hunters Point Redevelopment Plan* and approves a Design for Development for Candlestick Point
- Approves land transfer agreements with the Navy, City, and State agencies
- Approves land transfer agreements with Port Commission, State Lands Commission, and California Department of Parks and Recreation (CDPR)
- Approves Disposition and Development Agreements and Owner Participation Agreements

Port Commission

- Approves land transfer agreements with Agency, State Lands Commission, and CDPR

Planning Commission

- Certifies the Final EIR
- Adopts CEQA findings, a statement of overriding considerations, and mitigation monitoring and reporting program
- Approves shadow determinations/impacts
- Adopts amendments to the General Plan to accommodate the Project and to find the amendments for the *Hunters Point Shipyard Redevelopment Plan* and *Bayview Hunters Point Redevelopment Plan* in conformity with the General Plan
- Adopts resolution recommending to the Board of Supervisors approval of amendments to the Planning Code/Zoning Maps for the Project
- Authorizes cooperative agreement with Redevelopment Agency

Board of Supervisors

- Affirms certification of Final EIR
- Adopts CEQA findings, a statement of overriding considerations, and a mitigation monitoring and reporting program
- Approves General Plan amendments
- Approves amendments to the *Hunters Point Shipyard Redevelopment Plan* and the *Bayview Hunters Point Redevelopment Plan*
- Approves amendments to the Planning Code/Zoning Maps
- Approves other necessary code amendments
- Approves a Joint Facilities Agreement and Tax Allocation Agreements with the Redevelopment Agency
- Approves land transfer agreements

San Francisco Public Utilities Commission

- Approves Project infrastructure for water, sewer, stormwater, and electricity

Department of Building Inspection

- Approves Project construction-related permits.

Department of Public Works

- Approves subdivision maps, public improvements, and infrastructure

Department of Public Health

- Recommends ordinance to Board related to oversight of environmental controls; oversees compliance with environmental controls

Municipal Transportation Authority

- Approves transit improvements

Department of Recreation and Parks

- Approves land transfers
- Recommends to Planning Commission shadow determinations/impacts

Art Commission

- Approves public art and the design of public structures on City property

San Francisco Housing Authority

- Approves replacement of Alice Griffith public housing

REGIONAL, STATE, AND FEDERAL APPROVALS

Bay Conservation and Development Commission (BCDC)

- Approves amendments of the Bay Plan and Seaport Plan
- Approves permits for activities within BCDC's jurisdiction, including the proposed Yosemite Slough bridge

State Lands Commission

- Approves public trust land agreement

California Department of Parks and Recreation

- Approves agreement for the reconfiguration of Candlestick Point State Recreation Area
- Approves General Plan Amendment for the reconfiguration of Candlestick Point State Recreation Area

California Department of Transportation

- Approves any necessary encroachment permits for the Project roadway improvements

Regional Water Quality Control Board

- Approves Section 401 water quality certification

Bay Area Air Quality Management District

- Approves any necessary air quality permits for individual uses

Navy

- Authorizes the execution of necessary transactional documents with the Redevelopment Agency to transfer property at Hunters Point Shipyard for the development of the Project

US Army Corps of Engineers

- Approves permit for fill related to the Yosemite Slough bridge, shoreline improvements, and other activities.

Department of the Interior

- Approves conversion of portions of Candlestick Point State Recreation Area reconfiguration improved with Land and Water Conservation Fund grants

US Coast Guard

- Issues determination regarding vessel navigability for the Yosemite Slough bridge

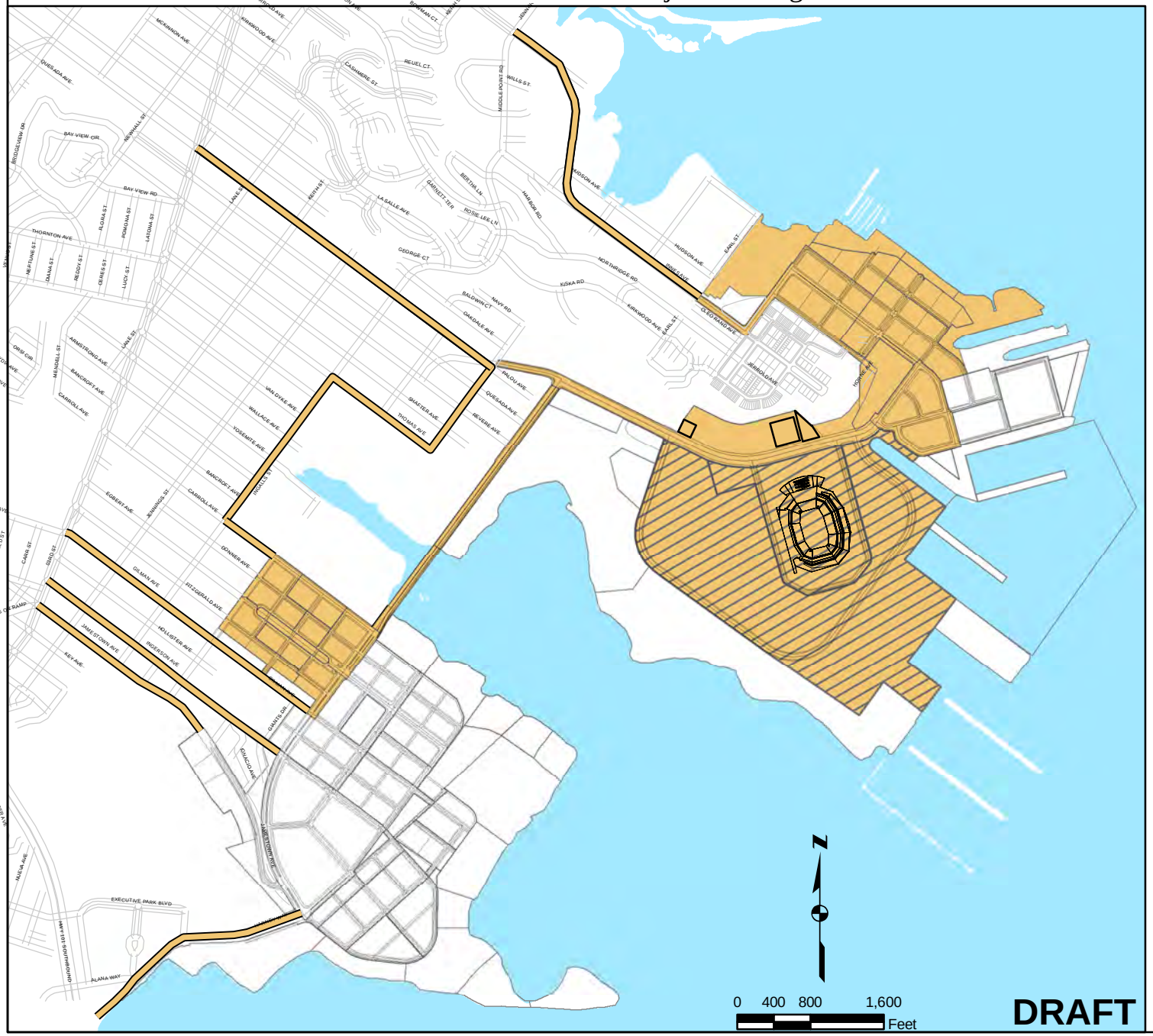
US Department of Housing and Urban Development

- Approves land transfer agreements involving Alice Griffith public housing site and funding approvals

SOURCE: Agency, Planning Department.

This Table is not intended to provide an exhaustive or exclusive list of the numerous public agency approvals that may be necessary to carry out the Project over its 20-year build-out. Instead, the Table provides a list of the major land use entitlements and related approvals anticipated from local and State agencies that may rely on this EIR. It is also anticipated that other permit and transactional approvals will be necessary as these major entitlements are implemented and that the approving public agencies, to the extent required by law, will rely on this EIR, in accordance with the requirements of CEQA and the CEQA Guidelines, in granting such approvals. This Table also lists federal agencies that would have jurisdiction over certain aspects of the Project.

Exhibit H
Project Phasing Plan

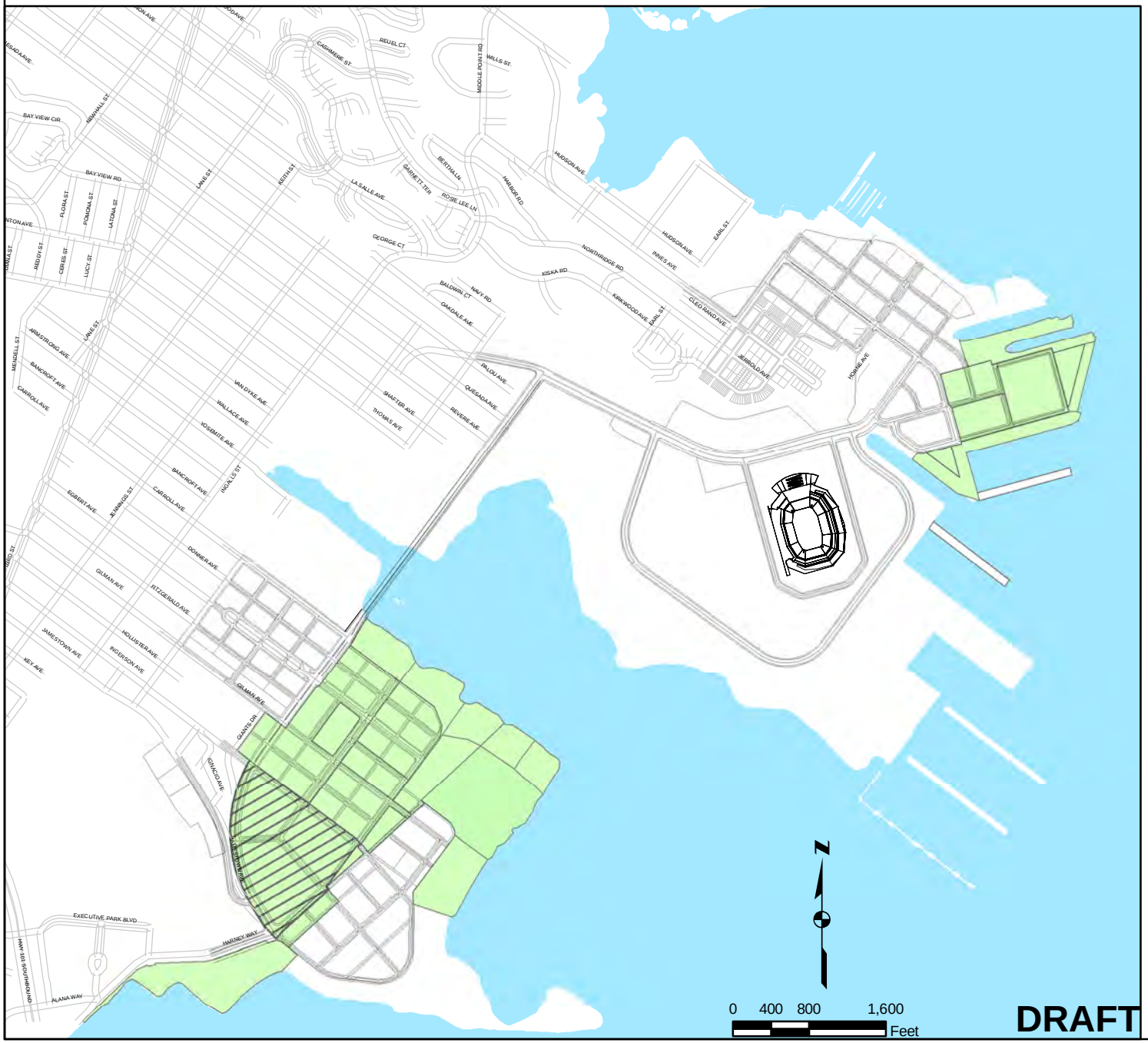


LEGEND

MAJOR PHASES 1 & 1A

- 2012-2018
- 2014(Stadium Pad)/ 2017(Balance of 1A)

Exhibit H
Project Phasing Plan

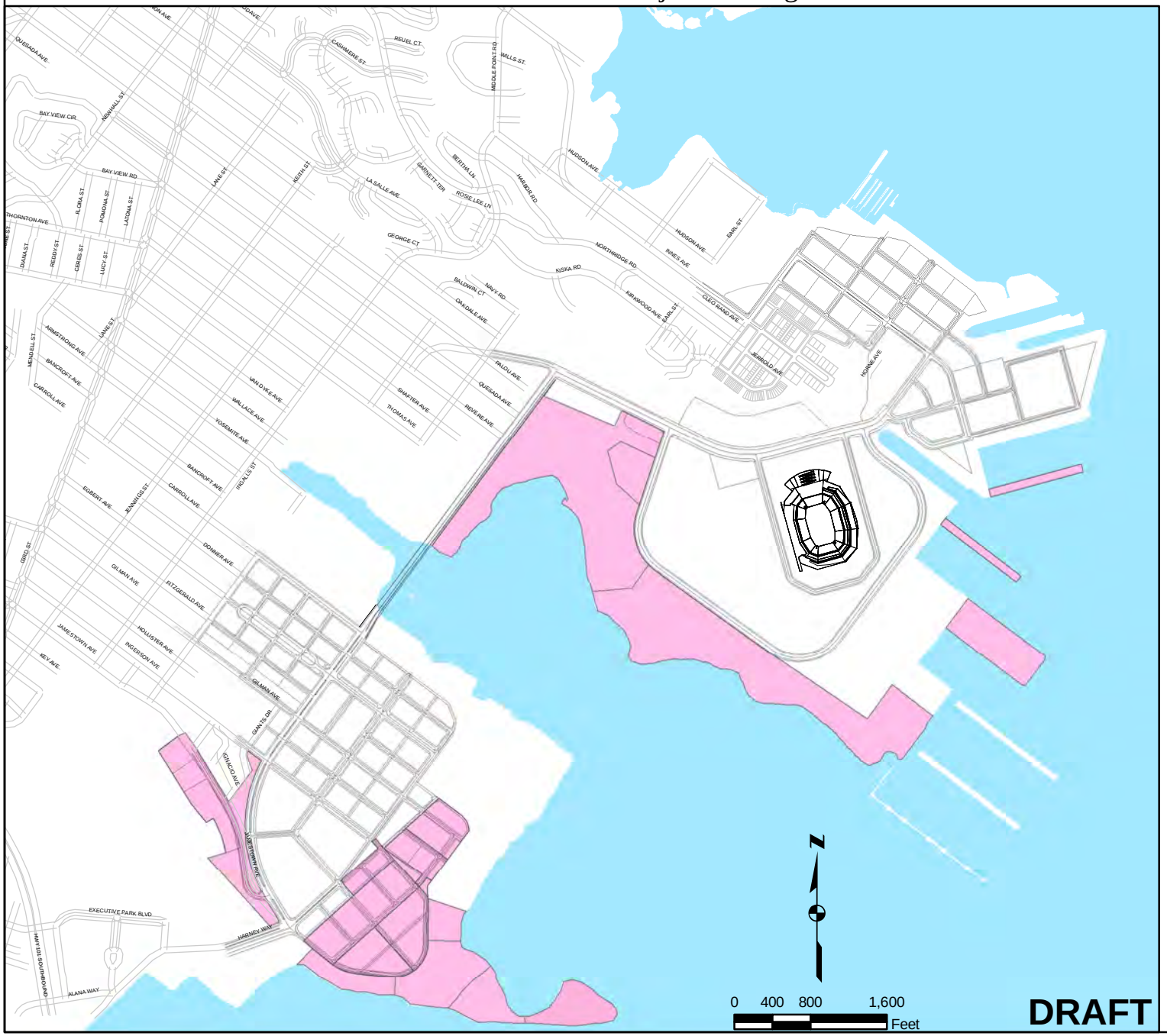


LEGEND

MAJOR PHASES 2 & 2A

- 2018-2025
- 2019-2023

Exhibit H
Project Phasing Plan



LEGEND

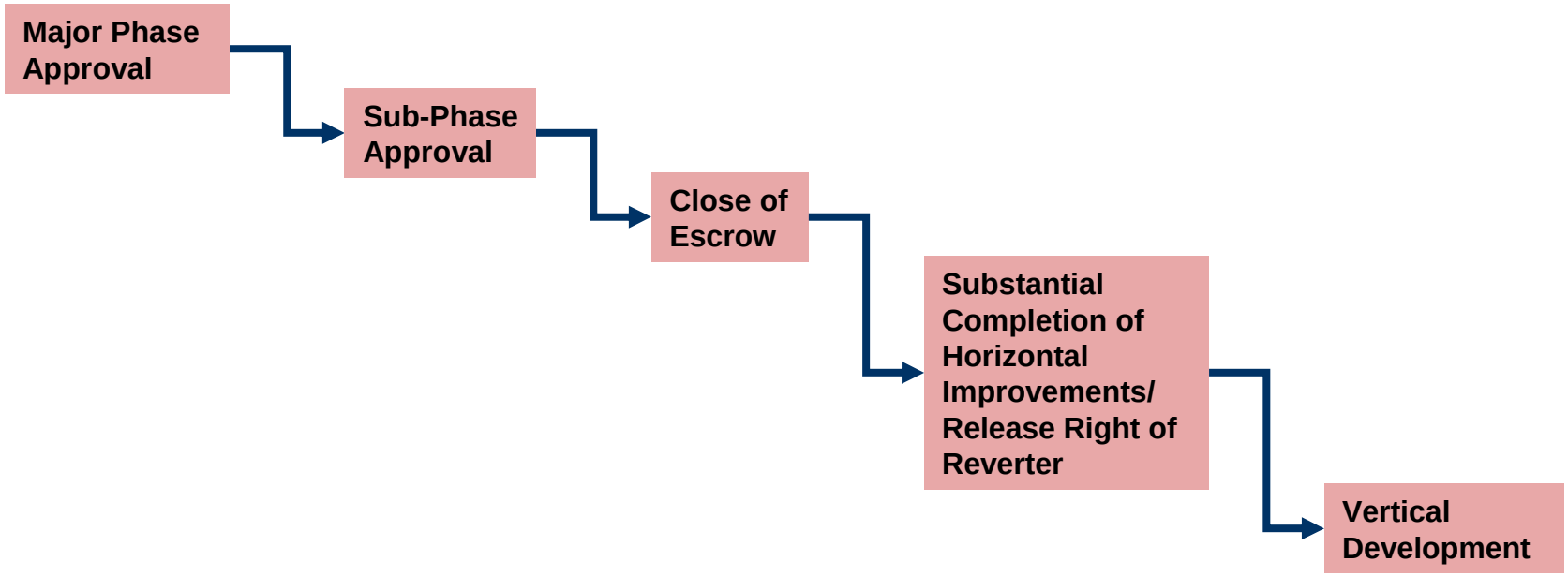
MAJOR PHASE 3

2022-2029

Exhibit I

Draft 02.01.10

Path of Approval for First Major Phase



Draft 02.01.10

Exhibit J
Project Sources and Uses

Sources

Lennar Joint Venture - Developer Contribution	711,211,489
Land Secured Exempt Financing	
Mello Roos	576,702,000
Tax Increment Financing	953,046,300
Total Sources	2,240,959,789

Uses

Infrastructure Costs	
Offsite transportation & other related infrastructure	280,337,704
Onsite Improvements	346,628,712
Waterfront Improvements	126,090,237
Demolition and Earthwork	197,271,989
Community Facilities and other structure improvements	58,085,344
Open Space*	142,845,401
Contingency	172,688,908
Engineering and Other Fees	196,259,691
Construction Management	27,715,113
Subtotal	1,547,923,099
Share of Horizontal Costs Supporting Affordable Housing	(330,280,537)
Subtotal Infrastructure	1,217,642,562
Affordable Housing	
Gap Funding for Agency, Workforce, and Public Housing**	150,392,862
Share of Horizontal Costs Supporting Affordable Housing	330,280,537
Subtotal Affordable Housing	480,673,399
Other Costs	
Property Taxes	22,466,942
Annual Special Taxes	47,802,012
Closing Costs	5,880,568
Residential Marketing	32,191,591
Planning And Entitlements - Pre Acq./Land	42,066,781
Governmental Fees	(6,000,000)
Community Benefits	82,619,159
Land	27,225,000
Stadium Contribution	100,000,000
General & Administrative	21,704,217
Project Management Fee	46,437,693
Subtotal Other Costs	422,143,963
Inflation to Costs	120,499,864
Total Uses	2,240,959,789

**Includes $40 million in improvements to State Parks land*
***Excludes Inclusionary Housing Contributions of $212 million*