

CITY SQUARE



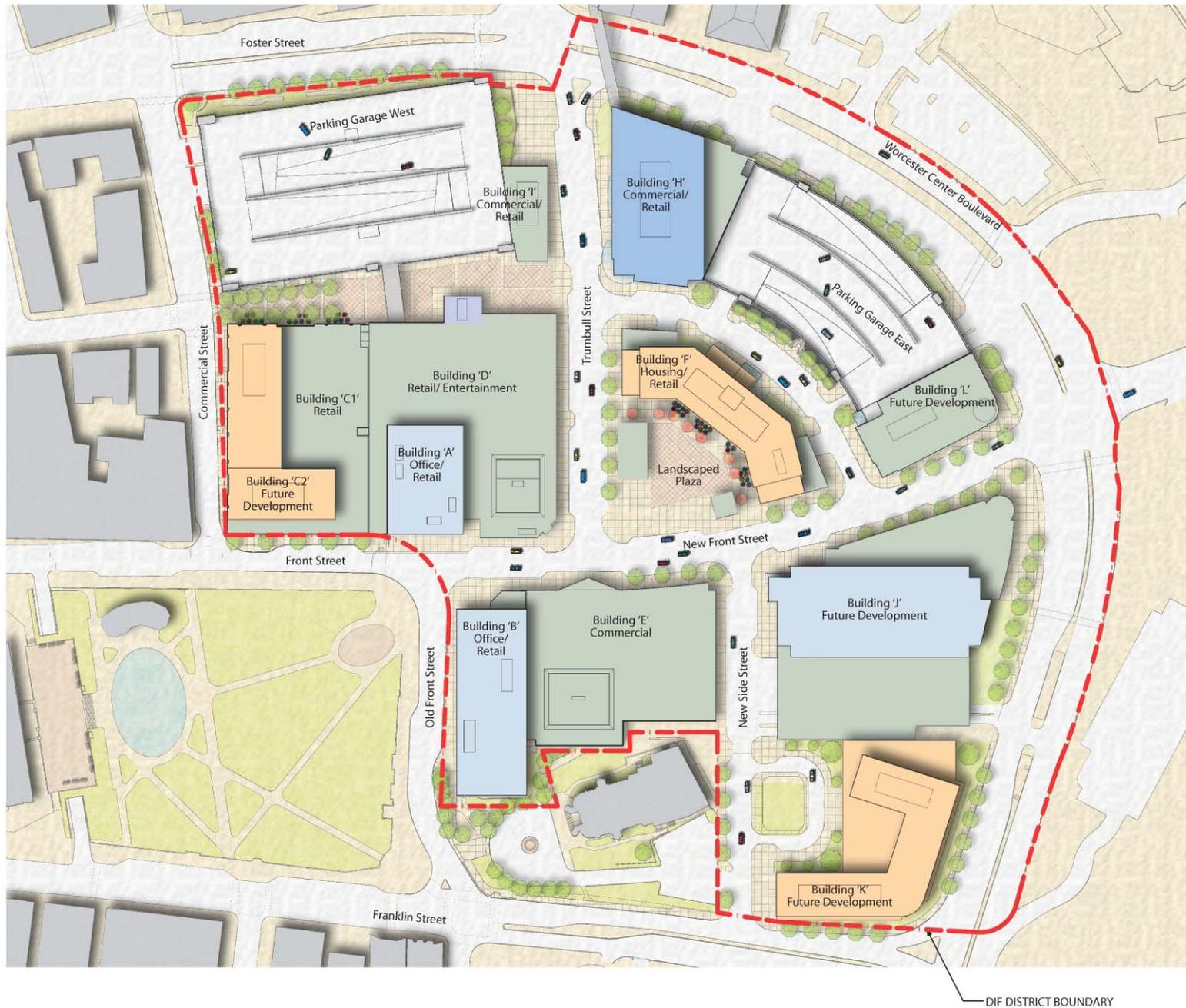
Negotiated Documents

- General Development Agreement
- Ground Lease for the Public Parking Garage
- Operation and Allocation Agreement Governing the Public Parking Garage
- Easements and other property conveyances associated with the project

The text of these documents have been fully agreed upon as to form and content and are ready, upon proper legal authorization, for signature by both parties.

Vision of the Future.....

- \$563 Million public-private redevelopment project in the core of the downtown
- Over 2.2. million square feet of vibrant mixed-use space including retail, office, entertainment, and market rate housing
- 1,675 minimum FTE up to 3,100 new jobs
- 2,300 construction jobs
- Roadway network redesign and enhancements



DIF DISTRICT BOUNDARY

Public Elements

Direct and Delegated Public Elements

- Design and construction of new public underground garage, new streets, streetscape, and related infrastructure improvements
- Delegated Public Elements: Berkeley will undertake on City's behalf through Special Legislation
- Direct Public Elements: City will undertake directly
- Overall Project Budgets for Direct and Delegated Public Elements adjusted to reflect receipt of federal grants, increases in net project revenues, increases in Developer's financial commitments

Key Elements of Public Investment

- \$89,085,000 total City and State investment – *same as outlined in the MOA*
- City's Contingency for the Delegated Elements increased from \$8.05M in the MOA to \$10.05M in the GDA
- Specific – but limited – areas of road construction identified in MOA as Delegated Elements shifted to Direct Elements (City)
- Additional Federal grants factored into pro-forma offset increases in Contingency and items shifted to Direct Elements

Developer Investment

- Developer Delegated investment increased and timeframe of the investment has advanced
- Developer's Contingencies to be secured by Letters of Credit
- Developer's Contingency for Public Delegated Work increased \$2M from MOA to \$10.05M in GDA to match City's Contingency
- Developer will post \$3M Letter of Credit available as a Contingency in the early stages of the Project to address potential cost over-runs on demo and utility work
- Developer will post \$2M Letter of Credit available for Debt Service and Revenue Shortfalls to mitigate risk for Project delays to ensure City can make DIF bond payments

Disbursement of Funds

- Maintains measured risk approach outlined in MOA and fundamental to any DIF Plan
- GDA and related legal documents recognize complexities of:
 - Timing of design
 - Engineering and financing of public and private project elements

Initial Disbursement

- Initial disbursement of City funds remains limited to \$10M as designated in MOA
- Includes eminent domain takings of easements for new street pattern within former mall property per MOA
- Transfers deed of former Vacuum Cleaner Parcel to the City per MOA
- Relieves the City of former obligation to construct skywalk over WCB per MOA
- Pays for DIF-eligible expenses made by Developer on City's behalf prior to enactment of Special Legislation and signing of GDA (approximately \$6.5M)
- Balance of disbursement (\$3.5M) will be applied to finance furtherance of design and engineering plans for Public Parking Garage and Public Street Construction
- All requests for payment will be verified as eligible by Tishman, City's Construction Manager

Second Disbursement – Written Commitments

- Will occur when Developer demonstrates to City it has secured end-user/occupant commitments and debt/equity financing to enable at least 2 of 3 “Trigger” buildings to proceed to construction:
 - Project Building H (medical office)
 - Building J (commercial office)
 - Building F (residential-condominium)
- Pays for demo of large portion of mall property and site prep for construction of new Public Parking Garage, new streets and streetscape
- City’s obligation is first \$18.5M with Developer obligated to advance up to \$3M in Contingency via Letter of Credit to address cost overruns beyond subscribed amount
- Tishman to monitor and verify all payment requests

Second Disbursement

- Developer can place advance orders for steel and site work packages for Public Parking Garage
- City would incur liability risk not to exceed \$750,000 if steel order is cancelled prior to delivery; Developer incurs same liability risk
- MOA Second Disbursement was balance of Delegated Element Costs (then-estimated \$69M) distributed by payments over life of construction of Delegated Project Elements
- GDA Second Disbursement reflects additional checks and balances/measured risk to facilitate Project and ensure budget compliance as well as reflect real estate market realities

Third Disbursement – Garage Construction

- Pays for construction of Public Parking Garage
- Occurs only upon Developer:
 - Completing full design and engineering for at least one commercial Trigger Building (H or J)
 - Achieving a guaranteed maximum price for the construction of this Building
 - Securing final sign off of the build-to-suit owner or lease tenant (cost of construction fully covered)
- Developer must:
 - Verify advancement of second Trigger Building (likely F) through Design Development
 - Complete design and engineering of Public Parking Garage
 - Achieve guaranteed maximum price for construction of this Delegated Element that is within prescribed budget
 - Verify necessary funds remain to address estimated costs of Delegated streets and streetscapes

Third Disbursement

- Will be disbursed in monthly installments for work completed as verified by Tishman
- Developer will post a \$1M to \$2M Letter of Credit to provide source of funds for City should expected target revenues fall short of tax levy projections for Phase One Buildings (H or J and F) if same were built per schedule set forth in Project pro-forma financials
- Developer will post balance of unused \$10.5M of its Contingency in the form of a Letter of Credit

Fourth Disbursement – Street Construction

- Pays for construction of new surface streets, new public sidewalks and new streetscape
- Will be disbursed in monthly installments for work completed as verified by Tishman
- Developer must:
 - complete design and engineering scopes
 - Achieve guaranteed maximum price for costs of new streets and streetscapes that is within Project budget

Public Parking Garage

- Financing and operation of garage most significant change from MOA
- Under MOA, Developer's requirements for operational controls and first-class maintenance standards exceeded limitations of Federal Tax Law on issuance of tax-exempt bonds
- Under the GDA, the controls granted to the Developer now require the City to issue taxable debt for Garage
- MOA terms and conditions to operate new Public Parking Garage jointly with portion of Developer's "Blue" Garage remain same
- Joint Operation and Allocation Agreement increases City's share of joint operating revenue from 53% to 60% to compensate City for higher interest costs of taxable bonds for the Public Parking Garage

Permit Fee Reduction Ordinance

- MOA provision that limited permit fees charged to Developer to \$2M remains
- Schedule for payment of \$2M changed from 2 equal installments of \$1M each (January 2006 and January 2007) to the following schedule:
 - \$250,000 on 1st GDA disbursement
 - \$750,000 on earlier of 6/15/08 or start of Enabling Work
 - \$1M on earlier of 1/15/09 or start of construction of Public Parking Garage
- GDA now provides for pre-paid permit fees to be reimbursed to Developer if there is an early termination of the Project

Updated Costs and Financial Projections

- Favorable impact on financial projections derived from:
 - Receipt of federal grant funds
 - Projected early receipt of \$25M State commitment
 - 7% increase of shared parking garage revenues from 53% to 60%
- Counter-balanced by:
 - Increase in interest rates (rising interest rate trend and change to taxable bonds for Public Parking Garage)
 - Decrease in commercial tax rates since MOA was approved
- Net result:
 - Project could require \$300k annually from general Fund in fiscal years 2021 through 2026

Uses table

CitySquare General Development Agreement

Schedule of Uses

Delegated Public Elements

| | | |
|---------------------------------------|-----------|-------------------|
| New Underground Garage | \$ | 38,550,000 |
| Enabling Work | | 18,160,000 |
| Streets/Streetscape/Garage Green Roof | | 8,580,000 |
| Tenant Relocations | | 6,000,000 |
| Architecture/Insurance/Other | | 5,440,000 |
| Balance of City Contingency* | | 4,470,000 |
| Delegated Costs | \$ | 81,200,000 |

Direct Public Elements

| | | |
|---------------------------------------|-----------|-------------------|
| Capitalized Interest | \$ | 4,272,000 |
| Worcester Center Boulevard Renovation | | 3,500,000 |
| Project and Construction Management | | 2,000,000 |
| Bond Issueance and Legal Oversight | | 1,685,000 |
| Deposit to Reserve and Other | | 1,503,000 |
| Direct Costs | \$ | 12,960,000 |
| Total | \$ | 94,160,000 |

*contingency adjusted for rounding to nearest ten thousand

Sources Table

CitySquare General Development Agreement

Schedule of Sources

| | | |
|------------------------------|-----------|-------------------|
| DIF Bonds | \$ | 61,085,000 |
| State Funding | | 25,000,000 |
| Federal Funding | | 3,500,000 |
| Permit Fees | | 2,000,000 |
| Federal Development Grant | | 1,750,000 |
| Loan Premiums | | 825,000 |
| Total Funding Sources | \$ | 94,160,000 |

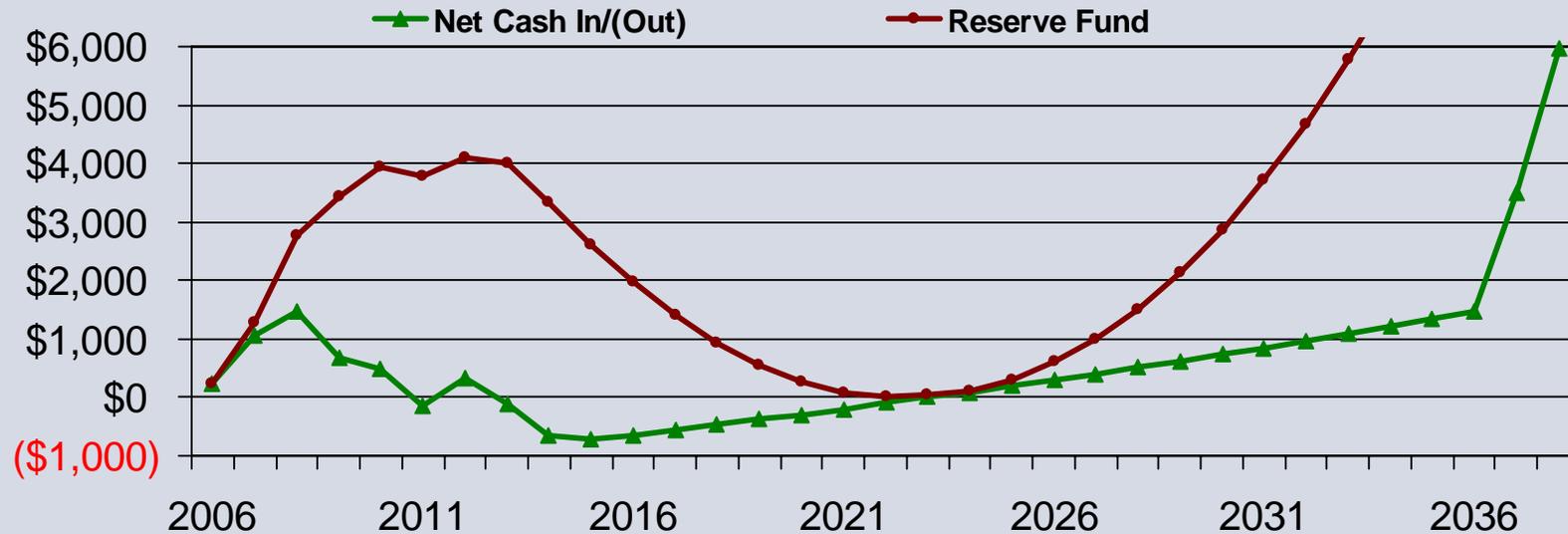
Measured Risk

- Potential exposure to General Fund is “measured risk”
- Based on conservative financial projections that only factor Phase One Project Revenues
- Financial Projections do not include:
 - Additional property tax and Related parking garage revenues generated by third Trigger Building and Phases Two and Three (Building K and Building C2, both residential)
- Excludes any enhancements to development plan such as Building I and Building L

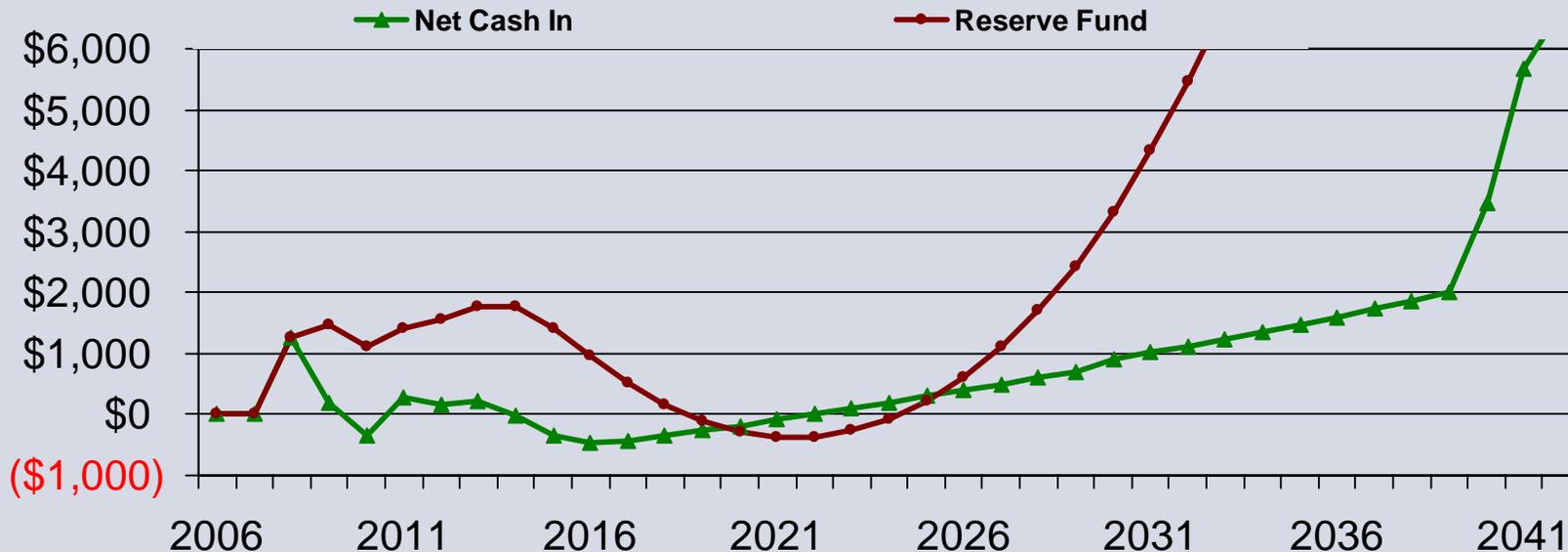
DIF Bond Reserve Fund: MOU vs. GDA Comparison

Amounts Expressed in Thousands

Graph 1.A Memorandum of Understanding DIF Bond Reserve Schedule



Graph 1.B General Development Agreement DIF Bond Reserve Schedule



Next Steps...Action Items

- Special Legislation to be adopted by legislature and signed by Governor
- City Council hearing/action on revised DIF Program
- City Council action on modified Permit Fee Reduction Ordinance
- City Council action on an amendment to the Loan Authorization for the Project
- EACC vote on revised DIF Program
- GDA executed