REPORT TO MAYOR AND COUNCIL
SITTING AS THE LOCAL REUSE AUTHORITY

TO THE HONORABLE MAYOR AND COUNCIL
SITTING AS THE LOCAL REUSE AUTHORITY:

DATE: September 29, 2015

SUBJECT: **COUNCIL SELECTION OF A MASTER DEVELOPER PARTNER TO NEGOTIATE A DISPOSITION AND DEVELOPMENT AGREEMENT TO IMPLEMENT THE FIRST PHASE OF THE CONCORD REUSE PROJECT (CRP) AREA PLAN**

Report in Brief

On April 14, 2015, the City Council, sitting as the Local Reuse Authority (LRA), selected Catellus Development Corporation and Lennar Urban as the two semi-finalists in the Master Developer selection process. Following that decision, staff initiated separate, but parallel, negotiations with each firm. These negotiations resulted in the two Term Sheets attached to this report. A Term Sheet is the outline of the contract with the City (acting in its capacity as the LRA) that would be drafted once the LRA makes a final selection of the Master Developer. It establishes the mutually agreed framework for the most important parts of the disposition and development agreement (DDA) that will ultimately be negotiated in good faith between the City and the selected Master Developer.

The Term Sheets respectively negotiated with Catellus Development Company and Lennar Urban include similar standard contract terms, procedures for reimbursement of City costs, entitlement, fiscal neutrality to the City, infrastructure over sizing, project labor agreements, local hire policies, and remediation and habitat mitigation provisions. There are, however, several key differences in the Term Sheets, which are highlighted in this report.

The staff and its team of technical advisors believe that both companies have the financial wherewithal, experience, and skills to successfully implement the CRP Area Plan.

Staff recommends that Council, sitting as the LRA, take public comments and consider selection of either Catellus Development Company or Lennar Urban to become the Master Developer.

I. Introduction

This report provides information to assist the LRA, to select a single Master Developer to be the City's partner in implementing the Concord Area Plan for reuse of the Phase One portion of the former Concord Naval Weapons Station. Attached to this report are the final, detailed Term Sheets negotiated with the two Master Developer semi-finalists and other supporting documents. This report provides summary information for the portions of the Term Sheets where there are material differences between the two documents to help inform the LRA's selection decision. It is important to remember that the selection of a Master Developer is the beginning of the implementation phase of the project and the materials herein will be significantly refined during negotiations with the Navy, preparation of a Specific Plan and drafting of a comprehensive DDA.

Beyond the Section I (**Introduction**) portion, the staff report is organized in four primary sections. **Section II. Process and Entitlement** defines and updates the steps in the negotiation process both with the semi-finalist developers (post selection) and the Navy. It also lists some of the future project entitlement steps. The entitlement process is key not only for the guidance that it provides for the specific design and land use mix, but its completion is a key milestone for the conveyance of land to the Master Developer as noted in both Term Sheets.

Section III. Discussion contains comparisons of the key differences between the two Term Sheets.

Section IV. Additional Selection Information provides other non-Term Sheet information that should also inform the LRA's selection.

Section V. Benefits or Consequences of Each of the Three Possible Council Selection Decision Options.

II. Process and Entitlement

The selection of the Master Developer to launch the implementation of the Area Plan is an important step in successfully transforming the former military base to civilian use, and realizing the Area Plan's projected economic, fiscal, urban design and environmental benefits. Not only must the LRA identify and successfully negotiate with the development company best suited to the task, the process of selecting that company must be done in a way that is objective and fair and can readily be observed by the Navy, the development community and the public. From the Local Reuse Authority's (LRA's) perspective, it is also important that this selection be accomplished in a timely manner.

At the April 14, 2015 City Council meeting, the LRA chose Catellus Development Corporation and Lennar Urban as the two semi-finalists in the Master Developer selection process. Following this decision, staff initiated separate, but parallel, negotiations with each firm. The results of the negotiations are the two Term Sheets in Attachments A and B.

In negotiating Term Sheets, staff had the following objectives:

1. Outline the key points each semi-finalist would agree to include in a DDA in sufficient detail for the LRA to select between the two.
2. Evaluate the financial feasibility of the Development Phase One proposed by each semi-finalist.
3. Ensure the proposed terms were acceptable, based on existing City policy documents and guidance provided by the LRA, while recognizing that the key terms would be further fleshed out and set forth in a comprehensive DDA to be considered for approval by the LRA.
4. Identify how the proposed terms would support land transfer from the U.S. Navy to the City of Concord.

The definition/purpose of the different legal documents mentioned above are as follows:

- **Term Sheet**

  A Term Sheet is essentially an outline of a contract that is yet to be drafted by the parties. It provides the most important parts of the agreement between the parties in much the same way that an outline of a research paper provides a guide to the final paper. A Term Sheet is often used to summarize and clarify complex terms that will later be included in the agreement. Because a Term Sheet does not include all salient business terms of the complex transaction that is the subject of the Term Sheet, it typically is not legally binding in the same way as a comprehensive agreement, such as a DDA. Nevertheless a Term Sheet coupled with a negotiating agreement does impose obligations on the parties to conduct further negotiations and work together collaboratively and in good faith to draft such a comprehensive agreement in a manner that is consistent with the Term Sheet. In this case the City, once it selects a single Master Developer, will be contractually bound, per the terms of Section 3.2.1 of the Negotiating Agreement, to work exclusively with the selected Master Developer for the next 9 months, or such later date as may be mutually agreed upon by the City and the selected Master Developer, on the negotiating and drafting of a comprehensive DDA.

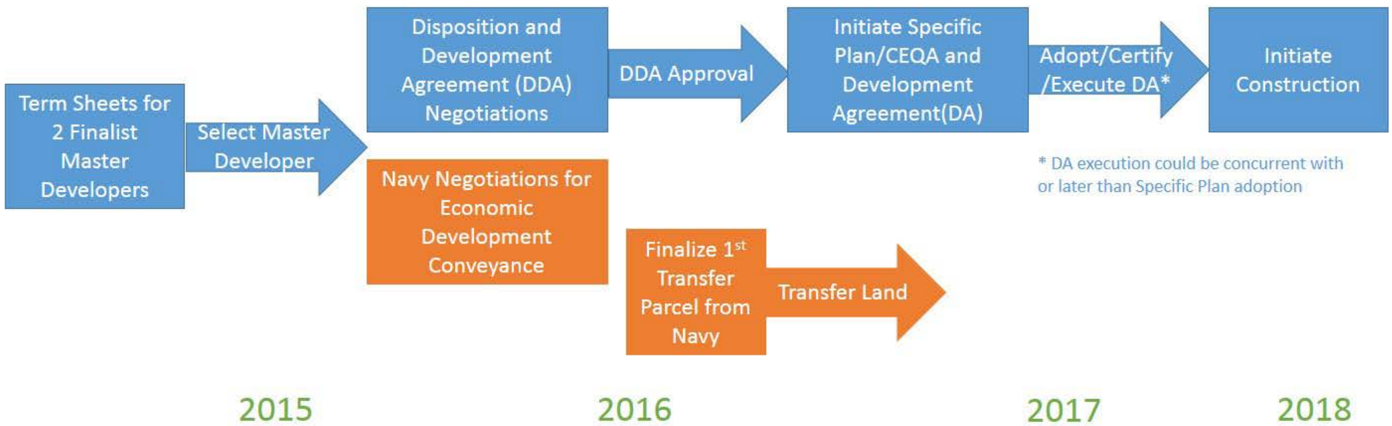
- **Disposition and Development Agreement (DDA)**

  The Lennar and Catellus Term Sheets set forth a foundation for a DDA (essentially a purchase and sale contract) that will be prepared and negotiated with one of the proposed Master Developers after the selection process is complete. The DDA to be negotiated and drafted by the parties will be based on the City's template form of DDA that was attached to the City's RFP document with appropriate modifications and additions as set forth in the selected Master Developer's Term Sheet. In other words, upon selection of a single Master Developer, both the City and the selected Master Developer will be bound to work together in good faith to attempt to reach formal documentation on the major business terms set forth in the Term Sheet. Because the two Term Sheets outline the basic financial commitments of the Master Developer semi-finalists and the benefits from those commitments that would accrue to the community, the documents provide the LRA with key guidance as to the competing developers' "bottom line," and are therefore an important tool in evaluating the advantages and shortcomings that each developer poses if selected by the LRA.

- **Development Agreement**

An exhibit to the DDA will be a Development Agreement (DA). A DDA is essentially a purchase and sale contract between a city/seller and developer/purchaser where the city sells or conveys land to the developer and the developer agrees to develop the property in accordance with certain requirements and scheduling milestones. A Development Agreement (DA) is a contract between a city and a developer governing land uses of a project where the developer obtains vested rights to develop in accordance with then current zoning and entitlements and often provides certain community benefits in exchange. A DDA is only be used if there is property being conveyed and may be used in combination with a DA. If there is no property being conveyed, only a DA would be applicable.

Following selection of a Master Developer by the LRA, staff will initiate preparation of a DDA with the selected team. The DDA will provide contractual language for many of the topics discussed at a high level in the Term Sheet. The DDA will include a proposed form of DA as an exhibit. The DA will provide vested rights to develop in accordance with the land use regulations to be set out in the Specific Plan. The DA would not be executed until the Specific Plan is adopted as most of the terms in the DA, defining rights to develop, will be spelled out in the Specific Plan. Following is a graphic overview of this process, as well as the general timeline expected for the Concord Reuse Project.



A Specific Plan will be prepared by the selected Master Developer in conjunction with the community and, ultimately will be considered for adoption by the LRA. This process will include environmental review consistent with the California Environmental Quality Act (CEQA). City staff will lead the preparation of the CEQA document to ensure it is an arms-length review of the potential impacts that would result from implementation of the Specific Plan. The selected developer will fund both the Specific Plan and environmental review activities.

All Specific Plans are required by State law to define land uses and open space, on-site and off-site infrastructure, how natural/cultural resources will be protected, implementation procedures, and the relationship to the General Plan. As specified in the Term Sheets, the Specific Plan will be consistent with the Area Plan and have the following key features:

1. Further refine the boundary and land uses for Development Phase One.
2. Reflect substantial community input, including input from the neighborhoods most directly impacted by the initial development.
3. Be reviewed by City boards and commissions, subject to final approval by the LRA.
4. Identify infrastructure to support Development Phase One and future phases.
5. Provide design standards and guidelines that translate the goals and objectives of the CRP Area Plan into detailed policies for public and private spaces.
6. Create a process for reviewing subsequent applications for permits required to develop Development Phase One.

As noted in the illustration above, it will take at least 24 months from the point of selection of a Master Developer partner to the completion of the specific planning process. It is also important to note that once the specific planning process is complete, a host of typical entitlement steps, including engineering and planning department reviews of plans and drawings, will need to take place before any horizontal or vertical construction would commence.

III. Discussion

The following sections focus on the key components and comparisons of the Term Sheets. The purpose of the Term Sheet negotiations undertaken by staff with the two Master Developer semi-finalists is to support selection of a partner for the City to work with over the next ten to fifteen years. That partner will work with the City to implement, through their proposed Phase One Development, the community's vision, as expressed in the Area Plan and Specific Plan. As noted above, the resulting Term Sheets set a foundation for completion of a DDA between the developer and the LRA that would ultimately be considered for approval by the City Council, sitting as the LRA. There are a number of the sections of the Term Sheets (Attachments A and B) that are substantially the same reflecting standard contract terms, reimbursement of City costs, entitlement, fiscal neutrality to the City, infrastructure over sizing, project labor agreements, local hire policies, and remediation and habitat mitigation requirements, and consequently are not real discriminators between the two firms. The following nine sub sections (A-I) discuss the areas where there are distinct differences between the Terms Sheets.

The key issues with substantive differences are:

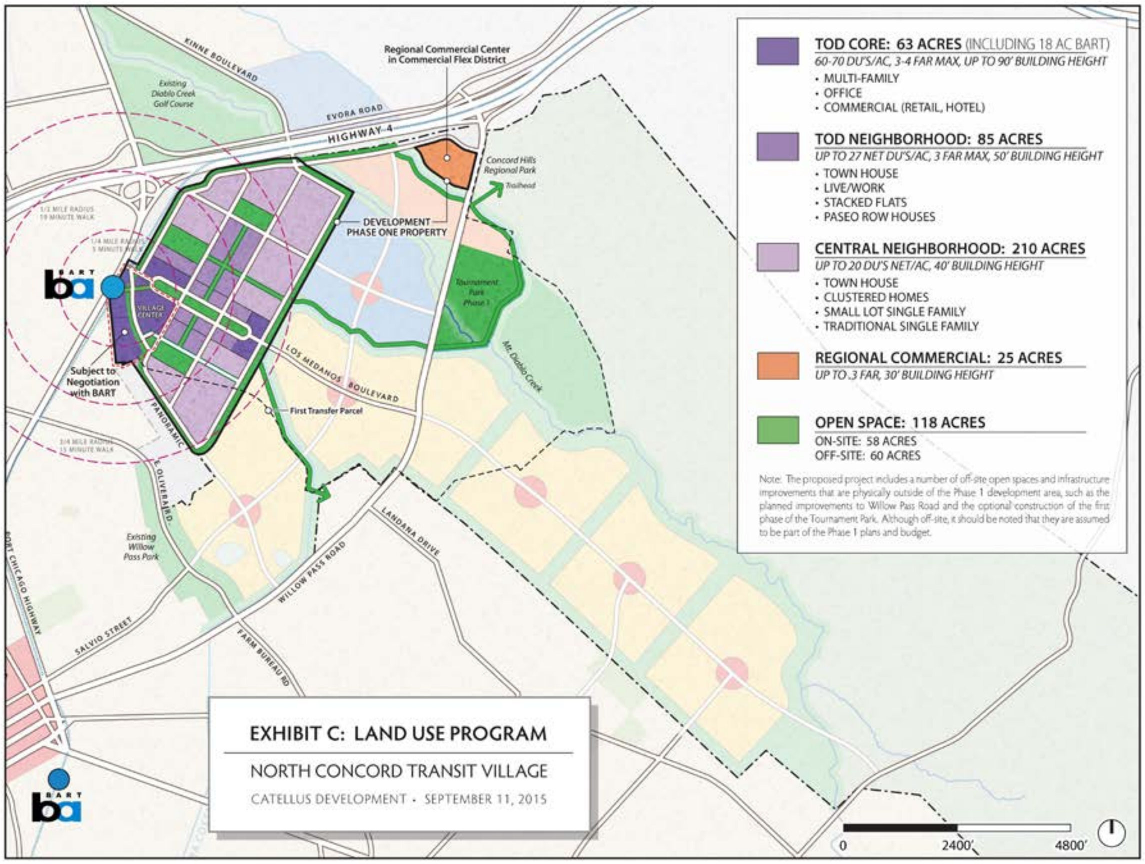
A. Development Program Comparison

Both semi-finalists have proposed Development Phase One programs and diagrams consistent with the adopted CRP Area Plan. Their conceptual development programs are summarized below and will be further refined as the Specific Plan is prepared for Development Phase One. They include housing at a range of densities, including higher-density housing near the North Concord BART station, 25% affordable housing, neighborhood-serving retail uses, substantial parks, open space and other public amenities, and commercial uses expected to generate permanent employment beyond that created by the construction phase. Both provide shuttle service within the CRP Area and connecting to key destinations in Concord, such as Todos Santos Plaza.

Catellus Development Program

The Catellus Development Phase One has a very strong focus on the North Concord/Martinez BART station, completing much of the CRP Area Plan acreage dedicated to Transit Oriented Development (TOD) Core and TOD Neighborhoods in this first phase of development. The Central Neighborhoods, slightly further from BART, would include single-family development. Although acreage and development are not included in Catellus' development program for the BART property, Catellus is expecting to work with BART to develop the 18 acres of the parking lot and focus office and commercial development on the property in very close proximity to the North Concord/Martinez BART station, supporting transit ridership to new job-generating uses. Catellus would also incorporate new parking facilities to accommodate the existing and future parking demands of the BART station. The development adjacent to the BART station would happen toward the end of Development Phase One, but public spaces near BART and other nearby development would happen early on. The Catellus plan has strong connections to the future regional park via a trail network, as well as a first phase of the tournament sports facility envisioned in the Area Plan. Regional retail uses envisioned near the intersection of Willow Pass Road and Highway 4 would provide services for new and existing residents, as well as sales tax revenue for the City of Concord. Additional retail would be included on the ground floor of multi-family residential buildings. Exhibit C to the Term Sheet has been included in this report for illustrative purposes.

Catellus -- All numbers approximate							
District	Acres	Affordable Multi-Family/Attached Single-Family Housing Units	Affordable Single-Family Housing Units	Market Rate Multi-Family/Attached Single-Family Housing Units	Market Rate Single-Family Housing Units	Housing Units	Commercial Floor Space (Square Feet)
North Concord TOD Core* and **	45	450	-	842	-	1,292	150,000
North Concord TOD Neighborhoods (all)	85	298	20	776	350	1,444	-
Central Neighborhoods (all)	210	298	34	300	1,033	1,665	-
Village Centers (all)	-	-	-	-	-	-	-
Village Neighborhoods (all)	-	-	-	-	-	-	-
Commercial Flex	25	-	-	-	-	-	333,000
Campus	-	-	-	-	-	-	-
First Responder Training Center	-	-	-	-	-	-	-
Greenways and Citywide Parks***	118	-	-	-	-	-	-
Conservation Open Space	-	-	-	-	-	-	-
Total	**483**	**1,046**	**54**	**1,918**	**1,383**	**4,401**	**483,000**
Maximum Planning Area-wide Total	5,046					12,272	6,115,718
*Does not include BART property. An add'l +/-1.7mm sq. ft. of commercial on BART land could be added to TOD Core.							
**Homeless housing is currently included in the TOD Core.							
***Includes 60 acres of "offsite" parks and open space such as the Tournament Facility. Excludes Mt. Diablo golf course.							
Approximately 30% of the affordable units will be prioritized for veterans/families/seniors consistent with the affordable housing resolution.							



Lennar Development Program

The Lennar development program includes high-intensity development around the BART station, but also extends further into the rest of the site, toward Willow Pass Road, with single-family housing in what would be the first of the planned Village Neighborhoods. That single-family district is the focus of the first stage of development, with construction around the BART station, including public space near BART, taking place toward the end of Development Phase One. The Lennar proposal for Development Phase One includes more commercial uses near the intersection of Highway 4 and Willow Pass Road. It includes substantial public spaces, featuring a school, parks, greenways and two new community centers. Exhibit E from the Lennar Term Sheet provides a graphic representation for illustrative purposes. (Table on next page).

Lennar -- All numbers approximate							
District	Acres	Affordable Multi-Family/Attached Single-Family Housing Units	Affordable Single-Family Housing Units	Market Rate Multi-Family/Attached Single-Family Housing Units	Market Rate Single-Family Housing Units	Housing Units	Commercial Floor Space (Square Feet)
North Concord TOD Core	25	100		200		300	881,654
North Concord TOD Neighborhoods (all)	76	668		1,558		2,226	Ground floor retail in four blocks closest to BART.
Central Neighborhoods (all)	46	100		22	297	419	
Village Centers (all) *	16						Retail shop (approx. 1k sq. ft. expected)
Village Neighborhoods (all)	176	150			1,217	1,367	
Commercial Flex***	82	80				80	810,216
Campus							
First Responder Training Center							
Greenways and Citywide Parks **	79						
Conservation Open Space							
Total	**500**	**1,098**	**-**	**1,780**	**1,514**	**4,392**	**1,691,870**
Maximum Planning Area-wide Total	5046					12,272	6,115,718
* Primarily community facilities, so neither housing units nor substantial commercial floor space are associated with this acreage							
** Excluding Mt. Diablo Golf Course							
*** Homeless housing proposed for edge of Commercial Flex, which enables both proximity to services (food bank facility anticipated in future phases) and adjacency to future residential areas.							

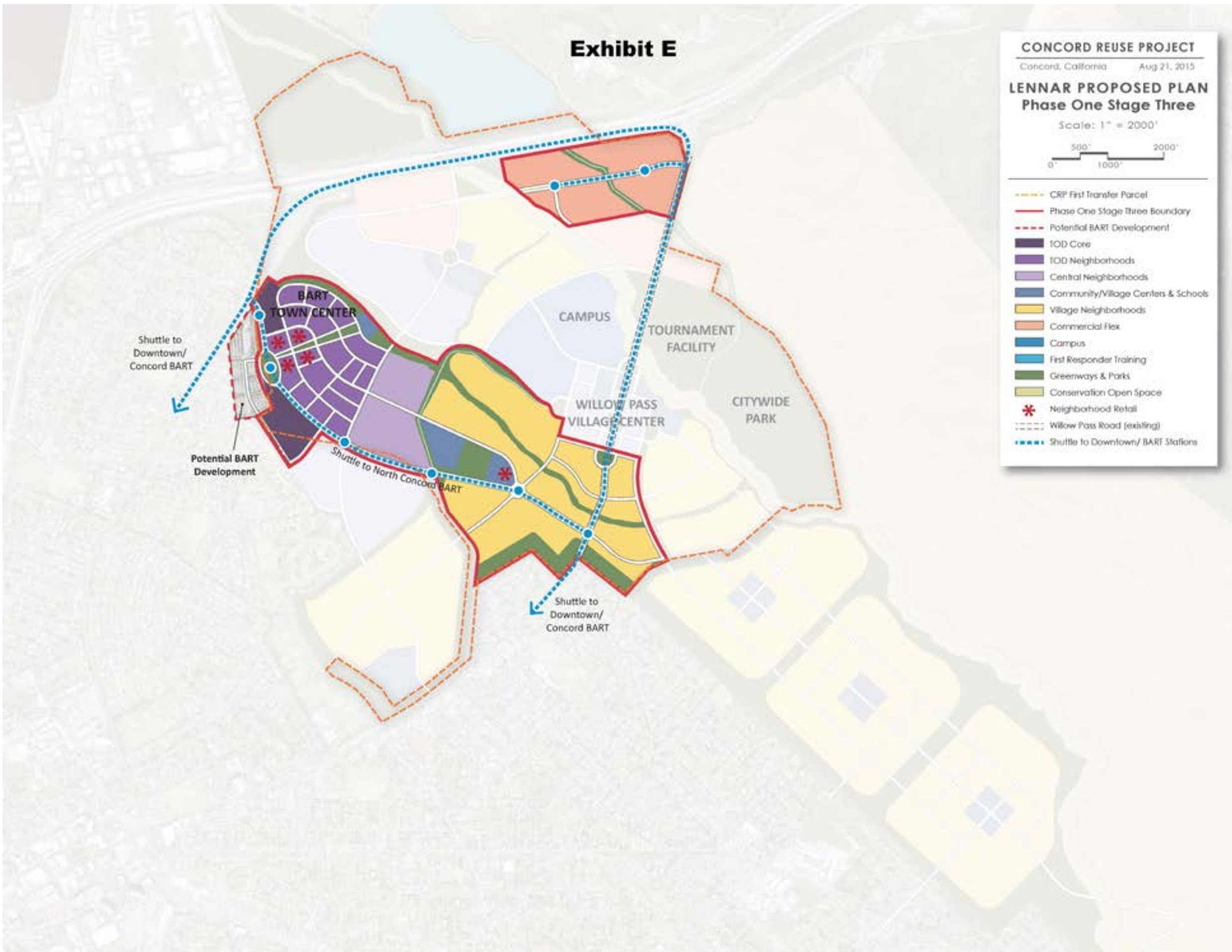


Exhibit E
CONCORD REUSE PROJECT
Concord, California
Aug 21, 2015
LENNAR PROPOSED PLAN
Phase One Stage Three
Scale: 1" = 2000'
0'
500'
1000'
2000'
CRP First Transfer Parcel
Phase One Stage Three Boundary
Potential BART Development
TOD Core
TOD Neighborhoods
Central Neighborhoods
Community/Village Centers & Schools
Village Neighborhoods
Commercial Flex
Campus
First Responder Training
Greenways & Parks
Conservation Open Space
Neighborhood Retail
Willow Pass Road (existing)
Shuttle to Downtown/ BART Stations
BART TOWN CENTER
CAMPUS
TOURNAMENT FACILITY
CITYWIDE PARK
WILLOW PASS VILLAGE CENTER
Shuttle to Downtown/ Concord BART
Potential BART Development
Shuttle to North Concord BART
Shuttle to Downtown/ Concord BART

B. Financial Deal

As part of the Term Sheet negotiations, Catellus and Lennar were required to provide the City negotiating team with a detailed financial feasibility model, which the City team agreed to maintain as confidential proprietary business information, other than a few key summary pages that would be included as Term Sheet Exhibits. Both firms made various revisions to the financial feasibility models during the course of the Term Sheet negotiation to reflect changes in their respective proposals. The City's independent consulting team reviewed the developers' financial models in detail and concluded that they are based on reasonable assumptions for this stage of the implementation process. However, actual results may differ from these projections for a number of reasons, including changes required as a result of the pending Specific Plan process, further negotiations with the U.S. Navy regarding the Economic Development Conveyance, further negotiations with federal and state permitting agencies, and changes in market conditions between now and when construction is ready to commence.

The three tables below (A, B, and C) address three sets of information in a side by side comparison format. Table A is focused on the proposed financial structure of each term sheet. Table B compares the profit participation component as proposed by each firm. Table C compares the on-site infrastructure and off-site roadway improvements proposed by each firm.

At the end of Table C, (page 17) the staff report provides a summary comparison taking into account information in all three tables and the potential benefit to the City.

Table A: Comparisons of Candidate Master Developer Term Sheet Provisions Regarding Financial Structure

Topic[1]	***Catellus***	***Lennar***
Project Financing	Catellus equity only.	Lennar equity and possibly third-party debt, although pro forma includes equity only.
Investment Return Thresholds (IRR)	Greater of: (a) 15% of total gross land sales; <u>or</u> (b) 15% IRR after repayment of all project costs and eligible fees (e.g., annual project administration fee, construction management fee, commissions on land sales (residential and commercial). Earnings above 15% IRR eligible for sharing with the City for benefit of the project (see "Waterfall").	Minimum 20% IRR after repayment of all project costs and eligible fees (e.g., annual project administration fee; no commissions taken on sales). Earnings above 20% IRR eligible for sharing with the City for benefit of the project (see "Waterfall").
Financial Information Sharing With City	"Open Book" approach with revenue escrow accounts for sales revenues, public financing proceeds and any other source; DDA to include itemized project costs and cost categories eligible for reimbursed from revenue accounts; discussions with City about intended development at each stage.	Not specifically addressed except for sharing of information about earnings above 20% IRR for profit participation "waterfall"; DDA to include itemized costs.
Sales to Vertical Builders	Competitive RFP process for all residential; may self-develop some commercial.	Competitive sales process for about 40% of residential; may self-develop up to 60% of residential and all commercial.
Public Financing Assistance	Mello-Roos Community Facilities District (CFD), plus Enhanced Infrastructure Financing District (EIFD) based on 75% of City property tax share and 50-75% shares of other non-school taxing entities All subject to independent City analysis and City revenue neutrality demonstration.	Mello-Roos Community Facilities District (CFD), plus Enhanced Infrastructure Financing District (EIFD) based on 100% of City property tax share only. All subject to independent City analysis and City revenue neutrality demonstration.
Reimbursement of City Costs	Full reimbursement of applicable City direct and indirect staff and consultant costs to support project implementation.	Full reimbursement of applicable City direct and indirect staff and consultant costs to support project implementation.

Topic[1]	***Catellus***	***Lennar***
Attorneys' Fees/Arbitration	In the event of a dispute between the parties, the prevailing party would be entitled to recover its attorneys' fees from the losing party. No binding arbitration on City cost reimbursement.	Each side would be expected to bear its own attorneys' fees and costs in the event of a litigation dispute between the parties. Binding arbitration on dispute of City cost reimbursement.
Affordable Housing	Improved pads for 25% of units plus $56 million for homeless/Habitat, very low/low subsidy gap and moderate price reduction; funding may be re-programmed by the LRA if other housing funds become available; costs reflected in net land sales.	4% moderate inclusionary (i.e. 5% of the market rate units) with the balance of the 25% requirement met through delivery of improved pads; no specific set-aside for gap subsidies, but EPIP[2] and "waterfall" funds (up to $60 Million depending on option selected) could be used at the LRA's discretion, and allocated annually per DDA; will assist in seeking other affordable housing funds; costs reflected in net land sales.
Project Revenue Sources		
Net Land Sales	$726 million	$768 million
Community Facilities District Revenue	$117 million	$128 million
Enhanced Infrastructure Financing District Revenue	$89 million	$33 million
Grant Funds	N/A	$6 million
Total Revenues	*$933 million*	*$935 million*
Project Hard Costs		
Infrastructure[3]	$359 million	$327 million
Remediation	$1 million	$6 million
Habitat/Enviro. Mitigation	$14 million	$6 million
Schools	[4]	$39 million
Parks/Open Space	$41 million	$26 million
Community Facilities	[5]	$20 million
General Conditions/ Contractor Fee/ Contingency	$123 million	$80 million
Subtotal Hard Costs	$538 million	$504 million
Project Soft Costs		
Professional Fees/ Permits/City Cost Reimburs't/Other	$107 million	$98 million
Contingency	$11 million	[6]
Subtotal Soft Costs	$118 million	$98 million

Topic[1]	***Catellus***	***Lennar***
Other Project Costs		
Construction Mgmt/ Base Maint./Other	$32 million	$29 million
Marketing/Insurance/ Project Admin/Other	$9 million	$37 million
Closing Costs	$9 million	N/A
Developer Commissions	$23 million	N/A
Subtotal Other Costs	*$73 million*	$66 million
Subtotal Develop't Costs	$729 million	$668 million
EPIP Fund[7]	$49 million	$36 million (guaranteed)
Land Sale Fee	$109 million	N/A
15% IRR Adjustment	$11 million	N/A
Total Project Costs	*$898 million*	*$704 million*
Net Cash Flow Before Waterfall Calculations	$35 million	$231 million
EPIP Fund Add-Back	$49 million	N/A
Net Available Cash Flow	$84 million	$231 million
IRR Before Profit Participation	15%	22%

[1] All dollar amounts in nominal dollars (i.e., with inflation); values rounded. Catellus' Term Sheet text is also in nominal dollars, while the text in Lennar's Term Sheet is in constant, 2015 dollars without inflation.
[2] EPIP" = EDC Property Improvements Program
[3] Includes demolition, mass grading, off-site infrastructure, backbone streets and utilities, in-tract infrastructure, and for Lennar, Concord Circulator.
[4] $16 million in school fees, along with a fully improved site, is deducted as a cost in the net land sales calculations. Additional funding as needed available in Hard Costs Contingency.
[5] To be determined during Specific Plan preparation; funds available in Hard Costs Contingency.
[6] Soft cost contingency is included in Lennar's $98 million Project Soft Costs total.
[7] "EPIP" = EDC Property Improvements Program for developer-provided additional public improvements and amenities for the benefit of the project, with specific improvements and amenities subject to LRAl determination, per each Term Sheet.

Table B: Comparison of Profit Participation

Topic[1]	***Catellus***	***Lennar***
"Waterfall" Profit Participation in Surplus Cash Flow for Benefit of the Project Per Term Sheets	At 15% IRR, 70% of the first $70 million to City; plus At 20% IRR, 30% of net cash flow above $70 million to City; plus At 20%+ IRR, 70% of net cash flow above $70 million to City	**Option #1** (no guaranteed cash, but a lower participation threshold): At 20-25% IRR, 35% of net cash flow to City At 25-30% IRR, 40% of net cash flow to City At 30%+ IRR, 50% of net cash flow to City **Option #2** (guaranteed cash plus additional participation, but at a higher IRR threshold): $24 million in annual payments guaranteed, plus At 25-30% IRR, 35% of net cash flow to City, and At 30-35% IRR, 40% of net cash flow to City At 35%+ IRR, 50% net cash flow to City
Currently Projected Profit Participation to City for Benefit of the Project	First $49 million to be allocated over last four years of development; and $4 million at 20% IRR (final year).	Option #1: $38 million (in final year) <u>or</u> Option #2: $24 million (incremental each year; guaranteed)
[1]All dollar amounts in nominal dollars (i.e., with inflation); values rounded. Catellus' Term Sheet text is also in nominal dollars, while the text in Lennar's Term Sheet is in constant, 2015 dollars without inflation.		

C. Infrastructure

Table C: Comparison of the On- and Off-site Infrastructure Assumed in each Proposer's Proposal

Topic	***Catellus***	***Lennar***
On-site Infrastructure	• Development Phase One demolition, site clearing, and grading • Development Phase One roads, sewer, storm, water supply and storage, recycled water, dry utilities, electrical distribution network	• Development Phase One demolition, site clearing, and grading • Development Phase One roads, sewer, storm, water supply and storage, recycled water, dry utilities, electrical distribution network
Off-site Roadway Improvements[1]	• Willow Pass Road widening to 4 lanes – SR 4 to Landana • Willow Pass Bridge rebuild and widen to 4 lanes • Panoramic/Port Chicago Highway intersection improvements • Willow Pass/Avila Road intersection improvements • Panoramic Pedestrian Bridge over BART tracks • Evora Road extension to Port Chicago Highway • Connection from Development Phase One Property to Willow Pass Road near Clayton Way, including bridge over the adjacent Contra Costa Canal • Improvements to Willow Pass Road & Highway 4 ramps • Additional off-site improvements consistent with City plans for Phase One buildout	• Willow Pass Road widening to 4 lanes – where it passes through or adjacent to Stages 1 and 2, excluding the bridge • Panoramic/Port Chicago Highway intersection improvements • Willow Pass/Avila Road intersection improvements • Panoramic/BART intersection improvements • Panoramic on-site connection to BART • Evora Road extension to Port Chicago Highway • Arnold/Port Chicago Highway intersection improvements

[1] Estimated off-site roadway improvements are $67 Million for Catellus and $16 Million for Lennar.

In summary, the Catellus Term Sheet and Development Phase One financial projections offer the City a more collaborative process for assessing the annual financial performance of Development Phase One; a vertical development implementation process that provides more variety and more opportunity for local homebuilders; specific dollar allocation subsidies to help deliver the full 25% of planned housing, with units across the affordability spectrum; a wider range of funded infrastructure improvements (e.g., widening of Willow Pass Road bridge); a more generous development budget for parks/open space and remediation/habitat mitigation; a larger, though not guaranteed, EDC Property Improvements Program (EPIP) Fund commitment; a lower investment return threshold for profit participation with the City (notwithstanding collection of sales commissions and certain other fees); and as a result, greater opportunity for profit participation with the City and/or land value sharing with the U.S. Navy over the long term.

The Lennar Term Sheet and financial projections, while comparable to Catellus on several individual development budget line items (e.g., overall revenues and some development cost categories) offer a guaranteed EPIP Fund (albeit less than the non-guaranteed Catellus projection) and one of two elective profit participation approaches which, if selected by the LRA, would also be guaranteed. Subject to future LRA decisions, the Lennar EPIP Fund and profit participation proceeds could also be used for affordable housing subsidies, among other options. But the non-guaranteed profit participation option would be determined using a significantly higher investment return threshold than Catellus is using for this purpose, and the percentage share of net cash flow to the City would be lower than what Catellus offers.

D. Remainder of First Transfer Parcel/Future Phases

The semi-finalists have addressed the issue of rights to future phases in a very different manner. Catellus has agreed that it has no guaranteed right to develop future phases. The Catellus' team anticipates the City will want to negotiate with Catellus after seeing the progress of the first phase. Lennar, on the other hand, has built into its Term Sheet the guaranteed ability to develop future phases if certain milestones are met. Lennar would have an option to purchase the Phase Two (likely an additional 800 acres +/-) if: (a) Lennar has pulled building permits for at least 60 percent of the residential units for Phase One, and (b) Lennar is not in default under the Phase One DDA and is in compliance with the Schedule of Performance. Lennar's option rights for the balance of the Economic Development Conveyance (EDC) property (i.e. Phase Three which would likely consist of the last 800 +/- acres) would be negotiated by the parties and set forth in the DDA for Phase Two. Catellus' proposal provides the most flexibility for the City in terms of future phases. While Lennar's proposal will incentivize them to make progress on the residential units, the City will be bound to work only with Lennar on subsequent phases and to present to the LRA for approval subsequent development phase DDAs on terms generally commensurate with the Phase One

DDA if Lennar meets the milestone requirements and, therefore, the City should expect to have less leverage in negotiations for future phase DDAs. Both Catellus and Lennar have designed their Term Sheets such that if the City selects a different Master Developer for subsequent phases of development, the City would be obligated to cause the new Master Developer to reimburse Catellus or Lennar, as applicable, for its pro rata share of the costs of oversized infrastructure and accelerated habitat or species mitigation work that the new Master Developer of the subsequent phase(s) would otherwise have been obligated to undertake.

E. Affordable Housing

The approaches to the provision of affordable housing have similarities, in that both candidates have committed to meet the requirement to provide 25% of the residential units as affordable and provide land ready for development to affordable housing developers at no cost. Both Catellus and Lennar anticipate that their affordable housing development partners would leverage third party funding sources, such as federal low-income housing tax credits, to pay a portion of the costs of developing that housing. However, there is a significant difference with respect to their commitments to provide further subsidies to ensure development of affordable housing. Catellus, in addition to providing free, completed pads for 25% of the housing, is committing $56 million as a project cost to subsidize the development of affordable housing (1,100 units). The City could redirect these funds to other purposes if additional sources of affordable housing monies become available through new state funding programs or other third party sources. Lennar is committing to deliver 165 moderate-income inclusionary units (representing approximately 4% of the total units and approximately 5% of the market rate units). To meet the balance of the affordability requirement (approximately 21% of the total units), Lennar will provide free, completed pads to accommodate affordable housing at a range of affordability levels. Lennar has also indicated a desire to meet a portion of the balance of the affordability requirement by including some affordable units within mixed-income 80/20 multi-family projects (i.e. 80% market rate, 20% affordable). This would require land value subsidy that at the time of publication has not been included in their pro forma so staff has not validated its impact. Lennar has not made any other specific subsidy commitment to support the development of low and lower income housing. However, the City could use some or all of the funds from Lennar's $36M EDC Property Improvements (EPIP) Fund (and $24M waterfall profit participation payment, if the City were to elect the guaranteed City participation option) toward potential affordable housing gap subsidies.

F. Interim Approach to Transferring Land [right of entry vs. purchase]

Catellus and Lennar have different approaches to land transfer. Lennar proposes that the City transfer portions of the site to Lennar in fee for installation of backbone infrastructure after certain conditions have been met. Lennar would then construct the backbone infrastructure and, once completed, transfer the completed portion of the site to a vertical developer for construction and development. Lennar would provide completion and labor and materials bonds to the City as security to ensure performance of the backbone infrastructure work. Catellus, on the other hand, proposes that the City lease, rather than transfer in fee, portions of the site to Catellus for the construction of backbone infrastructure. Only after completion of the backbone infrastructure, would the City transfer land to Catellus who would then immediately convey that land to the vertical developer. Under Catellus' approach, the City, at its option, could convey land directly to the vertical builder after they have been selected by Catellus using a competitive selection process. Like Lennar, Catellus would also deliver completion and labor and materials bonds to ensure performance of the backbone infrastructure work. Catellus' approach allows the City to retain a greater degree of control over the site for a longer period of time and allows Catellus to save the carrying costs of holding title to the property, which costs can be reinvested into the project. Under the Catellus approach the City would also have greater leverage in terms of remedies, since, in the event of a default by Catellus, the City would be able to terminate the lease and then sell the land, potentially with some backbone infrastructure already in place, to a different Master Developer.

G. Schedule of Performance (Commitment to pace of development)

Both semi-finalists have proposed schedules of performance to ensure completion of Development Phase One within certain time limits. Lennar has proposed three development stages, with milestones for development in each phase. All property within the first stage would be transferred to Lennar within two years of transfer to the City from the Navy and approval of the Specific Plan and Development Agreement. Construction would be completed approximately three years thereafter. The second stage would be transferred within five years, with all construction completed two years thereafter, and the third stage would be transferred within eight years, with all construction completed two years thereafter. Catellus proposes that within 30 months of land transfer by the Navy to the City and the City's approval of the Specific Plan and Development Agreement, Catellus would initially take down, via lease, a minimum of 25 acres and then a minimum of 40 acres each year thereafter (on a rolling three-year average) for installation of backbone infrastructure. Catellus would have to acquire fee title (or facilitate sale directly to vertical developers) and ensure that vertical development commences within one to two years after taking down the land via lease, and then have vertical construction completed within five years after commencement. Lennar has made more definitive commitments with respect to timing, including somewhat shorter time-frames for completion of vertical construction after commencement. Catellus proposes more flexibility in terms of timing, which it likely needs given that it is not a homebuilder and will therefore need to market and sell residential development sites to third party homebuilders. Both developers' schedules are subject to force majeure provisions that will extend the time for performance in the event of unanticipated conditions, such as acts of God or litigation delays. Both force majeure provisions also include extensions for severe economic downturns. Therefore, if market conditions are such that no Master Developer could proceed with profitable development, the time frames for development by Catellus or Lennar would be extended.

H. Approach to vertical development

The semi-finalists will approach vertical development in different ways based on their company structures and business models. Lennar is a fully integrated Master Developer, with numerous residential and commercial divisions. Therefore, Lennar will likely be the vertical developer for a substantial portion of Development Phase One. In order to provide opportunities for third party homebuilders, Lennar's Term Sheet includes a commitment to sell land corresponding to at least 40% of the total residential units (including affordable units) within Development Phase One to third-party vertical developers. Catellus, on the other hand, is not a homebuilder, although it sometimes builds commercial projects. Therefore, Catellus anticipates that it will sell, or facilitate sale of, all residential subdivisions to third party homebuilders. Although Catellus could develop some of the commercial sites itself, those portions may also be sold to others. Because vertical developers will be required to assume the Master Developer's obligations under the DDA with respect to the portion of the site being transferred, the obligation to meet development milestones will be the same regardless of the identity of the vertical builder.

IV. Additional Selection Information

The two semi-finalists have reached this point in the Master Developer selection process on the basis of an in-depth review of qualifications, and of their detailed proposals during the previous stages of the selection process. In addition, concurrent with review of those materials and the Term Sheet negotiations, the LRA and staff conducted due diligence to learn more about the experiences of other communities working with the two semi-finalists. This information will also inform the LRA's selection decision. Following are brief descriptions of the due diligence efforts.

A. Financial Capacity

In developing the scoring for candidate Master Developers to undertake Area Plan implementation during the Request for Proposals (RFP) part of the selection process, the City's evaluation board considered an assessment of financial capacity provided by HR&A Advisors, Inc. (HR&A), one of the LRA's technical advisors. HR&A was responsible for reviewing confidential financial information submitted by Catellus (a private company), as well as the publicly available financial information about Lennar, a public company. Both Catellus and Lennar provided timely and complete responses to all of the financial disclosure information required by the RFP, including three or more years of independently audited financial statements with consolidated balance sheets, consolidated income and expense statements and detailed notes and supplemental accounting schedules, and representatives of both companies provided timely and complete responses to questions during telephone interviews with HR&A. Staff's review demonstrates that both firms are financially sound and capable of fulfilling their commitments as expressed in the Term Sheets. The Lennar discussion (and Term Sheet) also provides new information about the potential for an Initial Public Offering concerning a Lennar affiliate, Five Point Communities, and how that might impact the City should Lennar be selected.

Catellus Financial Capacity

Catellus is a privately held real estate owner, investor, and developer, with 17 active projects, mostly in the western U.S. "Catellus" actually refers to two related entities, Catellus Acquisition Company, LLC, the parent company (formed in 2010), and Catellus Development Company, the operating company (i.e., provides the professional and administrative staff to implement and manage real estate projects) that is a wholly owned subsidiary of Catellus Acquisition Company. Catellus Acquisition Company is owned by TPG Capital, one of the world's largest private investment firms, with about $57 billion in diversified and global assets under management. Catellus' corporate history dates from its origins in the 1980s as Santa Fe Pacific Realty Corporation, the real estate arm of Santa Fe Southern Pacific Corporation, and subsequent private, public and now private again ownership changes, during which the company name was changed to Catellus.

Catellus is primarily a "Master Developer," meaning that its typical mode of operation is to acquire land, manage the horizontal development and improvement of land, including all infrastructure, and then sell or lease improved sites to individual vertical builders on a competitive basis. It does, however, also own, manage and receive income from some individual completed real estate assets. Catellus' individual development projects are typically held in the name of a project-specific Limited Liability Company or Limited Partnership, which is standard practice in the real estate development industry. Catellus Acquisition Company will likely serve as the Managing Member or Managing Partner of the entity formed to implement the CNWS Area Plan, if Catellus is selected by the LRA.

Catellus' response to the RFP included four years (2010-2013) of independently audited (by Ernst & Young) consolidated financial statements, including balance sheets, operating statements, detailed notes and supplemental financial schedules for all of its project-specific development operating entities. Ernst & Young concludes from its audits that the financial information presented in the consolidated statements are "fairly stated in all material respects." As a private company, Catellus does not have a credit rating. The financial information is based on the Catellus organization itself, and does not rely on a Financially Responsible Party.

Catellus proposes to finance its work on the CNWS Area Plan using internal equity, which enables a prompt financial commitment with no financing contingencies beyond internal approvals. As HR&A previously reported to staff at the Request for Qualifications stage of the selection process, TPG advised HR&A in a lengthy phone interview that it had conducted significant financial and performance due diligence before buying Catellus, including conducting interviews with City staff from areas around the U.S. where Catellus has major projects, and received positive responses. HR&A's review of Catellus' financial statements indicated that it had sufficient resources to commit the equity required to undertake its proposed Development Phase One.

Lennar Financial Capacity

Lennar Corporation is one of the nation's largest diversified homebuilding companies. It operates in numerous states and completed about 21,000 new homes in 2014. Lennar was founded as a local Miami homebuilder in 1954, and completed its initial public offering in 1971. It then began to expand its operations nationally through both organic growth and acquisitions. Later, Lennar added financial services operations for its home buyers (e.g., conforming conventional, FHA-insured and VA-guaranteed residential mortgage loan products, as well as title insurance, closing services and homeowners insurance). Lennar also created Rialto, a commercial real estate investment, investment management, and finance company. More recently, new business units have been added to specialize in office and retail development (Lennar Commercial) and multifamily development (Lennar Multifamily), a consolidated, privately held joint venture that was formed to manage master planned mixed use developments (FivePoint Communities[2]), and installation and financing of state-of-the-art home solar systems (SunStreet Energy Group).

Lennar differs from Catellus in that it is a public company (NYSE: LEN), and operates both as a Master Developer that acquires land and implements horizontal development, and also undertakes vertical development of residential and commercial uses. It also sells improved sites to other vertical builders. For the CRP Area Plan project, Lennar has already created a single-purpose entity called Lennar Concord, LLC, which is wholly owned by

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[2] FivePoint Communities was the lead Lennar entity proposer during the RFQ process, and was replaced by Lennar Urban at the RFP stage, but the Lennar Corporation is the parent entity of both of these operating units.

Lennar Homes California, Inc., which in turn is wholly owned by Lennar Corporation. Lennar Urban-San Francisco, a division of Lennar created primarily to implement base re-use development projects in the San Francisco Bay Area, will provide overall project management. Other divisions of Lennar, including Lennar Residential (single-family), Lennar Multifamily (apartments) and Lennar Commercial (retail) will provide development support.

Lennar's response to the RFP included its 2013 Annual Report (covering its fiscal years 2011-2013[3]), with independently audited financial statements (by Deloitte), including balance sheets, operating statements, detailed notes and supplemental financial schedules for all of Lennar's four consolidated reporting segments (i.e., Lennar Homebuilding, Rialto Investments, Lennar Financial Services and Lennar Multifamily).

Deloitte concludes from its audit that the financial information presented in the consolidated statements present "fairly, in all material respects" Lennar's financial position, and expresses an "unqualified opinion" about of its internal controls over financial reporting. Lennar provided a copy of its Standard & Poor's credit rating (BB, upgraded from BB-; Outlook Stable) dated September 19, 2014, which concludes, among other things, that the company meets its liquidity requirements. Lennar also included a letter from its Treasurer in response to the Financially Responsible Party requirement in the RFP. HR&A's review of Lennar' financial statements indicated that it had sufficient resources to commit the equity required to undertake its proposed Development Phase One.

As noted in Lennar's Term Sheet, the company recently made a filing with the U.S. Securities and Exchange Commission announcing that it had agreed to contribute its interests in certain projects to subsidiaries of Five Point Holdings, Inc. The contribution is conditioned upon Five Point's completion of an initial public offering of its common stock. If consummated, the contribution would result in a new publicly traded company that, through subsidiaries, would assume responsibility for certain large-scale, multi-year, California military base reuse and redevelopment projects. The Lennar Development Phase One is not part of the contribution. However, it is possible that Lennar would seek to transfer its direct or indirect interests in the CNWS project to a subsidiary of the new public company. If so, Lennar has assured staff that day-to-day management and staffing of the existing project entity are not expected to change and will remain under the leadership of Kofi Bonner, who will continue to run the San Francisco Bay Area office of Five Point Communities/Lennar Urban. In connection with any such proposed transfer, Lennar would provide the City with appropriate financial, management, and other customary information regarding Five Point

[3] Lennar's 2014 Annual Report and Form 10-K filing with the Securities and Exchange Commission were issued after the close of the RFP due date, but were also reviewed by HR&A and generally show an improving financial condition.

Communities requested by the City prior to City considering any DDA for approval, so that the City may determine in its reasonable discretion whether Five Point Communities has sufficient financial capacity to undertake the Development Phase One.

B. Discussions and Tours with Jurisdictions in Which Semi-Finalists Have Worked

City Council members, key City staff, and members of the public visited four project sites, two each from each of the two semi-finalists. A minimum of one member of the public attended each tour, with greater public participation in the two tours local to the Bay Area. All four projects included development types similar to those called for by the CRP Area Plan and appealing community amenities. All four also were described as successful by community representatives. Following are brief summaries of the tours. Minutes from each tour are attached as Attachment C, and additional materials, including the public notices, are available on the project website: http://www.concordreuseproject.org/.

Mueller, Austin, Texas, Catellus – The former home of Austin's municipal airport, being developed as new single- and multi-family housing (including free-standing affordable and inclusionary affordable housing), a children's hospital, a children's museum, and commercial uses, as well as parks and other community facilities.

El Toro/Great Park Communities, Irvine, California, Lennar – A former military base, including a nearly-complete single-family residential neighborhood (including Irvine's first single-story homes in recent years, designed to support multi-generational living), with associated parks and community facilities, and an affordable senior housing project.

Alameda Landing, Alameda, California, Catellus – A former military base, including the new single- and multi-family housing, as well as shopping areas and parks and community facilities.

Hunters Point/Shipyard/Candlestick, San Francisco, California, Lennar – A former military base, and the former home of the San Francisco 49ers, including existing multi-family residential development and associated convenience retail, and planned major commercial uses.

V. Master Developer Selection Options

The LRA has three decision options: 1) select Catellus; 2) select Lennar Urban; or 3) select neither firm and either request more information from staff so the matter can be reconsidered at a later date, or direct staff to re-initiate the entire developer selection process. Either of the first two options would benefit the City by initiating implementation of the City's CRP Area

Plan vision. Failure to select one of the two semi-finalists could have severe schedule delay implications, among other implications, for the implementation process. Staff believes that Catellus and Lennar Urban are both very high quality firms and bring the experience and financial strength required for completion of a successful development at CNWS. The benefits to the City from selection of either of the firms are highlighted below along with potential consequences of the no-selection alternative.

A. Benefits of a Catellus Selection

1. **<u>Open Book Financial Structure with Revenue Sharing.</u>** Under the Catellus approach, Catellus' and the City's interests are very closely aligned in seeking the best possible project. Once project costs and the developer fees have been paid, and minimum investment return thresholds have been achieved, the majority of the cash flow proceeds go to the City for a decision on how best to reinvest the money into the project. The City's portion of the proceeds is currently estimated to exceed $53 million, of which $49 million would be committed early to project enhancements as noted below. This is in addition to improvements built into the project, such as $56 million in subsidies for affordable housing (approximately 1,100 units), and $41 million for parks and civic facilities. Catellus' investment return threshold is the greater of a 15% land sales fee, or a 15% Internal Rate of Return (IRR), which is lower than what typically applies for land development projects of this scale and complexity, however this assumes commission fees and closing costs that Catellus receives are project costs. Staff estimates their IRR would be slightly below 19% if closing costs and commission fees were not treated as project costs.

   Catellus will set up an Economic Development Conveyance Property Improvement (EPIP) Fund as a means for the City to share in, and further enhance, the success of the project through additional amenities, parks, and/or open space as identified by the City as priorities for the project. Catellus' financials project $49 million will be available for this purpose during the latter four years of Development Phase One. Financial performance benchmarks will be audited annually and the EPIP Fund monies will be made available to City before project close out so they can be reinvested in the Development Phase One Property.

2. **<u>No Reliance on Third Party Financial Partners.</u>** Catellus does not rely on third party financial partners, lenders, or investors for its land development activity. Rather, Catellus will finance the project with internal equity, eliminating any dependency on outside partners (and the inherent complexity of decision making they can sometimes bring to a project).

3. **Local Hire and Labor**. Catellus is committed to enter negotiations on project labor agreements to create good paying local jobs and training programs to support construction of the project. Catellus is a Master Developer, and not a residential homebuilder; therefore all residential development will be completed by others. This offers the potential for a higher percentage of the residential units to be constructed by local developers. Catellus will use a time-tested competitive bidding process to ensure that land values are maximized. The vertical builders selection will be in a manner that implements Hire Concord First policies by providing preference for local, best-in-class homebuilders.

4. **Experience with BRAC and Projects of Similar Scale/Scope**. Catellus has nearly 30 years of experience transforming former brownfields, military land and airports into high-quality, mixed-use developments that include retail, commercial, residential and other public uses. Local BRAC (Navy) projects include Bay Point Alameda and Alameda Landing, and nationally, Willow Grove Naval Air Station NAS. The redevelopment of Mission Bay with its transit oriented development (TOD) and Pacific Commons in Fremont are other examples of local projects with similar scale and scope. Catellus' successful and popular redevelopment of the Mueller Airport in Austin, Texas is an award winning example of a sustainable master planned community.

5. **Parks, Civic Facilities, Affordable Housing**. Catellus' Development Phase One clearly reflects the community's vision, developed through years of planning and expressed in the CRP Area Plan. It will provide $41 million in funding for a total of 118 acres of parks, community centers, open space, and public plazas. These include a ten acre, 200 foot wide Central Park adjoined on either side by the central roadway connecting the Village Center and BART to Willow Pass Road, a civic plaza serving as the project's gateway to the BART station, trails connecting the project to the Regional Park, and an optional first phase of the Tournament Park. In addition, Catellus has budgeted improvements to the entire length of Willow Pass Road, including the bridge, as well as improvements to other key offsite infrastructure. Initial subsidy of a public shuttle is also included to help cement the transit oriented development goal expressed in the Area Plan. Catellus is committed to not only providing free, improved building pads that will accommodate the City's goal for 25% of all housing to be affordable to low and moderate-income households, but has also earmarked $56 million of project cost to ensure that these affordable units are actually delivered.

6. **Project Implementation.** Catellus will execute the horizontal development of backbone infrastructure under a lease from the City. This approach provides the City

with a greater degree of control over the land than in the usual arrangement where the Master Developer takes fee title to the land prior to commencing horizontal development. Risk associated with a longer period of City fee ownership will be transferred to Catellus via the Lease Addendum structure whereby Catellus will assume "operator" liability for purposes of federal environmental law known as CERCLA and take the lead in interfacing with the Navy to address any unknown contamination that may be discovered during the development process. In addition, this structure defers some of the transaction and carrying costs of land transfers (property transfer tax, closing costs, etc.) until the property is ready to be transferred to vertical builders, allowing the money saved to flow to the City through the project's profit sharing arrangement.

7. **Right to Future Phases**. Under the Catellus Term Sheet, the City is not obligated to partner with Catellus on future phases of the base redevelopment. Catellus requires no guarantee, and acknowledges no right of any kind as to development rights for future phases.

8. **Binding Arbitration**. Catellus is not requiring binding arbitration for resolution of disputes over City reimbursement costs.

B. Benefits of a Lennar Selection

1. **Guaranteed Funding to Implement EDC Property Priorities.** Lennar offers the City two options to fund improvements that benefit the CNWS. The LRA would be able to select from the following two options, each of which would provide guaranteed funds to pay for EDC Property amenities over and above the public improvements and facilities included within the project:

   a. $60,000,000 in guaranteed funds, paid out at about $6,000,000 per year over 10 years commencing with the first land sales by Lennar plus back-end profit participation commencing when Lennar reaches a 25% internal rate of return (IRR), if the LRA elects to take Lennar's waterfall profit participation option #2.

      or

   b. $36,000,000 in guaranteed funds, paid out at $3,600,000 per year over 10 years commencing with the first land sales by Lennar plus back-end profit participation commencing when Lennar reaches a 20% IRR, if the LRA elects to take Lennar's waterfall profit participation option #1.[4]

2. **Financial Approach.** Lennar's development model is a land-based internal rate of return (IRR) model. Distribution of profits from the project to the Master Developer occurs at the back-end of the project following recovery of costs, including Lennar's delivery of project improvement elements (schools, parks, community facilities, etc.), the EDC Property Improvement Program Fund, and the Concord Circulator. Lennar's model does not include any sales or leasing commissions to the Master Developer on transfers to vertical builders.

3. **Local Hire and Labor.** Lennar is committed to enter negotiations on project labor agreements to create good paying local jobs and training programs to support construction of the project. Lennar will sell land corresponding to at least 40% of the total residential units within Development Phase One to third-party vertical developers. Lennar will also implement Hire Concord First policies by providing qualified local development firms with the opportunity to acquire, at competitive prices resulting from a structured bidding process, the sites reserved for third-party vertical developers. Opportunities to develop residential, commercial, and recreational facilities not constructed by Lennar or its subsidiaries, would focus on Concord builders first, then Contra Costa County or the nine Bay Area counties.

4. **Experience with BRAC and Projects of Similar Scale/Scope.** Lennar has experience creating new communities from closed military bases, including four military bases in partnership with cities: Hunters Point Shipyard and Treasure Island (both in San Francisco), Mare Island in Vallejo, and El Toro in Irvine. Other Lennar projects in California include the 1,250-acre Natomas Park in the Sacramento area, and Windermere – a 2,320-acre project in San Ramon. In addition, Lennar is currently working in partnership with the City of Fremont to develop the BART Warm Springs Innovation District, a vibrant mixed-use development including homes, technology offices, public plazas, and a new school near the South Fremont BART station.

5. **Schools, Parks, Community Centers, and Affordable Housing.** Lennar's financial pro forma includes funds ($39 million in hard costs) to either refurbish an existing school and/or construct a new school, as determined by the Mt. Diablo Unified School District. Lennar will also provide $26 million for creating approximately 80 acres of improved parks, greenways, and open spaces within Development Phase One, including the

[4] Note that all dollar amounts in this staff report are in nominal dollars (i.e., with inflation); values rounded. The text in Lennar's term sheet is in constant, 2015 dollars without inflation.

Ridgetop Park, extension of the Ridgetop Trail to connect the Ridgetop Park to Willow Pass Road, and connection of the Delta DeAnza Regional Trail. Parks will include bike and pedestrian trails and will create green linkages between the BART station and the surrounding community. Lennar has budgeted $20 million for two community centers. The community centers will include a range of specialized facilities and programming that will offer recreational opportunities to both project residents and the broader Concord

Lennar proposes to implement the City's 25% affordable housing policy through a combination of strategies, including free, improved building pads, inclusionary housing and mixed-income projects where they would provide subsidies to reduce land costs. In addition, the City could elect to dedicate some portion of the EDC Property Improvement Program Fund (see options above) to provide direct gap subsidies, and Lennar would guarantee up to $24 million of such funding. Lennar also commits to using its experience to help non-profit affordable housing developers to secure other required funding.

6. **Schedule of Performance**. While both Master Developer candidates have agreed to definitive performance milestones, Lennar, as a fully integrated development company with numerous residential and commercial divisions, has made somewhat more aggressive commitments with respect to timing, including shorter time-frames for completion of vertical construction after commencement.

7. **Attorney's Fees.** Lennar's proposal states that each side would bear its own attorneys' fees, rather than the calling for the prevailing party to recover its attorneys' fees from the losing party. This approach is potentially more favorable to the City because private parties' fees would typically be higher than public sector fees in any litigation dispute.

C. No Selection

Not choosing either Catellus or Lennar Urban will not benefit the City. It is clear that the City's process has identified two highly qualified, highly capable firms. Either of these firms could complete the project in a manner consistent with the Community's vision and the Council's adopted General Plan for the area. Therefore, not selecting one of the firms would cause a loss of Navy and community confidence in the City's process, and most likely cause significant delays (3-5 years minimum) in property transfer and redevelopment. It is also possible that the Navy could elect to go back to a public auction method of disposal, which would reduce the City's ability to control the reuse of the Base.

<u>Staff Recommendation</u>

Staff recommends the City Council, sitting as the LRA, take public comment and consider selection of either Catellus Development Company or Lennar Urban to be the Master Developer.

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Attachment A – Catellus Term Sheet
Attachment B – Lennar Term Sheet
Attachment C – Minutes of Site Tours
Attachment D - Correspondence