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May 12, 2011

RE: Responses to RFP Questions-

Dear 4J School Board & Staff,
As requested, please see our responses below:

What risks do you see your proposal/development presenting to SD 4J and what steps, if any, do you propose to reduce or eliminate those risks?

Identifying development risks and controlling them is the number one priority of Master/Powell developer. Our team has analyzed, quantified and addressed the risks associated with the redevelopment of Civic Stadium. We are confident we have a buildable site plan, a Major Tenant (Fred Meyer) in place, several secondary tenants ready with Letter of Intent and Non-Subordinated Financing and equity dollars, in place, necessary to complete this development. Only one item remains; successful completion of the entitlement process. To control this one remaining risk we have taken the following steps: First, we have assembled a strong professional land use and design team with local and regional land use experience to guide us through the process. Second, we have developed our plan around the guiding principles in the 7 Pillars of Envision Eugene. Third, our team has met with City of Eugene staff and have obtained their support for our project being an official Pilot project for Envision Eugene. Lastly, we have built a project design with a lot of flexibility so we are able to respond quickly and easily with design changes as we navigate the entitlement process. We know this is just the beginning of the process not the end.

Please clarify what you are willing to pay the District during your period of gaining entitlements, and state whether this includes maintenance, insurance, property taxes, etc. (if applicable).

We are proposing to provide the first years Lease Payment of \$330,000 as a refundable deposit as well as operating and holding costs up to \$25,000 per year until completion of the Land Use entitlements process. After the project receives the proper Land Use Designation and starts Design Review, Master/Powell will increase the cap on the holding costs to \$50,000 per year. This includes maintenance, insurance, property tax, etc.

Please provide the Board with a summary of the amounts of current funds available to meet your financial obligations, should you be the successful proposer. Please indicate the amount of funds currently at your disposal, source of funds, and if you do not have the funds currently available, please provide your plans on how you are going to raise the funds, including sources, professional fund raisers involved, timelines for achieving funding goals, etc. Please be specific as this is a critical determinant in the Board's final decision.

The initial construction of this fifty million dollar plus project is broken down into three major components; Fred Meyer, housing and general retail. The Fred Meyer portion of the project, estimated at \$35,000,000 will be funded directly by Fred Meyer from cash on hand. The housing portion, estimated at \$12,000,000, will be funded through a combination of "Non-Subordinated" bank loan and

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equity. The general Retail portion, estimated at \$8,000,000, will also be funded by a combination of “Non-Subordinated” bank loan and equity. All equity monies required by the lender, of the developer, is currently on hand, in cash and/or marketable securities held by Master/Powell. No fund raising is required. The projected loan to value ratio of the proposed project would be in the neighborhood of 30% or saying it another way, 70% will be cash/equity. In all cases, either ‘construction financing’ or ‘permanent financing’, the loan(s) we are proposing will be “Non-Subordinated”. In other words, the Developers ‘lender’ will NOT use the collateral of the land in its financing of the project. If 4J grants “Subordination” to the Developer’s lender, 4J is in essence putting the bank loan “in front of” the Long Term Ground Lease. The obvious problem with “Subordination” is, if the Tenant (Developer) of 4J should fail to make payments or defaults on the loan, 4J School District would run the risk of losing the property during a foreclosure sale by the bank or lender. The Master/Powell Development would not ask, nor expect “Subordination” by 4J, that risk is nullified.

How long do you anticipate negotiations will take to come to an agreement with the District in finalizing an agreement to convey the property?

We anticipate negotiations taking less than 30 days to finalize an agreement with 4J. Understanding that 4J is a public entity we are willing to make allowance for any additional time you may require beyond the 30 days.

If you are unsuccessful in either your fundraising or land use efforts, within your projected timelines, what do you plan on doing with regards to paying for extensions, interim rents etc.?

No fundraising is necessary, there is potential for the land use process taking longer than currently projected. If this becomes the case we are offering an 18 month extension which includes the continuation of payments to cover operation and holding costs as well as a second year’s Lease Payment of \$330,000 as an additional refundable deposit.

What assurances does the district have that what is proposed is what will be developed assuming FM gets the land use approvals needed for the proposed project? Are you willing to assure the District that you won’t just flip the property for a profit after you receive the entitlements?

Master/Powell will provide 4J with assurance to their satisfaction that what is proposed will be what is developed with the exception of changes made as part of the entitlement and land use process. Master/Powell will agree to a stipulation in the sale or lease agreement that states we will not “flip” or resell the property prior to completion of construction.

Knowing that some uses/users may not meet what some may think are acceptable community standards, such as an adult entertainment establishment or bookstore, are you willing to place deed restrictions on preventing such uses into perpetuity?

Master/Powell agrees to have deed restrictions preventing an adult entertainment establishment or bookstore.

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Assuming you are selected, how do you envision the land use approval process with respect to timing, costs etc? Will you stay in the process if an appeal to LUBA is filed? If so what commitment will you make to the District to carry the land use approval process to the end of all appealable processes and what costs, beyond those already stated, would you be willing to absorb should the land use approval process take longer than anticipated?

The vast majority of redevelopment project must go through certain aspects of the entitlement process and many will be required to go through several public hearing processes for approval, this project is no different. Our land use and design team has experience completing this required process and are confident we have solutions for all the concerns which may be raised during the process. Our analysis of the land use requirements indicates a concurrent application process would be most efficient, we are therefore planning to work through the historical issues with 4J at the same time we are working the Metro plan amendment and the zoning change. This process will take approximately 18 months and cost will be in excess of \$250,000.00. We will stay in the process if an appeal is made to LUBA. Master/Powell are committed to the success of the project and will commit to 4J that we will carry the entitlement and land use applications to the end of all appealable processes and we will bear the costs of doing so.

How many new jobs do you project at full build-out as a result of the development of the entire site, including the retail and multifamily developments (Store clerks, apartment managers, maintenance workers, pharmacists etc)? What is your projected payroll and what ripple effect do you believe this payroll will have on the overall local economy?

The multifamily project, regional and local shops will employ an estimated 35 full time people with an average annual income between \$25,000 to \$48,000 for a total annual payroll estimated at \$1,250,000, not including health insurance, payroll tax workers compensation, etc. Fred Meyer will provide 250 new jobs with living wage salaries, including vacation and sick pay, for a total annual projected payroll of \$6,000,000.00. An additional \$2,300,000 in benefits will be paid in as; health insurance, pension, payroll tax and workers compensation. The total economic ripple effect to the local economy will be in excess of \$25,000,000 (using a standard 2.78 multiplier). Many of these new employees will live in the immediate area and their payroll dollars will be spent at local shops increasing sales for the entire market area.

Please let us know if you need any further clarification.

Thank you,

Steve Master