

TERM SHEET

NOVATO COMMUNITY PARTNERS

I. PURPOSE

1. This Term Sheet (including the exhibits hereto) represents the “best and final” offer of NOVATO COMMUNITY PARTNERS, LLC (herein “DEVELOPER”) resulting from meetings with City Staff and Consultants during the “best and final offer” phase with the three finalist development teams pursuant to the Request for Master Developer Proposals, Hamilton Army Airfield Property, City of Novato, March 1999 (“RFP”).

2. If DEVELOPER is selected as the master developer, DEVELOPER agrees:

- (a) to be bound by the provisions and requirements of this Term Sheet (together with other technical, clarifying and conforming changes), when they are incorporated, as applicable, into the proposed Agreement for Purchase and Sale (“PSA”) with the Novato Public Finance Authority (“Authority”), the Development Agreement (“Development Agreement”) with the City of Novato (“City”) and the Owner Participation Agreement (“OPA”) with the Novato Redevelopment Agency (“Agency”); and
- (b) to execute each of said documents on its behalf, in form approved by DEVELOPER and City for submission by the City Manager, and submit to City officials for processing for approval in accordance with the following schedule (as City officials may delay from time to time in their sole discretion):
 - (i) Not later than October 26, 1999: DEVELOPER shall submit to the City Manager the PSA with the Authority, the Development Agreement with the City, and the OPA with the Agency, executed on behalf of DEVELOPER, in form approved for submission by the City Manager, as constituting the proposal of DEVELOPER consistent with the provisions of this Term Sheet.
 - (ii) October 12, 1999: Selection by City, Authority, and Agency of master developer.
 - (iii) October 18, 1999: Public hearing on agreements and related matters by Novato Planning Commission.

- (iv) October 26, 1999: Joint public hearing on agreements and related matters by City, Authority and Agency.
- (v) November 9, 1999: Final actions and approvals on agreements and related matters by City, Authority and Agency.
- (vi) November 11, 1999: Submission of DEVELOPER'S escrow deposit, assuming that the PSA is executed and effective as of November 9, 1999.
- (vii) November 10, 1999 to December 12, 1999: Escrow instructions and pre-closing escrow documents completed.
- (viii) December 14, 1999: Pre-closing of Escrow.
- (ix) December 15, 1999: Payment in full of \$8,130,000 purchase price by DEVELOPER ("Purchase Price"); Close of Escrow.

3. If DEVELOPER is selected as the master developer, City staff will submit and process the approval of the PSA, Development Agreement and OPA as modified in accordance with the provisions of this Term Sheet. However, City and DEVELOPER understand and agree that during the process of obtaining final approvals of the PSA, Development Agreement, OPA and related matters, City staff may request additional clarifying changes or conditions to said documents in response to questions or requests by members of the City Council, Authority, Redevelopment Agency, Planning Commission or City officials. DEVELOPER shall cooperate in good faith with City staff to consider such changes in the documents and shall not unreasonably withhold its approval or consent to such changes unless, in the good faith but otherwise unfettered determination of DEVELOPER, such changes would have a material adverse impact on DEVELOPER'S proposal.

4. If DEVELOPER is selected as the master developer and the PSA, Development Agreement and OPA receive final approvals, this Term Sheet shall remain in effect until this Term Sheet is superseded by more detailed agreements delivered at the Close of Escrow. In the event that for any reason other than DEVELOPER's failure to accept title and pay the Purchase Price for the Property, close of escrow under Section 3.03 of the PSA is delayed beyond December 15, 1999, DEVELOPER agrees to extend the Closing Date up to and including June 15, 2000; provided that DEVELOPER, at its option, may extend the PSA for additional six (6) month periods thereafter by giving written notice thereof to City, and provided further that during and throughout any extension period, City agrees to continuously process entitlements for the Project to the extent reasonably possible, and to recognize DEVELOPER's rights under the Development Agreement as if DEVELOPER were the fee owner of the Property.

5. If DEVELOPER is not selected as the master developer, this Term Sheet shall remain in effect until December 1, 1999, or such longer period as shall be agreed to by DEVELOPER.

6. DEVELOPER understands and agrees that the prohibitions in paragraph 5 on page 12, and in the fifth “bullet” paragraph on page 29 of the RFP against unauthorized contact with City officials and others involved in the selection process to influence the selection or approval process outside of City sponsored or City approved meetings or presentations remain in effect and that violation of such prohibitions may lead to disqualification of DEVELOPER. DEVELOPER also understands and agrees that, except as clarified under this Term Sheet, all other provisions in the RFP, including but not limited to the “Conditions of Offer” on pages 11 through 14, inclusive, and “Selection Procedure” on pages 28 and 29, remain applicable to the selection of a master developer and the processing of approvals of agreements and other documents pursuant to the provisions of this Team Sheet.

7. DEVELOPER agrees that except as publicly disclosed in this Term Sheet, the PSA, Development Agreement, OPA and City staff presentations, all matters and documents considered or discussed with City staff and consultants during the “best and final” offer phase of the master developer selection process under the RFP shall remain confidential (being necessary to protect the interests of all developers during the developer selection process).

II. PROPOSAL: CLARIFICATIONS; MODIFICATIONS

1. Mandatory Requirements. In the acquisition, ownership, use and development of the Property to be acquired by the DEVELOPER (the “Property”), DEVELOPER shall comply with all applicable requirements of the Reuse Plan, the Approved Offer to Purchase with the Navy, and the Hamilton Field Redevelopment Plan. In connection with their approval of the PSA, Development Agreement, and OPA, the City and the Agency will find that the Proposal, as defined herein, complies with all applicable requirements of the Reuse Plan, the Approved Offer to Purchase with the Navy, and the Hamilton Field Redevelopment Plan. DEVELOPER understands that the amendment to the Hamilton Field Redevelopment Plan adding additional area to the Redevelopment Project Area in addition to the Property may or may not be implemented for any period in the sole discretion of the City and Agency.

2. DEVELOPER’S Proposal. Ownership and development of the Property, and all applications for entitlements, shall be consistent with the proposal of DEVELOPER submitted on June 9, 1999, in response to the RFP, as modified by the written responses of DEVELOPER to clarifications requested by City staff and consultants prior to the selection of DEVELOPER as one of three finalists on August 3, 1999 (copies of said proposal and written responses are on file with the City Clerk, except that certain information submitted as confidential is maintained by Keyser Marston Associates, Inc.), and subject to the modifications and clarifications herein resulting from the best and final offer phase (the “Proposal”).

3. Developer Identity: Team Members; Legal Relationships.

(a) The identity of DEVELOPER, its legal composition, responsible parties, team members and their relations are set forth in the Proposal.

(b) Notwithstanding anything to the contrary in the Proposal:

- (i) DEVELOPER and its members shall remain jointly and severally liable for the performance of all obligations of the developer under the PSA, Development Agreement and OPA.
- (ii) any transfer or sale of portions of the Property to any authorized party for development, operation and maintenance shall be pursuant to an assignment agreement approved by the City which, notwithstanding the transfer or assignment of responsibilities to such other authorized party, shall provide that DEVELOPER shall remain responsible for the performance of the obligations of such other authorized party under the PSA, DA and OPA; provided, however, that City's approval of any such transfer or assignment shall not be unreasonably withheld; and provided further that transfers to members of DEVELOPER and their affiliates shall not require the City's approval.

4. Requirements Applicable to the Property. Notwithstanding anything to the contrary in the Proposal, the ownership, demolition, development, operation and maintenance of the Property shall conform to the following requirements:

(a) Maintenance and Security Pending Development:

- (i) Following Close of Escrow and before demolition and site preparation, DEVELOPER will maintain adequate security and protection of the Property to the reasonable satisfaction of the City Manager to prevent vandalism, deterioration, nuisance, hazards, and other conditions adversely affecting the appearance, maintenance and condition of the Property and the improvement therein.
- (ii) Following Close of Escrow and before demolition and site preparation, DEVELOPER will provide watering and landscaping treatment to the reasonable satisfaction of the City Manager to maintain existing trees and landscaping along Ignacio Boulevard and in other areas of the Property. DEVELOPER shall also prepare and submit a plan to the City Manager for approval to enhance the appearance of Ignacio Boulevard pending demolition and construction.
- (iii) During the entitlement process, DEVELOPER will design the development of the Property to maintain as many existing trees on the Property as reasonably feasible in accordance with approved plans.

(b) Demolition:

- (i) Prior to completion of City approval of a precise development plan and tentative map for Rafael Village, as proposed by DEVELOPER

consistent with the terms of the Development Agreement, DEVELOPER will prepare and process an application for a demolition permit for existing improvements and infrastructure in Rafael Village, and shall commence demolition of existing improvements and infrastructure in Rafael Village not later than thirty (30) days following City approval of a precise development plan and tentative map for Rafael Village and shall complete demolition of such improvements and infrastructure in Rafael Village by not later than 180 days following commencement, provided that DEVELOPER is permitted to perform asbestos abatement and other interior work on Saturdays and Sundays.

- (ii) During the entitlement process, DEVELOPER will prepare and submit to the City for its reasonable approval, a phased demolition plan for existing improvements and infrastructure in Capehart/Hillside and other areas of the Property. All Capehart units will be demolished. Hillside units may also be demolished in the discretion of the DEVELOPER.
- (iii) During the entitlement process, DEVELOPER will prepare and submit to the City for its reasonable approval, a recycling plan to achieve, to the maximum extent possible, the goal of at least 80% recycling of products from demolition and site clearance, excluding materials that must be diverted to a Class I facility.

(c) Minimum Lot Sizes:

- (i) To provide compatibility with surrounding neighborhoods, DEVELOPER shall be entitled to and will develop Rafael Village consistent with the minimum lot sizes for the respective planning areas shown on the map attached as Exhibit A hereto.
- (ii) Lot sizes for Capehart/Hillside and other areas of the Property will conform to applicable requirements of the Reuse Plan and precise development plans as approved by the City.

(d) Minimum Number of Allowed Units:

The number of single family lots in Rafael Village, in addition to 90 - 100 units of senior housing, shall be established in a precise development plan as approved by the City, not to exceed a maximum of 387 single family lots (the 404 maximum number of lots allowed by the Reuse Plan, adjusted for subdivision plotting inefficiencies); provided that DEVELOPER shall be entitled, consistent with the Reuse Plan, to a minimum number of 315 lots, to be configured on 93.1+/- gross acres (which is the total acreage in Rafael Village, less 6.9 acres for senior housing and 7.2 acres for open space), and that

building lot coverage may be up to forty percent (40%) and that allowable heated floor area ratios may be up to fifty percent (50%). DEVELOPER also shall be entitled to develop 648 units in Capehart/Hillside (not including 60 transitional units); the exact location of such units shall be established in a precise development plan as approved by the City.

(e) Community Facilities:

In general, new community facilities will not be provided in light of the City's desire to maximize the improvement and use of community facilities already existing or planned at Hamilton Field and at Hoag Park in Rafael Village. DEVELOPER will pay full development fees in lieu of providing community facilities.

(f) Neighborhood Parks; Open Space:

In general, neighborhood parks will be privately developed and will be owned and maintained by the respective homeowners' association. Open spaces under the control and jurisdiction of other agencies are expected to remain under their control and jurisdiction. The City will consider acceptance of offers of dedication of open space to be left in its natural condition provided the City is satisfied as to the level of cost or potential liability, if any, associated with such dedication.

(g) Formation and Responsibilities of Neighborhood Association:

(i) A neighborhood association will be formed for Rafael Village, if necessary, to maintain neighborhood facilities and private open space. The formation and bylaws of the association and its responsibilities shall be subject to the reasonable approval of the City.

(ii) A neighborhood association will be formed for the Capehart/Hillside areas to maintain neighborhood facilities and private open space and to assure uniform exterior maintenance and appearance of the residential units. The formation and bylaws of the association and its responsibilities shall be subject to the reasonable approval of the City.

(h) Seniors Housing:

The senior units in Rafael Village will not contain any assisted living units. Not less than 90 nor more than 100 senior units will be allowed. These units, at DEVELOPER'S discretion, may be either rental or ownership units (DEVELOPER acknowledges that the neighborhood has indicated a preference for ownership units). At least a number of senior units equal to 15% of all units

approved in a precise development plan for Rafael Village shall be deed restricted for moderate income households.

(i) Coordination with Transitional Housing:

- (i) It is contemplated that the Property, as conveyed from the Navy to the Authority and simultaneously from the Authority to DEVELOPER, will exclude 60 described units in the Capehart/Hillside areas for transitional housing and that concurrently or following the conveyance of the Property, the 60 transitional units will be separately conveyed to the Authority. It is also contemplated that upon the recording of a final subdivision map for the Capehart/Hillside areas, DEVELOPER and the Authority will transfer and convey between them the land or lots required to relocate the 60 transitional units within the Property boundaries as shown on the final subdivision map. DEVELOPER and the Authority will cooperate to implement this process of reconfiguring the final location of the 60 transitional units.
- (ii) Consistent with the terms of the RFP (paragraph 7 on pages 6 and 7 of the RFP), DEVELOPER will be responsible for constructing the infrastructure to serve the transitional units and constructing new transitional units. New construction and infrastructure costs for the transitional units will be funded entirely by public and private subsidy sources and will not be DEVELOPER's responsibility. Assuming such subsidy funding is available, DEVELOPER will develop the transitional units simultaneously with the adjoining Capehart and Hillside units, as further described below and in DEVELOPER's Affordable Housing Plan attached hereto as Exhibit D.
- (iii) During the entitlement process, DEVELOPER will consult with the City and, through the City, with the transitional housing developer to locate the transitional housing units in logical building clusters so that they can be constructed when subsidy funding is available to pay all allocable costs (including infrastructure costs) for such transitional housing. The City shall retain final approval rights over the locations of the transitional units provided the locations shall not prevent DEVELOPER from proceeding with its logical and phased development of the affordable housing units in the Capehart and Hillside areas.
- (iv) The transitional housing units will be designed to design standards comparable to the affordable housing units, and will be constructed by DEVELOPER when subsidy funding is available. During the entitlement process, DEVELOPER, in consultation with the City and, through the City, with the transitional housing developer, will develop and submit to

the City for its reasonable approval, a construction management plan for the transitional units which shall include the allocation of costs (including infrastructure costs) for the transitional housing, the commitment of DEVELOPER to construct said transitional units, in phases, as subsidy funding is available, and other matters necessary to achieve the transitional housing units consistent with DEVELOPER'S program of development of the affordable housing in the Capehart and Hillside areas.

- (v) DEVELOPER acknowledges and agrees that the Authority will own transitional housing lots but that ownership of the transitional housing units may be with the transitional housing developer as lessee of the lots and that the terms of such arrangements between the Authority and such transitional housing developer shall be determined by the Authority in its sole and absolute discretion.
- (vi) During the entitlement process DEVELOPER, in consultation with the City and, through the City, with the transitional housing developer, will prepare and submit to the City for its reasonable approval, a management plan to include the transitional housing units under covenants, conditions, and restrictions ("CC&Rs") to be recorded for all of the Capehart and Hillside areas providing, among other matters, for the maintenance of all open space, landscaped areas, private neighborhood facilities, building exteriors, use restrictions, and the apportionment and payment of costs therefore, and to integrate the transitional housing units into the neighborhood association management process to enforce such CC&Rs.

(j) Housing Preferences:

During the entitlement process DEVELOPER will prepare and submit to the City for approval, subject to applicable legal requirements, which approval shall not be unreasonably withheld, a plan to implement the housing preference set forth in the fourth "bullet" paragraph on page 9 of the RFP.

(k) San Pablo Site:

The San Pablo site may be developed for not less than 19 nor more than 22 market rate dwelling units subject to approvals obtained during the entitlement process. The City shall cooperate with DEVELOPER to obtain the one foot strip along the site at reasonable cost.

(l) Exchange Triangle:

The Exchange Triangle site shall be developed for commercial use as a retail center serving both the local residential population and the adjacent community facility and civic uses, subject to the approvals obtained during the entitlement process.

5. City Reimbursements; Payments. Notwithstanding anything to the contrary in the Proposal, the requirements of the Reuse Plan that the development, operation and maintenance of the Property be undertaken with assurances to the City that the City will not incur municipal deficits or unrecovered costs as a result of such development, shall be implemented and deemed satisfied by the payments to be made in the amounts calculated and at the times set forth in Exhibit B hereto.

6. Agency Financial Assistance:

- (a) To make it economically feasible for DEVELOPER to develop the Property in accordance with its Proposal and the provisions of this Term Sheet, including meeting the affordable housing goals of the Reuse Plan, and thereby induce DEVELOPER to proceed with the planning and development of the Property, the Agency will commit net tax increment available to the Agency from the Hamilton Field Redevelopment Project to DEVELOPER as set forth in the Public Finance Plan section of Exhibit D; provided that the portion of the net tax increment required to be deposited into the Agency's Low and Moderate Income Housing Fund for the Hamilton Field Redevelopment Project will be utilized to assist in achieving the affordable housing goals for the Reuse Plan. Net tax increment available to the Agency shall be determined by the Agency in accordance with the terms of the Settlement Agreement between the City, Agency, and County of Marin ("County") attached as Exhibit H to the RFP. Net tax increment shall be exclusive of an annual amount equal to \$100,000 per year (escalating at the rate of 3.5 percent per year) to be retained by the Agency for its costs of managing the Redevelopment Project, which retention shall be from the Non-Housing Tax Increment Fund, starting in the first year after the tax increment funds to the Agency equal or exceed \$100,000.
- (b) The City and the Agency agree to and will use their best efforts to cause the issuance of Agency bonds secured by future tax increment revenues to provide proceeds for the Agency's payments or reimbursement to DEVELOPER in the amounts and at the times set forth in DEVELOPER's Public Finance Plan attached in Exhibit D.
- (c) During the entitlement process, a more detailed plan of public financing will be agreed upon by DEVELOPER, the City and the Agency to implement the foregoing requirements in subsection (a) and (b).

7. Construction Requirements:

(a) ADA Compliance:

DEVELOPER will design, construct, rehabilitate and provide for the operation of improvements to the Property in compliance with the applicable requirements of the Americans with Disabilities Act (ADA) and all other requirements of applicable federal and state laws. During the entitlement process, DEVELOPER will prepare and submit to the City for its reasonable approval, a plan to provide for and meet disabled access and adaptability requirements.

(b) Prevailing Wages:

In the construction of improvements to the Property, DEVELOPER will pay prevailing wages as required by applicable federal and state laws.

(c) Labor, Subcontractor Outreach Programs:

During the entitlement process, DEVELOPER shall prepare and submit to the City for its reasonable approval, an outreach and monitoring program to assure that persons and subcontractors in the region of Marin and Sonoma Counties are informed of the availability of construction work and the opportunity to bid on construction work during the development of the Property, provided that DEVELOPER shall retain rights to exercise its good faith business judgment in the selection of employees and subcontractors based on their qualifications.

(d) Undergrounding of Utilities:

In satisfaction of the requirements of the Redevelopment Plan, all existing above ground utilities will be placed underground and all new utilities will be placed underground, in conformance with City Development Standards and the requirements of the serving utility companies.

(e) Phasing of Capehart and Hillside Units:

The City will issue seventy five (75) building permits in Rafael Village without requiring that NCP apply for any building permits in Capehart/Hillside. Thereafter, subject to subsection (f) below and Exhibit D, the City may withhold additional building permits in Rafael Village if DEVELOPER has not applied for a similar number of building permits in good faith in Capehart/Hillside. (By way of example, the City may withhold the 76th building permit in Rafael Village if NCP has not applied in good faith for at least one building permit in Capehart/Hillside.) Subject to subsection (f) below and Exhibit D, DEVELOPER shall complete all 648 units in Capehart/Hillside (excluding the Transition Units) no later than 72 months after DEVELOPER has obtained entitlements for Rafael Village.

(f) Conditions of Phasing:

DEVELOPER and the City acknowledge that certain circumstances would make development of portions of the Project economically infeasible for DEVELOPER. Accordingly, the phasing obligations described in subsection (e), above, are subject to the following:

- (i) DEVELOPER shall use its best efforts to obtain a full allocation from the California Debt Limit Allocation Commission of the four percent tax credits and the attendant California bond financing for construction of those homes described in the Affordable Housing Plan. So long as DEVELOPER is using its best efforts to seek the tax credits but has not yet obtained them, DEVELOPER shall not be obligated to construct the rental units at Capehart/Hillside for up to an additional 48 months, and DEVELOPER shall only be required to apply for one building permit for ownership units at Capehart/Hillside for every two building permits issued for Rafael Village.
- (ii) If interest rates on conventional first mortgages exceed 10%, DEVELOPER shall not be obligated to construct the ownership units at Capehart/Hillside for up to an additional 48 months, and DEVELOPER shall only be required to apply for one building permit for rental units at Capehart/Hillside for every two building permits issued for Rafael Village.
- (iii) If DEVELOPER concludes that market conditions or other circumstances have rendered construction and sale of the market-rate homes in Rafael Village economically infeasible, DEVELOPER shall have no obligation to construct the Project; provided, however, that (1) to the extent that DEVELOPER has constructed any homes in Rafael Village, DEVELOPER shall construct, by December 31, 2009, the equivalent percentage of the entitled units in Capehart/Hillside that it has constructed in Rafael Village, in the respective percentages for each category of affordable housing required in Capehart and Hillside area by the Navy Purchase Agreement (that is, 24% very low, 49% low and 27% moderate), (2) in no event shall DEVELOPER be relieved of its obligation to complete demolition of Rafael Village, and (3) if, upon expiration of the Development Agreement, DEVELOPER has determined that market conditions or other circumstances have rendered construction and sale of the market-rate homes in Rafael Village economically infeasible, DEVELOPER will deed, at no cost to the Agency, the undeveloped portion of the developable land in the Redevelopment area back to the Agency.

8. Schedule for Entitlements:

DEVELOPER will process entitlements for development of the Property in accordance with the schedule of target dates set forth in Exhibit C hereto. City will cooperate with DEVELOPER in meeting such schedule so that demolition, site preparation and commencement of development of the Property will not be unduly delayed.

9. Affordable Housing Plan:

During the entitlement process, DEVELOPER will prepare and submit to the City for its reasonable approval, a detailed plan for the development, financing and operation of the affordable housing units in the Capehart and Hillside areas to achieve the affordable goals of the Reuse Plan and the Navy Purchase Agreement. The affordable housing plan shall be consistent with the requirements and objectives set forth in Exhibit D hereto.

III. CONFORMING, CLARIFYING CHANGES TO AGREEMENTS

Conforming changes shall be made to the PSA, Development Agreement and OPA, to conform to the matters in this Term Sheet and to make other technical and clarifying changes

mutually acceptable to DEVELOPER and City staff. A list of such confirming changes is set forth in Exhibit E hereto.

SUBMITTED:

DEVELOPER:

NOVATO COMMUNITY PARTNERS

Date: _____

By: _____

ACCEPTED FOR PROCESSING BY CITY MANAGER:

Date: _____

RODRICK J. WOOD,
City Manager
City of Novato

EXHIBIT A

NOVATO COMMUNITY PARTNERS

MAP-MINIMUM LOT SIZES--RAFAEL VILLAGE

[City to insert colored map.]

EXHIBIT B

NOVATO COMMUNITY PARTNERS

REIMBURSEMENTS TO CITY OF NOVATO

The Reuse Plan establishes the following goal and policies regarding fiscal impacts of the Project:

9.1.4 Goal: *A viable plan for the reuse of Hamilton.*

Policies:

9.1.4.1 *Prior to implementation of any aspect of the reuse of the Department of Defense property, the City of Novato will require the resolution of negative fiscal impacts on the City of Novato and its residents which could result from implementation of any aspect of this Reuse Plan.*

9.1.4.2 *Any reuse proposal submitted to the City of Novato will be required to be accompanied by an Economic Implementation Plan which will identify any potential fiscal impacts on the City and its residents as well as the measures to be implemented resolving negative fiscal impacts.*

It is envisioned that privatization of some facilities and assessment districts will be required.

To assure compliance with these policies, NCP will make or cause to be made the following payments to the City in the amounts and at the times determined in accordance with the following:

(a) Purchase Price for the Property:

\$8,130,000 payable at Close of Escrow.

(b) Reimbursement of City Costs:

\$3,600,000 payable to the City at time of and as a condition to recording the first final subdivision map for the Property.

(c) Hamilton Trust Fund:

(i) Municipal maintenance deficits:

Calculation of the Municipal Service Fee. The Municipal Service Fee will be finally calculated at the time of first final map, based on the actual project to be developed, using the methodology in Appendix E of the City’s RFP, as modified during the negotiation process through September 24, 1999. The methodology is exemplified by the calculations of the “per unit municipal service fee” for Rafael Village, Capehart/Hillside, and San Pablo Avenue under NCP’s Preferred Plan, presented in Tables B-1, B-1A, B-1B, and B-1C.

NCP will pay the calculated fee based on the actual project, up to amounts consistent with those estimated under current project assumptions. If the fee for the actual project is higher than current estimates, NCP will have the option of amending the Public Finance Plan in Exhibit D to account for fees higher than those currently anticipated. The following identifies the total amount of the Municipal Service Fee, using current assumptions for the varying development scenarios of single family lots in Rafael Village:

Scenario	Total Amount of Municipal Service Fee
<u>Preferred Plan</u> 342 Lots/100 Senior Units 1,109 total units	\$20,352,936
<u>Maximum Plan</u> 387 Lots/100 Senior Units 1,154 total units	\$20,598,934
<u>Minimum Plan</u> 315 lots/90 Senior Units 1,072 total units	\$20,196,138

The Municipal Service Fee for scenarios between those set forth above will fall within the range of fee amounts shown for the above scenarios.

Payment of the Municipal Service Fee To the City of Novato. The Municipal Service Fee will be payable to the City upon issuance by the City of the Certificate of Occupancy (COO) for each unit. The per-unit fee amounts due at COO will be those calculated for Rafael Village, Capehart/Hillside, and San Pablo Avenue, based on project characteristics for each area (as shown in the B-1 Tables at the end of this Exhibit B).

(ii) Low Income Seniors Housing Assistance and Mitigation of Impacts of Hamilton Field on City.

Calculation of the Low Income Senior Housing Assistance Fund. Based upon direction from the City of Novato, the Low Income Senior Housing Assistance Fund will be capped at \$4.2 million. Fund contributions for all of the development scenarios currently under consideration will be at this capped amount.

Calculation of the General City Mitigation Fee. Calculation of the General City Mitigation Fee will be made at the time of final map based on the actual project to be developed. The fee shall be determined based on the following formula (from Keyser Marston Associates Inc. on September 22, 1999):

Annual General City Mitigation Fee per unit = Total Annual Recurring General Fund Expenses per unit from the "Municipal Service Fee formula" x Novato's City-wide overhead factor of .2172.

Capitalized General City Mitigation Fee per unit = Annual Fee (Above)/.05.

An example of the calculation of the General City Mitigation Fee is presented for NCP's Preferred 342-Lot Plan in Table B-2 at the end of this Exhibit B.

Subject to the conditions for payment described below, NCP anticipates that the fee calculated for the actual project will be equal to or less than the amounts estimated under current project assumptions. If the fee calculated for the actual project is higher than current estimates, NCP will have the option of amending the Public Finance Plan in Exhibit D to account for costs higher than those currently anticipated.

The following identifies the total amount of General City Mitigation Fee under current assumptions for the range of development scenarios reflecting different numbers of single family lots in Rafael Village:

<u>Scenario</u>	<u>Total Amount of Senior/General Mitig. Fees</u>
<u>Preferred Plan</u>	
342 Lots/100 Senior Units	\$6,772,794
1,109 total units	
<u>Maximum Plan</u>	
387 Lots/100 Senior Units	\$6,918,023
1,154 total units	
<u>Minimum Plan</u>	
315 Lots/90 Senior Units	\$6,653,383
1,072 total units	

The General City Mitigation Fee for scenarios between those set forth above will fall within the range of fee amounts shown for the above scenarios.

Payment of Low Income Senior Housing Assistance Fund and General City Mitigation Fund. NCP’s ability to pay into these funds is dependent upon the economic feasibility of development of the Property. Such feasibility is directly linked to the precise development plan approved for Rafael Village, and specifically to the number of single family lots approved for development by the City.

A formula will be used to determine the amount of fee to be paid into the Funds. The payment formula will vary according to the number of lots approved in Rafael Village, and will be based on the actual assessed value of development under each scenario. For development scenarios allowing fewer than 342 single family lots, NCP will not be able to pay the full contribution to these funds. The amount of payment will decline as the number of lots is reduced below 342 lots. Little or no payment will be made into these Funds if the 315 minimum number of lots in Rafael Village is approved.

The formula is set up so that two payments will be made into these Funds during the development period, dependent on the assessed value of the Property and the total amount of Fees due. The formula is shown in Table B-3 for the Preferred, Minimum, and Maximum development scenarios in Rafael Village (for further details regarding the economic feasibility of those scenarios, see NCP’s Public Finance Plan in Exhibit D). Application of the formulas in Table B-3 yields the following Fund payments, and the estimated time periods such payments will be made, consistent with the payments shown in the Statements of Cash Flow to Novato RDA/NFPA/City presented at the end of Exhibit D:

	Payment 1 Mid-way <u>Through Build-out</u> (est. 2005)	Payment 2 at Project <u>Build-out</u> (est. 2008)	<u>Total Fees Paid</u>
Preferred 342-Lot Plan	\$4.35 mil	\$6.62 mil	\$10.97 mil
Maximum 387-Lot Plan	\$3.5 mil	\$ 7.62 mil	\$ 11.12 mil
Minimum 315-Lot Plan	0.00 mil*	0.00 mil*	0.00 mil*

*Unless sales prices are higher than assumed herein.

If housing prices are higher than those assumed in NCP’s plan some payment of these fees even under the 315-Lot/90 Senior Unit Plan. The formula is set up so that stronger market conditions will generate: (a) larger payments under development plans with fewer than 342 lots, and (b) larger payments earlier in the development process under all scenarios.

If NCP receives entitlement for fewer than 342 but more than 315 single family lots in Rafael Village, NCP will develop an equitable formula with the City for that amount of development, consistent with the formulas in Table B-3.

(iii) Public Benefit Monitoring and Compliance Fund:

A contribution to a public benefit monitoring and compliance fund is to be made annually by NCP or its affordable rental housing provider after debt service is made on the rental project, and will be calculated based on one percent (1%) of the rental project proceeds. The fund contribution is to terminate in 2032 when the redevelopment plan reaches its statutory time limit for completion of activities.

(d) Development Fees.

NCP will pay all development fees at time of and as a condition to issuance of building permits, except as otherwise specified in City ordinances.

EXHIBIT C

NOVATO COMMUNITY PARTNERS
SCHEDULE DATES

Description of Event	Estimated Early Start Date	Estimated Early Completion Date
NCP Prepares Entitlement Submittal	November 16, 1999	March 31, 2000
Securing Entitlements	April 3, 2000	January 31, 2001
Demolition in Rafael Village		
Prepare Demolition Plan	December 1, 1999	May 2, 2000
Approval of Demolition Plan	May 3, 2000	September 6, 2000
Early Start and Complete Demolition	October 26, 2000	August 9, 2001
Infrastructure Improvements		
Rafael Village		
NCP Prepares Improvement Plans	February 1, 2001	May 15, 2001
Improvement Plans Approved	May 16, 2001	September 14, 2001
Complete Site Improvements	September 17, 2001	June 25, 2002
Capehart/Hillside		
Phase 1		
Early Start and Complete Demolition	February 9, 2001	August 23, 2001
NCP Prepares Improvement Plans	February 1, 2001	May 16, 2001
Improvement Plans Approved	May 17, 2001	September 18, 2001
Complete Site Improvements	September 19, 2001	June 27, 2002
Phase 2		
NCP Prepares Improvement Plans	December 15, 2001	March 15, 2002
Improvement Plans Approved	June 15, 2002	November 15, 2002
Complete Site Improvements	November 18, 2002	June 17, 2003
San Pablo Avenue	August 15, 2001	February 15, 2002
Exchange Triangle	June 15, 2004	December 29, 2004
Construction and Sales of Homes		
Rafael Village		
Single Family Houses	May 1, 2002	March 9, 2005
Senior For-Sale Housing	August 22, 2002	December 15, 2004
Capehart/Hillside		
Affordable For-Sale Housing		
Phase 1	May 3, 2002	November 4, 2004
Phase 2	April 26, 2004	November 7, 2006
Affordable Rental Housing		
Phase 1	May 3, 2002	October 8, 2003
Phase 2	July 17, 2004	May 6, 2006
San Pablo Avenue	January 15, 2002	January 15, 2003
Exchange Triangle	January 15, 2005	January 15, 2006
Transition Housing--New Construction	April 1, 2002	June 15, 2005

EXHIBIT D

NOVATO COMMUNITY PARTNERS

**AFFORDABLE HOUSING PLAN
&
PUBLIC FINANCE PLAN**

A. AFFORDABLE HOUSING PLAN.

1. Satisfaction of Reuse Plan and Navy Agreement Requirements.

NCP's Proposal meets or exceeds the Reuse Plan requirements for affordable housing, as interpreted and imposed by the City of Novato. All of the affordable units in both Rafael Village and Capehart/Hillside will be permanently deed-restricted to maintain their affordability. NCP's Proposal also achieves the overall income caps desired by the City (*i.e.*, 40% of median income for very-low, 70% of median income for low, and 100% of median income for moderate).¹

Rafael Village

NCP proposes to construct a senior housing facility in Rafael Village, consisting of 90-100 units, all of which will be deed restricted for moderate-income households. Whether the number of single family residences entitled in Rafael Village ultimately is 315, 387, or some number in between, NCP's Proposal will meet the inclusionary requirement in that the senior housing units represent at least 15% of all units to be approved in a precise development plan for Rafael Village.

Capehart/Hillside

NCP's Proposal provides for 648 affordable homes in Capehart/Hillside. Both the affordability range and the ownership/rental mix match the requirements of the Reuse Plan, as well as the City's purchase agreement with the Navy, as shown in the chart on the following page.

¹ In the event that NCP's preferred development plan is not approved or unlikely market finance conditions arise, these caps may be modified as provided in Sections 3(c), 5 and 6 of the Public Finance Plan set forth below.

NCP'S PROPOSAL FOR CAPEHART/HILLSIDE AFFORDABLE HOUSING

	Percentage Achieved with NCP Proposal	Rental Units	Ownership Units
Very Low Income	24% of all units	59 3-bed townhome units; 22 3-bed apartments; 72 2-bed apartments;	
Low Income	49% of all units	52 3-bed townhome units; 20 3-bed apartments; 72 2-bed apartments	40 2-bed duplexes; 136 3-bed duplex/townhomes
Moderate Income	27% of all units		107 3-bed duplex/townhomes; 68 4-bed duplexes
Park Space	9 acres		
Open Space	108.4 acres		

2. Alternatives for Achieving Ranges of Affordability.

NCP has developed an Affordability Spectrum Plan that provides a mechanism for ensuring that a spectrum of prices/rents will be achieved and maintained within each of the three primary affordability bands, as follows.

Rental Housing

NCP does not anticipate problems implementing the City staff's suggestion that a Rental Affordability Spectrum Plan be designed to maintain balance within the primary affordability bands targeted, without requiring families to physically move from one unit to another as their household income changes, while achieving the overall levels of affordability desired by the City.

Specifically, NCP can direct, and will require, its designated rental management company, AIMCO, to create and maintain waiting lists for specific income ranges within the primary bands of affordability. This will enable NCP, subject to applicable law, to meet the targets set by the City and the Reuse Plan during both the initial rent-up of new units in each

phase, and subsequent rentals of vacant units to new households for the life of the projects and throughout each completed neighborhood. Because the sources of grants, loans, regulatory and reporting requirements for all levels of affordable rental apartments (very low, low and moderate income) currently require annual income verification and certification, NCP will be aware of the household incomes of current tenants. Drawing on this information and its waiting lists, NCP will be able to fill vacancies in such a way to achieve both (1) the minimum and the maximum household income limits, as adjusted by household size, within each band, and (2) the desired average within each of the three targeted bands.

Ownership Units

Because purchasers of affordable-restricted units need only demonstrate income eligibility at the time of the initial purchase (no subsequent income verification is required), the Affordability Spectrum Plan for ownership units will require that NCP's initial offering process be similar but different during each phase of construction.

Price-controlled and resale-controlled purchase agreements and the attendant promissory notes, as well as deeds of trust, will set the initial price based on the actual income of each initial home buyer household. The actual "formula price" that any income-eligible applicant or potential buyer could pay for that home also will be directly related to the minimum and maximum allowable downpayments, as well as the interest rate of the first mortgage and other factors. Additionally, the underwriting conditions of the standard loans provided, from publicly assisted sources ranging from the California Housing Finance Agency (CHFA) through standard and conventional sources such as the Federal National Mortgage Association (FNMA or Fannie Mae) will affect and set the formula prices at the time of sale.

A variety of additional programs could provide down payment assistance grants and/or loans, as well as closing cost grants/loans. In addition, many currently available loans can be secured with zero down, but often require higher credit scores.

To achieve the initial affordability spectrum and maintain it, prior to the start of construction of each phase of affordable home ownership units, NCP and Northbay Ecumenical Homes will work closely with the staff and consultants of the City of Novato and the Redevelopment Agency to provide the most flexible and comprehensive terms and conditions then currently available to promote the target affordability goals, while at the same time meeting the workforce housing home ownership goals of the City and public employees provided for in the RFP and the Reuse Plan, as modified and applied within the year preceding each phase of each neighborhood of for-sale affordable homes.

The standards that are set for each income band during each phase of construction will become the standards for identifying potential subsequent buyers within each neighborhood. These standards will be applied to achieve and maintain the City's then-current affordability goals and can be adjusted to take account of different mortgage lending products and criteria then being offered in both the conventional and public mortgage lending arenas.

NCP's overall goal from its first through the final sale of the 351st affordable home in Capehart/Hillside will be to meet the broadest range of local community objectives, while minimizing the long-term costs for both initial homebuyers and the community. Thereafter, its continuing goal will be to ensure that the original objectives of the Navy and the City are achieved.

3. Transitional Housing.

Consistent with the Reuse Plan, NCP's Proposal allows for the development of 60 units of transitional housing in Capehart/Hillside. In the event subsidy funding to reimburse NCP for its infrastructure and site development costs associated with such units and to construct the transitional units planned in Phase One of Capehart/Hillside is not available within one year of NCP's completion of the site improvements for Phase One, NCP shall have the option of transferring the Phase One transitional units to Phase Two and constructing affordable "for sale" residences in place of the transitional units. The total unit mix, however, in terms of bedroom count and affordability, shall remain the same. In the event such subsidy funding is not available upon completion of NCP's build-out of Capehart/Hillside, the City will reimburse NCP for its infrastructure and site development costs associated with such units. At the City's option, NCP also will construct 60 moderately affordable "for sale" units in place of the transitional units, which the City will purchase from NCP.

4. On-going Administration and Compliance Procedures.

Capehart/Hillside

AIMCO will manage the affordable units in Capehart/Hillside and will be responsible for ongoing administration and compliance. AIMCO's resident selection plan was included in NCP's July 19, 1999 response to the City's clarification questions, and its on-site management objectives are described in Section V of NCP's June 9, 1999 proposal. In addition, AIMCO will be implementing the affordability spectrum program discussed above to ensure that the affordability targets and ranges established by the Reuse Plan and the City are maintained.

B. PUBLIC FINANCE PLAN

NCP's Public Finance Plan identifies the financial assistance sought from the Novato Redevelopment Agency to make it economically feasible for NCP to develop the Property in accordance with the goals of the Reuse Plan, particularly to achieve the affordable housing goals of the City and the Reuse Plan. To implement this Plan, NCP will rely on the cooperation and best efforts of the City and the Agency to provide the tax increment funds and cause the issuance of bonds as described in this Plan.

1. Types of Agency Financial Assistance. NCP's public financing plan relies on the use of Redevelopment tax increment funds, in the form of both: (a) annual cash flow of tax increment revenues, and (b) bond proceeds to be repaid by tax increment revenues over time.

- (a) NCP intends to use all of the Housing Set-aside tax increment revenues through build-out of the Property, and to reserve for bond purposes for a period of 30 years thereafter an amount of Housing Set-aside tax increment revenues up to that available for bonding at build-out (final bond issue anticipated in 2008).
- (b) NCP intends to use some or all of Non-Housing tax increment revenues, less Agency administrative expenses, through build-out of the Property, and to reserve for bond purposes for a period of 30 years thereafter an amount of Non-Housing tax increment revenues up to that available for bonding at build-out (final bond issue anticipated in 2008).
- (c) NCP will request that the Agency issue bonds using tax increment financing and to release bond proceeds net of issuance costs to NCP. Up to four series of bonds and a possible refinancing at build-out are anticipated during the development period, for both the Housing Set-aside and Non-Housing portions of the tax increment.
- (d) During the development period, NCP will request that the Agency pay NCP tax increment cash flow not reserved for bond purposes, up to amounts available during the development period (anticipated through 2008).
- (e) For 15 years beginning in approximately 2005, NCP will use a share of Housing Set-aside tax increment revenues, including a portion of tax increment cash flow beyond build-out of the Property and a portion of those revenues reserved for debt coverage when such revenues are no longer reserved for debt service purposes.

2. Uses for Tax Increment Funds. Redevelopment tax increment funds will be used to make it economically feasible to provide the levels of affordable housing proposed by NCP in the following ways.

- (a) Tax increment funds will be used by the non-profit providers of the affordable rental housing and the affordable for-sale housing for the purpose of reimbursing NCP for the costs of demolition and construction of all infrastructure in the Capehart/Hillside areas and a portion of Rafael Village. NCP will improve and sell improved building master pads (rough graded sites with all backbone infrastructure, including streets to the property boundaries of each site). The non-profit providers will evidence the purchase price in the form of promissory notes to be retired by tax increment funds.

- (b) Tax increment funds will further contribute to enhancing the feasibility of development of the affordable rental housing in Capehart/Hillside.
- (c) A share of tax increment revenues over a 15-year period beginning in approximately 2005, will be used to assist in obtaining tax credit financing for the affordable rental housing in Capehart/Hillside.

3. Amounts of Tax Increment Funding. The amount of tax increment funding needed to ensure the economic feasibility of development of the Property depends on the number of single family lots approved for development in Rafael Village and on the levels of affordability for the affordable housing in Capehart/Hillside and in the affordable senior housing in Rafael Village. The following identifies the amounts of tax increment funding for NCP's Preferred 342-Lot/100 Senior Residence Plan For Rafael Village, for the Maximum 387-Lot/100 Senior Residence Plan and for the Minimum 315-Lot/90 Senior Residence Plan, using the affordability assumptions proposed by NCP for each scenario. During the entitlement process, changes in housing affordability assumptions would affect the amounts of tax increment funding required by the NCP.

- (a) Preferred 342 Lot/100 Senior Residence Plan For Rafael Village.

NCP's Preferred Plan includes 342 single family lots and 100 Senior "for sale" residences in Rafael Village. Combined with the 19 single family residences on the San Pablo site, and the 351 "for sale" affordable residences and 297 affordable rental units in Capehart/Hillside, NCP's Preferred Plan yields a total of 1,109 housing units developed on the Property. All of the "for sale" affordable housing meets the City of Novato's deeper affordability levels (100% of median for moderate income, 70% of median for low income, and 40% of median for very low income). In addition, NCP's Preferred Plan provides still deeper affordability for the affordable rental housing units, consistent with requirements for tax credit financing (60% of median for low income and 40% of median for very low income).

Under its Preferred Plan, NCP will request tax increment funding from the Agency totaling approximately \$33 million, in the form of both annual cash flow of tax increment revenues and bond proceeds to be repaid by tax increment revenues over time. Table D-1 summarizes the approximate timing and mix of bond proceeds and tax increment cash flow required for NCP's Preferred 342-Lot/100 Senior Unit Plan. More detail is provided in NCP's Statement of Cash Flow to Novato RDA/NPFA/City - 342 Lot/100 Senior Unit Plan (Table D-2).

Beyond build-out, a large share of tax increment revenues to be generated by development of the Property over the life of the Redevelopment

Plan will be available for use by the Agency for other public purposes and improvements. The Statement of Cash Flow to the Novato RDA/NPFA/City for NCP's Preferred 342-Lot/100 Senior Unit Plan (Table D-2) identifies financial benefits to Novato from providing tax increment funding to the project of \$98.2 million from 1999 through 2038, or \$84.4 million in 1999 dollars.

(b) Maximum 387-Lot/100 Senior Residence Plan.

The amount of tax increment funding required for development plans with more than 342 single family lots in Rafael Village is similar to the tax increment funding needed for NCP's Preferred 342-Lot Plan, assuming the same numbers and types of housing on the rest of the Property and the same level of affordability for the affordable housing. Under the Maximum 387 Lot/100 Senior Unit Plan, NCP will request tax increment funding from the Agency totaling approximately \$33 million, as summarized by Table D-1 and detailed in NCP's Statement of Cash Flow to Novato RDA/NPFA/City for the Maximum 387-Lot/100 Senior Unit Plan (Table D-3). Under the 387-Lot Plan, this level of tax increment funding to the project will generate financial benefits to Novato of \$99.2 million (1999-2038) or \$84.9 million in 1999 dollars. The magnitude of financial benefits is similar to that anticipated of NCP's Preferred 342-Lot/100 Senior Unit Plan.

(c) Minimum 315-Lot/90 Senior Residence Plan.

The amount of tax increment funding required for development plans with 315 single family lots in Rafael Village and 90 Senior "for sale" residences is larger than that needed for NCP's Preferred 342-Lot/100 Senior Unit Plan, assuming the same development and pricing assumptions for the rest of the Property. Under the Minimum 315-Lot/90 Senior Unit Plan, NCP will require approximately \$45 million of tax increment funding through project build-out. Entitlement for more than 315 single family lots but less than 342 single family lots in Rafael Village will require tax increment funding between \$45 million (315 lots) and \$33 million (342 lots).

Financial analysis indicates the availability of approximately \$33 million of tax increment funding through build-out under the Minimum 315-Lot/90 Senior Unit Plan (see Table D-1), assuming housing price appreciation of three percent per year. With that level of tax increment funding, development of the Property is not economically feasible for NCP unless: (a) affordability levels for the affordable for-sale housing are increased above the City's deeper affordability levels (to 110% of median for moderate income and 75% of median for low income), and (b) payments to the City of Novato are reduced

(see Exhibit B). Thus, NCP's proposal for the 315-Lot Plan includes those changes.

Table D-1 and the Statement of Cash Flow to Novato RDA/NPFA/City under the Minimum 315-Lot/90 Senior Unit Plan (Table D-4), identify the timing and amounts of tax increment funding available under the 315-Lot Plan, assuming housing price appreciation of three percent (3%) per year. The Statement of Cash Flow also identifies the financial benefits to the City of Novato of providing tax increment funding to NCP under this Plan of \$87 million (1999-2038) or \$76 million in 1999 dollars.

If NCP receives entitlement for more than 315 single family lots in Rafael Village but less than 342 lots, NCP will request tax increment funding between \$45 million and \$33 million, and will explore an equitable arrangement whereby it will provide levels of affordability between the City's deeper affordability levels for ownership housing (100%/70%) and those to be provided under the Minimum 315-Lot Plan (110%/75%), the details of which will depend on how many more single family lots than 315 ultimately are provided. Further, NCP will explore with the City an equitable arrangement for payments to the City (see Exhibit B) and the trade-off between those payments and the deeper affordability levels.

4. Option for CFD Financing. The Public Finance Plan also includes the option for NCP to request the City to take steps necessary to establish a Community Facilities District (CFD) for assisting in funding public infrastructure for development of Rafael Village, as well as to levy a special tax on property within the district, not to exceed 0.4% of the market value of the Rafael Village property, and to issue bonds to be repaid in whole or in part by that special tax.

5. Tax Credit Financing. NCP shall use its best efforts to receive a full allocation from the California Debt Limit Allocation Commission of the four percent (4%) tax credits and the attendant California bond financing for construction of the affordable rental units in Capehart/Hillside, as described in NCP's Affordable Housing Plan. Until such tax credits are available to it, NCP will be relieved of its obligation to rent such units at the deeper affordability levels of 60% for low income and 40% for very low income, and instead may rent such units at the HUD levels of 75% for low income and 50% for very low income. NCP also may delay completion of construction of such units until 2012 if such credits are not available.

6. Increased Mortgage Rates. If interest rates on conventional first mortgages exceed 10%, NCP will be relieved of its obligation to sell the "for sale" affordable units at the City's deeper levels of affordability (100%/70%) and instead may sell such units at the HUD levels of affordability (120%/75%). NCP also may delay construction of ownership units in Capehart/Hillside until interest rates fall below 10%, or December 31, 2009, whichever occurs earlier, at which time NCP

will begin or resume construction of ownership units in Capehart/Hillside in phasing similar to its original building schedule.

7. **Availability of Tax Increment Funds and Bond Proceeds.** The economic feasibility of NCP's development of the Property depends upon the availability of Housing Set-Aside and Non-Housing tax increment funds to partially reimburse NCP for certain of its infrastructure and housing construction costs associated with providing affordable housing in the Redevelopment area. In the event that the Agency is unable to make bond proceeds available to NCP, NCP would receive available tax increment funds from the Agency, up to \$134.8 million.

8. **Availability of Other Sources of Financial Assistance.** NCP understands that the City of Novato is working with outside sources to obtain additional financial assistance to strengthen and deepen the affordability of housing at Capehart/Hillside. NCP also will be seeking other outside sources of financial assistance to meet those goals, and, to the extent such sources become available to NCP, NCP will pass the benefits of such resources onto the City, either by increasing the affordability of the housing units or decreasing the amount of tax increment funding required in its plan.

EXHIBIT E

NOVATO COMMUNITY PARTNERS

CONFORMING CHANGES TO AGREEMENTS

This Exhibit identifies changes that are required in the Agreement for Purchase and Sale (“PSA”) with the Novato Public Finance Authority, the Development Agreement (“Development Agreement”) with the City of Novato and the Owner Participation Agreement (“OPA”) with the Novato Redevelopment Agency, to conform those documents to NCP’s Proposal. These changes are presented in two sections: The first section contains changes that were identified in Section VII of NCP’s June 9, 1999 proposal; the second section contains changes resulting from negotiations with the City’s negotiating team during the “best and final offer” period.

A. CHANGES IDENTIFIED IN NCP’S JUNE 9, 1999 PROPOSAL

1. The Development Agreement needs to be revised to provide that Capehart/Hillside and Rafael Village are zoned “Planned Community” and development applications will be evaluated by the City of Novato based upon the specific plans submitted and their consistency with the Reuse Plan and the Development Agreement, and not upon standards which would be applicable to individual lots.

2. The PSA needs to be revised to provide that the Ordinance adopting the Development Agreement will take effect, as described in California Government Code § 36937, prior to the Close of Escrow and, in the event of a referendum of the Ordinance or other legal challenge to the Ordinance prior to the Close of Escrow, NCP will not be obligated to close and the City will refund NCP its Earnest Money Deposit.

3. The PSA needs to be revised to provide that the Program Level EIR for the Hamilton Field Redevelopment Project will be prepared and certified as being in compliance with CEQA, a notice of determination will be properly posted at least 31 days prior to the Close of Escrow and no challenges regarding compliance with CEQA shall have been filed within the statutory periods.

4. The PSA needs to be revised to provide that DEVELOPER’s obligation to close is conditioned upon the California Land Title Company of Marin (“Title Company”) committing to deliver its CLTA or ALTA title insurance policy in the amount of the purchase price subject only to those exceptions numbers 1 through 7 and 9 through 23 as shown on the Title Company’s preliminary title report number 209371-SD, 2ND SUPP. dated March 2, 1999 for the Rafael Village and exceptions numbers 1 through 4 and 9 through 14 as shown on the Title Company’s preliminary title report number 212597-SD, 2ND SUPP. dated March 2, 1999 for the Capehart Housing.

5. The PSA needs to be revised to provide that DEVELOPER will not deliver an unconditional binding commitment from a pre-approved financial institution as required in Section 2.05(A).

6. The PSA needs to be revised to provide that City is not excused from its intentional acts causing the failure of the condition in Section 4.02(B).

7. The PSA needs to be revised to provide that City shall assign to DEVELOPER, without recourse to City, all of City's rights (contractual or otherwise), if any, against the Navy related to the Property.

8. The OPA should be revised to eliminate the requirement for errors and omissions coverage.

9. The OPA should be revised to provide that executed versions of the Agreement will be delivered by both parties at the closing of the acquisition of the Property.

10. The Development Agreement needs to be revised to include fee credits for public dedications, facilities and infrastructure funded by NCP against any processing and impact fees imposed on a City-wide basis which are in excess of the current fees which were included in the pro formas provided to the City during the "best and final offer" period. This amendment is proposed to fairly adjust for the substantial fees and obligations NCP will pay and incur in connection with its Proposal.

B. CHANGES RESULTING FROM NEGOTIATIONS DURING THE BEST AND FINAL OFFER PERIOD

1. The Development Agreement and OPA need to be modified to reflect Term Sheet Section II.1.

2. The PSA, Development Agreement and OPA need to be modified to reflect Term Sheet Section II.2.

3. The PSA, Development Agreement and OPA need to be modified to reflect Term Sheet Section II.3(b).

4. The Development Agreement needs to be modified to reflect Term Sheet Section II.4.

5. The Development Agreement needs to be modified to reflect Term Sheet Section II.5.

6. The PSA, Development Agreement and OPA need to be modified to reflect Term Sheet Section II.6.

7. The Development Agreement needs to be modified to reflect Term Sheet Section II.7.

8. The Development Agreement needs to be modified to reflect Term Sheet Section II.8.

9. The Development Agreement and OPA need to be modified to reflect Term Sheet Section II.9.

10. The Development Agreement needs to be modified to provide that if events or circumstances beyond DEVELOPER's control make it impossible or infeasible to proceed with construction of the Project at Capehart/Hillside, the City shall continue to issue building permits for market-rate homes in Rafael Village, and DEVELOPER shall have no obligation to construct improvements at Capehart/Hillside until such impossibility or infeasibility is removed.

11. The PSA, Development Agreement and OPA need to be modified to provide that the City, the Agency and the Authority will indemnify and hold DEVELOPER harmless for any claims, liability, loss, damage, costs or expenses (including reasonable attorneys' fees and court costs) DEVELOPER incurs as a result of any claims made by the Navy under the "Excess Profits Clause" set forth in Exhibit B to that certain "Offer to Purchase Real Estate and Acceptance" executed by the City Manager on August 19, 1998 and accepted by the Navy on November 4, 1998, except to the extent that such claims arise as a result of DEVELOPER's sale of the any portion of the Property before May 4, 2001.

12. The PSA, Development Agreement and OPA need to be revised to reflect the terms of Exhibits A-D to this Term Sheet.