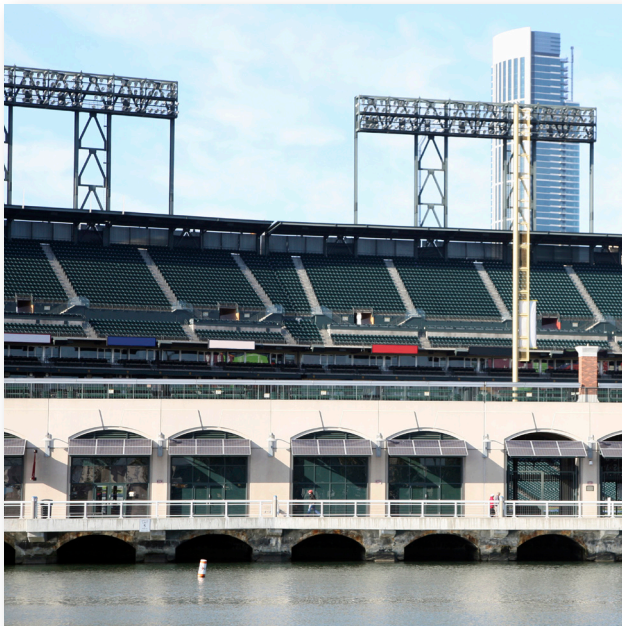


CASE STUDY

Financing Home Run Brings World-Class Ballpark to San Francisco

pillsbury

Client:	San Francisco Giants
Matter:	Ballpark development, including site selection, financing, construction, lease and related agreements
Transaction Value:	\$320 million
Areas of Law:	Real Estate, Finance & Construction
Result:	Successful development, financing and construction of AT&T Park, the first major U.S. sports facility to be built in more than 30 years with private funds



On December 11, 1997, San Francisco Mayor Willie L. Brown, Jr. presided over the ceremonial ground-breaking that initiated construction of Pacific Bell Park (now known as AT&T Park). On April 11, 2000, he and 40,929 other fans gathered again for Opening Day in the beautiful new home of the San Francisco Giants baseball team. As outside counsel to the Giants, Pillsbury handled a wide range of legal aspects of this \$320 million project for the team's development subsidiary, China Basin Ballpark Company LLC (CBBC).

The Ballpark

The ballpark is located on the China Basin channel off San Francisco Bay, close to multiple means of public transit, and is an anchor of the city's waterfront plan and the South Beach and Mission Bay neighborhoods. The traditionally styled ballpark, designed by the architect of the parks in Baltimore, Denver, Cleveland and Arizona, is specifically for baseball and incorporates technological features that enhance its appeal as a destination for fans.

Financing and Site Acquisition

A key project constraint was that the ballpark is the first major league U.S. sports facility to be built in more than 30 years without substantial funding by government taxes, guarantees or commitments from general funds. In fact, CBBC pays the city—in the form of fair-market ground rent—for the 13-acre, publicly owned site. The equity sources consist of naming rights, private sponsorships, advertising and premium seating and luxury box licenses, as well as contributions by the Giants out of turnstile revenue. The debt sources are \$170 million from notes issued by CBBC secured as a "project" type financing by all revenue streams generated by the Ballpark and \$15 million from notes issued by the San Francisco Redevelopment Agency (RDA). The RDA funds street and other public improvements that will be repaid by CBBC through property taxes for the completed ballpark.

To induce the city, corporations and investors to commit substantial resources for a then-unbuilt park, CBBC developed innovative contractual incentives and protections. Pillsbury represented the Giants in forming CBBC, and represented CBBC in structuring and negotiating the naming rights, sponsorship and advertising contracts, the seat and box licenses, the agreements required for private placement of the CBBC and RDA notes, and assisted with the negotiation of the ground lease, the team non-relocation agreement and related agreements with the city.

Design and Construction

The unique financial circumstances required special attention to the project's design and construction risk and cost exposures. CBBC's strategy was to retain a credit-worthy project manager and contractor that acted as a single point of responsibility for management of design and construction, and that guaranteed completion of the project by a specified date and for a guaranteed maximum price.

Pillsbury structured and drafted the design-build project management contract and related agreements for the project. The project manager was Kajima Urban Development, whose completion guaranty and other obligations in favor of CBBC were backed by its parent Kajima Corporation of Japan. Kajima in turn contracted with Hellmuth, Obata + Kassabaum, Inc. (HOK) as architect and a joint venture between Huber, Hunt & Nichols and another Kajima subsidiary as general contractor. A program of owner-controlled property and liability insurance was instituted for onsite project work. Pillsbury counseled on legal aspects of risk management, including safety programs, insurance and bonding requirements, and environmental exposures and requirements.

HOK's design received approvals required from all stakeholders, including the city and Major League Baseball. The guaranteed maximum price was established on the basis of

the Design Development version of the architectural plans, but was subject to reduction after the final plans were approved and bids were received. This approach allowed CBBC to obtain municipal and financial commitments needed for timely groundbreaking, without losing the economic benefit of later improvements in definition of the project scope and design. Construction was completed on time and within budget.