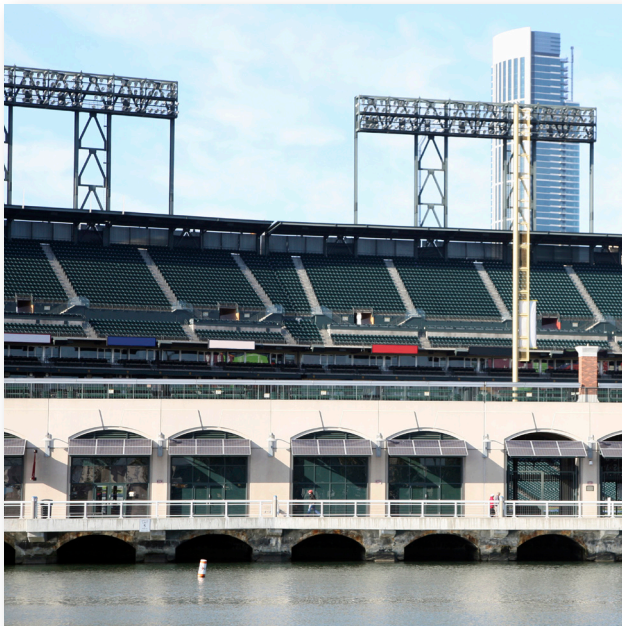


CASE STUDY

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.

PACIFIC BELL PARK: ON TIME AND IN BUDGET

GIANT



S U C C E S S



CALIFORNIA

LAW BUSINESS

PITCHING IN

By Leslie A. Gordon, in *California Law Business*, April 3, 2000

A real estate lawyer cinches a deal to bring San Franciscans their first privately financed major league baseball park to be built in more than 30 years.

As Pacific Bell Park prepares to open April 11, with a contest pitting the San Francisco Giants against their archrival Los Angeles Dodgers, few fans are more interested than Robert Herr.

Herr is a real estate lawyer who typically handles standard purchase and sale agreements, usually dealing in square feet. But as a lawyer for the Giants during the last few years, Herr has been focusing more and more on foul line measurements (335 feet), scoreboard dimensions (clock face of 17 feet in diameter) and high-profile sponsorship deals.

The Pillsbury Madison & Sutro partner, who has represented developers, owners, managers and lenders in real estate transactions, represented the Giants in its \$319 million effort to construct a new ball park.

The project was approved in 1996 by San Francisco voters through Proposition B. Newly opened Pacific Bell Park, where the Giants will play instead of Candlestick Park 10 miles south of San Francisco, is located at China Basin—a hop, skip and a long foul ball from downtown San Francisco. It's the first privately financed major league baseball park to be built in more than 30 years. (The last was Dodger Stadium in 1962.) The site, on 13 acres of waterfront property, is owned by the Port of San Francisco and leased to the Giants at fair market value (\$1.2 million annually to start).

Herr, who represents companies like the Shorenstein Co., IBM, Stein Kingsley Stein and PG&E Properties, acquired the Giants as a client through real estate mogul Walter Shorenstein, one of his long-time clients. Like a lot of business people in the Bay area who worried the Giants would move to Florida if a new ballpark wasn't arranged, Herr and Shorenstein initially worked pro bono to secure a new ball park with a group of investors.

These days, the 1967 graduate of Berkeley's Boalt Hall technically represents the San Francisco Baseball Association, a partnership made up of 20 individuals, that purchased the Giants from Robert Lurie in 1992 in a \$100 million, high-profile deal. The Giants' executive team includes Peter Magowan, chief executive of-



Along with Mayor Willie Brown, Robert Herr received one of the few official shovels used at the China Basin site's ground breaking.

ficer and former chairman of the board of Safeway, and Larry Baer, chief operating officer and former television executive.

"Their dream was to build a ballpark in downtown San Francisco," Herr recalls. "We were with them at the planning table."

Herr and other Pillsbury attorneys helped the Giants formulate a detailed and unusual plan for a new ball park. The group realized early on that the previous owners' goal of a new, downtown ball park was never met because the San Francisco public wasn't willing to fork out the money for another stadium. So the new owners decided to try a privately financed deal, what Herr calls a "radically different animal" than a publicly financed transaction.

"It was an extremely aggressive decision on their part," Herr says, noting that such a deal hadn't been done in major league baseball for decades. "It took determination and grit."

That's where Pillsbury's role as outside general counsel came into play, Herr says. "The firm 'was critical to assisting them in pulling that together.'"

Elizabeth Murphy, associate general counsel for the Giants, credits Pillsbury, the San Francisco city attorney's office, Giants general counsel Jack Bair and Coblentz Patch Duffy & Bass, which also represents the Giants, with pulling the deal together.

"Clearly the amount of work and the structure of the financing for the ballpark was unique," Murphy explains. "Aside from being private, the financing encompasses all aspects of the ballpark operation. It wasn't your typical lender-financing deal. It was the largest series of transactions, culminating in one single closing, that I had ever experienced. It was a tremendous attorney effort."

The initial estimated cost of a new stadium was about \$300 million. The partnership determined it could borrow half of that amount. It was then up to the partners to come up with the rest through other sources. They set their sights on "an array of sponsorship deals with key corporate enterprises," Herr explains.

The most important sponsorship deal turned out to be with Pacific Bell, which purchased naming rights to the new park. Another major sponsor was Chevron. Both PacBell and Chevron are long-time clients of Pillsbury, as were many other companies that bought into the park. "It was a standing joke," Herr remembers.

"We had to get a conflicts waiver" for almost every sponsorship deal because "Pillsbury represents so many of the mainline corporate businesses Our clients were extremely gracious in consenting" to waive conflicts, he adds.

Coca Cola, Anheuser Busch and Old Navy are also corporate sponsors of the park. All told, the Giants acquired between \$60 million and \$70 million from corporate sponsorships.

In addition to sponsorship deals, with the help of Giants lawyer Murphy and Pillsbury associate Monique Wright, Pillsbury also helped secure a construction loan, as well as a project finance deal for the team.

Pillsbury construction law partner Robert James also handled a complex construction completion guarantee agreement with the contractor, which Herr calls "another critical element" of the stadium.

The ball park became a reality around Thanksgiving 1997 after a week-long "marathon closing" of the financing deals in a Pillsbury conference room with "legions of lawyers," according to Herr. Construction on the park began the next month.

After that, Pillsbury attorneys handled related deals, including the Giants' concessionaire agreements and a deal whereby Enron would not only become a corporate sponsor but would also supply the energy and equipment services to the facility.

Another unprecedented transaction was the Giants' partnership with Catholic Healthcare West to develop a community health center at the park. It resulted in a neighborhood medical clinic that will be open 365 days a year, what Herr calls a "truly amazing benefit to the city of San Francisco."

Overall, it took about a dozen Pillsbury lawyers to help with the Giants' ballpark transactions, Herr says. In addition to real estate, corporate and construction attorneys, Pillsbury's tax and trademark experts also pitched in.



A digital representation of the new Pacific Bell Park.

"A total army of legal areas involved," says Herr, who also praises Giants' general counsel Bair's involvement in the deals. "It cuts across almost every nonlitigation element of my firm."

Another San Francisco law firm heavily involved in the ball park was Coblenz, Patch, Duffy & Bass. Pam Duffy and Harry O'Brien handled the Giants' land use and entitlement projects.

The politically connected Coblenz firm dealt closely with the City Planning Commission, the Redevelopment Agency, the Board of Supervisors and the Port Commission to complete the deals, Herr says. The Coblenz lawyers negotiated the Giants' nonrelocation agreement with Mayor Willie Brown's office, which provides for the Giants to stay in San Francisco for at least 25 years.

Herr, who calls the Coblenz firm "a joy to work with," says that the firm "produced a tremendously positive result in an unprecedented time frame."

In addition to handling most of the Giants' business deals, Pillsbury also purchased one half of the new ball park's 67 sold-out luxury suites, which it will split 50-50 with consulting firm Deloitte & Touche. The boxes have a posh living room, 12 outdoor balcony seats and four indoor seats. Luxury boxes require an upfront fee of \$120,000 plus an annual fee that varies depending on the box's size, location and length of the license. Pillsbury's annual fee is \$95,000, according to Herr.

Herr calls the box a "tremendous vehicle" for business development. Like Pillsbury, San Francisco's Heller Ehrman White & McAuliffe also purchased half of a luxury box.

Herr, who attended last week's two exhibition games against the Brewers and the Yankees, received "tons" of Giants memorabilia and "deal mementos" as a result of his representation of the team. And along with Mayor Willie Brown, Herr received one of the few official shovels used at the China Basin site's groundbreaking. The Giants, Herr says, "have been extremely gracious."