

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

1800 Third Street, Suite 390
Sacramento, CA 95811
(916) 322-1560
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July 1, 2009

Richard M. Holliday, President
San Francisco Third Street Equity Partners, LLC
1500 Park Avenue, Suite 200
Emeryville, CA 94608

Olson Lee, Deputy Director
San Francisco Redevelopment Agency
One South Van Ness, 5th Floor
San Francisco, CA 94103

RE: 5800 Third Street
Contract No. 08-IIG-5928

Dear Mr. Holliday and Mr. Lee:

I am pleased to inform you that the Department of Housing and Community Development (Department) has awarded a grant from the Infill Infrastructure Grant Program (IIG) to San Francisco Third Street Equity Partners, LLC and San Francisco Redevelopment Agency. This letter constitutes a notice of conditional award of IIG Program funds in the amount of \$10,433,280 for the 5800 Third Street project in the city of San Francisco, San Francisco County.

This commitment is conditioned on compliance with the requirements of all applicable statutes and guidelines of the IIG Program, as well as any project agreements stipulated in the commitment letter and contract documents, which will be forwarded to the awardees. Please note that the Department does not have authority to disburse any funds until all required agreements are fully executed.

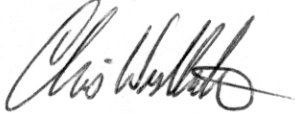
In addition, this award is subject to the attached "Conditions Related to Availability of Funds." Please sign and return the "Acknowledgement & Acceptance of Conditional Award" that also is attached.

The mission of the Department is to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians. The IIG Program provides grants for infrastructure costs related to high density infill housing and mixed use development. Awards are being widely distributed throughout the state.

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We look forward to working with you on this project. If you have any questions, please contact Nadine Ford, Infrastructure and Rental Housing Branch Chief at (916) 327-3942.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Westlake", written in a cursive style.

Chris Westlake
Deputy Director

Attachments

CONDITIONS RELATED TO AVAILABILITY OF FUNDS

- A. On December 18, 2008, the Director of Finance issued Budget Letter 08-33 directing all state agencies that have expenditure control and oversight of General Obligation bond programs to cease authorizing any new grants or obligations for bond projects. Budget Letter 08-33 remains in full force and effect. (See Budget Letter 09-15 "Pursuant to BL 08-33 departments/agencies are still directed to make no new awards... of general obligation bond funds for new projects until further notice.")
- B. As a conditional award, this award does not violate the above referenced Budget Letters. This conditional award has been issued before the availability of funding, for the mutual benefit of both parties in order to avoid program and fiscal delays which would occur if the conditional award were issued after funding availability.
- C. This conditional award is valid and enforceable only if sufficient funds are made available to the Department of Housing and Community Development ("Department") for purposes of funding the application. Funds for this conditional award are to be made available upon the appropriation by the Legislature and approval by the State Treasurer's Office and Department of Finance and upon (1) the sale of Proposition 1C State General Obligation Bonds, or (2) from interim financing monies obtained pursuant to 1C. The Department has no power to obtain or require that such funds be made available. The Department is in no manner attempting to - nor has the power to - commit the state to issue sufficient Proposition 1C bonds to fund this project nor to require the Director of Finance or the Pooled Money Investment Board to provide interim financing monies to the Department. In the event that only limited funds for Proposition 1C are made available, the Department shall have the sole discretion to determine which of the conditional awards are funded.
- D. The Department of Finance has advised the Department that, as of this date, it is unclear when the state will be financially in a condition to return to the bond market. In addition, this conditional award is subject to any additional restrictions, limitations, or conditions enacted by the Legislature which may affect the provisions of this conditional award.
- E. Please note, this conditional award contains no enforceable pledge of funds or recourse against the state if for any reason the State Treasurer does not issue Proposition 1C bonds or does not issue 1C bonds sufficient to fully fund this conditional award. Additionally, this conditional award contains neither an enforceable pledge of funds nor recourse against the State of California if for any reason - or based on any action or inaction - the Pooled Money Investment Board or Director of Finance fails to provide interim financing to the Department. Additionally, this conditional award neither creates nor is intended to create any third party beneficiary rights, nor any rights or benefits, whether substantive or procedural, or enforceable at law or in equity, against the State of California or its agencies, departments, entities, officers, employees, or any other person for any other person or entity beyond the conditional awardee.

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ACCEPTANCE OF CONDITIONAL AWARD

The conditions of this award may differ from those contemplated at the time of application. To indicate acknowledgement and acceptance of this Conditional Award, an authorized representative of the Awardee must sign and date where indicated below. Please send a facsimile or pdf email of the executed Acceptance to the attention of Nadine Ford.

- Facsimile – (916) 327-3942
- Email – nford@hcd.ca.gov

Please return the executed original to the address in the letterhead of the Conditional Award no later than 14 days from the date of this letter..

THE FOREGOING CONDITIONAL AWARD IS ACKNOWLEDGED AND ACCEPTED.

Authorized Signatory, Title (per Resolution)

Date

Authorized Signatory, Title (per Resolution)

Date