

File No. 110516

Committee Item No. _____
Board Item No. 45

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee _____

Date _____

Board of Supervisors Meeting

Date May 17, 2011

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget Analyst Report
- Legislative Analyst Report
- Introduction Form (for hearings)
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Joy Lamug
Completed by: _____

Date May 12, 2011
Date _____

An asterisked item represents the cover sheet to a document that exceeds 20 pages. The complete document is in the file.

1 [Ground Lease - Redevelopment Agency Land - 1075 LeConte Avenue, Commonly Known as
2 - 6600 Third Street]

3
4 **Resolution approving and authorizing the Redevelopment Agency of the City and**
5 **County of San Francisco to execute a lease of land at 1075 Le Conte Avenue,**
6 **Assessor's Block No. 009, Lot No. 5476, commonly known as 6600 Third Street with**
7 **Third and LeConte Associates, LP, a California limited partnership, for a term of 70**
8 **years for the purpose of developing housing for formerly homeless individuals and**
9 **families.**

10
11 WHEREAS, The Redevelopment Agency of the City and County of San Francisco
12 ("Agency") and the City desire to increase the City's supply of affordable housing and
13 encourage affordable housing development through financial and other forms of assistance;
14 and,

15 WHEREAS, On February 17, 2009, by Resolution No. 22-2009, the Agency
16 Commission authorized a tax increment loan agreement in the amount of \$3,075,000
17 ("Acquisition Loan") with Third and LeConte Associates, L.P. ("Sponsor") for the acquisition of
18 1075 Le Conte Avenue, Assessors Block 009, Lot5476 ("Site"), for the purpose of developing
19 73 units of affordable rental housing for formerly homeless individuals and families ("Project");
20 and,

21 WHEREAS, The terms of the Acquisition Loan require the Sponsor to hold the fee title
22 to the Site in trust for the Agency until the time of the Project's construction loan closing and,
23 upon the transfer of the Site to the Agency and the concurrent execution of a ground lease
24 agreement between the Sponsor and the Agency, the Sponsor's Acquisition Loan repayment
25 obligation will be satisfied in full; and,

1 WHEREAS, On March 1, 2011, by Resolution No. 23-2011, the Agency authorized a
2 construction and permanent loan agreement with Sponsor in an amount not to exceed
3 \$17,149,956 as gap funding for the Project and to leverage an allocation of low-income
4 housing tax credits ("Permanent Loan Agreement"); and,

5 WHEREAS, The Sponsor is preparing to submit an application to the California Tax
6 Credit Allocation Committee ("CTCAC") in July 2011 to secure the Project's final sources of
7 funding; and,

8 WHEREAS, On April 19, 2011, by Resolution No. 49-2011, the Agency Commission
9 authorized a 70-year ground lease agreement with the Sponsor ("Ground Lease Agreement")
10 in anticipation of the Sponsor's successful CTCAC application, construction loan closing, and
11 commencement of construction, thus allowing the Sponsor to construct and operate
12 improvements on the Site and the Agency to ensure that the affordability of the housing is
13 maintained over the long term. A copy of Agency Commission Resolution No. 49-2011 is on
14 file with the Clerk of the Board of Supervisors in File No. 110516, and incorporated by
15 reference herein as though fully set forth; and,

16 WHEREAS, The Ground Lease Agreement and Permanent Loan Agreement require
17 the Sponsor to provide permanent, high-quality housing and on-site support services to
18 formerly homeless individuals and families, and to secure financial subsidies required to
19 operate the Project from the City's Human Services Agency through its Local Operating
20 Subsidy Program ("LOSP"); and,

21 WHEREAS, Lease payments imposed upon the Project by the Agency would require
22 additional City funding through LOSP, and to minimize the City's financial obligation, the
23 Agency has set the Project's annual rent at One Dollar (\$1.00), provided, however, that if the
24 Project ceases to serve homeless households, the annual rent shall adjust automatically,
25 based upon the then-current fair market rental value of the Project; and,

1 WHEREAS, Though the Site could command a higher rent, leasing the Site for a rent in
2 excess of the stated rent would impose an additional and unnecessary financial commitment
3 upon the City; and,

4 WHEREAS, Because the Site was purchased with tax increment funds, Section 33433
5 of the California Community Redevelopment Law, Health and Safety Code Sections 33000 et
6 seq. ("Community Redevelopment Law") requires the Board of Supervisors to conduct a
7 public hearing and approve of the Agency's sale or lease of the Site; and,

8 WHEREAS, Pursuant to Section 33433 of the Community Redevelopment Law, on
9 May 17, 2011, the Board of Supervisors held a duly noticed public hearing on the Ground
10 Lease Agreement. The hearing has been closed. Notice of such hearing was published in
11 accordance with Sections 33433 of the Community Redevelopment Law; and,

12 WHEREAS, The Agency has prepared and submitted a report in accordance with the
13 requirements of Section 33433 of the Community Redevelopment Law, including a copy of the
14 proposed Ground Lease Agreement, and a summary of the transaction describing the cost of
15 the Ground Lease Agreement to the Agency, the value of the property interest to be
16 conveyed, the lease price and other information. This report was made available for the public
17 inspection and is on file with the Clerk of the Board of Supervisors in File No. 110516 and
18 incorporated herein by reference as through fully set forth; and,

19 WHEREAS, The by Resolution No. 20-2009, the Agency Commission adopted a Final
20 Mitigated Negative Declaration prepared for the Project by the City Planning Department,
21 finding that it reflected the independent judgment and analysis by the Agency, and was
22 adequate and prepared in accordance with the California Environmental Quality Act
23 (California Public Resources Code Sections 21000 et seq.); now, therefore, be it

24 RESOLVED, That the Board of Supervisors does hereby find and determine that the
25 lease of the Site from the Agency to the Sponsor: (1) will provide housing for very low-income

1 households; (2) is consistent with the Agency's Citywide Tax Increment Affordable Housing
2 Program, pursuant to Section 33342.2 of the Community Redevelopment Law; (3) carries a
3 rental value, at approximately One Dollar (\$1.00) per year for a term of seventy (70) years,
4 which is less than the fair market rental value, in order to achieve affordability for homeless
5 households; and (4) the consideration to be received by the Agency is not less than the fair
6 reuse value at the use and with the covenants and conditions and developments costs
7 authorized by the Ground Lease Agreement; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
9 authorizes the Agency to execute a Ground Lease Agreement with the Sponsor , substantially
10 in the form on file with the Clerk of the Board of Supervisors in File No. 110516 and lodged
11 with the Agency General Counsel, and make such revisions to the Ground Lease Agreement
12 as do not materially increase the obligations or liabilities of the Agency or materially decrease
13 the benefits to the Agency, as determined by the Agency's Executive Director, and to take any
14 such further actions as necessary or appropriate to implement t the Ground Lease
15 Agreement.

RESOLUTION NO. 49-2011

Adopted April 19, 2011

AUTHORIZING A GROUND LEASE AGREEMENT WITH THIRD & LECONTE ASSOCIATES, L.P., A CALIFORNIA LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF 73 UNITS OF VERY LOW-INCOME SUPPORTIVE RENTAL HOUSING, 1075 LECONTE AVENUE (FORMERLY KNOWN AS 6600 THIRD STREET); BAYVIEW HUNTERS POINT REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*), the Redevelopment Agency of the City and County of San Francisco ("Agency") undertakes programs for the reconstruction and rehabilitation of blighted areas in the City and County of San Francisco and encourages the development of residential rental developments as affordable housing.
2. The Agency desires to encourage the development of residential rental developments as affordable housing by lending or expending tax increment housing set-aside funds for such developments and by providing developers with site control necessary for such developments in the form of long-term ground leases.
3. On February 17, 2009, by Resolution No. 22-2009, the Agency Commission approved a tax increment loan agreement in the amount of \$3,075,000 ("Acquisition Loan"), and a tax increment predevelopment loan agreement in the amount of \$1,812,059 ("Predevelopment Loan") with Third & LeConte Associates, L.P., a California limited partnership ("Developer"). The loans, together totaling \$4,887,059, were funded under the Tax Increment Affordable Housing Fund for the purpose of acquiring 6600 Third Street (now known as 1075 LeConte Avenue) ("Site") and developing 73 units of supportive rental housing for low- and very-low income residents ("Project").
4. On December 1, 2009, by Resolution No. 145-2009, the Agency Commission approved first amendments to the Acquisition and Predevelopment Loans to allow the admission of Mercy Housing Calwest, a California nonprofit public benefit corporation, as the Developer's new co-general partner (joining the Providence Foundation), and the admission of South of Market Mercy Housing, a California nonprofit public benefit corporation, as the Developer's new limited partner.
5. On March 1, 2011, by Resolution No. 21-2011, the Agency Commission approved the transfer of \$572,265 from the Predevelopment Loan to the Acquisition Loan so that the Acquisition Loan accurately reflected the full value of land-related costs associated with the Site. By Resolution No. 23-2011, the Agency Commission further approved a permanent loan agreement with Developer in the amount of \$17,149,956, a value inclusive of previously disbursed predevelopment funds.

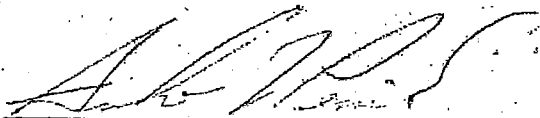
6. The Acquisition Loan includes a provision requiring Developer to hold fee title for the Site in trust for the Agency until the time of the Project's construction loan closing. It obligates Developer to transfer the Site to the Agency at the closing as full repayment of the Developer's Acquisition Loan debt, and requires Developer and Agency's execution of a long-term ground lease agreement under which Developer would develop the Project and own and operate the Site's improvements.
7. Developer is scheduled to submit an application to the California Tax Credit Allocation Committee ("CTCAC") in July 2011. A successful CTCAC application will be the final financing prerequisite to securing a limited partner investor for the Project and commencing construction. Given the competitiveness of the CTCAC process and the relatively short deadline following the tax credit allocation award by which the Developer must finalize its investor partnership agreement and close the construction loan, the Developer and Agency seek to finalize all Agency requirements for the Project (including approval of the Ground Lease) in advance of the CTCAC application.
8. In Resolution No. 20-2009, the Agency adopted the Final Mitigated Negative Declaration prepared for the proposed Project by the City Planning Department, finding that it reflected the independent judgment and analysis of the Agency, and was adequate and prepared in accordance with the California Environmental Quality Act ("CEQA"). Authorizing a new permanent loan agreement is an action in furtherance of the Project that will not independently result in a significant impact on the physical environment, does not change the scope of the Project analyzed in the Final Mitigated Negative Declaration, and does not require additional environmental review pursuant to CEQA Guidelines Section 15162.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to:

1. Execute a Ground Lease Agreement with Third and LeConte Associates, L.P., a California limited partnership, for the development of 73 units of very low-income supportive rental housing at 1075 LeConte Avenue, substantially in the form lodged with the Agency General Counsel.
2. Enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction authorized by this Resolution, in forms to be approved by the Agency General Counsel.

APPROVED AS TO FORM:


for James B. Morales 4/13/11
Agency General Counsel



April 26, 2011

SUMMARY OF 6600 THIRD STREET RENTAL HOUSING DEVELOPMENT

Action Requested:

Approving the Redevelopment Agency of the City and County of San Francisco's lease of the land at 1075 Le Conte Avenue, Assessor's Block 009, Lot 5476, to Third & LeConte Associates, LP, a California limited partnership ("Sponsor"), for 70 years for the purpose of creating 73 units of affordable rental housing and on-site supportive services for formerly homeless individuals and families.

Project Summary:

The project known as 6600 Third Street, located at 1075 Le Conte Avenue, at Third Street ("Property"; "Site"), is currently a vacant, underutilized parcel. The Sponsor purchased the site in 2009 with a \$3,075,000 acquisition loan ("Acquisition Loan") from the Agency. The development plan for the Property is the construction of 73 units of affordable rental housing and on-site support services for formerly homeless families and individuals ("Project"). The Project will include studios, one-, two- and three-bedroom units, with ground floor community and service space and an extensive community garden area.

The terms of the Agency's Acquisition Loan require the Sponsor to hold fee title to the site in trust for the Agency until the closing of the Project's construction loan, at which time the Sponsor will transfer title to the Agency as satisfaction of the Sponsor's acquisition debt. Since the Sponsor's acquisition of the Property in 2009, it has incurred approximately \$572,265 in land-related costs, including demolition, remediation, grading, and crime prevention. To memorialize the Sponsor's land-related expenses, the Agency amended its Acquisition Loan on March 1, 2011, increasing the value by \$572,265, for a total loan value of \$3,647,265. The Sponsor commissioned an updated appraisal of the Property in March 2011, which concluded that the current fair market value of the Property is \$3,500,000.

In addition to the Acquisition Loan, the Agency has provided a construction and permanent loan for the Project in the amount of \$17,149,956. The Sponsor requires this gap funding commitment in order to submit a competitive application in July 2011 to the California Tax Credit Allocation Committee ("CTCAC") for 9% low-income housing tax credits. The CTCAC application, if successful, requires mandatory construction commencement on or before March 19, 2012. The Ground Lease Agreement will go into effect at the close of construction financing subsequent to the Sponsor's transfer of Property title to the Agency. The Agency is pursuing the approvals required for construction commencement in advance of the CTCAC allocation to avoid any delays during the tax credit limited partner negotiating process and so that the Project can meet all of its CTCAC obligations.

The Agency has successfully used the proposed financing and lease structure for many similar affordable housing developments in San Francisco. This structure provides developers with the site control necessary to build and preserve affordable housing, while allowing the Agency to ensure that the affordability of the housing is maintained over the long term. Because the Agency's acquisition funding source for the Property is tax increment, the Board of Supervisors must approve the proposed Ground Lease Agreement.

Property: Assessor's Block 009, Lot 5476

Land Owner: Prior to execution of the Ground Lease Agreement, Third & LeConte Associates, LP, a California Limited Partnership, will transfer fee title to the Property to the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic of the State of California, in satisfaction of the Sponsor's Acquisition Loan debt to the Agency

Proposed Developer/
Lessee: Third & LeConte Associates, LP, a California limited partnership

Length of Lease: 70 years

Lease Payment: \$1.00 per annum, so long as the Project serves formerly homeless households and operates pursuant to the City of San Francisco's Local Operating Subsidy Program ("LOSP"), or any successor program. LOSP makes operation of the Project possible by bridging the gap between tenant-paid rents and operating costs. Rent in excess of \$1.00/year would increase the City's operating subsidy obligation and unduly burden the City's annual budget.

Use of Property: Affordable housing for very low-income households.



April 26, 2011

450-018.11-146

33433 Report

This report is submitted pursuant to Section 33433 of the California Health and Safety Code. Specifically, the Section states that before any property that was acquired, in whole or in part, with tax increment moneys is sold or leased for development, the sale or lease shall first be approved by the legislative body by a resolution after a public hearing. The Board of Supervisors is the legislative body for purposes of Section 33433.

The San Francisco Redevelopment Agency ("Agency") administers a Citywide Affordable Housing Program ("Program") for the purposes of funding the development of affordable housing, pursuant to the Community Redevelopment Law of the State of California, the California Constitution, and all applicable local codes and ordinances. The Program, in place since 1989, has facilitated the acquisition, construction, and/or rehabilitation of affordable housing throughout the City and County of San Francisco through the use of the Agency's tax increment funds and its authority as a tax-exempt mortgage revenue bond issuer.

The affordable housing project known as 6600 Third Street is planned to be located on vacant land at 1075 Le Conte Avenue, (Assessor's Parcel Number 5476-009); northwest corner of Le Conte Avenue and Third Street in the Bayview Hunters Point neighborhood (the "Property" or "Site"). The Property developer, Third & LeConte Associates, LP, a California limited partnership affiliate of Mercy Housing and the Providence Foundation of San Francisco ("Sponsor"), purchased the site in 2009 with a \$3,075,000 acquisition loan from the Agency ("Acquisition Loan"). The acquisition price was based on the appraised fair market value of the fee simple interest of property. The development plan for the Property includes the construction of 73 units of affordable rental housing and on-site support services for formerly homeless families and individuals ("Project"). The Project will include studios, one-, two- and three-bedroom units; with ground floor community and service space and an extensive community garden area.

The terms of the Agency's Acquisition Loan require the Sponsor to hold fee title to the Property in trust for the Agency until the closing of the Project's construction loan, at which time the Sponsor will transfer title to the Agency as satisfaction of the Sponsor's acquisition debt. Since the Sponsor's acquisition of the Property in 2009, it has incurred approximately \$572,265 in additional acquisition costs, including security for the site; the demolition of the pre-existing structure on the Property known as the Francisco Motel (which had been the subject of numerous code violations and which was the scene of repeated criminal activity); site grading; and remediation of asbestos and lead-containing building elements. On March 1, 2011, the Agency amended the acquisition loan to increase the loan amount from \$3,075,000 by \$572,265 to \$3,647,265 to cover the additional acquisition costs.

The total cost of the project is estimated at \$36,391,806, with \$3,647,265 for land acquisition cost and \$32,744,541 for hard and soft costs. Non-Agency funding for this Project is anticipated to be about \$15,594,585 leaving a \$20,797,221 funding gap. In addition to the acquisition loan, the Agency has committed to provide a \$17,149,956 construction and permanent loan for the Project, bringing the Agency total investment for this to Project to \$20,797,221. The Sponsor requires the Agency's funding commitments so it can submit a competitive application to the California Tax Credit Allocation Committee ("CTCAC") for 9% low-income housing tax credits. The CTCAC application is due in July 2011.

Assuming the Sponsor receives an allocation of tax credits, it will immediately bring a tax credit investor into the Project ownership or limited partnership, and commence construction on or before CTCAC's mandatory deadline, currently set at March 19, 2012. The Ground Lease Agreement will go into effect at the close of construction financing, subsequent to the Sponsor's transfer of Property title to the Agency. Both the Sponsor and the Agency are pursuing the required approvals for construction commencement in advance of the CTCAC allocation to avoid any delays during the tax credit limited partner negotiating process and so that the Project can meet all of its CTCAC obligations by the time of the construction commencement deadline. Through the Agency's ownership of the Site, it can insure the permanent affordability of the Project rental units.

The following summarizes the project in accordance with Section 33433 requirements:

- A. "A copy of the proposed sale or lease." Please refer to the attached Ground Lease Agreement (Attachment 1).
- B. "A summary which describes and specifies all of the following:"
 - (i) "The cost of the agreement to the agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the Agency, plus the expected interest on any loans or bonds to finance the agreements."

Acquisition, clearance, relocation and other site-related costs totaling \$3,647,265 are memorialized in the Acquisition Loan Agreement between the Sponsor and the Agency. The Sponsor's acquisition debt repayment obligations will be retired when it transfers the Property to the Agency. No interest was generated on loans used to finance the land acquisition or land-related costs.
 - (ii) "The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the plan." (The "plan," for purposes of this report, is defined as the Citywide Tax Increment Housing Program [the "Program"].)

The value of the land or Site that is to be leased to the Sponsor, determined at its highest and best is \$3,500,000.

- (iii) "The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments that the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference."

The estimated value of the land to be leased, determined with the conditions, covenants, and development costs required by the lease, is estimated \$3,500,000.00. The property will be leased to the developer for a period of 70 years for the sole purpose of providing permanent housing and on-site supportive services to formerly homeless individuals and families. Because formerly homeless households have extremely low incomes, the successful operation of the housing requires operating subsidies, which the City will provide through the Human Services Agency's Local Operating Subsidy Program ("LOSP"). LOSP funding bridges the gap between the cost of operating the housing and the expected, extremely low rental income from the tenants. Imposition of a ground rent payment by the Agency upon the Project would increase the City's financial obligation. To avoid the additional expenditure of City funds for the benefit of the Agency, annual lease payments are set at \$1.00 so long as the Project serves homeless households at specified rental rates and in conformance with the affordability restrictions. The present value of the anticipated lease payment and the reversion interest in the Property is \$99,418, using a blended discount rate of 7.75 percent.

The reason the present value of the anticipated lease payments and the reversion interest is less by \$3,400,583 (\$3,500,000 - \$99,417) than the fair market value of the interest to be leased, determined at the highest and best use, is that the projected lease payments to be made by the Sponsor are set at only \$1.00 per year for the reasons provided in the above paragraph.

- (iv) "An explanation of why the sales or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation."

The lease of the property will assist in the elimination of blight because it will replace a vacant and underutilized land Parcel with a much needed, new, 73-unit housing development for homeless households, including on-site services, community space, and a large community garden area. There are no market-based housing alternatives for households facing homelessness. Without the housing opportunity provided by the Project, the Project's future tenants' only option is to continue living in substandard conditions, whether on the street, in cars, or in shelters. Such substandard living conditions create severe, systemic effects that adversely affect individuals and entire communities.

- (v) This report has been made available to the public at the offices of the San Francisco Redevelopment Agency, 1 South Van Ness Avenue, 5th Floor, San Francisco, California, no later than the time of publication of the first notice of hearing as mandated by California Health and Safety Code Section 33433.

6600 THIRD STREET

Assessor's Block _____, Lot _____

GROUND LEASE

by and between the

**REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO**

as Landlord

and

**Third & LeConte Associates, LP,
a California limited partnership**

as Tenant

Dated as of _____, 2011

TABLE OF CONTENTS

ARTICLE 1: DEFINITIONS	2
1.01 Agency	2
1.02 Annual Rent	2
1.03 Area Median Income (or "AMI")	3
1.04 Effective Date	3
1.05 First Lease Payment Year	3
1.06 First Mortgage Lender	3
1.07 Ground Lease	3
1.08 Improvements	3
1.09 Landlord	3
1.10 Lease Year	3
1.11 Leasehold Estate	3
1.12 Leasehold Mortgage	3
1.13 Lender	4
1.14 Loan Documents	4
1.15 Local Operating Subsidy Program ("LOSP")	4
1.16 LOSP Subsidy Year	4
1.17 Occupant	4
1.18 Premises	4
1.19 Permitted Limited Partner	4
1.20 Project	4
1.21 Site	5
1.22 Subsequent Owner	5
1.23 Subsidy Reserve Account	5
1.24 Surplus Cash	5
1.25 Tenant	5
1.26 Very Low Income Households	5
ARTICLE 2: TERM	6
ARTICLE 3: FINANCING	7
ARTICLE 4: RENT	7
4.01 Annual Rent for LOSP Project	7
4.02 Annual Rent for Project at 50% AMI Affordability or Below	7
4.03 Annual Rent After Lender Foreclosure, Deed in Lieu of Foreclosure or Assignment	9
4.04 Triple Net Lease	9
ARTICLE 5: LANDLORD COVENANTS	9
ARTICLE 6: TENANT COVENANTS	10
6.01 Limited Partnership/Authority	10
6.02 Use of Site and Rents	10
6.03 Landlord Deemed Beneficiary of Covenants	12
ARTICLE 7: ANNUAL INCOME COMPUTATION AND CERTIFICATION	13
ARTICLE 8: CONDITION OF SITE - "AS IS"	13
ARTICLE 9: IMPROVEMENTS AND PERMITTED USES	14
9.01 Scope of Development and Schedule of Performance	14

9.02	Permitted Uses and Occupancy Restrictions	14
ARTICLE 10:	CONSTRUCTION OF IMPROVEMENTS	14
10.01	General Requirements	15
10.02	Construction Documents Approvals and Rights of Landlord	15
10.03	Landlord Approvals and Limitation Thereof	15
10.04	Timing of Landlord's Approval of Construction Documents	15
10.05	Disapproval of Construction Documents by Landlord	16
10.06	Construction to be in Compliance with Construction Documents and Law	16
10.07	Issuance of Building Permits	16
10.08	Performance and Payment Bonds	17
10.09	Landlord Approval of Changes after Commencement of Construction	17
10.10	Times for Construction	18
10.11	Force Majeure	18
10.12	Reports	18
10.13	Access to Site	19
10.14	Notice of Completion	19
10.15	Completion of Improvements by New Developer	19
ARTICLE 11:	COMPLETION OF IMPROVEMENTS	20
11.01	Certificate of Completion - Issuance	20
11.02	Certification of Completion - Non-Issuance Reasons	20
11.03	Certifications to be Recordable	21
ARTICLE 12:	CHANGES TO THE IMPROVEMENTS	21
12.01	Post Completion Changes	21
12.02	Definition of Change	21
12.03	Enforcement	22
ARTICLE 13:	TITLE TO IMPROVEMENTS	22
ARTICLE 14:	ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE	22
14.01	Assignment, Sublease or Other Conveyance by Tenant	22
14.02	Assignment, Sublease or Other Conveyance by Landlord	23
ARTICLE 15:	TAXES	23
ARTICLE 16:	UTILITIES	24
ARTICLE 17:	MAINTENANCE	25
ARTICLE 18:	LIENS	25
ARTICLE 19:	GENERAL REMEDIES	26
19.01	Application of Remedies	26
19.02	Notice and Cure Rights for Tenant Limited Partner	26
19.03	Breach by Landlord	26
19.04	Breach by Tenant	27
ARTICLE 20:	DAMAGE AND DESTRUCTION	29
20.01	Insured Casualty	29
20.02	Uninsured Casualty	30
20.03	Distribution of the Insurance Proceeds	30
20.04	Clean Up of Housing Site	31
ARTICLE 21:	DAMAGE TO PERSON OR PROPERTY; HAZARDOUS MATERIALS; INDEMNIFICATION	31
21.01	Damage to Person or Property -General Indemnification	31

21.02 Hazardous Materials -Indemnification	32
ARTICLE 22: INSURANCE AND FIDELITY BOND	34
22.01 Insurance Requirements for Tenant	34
22.02 General Liability Insurance	34
22.03 Automobile Liability Insurance	35
22.04 Workers' Compensation and Employers Liability Insurance	35
22.05 Professional Liability Insurance	35
22.06 Property Insurance	37
22.07 Fidelity Bond	37
22.08 General Requirements	37
ARTICLE 23: COMPLIANCE WITH SITE RELATED & LEGAL REQUIREMENTS	40
23.01 Compliance with Legal Requirements	40
ARTICLE 24: ENTRY	40
ARTICLE 25: MORTGAGE FINANCING	41
25.01 No Encumbrances Except for Development Purposes	41
25.02 Holder Not Obligated to Construct	41
25.03 Failure of Holder to Complete Construction	42
25.04 Default by Tenant and Landlord's Rights	42
25.05 Cost of Mortgage Loans to be Paid by Tenant	43
ARTICLE 26: PROTECTION OF LENDER	43
26.01 Notification to Landlord	43
26.02 Lender's Rights to Prevent Termination	44
26.03 Lender's Rights When Tenant Defaults	44
26.04 Default That Cannot be Remedied by Lender	45
26.05 Court Action Preventing Lender's Action	45
26.06 Lender's Rights to Record, Foreclose and Assign	46
26.07 Annual Rent After Lender Foreclosure, Deed in Lieu of Foreclosure or Assignment	48
26.08 Permitted Uses After Lender Foreclosure	48
ARTICLE 27: CONDEMNATION AND TAKINGS	48
27.01 Parties' Rights and Obligations to be Governed by Agreement	49
27.02 Total Taking	49
27.03 Partial Taking	49
27.04 Effect on Rent	50
27.05 Restoration of Improvements	50
27.06 Award and Distribution	50
27.07 Payment to Lenders	50
ARTICLE 28: ESTOPPEL CERTIFICATE	51
ARTICLE 29: QUITCLAIM	51
ARTICLE 30: EQUAL OPPORTUNITY	51
ARTICLE 31: CERTIFICATE OF PREFERENCE PROGRAM	52
ARTICLE 32: AGENCY LABOR STANDARDS PROVISIONS	52
ARTICLE 33: AGENCY MINIMUM COMPENSATION AND HEALTH CARE ACCOUNTABILITY POLICY	52
ARTICLE 34: CONFLICT OF INTEREST	52

ARTICLE 35: NO PERSONAL LIABILITY	52
ARTICLE 36: ENERGY CONSERVATION	53
ARTICLE 37: WAIVER	53
ARTICLE 38: TENANT RECORDS	53
ARTICLE 39: NOTICES AND CONSENTS	54
ARTICLE 40: HEADINGS	55
ARTICLE 41: SUCCESSORS AND ASSIGNS	55
ARTICLE 42: TIME	55
ARTICLE 43: PARTIAL INVALIDITY	55
ARTICLE 44: APPLICABLE LAW	55
ARTICLE 45: ATTORNEYS' FEES	56
ARTICLE 46: EXECUTION IN COUNTERPARTS	56
ARTICLE 47: RECORDATION OF MEMORANDUM OF GROUND LEASE	56
ARTICLE 48: TRANSFER OF PARTNERSHIP INTERESTS IN TENANT	56
ARTICLE 49: COMPLETE AGREEMENT	56

Attachments to Ground Lease

1. Legal Description of Site
2. Schedule of Performance
3. Agency Consent of Leasehold Mortgage
4. Operational Rules for Certificate Holder's Priority
5. Agency Employment and Contracting Policy Documents
6. Bayview Hunters Point Employment and Contracting Policy
7. Income Computation and Certification
8. Policy on the Inclusion and Funding Commercial space in
MOH/SFRA-Funded Housing Developments

GROUND LEASE

This GROUND LEASE ("Ground Lease") is entered into as of _____, 2011 by and between the REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic, as landlord ("Agency" or "Landlord"), and THIRD & LECONTE ASSOCIATES, L.P., a California limited partnership, as tenant (the "Tenant").

RECITALS

A. In furtherance of the objectives of the Community Redevelopment Law of the State of California, the Agency has undertaken a program to redevelop and revitalize blighted areas in the City and County of San Francisco (the "City").

B. The Agency desires to encourage the development of residential rental developments as affordable housing by lending or expending tax increment housing set-aside funds for such developments and by providing developers with site control necessary for such developments in the form of long-term ground leases.

C. On February 17, 2009, by Resolution No. 22-2009, the Agency Commission approved a tax increment loan agreement in the amount of \$3,075,000 ("Acquisition Loan"), and a tax increment predevelopment loan agreement in the amount of \$1,812,059 ("Predevelopment Loan") with Tenant. The loans, together totaling \$4,887,059, were funded under the Tax Increment Affordable Housing Fund for the purpose of acquiring 6600 Third Street ("Site") and developing 73 units of supportive rental housing for low- and very-low income residents ("Project").

D. On March 1, 2011, by Resolution No. 21-2011, the Commission approved the transfer of \$572,265 from the Predevelopment Loan to the Acquisition Loan so that the Acquisition Loan

accurately reflected the full value of land-related costs associated with the Site. By Resolution No. 23-2011, the Commission further approved a permanent loan agreement with Tenant in the amount of \$17,149,956, a value inclusive of previously disbursed predevelopment funds.

E. The Acquisition Loan includes a provision requiring Tenant to hold fee title for the Site in trust for the Agency until the time of the Project's construction loan closing. It obligates Tenant to transfer the Site to the Agency at the closing as full repayment of the Borrower's Acquisition Loan debt, and requires Tenant and Agency's execution of a long-term ground lease agreement under which Tenant would develop the Project and own and operate the Site's improvements.

NOW THEREFORE, in consideration of the mutual obligations of the parties hereto, the Landlord hereby leases to Tenant, and Tenant hereby leases from the Landlord, the Site, subject to the terms, covenants, agreements and conditions hereinafter set forth, to each and all of which the Landlord and Tenant hereby mutually agree.

ARTICLE 1: DEFINITIONS

Terms used herein have the meanings given them when first used or as set forth in this Article 1, unless the context clearly requires otherwise.

1.01 Agency means the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, exercising its functions and powers and organized and existing under the Community Redevelopment Law of the State of California (Health and Safety Code section 33000 et seq., the "**Law**"), and includes any successor public agency designated by or pursuant to law. The Agency is the owner of the Site.

1.02 Annual Rent is defined in Article 4.

1.03 Area Median Income ("AMI") the area median income as determined by the United States Department of Housing and Urban Development for the San Francisco Primary Metropolitan Statistical Area, adjusted solely for actual household size, and as published annually by the San Francisco Mayor's Office of Housing.

1.04 Effective Date means the date set forth in the first paragraph of this Agreement.

1.05 First Lease Payment Year means the year in which the Project receives a Certificate of Occupancy for all residential units.

1.06 First Mortgage Lender means any lender and its successors, assigns and participants or other entity holding the first deed of trust on the Leasehold Estate.

1.07 Ground Lease means this Ground Lease of the Site, as amended from time to time.

1.08 Improvements mean all physical construction, including all structures, fixtures and other improvements to be constructed on the Site.

1.09 Landlord means the Agency and its successors and assigns.

1.10 Lease Year means each calendar year during the term hereof, beginning on January 1 and ending on December 31, provided that the "**First Lease Year**" shall commence on the Effective Date and continue through December 31st of that same calendar year. Furthermore, the "**Last Lease Year**" shall end upon the expiration of the term hereof.

1.11 Leasehold Estate means the estate held by the Tenant pursuant to and created by this Ground Lease.

1.12 Leasehold Mortgage means any mortgage, deed of trust, trust indenture, letter of credit or other security instrument, including but not limited to the deeds of trust securing the First Mortgage Lender and which are part of the Loan Documents, and any assignment of the

rents, issues and profits from the Site, or any portion thereof, which constitute a lien on the Leasehold Estate created by this Ground Lease and have been approved in writing by the Landlord.

1.13 Lender means any entity holding a Leasehold Mortgage.

1.14 Loan Documents means those certain loan agreements, notes, deeds of trust and declarations and any other documents executed and delivered in connection with the construction and permanent financing for the Project.

1.15 Local Operating Subsidy Program ("LOSP") means any program of the City and/or County of San Francisco that provides operating income to the Project to offset costs associated with the provision of housing and services to very low-income formerly homeless residents.

1.16 LOSP Subsidy Year means any Lease Year in which the Project receives a payment under the LOSP.

1.17 Occupant means any person or entity authorized by Tenant to occupy a residential unit on the Site, or any portion thereof.

1.18 Premises means the Site together with any Improvements thereon.

1.19 Permitted Limited Partner means a corporation or other legally organized entity approved for admission by Landlord to Third & LeConte Associates, LP, for the purpose of providing affordable housing qualifying for the low-income housing tax credit under Internal Revenue Code Section 42.

1.20 Project means the Improvements, consisting of a total of 73 dwelling units comprised of 72 units of affordable housing and one manager's unit, plus community space,

support services spaces, common and other ancillary uses. If indicated by context, Project means the leasehold interest in the Site and the fee interest in the Improvements on the Site.

1.21 Site means the real property as more particularly described in the Legal Description attached hereto as Attachment 1.

1.22 Subsequent Owner means any successor (including a Lender or an affiliate or assignee of a Lender as applicable) to the Tenant's interest in the Leasehold Estate and the Improvements who acquires such interest as a result of a foreclosure, deed in lieu of foreclosure, or transfer from a Lender, its affiliate, and any successors to any such person or entity.

1.23 Subsidy Reserve Account means a checking account maintained by Tenant for the purpose of maintaining any Local Operating Subsidy Program funds that were not used during a given LOSP Subsidy Year to be used in the next LOSP Subsidy Year, which shall be held in a bank or savings and loan institution acceptable to the Agency as a segregated account insured by the Federal Deposit Insurance Corporation or other comparable federal insurance program, and used only for the purposes specified in Section 9.02.

1.24 Surplus Cash means all revenue generated from the Premises remaining in any given Lease Year after deduction of all operating expenses, debt service, and reserve deposits as agreed to in writing by Agency and the Lenders, and Permitted Limited Partner. All permitted uses and distributions of Surplus Cash shall be governed by Section 6.02(g) of this Ground Lease.

1.25 Tenant is defined in the first paragraph, and its successors and assigns (or a Subsequent Owner, where appropriate).

1.26 Very Low-Income Households means households earning no more than fifty percent (50%) of Area Median Income.

Whenever an Attachment is referenced under this Ground Lease, it means an attachment to this Ground Lease unless otherwise specifically identified. Whenever a section, article or paragraph is referenced under this Ground Lease, it is a reference to this Ground Lease unless otherwise specifically referenced.

ARTICLE 2: TERM

(a) Initial Term. The term of this Ground Lease shall commence upon the Effective Date and shall end seventy (70) years from that date, unless extended pursuant to section (b) below, or early terminated by the parties.

(b) Option for Extension. Provided that the Tenant is not in default of the terms of this Ground Lease either at the time of giving of an Extension Notice, as described in subparagraph (c) below, or on the last day of the term (the "**Termination Date**"), the term of this Ground Lease may be extended at the option of the Tenant for one twenty- nine (29) year period as provided below.

(c) Notice of Extension. Tenant shall have one (1) option to extend the term of this Ground Lease for a period of twenty-nine (29) years from the Termination Date. Not later than one hundred eighty (180) days prior to the Termination Date, the Tenant may notify the Landlord in writing that it wishes to exercise its option to extend the term of this Ground Lease (an "Extension Notice"). Upon Tenant's exercise of this option, the Initial Term shall be extended for twenty-nine (29) years from the Termination Date, for a total Ground Lease term of ninety-nine (99) years ("Extended Term").

(d) Rent During Extended Term. Rent for any extended term will be as set forth in Article 4.

(e) Right of First Refusal. If during the term or extended term of this Ground Lease, the Agency desires to sell its interest in the Site, the Tenant shall have the right of first refusal to purchase the Site as set forth in Section 14.02.

ARTICLE 3: FINANCING

Tenant shall submit to the Landlord in accordance with the dates specified in the Schedule of Performance, Attachment 2, for approval by the Landlord, evidence satisfactory to the Landlord that Tenant has sufficient equity capital and commitments for construction and permanent financing, and/or such other evidence of capacity to proceed with the construction of the Improvements in accordance with this Ground Lease, as is acceptable to the Landlord.

ARTICLE 4: RENT

4.01 Annual Rent For LOSP

(a) LOSP Annual Rent: As long as the Project is receiving LOSP Subsidy and is in compliance with LOSP, the annual rent during the Initial Term and the Extended Term, if any, shall be One Dollar (\$1.00).

4.02 Annual Rent For Project at 50% AMI Affordability or Below (Not Formerly Homeless)

(a) Non-LOSP Annual Rent: Section 4.01 notwithstanding, if the Project ceases to lease vacant units to homeless households but remains in compliance with the affordability restrictions contained in Section 9.02, then the Annual Rent shall be equal to ten percent (10%) of the appraised value of the Site as determined by an MAI appraiser selected by and at the sole cost of the Landlord. The Annual Rent shall be divided into Base Rent and Residual Rent as set forth below.

(b) Non-LOSP Base Rent: "**Base Rent**" means, in any given Lease Year, FIFTEEN

THOUSAND DOLLARS (\$15,000) per annum. Base Rent shall be due in arrears on January 31st following each applicable Lease Year.

(i) Base Rent Accrual: If the Project does not have sufficient Surplus Cash (as defined in Section 4.04) to pay Base Rent in any applicable Lease Year, and the Agency has received written notice from Tenant regarding its inability to pay Base Rent from Surplus Cash, the unpaid amount shall be deferred and all such deferred amounts shall accrue without interest until paid ("**Base Rent Accrual**"). The Base Rent Accrual shall be due and payable each year from and to the extent Surplus Cash is available to make such payments as provided in Section 6.02(g) and, in any event, upon the earlier of sale of the Project or termination of this Ground Lease.

(ii) Base Rent Late Fee: If Tenant has not provided Agency with written notice that it cannot pay Base Rent due to insufficient Surplus Cash, the Agency shall assess a late payment penalty of two percent (2%) for each month or any part thereof that any Base Rent payment is delinquent. The Tenant may request in writing that the Agency waive such penalties by describing the reasons for Tenant's failure to pay Base Rent and Tenant's proposed actions to insure that Base Rent will be paid in the future. The Agency may, in its sole discretion, waive in writing all or a portion of such penalties if it finds that Tenant's failure to pay Base Rent was beyond Tenant's control and that Tenant is diligently pursuing reasonable solutions to remedy such failure to pay.

(c) Non-LOSP Residual Rent: "**Residual Rent**" means, in any applicable Lease Year, the difference between Annual Rent and Base Rent. Residual Rent shall be due in arrears on April 15th following each applicable Lease Year, payable only to the extent of Surplus Cash as provided in Section 6.02(g) below, and any unpaid Residual Rent shall not accrue. Tenant

shall certify to the Landlord in writing by April 15 that available Surplus Cash is insufficient to pay Residual Rent and Tenant shall provide to Landlord any supporting documentation reasonably requested by Landlord to allow Landlord to verify the insufficiency.

(d) Non-LOSP Extended Term: If the Tenant elects to extend the term of this Ground Lease pursuant to Article 2 above, Annual Rent during any such extended term shall be equal to ten percent (10%) of the then current appraised value of the Site as determined by an MAI appraiser selected by and at the sole cost of the Landlord, taking into account the affordability restrictions contained in this Ground Lease. The Annual Rent shall be divided into Base Rent and Residual Rent as set forth Sections 4.02(b) and (c) above.

4.03 Annual Rent After Lender Foreclosure, Deed in Lieu of Foreclosure or Assignment

(a) Notwithstanding Sections 4.01 and 4.02, if a Subsequent Owner acquire title to the Leasehold Estate and Improvements, then the Annual rent shall be set according to Section 26.07.

4.04 Triple Net Lease

This Ground Lease is a triple net lease and the Tenant shall be responsible to pay all costs, charges, taxes, impositions and other obligations related thereto. If the Landlord pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, the Landlord will be entitled to be reimbursed by Tenant the full amount of such payments as additional rent within thirty (30) days of written demand by Landlord. Failure to timely pay the additional rent shall be an event of default.

ARTICLE 5: LANDLORD COVENANTS

The Landlord is duly created, validly existing and in good standing under the Law, and has full right, power and authority to enter into and perform its obligations under this Ground Lease. Landlord covenants and warrants that the Tenant and its tenants shall have, hold and enjoy, during the lease term, peaceful, quiet and undisputed possession of the Site leased without hindrance or molestation by or from anyone so long as the Tenant is not in default under this Ground Lease.

ARTICLE 6: TENANT COVENANTS

Tenant covenants and agrees for itself, and its successors and assigns to or of the Site, or any part thereof, that:

6.01 Limited Partnership/Authority

Tenant is a California limited partnership and has full rights, power and authority to enter into and perform its obligations under this Ground Lease.

6.02 Use of Site and Rents

During the term of this Ground Lease, Tenant and such successors and assigns shall comply with the following requirements:

(a) Permitted Uses

Except as provided in Sections 26.06 and 26.07 of this Ground Lease, Tenant shall devote the Site to, exclusively and in accordance with, the uses specified in this Ground Lease, as specified in Article 9 hereof, which are the only uses permitted by this Ground Lease.

(b) Non-Discrimination

Tenant shall not discriminate against or segregate any person or group of persons on account of race, color, creed, religion, ancestry, national origin, sex, gender identity, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status) in the

sale, lease, rental, sublease, transfer, use, occupancy, tenure or enjoyment of the Site or the Improvements, or any part thereof, nor shall Tenant itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of Occupants, subtenants or vendees on the Site or Improvements, or any part thereof, except to the extent permitted by law or required by funding source. Tenant shall not discriminate against tenants with certificates or vouchers under the Section 8 program or any successor rent subsidy program.

(c) Non-Discriminatory Advertising

All advertising (including signs) for sublease of the whole or any part of the Site shall include the legend "Equal Housing Opportunity" in type or lettering of legible size and design, or as required by applicable law.

(d) Access for Disabled Persons

Comply with all applicable laws providing for access for persons with disabilities, including, but not limited to, the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973.

(e) Equal Opportunity Marketing Plan

Tenant shall submit a Fair Housing Marketing Plan to be approved by the Agency which approval shall not be unreasonably withheld, conditioned or delayed. The Fair Housing Marketing Plan must follow the Agency's marketing requirements for such plans.

(f) Lead Based Paint

Tenant agrees to comply with the regulations issued by the Secretary of HUD set forth in 24 CFR Part 35 and all applicable rules and orders issued thereunder which prohibit the use of

lead-based paint in certain residential structures undergoing federally assisted construction and require the elimination of lead-based paint hazards:

(g) Permitted Uses of Surplus Cash

All annual rent revenue, prior to the calculation of Surplus Cash, shall be used to pay Project expenses in the following order: first to any and all operating expenses, including any required debt service to any First Mortgage Lender and required reserves deposits and fees contained in the loan documents evidencing loans, and, second to Base Rent, if applicable, all as agreed to in writing by Landlord. Any cash remaining after payment of each and all of the above mentioned obligations shall be deemed Surplus Cash. If the Tenant is in compliance with all applicable requirements and agreements under this Ground Lease, Tenant shall use Surplus Cash to make the following payments:

First, to applicable partnership and asset management fees (including investor asset management fees) in conformance with the San Francisco Mayor's Office of Housing Asset Management Fee & Partnership Management Fee Policy, as it may be amended from time to time; then to payments due under the Landlord's Loan Documents; then to Base Rent accrual, if any; then one-third (1/3) of remaining Surplus Cash to Tenant as an incentive management fee in an amount not to exceed \$500 per unit per year, to a maximum of \$50,000. The remaining two-thirds (2/3) of Surplus Cash, together with any additional Surplus Cash after payment of the Tenant's \$50,000 incentive management fee, shall be applied to Residual Rent.

6.03 Landlord Deemed Beneficiary of Covenants

In amplification, and not in restriction, of the provisions of the preceding subsections, it is intended and agreed that the Landlord shall be deemed beneficiary of the agreements and covenants provided in this Article 6 for and in its own right and also for the purposes of

protecting the interests of the community and other parties, public or private, in whose favor or for whose benefit such agreements and covenants have been provided. Such agreements and covenants shall run in favor of the Landlord for the entire period during which such agreements and covenants shall be in force and effect, without regard to whether the Landlord has at any time been, remains, or is an owner of any land or interest therein to, or in favor of, which such agreements and covenants relate. The Landlord shall have the right, in the event of any breach of any such agreements or covenants, in each case, after notice and the expiration of cure periods, to exercise all the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach of covenants, to which it or any other beneficiaries of such agreements or covenants may be entitled.

ARTICLE 7: ANNUAL INCOME COMPUTATION AND CERTIFICATION

Forty-five (45) days after recordation of a Notice of Completion (as defined in Section 10.14) by the Tenant for the Improvements, and not later than December 31st of each year thereafter, Tenant will furnish to the Landlord a list of all of the names of the persons who are Occupants of the Improvements, the specific unit which each person occupies, the household income of the Occupants of each unit, the household size and the rent being charged to the Occupants of each unit. If any state or federal agency requires an income certification for Occupants of the Improvements containing the above-referenced information, the Landlord agrees to accept such certification in lieu of an Income Computation and Certification substantially in the form attached hereto as Attachment 7 as meeting the requirements of this Ground Lease. In addition to such initial and annual list and certification, Tenant agrees to provide the same information and certification to the Landlord regarding each Occupant of the

Improvements not later than twenty (20) business days after such Occupant commences occupancy.

ARTICLE 8: CONDITION OF SITE - "AS IS"

Neither the Landlord, nor any employee, agent or representative of the Landlord has made any representation, warranty or covenant, expressed or implied, with respect to the Site, its physical condition, the condition of any improvements, any environmental laws or regulations, or any other matter, affecting the use, value, occupancy or enjoyment of the Site other than as set forth explicitly in this Ground Lease, and the Tenant understands and agrees that the Landlord is making no such representation, warranty or covenant, expressed or implied; it being expressly understood that the Site is being leased in an "AS IS" condition with respect to all matters.

ARTICLE 9: IMPROVEMENTS AND PERMITTED USES

9.01 Scope of Development and Schedule of Performance

Tenant agrees to undertake and complete all physical construction of the Improvements on the Site, as reasonably approved by the Landlord in this Ground Lease and the Loan Documents, and in accordance with the Schedule of Performance, Attachment 2.

9.02 Permitted Uses and Occupancy Restrictions

The permitted uses of the Project are limited to approximately seventy-two (72) residential dwelling units plus one manager's unit (collectively, the "Residential Units"), ground floor support services spaces and common areas. Upon the completion of construction, all of the Residential Units, with the exception of the manager's unit, shall be occupied or held vacant and available for rental by Very Low-Income Households. All Residential Units shall be occupied and rented in accordance with the guidelines prescribed or approved by all entities providing financing and/or equity to the Project, including, as applicable, the California Tax

Credit Allocation Committee, and the San Francisco Human Services Agency, or any successor program.

ARTICLE 10: CONSTRUCTION OF IMPROVEMENTS

10.01 General Requirements

Construction documents, including all drawings, specifications and other related documents necessary for the construction of the Improvements (the "Construction Documents"), shall be prepared by a person registered in and by the State of California to practice architecture, and the architect shall use, as necessary, members of associated design professions, including engineers and landscape architects to complete the Construction Documents.

10.02 Construction Documents Approvals and Rights of Landlord

On behalf of Landlord, Landlord's Deputy Executive Director – Housing shall have the right to reasonably approve the Construction Documents as in conformance with this Ground Lease, including, as applicable, any limitations established by the Landlord in its prior, reasonable approval of schematic drawings, preliminary construction documents and any other documents applicable to construction of the Improvements. Such approved Construction Documents shall be collectively referred to as the "Final Construction Documents."

10.03 Landlord Approvals and Limitation Thereof

The Landlord's determination respecting the compliance of the Construction Documents with the requirements of this Ground Lease shall be final and conclusive. Notwithstanding anything herein to the contrary, the Landlord's approval of the Construction Documents is not directed to engineering or structural matters or compliance with building codes and regulations, the Americans with Disabilities Act, or any other applicable State or Federal law relating to construction standards or requirements.

10.04 Timing of Landlord's Approval of Construction Documents

Tenant shall submit, and the Landlord shall approve or disapprove, the Construction Documents within the times established in the Attachment 2. Failure by the Landlord either to approve or disapprove within the times established in Attachment 2 shall entitle Tenant to a day-for-day extension of time for completion of those activities delayed as a result of Landlord's failure to timely approve or disapprove the Construction Documents.

10.05 Disapproval of Construction Documents by Landlord

If the Landlord disapproves the Construction Documents in whole or in part as not being in compliance with Redevelopment Requirements or this Ground Lease, Tenant shall submit new or corrected plans which are in compliance within thirty (30) days after written notification to it of disapproval, and the provision of this section relating to approval, disapproval and re-submission of corrected Construction Documents shall continue to apply until the Construction Documents have been approved by the Landlord; provided, however, that in any event Tenant must secure Landlord's approval of Construction no later than the date specified in the Attachment 2.

10.06 Construction to be in Compliance with Construction Documents and Law

The construction shall be in material compliance with the Landlord-approved Construction Documents, with Construction Documents as approved by the San Francisco Department of Building Inspection, and with all applicable local, State and Federal laws and regulations.

10.07 Issuance of Building Permits

(a) Tenant shall have the sole responsibility for obtaining all necessary building permits and shall make application for such permits directly to the City's Department of Building

Inspection and Landlord shall reasonably cooperate with Tenant in obtaining and applying for such permits. The Landlord understands and agrees that Tenant may use the Fast Track method of permit approval for building the Improvements.

(b) The Tenant is advised that the Central Permit Bureau forwards all building permits to the Agency for Agency approval of compliance with Agency requirements, subject to Section 10.03. Agency evidences such compliance by signing the permit and returning the permit to the Central Permit Bureau for issuance directly to the Tenant. Approval of any intermediate permit, however, is not approval of compliance with all Agency requirements or a full and final building permit.

10.08 Performance and Payment Bonds

Prior to commencement of construction of the Improvements, Tenant shall deliver to the Landlord performance and payment bonds, each for the full value of the cost of construction of the Improvements, which bonds shall name the Landlord as co-obligee, or such other completion security which is acceptable to the Landlord. Bonds shall be duly executed by a responsible corporate surety, authorized to issue such bonds in the State of California and secured through an authorized agent with an office in California.

10.09 Landlord Approval of Changes after Commencement of Construction

Once construction has commenced, Tenant must submit for Agency approval any proposed, material change to the Final Construction Documents, defined as any single change order of \$50,000 or more in value and any change order which causes the aggregate value of all change orders to exceed five percent (5%) of the Landlord's permanent loan amount to Tenant for the Project, as memorialized in the Loan Documents. Tenant shall direct any request to make a material change to the Final Construction Documents in writing to Landlord's Deputy

Executive Director – Housing, or his designee, with a copy to the Housing Division Construction Specialist. The Landlord shall approve or disapprove the change in writing within ten (10) days of receipt of the request. If the request is disapproved, the reply must specify the reasons for the disapproval.

10.10 Times for Construction

Tenant agrees to promptly begin and diligently prosecute to completion construction of the Improvements according to the schedule set forth in the Attachment 2, subject to force majeure, unless Landlord extends such dates.

10.11 Force Majeure

For the purposes of any of the provisions of this Ground Lease, neither the Landlord nor Tenant shall be considered in breach or default of its obligations, nor shall there be deemed a failure to satisfy Tenant's obligations enumerated in the Schedule of Performance in the event of enforced delay due to unforeseeable causes beyond its control and without its fault or negligence, including, but not restricted to, acts of God, or of the public enemy, acts of the government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, general scarcity of materials and unusually severe weather or delays of subcontractors due to such causes; it being the purposes and intent of this provision that in the event of the occurrence of any such enforced delay, the time or times for the satisfaction of conditions to this Ground Lease including those with respect to construction of the Improvements, shall be extended for the period of the enforced delay; provided, however, that the party seeking the benefit of the provisions of this paragraph shall have notified the other party in writing of the cause or causes thereof within thirty (30) days after the beginning of any such enforced delay and requested an extension for the period of the enforced delay.

10.12 Reports

Until completion of construction of the Improvements, Tenant shall make a report in writing to the Landlord every three (3) months, in such detail as may reasonably be required by the Landlord, as to the actual progress of the Tenant with respect to construction.

10.13 Access to Site

Tenant shall permit access to the Site to the Landlord and the City to the extent necessary to carry out the purposes of the provisions of this Ground Lease, during normal business hours, at reasonable times and upon reasonable advance notice.

10.14 Notice of Completion

Promptly upon completion of the construction of the Improvements in accordance with the provisions of this Ground Lease, Tenant shall timely file a Notice of Completion ("NOC"), and record such NOC in the San Francisco Recorder's Office. Tenant shall provide Landlord with a copy of the recorded NOC.

10.15 Completion of Improvements by New Developer

If Lender obtains a deed in lieu of foreclosure or otherwise acquires Tenant's interest in the Improvements and undertakes their construction, Lender shall be considered a "New Developer." Such New Developer shall not be bound by the provisions of the Attachment 2 with respect to any deadlines for the completion of the Improvements but shall be required to complete the Improvements with due diligence and in conformance with a new Schedule of Performance as agreed upon by the New Developer and the Landlord and complete the Improvements in accordance with the Final Construction Documents and all applicable local, State and Federal laws and regulations. Notwithstanding anything herein to the contrary, Landlord and New Developer shall negotiate in good faith such reasonable amendments and

modifications to the Final Construction Documents and this Section 10 as the parties mutually determine to be necessary based upon the financial and construction conditions then existing.

ARTICLE 11: COMPLETION OF IMPROVEMENTS

11.01 Certificate of Completion - Issuance

Promptly after completion of the construction of the Improvements in accordance with the provisions of this Ground Lease, the Landlord will furnish Tenant with an appropriate instrument so certifying. Such certification by the Landlord shall be a conclusive determination of satisfaction and termination of the agreements and covenants of this Ground Lease with respect to the obligation of Tenant, and its successors and assigns, to construct the Improvements in accordance with Landlord-approved Final Construction Documents and the dates for the beginning and completion thereof; provided, however, that such determination shall only be withheld because of failure to carry out specific requirements of this Ground Lease; provided further, that such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of Tenant to any Lender, or any insurer of a mortgage, securing money loaned to finance the construction or any part thereof; provided further, that Landlord's issuance of any Certificate of Completion does not relieve Tenant or any other person or entity from any and all City requirements or conditions to occupancy of the Improvements, which requirements or conditions must be complied with separately.

11.02 Certification of Completion - Non-Issuance Reasons

If the Landlord shall refuse or fail to provide any certification in accordance with the provisions of Section 11.01, the Landlord shall provide Tenant with a written statement, within fifteen (15) days after written request by Tenant, indicating in adequate detail in what respects Tenant has failed to complete the construction of the Improvements in accordance with the provisions of this Ground Lease and what measures or acts will be necessary, in the opinion of the Landlord, for Tenant to take or perform in order to obtain such certification.

11.03 Certifications to be Recordable

All certifications provided for in this section shall be in such form as will enable them to be recorded with the San Francisco Recorder's Office.

ARTICLE 12: CHANGES TO THE IMPROVEMENTS

12.01 Post-Completion Changes

The Landlord has a particular interest in the Site and in the nature and extent of the permitted changes to the Improvements. Accordingly, it desires to and does hereby impose the following particular controls on the Site and on the Improvements: during the term of this Ground Lease, Tenant shall not make or permit any Change (as defined in Section 12.02) in the Improvements, unless the express prior written consent for any change shall have been requested in writing from the Landlord and obtained upon such terms and conditions as the Landlord may reasonably require. The Landlord agrees not to withhold, condition or delay its response to such a request unreasonably.

12.02 Definition of Change

"Change," as used in this Article, means any alteration, modification, addition and/or substitution of or to the Site, the Improvements, and/or the density of development which differs materially from that which existed upon the completion of construction of the Improvements in

accordance with this Ground Lease, and shall include without limitation the exterior design, exterior materials and/or exterior color. For purposes of the foregoing, exterior shall mean and include the roof of the Improvements. Changes shall not include repairs, maintenance and interior alterations in the normal course of operation of a multi-family housing development or as may be required in an emergency to protect the safety and well-being of the Occupants, the Tenant, Tenant's tenants or subtenants, or anyone lawfully permitted on the Site.

12.03 Enforcement

Subject to Article 19 hereof, Landlord shall have any and all remedies in law or equity (including, without limitation, restraining orders, injunctions and/or specific performance), judicial or administrative, to enforce the provisions of this Article 12, including without limitation any actual breach or violation thereof.

ARTICLE 13: TITLE TO IMPROVEMENTS

Fee title to any Improvements shall be vested in Tenant and shall remain vested in Tenant during the term of this Ground Lease, subject to Section 14.01 below. Subject to the rights of any Lenders and as further consideration for the Landlord entering into this Ground Lease, at the expiration or earlier termination of this Ground Lease, fee title to all the Improvements shall vest in the Landlord without further action of any party, without any obligation by the Landlord to pay any compensation therefor to Tenant and without the necessity of a deed from Tenant to the Landlord.

ARTICLE 14: ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE

14.01 Assignment, Sublease or Other Conveyance by Tenant

Tenant may not sell, assign, convey, sublease, or transfer in any other mode or form all or any part of its interest in this Ground Lease or in the Improvements or any portion thereof, other

than to Lender(s), or allow any person or entity to occupy or use all or any part of the Site, other than leases to residential tenants in the ordinary course of business and, as applicable, leases or subleases, as applicable, to commercial tenants for the leasing of commercial space on the Site or to service providers or vendors, nor may it contract or agree to do any of the same, without the prior written approval of the Agency, which approval shall not be unreasonably withheld or delayed. Tenant may sell, assign, convey, sublease or transfer its interests in this Ground Lease and in the Improvements to a nonprofit public benefit corporation affiliate of Mercy Housing California with thirty (30) days' prior written notice to the Agency.

The Agency reserves the right to review and approve any commercial leases for the Improvements, which shall be subject to the Policy on the Inclusion and Funding Commercial space in MOH/SFRA-Funded Housing Developments (Attachment 8).

14.02 Assignment, Sublease or Other Conveyance by Landlord

The parties acknowledge that any sale, assignment, transfer or conveyance of all or any part of the Landlord's interest in the Site, the Improvements, or this Ground Lease, is subject to this Ground Lease. The Landlord will require that any purchaser, assignee or transferee expressly assume all of the obligations of the Landlord under this Ground Lease by a written instrument recordable in the Official Records of the City. This Ground Lease shall not be affected by any such sale, and Tenant shall attorn to any such purchaser or assignee. In the event that the Landlord intends to sell all or any part of the Site, the Landlord shall notify Tenant of the proposed terms of such sale not later than ninety (90) days before the anticipated close of escrow. Tenant shall have sixty (60) days from the giving of such notice to exercise a right of first refusal to purchase the Site on the same terms and conditions of such proposed sale.

ARTICLE 15: TAXES

Tenant agrees to pay, or cause to be paid, when due to the proper authority, any and all valid taxes, assessments and similar charges on the Site which become effective after the Effective Date of this Ground Lease, including all taxes levied or assessed on the possession, use or occupancy, as distinguished from the ownership, of the Site. Tenant shall not permit any such taxes, charges or other assessments to become a defaulted lien on the Site or the Improvements thereon; provided, however, that in the event any such tax, assessment or similar charge is payable in installments, Tenant may make, or cause to be made, payment in installments; and, provided further, that Tenant may contest the legal validity or the amount of any tax, assessment or similar charge, through such proceedings as Tenant considers necessary or appropriate, and Tenant may defer the payment thereof so long as the validity or amount thereof shall be contested by Tenant in good faith and without expense to the Landlord. In the event of any such contest, Tenant shall protect, defend and indemnify the Landlord against all loss, cost, expense or damage resulting there from, and should Tenant be unsuccessful in any such contest, Tenant shall forthwith pay, discharge, or cause to be paid or discharged, such tax, assessment or other similar charge. The Landlord shall furnish such information as Tenant shall reasonably request in connection with any such contest provided that such information is in Landlord's possession, control or is otherwise available to the public. Landlord hereby consents to and shall reasonably cooperate and assist with Tenant in applying for and obtaining any applicable exemptions from taxes or assessments levied on the Site, the Improvements or on Tenant's interest thereon.

ARTICLE 16: UTILITIES

Tenant shall procure water and sewer service from the City and electricity, telephone, natural gas and any other utility service from the City or utility companies providing such services, and shall pay all connection and use charges imposed in connection with such services.

As between the Landlord and Tenant, Tenant shall be responsible for the installation and maintenance of all facilities required in connection with such utility services to the extent not installed or maintained by the City or the utility providing such service.

ARTICLE 17: MAINTENANCE

Tenant, at all times during the term hereof, shall maintain or cause to be maintained the Premises in good condition and repair, including the exterior, interior, substructure and foundation of the Improvements and all fixtures, equipment and landscaping from time to time located on the Site or any part thereof. The Landlord shall not be obligated to make any repairs, replacements or renewals of any kind, nature or description whatsoever to the Site or any buildings or to improvements now or hereafter located thereon.

ARTICLE 18: LIENS

Tenant shall use its best efforts to keep the Site free from any liens arising out of any work performed or materials furnished by itself or its subtenants. If Tenant does not cause the same to be released of record or bonded around within twenty (20) days following written notice from the Landlord of the imposition of any such lien, the Landlord shall have, in addition to all other remedies provided herein and by law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All sums paid by the Landlord for such purpose, and all reasonable expenses incurred by it in connection therewith, shall be payable to the Landlord by Tenant on demand; provided, however, Tenant shall have the right, upon posting of an adequate bond or other security, to contest any such lien, and the Landlord shall not seek to satisfy or discharge any such lien unless Tenant has failed so to do within ten (10) days after the final determination of the validity.

thereof. In the event of any such contest, Tenant shall protect, defend, and indemnify the Landlord against all loss, cost, expense or damage resulting therefrom.

ARTICLE 19: GENERAL REMEDIES

19.01 Application of Remedies

The provisions of this Article 19 shall govern the parties' remedies for breach of this Ground Lease.

19.02 Notice and Cure Rights for Tenant and Permitted Limited Partner

(a) The Landlord may not exercise its remedies under this Ground Lease for a default by the Tenant unless and until (i) the Landlord has given written notice of any such default, in accordance with the notice provisions of Article 39, to Tenant and Permitted Limited Partner, and (ii) such default has not been cured within sixty (60) days, or such longer period as may be set forth herein, following the giving of such notice or, if such default cannot be cured within such 60-day period, such longer period as is reasonably necessary to cure such default, provided that such cure has been commenced within such 60-day period and is being prosecuted diligently to completion. If a Permitted Limited Partner cannot cure a default due to an automatic stay in Bankruptcy court because the general partner of the Tenant is in bankruptcy, any cure period will be tolled during the pendency of such automatic stay.

(b) The Landlord will not exercise its remedy to terminate this Ground Lease if a Permitted Limited Partner is attempting to cure the default and such cure requires removal of the General Partner, so long as the Permitted Limited Partner is proceeding diligently to remove the General Partner in order to effect a cure of such default.

19.03 Breach by Landlord

If Tenant believes a material breach of this Ground Lease has occurred, Tenant shall first notify the Landlord in writing of the purported breach, giving the Landlord sixty (60) days from receipt of such notice to cure such breach. If Landlord does not then cure or, if the breach is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then Tenant shall be afforded all of its rights at law or in equity by taking any or all of the following remedies: (i) terminating in writing this entire Ground Lease with the written consent of each Lender; (ii) prosecuting an action for damages; (iii) seeking specific performance of this Ground Lease; or (iv) any other remedy available at law or equity.

19.04 Breach by Tenant

(a) Default by Tenant

Subject to the notice and cure rights under Section 19.02, the following events each constitute a basis for the Landlord to take action against Tenant:

(i) Tenant fails to comply with the Permitted Uses and Occupancy Restrictions set forth in Section 9.02;

(ii) Tenant voluntarily or involuntarily assigns, transfers or attempts to transfer or assign this Ground Lease or any rights in this Ground Lease, or in the Improvements, except as permitted by this Ground Lease;

(iii) Tenant, or its successor in interest, shall fail to pay real estate taxes or assessments on the Premises or any part thereof when due, or shall place thereon any encumbrance or lien unauthorized by this Ground Lease, or shall suffer any levy or attachment to be made, or any material supplier's or mechanic's lien or any other unauthorized encumbrance or lien to attach, and such taxes or assessments shall not have been paid, or the encumbrance or lien

removed or discharged; provided, however, that Tenant shall have the right to contest any tax or assessment pursuant to Article 15 and Article 18 and, upon the posting of an adequate bond or other security, to contest any such lien or encumbrance. In the event of any such contest, Tenant shall protect, indemnify and hold Landlord harmless against all losses and damages, including reasonable attorneys' fees and costs resulting therefrom;

(iv) Tenant shall be adjudicated bankrupt or insolvent or shall make a transfer in fraud of creditors, or make an assignment for the benefit of creditors, or bring or have brought against Tenant any action or proceeding of any kind under any provision of the Federal Bankruptcy Act or under any other insolvency, bankruptcy or reorganization act and, in the event such proceedings are involuntary, Tenant is not dismissed from the same within sixty (60) days thereafter; or, a receiver is appointed for a substantial part of the assets of Tenant and such receiver is not discharged within sixty (60) days;

(v) Tenant breaches any other material provision of this Ground Lease;

(vi) Tenant fails to pay any portion of Annual Rent when due in accordance with the terms and provisions of this Ground Lease.

(b) Notification and Landlord Remedies

Upon the happening of any of the events described in Section 19.04(a) above and prior to exercising any remedies, the Landlord shall notify Tenant, the Permitted Limited Partner and each Lender in writing of the Tenant's purported breach, failure or act, giving Tenant sixty (60) days from receipt of such notice to cure such breach, failure or act. In the event Tenant does not cure or, if the breach, failure or act is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then, subject to the rights of any Lender and subject to Section 19.02 and Article 26,

the Landlord thereafter shall be afforded all of its rights at law or in equity, including any or all of the following remedies: (i) terminating in writing this Ground Lease; or (ii) prosecuting an action for damages or (iii) seeking specific performance of this Ground Lease; or (iv) increasing the Base Rent to the full amount of the Annual Rent.

Notwithstanding the foregoing, during the 15-year tax credit compliance period, Landlord may only terminate this Ground Lease for a default by Tenant under Section 19.04(a)(vi) above.

ARTICLE 20: DAMAGE AND DESTRUCTION

20.01 Insured Casualty

If the Improvements or any part thereof are damaged or destroyed by any cause covered by any policy of insurance required to be maintained by Tenant hereunder, Tenant shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to the condition thereof prior to such damage or destruction; provided, however, that if more than fifty percent (50%) of the Improvements are destroyed or are so damaged by fire or other casualty and if the insurance proceeds do not provide at least ninety percent (90%) of the funds necessary to accomplish the restoration, Tenant, with the written consent of Lender, may terminate this Ground Lease within thirty (30) days after the later of (i) the date of such damage or destruction, or (ii) the date on which Tenant is notified of the amount of insurance proceeds available for restoration. In the event Tenant is required or elects to restore the Improvements, all proceeds of any policy of insurance required to be maintained by Tenant under this Ground Lease shall be used by Tenant for that purpose and Tenant shall make up from its own funds or obtain additional financing as reasonably approved by the Landlord any deficiency between the amount of insurance proceeds available for the work of restoration and the actual cost thereof. In the event Tenant elects to terminate this Ground Lease pursuant to its right to do so under this

Section 20.01, or elects not to restore the Improvements, the insurance proceeds shall be disbursed in the order set forth in Section 20.03 below.

20.02 Uninsured Casualty

If (i) more than 50% of the Improvements are damaged or destroyed and ten percent (10%) or more of the cost of restoration is not within the scope of the insurance coverage; and (ii) in the reasonable opinion of Tenant, the undamaged portion of the Improvements cannot be completed or operated on an economically feasible basis; and (iii) there is not available to Tenant any feasible source of third party financing for restoration reasonably acceptable to Tenant; then Tenant may, with the written consent of each Lender, other than the Agency, terminate this Ground Lease upon ninety (90) days written notice to the Landlord. If it appears that the provisions of this Section 20.02 may apply to a particular event of damage or destruction, Tenant shall notify the Landlord promptly and not consent to any settlement or adjustment of an insurance award without the Landlord's written approval, which approval shall not be unreasonably withheld or delayed. In the event that Tenant terminates this Ground Lease pursuant to this Section 20.02, all insurance proceeds and damages payable by reason of the casualty shall be divided among Landlord, Tenant and Lenders in accordance with the provisions of Section 20.03. If Tenant does not have the right, or elects not to exercise the right, to terminate this Ground Lease as a result of an uninsured casualty, Tenant shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to their condition prior to such damage or destruction in accordance with the provisions of Section 20.01 and shall be entitled to all available insurance proceeds.

20.03 Distribution of the Insurance Proceeds

In the event of an election by Tenant to terminate and surrender as provided in either Sections 20:01 or 20:02, the priority and manner for distribution of the proceeds of any insurance policy required to be maintained by Tenant hereunder shall be as follows:

(a) First to the Lenders, in order of their priority, to control, disburse or apply to any outstanding loan amounts in accordance with the terms their respective Leasehold Mortgages;

(b) Second, to pay for the cost of removal of all debris from the Site or adjacent and underlying property, and for the cost of any work or service required by any statute, law, ordinance, rule, regulation or order of any federal, state or local government, or any agency or official thereof, for the protection of persons or property from any risk, or for the abatement of any nuisance, created by or arising from the casualty or the damage or destruction caused thereby;

(c) Third, to compensate Landlord for any diminution in the value (as of the date of the damage or destruction) of the Site as a raw development site caused by or arising from the damage or destruction; and

(d) The remainder to Tenant.

20.04 Clean Up of Housing Site

In the event the Tenant terminates this Ground Lease pursuant to the provisions of Sections 20.01 or 20.02 and the proceeds of any insurance policy are insufficient to pay the clean-up and other costs described in Section 20.03(b), Tenant shall have the obligation to pay the portion of such costs not covered by the insurance proceeds.

ARTICLE 21: DAMAGE TO PERSON OR PROPERTY; HAZARDOUS MATERIALS; INDEMNIFICATION

21.01 Damage to Person or Property - General Indemnification

Landlord shall not in any event whatsoever be liable for any injury or damage to any person happening on or about the Site, for any injury or damage to the Premises, or to any property of Tenant, or to any property of any other person, entity or association on or about the Site, unless arising from any gross negligence or willful misconduct of Landlord, the City or any of their commissioners, officers, agents or employees. Tenant shall defend, hold harmless and indemnify the Landlord, the City and their respective commissioners, officers, agents, and employees, of and from all claims, loss, damage, injury, actions, causes of action and liability of every kind, nature and description directly or indirectly arising from its tenancy, its use of the Site, including adjoining sidewalks and streets, and any of its operations activities thereon or connected thereto; provided, however, that this Article 21 shall not be deemed or construed to and shall not impose an obligation to indemnify and save harmless the Landlord, the City or any of their commissioners, officers, agents or employees from any claim, loss, damage, liability or expense, of any nature whatsoever, arising from or in any way related to or connected with any willful misconduct or gross negligence of the Landlord, the City, any of their commissioners, officers, agents, employees or by the person or entity seeking such indemnity.

21.02 Hazardous Materials –Indemnification

(a) Tenant shall indemnify, defend, and hold the Landlord and the City, and their respective commissioners, officers, agents and employees (individually, an "**Indemnified Party**" and collectively, the "**Indemnified Parties**") harmless from and against any and all losses, costs, claims, damages, liabilities, and causes of action of any nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and engineering consultants) incurred by or asserted against any Indemnified Party in connection with, arising out of, in response to, or in any manner relating to violation of any Environmental Law, or any Release,

threatened Release and any condition of pollution, contamination or Hazardous Substance related nuisance on, under or from the Site.

(b) For purposes of this Section 21.02, the following definitions shall apply:

(i) "Hazardous Substance" shall have the meaning set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended as of the date of this Agreement; 42 U.S.C. 9601(14), and in addition shall include, without limitation, petroleum (including crude oil or any fraction thereof) and petroleum products, asbestos, asbestos-containing materials, polychlorinated biphenyls ("PCBs"), PCB-containing materials, all hazardous substances identified in the California Health & Safety Code Section 25316 and Section 25281(d), all chemicals listed pursuant to the California Health & Safety Code 25249.8, and any substance deemed a hazardous substance, hazardous material, hazardous waste, or contaminant under Environmental Law. The foregoing definition shall not include substances that occur naturally on the Site.

(ii) "Environmental Law" shall include all federal, state and local laws, regulations and ordinances governing hazardous waste, wastewater discharges, drinking water, air emissions, Hazardous Substance releases or reporting requirements, Hazardous Substance use or storage, and employee or community right-to-know requirements related to the work being performed under this Agreement.

(iii) "Release" shall mean any spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment, including the abandonment or discharging of barrels, containers, and other closed receptacles containing any Hazardous Substance.

ARTICLE 22: INSURANCE AND FIDELITY BOND

22.01 Insurance Requirements for Tenant

During the term of this Ground Lease, Tenant shall procure and maintain insurance against claims for injuries to persons or damage to property that may arise from or in connection with the performance of any work hereunder and the result of that work by the Tenant, its agents, representatives, employees or subcontractors and the Tenant's use and occupancy of the Site and the Improvements. Coverage shall, at a minimum, conform to the requirements set forth in this Article 22.

22.02 General Liability Insurance

(a) Form: Insurance Services Office Commercial General Liability coverage ("occurrence" form CG 00 01).

(b) Limits: \$1,000,000 per occurrence, for bodily injury, personal injury and property damage, including completed operations. If the policy has a general aggregate, then the general aggregate limit shall apply separately to this Project or the general aggregate limit shall be twice the required occurrence limit.

(c) Additional Insureds: The policy must be endorsed to include the following as additional insureds: "The San Francisco Redevelopment Agency, the City and County of San Francisco and their respective commissioners, members, officers, agents and employees" with respect to liability arising out of work or operations performed by or on behalf of the Tenant related to the Project, products and completed operations including materials, parts, or equipment furnished in connection with such work or operations of the Tenant, and premises owned occupied or used by the Tenant. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, the City and their respective officers, agents, employees or

Commissioners arising out of work or operations performed by or on behalf of the Tenant in furtherance of this Ground Lease. General liability additional insured coverage can be provided in the form of an endorsement to the Tenant's insurance (at least as broad as ISO Form CG 20 10, 11 85 or both CG 20 10 and CG 20 37 forms if later revisions are used).

(d) Minimum Coverage: Liability arising out of activities performed or on behalf of Tenant related to the Project and products and completed operations of Tenant.

(e) General Requirements: In addition; the insurance shall comply with the general insurance requirements contained in Section 22.09.

22.03 Automobile Liability Insurance

(a) Form: ISO Form Number CA 00.01 Code 1 (any auto).

(b) Limits: \$1,000,000 per accident for bodily injury and property damage.

(c) Minimum Coverage: Liability arising out of automobiles owned, leased, hired or borrowed by Tenant. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, the City and their respective officers, agents, employees and arising out of the use of automobiles by the Tenant in furtherance of this Ground Lease.

(d) General Requirements: In addition, the insurance shall comply with the general insurance requirements contained in Section 22.09.

22.04 Workers' Compensation and Employers Liability Insurance

(a) Limits: Workers Compensation as required by the State of California, with Statutory Limits, and Employers Liability limits of no less than \$1,000,000 per accident for bodily injury or disease.

22.05 Professional Liability Insurance

(a) Tenant shall cause its architects and engineers to obtain and maintain professional liability insurance that meets the minimum requirements of this Section 22.05, and Tenant shall provide the Agency's Risk Manager with copies of the insurance certificates and endorsements showing such coverage.

(b) Limits: \$1,000,000 per occurrence or claim policy aggregate during the course of any new construction or remodeling in excess of \$100,000. Or, as a preferred alternative, Tenant may provide specific Professional Liability coverage with limits of \$1,000,000 per claim and \$2,000,000 in the policy aggregate.

(c) Minimum Coverage: Insurance covering all negligent acts, errors and omissions related to the professional's work in furtherance of the Project.

(d) Claims Made Coverage: If the Professional Liability insurance is "claims made" coverage:

i. The retroactive date, if applicable, must be shown, and must be before the date of the contract or the beginning of contract work.

ii. Insurance must be maintained and evidence of insurance must be provided for at least three (3) years beyond completion of the construction or remodeling.

iii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective date, the Tenant must purchase extended reporting period coverage for a minimum of three (3) years after completion of contract work.

iv. A copy of the claims reporting requirements must be submitted to the Agency for review.

(e) General Requirements: In addition, the insurance shall comply with the general insurance requirements contained in Section 22.09.

22.06 Property Insurance

(a) Tenant shall obtain and maintain insurance against "all risks" of direct physical loss to the Project and any tenant improvements or betterments, excluding earthquake and flood:

i. During the course of construction, Builder's Risk insurance in the form of Course of Construction coverage covering all risks of loss less policy exclusions, with limits equal to the full completed value of the Project; and

ii. Following completion of construction and for such time as Tenant owns the improvements, full replacement value of the Project.

(b) Such coverage shall contain no coinsurance penalty provision and name the Agency as a loss payee as its interests may appear.

22.07 Fidelity Bond

Tenant shall obtain a blanket fidelity bond or other form of commercial crime insurance acceptable to the Agency covering all officers and employees of Tenant for the loss of Loan funds, Project Income and Reserve Accounts caused by dishonesty in an amount not less than \$1,000,000. Should such a loss occur, Tenant agrees to diligently pursue recovery under the bond and to assign or remit to the Agency those funds owed to the Agency to the extent recovered.

22.08 General Requirements

(a) Deductibles and Self Insured Retentions: Any deductibles or self-insured retentions over \$25,000 must be declared to and approved by the Agency's Risk Manager. At the option of the Agency's Risk Manager, either the insurer shall reduce or eliminate such

deductibles or self-insured retentions as respects to the Agency, the City and their respective officers, agents, employees and Commissioners or Tenant shall procure a bond guaranteeing payment of losses and related investigation, claim administration and defense expenses within the retention.

(b) Waiver of Subrogation: Tenant hereby agrees to waive rights of subrogation which any insurer of Tenant may acquire from Tenant by virtue of the payment of any loss. Tenant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the Agency and the City for all work performed by the Tenant, its employees, agents and subcontractors.

(c) Acceptability of Insurers: Insurance is to be placed with insurers with a current A.M. Best rating of no less than A:VII, or as otherwise approved by the Agency's Risk Manager.

(d) Verification of Coverage: Tenant shall furnish Agency with original certificates of insurance and amendatory endorsements effecting coverage, or copies of the applicable policy language affecting coverage required by this agreement. All certificates and endorsements are to be received and approved by the Agency at the commencement of this Ground Lease and annually thereafter. However, failure to obtain the required documents shall not waive the Tenant's obligation to provide them. Agency reserves the right to require complete, certified copies of all required insurance policies at any time.

(e) Tenant's Insurance Is Primary: For any claims related to this Ground Lease, Tenant's insurance coverage shall be primary as respects the Agency, the City and their respective officers, agents, employees and Commissioners. Any insurance or self-insurance

maintained by the Agency, the City and their respective officers, agents, employees and Commissioners shall be excess of Tenant's insurance and shall not contribute with it.

(f) Failure to Report Not Applicable to Agency and City: Any failure of Tenant to comply with reporting provisions of the policy shall not affect coverage provided to the Agency, the City and their respective officers, agents, employees or Commissioners.

(g) Insurance Applied Separately To Each Insured: Tenant's insurance shall apply separately to each insured against whom claim is made or suit is brought in relation to this Project, except with respect to the limits of the insurers liability.

(h) Thirty Day Notice of Cancellation: Tenant is precluded from suspending, cancelling, terminating, or reducing the coverage or limits of, the insurance policies required by this Section without the prior written consent of the Agency at least thirty (30) days prior to its effective date. Tenant shall mail a copy of any cancellation notice it receives for any insurance policy required by this Section and any new or replacement insurance certificates to the Agency's Risk Manager within two (2) days of receipt from the insurance carrier.

(i) Additional Insurance Available to Tenant: If the Tenant maintains additional coverage or higher limits than the minimums shown above, the Agency requires and shall be entitled to the additional coverage and higher limits maintained by the Tenant.

(j) Subcontractors and Consultants: Tenant shall include all subcontractors and consultants as additional insureds under its policies or shall require and verify that all subcontractors and consultants maintain insurance meeting all of the requirements stated herein.

(k) Review of Minimum Limits. At no less than every five (5) years during the Term, the minimum limits of Insurance required in Article 22 may be adjusted at the reasonable

discretion of the Agency's Risk Manager to reflect current risk management practices in the City.

ARTICLE 23: COMPLIANCE WITH SITE-RELATED AND LEGAL REQUIREMENTS

23.01 Compliance with Legal Requirements

Tenant shall at its cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, with the requirements of any board of fire underwriters or other similar body now or hereafter constituted, with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, insofar as any thereof relates to or affects the condition, use or occupancy of the Site. In the event Tenant contests any of the foregoing, Tenant shall not be obligated to comply therewith to the extent that the application of the contested law, statute, ordinance, rule, regulation or requirement is stayed by the operation of law or administrative or judicial order and Tenant indemnifies the Landlord against all loss, cost, expense or damage resulting from noncompliance.

ARTICLE 24: ENTRY

The Landlord and its authorized agents shall have the right at all reasonable times during normal business hours and after forty-eight (48) hours written notice to Tenant (except in the event of an emergency when no written notice is required), subject to the rights of the Occupants, tenants and others that are lawfully permitted on the Site, to go on the Site for the purpose of inspecting the same or for the purpose of posting notices of nonresponsibility, or for police or fire protection.

ARTICLE 25: MORTGAGE FINANCING

25.01 No Encumbrances Except for Development Purposes

Notwithstanding any other provision of this Ground Lease and subject to the prior written consent of the Landlord in the form attached hereto as Attachment 3, which consent shall not be unreasonably withheld, conditioned or delayed, Leasehold Mortgages are permitted to be placed upon the Leasehold Estate only for the purpose of securing loans of funds to be used for financing the acquisition, design, construction, renovation or reconstruction of the Improvements and any other expenditures reasonably necessary and appropriate to acquire, own, develop, construct, renovate, or reconstruct the Improvements under this Ground Lease and in connection with the operation of the Improvements, and costs and expenses incurred or to be incurred by Tenant in furtherance of the purposes of this Ground Lease.

25.02 Holder Not Obligated to Construct

The holder of any mortgage, deed of trust or other security interest authorized by Section 25.01 ("Holder" or "Lender"), including the successors or assigns of such Holder, is not obligated to complete any construction of the Improvements or to guarantee such completion; nor shall any covenant or any other provision of this Ground Lease be construed so to obligate such Holder. However, in the event the Holder does undertake to complete or guarantee the completion of the construction of the Improvements, subject to Section 26.06(ii), nothing in this Ground Lease shall be deemed or construed to permit or authorize any such Holder or its successors or assigns to devote the Site or any portion thereof to any uses, or to construct any Improvements thereon, other than those uses or Improvements authorized under Section 9.02 subject to any reasonable modifications in plans proposed by any Holder or its successors in interest proposed for the viability of the Project, subject to the approval of Landlord which

approval shall not be unreasonably withheld. To the extent any Holder or its successors in interest wish to change such uses or construct different improvements, subject to Section 26.06(ii), that Holder or its successors in interest must obtain the written consent of the Landlord.

25.03 Failure of Holder to Complete Construction

In any case where six months after assumption of obligations pursuant to Section 25.02 above, a Holder, having first exercised its option to complete the construction, has not proceeded diligently with completion of the construction, the Landlord shall be afforded the rights against such Holder it would otherwise have against Tenant under this Ground Lease for events or failures occurring after such assumption; provided, however, if Lender has proceeded diligently with construction, the Schedule of Performance shall not apply to Lender if such Schedule of Performance has been replaced by the new Schedule of Performance pursuant to Section 10.15 of this Agreement, which new Schedule of Performance will apply to Lender.

25.04 Default by Tenant and Landlord's Rights

(a) Right of Landlord to Cure a Default or Breach by Tenant under a Leasehold Mortgage

In the event of a default or breach by Tenant in or of its obligations under any Leasehold Mortgage, and Tenant's failure to timely commence or diligently prosecute cure of such default or breach, the Landlord may, at its option, cure such breach or default at any time prior to one hundred nineteen (119) days after the date on which the Lender files a notice of default. In such event, the Landlord shall be entitled to reimbursement from Tenant of all costs and expenses reasonably incurred by the Landlord in curing the default or breach. The Landlord shall also be entitled to a lien upon the Leasehold Estate or any portion thereof to the extent of such costs and disbursements that are not reimbursed by Tenant. Any such lien shall be subject to the lien of

any then existing Leasehold Mortgage authorized by this Ground Lease, including any lien contemplated because of advances yet to be made. After ninety (90) days following the date of Lender filing a notice of default, the Landlord shall also have the right to assign Tenant's interest in the Ground Lease to another entity, subject to such Lender's and Permitted Limited Partner's written consent, but which may be conditioned, among other things, upon the assumption by such other entity of all obligations of the Tenant under the Leasehold Mortgage.

(b) Notice of Default to Landlord

Tenant shall use its best efforts to require Lender to give the Landlord prompt written notice of any such default or breach and each Leasehold Mortgage shall so provide and shall also contain the Landlord's right to cure as above set forth.

25.05 Cost of Mortgage Loans to be Paid by Tenant

Tenant covenants and affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of any Leasehold Mortgage, (ii) the delivery of any instruments and documents and their filing and recording, if required, and (iii) all taxes and charges payable in connection with any Leasehold Mortgage.

ARTICLE 26: PROTECTION OF LENDER

26.01 Notification to Landlord

Promptly upon the creation of any Leasehold Mortgage and as a condition precedent to the existence of any of the rights set forth in this Article 26, each Lender shall give written notice to the Landlord of the Lender's address and of the existence and nature of its Leasehold Mortgage. Execution of Attachment 3 shall constitute Landlord's acknowledgement of Lender's having given such notice as is required to obtain the rights and protections of a Lender under this

Ground Lease. The Landlord hereby acknowledges that the First Mortgage Lender and the Landlord are deemed to have given such written Notice.

26.02 Lender's Rights to Prevent Termination

Each Lender shall have the right, but not the obligation, at any time prior to termination of this Ground Lease and without payment of any penalty other than the interest on unpaid rent, to pay all of the rents due hereunder, to effect any insurance, to pay any taxes and assessments, to make any repairs and improvements, to do any other act or thing required of Tenant hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof to prevent a termination of this Ground Lease to the same effect as if the same had been made, done and performed by Tenant instead of by Lender.

26.03 Lender's Rights When Tenant Defaults

Should any event of default under this Ground Lease occur and is continuing, and not be cured within the applicable cure period, the Landlord shall not terminate this Ground Lease nor exercise any other remedy hereunder unless it first gives written notice of such event of default to Lender and

(i) If such event of default is a failure to pay a monetary obligation of Tenant, Lender shall have failed to cure such default within sixty (60) days from the date of written notice from the Landlord to Lender; or

(ii) If such event of default is not a failure to pay a monetary obligation of Tenant, Lender shall have failed, within sixty (60) days of receipt of said written notice, either (a) to remedy such default; or (b) to obtain title to Tenant's interest in the Site in lieu of foreclosure; or (c) to commence foreclosure or other appropriate proceedings in the nature

thereof (including the appointment of a receiver) and thereafter diligently prosecute such proceedings to completion, in which case such event of default shall be remedied or deemed remedied in accordance with Article 26.04 below.

All rights of the Landlord to terminate this Ground Lease as the result of the occurrence of any such event of default shall be subject to, and conditioned upon, the Landlord having first given Lender written notice of such event of default and Lender having failed to remedy such default or acquire Tenant's Leasehold Estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof as set forth in and within the time specified by this Section 26.03, and upon the Permitted Limited Partner having failed to proceed as permitted under Sections 19.02(b) or 26.06(iv).

26.04 Default That Cannot be Remedied by Lender

Any event of default under this Ground Lease which in the nature thereof cannot be remedied by Lender shall be deemed to be remedied if (i) within sixty (60) days after receiving notice from the Landlord setting forth the nature of such event of default, or prior thereto, Lender shall have acquired Tenant's Leasehold Estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation in accordance with the terms of this Ground Lease, and (iv) after gaining possession of the Improvements, Lender shall diligently proceed to perform all other obligations of Tenant as and when the same are due in accordance with the terms of this Ground Lease.

26.05 Court Action Preventing Lender's Action

If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in Sections 26.03 and 26.04 above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition. If this Ground Lease is terminated or rejected by Tenant in bankruptcy, the Landlord agrees to enter into a new ground lease with the Lender on the same terms set forth in this Ground Lease.

26.06 Lender's Rights to Record, Foreclose and Assign

The Landlord hereby agrees with respect to any Leasehold Mortgage, that

(i) Lender may cause same to be recorded and enforced, and upon foreclosure, sell and assign the Leasehold Estate created hereby to an assignee from whom it may accept a purchase price; subject, however, to Lender's first securing written approval from Landlord, which approval shall not be unreasonably withheld, and if the Subsequent Owner has elected to maintain the use restrictions of Article 9, said Subsequent Owner shall be controlled by a California nonprofit public benefit corporation exempt from tax under Section 501(c)(3) of the Internal Revenue Code such that the Premises receive an exemption from state property taxes as provided under Section 214 of the California Revenue and Taxation Code. Lender, furthermore, may acquire title to the Leasehold Estate in any lawful way, and if the Lender shall become the assignee, may sell and assign said Leasehold Estate subject to Landlord approval, which shall not be unreasonably withheld, and to the Landlord's rights under Article 25; and

(ii) Should the Lender acquire the Leasehold Estate hereunder by foreclosure or other appropriate proceedings in the nature of foreclosure or as the result of any other action

or remedy provided for by any Leasehold Mortgage, or should Lender sell or assign the same to a Landlord-approved purchaser or assignee, and any subsequent transfer to a Landlord-approved transferee, Lender or its purchaser or assignee, and any subsequent transferee, shall take said Leasehold Estate subject to all of the provisions of this Ground Lease, and shall, so long as and only so long as it shall be the owner of such estate, except as provided elsewhere in this Ground Lease, assume all of the obligations of Tenant under this Ground Lease; provided, however, the Lender or its purchaser or assignee may operate and maintain the seventy-three (73) Residential Units without any limitations on the rents charged or the income of the occupants thereof.

(iii) Landlord shall mail or deliver to any Lender that has an outstanding Leasehold Mortgage a duplicate copy of all notices which the Landlord may from time to time give to Tenant pursuant to this Ground Lease.

(iv) Any Permitted Limited Partner of Tenant shall have the same rights as any Lender under Sections 26.02, 26.03, and 26.06 (iii), and any reference to a Lender in said section shall be deemed to include such Permitted Limited Partner; provided, however, that the rights of such Permitted Limited Partner shall be subordinate to the rights of any Lender.

26.07 Annual Rent After Lender Foreclosure, Deed in Lieu of Foreclosure or Assignment

(a) From and after the time that the Subsequent Owner acquires title to the Leasehold Estate, Annual Rent shall be set as follows:

(b) The Annual Rent shall be the then fair market rental value, as determined pursuant to Section 26.07(d), taking into account any affordability restrictions agreed to by the Subsequent Owner, if any. Any accrued Annual Rent at the time of foreclosure shall be forgiven by the Landlord, and shall not remain an obligation of the Lender, its assignee, or the

Subsequent Owner. Subsequent to foreclosure, if the Subsequent Owner continues to operate the Project subject to the use and occupancy restrictions of Section 9.02, then Annual Rent otherwise due may, at the option of the Lender, be deferred until such time as the Project is no longer operated by the Lender subject to such restrictions. All deferred Annual Rent shall accrue, with simple interest at six percent (6%) per annum until paid, and shall be due and payable upon sale or assignment of the Project by Lender or within sixty (60) days after Lender ceases to operate the Project in accordance with such restrictions.

(c) If the Subsequent Owner exercises its rights under Section 26.06(ii) to operate the Project without being subject to Section 9.02, Annual Rent shall be the then fair market rental value, as determined pursuant to Section 26.07(d), taking into account any affordability restrictions agreed to by the Subsequent Owner, if any and the provisions of Section 6.02(g) shall be suspended.

(d) The fair market rental value shall be determined by a jointly-commissioned appraisal (instructions prepared jointly by the Subsequent Owner and the Landlord, with each party paying one half of the appraiser's fee) that will include a market land valuation, as well as a market land lease rent level. If the parties cannot agree on the joint appraisal instructions, either party may invoke a neutral third-party process in accordance with the rules of the American Arbitration Association.

26.08 Permitted Uses After Lender Foreclosure

Notwithstanding the above, in the event of a foreclosure and transfer to a Subsequent Owner, the Premises shall be operated in accordance with the uses specified in the building permit with all addenda, as approved by the Landlord.

ARTICLE 27: CONDEMNATION AND TAKINGS

27.01 Parties' Rights and Obligations to be Governed by Agreement

If, during the term of this Ground Lease, there is any condemnation of all or any part of the Site or any interest in the Leasehold Estate is taken by condemnation, the rights and obligations of the parties shall be determined pursuant to this Article 27, subject to the rights of any Lender.

27.02 Total Taking

If the Site is totally taken by condemnation, this Ground Lease shall terminate on the date the condemnor has the right to possession of the Site.

27.03 Partial Taking

If any portion of the Site is taken by condemnation, this Ground Lease shall remain in effect, except that Tenant may, with Lender's written consent, which consent shall not be unreasonably withheld, conditioned or delayed, elect to terminate this Ground Lease if, in Tenant's reasonable judgment, the remaining portion of the Improvements is rendered unsuitable for Tenant's continued use of the Site. If Tenant elects to terminate this Ground Lease, Tenant must exercise its right to terminate pursuant to this paragraph by giving notice to the Landlord within thirty (30) days after the Landlord notifies Tenant of the nature and the extent of the taking. If Tenant elects to terminate this Ground Lease as provided in this Section 27.03, Tenant also shall notify the Landlord of the date of termination, which date shall not be earlier than thirty (30) days nor later than six (6) months after Tenant has notified the Landlord of its election to terminate; except that this Ground Lease shall terminate on the date the condemnor has the right to possession of the Site if such date falls on a date before the date of termination as designated by Tenant. If Tenant does not terminate this Ground Lease within such thirty (30) day notice period, this Ground Lease shall continue in full force and effect.

27.04 Effect on Rent

If any portion of the Improvements is taken by condemnation and this Ground Lease remains in full force and effect, then on the date of taking the rent shall be reduced by an amount that is in the same ratio to the rent as the value of the area of the portion of the Improvements taken bears to the total value of the Improvements immediately before the date of the taking.

27.05 Restoration of Improvements

If there is a partial taking of the Improvements and this Ground Lease remains in full force and effect pursuant to Section 27.03, Tenant may, subject to the terms of the Leasehold Mortgage, use the proceeds of the taking to accomplish all necessary restoration to the Improvements.

27.06 Award and Distribution

Any compensation awarded, paid or received on a total or partial condemnation of the Site or threat of condemnation of the Site shall belong to and be distributed in the following order:

(i) First, to pay the balance due on any outstanding Leasehold Mortgages and other outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals and lease residuals, to the extent provided therein; and

(ii) Second, to the Tenant in an amount equal to the actual equity invested by the Tenant.

27.07 Payment to Lenders

In the event the Improvements are subject to the lien of a Leasehold Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid

to Tenant, such award shall be disposed of as provided in the Loan Documents of the Leasehold Mortgage.

ARTICLE 28: ESTOPPEL CERTIFICATE

The Landlord or Tenant, as the case may be, shall execute, acknowledge and deliver to the other and/or to Lender or a Permitted Limited Partner, promptly upon request, its certificate certifying (i) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that this Ground Lease is in full force and effect, as modified, and stating the modifications), (ii) the dates, if any, to which rent has been paid, (iii) whether there are then existing any charges, offsets or defenses against the enforcement by the Landlord or Tenant to be performed or observed and, if so, specifying the same, and (iv) whether there are then existing any defaults by Tenant or the Landlord in the performance or observance by Tenant or the Landlord of any agreement, covenant or condition hereof on the part of Tenant or the Landlord to be performed or observed and whether any notice has been given to Tenant or the Landlord of any default which has not been cured and, if so, specifying the same.

ARTICLE 29: QUITCLAIM

Upon expiration or sooner termination of this Ground Lease, Tenant shall surrender the Site to the Landlord and, at the Landlord's request, shall execute, acknowledge, and deliver to the Landlord a good and sufficient quitclaim deed with respect to any interest of Tenant in the Site. Title to the Improvements shall vest automatically in the Landlord as provided in Article 13 herein.

ARTICLE 30: EQUAL OPPORTUNITY

Tenant agrees to comply with all of the Equal Opportunity and related requirements attached hereto as Attachments 5 and 6.

ARTICLE 31: CERTIFICATE OF PREFERENCE PROGRAM

Tenant agrees to comply with the requirements of the Agency's Certificate Of Preference Program, as set forth in Attachment 4.

ARTICLE 32: AGENCY LABOR STANDARDS PROVISIONS

Tenant agrees to comply with the requirements of the Agency's Labor Standards Provisions as set forth in Attachment 5.

ARTICLE 33: AGENCY MINIMUM COMPENSATION AND HEALTH CARE

ACCOUNTABILITY POLICY

Tenant agrees that the Tenant and its subtenants, if any, will comply with the provisions of the Agency's Minimum Compensation Policy ("MCP") and Health Care Accountability Policy ("HCAP") (together, the "Policies") as such policies may be amended from time to time, and as set forth in Attachments 5.

ARTICLE 34: CONFLICT OF INTEREST

No commissioner, official, or employee of the Landlord shall have any personal or financial interest, direct or indirect, in this Ground Lease, nor shall any such commissioner, official, or employee participate in any decision relating to this Ground Lease which affects his or her personal interests or the interests of any corporation, partnership, or association in which he or she is directly or indirectly interested.

ARTICLE 35: NO PERSONAL LIABILITY

No commissioner, official, or employee of the Agency shall be personally liable to Tenant or any successor in interest in the event of any default or breach by the Agency or for any amount which may become due to Tenant or its successors or on any obligations under the terms of this Ground Lease.

ARTICLE 36: ENERGY CONSERVATION

Tenant agrees that it will use its best efforts to maximize provision of, and incorporation of, both energy conservation techniques and systems and improved waste-handling methodology in the construction of the Improvements.

ARTICLE 37: WAIVER

The waiver by the Landlord or Tenant of any term, covenant, agreement or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, agreement or condition herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be construed to waive or to lessen the right of the Landlord or Tenant to insist upon the performance by the other in strict accordance with the said terms. The subsequent acceptance of rent or any other sum of money hereunder by the Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant, agreement or condition of this Ground Lease, other than the failure of Tenant to pay the particular rent or other sum so accepted, regardless of the Landlord's knowledge of such preceding breach at the time of acceptance of such rent or other sum.

ARTICLE 38: TENANT RECORDS

Upon reasonable notice during normal business hours, and as often as the Landlord may deem necessary, there shall be made available to the Landlord and its authorized representatives for examination all records, reports, data and information made or kept by Tenant regarding its activities or operations on the Site. Nothing contained herein shall entitle the Landlord to inspect personal histories of residents or lists of donors or supporters. To the extent that it is permitted by law to do so, the Landlord will respect the confidentiality requirements of Tenant in regard to

the lists furnished by Tenant pursuant to Article 7 hereof, of the names of occupants of the residential portion of the Site.

ARTICLE 39: NOTICES AND CONSENTS

All notices, demands, consents or approvals which may be or are required to be given by either party to the other hereunder shall be in writing and shall be deemed to have been fully given when delivered in person to such representatives of Tenant and the Landlord as shall from time to time be designated by the parties for the receipt of notices, or when deposited in the United States mail, certified, postage prepaid, or by express delivery service with a delivery receipt and addressed as follows:

Tenant: Third & LeConte Associates, LP
Mercy Housing California
1360 Mission Street, 3rd Floor
San Francisco, CA 94103
Telephone: (415) 355-7100
Attn: Asset Management

With a copy to: The Providence Foundation of San Francisco
Attn: Executive Director
4601 Third Street
San Francisco, CA 94124

Landlord: San Francisco Redevelopment Agency
One South Van Ness Ave, 5th Floor
San Francisco, California 94103
Attn: Executive Director

or to such other address with respect to either party as that party may from time to time designate by notice to the other given pursuant to the provisions of this Article 39. Any notice given pursuant to this Article 39 shall be effective on the date of delivery or the date delivery is refused as shown on the delivery receipt.

ARTICLE 40: HEADINGS

Any titles of the several parts and sections of this Ground Lease are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions. "Paragraph" and "Section" may be used interchangeably.

ARTICLE 41: SUCCESSORS AND ASSIGNS

This Ground Lease shall be binding upon and inure to the benefit of the successors and assigns of the Landlord and Tenant and where the term "Tenant" or "Landlord" is used in this Ground Lease, it shall mean and include their respective successors and assigns; provided, however, that the Landlord shall have no obligation under this Ground Lease to, nor shall any benefit of this Ground Lease accrue to, any unapproved successor or assign of Tenant where Landlord approval of a successor or assign is required by this Ground Lease. At such time as Landlord sells the Site to any third party, Landlord shall require such third party to assume all of Landlord's obligations hereunder arising on and after the transfer in writing for the benefit of Tenant and its successors and assigns.

ARTICLE 42: TIME

Time is of the essence in the enforcement of the terms and conditions of this Ground Lease.

ARTICLE 43: PARTIAL INVALIDITY

If any provisions of this Ground Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Ground Lease and all such other provisions shall remain in full force and effect.

ARTICLE 44: APPLICABLE LAW

This Ground Lease shall be governed by and construed pursuant to the laws of the State of California.

ARTICLE 45: ATTORNEYS' FEES

If either of the parties hereto commences a lawsuit to enforce any of the terms of this Ground Lease, the prevailing party will have the right to recover its reasonable attorneys' fees and costs of suit, including fees and costs on appeal, from the other party.

ARTICLE 46: EXECUTION IN COUNTERPARTS

This Ground Lease and any memorandum hereof may be executed in counterparts, each of which shall be considered an original, and all of which shall constitute one and the same instrument.

ARTICLE 47: RECORDATION OF MEMORANDUM OF GROUND LEASE

This Ground Lease shall not be recorded, but a memorandum of this Ground Lease shall be recorded. The parties shall execute the memorandum in form and substance as required by a title insurance company insuring Tenant's leasehold estate or the interest of any Leasehold Mortgagee, and sufficient to give constructive notice of the Ground Lease to subsequent purchasers and mortgagees.

ARTICLE 48: TRANSFER OF PARTNERSHIP INTERESTS IN TENANT

Tenant may not admit an additional or successor Permitted Limited Partner, nor may Tenant admit a new co-general partner or replace the general partner without the express written consent of the Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

ARTICLE 49: COMPLETE AGREEMENT

There are no oral agreements between Tenant and the Landlord affecting this Ground Lease, and this Ground Lease supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings between Tenant and the Landlord with respect to the lease of the Site.

IN WITNESS WHEREOF, the Tenant and the Landlord have executed this Ground
Lease as of the day and year first above written.

TENANT:

THIRD & LECONTE ASSOCIATES, LP
a California limited partnership

By Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its managing general partner,

By: _____
Valerie Agostino
Its: Vice President

By: THE PROVIDENCE FOUNDATION OF SAN FRANCISCO, a California non-
profit public benefit corporation

By: _____
Helen Lamar
Its: Executive Director

LANDLORD:

**REDEVELOPMENT AGENCY OF THE CITY
AND COUNTY OF SAN FRANCISCO,**
a public body, corporate and politic

By: _____
Fred Blackwell
Executive Director

APPROVED AS TO FORM:

By: _____
James B. Morales
Agency General Counsel

Authorized by Agency Resolution No. _____-2011, adopted _____, 2011

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Third & LeConte Associates LP	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Third & LeConte Associates, LP, a California limited partnership consisting of two general partners, The Providence Foundation of San Francisco and Mercy Housing Calwest. Their relevant officers are as follows: For the Providence Foundation of San Francisco: Directors: James F. Blanding, President; Linnie Carington, Treasurer; Cliff Bell; Alpha Buie; Jason Butler; Julian Eison; Arlana Spikener; Alise Vincent; Bernadetta Anthony. Executive Director: Helen LaMar. For Mercy Housing Calwest: Directors: Valerie Agostino – Chair; Vince Dodd; Brian Shuman. Officers: Jane Graf – President; Vice Presidents: Lillian Murphy, Valerie Agostino, Brian Shuman, Greg Sparks, Ben Phillips, Ed Holder; Vice-President & Treasurer – Vince Dodds; Secretary – A. Bayley; Assistant Secretary – P. O'Roark	
Contractor address: 1360 Mission St., Third Floor, San Francisco, CA 94103.	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$1 Annually as long as it serves formerly homeless households per LOSP. (70 years)
Describe the nature of the contract that was approved: Approved and authorized the Redevelopment Agency to execute a ground lease agreement with Third & LeConte Associates LP, for lease of land at 1075 Le Conte Avenue, Assessors Block 009, Lot 5476, commonly known as 6600 Third Street, for a term of 70 years for the development of housing for formerly homeless households.	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed