

OPTION AGREEMENT FOR THE PURCHASE
AND SALE OF REAL ESTATE

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and the

HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO

For the option to purchase

Real property located at Assessor's Lot 001A and Block 4287

June 1, 2016

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LIST OF EXHIBITS

EXHIBIT A:	Legal Description of the Property
EXHIBIT B:	SFHA Deed
EXHIBIT C:	Memorandum of Option

OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL ESTATE

This Option Agreement for the Purchase and Sale of Real Estate (this “**Agreement**”), dated for reference purposes only as of June 1, 2016, is by and between the City and County of San Francisco, a municipal corporation (the “**City**”), and the Housing Authority of the City and County of San Francisco, a public body corporate and politic (“**SFHA**”). City and SFHA may each be referred to herein as a “**Party**” and together referred to herein as the “**Parties**”.

RECITALS

A. SFHA owns that certain real property located at the south eastern corner of 25th Street and Connecticut Street in San Francisco, California, as more particularly described in the attached Exhibit A, which together with all of SFHA’s interest in any improvements, fixtures, rights, privileges, and easements incidental or appurtenant thereto, shall be referred to herein as the “**Property**”.

B. City wishes to acquire an exclusive option to purchase the Property, on the terms and conditions set forth in this Agreement. In the event that the City exercises the option, City wishes to purchase the Property on the terms and conditions also set forth in this Agreement.

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, City and SFHA hereby agree as follows:

ARTICLE 1: OPTION TERMS

1.1 Grant of Option. On the Effective Date (as defined in Section 9.21), if any, SFHA shall grant to the City the irrevocable and exclusive option to purchase the Property (the “**Option**”) on the terms and conditions set forth herein. The term of the Option shall commence on the Effective Date, and shall expire on March 1, 2017 (the “**Option Term**”) or the earlier transfer of the Property to the City following the City's exercise of the Option. If the City exercises the Option, SFHA shall transfer and the City shall accept the Property on the Closing Date, subject to the terms set forth in this Agreement. If the City fails to exercise the Option during the Option Term, then the City's option to purchase the Property shall terminate as of the end of the Option Term.

1.2 Option Consideration. Within five (5) days of the Effective Date, the City shall pay to SFHA the sum of One Hundred Dollars (\$100) as consideration for the Option (the “**Option Consideration**”). The Option Consideration represents full compensation to SFHA for keeping the Property off the market during the Option Term and for agreeing to sell the Property to the City for the Purchase Price (defined below). The City and SFHA agree that the Option Consideration shall not be returned to the City under any circumstance, except as otherwise set forth in Section 8.1 of this Agreement.

1.3 Disposition of Option Consideration. Subject to City's remedies in Section 8.1 following a default by SFHA, if the City does not exercise the Option for any reason, SFHA shall be entitled to retain the Option Consideration and shall not be obligated to reimburse or otherwise credit such sums to the City.

1.4 Extension of Option Term. The City shall have the one-time right to elect to extend the Option Term to a date no later than December 31, 2017, by (i) delivering written notice to SFHA of its election to so extend the Option Term (“**Extension Notice**”) no later than February 17, 2017, which Extension Notice shall provide the expiration date of the Option Term as so extended, and (ii) delivering to SFHA the sum of \$100.00 (the “**Extension Consideration**”) as consideration for the extension of the Option no later than five (5) business days after delivery of the Extension Notice. If the City delivers the Extension Consideration, the full amount of the Extension Consideration shall become a part of the Option Consideration.

1.5 Exercise of Option.

(a) Subject to Section 1.5(b) and 1.5(c) below, the City may exercise this Option by delivering to SFHA before the expiration of the Option Term written notice of the exercise of the Option ("**Exercise Notice**") in the manner set forth in Section 9.1 hereof. In delivering the Exercise Notice, the City shall also deliver to SFHA evidence of the transaction’s authorization by the Board of Supervisors and the Mayor. In the event the City delivers the Exercise Notice, SFHA shall sell the Property to City, and City shall purchase the Property, at the Purchase Price, subject to the terms and conditions set forth herein.

(b) The City's exercise of the Option shall be subject to the prior approval of the Board of Supervisors and the Mayor, each in its sole and absolute discretion, and the appropriation of all necessary funds to pay the Purchase Price. The Parties acknowledge and agree that no prior approval from the Board of Supervisors or Mayor is necessary for the grant of the Option or payment of the Option Consideration, but that, notwithstanding the foregoing, no officer or employee of the City has the authority to commit the City to exercise the Option and purchase the Property unless and until the City’s Board of Supervisors and Mayor have each authorized the transaction. Therefore, any obligations or liabilities of the City hereunder that apply on or after delivery of the Exercise Notice are contingent upon the prior approval of the Board of Supervisors and Mayor, and this Agreement shall be null and void if such approvals are not obtained by the end of the Option Term.

1.6 Purchase Price if Option is Exercised. Under the Option, the City shall have the right to purchase the Property for a purchase price of One Dollar (\$1.00) (the "Purchase Price"). The Parties agree that this Purchase Price represents a below market price of the Property. A below market price is acceptable to both parties given the current underutilized nature of the Property and its future use by the City as affordable housing.

ARTICLE 2: PRE-CLOSING RIGHTS AND OBLIGATIONS

2.2 Due Diligence Investigation of SFHA Property.

(a) Entry. At all times during this term of this Agreement prior to the Closing Date, SFHA shall afford City and its Agents access to the Property so City, at its sole election, may independently conduct its due diligence review of all aspects of the Property and verify SFHA’s representations, warranties and covenants in this Agreement. Such activities may include tests of the environmental condition of the Property, including, without limitation, the drilling of test

wells and the taking of soil borings. City shall give SFHA notice of any planned entry of the Property by facsimile or phone to SFHA at least three (3) business days before such entry and shall conduct such entry and any inspections in a manner that reasonably minimizes interference with the current uses of the Property.

(b) On-Site Testing. Notwithstanding anything to the contrary in this Section 2.2, City shall not perform any invasive on-site testing of the Property without first obtaining SFHA's prior written consent. To obtain such consent, City shall notify SFHA of the identity of the party that will perform the testing, the proposed scope of the testing, and any other information reasonably requested by SFHA. SFHA shall have the right to reasonably approve or disapprove the proposed testing within ten (10) business days after receipt of such notice. In addition, SFHA may condition any such approval on the procurement of insurance (unless covered by City's self-insurance) and the release of any claims against SFHA by the party performing such testing. If City or its Agents takes any sample from the Property, upon written request, City shall provide to SFHA a portion of such sample being tested to allow SFHA, if it so chooses, to perform its own testing. SFHA or its representative may be present to observe any testing or other inspection performed on the SFHA Property. If Closing does not occur for any reason, City shall promptly deliver, or cause to be delivered, to SFHA one copy of any reports relating to any testing or other inspection of the Property performed by City or its Agents. City shall have the right to retain any other copies of such reports, provided that neither City nor its Agents shall disclose such information to other parties unless and except to the extent required by Applicable Law.

(c) Insurance. SFHA acknowledges that City is self-insured, and shall not require City to maintain insurance in connection with City's inspection of the Property.

(d) Indemnification. City hereby agrees to indemnify, protect, defend and hold harmless SFHA, including, but not limited to, all of its boards, commissions, departments, agencies and other subdivisions, all of the Agents of SFHA, and their respective heirs, legal representatives, successors and assigns (collectively, the "**SFHA Indemnified Parties**"), from and against any Losses arising out of or relating to the conduct of City or its Agents, as applicable, or its or their activities during any entry on, under or about the Property in performing any inspections, testings or inquiries thereof, whether prior to the date of this Agreement or during the term hereof, including, without limitation, any injuries or deaths to any party (including, without limitation, City's Agents) and damage to any property, from any cause whatsoever, except to the extent caused by the negligence or willful misconduct of SFHA. The foregoing indemnity shall not include any claims resulting from the discovery or disclosure of pre-existing environmental conditions or the non-negligent aggravation of pre-existing environmental conditions on, in, under or about the Property. If City's investigation of the Property causes any material alteration and this Agreement is terminated for any reason other than SFHA's default hereunder, City shall restore the Property to substantially the condition it was in prior to such investigation, subject to all Applicable Laws. This indemnity shall survive the termination of this Agreement or the Closing, as applicable.

2.3 Property Documents. From the Effective Date until the Closing or earlier termination of this Agreement, neither Party shall enter into any binding lease or contract with respect to the Property, or any amendment or assignment thereto, without first obtaining the other Party's prior

written consent, which consent shall not be unreasonably withheld or delayed. SFHA hereby consents to the City entering into an Option to Lease with a qualified affordable housing developer for purposes of affordable housing financing applications, should such applications be due prior to Closing; provided, however, that such consent shall not be deemed to waive, limit or impair any conditions to the Closing or grant any right to any party to develop any property owned by SFHA other than the Property.

2.4 No New Improvements; No New Liens; Maintenance. From the Effective Date until the Closing or earlier termination of this Agreement, SFHA agrees that it shall not: (i) construct any improvements on the Property, except to the extent that such improvements are pursuant to City's prior written approval; ii) encumber, lien, transfer, grant, lease or license all or any part of the Property, or enter into any contract affecting the Property that will survive the Closing, if any, except with the written consent of the Director of MOHCD, (iii) cause or authorize any Hazardous Material to be stored or brought onto the Property, or (iv) cause or authorize any use of the Property different from its current uses that would have a material adverse effect on the Property condition as of the Effective Date. In addition, from the Effective Date until the Closing or earlier termination of this Agreement, SFHA agrees to maintain the Property in its current condition and repair, reasonable wear and tear excepted, and to make all repairs, maintenance and replacements of any improvements and otherwise operate the Property in the same manner as before the making of this Agreement.

ARTICLE 3: TITLE

3.1 Conveyance of Title to the Property. If City delivers the Exercise Notice, at the Closing, SFHA shall convey its right, title and interest in and to the Property to City by using the form of grant deed attached hereto as Exhibit B (the "**SFHA Deed**").

3.2 Title Insurance; Title Review.

(a) Title Insurance. Delivery of title in accordance with the preceding Section shall be evidenced by the commitment of Chicago Title Insurance Company, at its office at 455 Market Street, Suite 2100, in San Francisco, California, 94105 (the "**Title Company**") to issue to City an ALTA 2006 extended coverage owner's policy of title insurance with standard exceptions removed (the "**Title Policy**") in the amount of an appraisal to be obtained by City at City's sole cost and expense, insuring fee simple title to the Property in City, free of the liens of any and all deeds of trust, mortgages, assignments of rents, financing statements, creditors' claims, rights of tenants or other occupants, and all other exceptions, liens and encumbrances except solely for the Accepted Conditions of Title (as defined below).

(b) Title Approval. During the Option Term, City shall obtain a preliminary title report from the Title Company describing the state of title of the Property (the "**Title Report**") and a survey of the Property (the "**Survey**"). City shall notify SFHA in writing ("**Title Objection Notice**") of any objections City may have to title exceptions or other matters ("**Disapproved Title Matters**") contained in the Report or on the Survey on or before that date which is thirty (30) days prior to the expiration of the Option Term. If City delivers the Title Objection Notice within said period, SFHA shall have a period of ten (10) days after receipt of the Title Objection Notice in which to notify City as to whether SFHA commits to cause any or

all of the title or survey exceptions to which City has objected to be removed or insured against at Closing; provided, however, SFHA shall have no obligation to incur any costs in connection with such removal. If SFHA commits to remove or provide insurance against any Title Objection, then the removal of or insurance against such item(s) shall be a City Condition Precedent (as defined in Section 5.1), provided, however, that if SFHA elects to insure over a Title Objection, then City shall have the right in its reasonable discretion to approve the manner in which SFHA proposes to cause the Title Company to insure over said Title Objection. If SFHA does not so commit to remove or insure over each of the Title Objections, then City may either (i) proceed to purchase the Property, subject to any Title Objections that SFHA has not committed to remove or insure over, by giving notice of the same to SFHA prior to the expiration of the Option Period, or (ii) to elect not to exercise the Option. If City accepts conveyance of the Property, the Title Objection will be deemed waived but solely with respect to any action by City against SFHA.

(c) Title Defect. If at the time scheduled for Closing, any of the Property is (i) occupied by other parties, (ii) subject to the rights of possession other than those of SFHA or City, as the case may be, or (iii) encumbered by a lien, encumbrance, covenant, assessment, easement, lease, tax or other matter (except for any such matter approved by City pursuant to 3.2(b) or anything caused by the action or inaction of the City) (“**Title Defect**”), SFHA will have up to sixty (60) days after the date scheduled for Closing to cause the removal of the Title Defect. The Closing will be extended to the earlier of ten (10) business days after the Title Defect is removed or the expiration of such sixty (60) day period (the “**Extended Closing**”).

(d) Remedies With Respect to Uncured Title Defect. If a Title Defect still exists at the date specified for the Extended Closing, unless the Parties mutually agree to extend such date, City may by written notice to SFHA either (i) terminate this Agreement or (ii) accept conveyance of the Property. If City accepts conveyance of the Property, the Title Defect will be deemed waived but solely with respect to any action by City against SFHA. If the City does not accept conveyance of the Property and fails to terminate this Agreement within seven (7) days after the date specified for the Extended Closing, or any extension provided above, either Party may terminate this Agreement upon three (3) days’ written notice to the other Party. If this Agreement is terminated under this Section, neither Party shall have any further remedies under this Agreement against the other Party with respect to such termination nor any other rights or remedies, except for those that expressly survive the termination of this Agreement.

ARTICLE 4: REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of SFHA. SFHA represents and warrants to and covenants with City as of the Effective Date and as of the Closing Date:

(a) To the best of SFHA’s knowledge, there are no (i) leases, easements, rights of way, permits, licenses, purchase agreements, option agreements or any other agreements that provide any third parties with the right to acquire, use, possess, access, or traverse any portion of the Property other than this Agreement, (ii) disputes or claims with regard to the Property’s boundaries, or the location of any fence or other monument on any of such boundaries, and (iii) easements or rights of way that have been acquired by prescription or are otherwise not of record with respect to the Property. No document or instrument furnished or to be furnished by

SFHA to City in connection with this Agreement contains or will contain any untrue statement of material fact or omits or will omit a material fact necessary to make the statements contained therein not misleading, under the circumstances under which any such statement shall have been made.

(c) SFHA does not have knowledge of any condemnation, either instituted or planned to be instituted by any governmental or quasi-governmental agency other than City, that could detrimentally affect the use, operation or value of the Property.

(d) There is no litigation pending or, threatened, against SFHA or any basis therefor that arises out of the ownership of the Property or that might detrimentally affect its use, operation or value, or SFHA's ability to perform its obligations under this Agreement.

(e) SFHA is the legal and equitable owner of the Property, with full right to convey the same, and without limiting the generality of the foregoing, except for this Agreement, SFHA has not granted any option or right of first refusal or first opportunity to any non-City party to acquire any interest in any of the Property.

(f) This Agreement and all documents executed by SFHA that are to be delivered to City at the Closing are, or at the Closing will be, all of the relevant documents and information pertaining to the condition and operation of the Property that are under the possession of SFHA, are duly authorized, executed and delivered by SFHA, are legal, valid and binding obligations of SFHA, enforceable against SFHA in accordance with their respective terms, are, and at the Closing will be, sufficient to convey good and marketable title (if they purport to do so), and do not, and at the Closing will not, violate any provision of any agreement or judicial order to which SFHA is a party or to which SFHA or the Property are subject.

(g) SFHA's Board of Commissioners and any other necessary parties necessary to authorize SFHA to enter into this Agreement, in their sole discretion, have duly approved of this Agreement in compliance with all Applicable Laws, and all applicable appeal periods for the filing of any administrative or judicial challenge of such approval have expired.

(h) To the best of SFHA's knowledge, the Property is not in violation of any Environmental Laws (as defined in Section 4.3); the Property is not now, nor, to the best of SFHA's knowledge, has ever been, used in any manner for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material (as defined in Section 4.3); to the best of SFHA's knowledge, there has been no release (as defined in Section 4.3) and there is no threatened release of any Hazardous Material in, on, under or about the Property; to the best of SFHA's knowledge, there have not been and there are not now any underground storage tanks, septic tanks or wells or any aboveground storage tanks at any time used to store Hazardous Material located in, on or under the Property; to the best of SFHA's knowledge, the Property does not consist of any landfill or of any building materials that contain Hazardous Material; to the best of SFHA's knowledge, the Property is not subject to any claim by any governmental regulatory agency or third party related to the release or threatened release of any Hazardous Material; and to the best of SFHA's knowledge, there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of

Hazardous Material in, on, under or about the Property, or the migration of Hazardous Material from or to other property.

(i) As of the Closing Date, there will be no outstanding written or oral contracts made by SFHA for any of improvements located on the Property that have not been fully paid for and SFHA shall cause to be discharged any mechanics' or material men's liens arising from any labor or materials furnished to the Property prior to the Closing Date. There are no obligations in connection with the Property that will be binding upon City after Closing except for the SFHA Property Permitted Title Exceptions.

The foregoing representations and warranties, and any other representations or writings made in writing by SFHA to City and delivered pursuant to this Section, shall survive the Closing or any other termination of this Agreement.

4.2 Indemnity.

(a) SFHA, on behalf of itself and its successors and assigns, hereby agrees to indemnify, defend and hold harmless City, its Agents and their respective successors and assigns, from and against any and all Losses resulting from any misrepresentation or breach of warranty or breach of covenant made by SFHA in this Agreement or in any document, certificate, or exhibit given or delivered to City pursuant to or in connection with this Agreement. The foregoing indemnity includes, without limitation, costs incurred in connection with any Hazardous Material Claim and the investigation of site conditions and all activities required to locate, assess, evaluate, remediate, cleanup, remove, contain, treat, stabilize, monitor or otherwise control any Hazardous Material. The indemnification obligations of this Section shall survive the Closing or any termination of this Agreement.

(b) City, on behalf of itself and its successors and assigns, hereby agrees to indemnify, defend and hold harmless SFHA, its Agents and their respective successors and assigns, from and against any and all Losses resulting from any misrepresentation or breach of warranty or breach of covenant made by City in this Agreement or in any document, certificate, or exhibit given or delivered to SFHA pursuant to or in connection with this Agreement. The foregoing indemnity includes, without limitation, costs incurred in connection with the investigation of site conditions and all activities required to locate, assess, evaluate, remediate, cleanup, remove, contain, treat, stabilize, monitor or otherwise control any Hazardous Material. The indemnification provisions of this Section shall survive the Closing or any termination of this Agreement.

4.3 As-Is Conditions; Release.

(a) CITY SPECIFICALLY ACKNOWLEDGES AND AGREES THAT, IF CITY DELIVERS THE EXERCISE NOTICE, SFHA WILL BE CONVEYING AND CITY WILL BE ACQUIRING SFHA'S INTEREST IN THE PROPERTY ON AN "AS IS WITH ALL FAULTS" BASIS. EXCEPT FOR SFHA'S REPRESENTATIONS IN SECTION 4.1, CITY IS RELYING SOLELY ON ITS INDEPENDENT INVESTIGATION AND NOT ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM SFHA OR ITS AGENTS AS TO ANY MATTERS CONCERNING THE

PROPERTY, ITS SUITABILITY FOR CITY'S INTENDED USES OR ANY OF THE PROPERTY CONDITIONS. SFHA DOES NOT GUARANTEE THE LEGAL, PHYSICAL, GEOLOGICAL, ENVIRONMENTAL, ZONING, OTHER CONDITIONS OF THE PROPERTY OR THE SUITABILITY OF THE SFHA PROPERTY FOR ANY USE, NOR DOES IT ASSUME ANY RESPONSIBILITY FOR THE COMPLIANCE OF THE SFHA PROPERTY OR ITS USE WITH ANY APPLICABLE LAWS. IT IS CITY'S SOLE RESPONSIBILITY TO DETERMINE ALL BUILDING, PLANNING, ZONING AND OTHER REGULATIONS AND APPLICABLE LAWS RELATING TO THE PROPERTY AND THE USES TO WHICH IT MAY BE PUT.

(b) As part of its agreement to accept the Property in its "as is and with all faults" condition, the City, on behalf of itself and its successors and assigns, waives any right to recover from, and forever releases and discharges, SFHA or its Agents, officers, employees, agents, contractors and representatives, and their respective heirs, successors, legal representatives and assigns, from any and all Losses, whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with (i) SFHA's and its Agents and customers past, present and future use of the Property, and (ii) the physical, geological or environmental conditions of the Property, including, without limitation, any Hazardous Material in, on, under, above or about the Property and any federal, state, local or administrative law, rule, regulation, order or requirement applicable thereto, including, without limitation, all Environmental Laws.

In connection with the foregoing release, City expressly waives the benefits of Section 1542 of the California Civil Code, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR."

By placing its initials below, City specifically acknowledges and confirms the validity of the releases made above and the fact that the City was represented by counsel who explained, at the time of this Agreement was made, the consequences of the above releases.

INITIALS: City: _____

Notwithstanding anything to the contrary in the foregoing, City in its capacity as a transferee (the "Transferee Party") is not waiving, releasing, or discharging SFHA (the "Transferor Party") from any claims for Losses relating to a material adverse condition of the Property being transferred to the Transferee Party of which the Transferor Party had actual knowledge and the Transferee Party had no actual knowledge before the Closing Date, but the Transferor Party failed to disclose to the Transferee Party prior to the Closing Date.

4.4 Definitions.

(a) The term "**Environmental Laws**" shall mean any present or future federal, state or local laws, ordinances, regulations or policies relating to Hazardous Material (including,

without limitation, their use, handling, transportation, production, disposal, discharge or storage) or to health and safety, industrial hygiene or environmental conditions in, on, under or about the Property, including, without limitation, soil, air and groundwater conditions.

(b) The term “**Hazardous Material**” shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a “hazardous substance,” or “pollutant” or “contaminant” under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”, also commonly known as the “Superfund” law), as amended, (42 U.S.C. Sections 9601 et seq.) or under Section 25281 or 25316 of the California Health & Safety Code; any “hazardous waste” as defined in Section 25117 or listed under Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials (whether or not such materials are part of the structure of any existing improvements on the Property, any improvements to be constructed on the Property, or are naturally occurring substances on, in or about the Property); and petroleum, including crude oil or any fraction, and natural gas or natural gas liquids. “Hazardous Material” shall not include any material used or stored at the Property in limited quantities and required in connection with the routine operation and maintenance of the Property, if such use and storage complies with all applicable Hazardous Material Laws.

(c) The term “**Hazardous Material Claims**” shall mean any and all enforcement, investigation, Remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed under any Hazardous Materials Laws, together with any and all Losses made or threatened by any third party against City or SFHA, their Agents, or the Property, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, release or discharge of any Hazardous Materials, including, without limitation, Losses based in common law. “Hazardous Material Claims” include, without limitation, investigation and Remediation costs, fines, natural resource damages, damages for decrease in value of the Property, the loss or restriction of the use or any amenity of the Property, or any portion of either of the foregoing, and Attorneys’ Fees and Costs, and consultants’ fees and experts’ fees and costs.

(d) The term “**Hazardous Material Laws**” shall mean any present or future federal, state or local laws, rules, regulations or policies relating to Hazardous Material (including, without limitation, its handling, transportation or release) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Property and any other property, including, without limitation, soil, air, air quality, water, water quality and groundwater conditions. “Hazardous Materials Laws” includes, without limitation, CERCLA, as amended by SARA, the RCRA, the Clean Water Act, TSCA, the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), the California Superfund law, the Hazardous Waste Control Act (California Health and Safety Code Section 25100 et seq.), the Business Plan Law, Porter-Cologne Water Quality Control Act (California Water Code Section 13000 et seq.), Proposition 65, City’s Pesticide Ordinance (Chapter 39 of the San Francisco Administrative Code), and Article 20 of the San Francisco Public Works Code (“Analyzing Soils for Hazardous Waste”).

(e) The term “**release**” when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing in, on, under or about any portion of the Property or into the environment.

(f) The term “**remediate**” or “**remediation**” when used with reference to Hazardous Materials means any activities undertaken to clean up, remove, contain, treat, stabilize, monitor or otherwise control Hazardous Materials located in, on, under or about the Property or which have been, are being, or threaten to be released into the environment. “Remediation” includes, without limitation, those actions included within the definition of “remedy” or “remedial action” in California Health and Safety Code Section 25322 and “remove” or “removal” in California Health and Safety Code Section 25323.

ARTICLE 5: CONDITIONS PRECEDENT TO CLOSING

5.1 City’s Conditions Precedent. In the event that the City delivers the Exercise Notice, the following are conditions precedent to City’s obligations under this Agreement to acquire the SFHA Property (each, a “**City Condition Precedent**”, and collectively, the “**City’s Conditions Precedent**”):

(a) SFHA shall have performed all of the obligations under this Agreement it is required to perform on or before the Closing, no event of default (or event which upon the giving of notice or the passage of time or both shall constitute an event of default) shall exist on the part of SFHA under this Agreement, and each of SFHA’s representations and warranties under this Agreement shall be true and correct as of the Closing Date.

(b) SFHA shall have deposited into Escrow (as defined in Section 6.2) any sums required to be paid by SFHA under this Agreement (if any) and all items to be deposited in Escrow pursuant to Section 6.3(b).

(c) The Title Company shall have issued to City (or shall be irrevocably committed to issue on payment by City of all required premiums) the Title Policy at City’s sole cost and expense.

(d) There shall be no pending or threatened (i) condemnation, environmental or other pending governmental proceedings in respect of Property that would materially and adversely affect City’s intended use thereof or (ii) litigation, administrative agency or other governmental proceeding, either pending or threatened in writing prior to the Closing Date, that would materially and adversely affect any of the Property at or after Closing.

(e) There shall be no material adverse change in the condition of the Property from the Effective Date to the Closing Date.

(f) SFHA shall have removed any of its equipment and personal property from the Property, as requested by City.

(g) City’s Board of Supervisors shall have passed, and the Mayor shall have approved of, in their sole discretion, a resolution approving of the City’s exercise of the Option and

purchase of the Property (the “**Transfer Resolution**”) in accordance with and subject to City’s Charter (the “**City Approval Condition**”).

(h) SFHA shall have deposited into escrow an executed, acknowledged counterpart of the Regulatory Agreement and Declaration of Restrictive Covenants in the form attached hereto as Exhibit D (the “**Declaration**”).

5.2 Failure of City’s Conditions Precedent. Each City Condition Precedent is intended solely for the benefit of City. If any City Condition Precedent is not satisfied by the Closing Date or by the date otherwise provided above, City may, at its sole election and by written notice to SFHA, extend the date for satisfaction of the condition, waive the condition in whole or part, conditionally waive the condition in whole or in part, or terminate this Agreement. Notwithstanding anything to the contrary in the foregoing, if any conditional waiver is not acceptable to SFHA in its sole discretion, SFHA may reject such conditional waiver, in which event the original City Condition Precedent shall remain effective. The waiver of any City Condition Precedent shall not relieve SFHA of any liability or obligation with respect to any representation, warranty, covenant or agreement of SFHA. If City elects to so terminate this Agreement, then upon any such termination, neither Party shall have any further rights nor obligations hereunder except for those that expressly survive termination of this Agreement.

In the event the sale of the Property is not consummated because of a default under this Agreement on the part of SFHA or if a City Condition Precedent cannot be fulfilled because SFHA frustrated such fulfillment by some affirmative act or negligent omission, City may, at its sole election, either (1) terminate this Agreement by delivery of notice of termination to SFHA, and neither party shall have any further rights or obligations hereunder, or (2) continue this Agreement pending City’s action for specific performance and/or damages hereunder, including, without limitation, City’s costs and expenses incurred hereunder.

5.3 SFHA’s Conditions Precedent. In the event that the City delivers the Exercise Notice, the following are conditions precedent to SFHA’s obligations under this Agreement to convey the Property to City (each, a “**SFHA Condition Precedent**”, and collectively, the “**SFHA’s Conditions Precedent**”):

(a) City shall have performed all of the obligations under this Agreement it is required to perform on or before the Closing, no event of default (or event which upon the giving of notice or the passage of time or both shall constitute an event of default) shall exist on the part of City under this Agreement and each of City’s representations and warranties under this Agreement shall be true and correct as of the Closing Date.

(b) City shall have deposited into Escrow the Purchase Price and any other sums required to be paid by City under this Agreement and all items City is required to deposit in Escrow pursuant to Section 6.3(a).

(c) The City Approval Condition shall have been satisfied.

(d) The City shall have deposited into escrow an executed, acknowledged counterpart of the Declaration.

5.4 Failure of SFHA's Conditions Precedent. Each SFHA Condition Precedent is intended solely for the benefit of SFHA. If any SFHA Condition Precedent is not satisfied by the Closing Date or by the date otherwise provided above, SFHA may, at its sole election and by written notice to City, extend the date for satisfaction of the condition, waive the condition in whole or in part, conditionally waive the condition in whole or in part or terminate this Agreement. Notwithstanding anything to the contrary in the foregoing, if any conditional waiver is not acceptable to City in its sole discretion, City may reject such conditional waiver, in which event the original SFHA Condition Precedent shall remain effective. If SFUSD elects to so terminate this Agreement, then upon such termination, neither Party shall have any further rights or obligations hereunder except for those that expressly survive the termination of this Agreement.

5.5 Notification Obligation. From and after the Effective Date through to the Closing Date, SFHA shall promptly deliver written notice to City if SFHA becomes aware of or receives notice of any actual or threatened litigation with respect to the Property, any violation of Applicable Law affecting or related to the Property, or any other material adverse change in the condition of the Property. Such notification shall include all material facts known by SFHA relative to such matter.

5.6 Cooperation of Parties. SFHA shall cooperate (at no additional cost to SFHA with regard to Sections 5.1(c) and (g)) with City and do all acts as may be reasonably requested by City to fulfill any City Condition Precedent, including, without limitation, execution of any documents, applications or permits. SFHA's representations and warranties to City shall not be affected or released by City's waiver or fulfillment of any City Condition Precedent. SFHA hereby irrevocably agrees that City and its Agents may make all inquiries with and applications to any party, including, without limitation, any regulatory authority with jurisdiction as City may reasonably require to complete its due diligence investigations.

City shall cooperate with SFHA and do all acts as may be reasonably requested by SFHA to fulfill any SFHA Condition Precedent, including, without limitation, execution of any documents, applications or permits. City's representations and warranties to SFHA shall not be affected or released by SFHA's waiver or fulfillment of any SFHA Condition Precedent. City hereby irrevocably agrees that SFHA and its Agents may make all inquiries with and applications to any party, including, without limitation, any regulatory authority with jurisdiction as SFHA may reasonably require to complete its due diligence investigations.

ARTICLE 6: ESCROW AND CLOSING

6.1 Escrow. If the Board of Supervisors passes, and the Mayor approves of, the Transfer Resolution, and the City delivers the Exercise Notice, within five (5) business days following such delivery, the parties shall open an escrow for the purchase of the Property ("**Escrow**") with Chicago Title Company (the "**Title Company**"), and deposit a fully executed copy of this Agreement with Title Company. This Agreement shall serve as instructions to Title Company as the escrow holder for consummation of the purchase. SFHA and City agree to execute such additional or supplementary instructions as may be reasonably appropriate to enable the Title Company to comply with the terms of this Agreement and effect Closing; provided, however, that if there is any conflict between the provisions of this Agreement and any additional supplementary instructions, the terms of this Agreement shall control.

6.2 Closing Date. “**Closing**” shall mean the consummation of the purchase of the Property pursuant to the terms and conditions of this Agreement. The Closing shall be held at the offices of the Title Company on the 45th day following the delivery of the Exercise Notice (the “**Closing Date**”). The Closing Date may not be extended without the prior written approval of the Parties, except as otherwise expressly provided in this Agreement. If the Closing does not occur on or before the Closing Date, Title Company shall, unless it is notified by both Parties to the contrary within five (5) days after the Closing Date, return each item deposited in Escrow to the Party that deposited such item. Any such return shall not, however, limit the provisions hereof or otherwise relieve either Party of any liability it may have for its wrongful failure to perform its obligations under this Agreement.

6.3 Deposit of Documents and Funds for Closing.

- (a) At or before the Closing, City shall deposit the following items into Escrow:
 - (i) the Purchase Price and any other funds City is required to deposit into Escrow in accordance with this Agreement;
 - (ii) the Declaration, duly executed and acknowledged by the City.
- (b) At or before the Closing, SFHA shall deposit the following items into Escrow:
 - (i) the SFHA Deed, duly executed and acknowledged by SFHA and conveying the Property to City subject to the SFHA Property Permitted Title Exceptions, the Declaration, duly executed and acknowledged by SFHA; and
 - (ii) any funds SFHA is required to deposit into Escrow in accordance with this Agreement, if any.
- (c) City and SFHA shall each deposit such other instruments as are reasonably required by the Title Company or otherwise required to close the Escrow and consummate the purchase in accordance with the terms hereof.
- (d) As of Closing, the Title Company shall record the SFHA Deed and Declaration in the Official Records.
- (e) As of Closing, the Title Company shall issue to City, at City’s expense, the Title Policy.
- (f) As of Closing, the Title Company shall deliver to City the SFHA Deed.
- (g) As of Closing, the Title Company shall deliver the Declaration and Purchase Price to SFHA.
- (h) Unless the parties otherwise expressly agree at or prior to the time of the purchase, as of Closing, all pre-conveyance conditions of the Parties with respect to the Property shall be deemed satisfied or waived by the Party or Parties benefited by such condition.

6.4 Expenses; Taxes. City shall pay the cost of the Survey, the premium for the Title Policy and the cost of the endorsements thereto, and escrow and recording fees. SFHA shall be responsible for all costs incurred in connection with the prepayment or satisfaction of any loan, bond or other indebtedness secured by the Property including, without limitation, any prepayment fees, penalties or charges. Any other costs and charges of the escrow for the sale not otherwise provided for in this Section or elsewhere in this Agreement shall be paid by the City. General real estate taxes payable for the tax year prior to year of Closing and all prior years shall be paid by SFHA at or before the Closing. General real estate taxes payable for the tax year of the Closing shall be prorated through escrow by SFHA and City as of the Closing Date. At or before the Closing, SFHA shall pay the full amount of any special assessments against the Property, including, without limitation, interest payable thereon, applicable to the period prior the Closing Date.

6.5 Prorations. SFHA shall pay for all utilities used at the Property prior to the Closing Date. City shall pay for all utilities used at the Property on and after the Closing Date. Any utility deposits paid by either Party for the Property prior to the Closing Date shall remain the property of such depositing Party, and the other Party shall reasonably cooperate to cause the return of such deposits to the depositing Party to the extent the depositing Party is entitled thereto. If any of the foregoing prorations cannot be accurately calculated on the Closing Date, they shall be calculated as soon as reasonably feasible after the Closing Date. Either Party owing the other Party a sum of money based on such subsequent prorations shall promptly pay such sum to the other Party. The provisions of this Section shall survive the Closing.

6.6 Possession. SFHA shall deliver possession of the Property to City on the Closing Date.

ARTICLE 7: RISK OF LOSS

7.1 Loss. If all or any portion of the Property is condemned, or destroyed or damaged by fire or other casualty before the Closing, then either Party may, at its option, either terminate this Agreement or consummate the purchase pursuant to this Section 7.1. If either Party elects to terminate this Agreement under this Section 7.1, then neither Party shall have any further rights or obligations hereunder except for those that expressly survive the termination of this Agreement. Without limiting the foregoing, in the event City terminates this Agreement following an event of damage or destruction that renders the Property unusable for City's intended purpose and such damage or destruction resulted from SFHA's negligent failure to maintain the Property in the manner required in Section 2.3 above, then SFHA shall be responsible for curing such damage or destruction to the City's satisfaction.

7.2 Self-Insurance. Notwithstanding anything to the contrary contained in this Agreement, each Party acknowledges and agrees that the other Party self-insures and shall not be obligated to purchase any third party comprehensive liability insurance or property insurance.

ARTICLE 8: RESERVED

ARTICLE 9: GENERAL PROVISIONS

9.1 Notices. Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to be delivered upon (i) personal delivery, or the day the addressee refuses to accept such delivery, (ii) one (1) business day after being deposited with a reliable overnight courier service, or (iii) two (2) days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

If to SFHA: Acting Executive Director
1815 Egbert Avenue
San Francisco, CA 94124
Facsimile: 415-715-3201
Telephone: 415-715-5200

With a copy to: Goldfarb & Lipman LLP
1300 Clay Street, 11th Floor
Oakland, CA 94612
Attn: Dianne Jackson McLean
Facsimile: 510-836-1035
Telephone: 510-836-6336

If to City: Director of Property
City and County of San Francisco
25 Van Ness Ave., Suite 400
San Francisco, CA 94102
Facsimile: (415) 554-9216
Telephone: (415) 554-9875

With a copy to: Director
Mayor's Office of Housing and Community Development
1 South Van Ness Ave., 5th Floor
San Francisco, CA 94103
Facsimile: 415-701-5501
Telephone: 415-701-5510

With a copy to: Office of the City Attorney
Room 234, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Attn: Elizabeth S. Anderson
Facsimile: (415) 554-4468
Telephone: (415) 554-4687

For the convenience of the Parties, copies of notice may also be given by facsimile, but a Party may not give official or binding notice by facsimile and the effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a facsimile copy of the notice.

Every notice given to a Party pursuant to this Agreement must state (or must be accompanied by a cover letter that states) substantially the following: (A) the Section of this Agreement under which the notice is given and the action or response required, if any; (B) if applicable, the period of time within which the recipient of the notice must respond thereto; (C) if approval is being requested, shall be clearly marked "Request for Approval"; and (D) if a notice of a disapproval or an objection which requires reasonableness, shall specify with particularity the reasons therefor.

Any mailing address or facsimile number may be changed at any time by giving written notice of such change in the manner provided above at least ten (10) days prior to the effective date of the change. If delivery of any notice given pursuant to this Agreement is rejected, such notice shall be deemed to have been made on the attempted delivery date.

9.2 Amendments. Except as otherwise provided in this Agreement, this Agreement may be amended or modified only by a written instrument executed by City and SFHA. The Director of Property of City (or any successor City officer as designated by law) shall have the authority to consent to any non-material amendments or other modifications to this Agreement. The Executive Director of SFHA shall have the authority to consent to any non-material amendments or other modifications to this Agreement. For purposes hereof, "non-material change" shall mean any change that does not materially reduce the consideration to a Party under this Agreement or otherwise materially increase the liabilities or obligations of a Party under this Agreement. Material amendments to this Agreement shall require the approval of the SFHA's Board of Commissioners and, if City delivers the Exercise Notice, City's Board of Supervisors, by resolution.

9.3 Severability. If any provision of this Agreement, or its application to any party or circumstance, is held invalid by any court, the invalidity or inapplicability of such provision shall not affect any other provision of this Agreement or the application of such provision to any other party or circumstance, and the remaining portions of this Agreement shall continue in full force and effect, unless enforcement of this Agreement as so modified by and in response to such invalidation would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the fundamental purposes of this Agreement.

9.4 Non-Waiver. Except as expressly set forth herein to the contrary, a Party's delay or failure to exercise any right under this Agreement shall not be deemed a waiver of that or any other right contained in this Agreement.

9.5 Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective successors, heirs, legal representatives, administrators and assigns. Neither Party's rights or obligations hereunder shall be assignable without the prior written consent of the other Party; provided, however, even if the other Party approves any such proposed assignment, in no event shall the assigning Party be released of any of its obligations hereunder.

9.6 Consents and Approvals. Any approvals or consents of City required under this Agreement may be given by the Director of Property, unless otherwise provided in the City Charter or applicable City ordinances. Any approvals or consents of SFHA required under this Agreement may be given by the Executive Director.

9.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

9.8 Applicable Laws. “**Applicable Laws**” shall mean all present and future applicable laws, ordinances, rules, regulations, resolutions, statutes, permits, authorizations, orders and requirements, whether or not in the contemplation of the parties hereto, that may affect or be applicable to the Property or any part of the Property (including, without limitation, any subsurface area) or the use of the Property. “Applicable Laws” shall include, without limitation, any environmental, earthquake, life safety and disability laws, and all consents or approvals required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, board of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, having or acquiring jurisdiction of the subject property. The term “Applicable Law” shall be construed to mean the same as the above in the singular as well as the plural.

9.9 No Brokers or Finders. Each Party warrants to the other Party that no broker or finder was instrumental in arranging or bringing about this transaction and that there are no claims or rights for brokerage commissions or finder’s fees in connection with the transactions contemplated by this Agreement. If any party brings a claim for a commission or finder’s fee based on any contact, dealings, or communication with SFHA or City, then the Party through whom such party makes a claim shall defend the other Party from such claim, and shall indemnify, protect, defend and hold harmless the indemnified Party from any Losses that the indemnified Party incurs in defending against the claim. The provisions of this Section shall survive the Closing, or, if the conveyance is not consummated for any reason, any termination of this Agreement.

9.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

9.11 Interpretation of Agreement.

(a) Exhibits. Whenever an “**Exhibit**” is referenced, it means an attachment to this Agreement unless otherwise specifically identified. All such Exhibits are incorporated herein by reference.

(b) Captions. Whenever a section, article or paragraph is referenced, it refers to this Agreement unless otherwise specifically identified. The captions preceding the articles and sections of this Agreement have been inserted for convenience of reference only. Such captions shall not define or limit the scope or intent of any provision of this Agreement.

(c) Words of Inclusion. The use of the term “including,” “such as” or words of similar import when following any general term, statement or matter shall not be construed to

limit such term, statement or matter to the specific items or matters, whether or not language of non-limitation is used with reference thereto. Rather, such terms shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such statement, term or matter.

(d) References. Wherever reference is made to any provision, term or matter “in this Agreement,” “herein” or “hereof” or words of similar import, the reference shall be deemed to refer to any and all provisions of this Agreement reasonably related thereto in the context of such reference, unless such reference refers solely to a specific numbered or lettered, section or paragraph of this Agreement or any specific subdivision thereof.

(e) Recitals. If there is any conflict or inconsistency between the recitals and any of the remaining provisions of this Agreement, the remaining provisions of this Agreement shall prevail. The Recitals in this Agreement are included for convenience of reference only and are not intended to create or imply covenants under this Agreement.

9.12 Entire Agreement. This Agreement (including the exhibits) contains all the representations and the entire agreement between the Parties with respect to the subject matter herein. Any prior correspondence, memoranda, agreements, warranties or representations relating to such subject matter, are superseded in total by this Agreement (and such other agreements to the extent referenced herein). No prior drafts of this Agreement or changes from those drafts to the executed version of this Agreement shall be introduced as evidence in any litigation or other dispute resolution proceeding by either Party or any other party and no court or other body shall consider those drafts in interpreting this Agreement.

9.13 Survival. Any and all other representations, warranties and indemnities of the Parties contained herein shall survive the Closing or termination of this Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement).

9.14 Parties and Their Agents. As used herein, the term “**Agents**” when used with respect to either Party shall include the agents, employees, officers, contractors and representatives of such Party.

9.15 Attorneys’ Fees. If either Party hereto fails to perform any of its respective obligations under this Agreement or if any dispute arises between the Parties hereto concerning the meaning or interpretation of any provision of this Agreement, then the defaulting Party or the Party not prevailing in such dispute, as the case may be, shall pay any and all reasonable Attorneys’ Fees and Costs incurred by the other Party on account of such default or in enforcing or establishing its rights hereunder, including without limitation, court costs. Any such Attorneys’ Fees and Costs incurred by either Party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such Attorneys’ Fees and Costs obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment. For purposes of this Agreement, the reasonable fees of attorneys of the Office of City Attorney of the City and County of San Francisco shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which such

services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the City Attorney's Office.

9.16 Time of Essence. Time is of the essence with respect to the performance of the Parties' respective obligations contained herein.

9.17 Non-Liability. Notwithstanding anything to the contrary in this Agreement, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to SFHA, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to SFHA, its successors and assigns, or for any obligation of City under this Agreement. Notwithstanding anything to the contrary in this Agreement, no elective or appointive board, commission, member, officer, employee or agent of SFHA shall be personally liable to City, its successors and assigns, in the event of any default or breach by SFHA or for any amount which may become due to City, its successors and assigns, or for any obligation of SFHA under this Agreement.

9.18 Sunshine Ordinance. SFHA understands and agrees that under City's Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) and the State Public Records Law (Gov. Code Section 6250 *et seq.*), this Agreement and any and all records, information, and materials submitted to City hereunder public records subject to public disclosure. SFHA hereby acknowledges that City may disclose any records, information and materials submitted to City in connection with this Agreement.

9.19 Relationship of the Parties. The relationship between the Parties hereto is solely that of transferor and transferee of real property.

9.20 Prohibition Against Making Contributions to City. Through its execution of this Agreement, SFHA acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. SFHA acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more.

9.21 Effective Date. This Agreement shall become effective upon the first day ("**Effective Date**") on which the latter of the Parties hereto has executed this Agreement and delivered it to the other Party, as evidenced by the dates on the signature page to this Agreement.

9.22 Memorandum of Option Agreement. Upon execution of this Agreement, the Parties shall execute and acknowledge a memorandum hereof, on the form attached hereto as Exhibit C, which will be recorded in the Official Records of the County of San Francisco, California.

If this Agreement is terminated prior to the Closing, City agrees to execute, acknowledge, and deliver a quitclaim deed to SFHA within ten (10) days after termination and to execute, and deliver any other documents required by any title company to remove the cloud of this Option from the Property.

9.23 Conflicts of Interest. Through its execution of this Agreement, SFHA acknowledges that it is familiar with the provisions of Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provision, and agrees that if SFHA becomes aware of any such fact during the term of this Agreement, SFHA shall immediately notify the City.

9.24 Cooperative Drafting. This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement

[REMAINDER OF PAGE INTENTIONALLY BLANK]

The parties have duly executed this Agreement as of the respective dates written below.

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
John Updike, Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney

SFHA:

HOUSING AUTHORITY OF THE CITY AND COUNTY
OF SAN FRANCISCO, a public body corporate and politic

By: _____
Barbara T. Smith
Acting Executive Director

Date: _____

APPROVED AS TO FORM:

By: _____
Dianne Jackson McLean, Esq.
Goldfarb & Lipman LLP
Special Legal Counsel

The parties have duly executed this Agreement as of the respective dates written below.

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
John Updike, Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney

SFHA:

HOUSING AUTHORITY OF THE CITY AND COUNTY
OF SAN FRANCISCO, a public body corporate and politic

By: Barbara T. Smith
Barbara T. Smith
Acting Executive Director

Date: 6/9/2016

APPROVED AS TO FORM:

By: Dianne Jackson McLean
Dianne Jackson McLean, Esq.
Goldfarb & Lipman LLP
Special Legal Counsel

CONSENT OF TITLE COMPANY:

Title Company agrees to act as escrow holder in accordance with the terms of this Agreement. Title Company's failure to execute below shall not invalidate the Agreement between City and SFHA.

TITLE COMPANY: CHICAGO TITLE
INSURANCE COMPANY

By: _____
Its: _____
Date: _____

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

The land referred to is situated in the County of San Francisco, City of San Francisco, State of California, and is described as follows:

Beginning at the point of intersection of the Southerly line of Twenty-fifth Street and the Easterly line of Connecticut Street; running thence Southerly along said line of Connecticut Street fifty (50) feet; thence at a right angle Easterly one hundred (100) feet; thence at a right angle Northerly fifty (50) feet to the Southerly line of Twenty-fifth Street; thence at a right angle Westerly along said line of Twenty-fifth Street one hundred (100) feet to the point of beginning.

Being portion of Potrero Nuevo Block Nos. 253-254.

Assessor's Lot 001A; Block 4287

EXHIBIT B

SFHA DEED

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Director of Property
Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Documentary Transfer Tax of \$0 based on
full value of the property conveyed

The undersigned hereby declares this instrument
to be exempt from Recording Fees (CA Govt. Code § 27383)
and Documentary Transfer Tax (CA Rev. & Tax Code § 11922
and S.F. Bus. & Tax Reg. Code § 1105)

(Space above this line reserved for Recorder's use only)

GRANT DEED

(Assessor's Parcel No. 4287-001A)

FOR VALUABLE CONSIDERATION, receipt and adequacy of which are hereby acknowledged, the HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic (the "**Grantor**"), hereby grants to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**Grantee**"), any and all right, title and interest Grantor may have in and to the real property located in the City and County of San Francisco, State of California, more fully described on Exhibit A attached hereto and made a part hereof (the "**Property**").

TOGETHER WITH any and all rights, privileges and easements incidental or appurtenant to the Property, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Property, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Property, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land and all of Grantor's right, title and interest in and to any and all roads and alleys adjoining or servicing the Property.

Executed as of this _____ day of _____, 2016.

HOUSING AUTHORITY OF THE CITY AND COUNTY
OF SAN FRANCISCO, a public body corporate and politic

By: _____
Barbara T. Smith
Acting Executive Director

APPROVED AS TO FORM:

Dianne Jackson McLean, Esq.
Goldfarb & Lipman LLP
Special Legal Counsel

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of the document.

State of California)
County of San Francisco)

On _____, _____ before me, _____,
Notary Public, personally appeared _____, who
proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

(Seal)

CERTIFICATION OF ACCEPTANCE

This is to certify that the interest in real property conveyed by this deed _____ from the first part to the City and County of San Francisco, is hereby accepted pursuant to Board of Supervisors' Resolution No. _____, adopted on _____, 2016 and approved on _____, 2016, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____

John Updike
Director of Property

EXHIBIT A to Grant Deed

LEGAL DESCRIPTION OF PROPERTY

The land referred to is situated in the County of San Francisco, City of San Francisco, State of California, and is described as follows:

Beginning at the point of intersection of the Southerly line of Twenty-fifth Street and the Easterly line of Connecticut Street; running thence Southerly along said line of Connecticut Street fifty (50) feet; thence at a right angle Easterly one hundred (100) feet; thence at a right angle Northerly fifty (50) feet to the Southerly line of Twenty-fifth Street; thence at a right angle Westerly along said line of Twenty-fifth Street one hundred (100) feet to the point of beginning.

Being portion of Potrero Nuevo Block Nos. 253-254.

Assessor's Lot 001A; Block 4287

EXHIBIT C

MEMORANDUM OF OPTION

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Director of Property
Department of Real Estate
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

(Space above this line reserved for Recorder's use only)

MEMORANDUM OF OPTION AGREEMENT

THIS MEMORANDUM OF OPTION AGREEMENT dated as of _____, 2016, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "City"), and the HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic ("SFHA").

1. SFHA is the owner of certain real property located in the City and County of San Francisco, California, more particularly described in Exhibit A attached to and incorporated by this reference in this Memorandum of Option Agreement (the "Property").
2. SFHA and City have entered into that certain unrecorded Option Agreement for the Purchase and Sale of Real Property dated for reference purposes only as of _____, 2016 and incorporated by this reference into this Memorandum (the "Agreement"), pursuant to which SFHA granted to City the exclusive and irrevocable option to purchase the Property upon all the terms and conditions set forth in the Agreement. The term of the option granted pursuant to the Agreement shall expire no later than March 1, 2017, unless extended to December 31, 2017 pursuant to the terms of the Agreement.
3. The purpose of this Memorandum of Agreement is to give notice of the Agreement and the respective rights and obligations of the parties thereunder, and all of the terms and conditions of the Agreement are incorporated herein by reference as if they were fully set forth herein.
4. This Memorandum of Agreement shall not be deemed to modify, alter or amend in any way the provisions of the Agreement. In the event any conflict exists between the terms of the Agreement and this instrument, the terms of the Agreement shall govern and determine for all purposes the relationship between SFHA and City and their respective rights and duties.
5. This Memorandum of Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Memorandum of Option Agreement as of the date first written above.

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
John Updike, Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney

SFHA:

HOUSING AUTHORITY OF THE CITY AND COUNTY
OF SAN FRANCISCO, a public body corporate and politic

By: _____
Barbara T. Smith
Executive Director

Date: _____

APPROVED AS TO FORM:

By: _____
Dianne Jackson McLean, Esq.
Goldfarb & Lipman LLP
Special Legal Counsel

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of the document.

State of California)
County of San Francisco)

On _____, _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

(Seal)

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State of California)
County of San Francisco)

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I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

(Seal)

EXHIBIT A to Memo of Option

LEGAL DESCRIPTION OF PROPERTY

The land referred to is situated in the County of San Francisco, City of San Francisco, State of California, and is described as follows:

Beginning at the point of intersection of the Southerly line of Twenty-fifth Street and the Easterly line of Connecticut Street; running thence Southerly along said line of Connecticut Street fifty (50) feet; thence at a right angle Easterly one hundred (100) feet; thence at a right angle Northerly fifty (50) feet to the Southerly line of Twenty-fifth Street; thence at a right angle Westerly along said line of Twenty-fifth Street one hundred (100) feet to the point of beginning.

Being portion of Potrero Nuevo Block Nos. 253-254.

Assessor's Lot 001A; Block 4287

EXHIBIT D
DECLARATION

Recording Requested By
and When Recorded Mail To:

Housing Authority of the City and
County of San Francisco
c/o Goldfarb & Lipman LLP
1300 Clay Street, 11th Floor
City Center Plaza
Oakland, California 94612
Attention: Dianne Jackson McLean, Esq.

No fee for recording pursuant
to Government Code Section 27380

(Space Above This Line For Recorder's Use)

Lot/Block: Lot 001A; Block 4287
Address: _____, San Francisco, CA

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
(Site X)**

This Regulatory Agreement and Declaration of Restrictive Covenants (this "**Agreement**") is made as of the ____ day of _____, 20__ (the "**Effective Date**"), by the Housing Authority of the City and County of San Francisco, a public body, corporate and politic (the "**Authority**"), and the City and County of San Francisco, a municipal corporation (the "**City**"), with reference to the following facts:

RECITALS

A. Pursuant to that certain Option Agreement for the Purchase and Sale of Real Estate dated as of _____, 2016 (the "**Option Agreement**"), the Authority has sold to the City, and the City has acquired from the Authority, certain real property within the City and County of San Francisco, California (the "**Property**"). The Property is more particularly described in Exhibit A, which is incorporated into this Agreement.

B. As additional consideration for the conveyance of the Property pursuant to the Option Agreement, the Authority has required, and the City has agreed, to enter into this Agreement to restrict the use of the Property to the development and operation of affordable housing.

C. The Authority and the City (each a "**Party**", and, collectively, the "**Parties**"), desire to record this Agreement against the Property to set forth the Parties' mutual agreement and understandings regarding the use of the Property

NOW, therefore, the Parties hereby agree as follows:

Section 1. Recitals. The Recitals set forth above are hereby incorporated into this Agreement as if fully set forth herein.

Section 2. Use of Property for Affordable Housing. Throughout the Term, as defined below, the Property shall be used only for the development, use, and operation of multi-family housing for households earning no more than fifty percent (50%) of the area median income for the City and County of San Francisco, California ("**Median Income**"), at monthly rents that do not exceed thirty percent (30%) of fifty percent (50%) of Median Income. Throughout the Term, no other use of the Property is permitted without the prior written consent of the Authority, which may be granted or denied in the sole discretion of the Authority.

Section 3. Enforcement; Runs with the Land. The covenants set forth in this Agreement shall run with the land for the entire Term, and shall, to the fullest extent permitted by law and equity, bind all successors in title to the Property, or any portion thereof, for the benefit and in favor of and enforceable by the Authority. In the event of any breach of violation of the covenants set forth in this Agreement by the City, or any successor-in-interest, then the Authority shall be entitled to pursue any and all remedies available in law, and in equity, including, but not limited to, specific performance, injunctive relief, and damages. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions set forth in this Agreement, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless and until the Authority expressly releases the Property from the requirements of this Agreement.

Section 4. Applicable Law. This Agreement shall be interpreted under and pursuant to the laws of the State of California.

Section 5. Legal Actions. In the event any legal action is commenced to interpret or to enforce the terms of this Agreement or to collect damages as a result of any breach thereof, the Party prevailing in any such action shall be entitled to recover against the Party not prevailing all reasonable legal fees and costs incurred in such action, including legal fees and costs of any appeals.

Section 6. Term. Unless sooner terminated by the Authority pursuant to a writing recorded in the official records of the City and County of San Francisco (the "**Official Records**"), this Agreement shall remain in full force and effect for the period commencing as of the Effective Date, and terminating on the earlier of: (i) the ninety-ninth (99th) anniversary of the Effective Date; or (ii) the date the City records in the Official Records a ground lease, or memorandum thereof, or similar agreement, requiring the City's successor-in-interest to use the Property solely for the development, use, and operation of affordable housing (the "**City Restriction**"). The period set forth

in the preceding sentence shall be referred to as the "**Term**". Provided that the City has delivered to the Authority written notice of the date for the recordation of the City Restriction, the Authority shall promptly execute and record a termination and release agreement, or such other documentation deemed necessary by the Title Company to evidence the termination and release of this Agreement as an encumbrance against the Property concurrently with the recordation of the City Restriction.

Section 7. Severability. The invalidity, in whole or in part, of any of the provisions set forth above shall not affect or invalidate any remaining provisions of this Agreement.

Section 8. Multiple Originals; Counterparts. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Remainder of Page Left Intentionally Blank

IN WITNESS WHEREOF, the Authority and the City have entered into this Agreement as of the Effective Date.

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,

By: _____
John Updike, Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney

Signatures Continue on the Following Page

SFHA:

HOUSING AUTHORITY OF THE CITY AND
COUNTY OF SAN FRANCISCO, a public body
corporate and politic

By: _____
Barbara T. Smith, Acting Executive Director

APPROVED AS TO FORM:

By: _____
Dianne Jackson McLean, Esq.
Goldfarb & Lipman LLP
Special Legal Counsel

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State of California)
County of San Francisco)

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I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

(Seal)

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State of California)
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Being portion of Potrero Nuevo Block Nos. 253-254.

Assessor's Lot 001A; Block 4287