

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Conditionally approving a variation to the Transbay Redevelopment Plan's on-site affordable housing requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors of the City and County of San Francisco in its capacity as legislative body for the Successor Agency to the San Francisco Redevelopment Agency, and authorizing the acceptance of a future payment of \$13.85 million to the Successor Agency for use in fulfilling its affordable housing obligations in the Project Area; Transbay Redevelopment Project Area

EXECUTIVE SUMMARY

181 Fremont is a mixed-use, high-rise development project (the "Project") located in Zone Two of the Transbay Redevelopment Project Area ("Project Area") that is being developed by Jay Paul Company (the "Developer"). The Project's 74 residential units are located on the upper 15 floors of the 52-story tower, which is approximately 700 feet in height. The Developer estimates that the homeowner association ("HOA") fees for these units will likely exceed \$2000 per month upon initial sales.

At its meeting on September 12, 2014, the Commission continued its consideration of the resolution of a variation to the Transbay Redevelopment Plan's on-site affordable housing requirement relative to the Project (the "Variation Request"); the resolution includes a condition that the Developer contributes \$13.85 million toward the development of affordable housing in the Project Area. As more fully explained in the Commission Memorandum for the September 12, 2014 meeting attached to this memorandum as Exhibit A, the primary basis for the variation request was that the on-site requirement would create difficulties for maintaining the affordability of the Project's 11 on-site, below-market-rate ("BMR") units because the HOA fees, already high in such developments, will likely increase over time such that the original homebuyers would not be able to afford the payments.

In considering the resolution, the Commission expressed concerns about not giving BMR homebuyers the opportunity to purchase units in the Project despite the high HOA fees, setting a precedent for other housing projects, and the timing of the market analysis undertaken by The Concord Group ("TCG") to calculate the \$13.85 million contribution from the Developer. To that end, staff worked with Mayor's Office of Housing and Community Development ("MOHCD") and TCG to obtain additional information for the Commission's consideration. In sum, this information shows that: 1) the high HOA fees detract from many of the benefits of homeownership and put both the BMR homebuyers and units at risk; 2) approval of the variation

and acceptance of the Developer's contribution is consistent with MOHCD's city-wide practice of allowing for either an in-lieu payment or construction of off-site BMR units, instead of on-site BMR units, except that in this case the payment is significantly higher than the standard in-lieu payment and it must be used in the Project Area; (3) the variation is based on unique characteristics of the Project and will not set a precedent; and (4) TCG's analysis is still valid because there does not appear to have been as much movement in the high end of the real estate market (where the Project is valued), any potential increases in the value of the market-rate units could potentially be mitigated by increases in the BMR units resulting from rising median incomes, and while it is impossible to know what the exact sales prices will be at the time the units will be sold, TCG's analysis is a reasonable estimate of the opportunity cost between the market rate and BMR units.

Staff recommends conditionally approving a variation to the Redevelopment Plan's on-site affordable housing requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for OCII, and authorizing the acceptance of a future payment of \$13.85 million to OCII for use in fulfilling its affordable housing obligations in the Project Area.

DISCUSSION

Impact of High HOA Fees on BMR Buyers and Units

At the hearing of September 12, 2014, the Commission expressed concerns about not giving BMR homeowners the opportunity to purchase a unit in the Project, even with HOA fees that are expected to be in excess of \$2,000 per month. In response, staff conferred with the MOHCD on its policies and practices relative to BMR units and whether, given the unique characteristics of the Project, MOHCD would recommend that the BMR units remain on-site. Because the Project is located in Zone 2, MOHCD is the public agency responsible for application of the City's Inclusionary Affordable Housing Program to the Project and enforcement of the long-term affordability of the BMR units in the Project. As further detailed in an email dated September 23, 2014 from Maria Benjamin, Director of Homeownership and Below Market Rate Programs for MOHCD (attached as Exhibit B), MOHCD is in support of the Variation Request because of the impacts that the high HOA fees would likely have on the BMR homebuyers and the units themselves, including:

- The HOA fees would be a disproportionately large portion of a homebuyer's monthly housing cost (approximately 84%), and would severely limit the size of a mortgage the homebuyer could carry and the mortgage interest tax deduction, which is a significant benefit of homeownership;
- With HOA fees as a disproportionately large amount of their housing costs, an inclusionary BMR homeowner is at increased risk. HOA fees have historically increased more than inflation. Wealthier market-rate homebuyers, assuming they carry a mortgage, are impacted proportionally less by increasing HOA fees, and may have less incentive to control higher HOA fees;
- BMR unit sales prices would be artificially low (well below \$100,000) due to the extremely high HOA fees, resulting in a small first mortgage for the BMR homebuyer and creating a risk to the BMR homebuyer that a predatory lender would attempt to

make a second mortgage after the initial sale, since the low first mortgage creates the erroneous appearance that the BMR homebuyer has significant equity available to be captured through an infeasible second mortgage or home equity line of credit. This would increase the risk of foreclosure on the BMR unit;

- A very low first mortgage on the BMR unit severely limits the homebuyer's future ability to recoup at sale the money paid down on housing costs over time. Instead, the majority will have been paid toward HOA fees; and
- The BMR homeowner's higher risk also translates to the unit itself. If the unit falls into foreclosure, it has the potential to be lost from MOHCD's affordable portfolio.

Precedence Set by Variation and Impact of Affordable Housing Payment

At the hearing, the Commission also expressed concerns about setting a precedent for other housing projects. The on-site requirement is unique to the Project Area, and was put into place in order to comply with the requirement under Section 5027.1 of the California Public Resources Code (Assembly Bill 812) that 35% of the residential units in the Project Area be available to low and moderate income households (the "Transbay Affordable Housing Obligation"), which was finally and conclusively determined by the Department of Finance to be an enforceable obligation. It was also incorporated into the Redevelopment Plan and the Implementation Agreement. It is highly unlikely likely that approval of the Variation Request would set a precedent in the Project Area given the unique aspects of the Project, namely that: (1) it is the only approved or proposed mixed-use office and housing development within the Project Area; (2) it has the smallest number of residential units of any high rise development in the Project Area; and (3) its residential units are located on the upper 15 floors of the 52-story tower.

In this particular instance, approval of the Variation Request and acceptance of the Developer's contribution would subsidize many more units than would have been delivered on site. Initially staff estimated that up to 55 stand-alone affordable housing units on publicly-owned parcels in the Project Area could be funded. This was based on an assumption of \$250,000 per unit in OCII subsidy. However, based on a review of stand-alone affordable projects underway in the Project Area, the majority of which are rental, the OCII subsidy could be reduced to \$200,000 for a rental project. For example, the project sponsor for Transbay Block 8 (Related California and Tenderloin Neighborhood Development Corporation) is required to develop a stand-alone affordable housing project that requires no more than \$200,000 per unit in OCII subsidy. Therefore if OCII were to use the \$13.85 million payment in a project with subsidy cap such as Block 8, the payment could subsidize over 69 affordable units, a net increase of 58 over the 11 units that would be generated by the Project on site, which would significantly assist OCII in fulfilling the Transbay Affordable Housing Obligation.

The Commission's approval of the Variation Request and acceptance of the Developer's contribution would also be consistent with City's Inclusionary Affordable Housing Program that allows developers to fulfill BMR obligations off-site or pay an in-lieu housing fee, in place of including BMR units on site. However under the City's policy, the in-lieu housing fee is calculated on the difference between the estimated cost to construct a similarly sized unit and the maximum BMR purchase price. If the Project were subject to the City's policy, the Developer would pay approximately \$5.5 million to the City, which would be used by MOHCD to fund affordable housing elsewhere in the City. Under the proposed Variation Request and \$13.85

million payment, the payment of \$13.85 million is based on the Developer's own opportunity cost to build those units on site, resulting in a payment that is over two and a half times the City's in-lieu fee amount.

Timing of TCG Market Analysis

The Commission also inquired about whether the \$13.85 million contribution from the Developer is reflective of today's real estate values, given the price increases that have occurred since the TCG analysis was completed in November 2013. Tim Cornwell of TCG explained that it is difficult to say how much real variation there would be in the values since the analysis was completed, for a number of reasons:

- The Project is unique, and there is a very limited set of comparable properties. While there has been evidence of significant activity and price increases in the middle of the market, there has been less evidence at the high end of the market. It is therefore difficult to say how much, if any, the values for this Project increased over the last year;
- The value of the BMR units may change in the near future, as median incomes are expected to rise. Such increases in value could mitigate any increases in value for the market-rate units; and
- The analysis is based on a development that doesn't yet exist, at a certain fixed point in time. It is not possible to know exactly what the market dynamics will be at the point the units in the Project are sold.

Mr. Cornwell concluded that, given the above consideration, TCG's analysis is still valid.

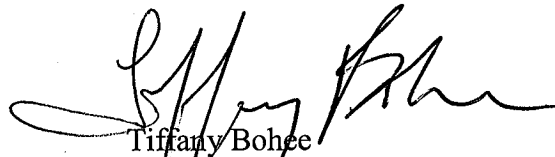
CALIFORNIA ENVIRONMENTAL QUALITY ACT

The Commission's approval of the Variation Request does not compel any changes in the Project that the Planning Commission previously approved. Rather, approval of the Variation Request merely authorizes Planning Commission and Board of Supervisors to consider a future action that would remove the On-Site Requirement from the Project. Thus, approval of the Variation Request and authorizing the future acceptance of \$13.85 million for the Transbay Affordable Housing Obligation does not constitute a project under the California Environmental Quality Act ("CEQA"), CEQA Guidelines (California Code of Regulations Title 14) Section 15378 (b)(4) because it merely creates a government funding mechanism that does not involve any commitment to a specific project.

STAFF RECOMMENDATION

Staff recommends conditionally approving a variation to the Redevelopment Plan's On-Site Requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for OCII, and authorizing the acceptance of a future payment of \$13.85 million to OCII for use in fulfilling the Transbay Affordable Housing Obligation.

*(Originated by Christine Maher, Senior Development Specialist, and
Courtney Pash, Acting Transbay Project Manager)*



Tiffany Bohee
Executive Director

Exhibit A: Commission Memorandum of September 12, 2014
Exhibit B: Email from Maria Benjamin, Director of Homeownership and Below
Market Rate Programs for MOHCD, dated September 23, 2014

122-0242014-002

Agenda Item No. 5 (g)
Meeting of September 12, 2014**MEMORANDUM**

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Executive Director

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EXECUTIVE SUMMARY

Assembly Bill 812 requires that a total of 35% of the residential units in the Transbay Redevelopment Project Area ("Project Area") be available to low- and moderate-income households. The Redevelopment Plan for the Project Area ("Redevelopment Plan") and several enforceable obligations would fulfill this requirement through the combination of stand-alone and inclusionary housing in the Project Area. Both the Redevelopment Plan and the Planning Code require that all housing developments within the Project Area contain a minimum of 15% on-site affordable housing. Approval of projects on designated development blocks located in Zone One of the Project Area are under the purview of OCII; approval of projects in Zone Two are under the purview of the Planning Department, pursuant to the San Francisco Planning Code.

181 Fremont is a mixed-use, high-rise development project (the "Project") located in Zone Two of the Project Area that is being developed by Jay Paul Company (the "Developer"). The Project, which is currently under construction, was approved by the Planning Commission on December 6, 2012. The Project is unique in that: (1) it is the only approved or proposed mixed-use office and housing development within the Project Area; (2) it has the smallest number of residential units of any high rise development in the Project Area; and (3) its residential units are located on the upper 15 floors of the 52-story tower, which is approximately 700 feet in height. The Developer maintains that given these unique characteristics, the requirement to include the affordable units on-site will create practical difficulties for maintaining the affordability of the units because the homeowners association fees, already high in such developments, will likely increase over time such that the original residents would not be able to afford the payments and thus create an undue hardship for both the Developer and the future owners of the affordable units. The Developer estimates that the homeowner association fees will likely exceed \$2000 per month.

The Developer has therefore asked the Office of Community Investment and Infrastructure (“OCII”), as the successor agency to the San Francisco Redevelopment Agency, to grant a variation from the Redevelopment Plan requirement for on-site affordable housing that would allow the Planning Commission to consider the conversion of the 11 on-site affordable units to market-rate units, on the condition that the Developer contributes \$13.85 million toward the development of affordable housing in the Project Area.

The Redevelopment Plan gives the Commission the ability to grant a variation from this requirement if: (1) enforcement otherwise result in practical difficulties for development creating undue hardship for the property owner; (2) enforcement would constitute an unreasonable limitation beyond the intent of the Plan, the Design for Development or the Development Controls and Design Guidelines; and (3) there are unique physical constraints or other extraordinary circumstances applicable to the property. The Redevelopment Plan also gives the Commission the authority to condition its approval of a variation as necessary to secure the goals of the Redevelopment Plan and related documents.

Staff has analyzed the Developer’s request, and made findings as required by the Redevelopment Plan that: (1) enforcement of the on-site housing requirement creates practical difficulties for maintaining the affordability of the units, thereby creating undue hardship for the Developer, the future homeowners, and the Mayor’s of Housing Community Development; (2) this hardship constitutes an unreasonable limitation beyond the intent of the Redevelopment Plan to create affordable housing for the longest feasible time, as required under the Community Redevelopment Law; and (3) extraordinary circumstances, in particular the small number of for-sale units at the top of the high-rise tower, apply to the Project. Additionally, the \$13.85 million affordable housing fee, which was determined based on a market analysis by a real estate economics firm retained by OCII, can be used to subsidize the equivalent of up to 55 stand-alone affordable housing units on publicly-owned parcels in the Project Area and thus significantly assist OCII in fulfilling the 35% affordable housing requirement.

As required by Board of Supervisors Ordinance No. 215-12, the Commission’s approval of the Variation Request would be subject to approval by the Board of Supervisors of the City and County of San Francisco (“Board of Supervisors”), in its capacity as legislative body for OCII, because it constitutes a material change to OCII’s affordable housing program. Additionally, because the Project is located in Zone Two of the Project Area, the Planning Commission and Board of Supervisors will consider approving a development agreement with the Developer that is consistent with this action.

Staff recommends conditionally approving a variation to the Redevelopment Plan’s on-site affordable housing requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for OCII, and authorizing the acceptance of a future payment of \$13.85 million to OCII for use in fulfilling its affordable housing obligations in the Project Area.

BACKGROUND

Transbay Affordable Housing Obligation

Assembly Bill 812, enacted by the California Legislature in 2003 and codified at California Public Resources Code §5027.1, mandates that a total of 25% of the residential units in the Project Area be available to low income households, and an additional 10% be available to moderate income households (the “Transbay Affordable Housing Obligation”), for a total of 35% affordable housing units. This Transbay Affordable Housing Obligation is expected to generate approximately 1,200 affordable units through a combination of units within market rate buildings, or inclusionary units, and stand-alone 100% affordable projects to be built on publicly owned properties.

In order to comply with the Transbay Affordable Housing Obligation, the Redevelopment Plan, at Section 4.9.3, and the San Francisco Planning Code, at Section 249.28(b)(6), require that all housing developments within the Project Area contain a minimum of 15% on-site affordable housing (the “On-Site Requirement”). Neither the Redevelopment Plan nor the Planning Code authorizes off-site affordable housing construction or an “in-lieu” fee payment as an alternative to the On-Site Requirement in the Project Area.

Variation Requirements

The Redevelopment Plan provides a procedure and standards by which certain of its requirements, including the On-Site Requirement, may be waived or modified. Section 3.5.5 of the Redevelopment Plan gives the Commission the ability to grant a variation from the Redevelopment Plan, the Development Controls and Design Guidelines, or the Planning Code where enforcement would otherwise result in practical difficulties for development creating undue hardship for the property owner and constitute an unreasonable limitation beyond the intent of the Plan, the Design for Development or the Development Controls and Design Guidelines. Section 3.5.5 also states that variations can only be granted by the Commission because of unique physical constraints or other extraordinary circumstances applicable to the property, and that the Commission shall condition the variation as necessary to secure the goals of the Redevelopment Plan, the Design for Development and the Development Controls and Design Guidelines.

181 Fremont Mixed-Use Project

On December 6, 2012, the Planning Commission issued approvals for the Project at 181 Fremont Street in Zone 2 of the Project Area. The Project is a 52-story (approximately 700 feet tall), containing approximately 404,000 square feet of office uses, approximately 74 for-sale units on the highest 15 floors of the tower, approximately 2,000 square feet of retail space, and approximately 68,000 square feet of subterranean area with off-street parking. In compliance with the On-Site Requirement of the Redevelopment Plan and Planning Code, the Project approvals require that 11 of the 74 units be available to moderate income households earning 100% of area median income. The Project’s developer estimates that the homeowners association fees for the residential units will exceed \$2,000 per month.

DISCUSSION

Variation Request

The Developer of the Project has requested a variation from the On-Site Requirement that would allow for the conversion of the 11 on-site affordable units to market-rate units (see Exhibit A, the "Variation Request"). In the Variation Request, the Developer explained that the Project was unique in that (1) it is the only approved or proposed mixed-use office and housing development within the Project Area, (2) it has the smallest number of residential units of any high rise development in the Project Area, and (3) its 74 residential units are located on the upper 15 floors of an approximately 52-story tower. The Variation Request concludes that the application of the On-Site Requirement to the Project creates "practical difficulties for maintaining the affordability of the units because homeowners association ("HOA") fees, already high in such developments, will likely increase such that the original residents would not be able to afford the payments" and thus "creates an undue hardship for both the Project Sponsor and the owners of the inclusionary housing units." Finally, the Variation Request proposes that OCII grant a variation on the condition that the Developer contributes \$13.85 million toward the development of affordable housing in the Project Area, in order to ensure that the conversion of the 11 inclusionary units to market-rate units does not adversely affect OCII's compliance with the Transbay Affordable Housing Obligation.

Analysis of the Variation Request

As noted above, the Commission can authorize a variation from the On-Site Requirement if the following findings can be made: (1) enforcement of the Off-Site Requirement would result in practical difficulties for development creating undue hardship for the property owner; (2) enforcement of the Off-Site Requirement would constitute an unreasonable limitation beyond the intent of the Plan, the Design for Development or the Development Controls and Design Guidelines; and (3) there are unique physical constraints or other extraordinary circumstances applicable to the property.

Practical Difficulties/Undue Hardship

Given the unique nature of the Project, in particular the affordable units at the top of a high-rise tower, the On-Site Requirement creates practical difficulties for the Project, as well as undue hardships for the future owners of the inclusionary below-market-rate units ("BMR Owners") and the Mayor's Office of Housing and Community Development ("MOHCD"), as the housing successor responsible for enforcing the long-term affordability restrictions on the units, as follows:

- 1) HOA fees pay for the costs of operating and maintaining the common areas and facilities of a condominium project and, per state law, generally must be allocated equally among all of the units subject to the assessment (Cal. Code Reg., title 10, § 2792.16 (a)). HOA fees may not be adjusted based on the below-market-rate ("BMR") status of the unit or the income level of the homeowner. If HOA fees increase, BMR owners will generally be required to pay the same amount of increases as other owners;

- 2) OCII's Limited Equity Homeownership Program ("LEHP") ensures that income-eligible households are able to afford, at initial occupancy, all of the housing costs, but does not cover increases in HOA dues that occur over time. Initially, the LEHP will decrease the cost of the BMR unit itself to ensure that income-eligible applicants are able to meet all of the monthly costs, including HOA fees. Neither OCII nor MOHCD has a program, however, for assisting owners in BMR units when increases in regular monthly HOA fees occur;
- 3) HOA members may approve increases in HOA fees without the support of the BMR Owners because BMR owners, particularly in a development with inclusionary units, typically constitute a small minority of the total HOA membership. Increases less than 20% of the regular assessment may occur without a vote of the HOA; increases exceeding 20% require a majority vote of members in favor. (Cal. Civil Code § 1366 (b)) To date, state legislation to provide protections to low- and moderate-income households in inclusionary BMR units of a market-rate building when HOA fees increase has been unsuccessful; and
- 4) When HOA fees increase or special assessments are imposed, BMR owners whose incomes have not increased comparably may have difficulty making the higher monthly payments for HOA fees. The result is that housing costs may become unaffordable and some BMR owners will face the hardship of having to sell their unit at the reduced prices required under the limited equity programs of OCII and/or MOHCD. If a BMR owner is forced to sell the inclusionary unit because of the high HOA fees, the cost of the restricted affordable unit, which will now include the high HOA fees, will be assumed by either the subsequent income-eligible buyer or by MOHCD. In either case, the high HOA dues will have caused an additional hardship.

Unreasonable Limitation

The hardship imposed by the On-Site Requirement, as described above, constitutes an unreasonable limitation beyond the intent of the Redevelopment Plan to create affordable housing for the longest feasible time, as required under the Community Redevelopment Law, Cal. Health & Safety Code § 33334.3 (f) (1).

Extraordinary Circumstances

There are several extraordinary circumstances applicable to the Project. The Project is unique in that it is a mixed-use, high-rise development with a very small number of for-sale, on-site inclusionary affordable housing units at the top of the tower. Of high-rise development recently approved or proposed in the Project Area, the Project is the only mixed-use development with commercial office and residential uses and has the smallest number of residential units. As previously noted, the construction of affordable housing units at the top of a high-rise creates practical difficulties for maintaining the affordability of the units.

Additionally, the Developer has offered to contribute \$13.85 million toward the development of affordable housing in the Project Area, which constitutes approximately 2.5 times the amount of the affordable housing fee that would be permitted under the City's Inclusionary Affordable Housing Program if this Project were located outside of the Project Area, which is approximately

\$5.5 million. The amount of the affordable housing fee was determined based on a market analysis by a real estate economics firm retained by OCII, The Concord Group (“TCG”). TCG calculated the net additional revenue that would accrue to the Developer if the 11 on-site affordable housing units were converted to market-rate units and concluded that the Developer would accrue an additional \$13.85 million (see Exhibit B). The analysis took into consideration the exact location of the 11 on-site affordable units within the Project in order to determine a value consistent with other comparable high-rise sales prices. Staff estimates that OCII could provide the local share of subsidy for approximately 55 stand-alone affordable housing units on publicly-owned parcels in the Project Area with the \$13.85 million based on projected construction and subsidy costs.

Compliance with the Transbay Affordable Housing Obligation

As previously mentioned, the Transbay Affordable Housing Obligation is an enforceable obligation under Redevelopment Dissolution Law and requires that 35% (approximately 1,200 units) of the residential units in the Project Area shall be developed for low and moderate income households. OCII is on track to meet the Transbay Affordable Housing Obligation (which has been finally and conclusively determined to be an enforceable obligation by the State Department of Finance) through a combination of stand-alone and inclusionary housing on the OCII assisted parcels in Zone One of the Project Area as well as inclusionary units on privately developed projects in Zone Two. To date in Zone 1, OCII has completed 120 very-low income units on Block 11 and provided funding for 70 affordable units currently under construction on Block 6. OCII has provided predevelopment funding for 85 affordable units on Block 7, and construction will commence in 2015. Another 286 affordable units are currently in predevelopment in Blocks 8 and 9. Over the next several years, OCII will facilitate the development of approximately 600 additional units of affordable housing in Zone 1 on Blocks 1, 2, 4, and 12. In Zone 2, there are an additional 49 affordable inclusionary units currently approved in at 41 Tehama Street. Cumulatively, the affordable units in these projects total approximately 1,200 units, which will achieve the 35% Transbay Affordable Housing Obligation. Please see Exhibit C for a map of the Transbay Project Area for further reference.

The payment of \$13.85 million as a condition of granting the Variation Request ensures that the variation will not be materially detrimental to the public welfare. OCII will use the payment to fulfill the Transbay Affordable Housing Obligation. Specifically, OCII will use the \$13.85 million payment to not only fund the 11 units that would have otherwise been provided in the Project on an OCII assisted site, but also to fund an additional 44 units on future OCII assisted Transbay projects. Staff is currently programming the majority of the \$13.85 million payment for Transbay Block 8, a mixed-income project that will include approximately 177 affordable units.

NEXT STEPS

As required by Board of Supervisors Ordinance No. 215-12, the Commission’s approval of the Variation Request would be subject to approval by the Board of Supervisors, in its capacity as legislative body for OCII, because it constitutes a material change to OCII’s affordable housing program. Additionally, the Planning Commission and Board of Supervisors will consider approving a development agreement with the developer that would be consistent with this action,

would provide relief from the on-site affordable housing requirement in Section 249.28 of the Planning Code, and would require the developer to pay an affordable housing fee of \$13.85 million to OCII for its use in fulfilling the Transbay Affordable Housing Obligation.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Approval of the Variation Request does not compel any changes in the Project that the Planning Commission previously approved. Rather, approval of the Variation Request merely authorizes the Planning Commission and Board of Supervisors to consider a future action that would remove the On-Site Requirement from the Project. Thus, OCII's approval of the Variation Request is statutorily exempt from the California Environmental Quality Act ("CEQA") as a feasibility and planning study under CEQA Guidelines Section 16262.


Approval of the Variation Request will not result in a physical change to the Project that was approved by the Planning Commission on December 6, 2012. In approving the Project, the Planning Commission found that because the Project was consistent with the adopted zoning controls in the Transit Center District Plan and was encompassed within the analysis contained in the Transit Center District Plan Final EIR, it did not require further environmental review under Section 15183 of the CEQA Guidelines and Public Resources Code Section 21083.3.

Finally, the payment of \$13.85 million as a condition of granting the Variation Request will be used by OCII to fund the 55 units that would have otherwise been in the Project Area and that were previously analyzed in the Environmental Impact Statement/Environmental Impact Report for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project, which was certified in 2004. Any development project on the OCII assisted Transbay projects would require its own CEQA determination prior to project approval. Authorizing the future acceptance of \$13.85 million for the Transbay Affordable Housing Obligation thus does not constitute a project under CEQA Guidelines Section 15378(b)(4) because it merely creates a government funding mechanism that does not involve any commitment to a specific project.

STAFF RECOMMENDATION

Staff recommends conditionally approving a variation to the Redevelopment Plan's On-Site Requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for OCII, and authorizing the acceptance of a future payment of \$13.85 million to OCII for use in fulfilling the Transbay Affordable Housing Obligation.

*(Originated by Christine Maher, Senior Development Specialist, and
Courtney Pash, Acting Transbay Project Manager)*


Tiffany Bohee
Executive Director

- Exhibit A: Variation Request
- Exhibit B: Market Analysis by The Concord Group
- Exhibit C: Map of the Transbay Redevelopment Project Area



June 5, 2014

Office of Community Investment and Infrastructure
Attn: Mike Grisso, Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Re: Request for Variation 181 Fremont Street
San Francisco, CA Block 3719/Lots 10 & 11
Case No. 2007.0456EBKXV

Dear Mr. Grisso:

Pursuant to section 3.5.5 of the Redevelopment Plan for the Transbay Redevelopment Project Area (the "Plan"), 181 Fremont Street LLC, (the "Project Sponsor") hereby requests a variation from the requirements of section 4.9.3 of the Plan and section 415.6 of the San Francisco Planning Code in exchange for the payment of \$13.85 million dollars to the Office of Community Investment and Infrastructure ("OCII) for the provision of affordable housing within the Transbay Redevelopment Project Area (the "Project Area").

181 Fremont is a unique mixed-use high-rise development project (the "Project"). The Project contains office space and for-sale residential units, including 11 inclusionary affordable ownership units at the top of the tower. The construction of for-sale, on-site affordable housing units at the top of a high-rise creates practical difficulties for maintaining the affordability of the units because homeowners association ("HOA") fees, already high in such developments, will likely increase such that the original residents would not be able to afford the payments.

The burden placed on the Project Sponsor to maintain the affordability of the units creates an undue hardship for both the Project Sponsor and the owners of the inclusionary housing units. A variation allowing the Project Sponsor to pay an affordable housing fee to OCII will increase OCII's ability to delivery affordable housing units within the Project Area, a primary goal of the Plan, create deeper affordable levels, produce more net affordable units, and maintain land values necessary for the Transbay Joint Powers Authority's financing assumptions.

The Plan and Planning Code

Pursuant to section 3.5.5 of the Plan, OCII, in its sole discretion, may grant a variation from the Plan, the Development Controls and Design Guidelines, or the Planning Code, if enforcement would result in practical difficulties for development creating an undue hardship for the property owner and constitute an

unreasonable limitation beyond the intent of the Plan. OCII may grant variations only if there are unique physical constraints or other extraordinary circumstances applicable to the property. Any variation granted must be in harmony with the Plan and not materially detrimental to the public welfare or neighboring property or improvements.

Section 2.1G of the Plan states that it is both the purpose of California Redevelopment Law and a major objective of the Plan to strengthen the community by supplying affordable housing with the deepest affordability levels economically feasible. The Plan requires that 35% of all new housing units in the Project Area be affordable. Both Planning Code section 415.6 and section 4.9.3 of the Plan require that at least 15% of all new housing development units must be on-site, affordable housing units. To achieve this requirement, the Redevelopment Plan must utilize both inclusionary units and stand-alone affordable housing developments. The Plan's 2005 report set a goal of 388 inclusionary units and approximately 795 stand-alone affordable housing units.

The Project and the Project Area

The Project is currently the only approved or proposed mixed-use office and housing development within the Plan Area. The Project's tower contains 54 floors comprised of approximately 400,000 sq. sf. of office and retail space, and 74 residential units, the smallest number of residential units of any high-rise development in the Project Area. Office and retail uses occupy the lower 38 floors and residential units, including 11 inclusionary units, occupy the upper 15 floors.

The Plan Area covers 40 acres and includes blocks programmed for: (i) stand-alone affordable housing developments; (ii) all or a majority of office space; and (iii) a combination of market and affordable housing. The Transbay Joint Powers Authority ("TJPA") established specific land value goals for each block in its funding plan for the Transbay Transit Center ("TTC"). There are a limited number of publicly-owned blocks remaining upon which affordable housing may be built to meet the Plan's 35% affordability requirement.

Affordability Challenges

Due to the unique nature of the Property, maintaining the affordability of the affordable units in harmony with the Plan is problematic. The residential units within the Project are for-sale and include high HOA fees, in excess of \$2,000 per month. Although the initial price of the affordable for-sale units would be adjusted to reflect the cost of the HOA fees, after completion of the project the HOA may raise fees at any time regardless of the effect on the affordable units. Because the HOA, in its sole discretion, may increase HOA fees, once affordable units may quickly become unaffordable. The potential increase in turn-over of the units will de-stabilize the affordable community within the Project and create an undue hardship for both the Project owner and future owners of the affordable units. The granting of a variation will increase the number of affordable units with the Project Area and allow the production of units with deeper affordability levels.

Affordable Housing Fee

The Project Sponsor proposes to pay an affordable fee in the amount of \$13.85 million dollars to OCII to subsidize the equivalent an estimated 55 stand-alone affordable housing units on publicly owned parcels in the Project Area.

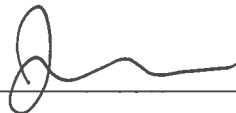
The fee is above and beyond that required pursuant to section 415.5 of the Planning Code. The amount of the fee was determined by The Concord Group (“TCG”), a real estate economics firm engaged by OCII. TCG calculated the net additional revenue that would accrue to the Project Sponsor if the 11 on-site affordable units were converted to market-rate units.

In summary, a variation from the on-site affordable housing requirements under the Plan and Planning Code would (i) result in the payment of \$13.85 million dollars to OCII in consideration of the elimination of the on-site requirement; (ii) provide OCII the ability to subsidize up to approximately 55 affordably housing units, with a net gain of 22 affordable units; (iii) prevent undue hardship to the Project Sponsor and future affordable housing unit owners; (iv) maintain of land values necessary for the TJPA’s financing assumptions; and (v) remain in harmony with the intent of the Plan to produce affordable housing at the deepest affordability levels.

The Project Sponsor is prepared to enter into an agreement with OCII confirming such obligation to make the affordable housing fee payment in exchange for the requested variation. Please contact me at the e-mail or telephone number shown above if you have any questions.

Best regards,

181 FREMONT STREET LLC, a
Delaware limited liability company

By:  _____

Name: Jay Paul

Its: President



THE CONCORD GROUP

251 KEARNY STREET, 6TH FLOOR
SAN FRANCISCO, CALIFORNIA 94108
PHONE 415.397.5490 FAX 415.397.5496

VALUE OF INCLUSIONARY HOUSING
EXEMPTION TO 181 FREMONT STREET, A
DEVELOPMENT SITE IN THE TRANSBAY
NEIGHBORHOOD OF SAN FRANCISCO

WORKING SESSION
OCTOBER 2013

PREPARED FOR:
TRANSBAY JOINT
POWERS AUTHORITY



LIST OF EXHIBITS

I. MARKET OPPORTUNITY ANALYSIS

1. Regional Location
2. Demographic Summary
3. Employment Trends
4. Employment Nodes
5. Commuting Patterns
6. Historical Building Permits
7. Historical Home Closings and Price Trends
8. Planned and Proposed For-Sale Residential Supply
 - A. Delivery Projection
 - B. Project Locations
9. Demand Summary – Household Growth
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II. COMPETITIVE SET

1. For-Sale Inventory
2. Comparable For-Sale Community Locations
3. Select Condominium Resales
4. Floor Premium Analysis

III. SITE-SPECIFIC ANALYSIS

1. Local Setting
2. Site Plan and Floor Plate
3. Product Program Positioning
4. Program and Positioning Rationale
5. Product Program Positioning Including Premiums
6. High Rise Condominium Sales and Listings by Floor

I. MARKET OPPORTUNITY ANALYSIS

EXHIBIT I-1

REGIONAL LOCATION
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

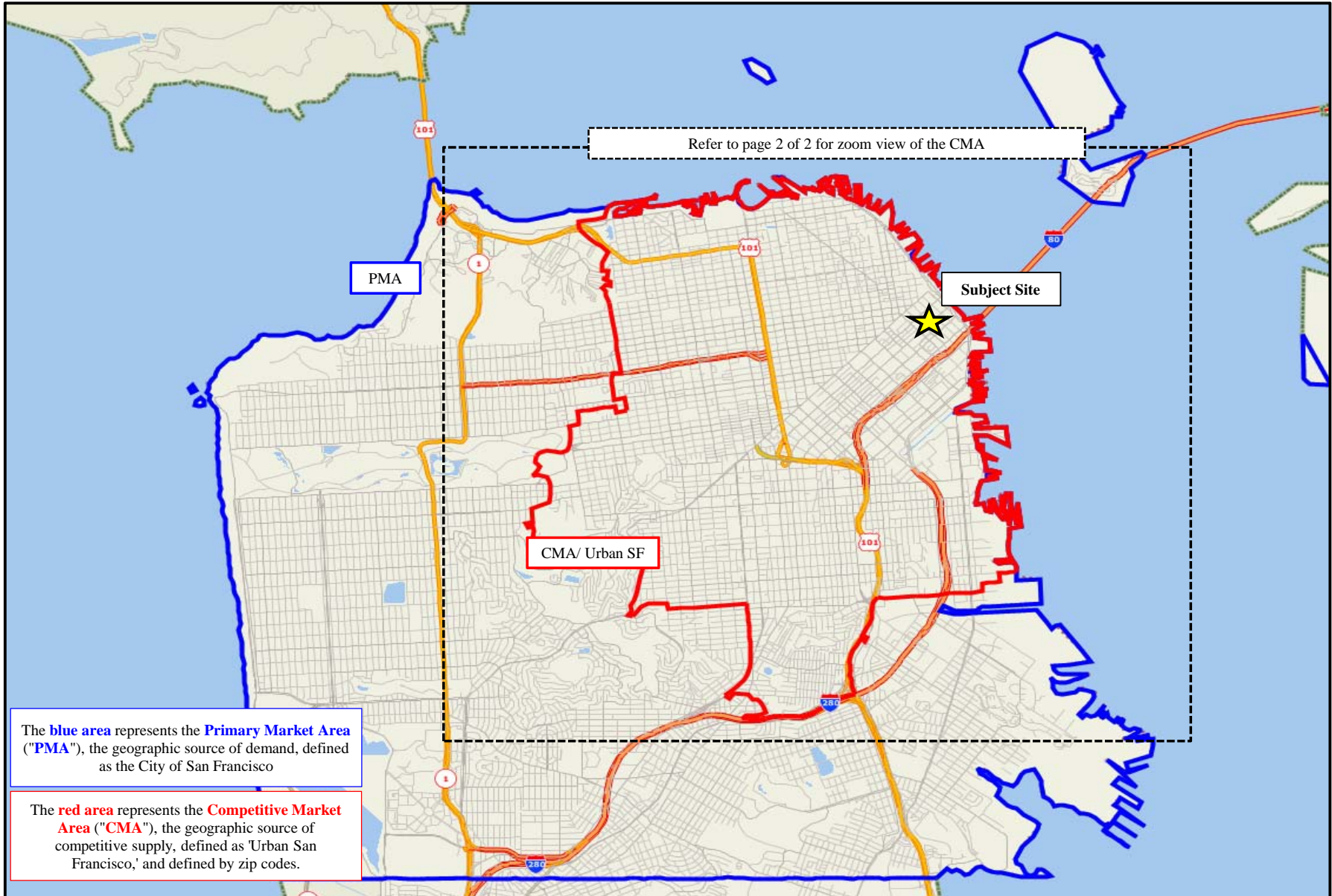
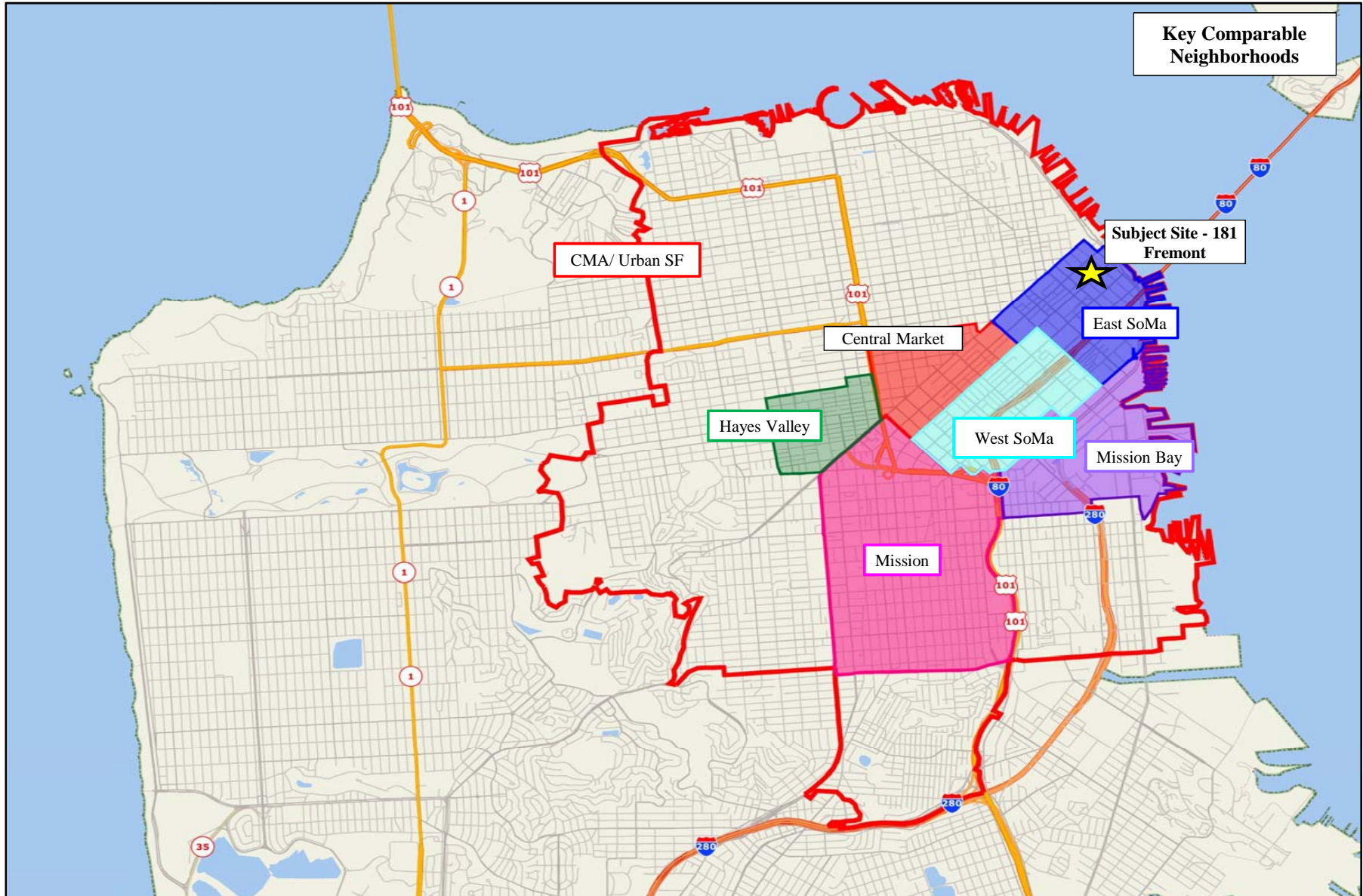


EXHIBIT I-1
REGIONAL LOCATION
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013



**EXHIBIT I-2
DEMOGRAPHIC SUMMARY
PRIMARY MARKET AREA; SAN FRANCISCO, CALIFORNIA
OCTOBER 2013**

Geography	Bay Area (2)									
	Primary Market Area							CMA (1)	PMA (1)	Bay Area (2)
Radius	CMA									
	1-Mile	East SoMa	Mission	Mission Bay	Hayes Valley	West SoMa	Central Market			
General Information										
Population ('13)	60,854	12,932	58,648	10,423	13,679	12,929	27,146	403,298	825,538	7,352,834
Households ('13)	34,322	7,603	24,091	4,892	7,318	6,225	14,275	206,089	355,873	2,684,502
% PMA	9.6%	2.1%	6.8%	1.4%	2.1%	1.7%	4.0%	57.9%	100.0%	754.3%
Annual Growth (#, '13-'18)	532	226	266	158	80	109	238	2,287	3,423	26,347
% PMA	15.6%	6.6%	7.8%	4.6%	2.3%	3.2%	6.9%	66.8%	100.0%	769.7%
Over \$100k HH Growth	406	191	235	126	65	99	55	2,105	3,409	24,613
Under \$100k HH Growth	126	35	31	32	16	9	182	182	14	1,734
Annual Growth (% , '13-'18)	1.5%	2.8%	1.1%	3.0%	1.1%	1.7%	1.6%	1.1%	0.9%	1.0%
Household Size ('13)	1.68	1.62	2.36	1.91	1.82	1.68	1.68	1.88	2.25	2.68
Household Breakdown ('13)										
1 Person	56%	52%	37%	41%	51%	54%	65%	48%	39%	26%
2 Person	31%	38%	30%	40%	31%	33%	19%	32%	31%	30%
3+ Person	14%	10%	33%	19%	18%	12%	16%	20%	30%	43%
Age Breakdown - HHs ('13)										
Median Age (Pop)	43.1	36.7	36.4	33.8	36.5	42.7	43.9	39.0	39.8	38.5
Under 25	4%	4%	3%	4%	3%	2%	4%	3%	3%	3%
25-34	23%	35%	26%	40%	31%	23%	17%	25%	21%	15%
35-44	18%	26%	25%	27%	23%	22%	17%	22%	20%	20%
45-54	16%	16%	18%	13%	18%	13%	22%	17%	18%	22%
55-64	15%	11%	13%	8%	13%	11%	20%	14%	16%	19%
65-74	11%	5%	8%	6%	7%	10%	11%	10%	11%	12%
75+	13%	2%	6%	3%	4%	19%	9%	9%	10%	10%
Income Breakdown ('13)										
Average Income	\$94,249	\$167,878	\$98,770	\$145,565	\$94,512	\$116,027	\$37,750	\$109,062	\$108,274	\$107,479
Median Income	\$43,734	\$116,029	\$66,317	\$110,601	\$61,905	\$71,642	\$18,830	\$69,301	\$72,656	\$74,423
vs. PMA	-40%	60%	-9%	52%	-15%	-1%	-74%	-5%	0%	2%
Under \$50K	53%	23%	41%	26%	43%	43%	77%	40%	38%	34%
\$50-\$75K	9%	9%	14%	11%	15%	8%	9%	13%	14%	16%
\$75-\$100K	7%	10%	12%	10%	12%	7%	6%	11%	12%	12%
\$100-\$150K	13%	21%	15%	20%	14%	19%	5%	15%	16%	17%
\$150-\$200K	6%	13%	9%	13%	7%	8%	1%	9%	9%	9%
\$200K+	11%	25%	10%	20%	9%	15%	2%	13%	12%	11%
Rental Housing ('11) (3)										
% Owner	36%	42%	26%	33%	17%	29%	4%	26%	37%	57%
Owner HHs ('13)	12,376	3,203	6,223	1,590	1,236	1,783	564	52,688	131,995	1,538,360
% PMA	9.4%	2.4%	4.7%	1.2%	0.9%	1.4%	0.4%	39.9%	100.0%	1165.5%
Annual New Owner HHs ('13-'18)	192	95	69	51	14	31	9	585	1,270	15,098

(1) The CMA is defined by zip code and identified as 'Urban San Francisco', while the PMA is defined as San Francisco City/County. Refer to Exhibit I-1 for details.
(2) The 9-County Bay Area is defined by the following counties: San Francisco, Marin, San Mateo, Santa Clara, Alameda, Contra Costa, Napa, Solano and Sonoma.
(3) 2011 American Community Survey 5-year estimates used. 1-mile radius census data based on closest available census tracts

Sources: Claritas, U.S. Census 2011

EXHIBIT I-2

DEMOGRAPHIC COMPARISON - NEIGHBORHOOD COMPARISON
 PRIMARY MARKET AREA; SAN FRANCISCO, CALIFORNIA
 OCTOBER 2013

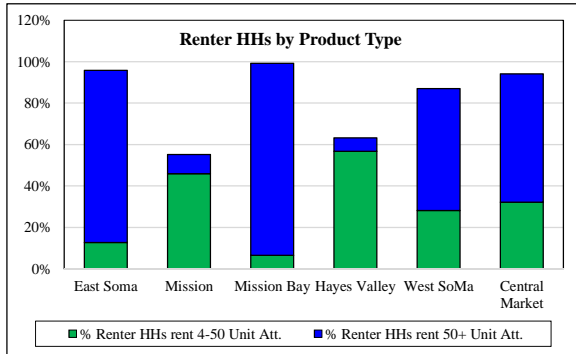
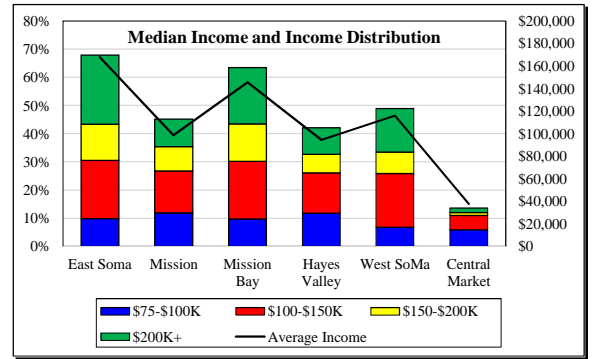
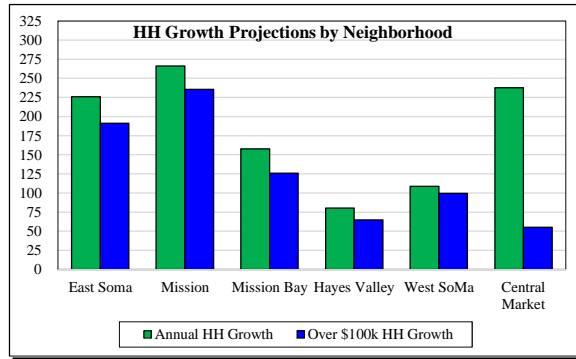
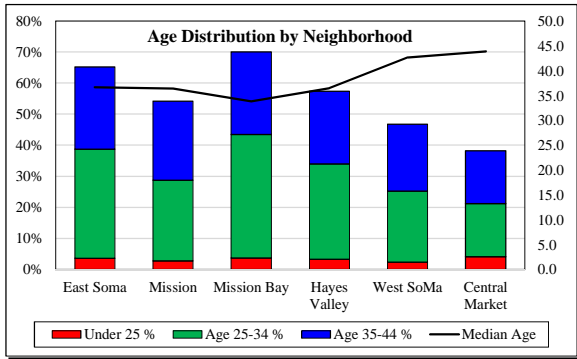
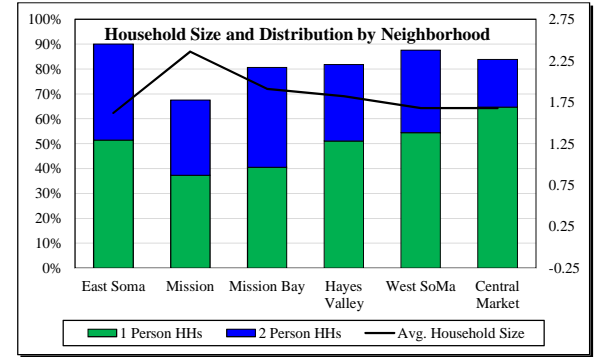
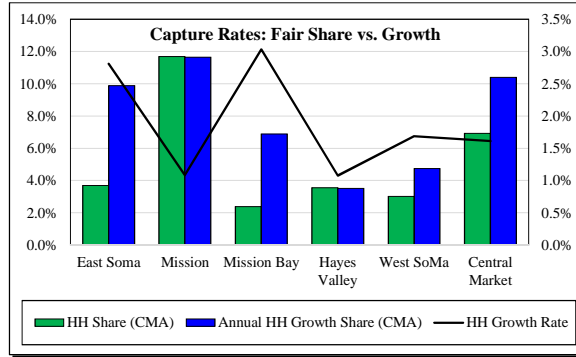
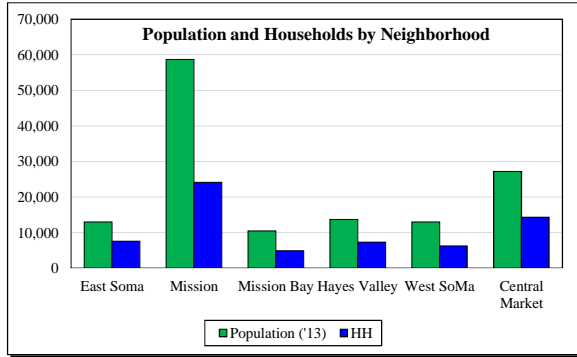
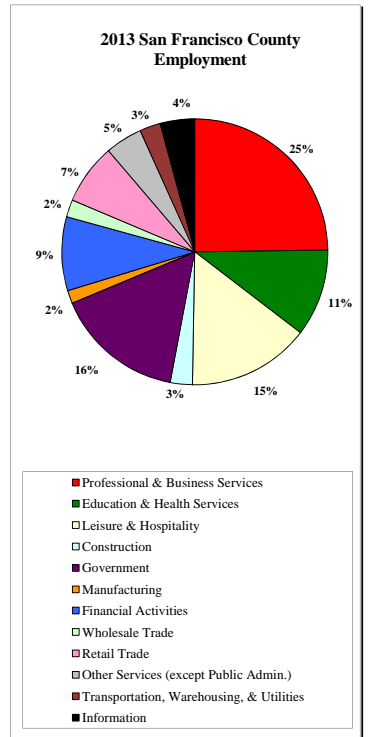
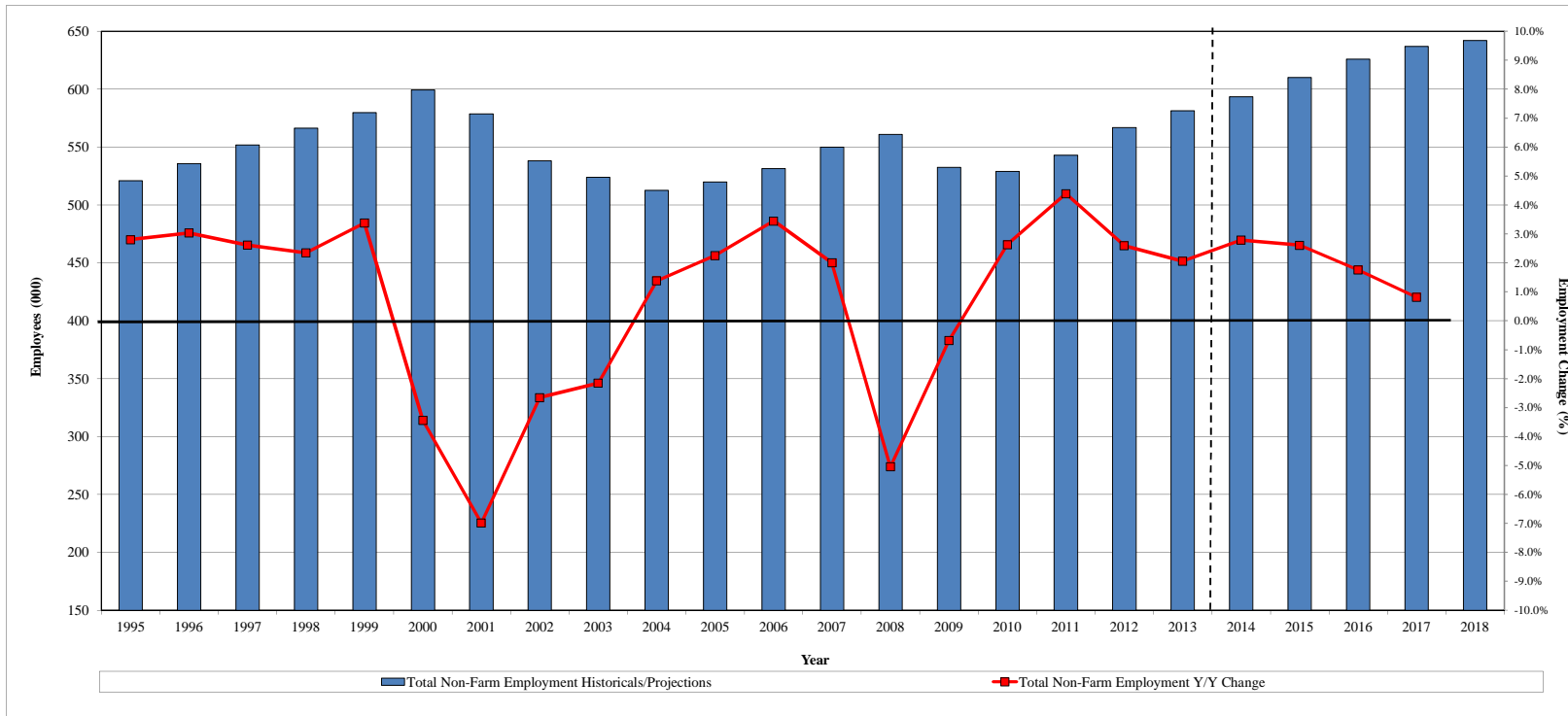


EXHIBIT I-3

HISTORICAL EMPLOYMENT TRENDS
SAN FRANCISCO COUNTY
1995 THROUGH 2018

Employment Industry	Annual Employment (000s)													Forecast					Ann. Growth 13-'18			% County Employment Shift Share									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	'08-'13	%	#	2013	2018	Nominal	%
San Francisco County	106.6	113.5	117.6	121.7	125.5	132.7	125.7	111.2	104.6	101.2	106.8	113.7	121.1	125.1	118.7	119.0	128.0	138.5	144.1	148.2	154.2	160.1	164.5	166.7	2.9%	3.0%	22.6	25%	26%	1.2%	4.8%
Professional & Business Services	48.9	49.1	51.5	55.7	56.8	53.3	52.4	52.0	52.4	53.4	54.4	55.3	56.5	57.8	57.8	58.1	58.6	60.8	61.9	63.5	65.7	67.8	69.4	70.3	1.4%	2.6%	8.5	11%	11%	0.3%	3.0%
Education & Health Services	60.8	63.3	66.9	69.3	71.4	73.3	72.7	69.4	69.8	70.8	72.0	74.0	76.4	79.1	75.7	76.6	79.2	82.8	86.4	88.7	91.3	94.1	96.3	97.7	1.8%	2.5%	11.3	15%	15%	0.4%	2.5%
Leisure & Hospitality	12.6	13.5	15.6	17.1	18.7	19.5	19.7	18.0	17.7	16.5	16.3	17.3	18.7	19.0	15.3	14.1	13.4	14.6	15.8	16.8	17.9	18.8	19.3	19.3	-3.6%	4.1%	3.5	3%	3%	0.3%	10.7%
Construction	84.5	84.1	83.3	81.6	83.7	87.9	86.6	88.2	88.6	88.0	89.6	91.0	92.3	94.2	92.4	92.8	92.7	91.7	91.3	91.8	93.8	95.1	95.6	95.9	-0.6%	1.0%	4.5	16%	15%	-0.8%	-5.0%
Government	27.9	27.7	27.4	26.6	24.7	22.2	17.9	15.0	13.4	12.3	11.7	11.2	10.9	10.6	9.2	8.6	8.5	9.2	9.1	9.1	9.2	9.2	9.2	9.0	-2.9%	-0.2%	-0.1	2%	1%	-0.2%	-10.3%
Manufacturing	60.1	61.7	60.8	62.6	64.1	66.1	69.3	63.2	59.7	57.0	57.3	57.8	58.5	58.1	52.8	51.2	52.2	53.0	54.0	55.3	56.5	57.1	57.1	57.1	-2.1%	1.8%	4.9	9%	9%	-0.1%	-0.9%
Financial Activities	15.4	15.7	15.5	15.3	15.0	14.6	13.9	12.8	12.7	12.2	11.9	11.8	12.2	12.3	10.8	10.3	10.8	11.9	12.3	12.4	12.6	12.6	12.6	12.5	-0.1%	0.3%	0.2	2%	2%	-0.2%	-8.0%
Wholesale Trade	39.1	40.9	43.0	44.1	45.2	47.4	46.0	43.5	43.3	42.8	43.2	43.1	44.1	44.3	41.2	40.0	40.8	42.3	42.9	43.3	43.6	43.8	43.8	43.7	-0.6%	0.3%	0.8	7%	7%	-0.6%	-7.9%
Retail Trade	22.6	22.8	24.7	25.4	25.4	25.4	25.5	23.8	23.4	23.0	23.2	23.4	24.2	25.5	24.9	24.8	25.3	26.2	26.4	26.8	27.2	27.8	28.1	28.0	0.7%	1.2%	1.7	5%	4%	-0.2%	-3.7%
Other Services (except Public Adm.)	23.4	23.5	23.9	22.9	20.6	20.1	19.3	17.6	17.6	16.2	16.2	15.8	15.4	15.5	14.6	14.1	13.9	14.1	14.7	14.8	15.1	15.5	15.7	15.7	-1.0%	1.3%	1.0	3%	2%	-0.1%	-3.4%
Transportation, Warehousing, & Utilities	19.2	19.7	21.7	23.8	28.3	36.7	29.6	23.4	20.7	19.2	17.0	17.2	19.5	19.5	19.2	19.3	21.4	23.5	24.4	24.9	25.3	25.7	26.0	26.1	4.6%	1.3%	1.7	4%	4%	-0.1%	-3.2%
Information	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-16.4%	-1.5%	0.0	0%	0%	0.0%	-16.2%
Natural Resources & Mining																															
3Q 2012 Total Non-Farm (000)	521.0	535.6	551.9	566.4	579.7	599.3	578.6	538.2	523.9	512.7	519.8	531.5	549.8	560.8	532.6	528.9	542.9	566.7	581.4	593.4	609.9	625.9	636.9	642.0	0.7%	2.0%	60.6	100%	100%		
Y/Y Change (000)	14.6	16.3	14.4	13.3	19.6	-20.6	-40.4	-14.3	-11.3	7.1	11.7	18.3	11.0	-28.3	-3.6	13.9	23.8	14.7	12.0	16.6	15.9	11.0	5.2								
% Change	2.8%	3.0%	2.6%	2.3%	3.4%	-3.4%	-7.0%	-2.6%	-2.1%	1.4%	2.3%	3.4%	2.0%	-5.0%	-0.7%	2.6%	4.4%	2.6%	2.1%	2.8%	2.6%	1.8%	0.8%								
Cumulative Loss:					15.0%					-14.4%			9.4%		-5.7%									18.3%							
4Q 2012 Total Non-Farm (000)	521	535.6	551.9	566.4	579.7	599.3	578.6	538.2	523.9	512.7	519.8	531.5	549.8	561.0	532.0	526.6	536.2	553.6	565.5	579.5	597.9	614.5	623.3								
% Change																			11.9	14.0	18.5	16.6	8.8								
																			2.2%	2.5%	3.2%	2.8%	1.4%								

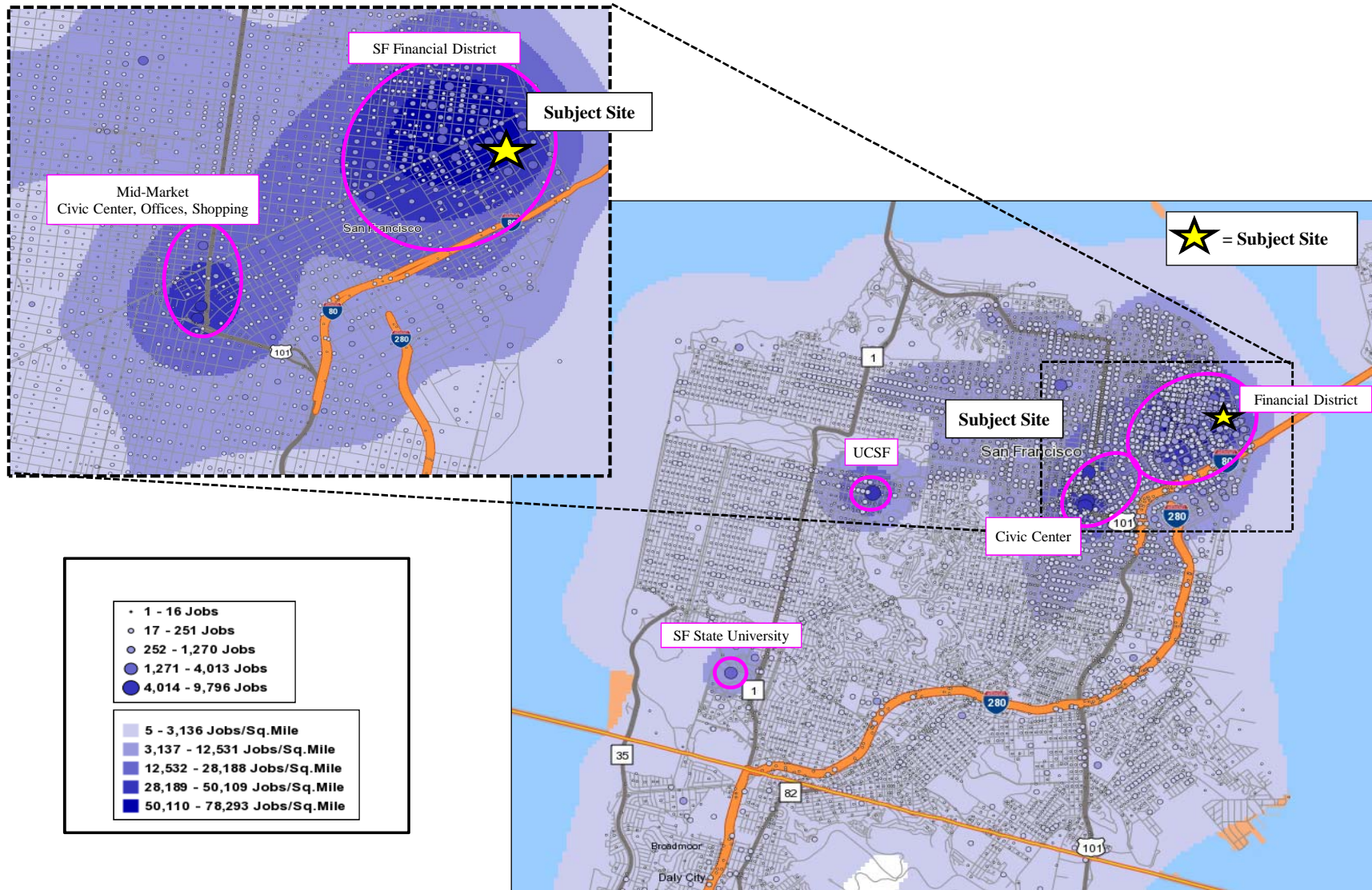
4Q 2012 vs. 3Q 2013 Projection Change: 2.8% 2.4% 2.0% 1.9% 2.2%



Note: All employment figures represent year end
Sources: Moody's Economy.com last updated September 25, 2013
07316.17 Employment Trends.xlsmExhibit - Oct

EXHIBIT I-4

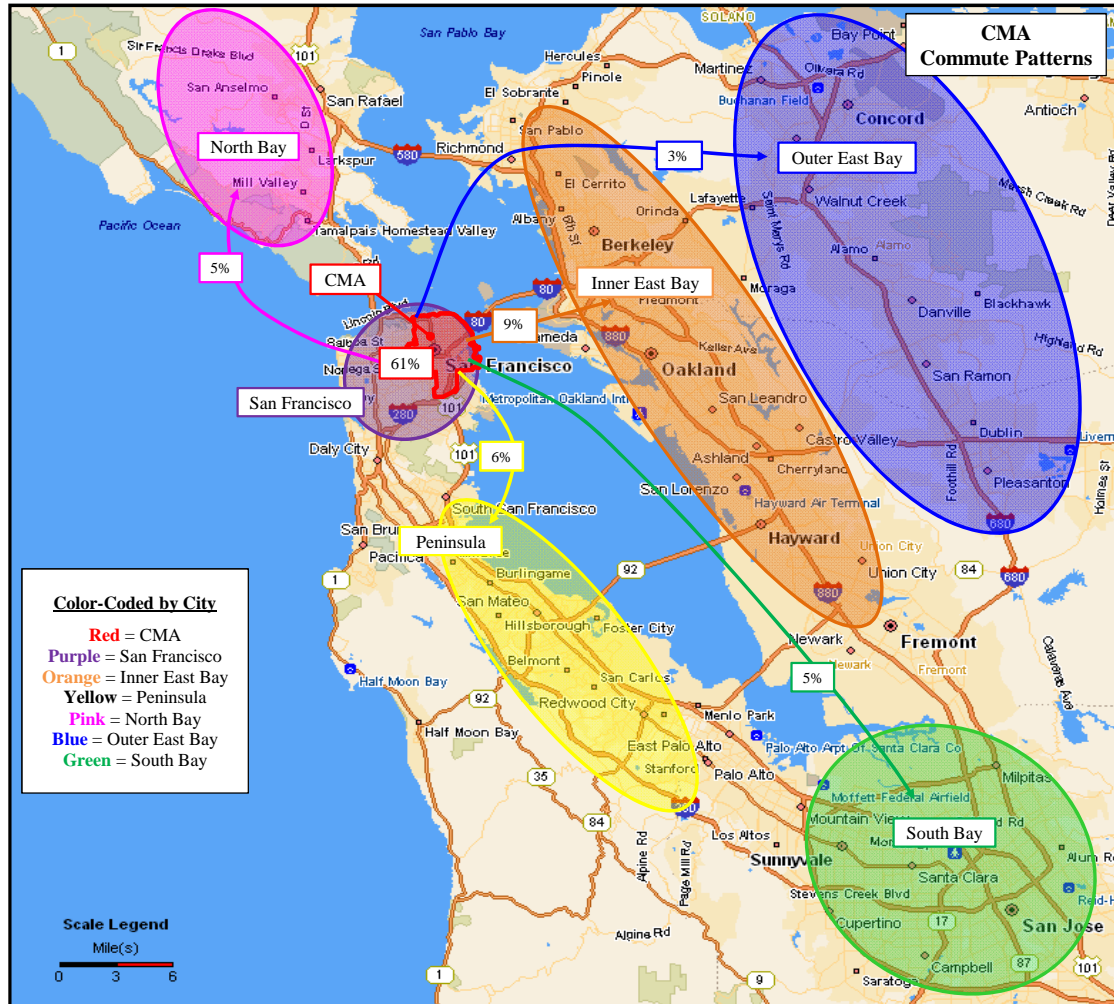
EMPLOYMENT NODES
PRIMARY MARKET AREA
2011



Source: Longitudinal Employer-Household Dynamics, U.S. Census Bureau, 2010

EXHIBIT I-5

COMMUTING PATTERNS AND SUBMARKET CHARACTERISTICS
COMPETITIVE MARKET AREA (1)
2011



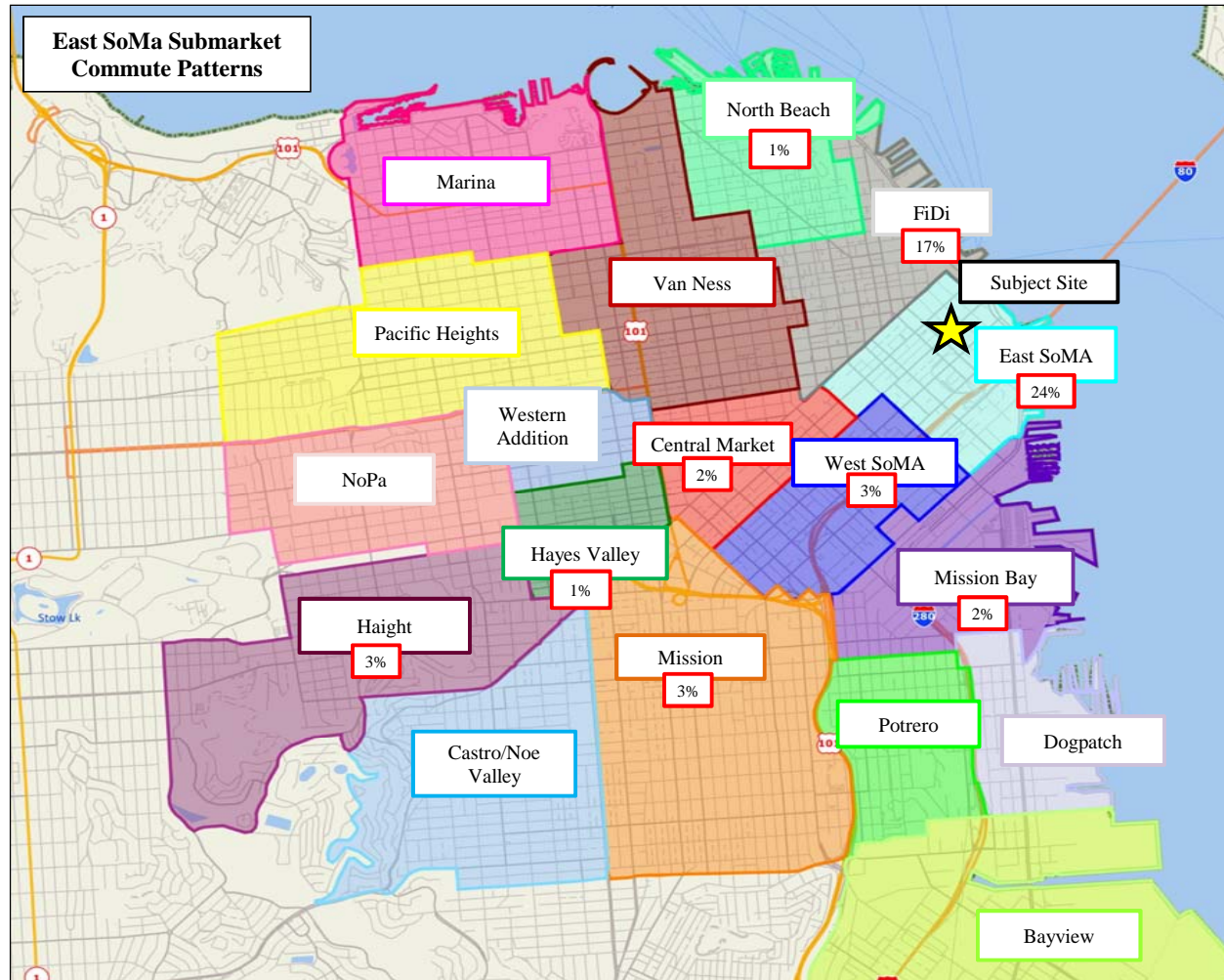
CMA Commute Patterns					
CMA Employment Base (Employees):					
Commute from:	% Δ	2011		2010	
		Share	Number	Share	Number
San Francisco	7%	39%	170,470	40%	159,911
Inner East Bay	5%	14%	63,447	15%	60,654
Peninsula	8%	11%	49,671	11%	46,026
North Bay	15%	7%	30,047	6%	26,111
Outer East Bay	6%	6%	27,248	6%	25,675
South Bay	14%	4%	17,323	4%	15,191
Sacramento Area	39%	2%	6,916	1%	4,982
Other	20%	17%	77,071	16%	64,123
Total:	10%	100%	442,193	100%	402,673

CMA Employed Population (Residents):					
Commute to:	% Δ	2011		2010	
		Share	Number	Share	Number
San Francisco	8%	61%	108,474	61%	100,034
Inner East Bay	7%	9%	16,144	9%	15,030
Peninsula	10%	6%	10,590	6%	9,603
North Bay	-3%	5%	9,475	6%	9,786
Outer East Bay	8%	3%	5,847	3%	5,392
South Bay	9%	5%	8,497	5%	7,816
Sacramento Area	27%	1%	2,013	1%	1,588
Other	31%	10%	18,189	9%	13,871
Total:	10%	100%	179,229	100%	163,120

(1) CMA defined as Urban San Francisco, and comprised of zip codes. See Exhibit I-1 for market area delineation map.
Source: Longitudinal Employer-Household Dynamics, U.S. Census Bureau

EXHIBIT I-5

COMMUTING PATTERNS AND SUBMARKET CHARACTERISTICS
EAST SOMA; SAN FRANCISCO, CALIFORNIA
2011



Note: Star indicates Subject Site Location
Source: Longitudinal Employer-Household Dynamics, U.S. Census Bureau

2011 East SoMa Commute Patterns		
East SoMa Employed Population:		
Commute to:	Share	Number
San Francisco	59%	2,822
Central Market	2%	86
FiDi	17%	809
East SoMa	24%	1,159
Mission	3%	149
West SoMa	3%	137
Haight	3%	121
North Beach	1%	62
Hayes Valley	1%	44
Mission Bay	2%	113
Other SF	3%	142
Outside SF	41%	1,943
Total:	100%	4,765

2011 East SoMa Commute Patterns		
East SoMa Employment Base:		
Commute from:	Share	Number
San Francisco	29%	25,406
Van Ness	4%	3,133
Mission	2%	2,001
Haight	2%	1,630
Castro	2%	1,595
Pac Heights	2%	1,526
Marina	2%	1,578
NoPa	1%	1,132
North Beach	1%	919
East SoMa	1%	1,159
Other SF	12%	10,733
Outside SF	71%	63,080
Total:	100%	88,486

EXHIBIT I-5

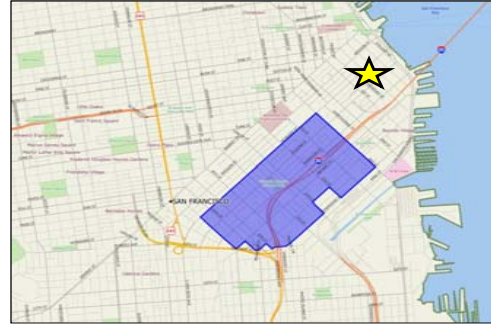
COMMUTING PATTERNS - KEY SUBMARKETS
COMPETITIVE MARKET AREA
2011

East SoMa Submarket



Commute to:	#	%
San Francisco	3,123	66%
Oakland	232	5%
Palo Alto	128	3%
San Jose	99	2%
South San Francisco	98	2%
Emeryville	68	1%
Redwood City	55	1%
Santa Clara	53	1%
Mountain View	52	1%
Burlingame	51	1%
Other	806	17%
Total:	4,765	100%

West SoMa Submarket



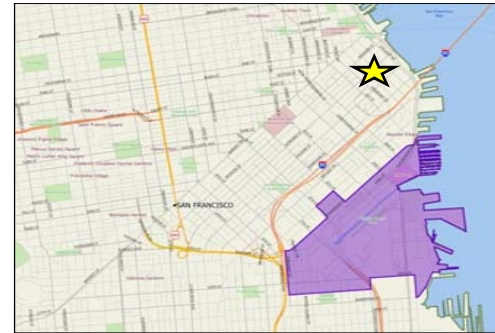
Commute to:	#	%
San Francisco	4,477	48%
Los Angeles	338	4%
Oakland	287	3%
Sacramento	169	2%
San Jose	169	2%
Palo Alto	167	2%
South San Francisco	131	1%
San Diego	112	1%
Redwood City	87	1%
Santa Rosa	78	1%
Other	3,248	35%
Total:	9,263	100%

Central Market Submarket



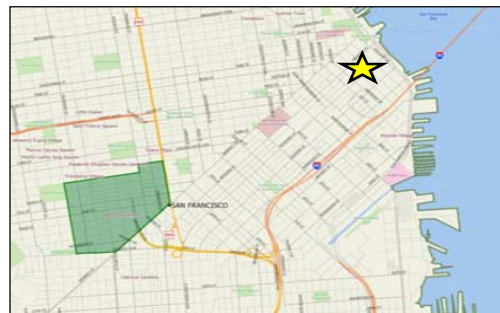
Commute to:	#	%
San Francisco	4,566	49%
Oakland	284	3%
Los Angeles	238	3%
Palo Alto	218	2%
San Jose	212	2%
Sacramento	173	2%
Redwood City	125	1%
South San Francisco	111	1%
Burlingame	107	1%
San Mateo	104	1%
Other	3,216	34%
Total:	9,354	100%

Mission Bay Submarket



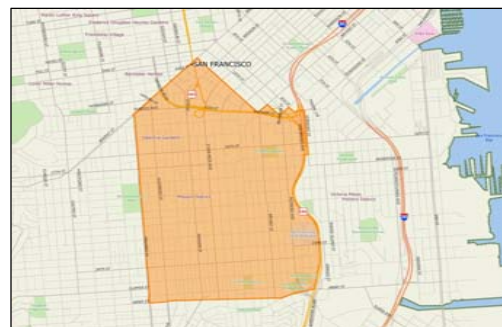
Commute to:	#	%
San Francisco	2,269	66%
Oakland	142	4%
South San Francisco	96	3%
San Jose	85	2%
Palo Alto	80	2%
Mountain View	49	1%
San Mateo	43	1%
Menlo Park	39	1%
Redwood City	34	1%
Berkeley	31	1%
Other	594	17%
Total:	3,462	100%

Hayes Valley Submarket



Commute to:	#	%
San Francisco	4,536	71%
Oakland	281	4%
Palo Alto	113	2%
South San Francisco	107	2%
San Jose	98	2%
Emeryville	68	1%
San Mateo	68	1%
Berkeley	64	1%
Daly City	62	1%
Burlingame	58	1%
Other	923	14%
Total:	6,378	100%

Mission Submarket



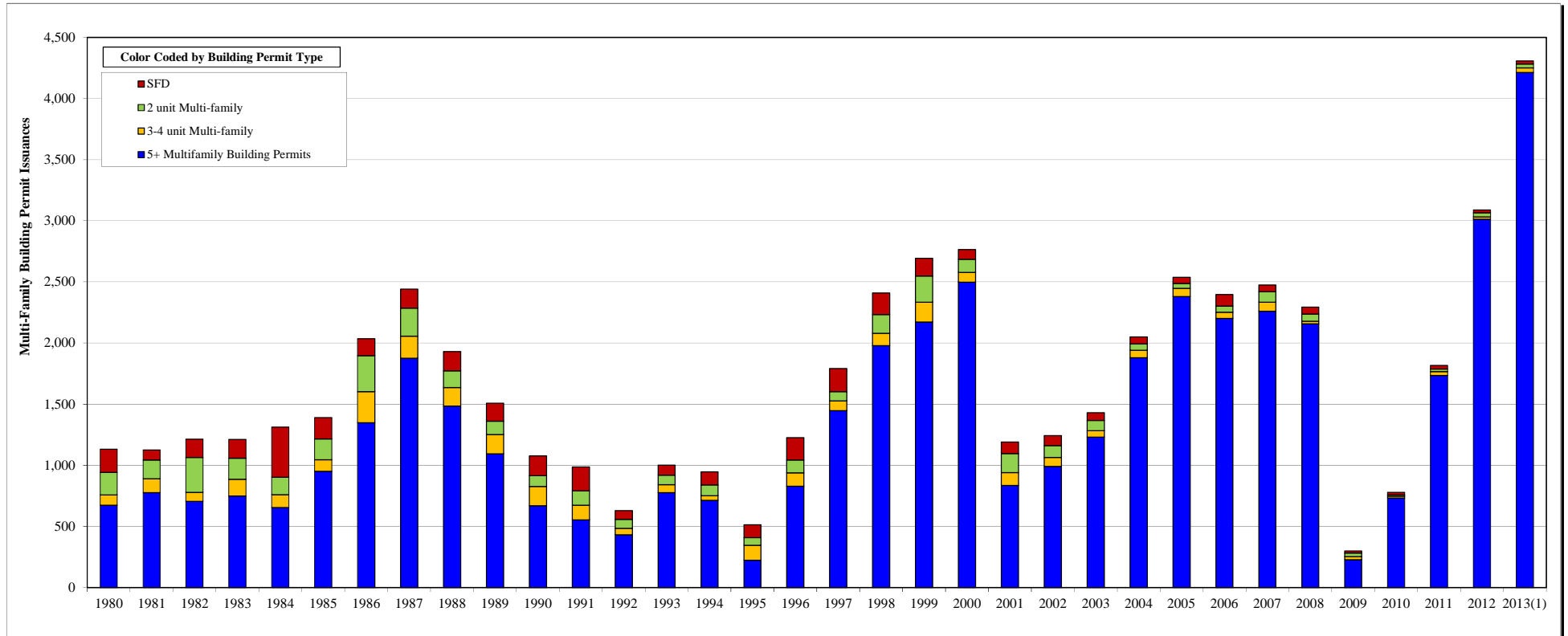
Commute to:	#	%
San Francisco	15,246	59%
Oakland	1,094	4%
Los Angeles	477	2%
Palo Alto	461	2%
San Jose	457	2%
South San Francisco	423	2%
Redwood City	267	1%
Berkeley	261	1%
Sacramento	225	1%
Mountain View	222	1%
All Other Locations	6,815	26%
Total:	25,948	100%

Source: On the Map Census Data

EXHIBIT I-6

RESIDENTIAL BUILDING PERMIT ISSUANCES
PRIMARY MARKET AREA; SAN FRANCISCO, CALIFORNIA
1980 THROUGH 2013

Product Type	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013(1)	Annual Average	
																										10-Yr
Building Permit Issuances by Product Type																										
SFD	161	195	70	82	107	106	183	189	178	146	81	94	82	63	58	51	95	55	57	17	22	31	22	24	53	88
2 unit Multi-family	88	118	74	76	90	64	104	76	152	214	106	156	96	84	52	38	50	86	60	30	10	20	34	33	53	82
3-4 unit Multi-family	158	119	52	67	38	121	109	80	102	162	81	105	74	52	61	68	51	72	19	25	14	31	19	38	47	69
5+ unit Multi-family	670	555	433	776	713	224	830	1,447	1,979	2,172	2,498	836	991	1,231	1,880	2,381	2,202	2,262	2,159	228	733	1,736	3,014	4,214	1,580	1,386
Total Permits	1,077	987	629	1,001	948	515	1,226	1,792	2,411	2,694	2,766	1,191	1,243	1,430	2,051	2,538	2,398	2,475	2,295	300	779	1,818	3,089	4,308	2,222	1,964
5+ Change (#)		-115	-122	343	-63	-489	606	617	532	193	326	-1,662	155	240	649	501	-179	60	-103	-1,931	505	1,003	1,278			
5+ Change (%)		-17%	-22%	79%	-8%	-69%	271%	74%	37%	10%	15%	-67%	19%	24%	53%	27%	-8%	3%	-5%	-89%	221%	137%	74%			
5+ % of Total	62%	56%	69%	78%	75%	43%	68%	81%	82%	81%	90%	70%	80%	86%	92%	94%	92%	91%	94%	76%	94%	95%	98%	98%	71%	71%

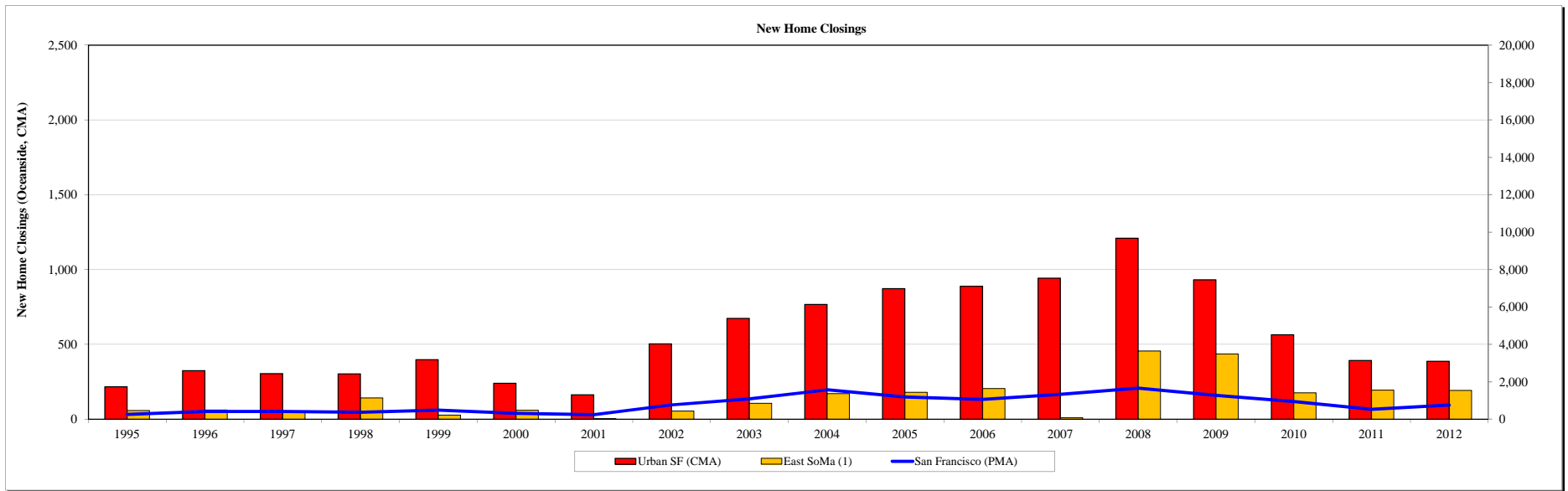


(1) YTD issuances annualized through September 2013

Source: U.S. Department of Housing and Urban Development

EXHIBIT I-7
HISTORICAL HOME SALES AND PRICE TRENDS
PRIMARY MARKET AREA
1995 THROUGH 2Q 2013

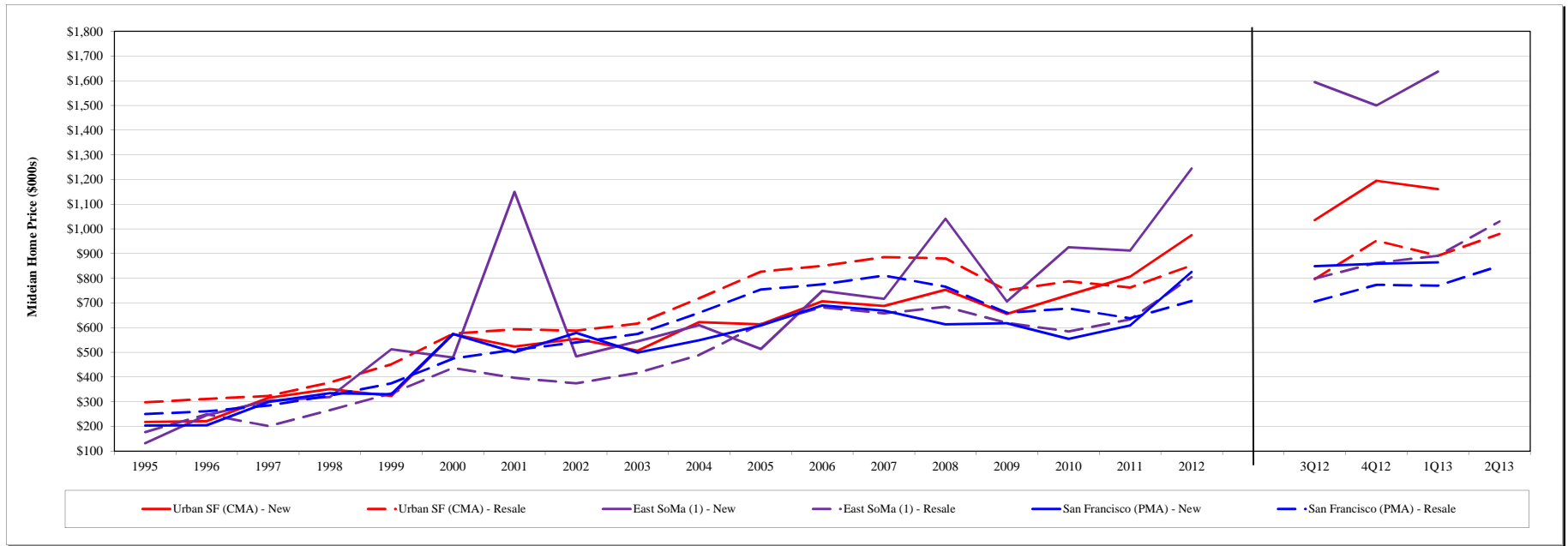
Period:	Annual																		Average 10-Yr	L4Q				
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		3Q12	4Q12	1Q13	2Q13	Total
New Home Closings																								
East SoMa (1)	58	61	48	142	28	59	1	54	107	171	179	204	10	456	436	176	194	192	213	43	32	18	9	102
Growth (%)		5%	-21%	196%	-80%	111%	-98%	5300%	98%	60%	5%	14%	-95%	4460%	-4%	-60%	10%	-1%		-39%	-26%	-58%	-72%	
% New of Total Sales	74%	66%	50%	69%	25%	50%	2%	35%	55%	64%	65%	62%	7%	81%	79%	55%	54%	41%	61%	36%	30%	22%	10%	26%
% of Urban SF (CMA)	27%	19%	16%	47%	7%	25%	1%	11%	16%	22%	21%	23%	1%	38%	47%	31%	49%	50%	28%	43%	63%	51%	32%	47%
Urban SF (CMA)	216	323	303	301	396	239	161	503	672	766	872	887	941	1,209	930	563	392	385	762	101	51	35	28	215
Growth (%)		50%	-6%	-1%	32%	-40%	-33%	212%	34%	14%	14%	2%	6%	28%	-23%	-39%	-30%	-2%		-33%	-50%	-65%	-45%	
% New of Total Sales	13%	14%	12%	12%	15%	11%	9%	18%	21%	22%	25%	28%	29%	39%	33%	20%	14%	11%	24%	11%	6%	6%	3%	6%
% of San Francisco (PMA)	88%	79%	74%	84%	82%	77%	67%	66%	62%	49%	74%	84%	71%	73%	74%	60%	74%	52%	67%	37%	25%	43%	65%	36%
San Francisco (PMA)	245	409	411	358	481	309	239	764	1,082	1,573	1,174	1,052	1,327	1,656	1,259	942	527	747	1,134	270	204	81	43	598
Growth (%)		67%	0%	-13%	34%	-36%	-23%	220%	42%	45%	-25%	-10%	26%	25%	-24%	-25%	-44%	42%		62%	-24%	-70%	-79%	
% New of Total Sales	6%	8%	7%	6%	7%	5%	5%	12%	15%	19%	16%	16%	20%	28%	22%	17%	10%	11%	17%	15%	11%	6%	2%	9%
Resale Closings																								
East SoMa (1)	20	31	48	64	84	59	49	101	88	98	98	127	128	109	115	146	168	274	135	75	74	64	84	297
Growth (%)		55%	55%	33%	31%	-30%	-17%	106%	-13%	11%	0%	30%	1%	-15%	6%	27%	15%	63%		-10%	-1%	-15%	14%	
% of Urban SF (CMA)	1%	2%	2%	3%	4%	3%	3%	5%	4%	4%	4%	6%	5%	6%	6%	7%	7%	9%	6%	10%	9%	11%	9%	10%
Urban SF (CMA)	1,493	1,908	2,275	2,308	2,272	1,963	1,642	2,219	2,500	2,732	2,629	2,279	2,345	1,924	1,874	2,189	2,356	2,970	2,380	788	804	574	929	3,095
Growth (%)		28%	19%	1%	-2%	-14%	-16%	35%	13%	9%	-4%	-13%	3%	-18%	-3%	17%	8%	26%		-6%	2%	-27%	16%	
% of San Francisco (PMA)	36%	38%	40%	38%	37%	37%	37%	40%	40%	40%	42%	42%	44%	45%	43%	47%	47%	50%	44%	51%	51%	49%	53%	51%
San Francisco (PMA)	4,127	5,018	5,725	6,045	6,217	5,343	4,436	5,606	6,200	6,835	6,332	5,377	5,283	4,322	4,373	4,667	4,964	5,918	5,427	1,531	1,591	1,182	1,750	6,054
Growth (%)		22%	14%	6%	3%	-14%	-17%	26%	11%	10%	-7%	-15%	-2%	-18%	1%	7%	6%	19%		-7%	4%	-23%	10%	



Note: Includes detached and attached product types
Source: DataQuick
(1) Mission Bay district approximated by zip codes 94107

EXHIBIT I-7
HISTORICAL HOME SALES AND PRICE TRENDS
PRIMARY MARKET AREA
1995 THROUGH 2Q 2013

Period:	Annual																		Wtd Avg. 10-Yr	3Q12	4Q12	1Q13	2Q13	L4Q Total
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012						
Median New Home Price (\$000s)																								
East SoMa (1)	\$132	\$246	\$304	\$319	\$512	\$479	\$1,150	\$484	\$545	\$610	\$513	\$749	\$717	\$1,041	\$706	\$925	\$913	\$1,244	\$836	\$1,595	\$1,501	\$1,638	na	\$1,571
Growth (%)		87%	24%	5%	61%	-7%	140%	-58%	13%	12%	-16%	46%	-4%	45%	-32%	31%	29%	34%		36%	-6%	3%	N/A	
vs. Urban SF (CMA)	60%	111%	96%	91%	158%	83%	220%	87%	108%	98%	84%	106%	104%	138%	108%	126%	113%	128%	121%	154%	126%	141%	N/A	142%
Urban SF (CMA)	\$218	\$221	\$316	\$351	\$324	\$574	\$524	\$554	\$507	\$622	\$614	\$707	\$688	\$753	\$656	\$732	\$806	\$974	\$689	\$1,036	\$1,195	\$1,161	na	\$1,103
Growth (%)		1%	43%	11%	-8%	77%	-9%	6%	-9%	23%	-1%	15%	-3%	9%	-13%	12%	23%	33%		7%	15%	12%	N/A	
vs. San Francisco (PMA)	107%	108%	106%	105%	98%	100%	105%	96%	102%	113%	101%	102%	103%	123%	106%	132%	132%	118%	112%	122%	139%	134%	N/A	139%
San Francisco (PMA)	\$204	\$205	\$299	\$335	\$330	\$575	\$500	\$579	\$499	\$550	\$609	\$691	\$668	\$613	\$618	\$554	\$608	\$825	\$616	\$849	\$859	\$864	na	\$793
Growth (%)		0%	46%	12%	-1%	74%	-13%	16%	-14%	10%	11%	13%	-3%	-8%	1%	-10%	-1%	49%		2%	1%	2%	N/A	
Median Resale Price (\$000s)																								
East SoMa (1)	\$177	\$249	\$202	\$266	\$334	\$437	\$397	\$375	\$417	\$490	\$615	\$682	\$658	\$684	\$619	\$584	\$634	\$804	\$647	\$799	\$863	\$891	\$1,030	\$900
Growth (%)		41%	-19%	32%	26%	31%	-9%	-6%	11%	17%	26%	11%	-4%	4%	-10%	-6%	2%	38%		-4%	8%	12%	19%	
vs. Urban SF (CMA)	59%	80%	62%	70%	74%	76%	67%	64%	68%	68%	74%	80%	74%	78%	82%	74%	83%	94%	82%	100%	91%	100%	105%	99%
Urban SF (CMA)	\$297	\$311	\$323	\$378	\$452	\$576	\$593	\$588	\$616	\$719	\$827	\$851	\$885	\$880	\$751	\$788	\$762	\$852	\$792	\$797	\$952	\$891	\$980	\$910
Growth (%)		4%	4%	17%	20%	27%	3%	-1%	5%	17%	15%	3%	4%	-1%	-15%	5%	2%	8%		-7%	20%	12%	3%	
vs. San Francisco (PMA)	119%	119%	113%	116%	120%	121%	116%	109%	107%	109%	110%	110%	109%	115%	114%	116%	120%	120%	113%	113%	123%	116%	115%	117%
San Francisco (PMA)	\$250	\$261	\$285	\$325	\$375	\$475	\$510	\$540	\$575	\$660	\$755	\$776	\$811	\$765	\$660	\$678	\$638	\$708	\$701	\$706	\$774	\$770	\$850	\$778
Growth (%)		4%	9%	14%	15%	27%	7%	6%	6%	15%	14%	3%	5%	-6%	-14%	3%	-3%	4%		0%	10%	9%	10%	7%



Note: Includes detached and attached product types
Source: DataQuick

(1) Mission Bay district approximated by zip codes 94107

EXHIBIT I-8A

PLANNED AND PROPOSED FOR-SALE DEVELOPMENT
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

I. Overview by Submarket - Market Rate Units Planned

Status (1)	Urban SF Neighborhoods									Remainder SF	Large-Scale SF	PMA Total
	Mission Bay	Dogpatch	East SoMa	West SoMa	Central Market	Hayes Valley	Mission	Other CMA	CMA Total			
<i>Future (Non-Subject Site)</i>												
Under Construction	300	16	975	0	0	49	147	124	1,611	746	0	2,357
Approved	350	60	811	0	33	71	102	242	1,669	138	0	1,807
Pending	0	0	520	0	0	236	175	751	1,683	0	0	1,683
Conceptual	0	103	624	147	140	0	53	202	1,269	124	9,619	11,012
Inactive	140	0	301	31	47	0	0	287	806	0	1,590	2,396
Total Supply	790	179	3,231	178	220	356	477	1,606	7,037	1,008	11,224	19,269

II. Urban SF For-Sale Delivery Projection

Status	Delivery Likelihood	Near Term Planned and Proposed Delivery Projection					
		2013	2014	2015	2016	2017	2018
Under Construction	100%	2%	79%	19%	0%	0%	0%
Approved	93%	0%	19%	52%	6%	5%	18%
Pending	73%	0%	8%	35%	19%	12%	25%
Conceptual	55%	0%	0%	14%	11%	42%	34%
Inactive	35%	0%	0%	21%	0%	25%	54%
	Projected Units Completed						
Under Construction	1,611	36	1,275	300	0	0	0
Approved	1,547	0	295	798	95	76	283
Pending	1,230	0	102	435	238	148	306
Conceptual	696	0	0	98	75	289	234
Inactive	284	0	0	60	0	71	153
Urban SF Total:	5,367	36	1,672	1,690	409	584	977

5-Year Near Term Deliveries: 5,367

Note: Totals include Long Term Projects (Treasure Island, Hunter's Point, Park Merced, Sunnydale)

III. East SoMa New Home Delivery Projection

Status	Projected Units Completed	Near Term Planned and Proposed Delivery Projection					
		2013	2014	2015	2016	2017	2018
Under Construction	100%	0%	100%	0%	0%	0%	0%
Approved	95%	0%	9%	50%	9%	0%	32%
Pending	80%	0%	12%	36%	22%	31%	0%
Conceptual	60%	0%	0%	0%	0%	64%	36%
Inactive	35%	0%	0%	0%	0%	21%	79%
	Projected Units Completed						
Under Construction	975	0	975	0	0	0	0
Approved	770	0	70	389	68	0	243
Pending	416	0	50	148	91	128	0
Conceptual	374	0	0	0	0	240	134
Inactive	105	0	0	0	0	22	83
Central Market Total:	2,641	0	1,095	537	159	390	461

5-Year Near Term Deliveries: 2,641

EXHIBIT I-8B

PLANNED AND PROPOSED FOR-SALE RESIDENTIAL PROJECT LOCATIONS
 SAN FRANCISCO, CALIFORNIA
 OCTOBER 2013

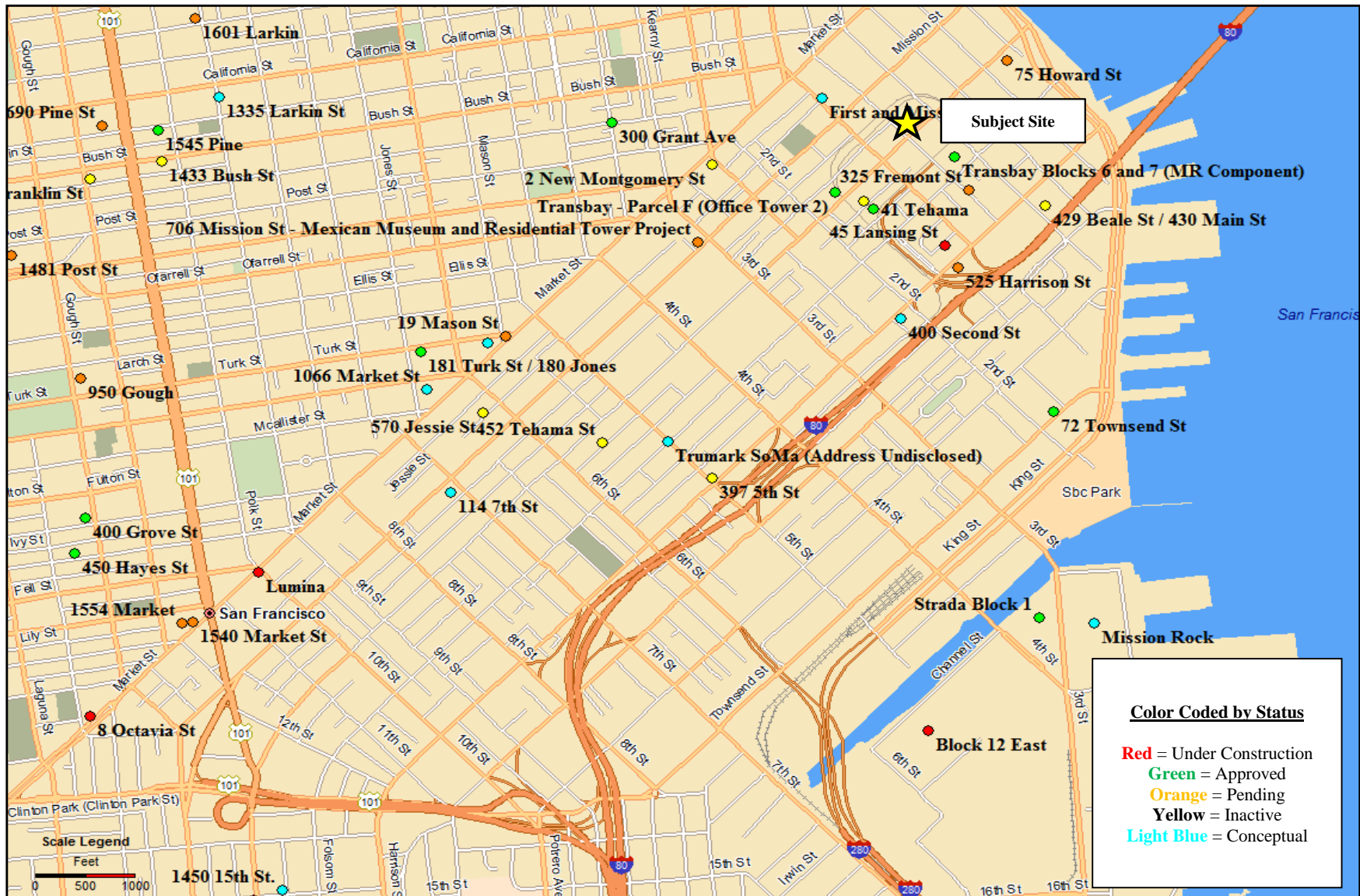
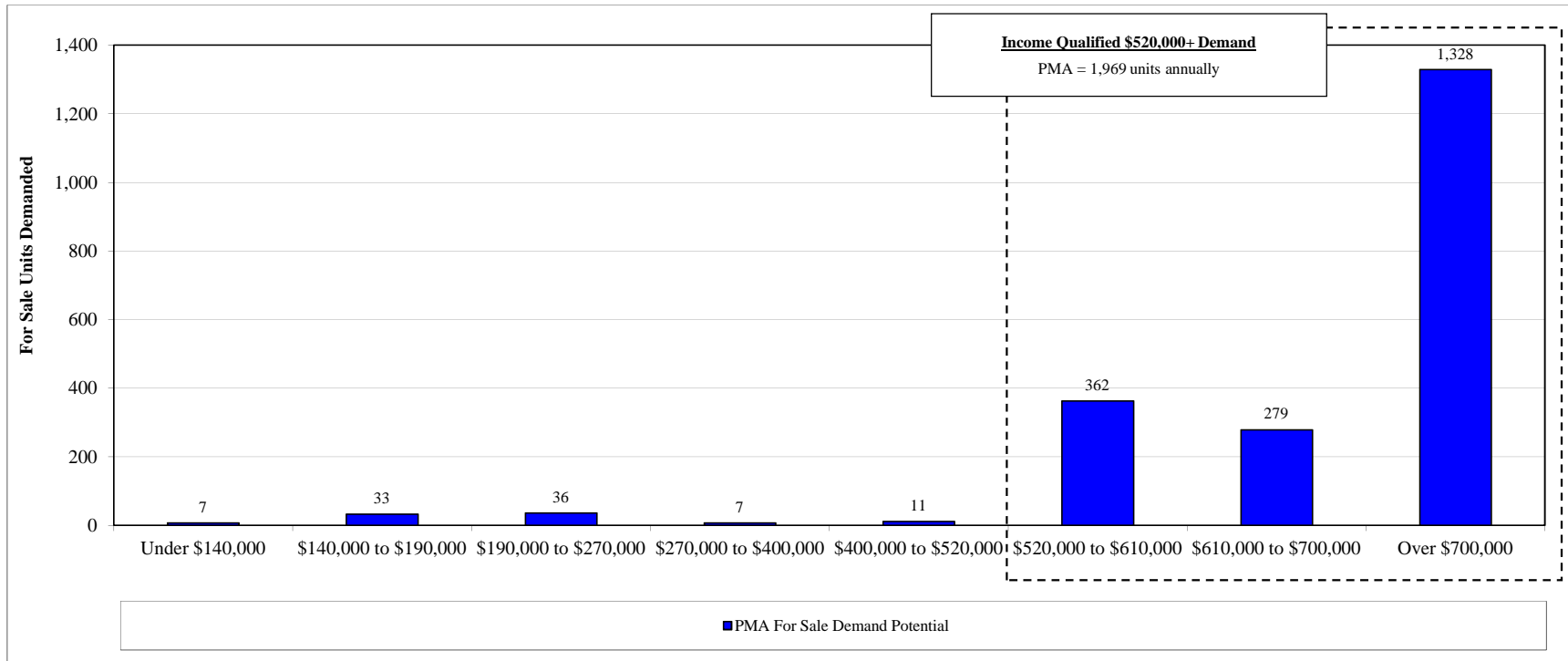


EXHIBIT I-9

PROJECTED FOR-SALE DEMAND
PRIMARY MARKET AREA
2013 THROUGH 2018

Household Income Range	Income to Housing	Affordable Home Price	Total Households		Percent Buy	Buyer Households	Annual Turnover of Existing Buyer HHs	Annual Pool from Turnover	Annual Effective New HHs	Annual CMA Demand	
			2013 (2)	2018						All Homes (3)	New Homes (3)
\$0 - \$25,000	60%	\$0 - \$140,000	75,370	75,370	15%	11,306	12%	1,357	0	1,357	7
25,000 - 35,000	50%	140,000 - 190,000	25,146	25,902	20%	5,029	10%	503	151	533	33
35,000 - 50,000	45%	190,000 - 270,000	32,256	32,895	25%	8,064	10%	806	128	838	36
50,000 - 75,000	40%	270,000 - 400,000	48,309	48,309	30%	14,493	9%	1,304	0	1,304	7
75,000 - 100,000	36%	400,000 - 520,000	41,507	41,574	35%	14,527	9%	1,307	13	1,312	11
100,000 - 150,000	27%	520,000 - 610,000	58,268	62,679	40%	23,307	8%	1,865	882	2,217	362
150,000 - 200,000	23%	610,000 - 700,000	31,553	34,030	55%	17,354	7%	1,215	495	1,487	279
200,000 +	20%	700,000 +	42,074	52,230	65%	27,348	6%	1,641	2,031	2,961	1,328
Subtotal/Wtd. Avg.:	39%		354,483	372,989	34%	121,428	8%	9,998	3,701	12,011	2,063
Income Qualified (\$520,000+):			131,895	148,939	52%	68,009	7%	4,720	3,409	6,666	1,969



(1) For full demand model, see Appendix D

(2) Effective existing HHs - current household base less projected loss

(3) All homes include all owner HHs looking for a home in any given year; New Homes reflects demand for additional for sale units in market, including demand from new HHs and obsolescence rate of 0.5% per year.

EXHIBIT I-10

SUBMARKET DEMAND CAPTURE SCENARIOS
PRIMARY MARKET AREA: SAN FRANCISCO, CALIFORNIA
2013 THROUGH 2018

Inputs and Assumptions:

- Annual I. Q. New Home Demand Potential over Next Five Years =

1,969 units

Capture Metrics	PMA (1)	East SoMa	Mission	Mission Bay	Hayes Valley	West SoMa	Central Market	Other CMA	Remaining PMA
Current Households (2013)	355,873	7,603	24,091	4,892	7,318	6,225	14,275	149,288	142,181
Share of PMA	100%	2%	7%	1%	2%	2%	4%	42%	40%
Projected HH Growth (2013-2018)	17,116	1,129	1,331	788	402	543	1,188	7,184	4,551
Share of PMA	100%	7%	8%	5%	2%	3%	7%	42%	27%
1 and 2 Person Households (2013)	249,417	6,843	16,257	3,942	5,983	5,448	11,964	115,075	83,905
Share of PMA	100%	3%	7%	2%	2%	2%	5%	46%	34%
Current Owner Households	131,995	3,203	6,223	1,590	1,236	1,783	564	38,089	79,307
Share of PMA	100%	2%	5%	1%	1%	1%	0%	29%	60%
2000-2013 Housing Unit Growth	26,174	4,094	2,439	4,652	638	2,616	3,305	2,116	6,314
Share of PMA	100%	16%	9%	18%	2%	10%	13%	8%	24%
2011 Employment	537,861	92,648	56,337	13,887	15,295	23,235	26,192	214,599	95,668
Share of PMA	100%	17%	10%	3%	3%	4%	5%	40%	18%
Pipeline For Sale Units	8,045	3,231	477	790	356	178	220	1,785	1,008
Share of PMA	100%	40%	6%	10%	4%	2%	3%	22%	13%
Near-Term Pipeline Deliveries	6,306 (2)	2,641	383	664	278	86	132	1,184	939
Share of PMA	100%	42%	6%	11%	4%	1%	2%	19%	15%
Affluent Young Households	90,709	3,573	7,135	2,381	2,141	1,993	1,122	41,296	31,068
Share of PMA	100%	4%	8%	3%	2%	2%	1%	46%	34%
Key Owner PRIZM Types (Currently Live)	282,056	7,581	16,793	4,887	2,740	4,454	1,508	106,554	137,539
Share of PMA	100%	3%	6%	2%	1%	2%	1%	38%	49%
Key Owner PRIZM Types (Currently Work)	404,630	57,150	25,760	6,506	4,889	17,296	23,817	161,695	107,517
Share of PMA	100%	14%	6%	2%	1%	4%	6%	40%	27%
Imputed Capture									
Minimum Implied		2%	5%	1%	1%	1%	0%	8%	13%
Maximum Implied		42%	10%	18%	4%	10%	13%	46%	60%
Average		14%	7%	5%	2%	3%	4%	34%	31%

TCG Concluded Submarket Capture:	35%	5%	10%	4%	2%	4%	20%	20%
Units Demanded:	689	98	197	79	39	79	394	394

TCG Concluded CMA Total Capture:	80%
CMA Units Demanded:	1,575

(1) See Exhibit I-1 for map of market area definitions

(2) Does not include units currently for sale or in Large-Scale Projects category, see exhibit I-4A for details

EXHIBIT I-10

RENTAL DEMAND CAPTURE SCENARIOS
PRIMARY MARKET AREA: SAN FRANCISCO, CALIFORNIA
2013 THROUGH 2018

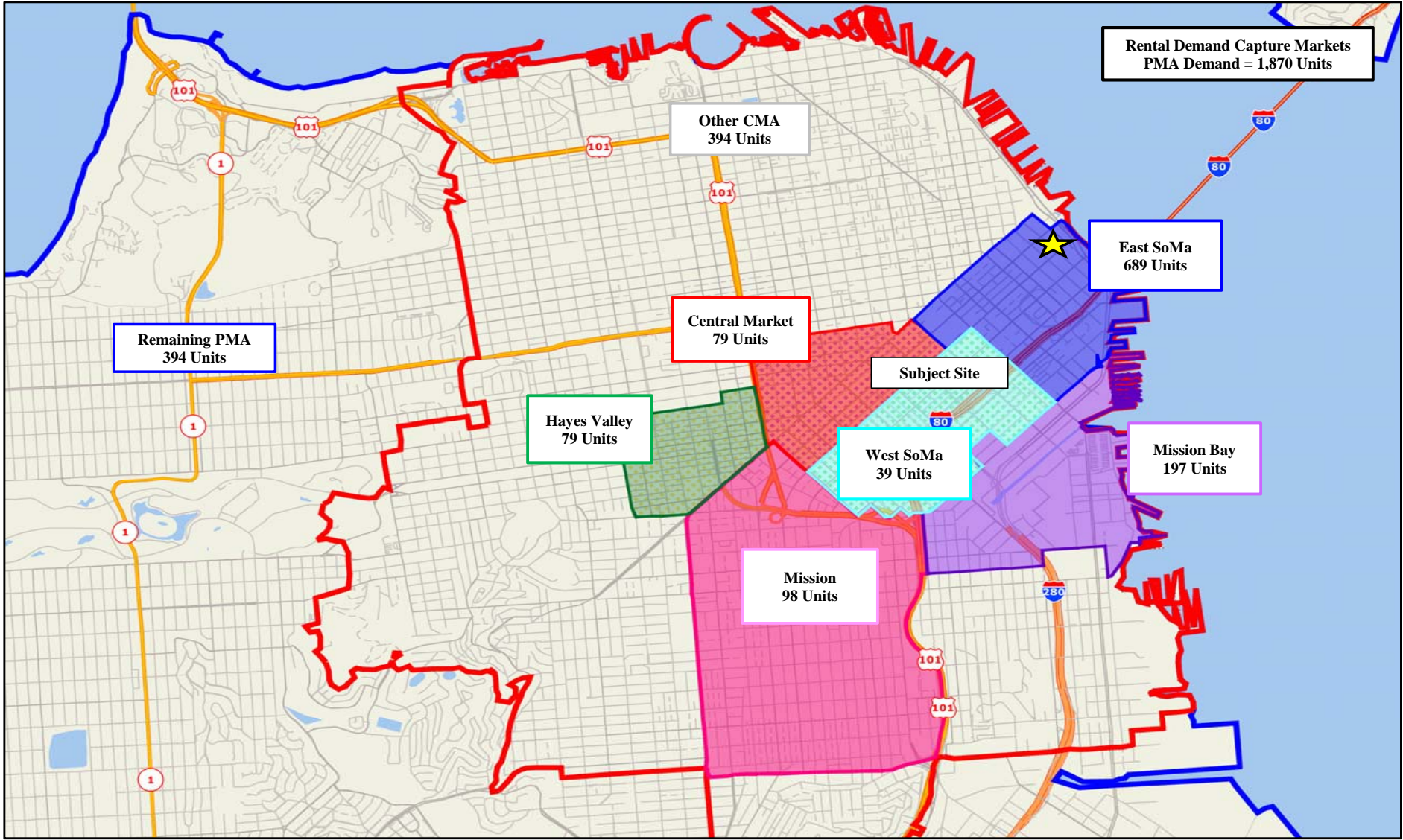


EXHIBIT I-11

PROJECTED FOR-SALE HOUSING: SUPPLY VERSUS POTENTIAL DEMAND
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

	PMA						PMA Total
	2013	2014	2015	2016	2017	2018	
<i>Unit Deliveries by Geography</i>							
CMA :	65	1,818	1,690	409	584	977	5,543
Remaining PMA :	221	362	280	14	0	62	939
Large Scale SF :	0	0	561	561	561	561	2,245
↑ Assumes Large-Scale Projects Begin Delivering 5% of Total Units in 2015 ↑							
Projected Deliveries :	286	2,180	2,532	985	1,145	1,600	8,727
<i>Demand</i>							
HH Growth Model	328	1,969	1,969	1,969	1,969	1,969	10,174
Under/Oversupply :	42	(211)	(562)	985	824	369	1,447

	CMA						CMA Total
	2013	2014	2015	2016	2017	2018	
East SoMa :	0	1,095	537	159	390	461	2,641
West SoMa :	0	0	60	14	0	12	86
Mission Bay :	0	0	615	0	49	0	664
Central Market :	0	31	0	0	0	100	132
Hayes Valley :	0	49	114	115	0	0	278
Dogpatch :	0	73	0	62	0	0	135
Mission :	0	216	50	0	110	8	383
Other CMA :	36	208	315	60	35	396	1,049
	36	1,672	1,690	409	584	977	5,367
Current Inventory :	29	147	0	0	0	0	176
HH Growth Model	263	1,575	1,575	1,575	1,575	1,575	8,139
Under/Oversupply :	197	(243)	(115)	1,166	992	599	2,596

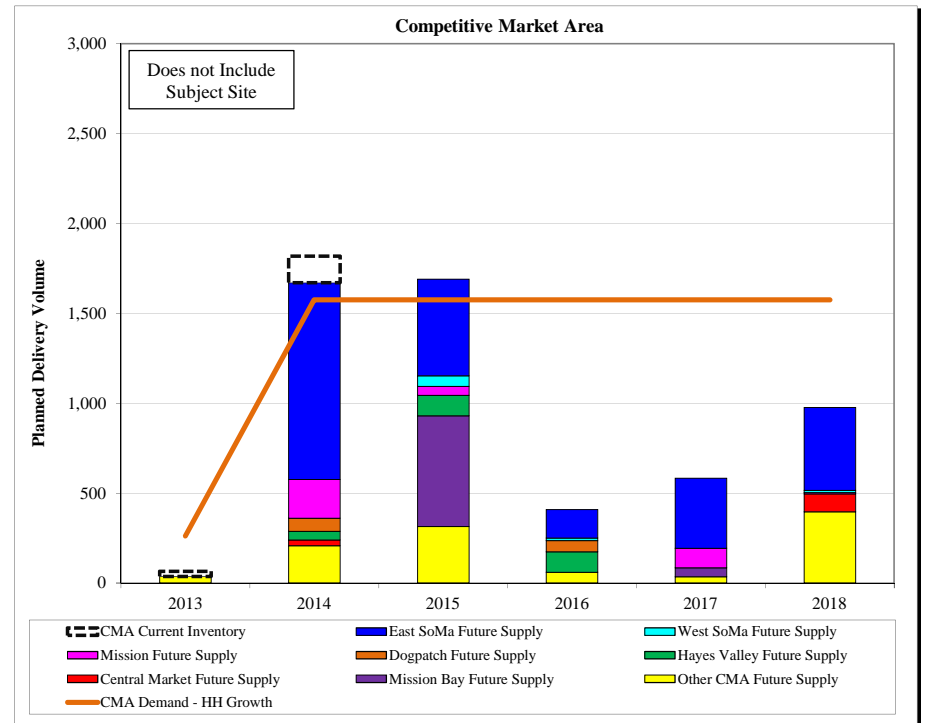
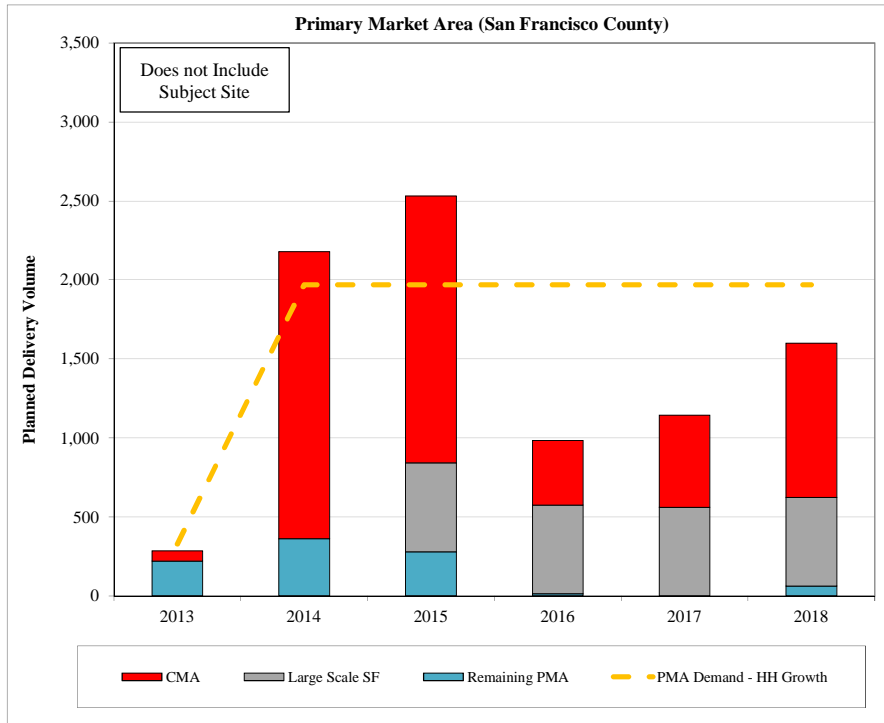


EXHIBIT I-11

PROJECTED FOR-SALE HOUSING: SUPPLY VERSUS POTENTIAL DEMAND
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

Unit Deliveries by Geography	CMA						CMA Total	East SoMa						E. SoMa Total
	2013	2014	2015	2016	2017	2018		2013	2014	2015	2016	2017	2018	
East SoMa :	0	1,095	537	159	390	461	2,641	0	1,095	537	159	390	461	2,641
West SoMa :	0	0	60	14	0	12	86							
Mission Bay :	0	0	615	0	49	0	664							
Central Market :	0	31	0	0	0	100	132							
Hayes Valley :	0	49	114	115	0	0	278							
Dogpatch :	0	73	0	62	0	0	135							
Mission :	0	216	50	0	110	8	383							
Other CMA :	36	208	315	60	35	396	1,049							
Projected Deliveries :	36	1,672	1,690	409	584	977	5,367	0	1,095	537	159	390	461	2,641
Current Inventory :	29	147	0	0	0	0	176	1	0	0	0	0	0	1
HH Growth Model	263	1,575	1,575	1,575	1,575	1,575	8,139	115	689	689	689	689	689	3,561
Under/Oversupply :	197	(243)	(115)	1,166	992	599	2,596	114	(406)	153	530	299	229	919

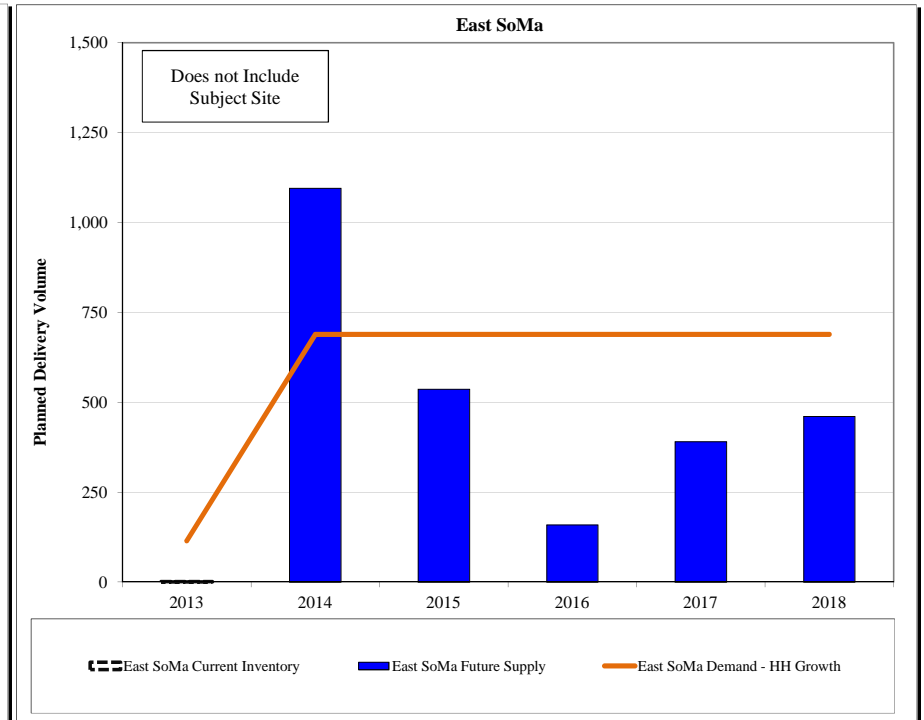
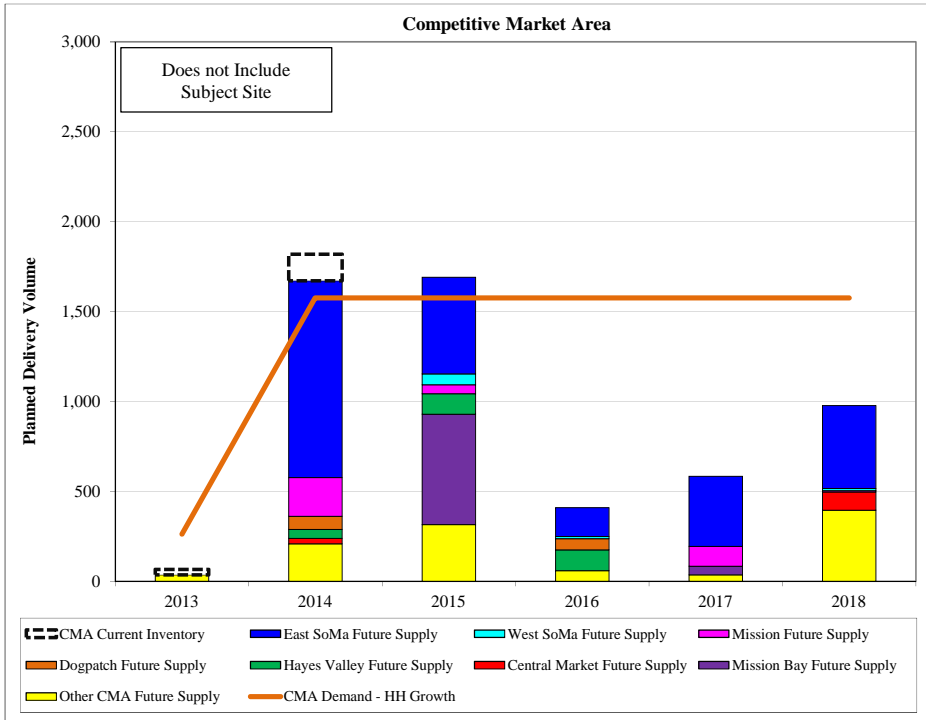
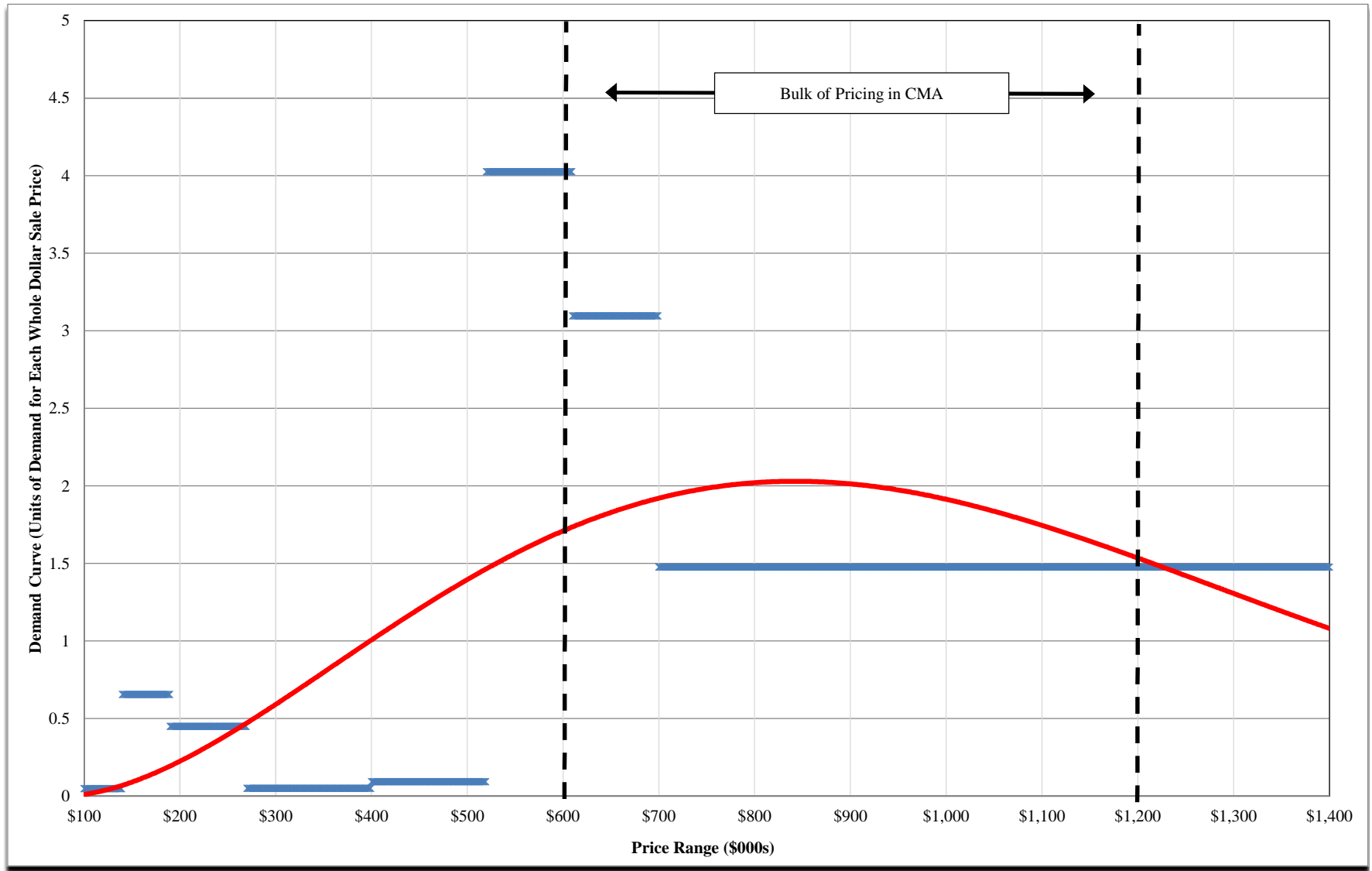


EXHIBIT I-12

ELASTICITY OF DEMAND
PRIMARY MARKET AREA
2013 THROUGH 2018



II. COMPETITIVE SET

EXHIBIT II-1

NEW CONSTRUCTION FOR SALE INVENTORY
COMPETITIVE MARKET AREA
OCTOBER 2013

Community Name	Address	Builder	City	Product/ Height	Open Date	Sold Out	Units			Unit Size	Price				Absorption	
							Total	Sold	Rem.		Base		Net		L3M	Life
											\$	PSF	\$	PSF		
CMA - Actively Selling																
750 2nd Street	750 2nd St	Morgan Creek Ventures	San Francisco	9s	Nov-12	--	14	13	1	1,591	\$1,950,000	1,226	\$1,950,000	1,226	0.7	1.1
3500 19th St	3500 19th St	Sternberg/Benjamin (design/arch)	San Francisco	5s	Oct-13	--	17	0	17	1,488	1,749,000	1,175	1,749,000	1,175	--	--
Marlow	1788 Clay St	Oyster Development	San Francisco	8s	Apr-13	--	83	58	25	1,128	1,238,211	1,097	1,238,211	1,097	5.0	9.5
Linea	8 Buchanan Street	Paragon Real Estate	San Francisco	9s	Jul-13	--	115	29	86	778	845,400	1,086	845,400	1,086	9.7	11.5
Icon	2299 Market St	Paragon Real Estate	San Francisco	4s	Jun-13	--	18	10	8	1,193	1,146,333	961	1,146,333	961	3.3	2.6
300 Ivy	401 Grove St	Pocket Development	San Francisco	5s	May-13	--	63	62	1	1,210	1,150,000	950	1,150,000	950	15.0	12.0
616 20th St	616 20th St	Natoma Architects, Inc.	San Francisco	5s	Oct-13	--	16	0	16	770	697,000	905	697,000	905	--	--
Blanc	1080 Sutter St	JS Sullivan	San Francisco	11s	Aug-13	--	35	15	20	1,291	1,088,833	844	1,088,833	844	5.0	7.5
CMA - Actively Selling Total/Weighted Average:							361	187	174	982	\$1,026,391	\$1,045	\$1,026,391	\$1,045	7.79	9.98
PMA - Actively Selling																
Candlestick Cove	101 Executive Park Blvd	Signature Properties	San Francisco	2s	Oct-07	--	150	148	2	1,450	\$730,900	504	\$730,900	504	2.0	2.1
PMA - Actively Selling Total/Weighted Average:							150	148	2	1,450	\$730,900	\$504	\$730,900	\$504	2.00	2.08
San Francisco - Sold Out 2013 (1)																
One Hawthorne	1 Hawthorne Ave.	Jackson Pacific Ventures	San Francisco	Condo	Apr-10	Jul-12	165	165	0	1,368	\$1,510,000	1,104	\$1,510,000	1,104	--	6.1
The Heights	2829 California Street	Ray Steffen / Charles Castro	San Francisco	Condo	Jan-13	May-13	13	13	0	1,627	1,616,667	994	1,616,667	994	--	3.4
411 Valencia	411 Valencia Street	411 Valencia Street, LLC	San Francisco	Condo	Oct-12	Feb-13	14	14	0	650	600,000	923	600,000	923	--	3.5
2020 Ellis Phase 1	2020 Ellis Street	John McImemy	San Francisco	Condo	Aug-12	Feb-13	12	12	0	650	549,000	845	549,000	845	--	1.8
The Madrone	420 Mission Bay Blvd.	Bosa Development	San Francisco	Condo	Jun-11	Jan-13	329	329	0	1,243	1,024,600	824	1,024,600	824	--	16.6
200 Dolores	200 Dolores St	NA	San Francisco	Condo	Jul-13	Sep-13	13	13	0	1,600	1,298,333	811	1,298,333	811	4.3	8.4
San Francisco - Sold Out 2013 (1) Total/Weighted Average:							546	546	0	1,270	\$1,170,561	\$922	\$1,170,561	\$922	4.33	12.26
San Francisco - Sold Out 2012 (1)																
The Artani	818 Van Ness Ave	George McNabb et al	San Francisco	Condo	Jan-12	Dec-12	53	53	0	812	\$619,000	762	\$619,000	762	--	4.8
299 Valencia	299 Valencia St	J.S. Sullivan	San Francisco	Condo	Mar-12	Jun-12	36	36	0	814	618,500	760	618,500	760	--	10.3
Millwheel South	1301 Indiana Street	Raymond Lyons	San Francisco	Condo	Apr-12	Jul-12	32	32	0	1,131	689,200	609	689,200	609	--	10.2
Esprit Park - North Court	850 Minnesota St.	Macquarie Holdings	San Francisco	Condo	Nov-11	Jul-12	67	67	0	1,318	756,750	574	734,048	557	--	7.9
5800 3rd St	5800 3rd Street	Holliday Development	San Francisco	Condo	Sep-10	Jan-13	137	137	0	1,041	450,000	432	450,000	432	--	4.8
Total/Weighted Average:							325	325	0	1,044	\$583,014	\$558	\$578,334	\$554	0.00	6.58

Note: Averages for actively selling communities weighted by units remaining; sold out communities weighted by total units

(1) Price from last remaining units at time of sell out

EXHIBIT II-2
COMPARABLE FOR SALE COMMUNITY LOCATIONS
COMPETITIVE MARKET AREA
OCTOBER 2013



EXHIBIT II-3

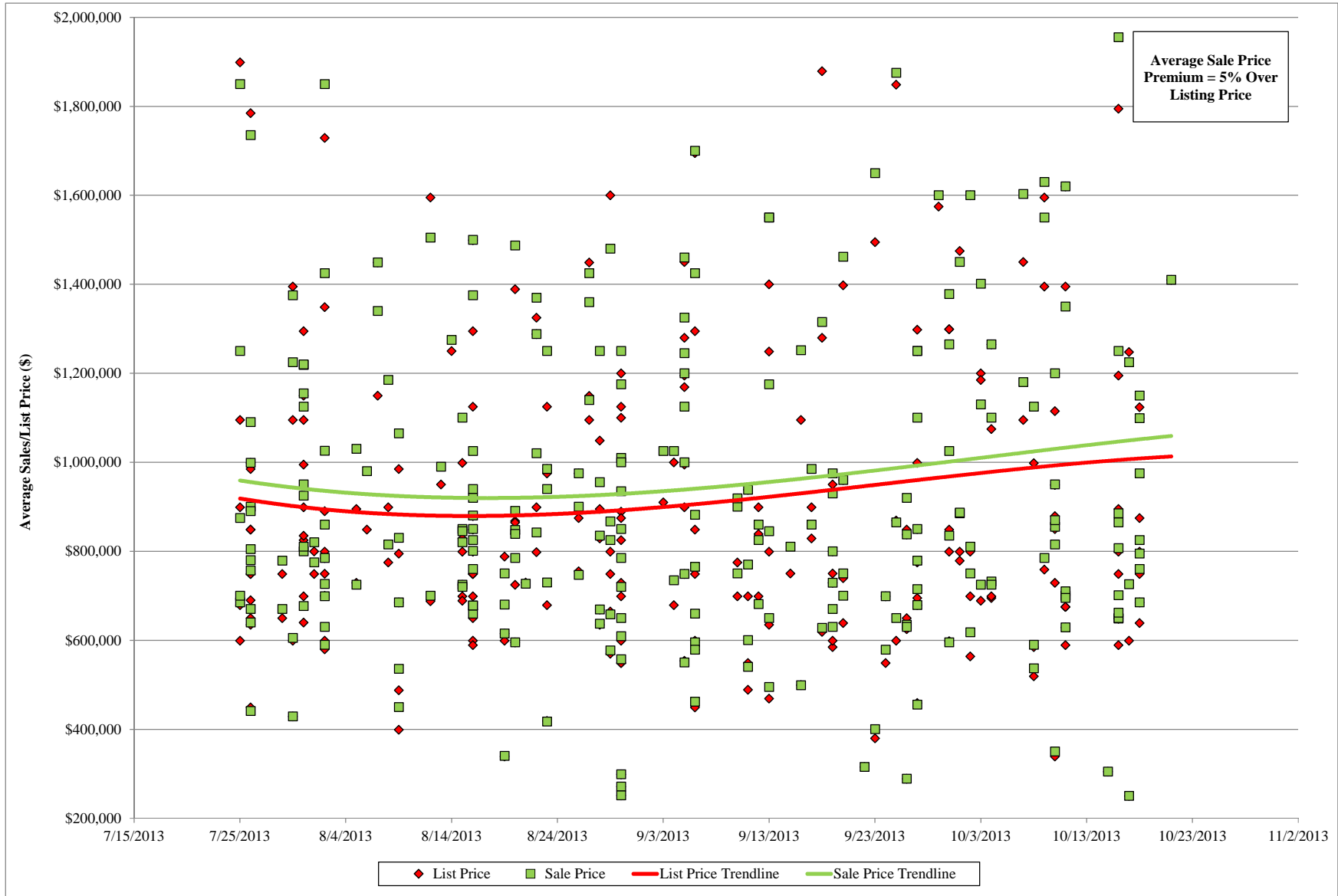
RECENTLY BUILT CONDO COMMUNITY RESALES
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

Project Name	Total Units	Year Built	# Stories	Recently Sold							Active MLS Listings						
				L3M Sales		Home Size	Average List		Average Sale		Sale v. List	Listings		Home Size	Average List		DOM
				#	% Total		\$	PSF	\$	PSF		#	% Total		\$	PSF	
50+ Unit Condo Buildings Built Post-2000																	
St. Regis Residences	100	2005	40	1	1%	1,527	\$2,400,000	\$1,572	\$2,400,000	\$1,572	0%	0	0%	--	--	--	--
Radiance	99	2008	15	1	1%	1,814	1,595,000	879	1,550,000	854	-3%	0	0%	--	--	--	--
235 Berry ST	99	2007	6	1	1%	1,700	1,398,000	822	1,462,000	860	5%	0	0%	--	--	--	--
200 Dolores	13	2013	4	9	69%	1,297	1,382,778	1,066	1,421,667	1,096	3%	0	0%	--	--	--	--
Infinity Tower	650	2008	42	9	1%	1,187	1,247,222	1,051	1,253,222	1,056	0%	6	1%	1,389	\$2,024,667	\$1,457	49
The Brannan	390	2000	17	5	1%	1,198	1,224,600	1,022	1,225,400	1,023	0%	3	1%	1,395	1,845,296	1,323	50
One Hawthorne	165	2010	24	2	1%	915	1,172,500	1,281	1,170,000	1,279	0%	1	1%		1,950,000	--	40
Millenium Tower	425	2009	58	1	0%	1,027	1,150,000	1,120	1,220,000	1,188	6%	2	0%	2,318	3,972,500	1,714	19
Pacific Place	152	2001	9	1	1%	1,109	1,095,000	987	1,180,000	1,064	8%	1	1%	789	759,000	962	19
200 Brannan	191	2004	5	5	3%	1,430	1,057,978	740	1,119,333	783	6%	4	2%	1,311	1,174,000	895	55
The Lansing	82	2006	6	4	5%	1,174	1,020,750	869	1,068,750	910	5%	2	2%	1,282	1,045,000	815	15
Yerba Buena Lofts	200	2001	5	1	1%	1,288	998,500	775	1,002,000	778	0%	0	0%	--	--	--	--
246 2nd St	94	2000	17	2	2%	1,038	987,000	951	987,500	951	0%	0	0%	--	--	--	--
One Rincon	374	2008	60	9	2%	912	939,100	1,030	935,333	1,026	0%	9	2%	1,130	1,513,111	1,339	42
829 Folsom	69	2010	10	5	7%	960	874,200	911	912,000	950	4%	1	1%	1,462	1,450,000	992	22
SOMA Grand	246	2008	22	7	3%	982	865,143	881	886,857	903	3%	4	2%	761	809,000	1,063	52
The Hayes	128	2008	8	9	7%	984	842,322	856	901,667	916	7%	0	0%	--	--	--	--
The BridgeView	248	2001	26	6	2%	1,005	839,333	835	850,333	846	1%	5	2%	1,076	1,000,039	930	27
The Metropolitan	342	2004	26	8	2%	815	837,625	1,028	843,625	1,035	1%	3	1%	795	759,000	955	10
The Palms	300	2007	7	7	2%	820	728,643	888	722,429	881	-1%	4	1%	801	709,250	886	29
199 New Montgomery	168	2004	16	3	2%	765	684,667	895	712,117	930	4%	0	0%	--	--	--	--
The Beacon	595	2004	15	13	2%	1,015	667,161	657	667,141	657	0%	8	1%	916	881,125	962	72
2020 Ellis	21	2013	4	6	29%	652	653,333	1,003	653,333	1,003	0%	0	0%	--	--	--	--
The Village At Petrini Plac	134	2002	3	3	2%	637	652,667	1,025	666,667	1,047	2%	5	4%	751	590,400	786	53
Harrison Court	46	2000	2	0	0%	977	609,000	624	686,500	703	13%	0	0%	--	--	--	--
140 South Van Ness	212	2002	11	5	2%	843	604,200	717	628,800	746	4%	2	1%	690	387,652	562	10
1325 Indiana	48	2002	4	1	2%	948	599,000	632	726,000	766	21%	0	0%	--	--	--	--
Symphony Towers	130	2008	13	4	3%	744	524,000	705	530,500	714	1%	4	3%	712	605,000	850	39
170 Off Third	198	2007	8	2	1%	--	510,425	--	498,925	--	-2%	0	0%	--	--	--	--
888 7th St	224	2007	5	0	0%	516	351,894	683	377,394	732	7%	0	0%	--	--	--	--
Cubix	98	2008	8	2	2%	244	339,000	1,392	345,000	1,417	2%	0	0%	--	--	--	--
Total:	6,241				2%							64	1%				
Straight Average:	201	2006	16			1,017	\$930,679	\$915	\$954,984	\$939	3%			1,099	\$1,263,238	\$1,150	35

Source: RedFin

EXHIBIT II-3

RECENTLY BUILT CONDO COMMUNITY RESALES
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013



Source: RedFin

EXHIBIT II-4

FLOOR PREMIUM ANALYSIS
SELECT COMPARABLE PROPERTIES
OCTOBER 2013

Case Study: Millenium Tower **City:** San Francisco
Tenure: For-Sale **Developer:** Millenium Partners
Study Period: Apr '09 - Sep '11 **Units:** 419 units
Floors: 3-58; (58s total) **Notes:** 150 closings during study period

Floor	Total SF Closed	Total Revenue	Rev/SF	% Prem over Floor	% Prem over Base
3	7,425	\$6,247,500	\$841	--	--
4	5,471	4,348,000	795	-5.5%	-5.5%
5	1,441	1,135,000	788	-0.9%	-6.4%
6	2,851	2,332,000	818	3.8%	-2.8%
7	3,286	2,559,000	779	-4.8%	-7.4%
8	2,769	2,181,000	788	1.1%	-6.4%
9	5,935	5,112,000	861	9.4%	2.4%
10	7,529	6,196,500	823	-4.4%	-2.2%
11	6,851	5,651,500	825	0.2%	-2.0%
12	4,930	4,332,000	879	6.5%	4.4%
14	2,252	1,905,000	846	-3.7%	0.5%
15	2,041	2,003,000	981	16.0%	16.6%
16	1,501	1,473,000	981	0.0%	16.6%
17	4,221	3,981,500	943	-3.9%	12.1%
18	5,433	5,190,500	955	1.3%	13.5%
19	4,420	4,324,000	978	2.4%	16.3%
41	1,952	2,750,000	1,409	12.2%	67.4%
42	3,666	4,933,500	1,346	-4.5%	59.9%
45	3,733	4,522,500	1,211	-10.0%	44.0%
47	4,122	5,580,000	1,354	11.7%	60.9%
48	9,089	12,205,500	1,343	-0.8%	59.6%
49	2,230	3,000,000	1,345	0.2%	59.9%
50	2,230	3,005,000	1,348	0.2%	60.2%
51	2,230	3,025,000	1,357	0.7%	61.2%
52	6,021	7,925,000	1,316	-3.0%	56.4%
53	5,545	8,100,000	1,461	11.0%	73.6%
54	3,315	5,083,000	1,533	5.0%	82.2%
55	2,819	4,326,500	1,535	0.1%	82.4%
56	5,525	7,650,000	1,385	-9.8%	64.6%
57	6,134	9,674,500	1,577	13.9%	87.4%
PH	1,633	2,400,000	1,470	-6.8%	74.7%
55 Floors		Chng in PSF:	\$628	1.5%	1.7%



EXHIBIT II-4

FLOOR PREMIUM ANALYSIS
SELECT COMPARABLE PROPERTIES
OCTOBER 2013

Case Study: One Rincon Hill **City:** San Francisco
Tenure: For-Sale **Developer:** Urban West Associates
Study Period: Feb to June 2008 **Units:** 410 units
Floors: 8-42; (60s total) **Notes:** 156 closings during study period (26/mo)

Floor	Total SF Closed	Total Revenue	Rev/SF	% Prem over Floor	% Prem over Base
8	6,714	\$5,368,587	\$800	--	--
9	5,476	4,594,590	839	4.9%	4.9%
10	5,004	4,070,792	814	-3.0%	1.7%
11	5,004	4,271,375	854	4.9%	6.8%
12	7,551	6,326,475	838	-1.8%	4.8%
13	5,405	4,671,544	864	3.2%	8.1%
14	6,714	5,501,167	819	-5.2%	2.5%
15	6,732	5,547,572	824	0.6%	3.1%
16	5,487	4,542,724	828	0.5%	3.5%
17	7,551	6,539,591	866	4.6%	8.3%
18	5,476	4,782,601	873	0.8%	9.2%
19	5,708	4,946,126	867	-0.8%	8.4%
20	7,551	6,625,713	877	1.3%	9.7%
21	7,551	6,808,878	902	2.8%	12.8%
22	6,313	5,623,457	891	-1.2%	11.4%
23	6,714	6,092,674	907	1.9%	13.5%
24	6,242	5,675,261	909	0.2%	13.7%
25	3,152	2,749,982	872	-4.0%	9.1%
26	5,035	4,595,658	913	4.6%	14.1%
27	4,871	4,395,596	902	-1.1%	12.9%
28	6,285	5,770,737	918	1.7%	14.8%
31	1,449	1,260,000	870	-5.3%	8.7%
32	3,675	3,630,709	988	13.6%	23.6%
33	4,254	4,440,006	1,044	5.6%	30.5%
34	5,372	5,417,621	1,008	-3.4%	26.1%
35	1,278	1,289,900	1,009	0.1%	26.2%
36	1,309	1,291,734	987	-2.2%	23.4%
37	1,238	1,315,273	1,062	7.7%	32.9%
39	2,064	2,398,177	1,162	9.4%	45.3%
42	819	984,846	1,202	3.5%	50.4%
34 Floors		Chng in PSF:	\$403	1.5%	1.7%



Floor 42
Revenue per SF:

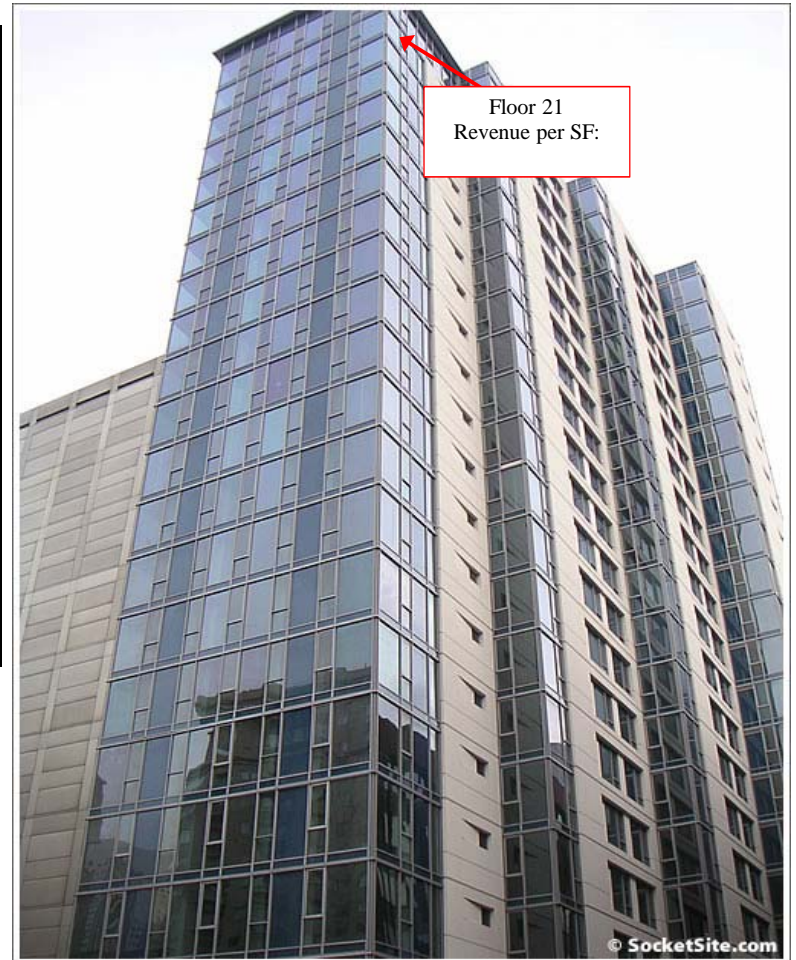
Floor 8
Revenue per SF:

EXHIBIT II-4

FLOOR PREMIUM ANALYSIS
SELECT COMPARABLE PROPERTIES
OCTOBER 2013

Case Study: Blu **City:** San Francisco
Tenure: For-Sale **Developer:** Lennar
Study Period: May '09 - Sep '11 **Units:** 114 units
Floors: 2-21; (21s total) **Notes:**

Floor	Total SF Closed	Total Revenue	Rev/SF	% Prem over Floor	% Prem over Base
3	6,664	\$3,795,000	\$569	--	--
4	6,664	\$4,433,225	\$665	16.8%	16.8%
5	6,614	\$3,920,612	\$593	-10.9%	4.1%
6	6,614	\$4,050,000	\$612	3.3%	7.5%
7	5,546	\$3,456,600	\$623	1.8%	9.4%
8	6,664	\$4,114,000	\$617	-0.9%	8.4%
9	6,614	\$4,313,000	\$652	5.6%	14.5%
10	6,664	\$4,498,000	\$675	3.5%	18.5%
11	6,614	\$4,599,000	\$695	3.0%	22.1%
12	6,614	\$4,879,000	\$738	6.1%	29.5%
14	6,614	\$5,031,500	\$761	3.1%	33.6%
15	6,664	\$5,028,000	\$755	-0.8%	32.5%
16	5,733	\$4,615,000	\$805	6.7%	41.4%
17	6,614	\$5,415,000	\$819	1.7%	43.8%
18	6,614	\$5,560,000	\$841	2.7%	47.6%
19	6,614	\$5,785,000	\$875	4.0%	53.6%
20	6,654	\$5,970,000	\$897	2.6%	57.5%
PH	9,816	\$10,186,308	\$1,038	15.7%	82.2%
21 Floors		Chng in PSF:	\$468	3.8%	4.8%



III. SITE SPECIFIC ANALYSIS AND RECOMMENDATIONS

EXHIBIT III-1

LOCAL SETTING
181 FREMONT STREET; SAN FRANCISCO, CALIFORNIA
OCTOBER 2013



EXHIBIT III-2

SITE PLAN
181 FREMONT STREET, SAN FRANCISCO, CALIFORNIA

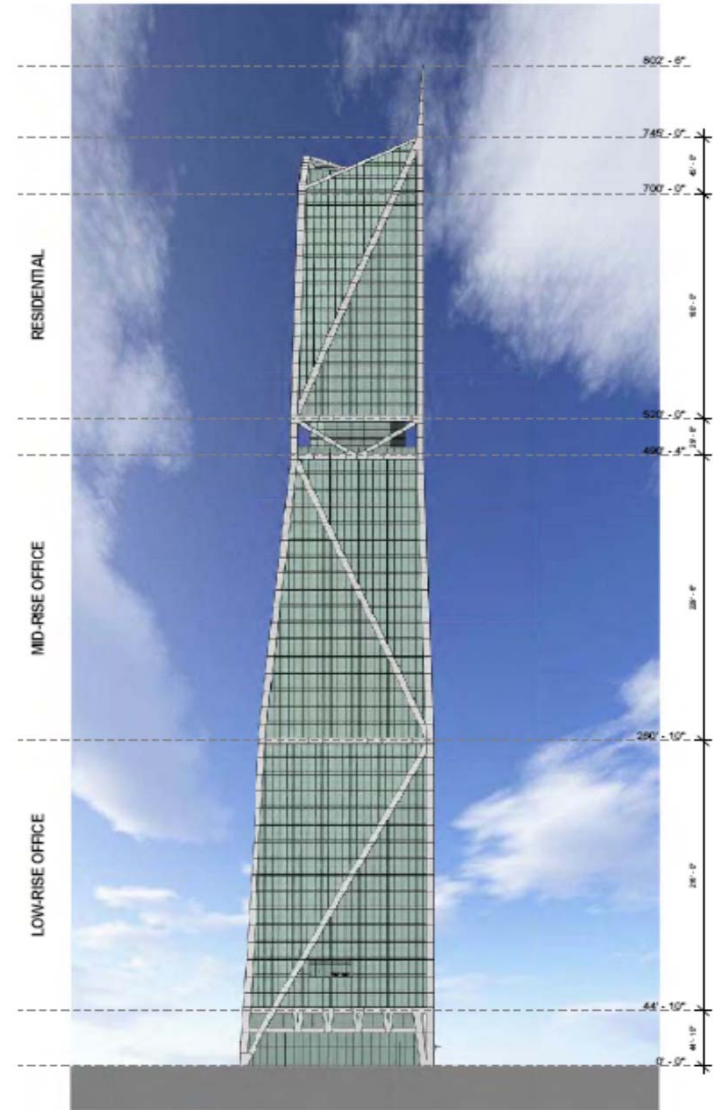


EXHIBIT III-2

SITE PLAN
181 FREMONT STREET, SAN FRANCISCO, CALIFORNIA

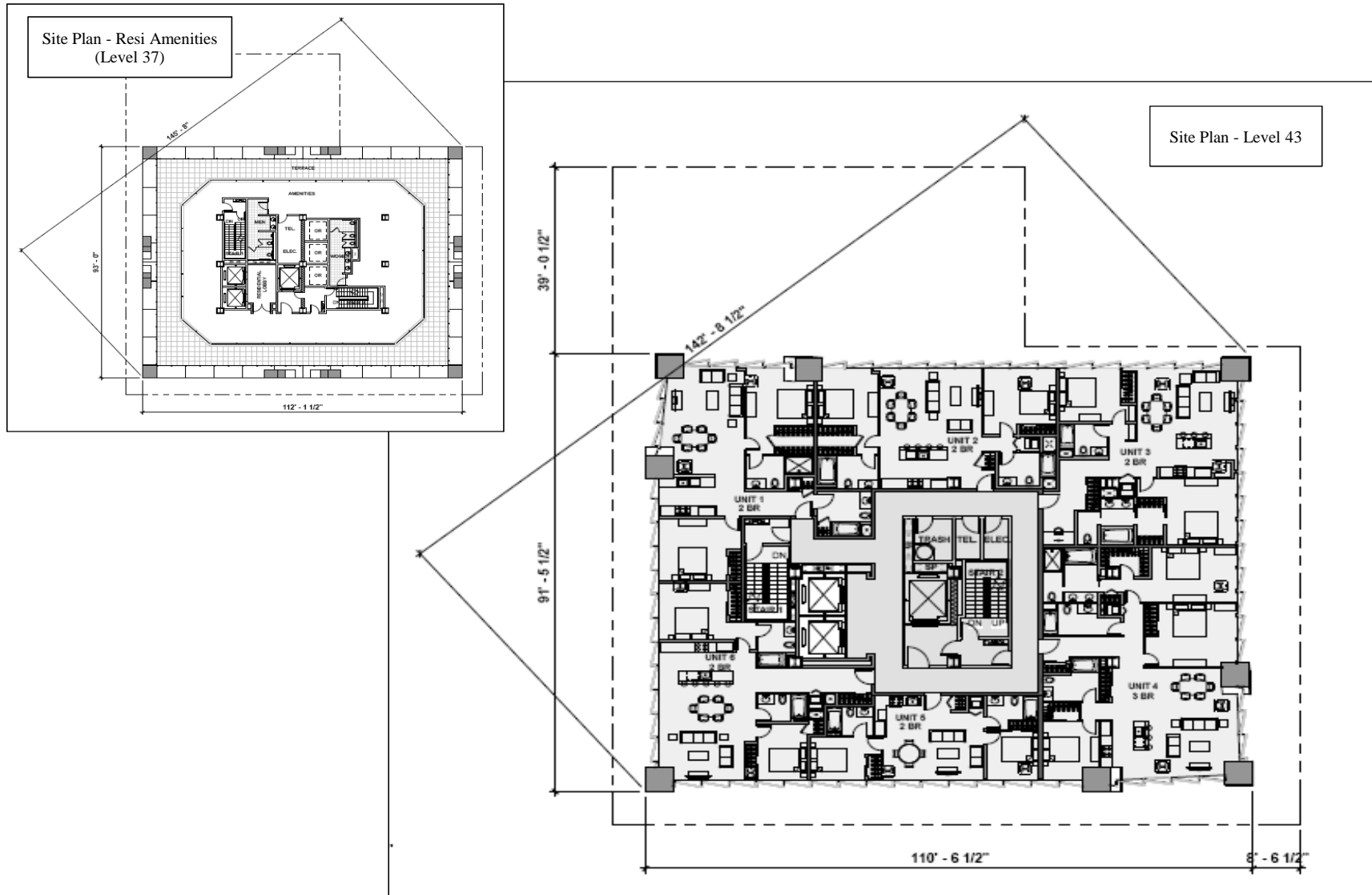
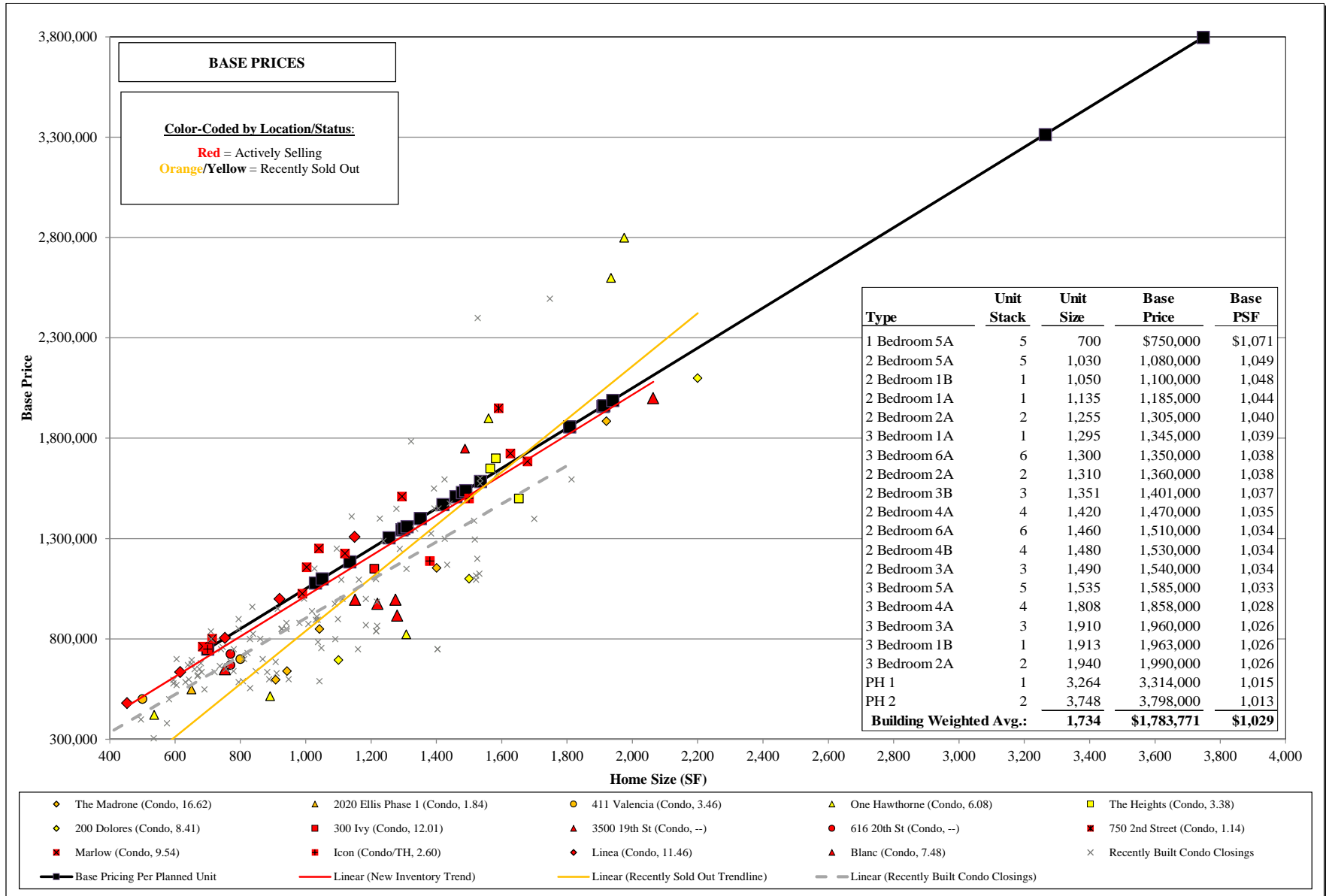


EXHIBIT III-3
FOR-SALE PRODUCT PROGRAM POSITIONING
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013



Note: The numbers in parentheses represent lot size and absorption, respectively.

EXHIBIT III-4
PROGRAM AND PRICING RATIONALE
181 FREMONT STREET; SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

I. Building Pricing Matrix (Market Rate Unit Values; 74 Total Units)

Floor	Unit One						Unit Two						Unit Three						Unit Four						Unit Five						Unit Six																						
	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF																	
54	PH	3,264	\$3,314,000	39.8%	\$4,631,315	\$1,419	PH	3,748	\$3,798,000	39.8%	\$5,307,705	\$1,416																																									
53	PH	3,264	3,314,000	39.0%	4,606,460	1,411	PH	3,748	3,798,000	39.0%	5,279,220	1,409																																									
52	3BR	1,913	1,963,000	38.3%	2,713,848	1,419	3BR	1,940	1,990,000	38.3%	2,751,175	1,418	2BR	1,351	\$1,401,000	38.3%	\$1,936,883	\$1,434	3BR	1,808	\$1,858,000	38.3%	\$2,568,685	\$1,421																													
51	3BR	1,913	1,963,000	37.5%	2,699,125	1,411	3BR	1,940	1,990,000	37.5%	2,736,250	1,410	2BR	1,351	1,401,000	37.5%	1,926,375	1,426	3BR	1,808	1,858,000	37.5%	2,554,750	1,413																													
50	3BR	1,913	1,963,000	36.8%	2,684,403	1,403	3BR	1,940	1,990,000	36.8%	2,721,325	1,403	2BR	1,351	1,401,000	36.8%	1,915,868	1,418	3BR	1,808	1,858,000	36.8%	2,540,815	1,405																													
49	2BR	1,050	1,100,000	36.0%	1,496,000	1,425	2BR	1,310	1,360,000	36.0%	1,849,600	1,412	3BR	1,910	1,960,000	36.0%	2,665,600	1,396	2BR	1,480	1,530,000	36.0%	2,080,800	1,406	2BR	1,535	\$1,585,000	36.0%	\$2,155,600	\$1,404																							
48	2BR	1,050	1,100,000	35.3%	1,487,750	1,417	2BR	1,310	1,360,000	35.3%	1,839,400	1,404	3BR	1,910	1,960,000	35.3%	2,650,900	1,388	2BR	1,480	1,530,000	35.3%	2,069,325	1,398	2BR	1,535	1,585,000	35.3%	2,143,713	1,397																							
47	2BR	1,050	1,100,000	34.5%	1,479,500	1,409	2BR	1,310	1,360,000	34.5%	1,829,200	1,396	3BR	1,910	1,960,000	34.5%	2,636,200	1,380	2BR	1,480	1,530,000	34.5%	2,057,850	1,390	2BR	1,535	1,585,000	34.5%	2,131,825	1,389																							
46	2BR BMR	1,050	1,100,000	33.8%	1,471,250	1,401	2BR	1,310	1,360,000	33.8%	1,819,000	1,389	3BR	1,910	1,960,000	33.8%	2,621,500	1,373	2BR	1,480	1,530,000	33.8%	2,046,375	1,383	2BR	1,535	1,585,000	33.8%	2,119,938	1,381																							
45	2BR BMR	1,050	1,100,000	33.0%	1,463,000	1,393	2BR	1,310	1,360,000	33.0%	1,808,800	1,381	3BR	1,910	1,960,000	33.0%	2,606,800	1,365	2BR	1,480	1,530,000	33.0%	2,034,900	1,375	2BR	1,535	1,585,000	33.0%	2,108,050	1,373																							
44	2BR BMR	1,050	1,100,000	32.3%	1,454,750	1,385	2BR	1,310	1,360,000	32.3%	1,798,600	1,373	3BR	1,910	1,960,000	32.3%	2,592,100	1,357	2BR	1,480	1,530,000	32.3%	2,023,425	1,367	2BR	1,535	1,585,000	32.3%	2,096,163	1,366																							
43	2BR BMR	1,050	1,100,000	31.5%	1,446,500	1,378	2BR	1,310	1,360,000	31.5%	1,788,400	1,365	3BR	1,910	1,960,000	31.5%	2,577,400	1,349	2BR	1,480	1,530,000	31.5%	2,011,950	1,359	2BR	1,535	1,585,000	31.5%	2,084,275	1,358																							
42	2BR BMR	1,050	1,100,000	30.8%	1,438,250	1,370	2BR	1,310	1,360,000	30.8%	1,778,200	1,357	3BR	1,910	1,960,000	30.8%	2,562,700	1,342	2BR	1,480	1,530,000	30.8%	2,000,475	1,352	2BR	1,535	1,585,000	30.8%	2,072,388	1,350																							
41	3BR BMR	1,295	1,345,000	30.0%	1,748,500	1,350	2BR	1,255	1,305,000	30.0%	1,696,500	1,352	2BR	1,490	1,540,000	30.0%	2,002,000	1,344	2BR	1,420	1,470,000	30.0%	1,911,000	1,346	1BR BMR	700	750,000	30.0%	975,000	1,393	2BR	1,460	\$1,510,000	30.0%	\$1,963,000	\$1,345																	
40	2BR	1,135	1,185,000	29.3%	1,531,613	1,349	2BR	1,255	1,305,000	29.3%	1,686,713	1,344	2BR	1,490	1,540,000	29.3%	1,990,450	1,336	2BR	1,420	1,470,000	29.3%	1,899,975	1,338	2BR BMR	1,030	1,080,000	29.3%	1,395,900	1,355	3BR BMR	1,300	1,350,000	29.3%	1,744,875	1,342																	
39	2BR	1,135	1,185,000	28.5%	1,522,725	1,342	2BR	1,255	1,305,000	28.5%	1,676,925	1,336	2BR	1,490	1,540,000	28.5%	1,978,900	1,328	2BR	1,420	1,470,000	28.5%	1,888,950	1,330	2BR BMR	1,030	1,080,000	28.5%	1,387,800	1,347	3BR BMR	1,300	1,350,000	28.5%	1,734,750	1,334																	
38				27.8%					27.8%																																												
37				27.0%					27.0%																																												
36				26.3%					26.3%																																												
35				25.5%					25.5%																																												
34				24.8%					24.8%																																												
33				24.0%					24.0%																																												
32				23.3%					23.3%																																												
31				22.5%					22.5%																																												
30				21.8%					21.8%																																												
29				21.0%					21.0%																																												
28				20.3%					20.3%																																												
27				19.5%					19.5%																																												
26				18.8%					18.8%																																												
25				18.0%					18.0%																																												
24				17.3%					17.3%																																												
23				16.5%					16.5%																																												
22				15.8%					15.8%																																												
21				15.0%					15.0%																																												

EXHIBIT III-5

FOR-SALE PRODUCT PROGRAM POSITIONING INCLUDING PREMIUMS
 SAN FRANCISCO, CALIFORNIA
 OCTOBER 2013

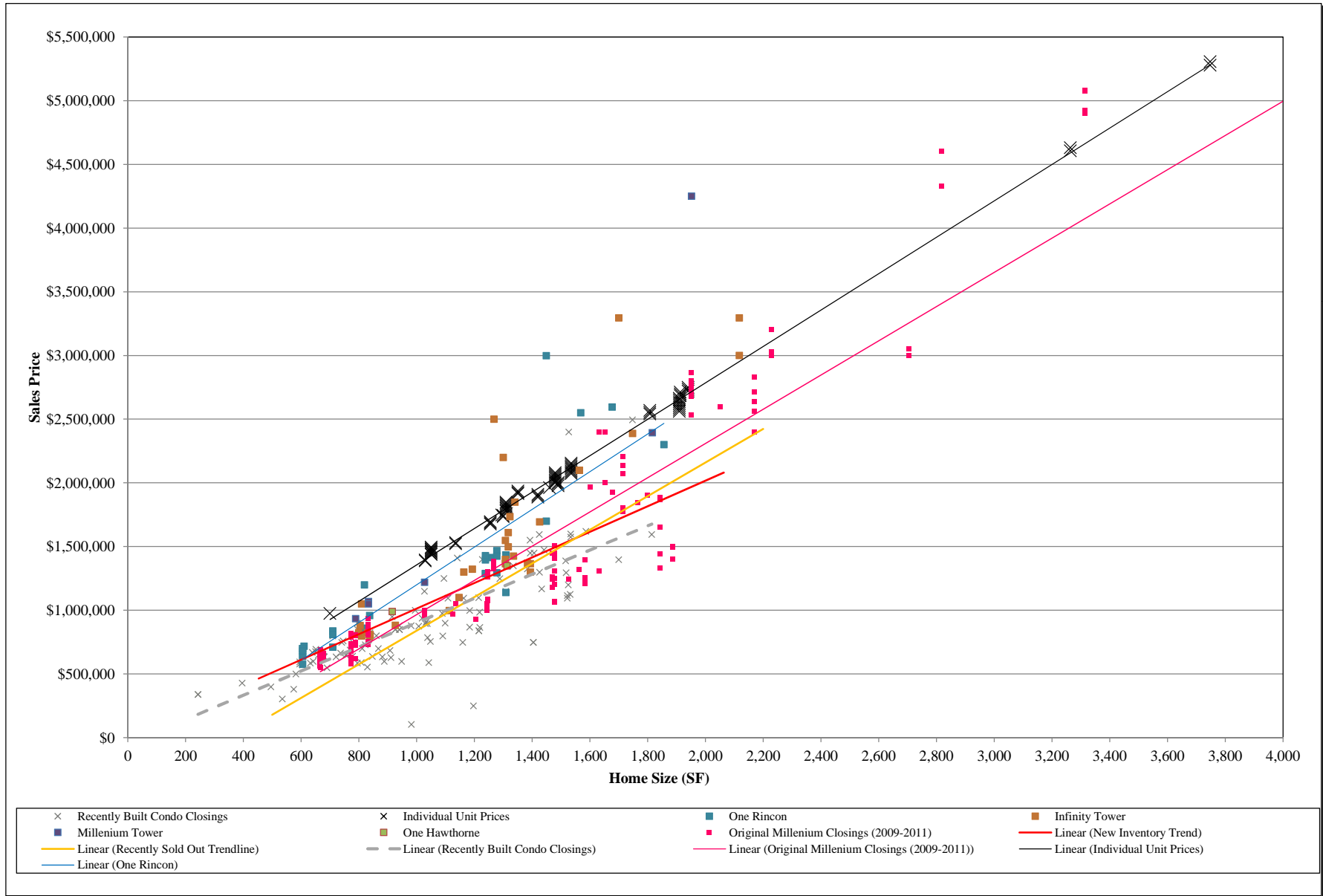


EXHIBIT III-6
HIGH RISE CONDOMINIUM SALES AND LISTINGS BY FLOOR
SAN FRANCISCO, CALIFORNIA
LAST SIX MONTHS

Floor	181 Fremont Recommendations				Millenium Tower				Infinity Tower				One Rincon				St. Regis Residences				The Metropolitan			
	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF
54	2	3,506	4,969,510	\$1,417	--	--	--	--	--	--	--	--	1	1,449	\$2,999,000	\$2,070	--	--	--	--	--	--	--	--
53	2	3,506	4,942,840	1,410	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
52	4	1,753	2,492,648	1,422	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
51	4	1,753	2,479,125	1,414	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
50	4	1,753	2,465,603	1,407	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
49	5	1,457	2,049,520	1,407	1	2,819	\$5,550,000	\$1,969	--	--	--	--	1	610	718,000	1,177	--	--	--	--	--	--	--	--
48	5	1,457	2,038,218	1,399	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
47	5	1,457	2,026,915	1,391	--	--	--	--	--	--	--	--	1	819	1,200,000	1,465	--	--	--	--	--	--	--	--
46	5	1,457	2,015,613	1,383	--	--	--	--	--	--	--	--	1	1,278	1,469,000	1,149	--	--	--	--	--	--	--	--
45	5	1,457	2,004,310	1,376	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
44	5	1,457	1,993,008	1,368	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
43	5	1,457	1,981,705	1,360	1	1,952	4,250,000	2,177	--	--	--	--	1	605	699,000	1,155	--	--	--	--	--	--	--	--
42	5	1,457	1,970,403	1,352	--	--	--	--	2	2,117	\$3,147,500	\$1,487	1	710	838,000	1,180	--	--	--	--	--	--	--	--
41	6	1,270	1,716,000	1,351	--	--	--	--	1	710	810,000	1,141	1	710	810,000	1,141	--	--	--	--	--	--	--	--
40	6	1,272	1,708,254	1,343	--	--	--	--	2	721	820,500	1,138	2	721	820,500	1,138	--	--	--	--	--	--	--	--
39	6	1,272	1,698,342	1,336	--	--	--	--	1	1,300	2,200,000	1,692	2	658	767,000	1,167	--	--	--	--	--	--	--	--
38	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
37	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
36	--	--	--	--	--	--	--	--	1	1,700	3,295,000	1,938	1	1,278	1,425,000	1,115	--	--	--	--	--	--	--	--
35	--	--	--	--	--	--	--	--	2	1,332	1,792,500	1,346	--	--	--	--	--	--	--	--	--	--	--	--
34	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
33	--	--	--	--	--	--	--	--	1	1,268	2,500,000	1,972	1	1,309	1,435,000	1,096	--	--	--	--	--	--	--	--
32	--	--	--	--	--	--	--	--	1	1,563	2,100,000	1,344	--	--	--	--	--	--	--	--	--	--	--	--
31	--	--	--	--	--	--	--	--	1	1,563	2,100,000	1,344	--	--	--	--	1	1,731	\$1,699,000	\$982	--	--	--	--
30	--	--	--	--	--	--	--	--	1	804	880,000	1,095	1	1,856	2,300,000	1,239	--	--	--	--	--	--	--	--
29	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
28	--	--	--	--	--	--	--	--	1	1,748	2,388,000	1,366	2	1,355	1,557,500	1,149	--	--	--	--	--	--	--	--
27	--	--	--	--	--	--	--	--	1	1,238	1,430,000	1,155	1	1,238	1,430,000	1,155	1	1,767	2,250,000	1,273	--	--	--	--
26	--	--	--	--	--	--	--	--	2	1,058	1,299,500	1,228	1	710	710,000	1,000	1	1,527	2,400,000	1,572	--	--	--	--
25	--	--	--	--	--	--	--	--	1	1,193	1,323,000	1,109	--	--	--	--	--	--	--	--	--	--	--	--
24	--	--	--	--	1	789	935,000	1,185	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
23	--	--	--	--	--	--	--	--	--	--	--	--	1	1,238	1,395,000	1,127	--	--	--	--	--	--	--	--
22	--	--	--	--	--	--	--	--	1	1,163	1,300,000	1,118	--	--	--	--	1	1,147	1,250,000	1,090	--	--	--	--
21	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
20	--	--	--	--	1	1,027	1,220,000	1,188	1	1,307	1,400,000	1,071	--	--	--	--	--	--	--	--	2	981	\$1,112,500	\$1,135
20+ Avg:	74	1,734	\$2,409,501	\$1,390	4	1,647	\$2,988,750	\$1,815	16	1,394	\$1,978,885	\$1,420	19	1,034	\$1,285,813	\$1,244	4	1,543	\$1,899,750	\$1,231	2	981	\$1,112,500	\$1,135
19	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	795	859,000	1,081
18	--	--	--	--	--	--	--	--	1	1,317	1,499,000	1,138	--	--	--	--	1	795	860,000	1,082	--	--	--	--
17	--	--	--	--	--	--	--	--	1	1,307	1,365,000	1,044	--	--	--	--	--	--	--	--	2	599	683,000	1,141
16	--	--	--	--	1	833	1,070,000	1,285	--	--	--	--	1	605	650,000	1,074	--	--	--	--	1	506	588,000	1,162
15	--	--	--	--	--	--	--	--	1	1,317	1,610,000	1,222	--	--	--	--	--	--	--	--	--	--	--	--
14	--	--	--	--	--	--	--	--	--	--	--	--	3	887	929,667	1,048	--	--	--	--	--	--	--	--
13	--	--	--	--	--	--	--	--	--	--	--	--	1	1,278	1,295,000	1,013	--	--	--	--	--	--	--	--
12	--	--	--	--	--	--	--	--	--	--	--	--	1	1,238	1,288,000	1,040	--	--	--	--	--	--	--	--
11	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	995	1,025,000	1,030
10	--	--	--	--	--	--	--	--	2	973	962,500	989	--	--	--	--	1	675	678,000	1,004	--	--	--	--
9	--	--	--	--	--	--	--	--	--	--	--	--	1	1,309	1,140,000	871	--	--	--	--	1	506	495,000	978
8	--	--	--	--	--	--	--	--	3	1,381	1,321,667	957	1	605	577,000	954	--	--	--	--	--	--	--	--
7	--	--	--	--	--	--	--	--	1	1,113	999,000	898	--	--	--	--	--	--	--	--	--	--	--	--
6	--	--	--	--	1	833	1,050,000	1,261	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
5	--	--	--	--	--	--	--	--	1	1,394	1,365,000	979	--	--	--	--	--	--	--	--	--	--	--	--
4	--	--	--	--	--	--	--	--	3	1,020	971,667	953	--	--	--	--	--	--	--	--	--	--	--	--
3	--	--	--	--	1	1,816	2,395,000	1,319	4	990	965,250	975	--	--	--	--	--	--	--	--	--	--	--	--
2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	963	930,000	966
1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Below 20 Avg:	0	--	--	--	3	1,161	\$1,505,000	\$1,297	17	1,201	\$1,228,787	\$1,023	8	987	\$979,944	\$993	0	--	--	--	9	729	\$764,750	\$1,049

EXHIBIT III-6
HIGH RISE CONDOMINIUM SALES AND LISTINGS BY FLOOR
SAN FRANCISCO, CALIFORNIA
LAST SIX MONTHS

Floor	181 Fremont Recommendations				SoMa Grand				The Beacon				The Watermark				The Brannan				The Bridgeview				One Hawthorne					
	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF		
54	2	3,506	4,969,510	\$1,417	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
53	2	3,506	4,942,840	1,410	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
52	4	1,753	2,492,648	1,422	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
51	4	1,753	2,479,125	1,414	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
50	4	1,753	2,465,603	1,407	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
49	5	1,457	2,049,520	1,407	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
48	5	1,457	2,038,218	1,399	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
47	5	1,457	2,026,915	1,391	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
46	5	1,457	2,015,613	1,383	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
45	5	1,457	2,004,310	1,376	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
44	5	1,457	1,993,008	1,368	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
43	5	1,457	1,981,705	1,360	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
42	5	1,457	1,970,403	1,352	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
41	6	1,270	1,716,000	1,351	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
40	6	1,272	1,708,254	1,343	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
39	6	1,272	1,698,342	1,336	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
38	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
37	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
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34	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
33	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
32	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
31	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
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28	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
27	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
26	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	2,106	\$2,750,000	\$1,306	--	--	--	--		
25	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	832	775,000	931	--	--	--	--			
24	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
23	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
22	--	--	--	--	1	764	825,000	1,080	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	1,950,000	--	--		
21	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
20	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
20+ Avg:	74	1,734	\$2,409,501	\$1,390	1	764	\$825,000	\$1,080	0	--	--	--	1	1,259	\$1,695,000	\$1,346	0	--	--	--	2	1,469	\$1,762,500	\$1,200	1	--	\$1,950,000	--		
19	--	--	--	--	1	756	755,000	999	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
18	--	--	--	--	1	1,146	1,289,000	1,125	--	--	--	--	--	--	--	--	1	1,321	1,690,888	1,280	--	--	1,099,000	905	--	--	--	--		
17	--	--	--	--	1	1,201	1,245,000	1,037	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
16	--	--	--	--	1	664	596,000	898	1	822	725,000	882	--	--	--	--	2	1,244	1,852,500	1,489	--	--	--	--	--	--	--	--		
15	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
14	--	--	--	--	1	756	670,000	886	1	982	104,077	106	--	--	--	--	--	--	--	--	--	--	1	1,102	969,888	880	1	1,313	1,350,000	1,028
13	--	--	--	--	--	--	--	--	2	943	819,000	869	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
12	--	--	--	--	2	765	794,500	1,039	1	868	729,000	840	--	--	--	--	1	1,425	1,505,000	1,056	2	1,052	914,000	869	--	--	--	--		
11	--	--	--	--	1	765	649,000	848	1	1,286	1,050,000	816	--	--	--	--	--	--	--	--	1	669	620,000	927	1	915	990,000	1,082		
10	--	--	--	--	2	761	650,000	855	1	868	699,000	805	--	--	--	--	--	--	--	--	1	669	615,000	919	--	--	--	--		
9	--	--	--	--	2	1,184	974,000	823	1	862	699,000	811	--	--	--	--	1	1,516	1,487,000	981	--	--	--	--	--	--	--	--		
8	--	--	--	--	3	850	786,333	925	2	1,215	1,066,000	878	--	--	--	--	1	1,516	1,550,000	1,022	--	--	--	--	--	--	--	--		
7	--	--	--	--	--	--	--	--	2	839	633,500	756	--	--	--	--	--	--	--	1	675	334,411	495	--	--	--	--	--		
6	--	--	--	--	--	--	--	--	4	985	724,000	735	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
5	--	--	--	--	--	--	--	--	4	1,135	662,753	584	1	1,019	1,010,000	991	1	981	870,000	887	--	--	--	--	--	--	--	--		
4	--	--	--	--	--	--	--	--	1	1,518	1,218,750	803	--	--	--	--	--	--	--	1	826	325,897	395	--	--	--	--	--		
3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	927	855,000	922	1	1,038	785,000	756	--	--	--	--		
2	--	--	--	--	--	--	--	--	1	592	489,000	826	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
1	--	--	--	--	--	--	--	--	--	--	--	--	1	831	699,000	841	--	--	--	--	--	--	--	--	--	--	--	--		
Below 20 Avg:	0	--	--	--	15	885	\$840,883	\$950	22	993	\$739,929	\$745	2	925	\$854,500	\$924	8	1,276	\$1,401,484	\$1,099	9	906	\$707,900	\$782	2	1,114	\$1,170,000	\$1,050		

TRANSBAY REDEVELOPMENT PROJECT AREA



Under-Ramp Park
 Acres: 2.5
 Construction Start: 2016



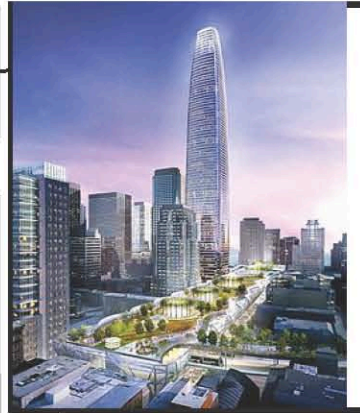
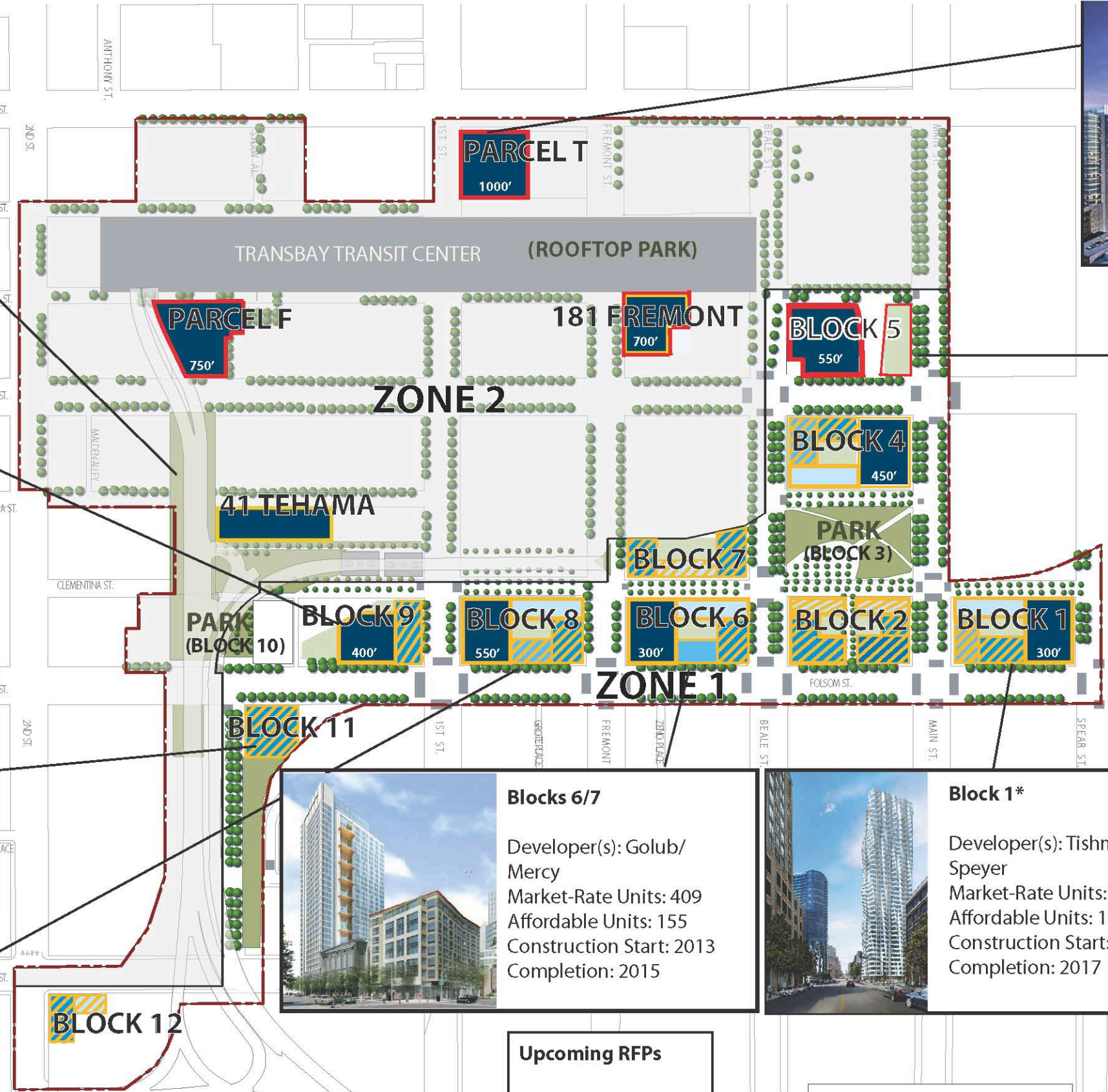
Block 9
 Developer(s): Avant/
 Bridge
 Market-Rate Units: 436
 Affordable Units: 109
 Construction Start: 2015
 Completion: 2017



**Rene Cazenave/
 Block 11A**
 Developer(s): Bridge/
 CHP
 Affordable Units: 120
 Construction Start: 2011
 Completion: 2013



Block 8
 Developer(s): Related/
 TNDC
 Market-Rate Units: 476
 Affordable Units: 177
 Construction Start: 2016
 Completion: 2019



Parcel T
 Developer(s): Boston
 Properties/Hines
 Office Sq. Ft.: 1.4 Million
 Construction Start: 2014
 Completion: 2017



Block 5*
 Developer(s): Golub/
 John Buck
 Office Sq. Ft.: 665,000
 Construction Start: 2016
 Completion: 2018



Blocks 6/7
 Developer(s): Golub/
 Mercy
 Market-Rate Units: 409
 Affordable Units: 155
 Construction Start: 2013
 Completion: 2015

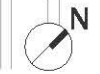
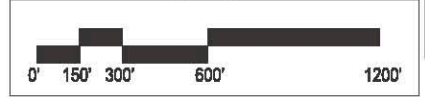


Block 1*
 Developer(s): Tishman
 Speyer
 Market-Rate Units: 219 - 285
 Affordable Units: 116 - 127
 Construction Start: 2015
 Completion: 2017

BLOCK 12

Upcoming RFPs
 Parcel F: 2015
 Block 4: 2016
 Block 2: 2016
 Block 12: 2020

For more information contact: Courtney Pash at courtney.pash@sfgov.org



TRANSBAY REDEVELOPMENT PROJECT AREA

- ZONE 1
- ZONE 2

LAND USE (SUBJECT TO CHANGE)

- AFFORDABLE HOUSING
- MARKET RATE HOUSING
- COMMERCIAL

OPEN SPACE

- OPEN SPACE (PUBLICLY OWNED)
- OPEN SPACE (PRIVATELY OWNED)

PROPOSED HEIGHT LIMITS (MIN AND MAX)

- Townhomes: 35-50'
- Podium 1: 40-65'
- Podium 2: 50-85'
- Mid-Rise: 65-165'
- Towers (Height Varies)

* Exclusive Negotiation Agreements ("ENA") in progress

From: Benjamin, Maria (MYR)
Sent: Tuesday, September 23, 2014 2:33 PM
To: White, Jeffrey (CII)
Cc: Hartley, Kate (MYR)
Subject: RE: 181 Fremont, proposal re: inclusionary BMRs
Attachments: 181 Fremont MOHCD BMR Pricing Baseline and with proposed HOAs.pdf

Hi Jeff. Thanks for sharing the discussion that the OCII Commission is having about 181 Fremont offering onsite inclusionary units. As you know, while many developers opt for the in lieu fee, MOHCD policy historically has allowed developers citywide to provide inclusionary BMR obligation off-site. We have found that the off-site units avoid affordability obstacles that occur when they are included a luxury building. In today's market, accepting the 181 Fremont in-lieu fee isn't unusual or an isolated circumstance.

MOHCD supports accepting \$13.85 million in lieu of 11 units at 181 Fremont as is consistent with MOHCD policy and practice:

- HOA fees at \$2,000 per month (wow!) would be a disproportionately large portion of a homebuyer's monthly housing cost at approximately 84% of total housing cost. This severely limits the size of a mortgage the homebuyer could carry, and limits the mortgage interest tax deduction, which is a significant benefit of homeownership.
- Unit sales prices would be well below \$100,000 artificially low/distorted due to extremely high HOA dues. This would result in a small first mortgage for the initial BMR homebuyer. A very low first mortgage on the BMR unit, severely limits the homebuyer's future ability to recoup at sale the money paid down on a mortgage over time – instead the majority will have been paid toward HOA dues. In a typical case, an owner will purchase a unit for \$300,000 and pay a monthly \$400 HOA fee. If the unit resells for, say, \$320,000 the owner recoups the money paid down on the mortgage minus interest. If an owner buys a unit for \$60,000 and sells the unit for \$65,000 in 5 years, the owner has no chance of recouping the bulk of the payments that have been made over time, therefore losing one of the main benefits of ownership. A BMR buyer in this situation resembles a renter not an owner.
- BMR units at 181 Fremont would start in MOHCD's portfolio, not OCII-Limited Equity Program. MOHCD calculates the initial sales price with the HOA dues in. However, upon resale the HOA dues are not calculated in. This way, the seller can sell the unit based on increases in AMI without taking into consideration the HOA dues. Great for the seller however, the new buyer now has to pay the affordable sales price plus the monthly HOA dues. It makes it harder for the new buyer to be able to afford the AMI priced home without down payment assistance. Thanks to the Housing Trust Fund and a state grant, we have been able to provide downpayment assistance so that our new buyers can still afford our BMR's. While we acknowledge that this is a band-aid approach because we cannot indefinitely rely on DALP to cover rising HOA dues, we have been able to ensure that new buyer of resale units are able to afford their units. Having said that, we've never had HOA dues in excess of \$1000. I'm not sure that even our DALP could bridge an affordability gap that large.
- With HOAs as a disproportionately large amount of their housing costs, a BMR homeowner is at increased risk because HOAs have historically increased more than inflation. Wealthier market-rate homebuyers, assuming they carry a mortgage, are impacted proportionally less by increasing HOAs and may have less incentive to control higher HOAs. For example, if \$500 HOA monthly dues increase 10% = \$50, but if \$2,000 HOA monthly dues increase 10% = \$200, making it more difficult for the BMR homeowner to absorb increases.
- MOHCD's stewardship obligation is both to the buyer and to the unit. An artificially low first mortgage will surely attract predatory lenders who see an opportunity to offer high interest second mortgages and lines of credit to our unassuming first time homebuyers leaving them vulnerable to foreclosure.

Instead of adding 11 BMR units at 181 Fremont, the \$13.85 million in-lieu fee would leverage other funds and could create approximately 55 affordable units elsewhere in Transbay. A net increase of 44 affordable units. Great deal!!

Attached is a spreadsheet comparing "baseline" BMR pricing to pricing with the high HOAs at 181 Fremont.

Maria Benjamin
Director of Homeownership & Below Market Rate Programs
Mayor's Office of Housing & Community Development
City and County of San Francisco
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
415-701-5500
415-701-5511 direct

MOHCD is experiencing a high volume of applications for all DALP programs. Please allow 20 days review and process time of all loan packages.