

File No. 171264

Committee Item No. 16  
Board Item No. \_\_\_\_\_

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date December 7, 2017

Board of Supervisors Meeting Date \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
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Completed by: Victor Young Date December 1, 2017  
Completed by: \_\_\_\_\_ Date \_\_\_\_\_

1 [Ground Lease - 1296 Shotwell Housing, L.P. - 1296 Shotwell Street - \$15,000 Annual Base  
2 Rent]

3 **Resolution approving and authorizing a long term Ground Lease with 1296 Shotwell**  
4 **Housing, L.P., on City owned land at 1296 Shotwell Street for a term of 75 years with**  
5 **one 24-year option to extend, and with an annual base rent of \$15,000 in order to**  
6 **construct a 100% affordable, 94-unit multifamily rental housing development for low-**  
7 **income seniors and formally homeless seniors; adopting findings that the Ground**  
8 **Lease is consistent with the California Environmental Quality Act, the General Plan,**  
9 **and the eight priority policies of Planning Code, Section 101.1; and authorizing the**  
10 **Director of Property and Acting Director of MOHCD to execute documents, make**  
11 **certain modifications, and take certain actions in furtherance of this Resolution, as**  
12 **defined herein.**

13  
14 WHEREAS, In 2013, the Board of Supervisors approved the land dedication  
15 (Resolution No. 153-13) of the property from Thomas Murphy and Martina Murphy, Trustees  
16 of the Murphy Trust UDT dated October 03, 2003 ("Seller"), who owned Assessor's Parcel  
17 Block No. 6571, Lot No. 051, located at 1294-8 Shotwell Street, containing 11,664 square feet  
18 of Production, Distribution and Repair space on .27 acres of land ("Property"); and

19 WHEREAS, Oyster Development, LLC ("Developer") was the developer of 2558  
20 Mission Street, San Francisco, a mixed use project known as the New Mission Theatre  
21 Project (the "Principal Site"); and

22 WHEREAS, Developer had elected to satisfy the Inclusionary Affordable Housing  
23 Program requirements under Planning Code, Section 415 for the Principal Site by dedicating  
24 the Property to the City pursuant to Planning Code, Section 419; and  
25

1           WHEREAS, In 2015, the Mayor's Office of Housing and Community Development  
2 ("MOHCD"), issued a Request for Proposal ("RFP"), seeking submittals from qualified  
3 respondents to develop the City-owned parcel as affordable senior rental housing, including  
4 units serving formerly homeless seniors; and

5           WHEREAS, Mission Economic Development Agency ("MEDA"), a California nonprofit  
6 public benefit corporation, in collaboration with Chinatown Community Development Center  
7 ("CCDC") a California nonprofit public benefit corporation, jointly responded to the RFP and  
8 was selected to be the developer for the Property; and

9           WHEREAS, MEDA and CCDC established 1296 Shotwell Housing, L.P., a  
10 California limited partnership ("Lessee"), as a separate entity under which to develop  
11 the project; and

12           WHEREAS, MOHCD is also providing the Lessee with new financial assistance to  
13 leverage equity from an allocation of low-income housing tax credits and other funding  
14 sources in order for Lessee to construct a 100% affordable, 94-unit multifamily rental housing  
15 development for low-income seniors and formally homeless seniors ("Project") on the  
16 Property; and

17           WHEREAS, Lessee has obtained all entitlements and is ready to begin construction of  
18 the Project; and

19           WHEREAS, An appraisal dated October 24, 2017 valued the Property at  
20 \$10,175,000 with entitlements; and

21           WHEREAS, MOHCD and the Director of Property have approved the form of the  
22 Ground Lease between MOHCD and the Lessee, pursuant to which MOHCD will lease the  
23 Property to the Lessee for a Base Rent of Fifteen Thousand Dollars (\$15,000.00) per year, in  
24 exchange for the Lessee's agreement, among other things, to operate the Project with rent  
25 levels affordable to households up to 50% San Francisco Area Median Income (AMI). A copy

1 of the Ground Lease in substantially the form approved is on file with the Clerk of the Board of  
2 Supervisors in File No. 171204, and is incorporated herein by reference; and,

3 WHEREAS, The Ground Lease provides, among other conditions, for a term of 75  
4 years and one 24 year option to extend; and,

5 WHEREAS, The Planning Department found that the Ground Lease is eligible  
6 for streamlined Environmental Review as an infill project, as defined by CEQA  
7 Guidelines, Section 15183.3 and pursuant to Administrative Code, Section 31.04(h) for  
8 the reasons set forth in the November 21, 2016, Certificate of Determination from the  
9 Department of City Planning, which is on file with the Clerk of the Board in File  
10 No. 170025, and incorporated herein by reference; and

11 WHEREAS, The Planning Department found that Ground Lease is consistent  
12 with the City's General Plan, and with the eight priority policies under Planning Code,  
13 Section 101.1 for the reasons set forth in the letter of the Department of City Planning  
14 dated March 20, 2017, which is on file with the Clerk of the Board in File No. 2016-  
15 015994GPR; now, therefore, be it

16 RESOLVED, That the Board of Supervisors hereby finds that Ground Lease is  
17 consistent with the City's General Plan, and with the eight priority policies under  
18 Planning Code, Section 101.1 for the same reasons set forth in the letter of the  
19 Department of City Planning dated March 20, 2017, and hereby incorporates such  
20 findings by reference as though fully set forth in this Resolution; and, be it

21 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the  
22 Ground Lease is eligible for streamlined Environmental Review as an infill project as  
23 defined by CEQA Guidelines, Section 15183.3 and pursuant to Administrative Code,  
24 Section 31.04(h), for the reasons set forth in the November 21, 2016 Certificate of  
25

1 Determination from the Department of City Planning, which is on file with the Clerk of  
2 the Board in File No. 170025; and, be it

3 FURTHER RESOLVED, That in accordance with the recommendations of the  
4 Director of Property and the Acting Director of MOHCD, the Board of Supervisors  
5 hereby approves the Ground Lease, and authorizes the Director of Property (or  
6 designee) and the Acting Director of MOHCD (or designee) to execute and deliver the  
7 Ground Lease and any such other documents that are necessary or advisable to  
8 complete the transaction contemplated by the Ground Lease, and to effectuate the  
9 purpose and intent of this Resolution; and, be it

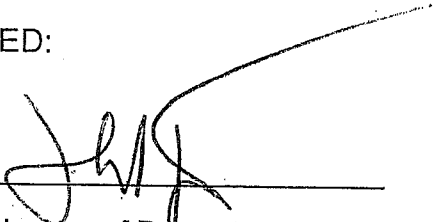
10 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director  
11 of Property (or designee) and the Acting Director of MOHCD (or designee), in  
12 consultation with the City Attorney, to enter into any additions, amendments or other  
13 modifications to the Ground Lease (including in each instance, without limitation, the  
14 attachment of exhibits), that the Director of Property and the Acting Director of MOHCD  
15 determine are in the best interests of the City, do not materially decrease the benefits  
16 to the City with respect to the Property, or otherwise materially increase the obligations  
17 or liabilities of the City, and are necessary or advisable to complete the transaction  
18 contemplated herein, effectuate the purpose and intent of this Resolution, and are in  
19 compliance with all applicable laws, including the City's Charter, provided that  
20 documents that include amendments from what was previously submitted to the Board  
21 shall be provided to the Clerk of the Board, as signed by the parties, together with a  
22 marked copy to show any changes, within 30 days of execution for inclusion in the  
23 official file; and, be it


24 FURTHER RESOLVED, That all actions taken by any City employee or official  
25 with respect to the exercise of the Ground lease authorized and directed by this

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Resolution and heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors.

RECOMMENDED:

  
\_\_\_\_\_  
John Updike, Director of Property

  
\_\_\_\_\_  
Kate Hartley, Acting Director, Mayor's Office of Housing and Community Development

**Item 16**  
**File 17-1204**

**Department:**  
Mayor's Office

### EXECUTIVE SUMMARY

#### Legislative Objectives

- The proposed resolution (i) approves a ground lease between the City as landlord and 1296 Shotwell Housing L.P., as tenant on City owned land at 1296 Shotwell Street for a term of 75 years with one 24 year option to extend and with an annual base rent of \$15,000 in order to construct a 100 percent affordable, 94-unit multifamily rental housing development for low-income seniors and formerly homeless seniors; (ii) adopts findings that the ground lease is consistent with the California Environmental Quality Act, the General Plan, and the eight priority policies of Planning Code Section 101.1; and (iii) authorizes the Director of Property and the Director of the Mayor's Office of Housing and Community Development (MOHCD) to execute documents, make certain modifications, and take certain actions in furtherance of the resolution.

#### Key Points

- In May 2013, the Board of Supervisors approved the transfer of 1294-8 Shotwell Street to the MOHCD; Oyster Development, LLC purchased and transferred the Shotwell Street property to MOHCD to satisfy the affordable housing requirement for the New Mission Theatre Project at 2558 Mission Street.
- In July 2015, MOHCD issued a Request for Proposals (RFP) to develop affordable senior housing on the Shotwell site. Nonprofit housing developers Mission Economic Development Agency and Chinatown Community Development Center issued a joint response to the RFP and were deemed to be the only qualified bidder. The two nonprofit organizations were selected to develop the property and jointly established 1296 Shotwell Housing, L.P.
- 1296 Shotwell Housing, L.P. will demolish the 10,700 square foot, one-story industrial building currently on-site and construct a new nine-story, 85-foot-tall multi-unit housing building with 93 affordable units for low-income seniors and one manager's unit. Total development costs for the senior housing at 1296 Shotwell Street are \$41 million, funded by federal Low Income Housing Tax Credits, loans and grants from the State of California, developer equity, MOHCD gap financing, and other sources.

#### Fiscal Impact

- Annual base rent paid to the City by 1296 Shotwell Housing, L.P. over the 75-year term of the lease is \$15,000. If the rental property generates net revenues, 1296 Shotwell Housing, L.P. will pay annual residual rent up to \$1,002,500m equal to 10 percent of the appraised value of \$10,175,000. However, MOHCD does not expect to receive residual rent in the foreseeable future.

#### Recommendation

- Approve the proposed resolution.

## MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten years or more or that has revenue to the City of \$1 million or more is subject to Board of Supervisors approval.

## BACKGROUND

In May 2013, the Board of Supervisors approved the transfer of 1294-8 Shotwell Street from Thomas and Martina Murphy to the Mayor's Office of Housing and Community Development (MOHCD) (File 13-0420, Resolution 153-13). Oyster Development, LLC, the developer of the New Mission Theatre Project at 2558 Mission Street, had agreed to purchase and transfer the Shotwell property to the City to satisfy its inclusionary affordable housing requirements.

In July 2015, MOHCD issued a Request for Proposals (RFP) to develop affordable senior housing on the Shotwell site. Nonprofit housing developers Mission Economic Development Agency and Chinatown Community Development Center issued a joint response to the RFP and were deemed to be the only qualified bidder.<sup>1</sup> The two nonprofit organizations were selected to develop the property and jointly established 1296 Shotwell Housing, L.P.

In October 2017, Hamilton, Ricci & Associates appraised the fair market value of the property at \$10,175,000.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

- (1) Approve and authorize a 75-year ground lease, with one 24-year option to extend, between the City as landlord and 1296 Shotwell Housing L.P. as tenant for \$15,000 annual base rent to construct 94 units of multifamily rental housing for low-income seniors, including formerly homeless seniors, at 1296 Shotwell Street;
- (2) Adopt findings that the Ground Lease is consistent with the California Environmental Quality Act (CEQA), the General Plan, and the eight priority policies of Planning Code Section 101.1; and
- (3) Authorize the Director of Property and the Director of MOHCD to execute documents, make certain modifications, and take certain actions in furtherance of the resolution, as defined therein.

1296 Shotwell Housing, L.P. will demolish the 10,700 square foot, one-story industrial building currently on site and construct a new nine-story, 85-foot-tall multi-unit housing building with 93 affordable units for low-income seniors and one manager's unit. The mix of units would include six studios and 13 one-bedroom units for formerly homeless seniors at or below 20

<sup>1</sup> John Stewart Company and Mission Housing Development Corporation also issued a joint response to the RFP, but was deemed incomplete after failing to demonstrate adequate development experience, ownership experience, and property management experience.



percent Area Median Income (AMI) and 18 studios and 56 one-bedroom units for seniors at or below 50 percent AMI.<sup>2</sup> There will be one two bedroom unit for the onsite property manager.

Total development costs for the senior housing at 1296 Shotwell Street are \$41 million, funded by federal Low Income Housing Tax Credits, loans and grants from the State of California, developer equity, MOHCD gap financing, and other sources.

The key provisions of the Ground Lease are shown in Table 1 below.

**Table 1: Key Provisions of Ground Lease**

<b>Lease Terms: 1296 Shotwell Street</b>	
Size of Property	11,664 square feet (.27 acres)
Lease Period	75 years (approximately January 2018 through January 2093)
Options to extend lease	Tenant has one 24-year option to extend the lease through 2117 for a total lease term of 99 years
Base rent	\$15,000 per year
Adjustments to base rent	None
Residual rent	Up to \$1,002,500 per year
Adjustments to residual rent	10 percent of fair market value on the 15 <sup>th</sup> anniversary of the first rent payment and every 15 years thereafter
Taxes, insurance, maintenance, utilities	Paid by tenant

In June 2014, the Planning Commission determined that the project was consistent with the Eastern Neighborhoods Area Plan EIR and exempt from environmental review. In February 2017, the Board of Supervisors determined that the project is eligible for streamlined environmental review under CEQA, due to it being an infill project (File 17-0025). The Planning Department has determined that the project is consistent with the General Plan and the eight priority policies of Planning Code Section 101.1.

**FISCAL IMPACT**

The City would receive \$15,000 annually in base rent, not adjusted for inflation, from 1296 Shotwell Housing, L.P. Over the 75 year term of the lease, the City would receive \$1,125,000 in total base rent. Should the tenant agree to extend the lease for an additional 24 years, the City would receive an additional \$360,000.

Should surplus cash be available from the tenant after payment of all operating expenses, the City may receive residual rent. Annual residual rent is up to 10 percent of the appraised fair market value of the property, minus the base rent. As the current appraised value of the property is \$10,175,000, and the base rent is \$15,000, the current residual rent is up to \$1,002,500 per year. The residual rent would be amended every 15 years to reflect the updated fair market value of the company. Should the tenant not have surplus cash to pay residual rent in a given year, it would need to provide written documentation to the City to verify the

<sup>2</sup> 20 percent AMI for San Francisco in 2017 is \$16,150 for a one person household and \$18,450 for a two person household. 50 percent AMI is \$40,350 for a one person household and \$46,150 for a two person household.

insufficiency. According to Ms. Sara Amaral, MOHCD Project Manager, MOHCD does not expect to receive residual rent in the foreseeable future. This is due to the number of units occupied by formerly homeless seniors at or below 20 percent AMI who would be paying well below market rent. In the first year of occupancy, MOHCD anticipates subsidizing the operations of the housing project by \$352,270 through its Local Operating Subsidy Program.

**RECOMMENDATION**

Approve the proposed resolution.

**GROUND LEASE**

This ground lease ("Ground Lease" or "Lease") is dated as of, \_\_\_\_\_ 20\_\_\_, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "City" or "Landlord"), represented by the Mayor, acting by and through the Mayor's Office of Housing and Community Development ("MOHCD"), and 1296 Shotwell Housing L.P., a California limited partnership, as tenant (the "Tenant").

**RECITALS**

A. The City is the fee owner of the land described in Attachment 1 attached hereto and the existing improvements located thereon ("Site").

B. On February 5, 2016 the Citywide Affordable Housing Loan Committee approved MOHCD's selection of Mission Economic Development Agency and Chinatown Community Development Center to develop the Site into 94 units of affordable housing for low-income seniors, including 19 units set aside for formally homeless seniors, and 1 manager's unit. (the "Project").

C. On March 13, 2017, the City and the Tenant entered into that certain Option to Lease Agreement pursuant to which City granted Tenant an option to ground lease the Site (the "Option") that expires on June 30, 2018 with an extension option for one additional 6-month period.

D. On \_\_\_\_\_, the San Francisco Board of Supervisors and the Mayor approved Resolution No. \_\_\_\_\_, authorizing the City to enter into a subsequent ground lease with the Tenant for the purpose of developing the Project.

E. The Tenant is now exercising its Option to enter this Ground Lease, pursuant to which City will lease the Site to Tenant to develop the Project. It is the Tenant's intent to serve the

needs of the low-income residents (i.e., fifty percent (50%) of Area Median Income) by providing rents for all units that do not exceed thirty percent (30%) of that Area Median Income.

F. The City believes that the fulfillment of the terms and conditions of this Ground Lease are in the vital and best interests of the City and the health, safety, morals and welfare of its residents, and in full accord with the public purposes and provisions of applicable State and Federal laws and requirements.

**NOW THEREFORE**, in consideration of the mutual obligations of the parties hereto, the City hereby leases to Tenant, and Tenant hereby leases from the City, the Site, for the Term (as defined in Article 2), and subject to the terms, covenants, agreements and conditions hereinafter set forth, to each and all of which the City and Tenant hereby mutually agree.

#### **ARTICLE 1      DEFINITIONS**

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

**1.01 Agreement Date** means the date first set forth above.

**1.02 Area Median Income (or “AMI”)** means median income as published annually by MOHCD, derived from the Income Limits determined by the United States Department of Housing and Urban Development for the San Francisco area, adjusted solely for household size, but not high housing cost area, also referred to as “Unadjusted Median Income.”

**1.03 Effective Date** means the date the City records the Memorandum of Ground Lease against the Site, but in no event shall the date be prior to the approval of the Ground Lease by the City’s Board of Supervisors and the Mayor.

**1.04 First Lease Payment Year** means the year in which construction activities are completed on the Project, as evidenced by a Notice of Completion (“NOC”) (as defined in Section 10.14 of this Ground Lease).

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

**1.06 Ground Lease** means this Ground Lease of the Site to the Tenant from the City, as amended from time to time.

**1.07 HSH** means the San Francisco Department of Homelessness & Supportive Housing and any successor thereto.

**1.08 Improvements** means all physical construction, including all structures, fixtures and other improvements, to be constructed or rehabilitated on the Site.

**1.09 Laws** means all statutes, laws, ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or governmental agency.

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

Furthermore, the “Last Lease Year” shall end upon the expiration of the Term hereof.

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

**1.12 Leasehold Mortgage** means any mortgage, deed of trust, trust indenture, letter of credit or other security instrument, and any assignment of the rents, issues and profits from the

Site, or any portion thereof, which constitutes a lien on the Leasehold Estate created by this Ground Lease and is approved in writing by the City.

**1.13 Lender means** any entity holding a Leasehold Mortgage.

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

**1.15 LOSP means** an operating subsidy provided to Tenant by the City, the amount of which is sufficient to permit Tenant to operate the Project.

**1.16 LOSP Program means** the program administered by MOHCD that regulates the distribution of Local Operating Subsidy.

**1.17 MOHCD means** the City of San Francisco Mayor's Office of Housing and Community Development.

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

**1.19 Permitted Limited Partner means** \_\_\_\_\_, as investor limited partner, \_\_\_\_\_, as special limited partner and their successors and assigns as approved by City.

**1.20 Premises means** the Site together with any Improvements thereon.

**1.21 Project means** the leasehold interest in the Site and the fee interest in the Improvements on the Site.

**1.22 Project Expenses means** the following costs, which may be paid from Project Income to the extent of available Project Income: (a) all charges incurred in the operation of the Project for utilities, real estate and/or possessory interest taxes, assessments, and liability, fire

and other hazard insurance premiums; (b) salaries, wages and other compensation due and payable to the employees or agents of Tenant who maintain, administer, operate or provide services in connection with the Project, including all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required for such employees; (c) payments of required interest, principal or annual servicing fees, if any, on any construction or permanent financing secured by the Project, including the annual monitoring fee required by the City in connection with the tax exempt bonds; (d) all other expenses actually incurred by Tenant to cover routine operating and services provision costs of the Project, including maintenance and repair and the reasonable fee of any managing agent; (e) annual Base Rent payments; (f) annual supportive service expenses approved by MOHCD not paid by HSH; (g) any extraordinary expenses as approved in advance by the City; and (h) deposits to reserves accounts required to be established under the Loan Documents. Project Fees are not Project Expenses.

**1.23 Project Fees** means (i) a combined annual asset management and partnership management fee in the amount of \$ \_\_\_\_\_, increasing by 3.5% annually, payable to the Tenant's general partner, (ii) an annual investor services fee in the amount of \$ \_\_\_\_\_, increasing annually by 3.5%, payable to Tenant's limited partners, and (iii) deferred developer fees approved by the City.

**1.24 Project Income** means all revenue, income receipts, and other consideration actually received from the operation of leasing the Improvements and Project, including non-residential and/or commercial uses of the Site. Project Income shall include but not be limited to: all rents, fees and charges paid by tenants or users of any portion of the Site; Section 8 or other rental subsidy payments received for the dwelling units; supportive services funding, if

applicable; deposits forfeited by tenants; all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; and the proceeds of business interruption or similar insurance. Project Income shall not include tenants' security deposits, loan proceeds, capital contributions or similar advances.

**1.25 Senior** means head of household that is 62 years old or older.

**1.26 Site** means the real property as more particularly described in the Site Legal Description, Attachment 1.

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

**1.28 Surplus Cash** means all Project Income in any given Lease Year remaining after payment of Project Expenses and Project Fees. The amount of Surplus Cash will be based on figures contained in audited financial statements. All permitted uses and distributions of Surplus Cash shall be governed by Section 6.02(g) of this Ground Lease.

**1.29 Tenant** means 1296 Shotwell Housing, L.P., a California limited partnership and its successors and assigns (or a Subsequent Owner, where appropriate).

**1.30 Very Low-Income Households** means: (a) for a term of 55 years from the date on which a certificate of occupancy is issued for the Project, a tenant household with combined initial income that does not exceed fifty percent (50%) of Area Median Income; and (b) for any period of the Term (or extended term) thereafter, a tenant household with combined initial income that does not exceed fifty percent (50%) of area median income, as published by the California Tax Credit Allocation Committee (TCAC).



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

## **ARTICLE 2      TERM**

(a) **Initial Term.** The term of this Ground Lease shall commence upon the Agreement Date and shall end seventy-five (75) years from that date ("Term"), unless extended pursuant to section (b) below or earlier terminated pursuant to the terms hereof.

(b) **Option for Extension.** Provided that the Tenant is not in default under the terms of this Ground Lease and the Loan Documents, beyond any notice, grace or cure period, either at the time of giving of an Extension Notice (as defined below), as described in section (c) below, or on the last day of the Term (the "Termination Date"), the Term may be extended at the option of the Tenant for one twenty-four (24) year period as provided below. If the Term is extended pursuant to this section, all references in this Ground Lease to the "Term" shall mean the Term as extended by this extension period.

(c) **Notice of Extension.** Tenant shall have one (1) option to extend the term of this Ground Lease for a period of twenty-four (24) years from the Termination Date. Not later than one hundred eighty (180) days prior to the Termination Date, the Tenant may notify the City in writing that it wishes to exercise its option to extend the term of this Ground Lease (an "Extension Notice"). Upon Tenant's exercise of this option, the Initial Term shall be extended for twenty-four (24) years from the Termination Date for a total Ground Lease term not to exceed ninety-nine (99) years.

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

(e) Holding Over. Any holding over after expiration of the Term or, if applicable, extended term without the City's written consent will constitute a default by Tenant and entitle the City to exercise any or all of its remedies as provided in this Ground Lease, even if the City elects to accept one or more payments of Annual Rent.

### **ARTICLE 3      FINANCING**

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

### **ARTICLE 4      RENT**

#### **4.01    Annual Rent**

(a) Tenant shall pay to the City up to One Million Seventeen Thousand Five Hundred Dollars (\$1,017,500) (the "Annual Rent") per year for each year of the Term of this Ground Lease. Annual Rent consists of Base Rent and Residual Rent, as defined in Sections 4.02 and 4.03 below, without offset of any kind (except as otherwise permitted by this Ground Lease) and without necessity of demand, notice or invoice and shall be equal to ten percent (10%) of the appraised fair market value of the Site as determined by an MAI appraiser selected by and at the sole cost of Tenant Annual Rent shall be re-determined on the fifteenth (15th) anniversary of the date of the first payment of Base Rent pursuant to Section 4.02(a) below and every fifteen (15) years thereafter, and shall be equal to ten percent (10%) of the appraised fair market value of the Site as determined by an MAI appraiser selected by and at the sole cost of the Tenant. Any such adjustment shall be made to the Residual Rent and not to the Base Rent.

(b) If the Tenant elects to extend the term of this Ground Lease pursuant to Article 2 above, Annual Rent (along with any potential future adjustments) during any such extended term shall be set by mutual agreement of the parties; provided however that Annual Rent during the extended term shall in no event be less than the Annual Rent set forth in Section 4.01(a) above. If the parties cannot agree on Annual Rent for the extended term, either party may invoke a neutral third-party process and shall agree on a neutral third-party appraiser to set the Annual Rent at fair market rent in accordance with the then-prevailing practice for resolving similar rent determination disputes in San Francisco taking into account the affordable housing restrictions contained in Section 9.02, Project debt (including any surplus cash debt obligations), and the annual income expected to be generated by the Project or, in the event that there is no then-prevailing practice, in accordance with the rules of the American Arbitration Association. Notwithstanding the foregoing, after the neutral third party process, Tenant, in its sole discretion, may rescind the Extension Notice if it does not wish to extend the Term of this Ground Lease.

#### **4.02 Base Rent**

(a) "Base Rent" means, in any given Lease Year, Fifteen Thousand Dollars (\$15,000) per annum; provided, however, that in the event that the Tenant or any Subsequent Owner fails, after notice and opportunity to cure, to comply with the provisions of Section 9.02, Base Rent shall be increased to the full amount of Annual Rent. Base Rent shall be due and payable in arrears on January 31st of each Lease Year; however, no Base Rent shall be due until after the earlier of (i) the date a certificate of occupancy for the Project is issued or (ii) the fifth anniversary of the Agreement Date. The first Base Rent payment shall be due on the January 31<sup>st</sup> of the calendar year following the First Lease Payment Year. Additionally, in the event that a Subsequent Owner elects pursuant to Section 26.06(b) to operate the Project without being

subject to Section 9.02 or any Subsequent Owner elects, pursuant to Section 26.06(b), to operate the Project without compliance with such provisions, Annual Rent shall be adjusted as provided in Section 26.07.

(b) If the Project does not have sufficient Project Income to pay Base Rent in any given Lease Year after the payment of Project Expenses in items (a) through (d) in the definition of Project Expenses, above, and the City has received written notice from Tenant regarding its inability to pay Base Rent from Project Income no fewer than sixty (60) days prior to the Base Rent due date along with supporting documentation for Tenant's position that it is unable to pay Base Rent from Project Income, the unpaid amount shall be deferred and all such deferred amounts shall accrue without interest until paid ("**Base Rent Accrual**"). The Base Rent Accrual shall be due and payable each year from and to the extent Surplus Cash is available to make such payments. Any Base Rent Accrual shall be due and payable upon the earlier of (i) sale of the Project (but not a refinancing or foreclosure of the Project); or (ii) termination of this Ground Lease (unless a new lease is entered into with a mortgagee pursuant to Section 26.09 below).

(c) If Tenant has not provided City with the required written notice and documentation under Section 4.02(b) in connection with its claim that it cannot pay Base Rent due to insufficient Project Income, and/or the City has reasonably determined that Tenant's claim that it is unable to pay Base Rent is not supported by such documentation, the City shall assess a late payment penalty of two percent (2%) for each month or any part thereof that any Base Rent payment is delinquent. This penalty shall not apply to Base Rent Accrual that has been previously approved by the City pursuant to Section 4.02(b). The Tenant may request in writing that the City waive such penalties by describing the reasons for Tenant's failure to pay Base Rent

and Tenant's proposed actions to insure that Base Rent will be paid in the future. The City may, in its sole discretion, waive in writing all or a portion of such penalties if it finds that Tenant's failure to pay Base Rent was beyond Tenant's control and that Tenant is diligently pursuing reasonable solutions to such failure to pay.

#### **4.03 Residual Rent**

"Residual Rent" means, in any given Lease Year, One Million Two Thousand Five Hundred Dollars (\$1,002,500), subject to any periodic adjustments pursuant to Section 4.01(a). Residual Rent shall be due in arrears on May 15th following each Lease Year. Except as otherwise provided in Section 26.07(a), Residual Rent shall be payable only to the extent of Surplus Cash as provided in Section 6.02(g) below, and any unpaid Residual Rent shall not accrue. In the event that in any year Surplus Cash is insufficient to pay the full amount of the Residual Rent, Tenant shall certify to the City in writing by May 15 that available Surplus Cash is insufficient to pay Residual Rent and Tenant shall provide to City any supporting documentation reasonably requested by City to allow City to verify the insufficiency.

#### **4.04 Triple Net Lease**

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

**ARTICLE 5      CITY COVENANTS**

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

**ARTICLE 6      TENANT COVENANTS**

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

**6.01 Limited Partnership Authority**

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

**6.02 Use of Site and Rents**

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

**(a) Permitted Uses**

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

**(b) Non-Discrimination**

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

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

**(c) Non-Discriminatory Advertising**

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

**(d) Access for Disabled Persons**

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

**(e) Equal Opportunity Marketing Plan**

Tenant shall submit a Fair Housing Marketing Plan to be approved by the City. Any Fair Housing Marketing Plan must follow the City's marketing requirements for such plans.

**(f) Lead Based Paint**

Tenant agrees to comply with the regulations set forth in 24 CFR Part 35 and all applicable rules and orders issued thereunder which prohibit the use of lead-based paint in

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

**(g) Permitted Uses of Surplus Cash**

All annual Project Income, prior to the calculation of Surplus Cash, shall be used to pay Project Expenses, including but not limited to Base Rent, and Project Fees. If the Tenant is in compliance with all applicable requirements and agreements under this Ground Lease, Tenant shall then use any Surplus Cash to make the following payments in the following order of priority:

- (1) First to Base Rent Accrual payments, if any;
- (2) Second, to replenish the operating reserve account, if necessary, up to the amount required by Lenders;
- (3) Two-thirds (2/3) of remaining Surplus Cash to the City, provided however, if the Project includes a deferred developer fee and Tenant is in compliance with the City Loan documents and all applicable MOHCD's policies, as set forth herein and in the City Loan documents, then fifty percent (50%) of remaining Surplus Cash to the City beginning on the initial Payment Date (as such term is defined in the City Loan documents) until and including the earlier of the year (i) that the tenth (10th) Payment Date, or (ii) in which all deferred developer fees have been paid to Developer. The City's portion of Surplus Cash will be applied first to repayment of all City loans according to the terms of the City loan documents, then to annual Residual Rent; and
- (4) Then, any remaining Surplus Cash may be used by Tenant for any purposes permitted under the limited partnership agreement of Tenant, as it may be amended from time to time.



Notwithstanding the foregoing, Tenant and City agree that the distribution of Surplus Cash may be modified based on the requirements of other Lenders.

### **6.03 City Deemed Beneficiary of Covenants**

In amplification, and not in restriction, of the provisions of the preceding subsections, it is intended and agreed that the City shall be deemed beneficiary of the agreements and covenants provided in this Article 6 for and in its own right and also for the purposes of protecting the interests of the community and other parties, public or private, in whose favor or for whose benefit such agreements and covenants have been provided. Such agreements and covenants shall run in favor of the City for the entire period during which such agreements and covenants shall be in force and effect, without regard to whether the City has at any time been, remains, or is an owner of any land or interest therein to, or in favor of, which such agreements and covenants relate. The City shall have the exclusive right, in the event of any breach of any such agreements or covenants, in each case, after notice and the expiration of cure periods, to exercise all the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach of covenants, to which it or any other beneficiaries of such agreements or covenants may be entitled.

## **ARTICLE 7 ANNUAL INCOME COMPUTATION AND CERTIFICATION**

Forty-five (45) days after recordation of a NOC (as defined in Section 10.14) by the Tenant for the Improvements, Tenant will furnish to the City a list of the persons who are Occupants of the Improvements, the specific unit which each person occupies, the household income of the Occupants of each unit, the household size and the rent being charged to the Occupants of each unit along with an income certification, in the form set forth in Attachment 6, for each Occupant. In addition, each Occupant must be required to provide any other

information, documents or certifications deemed necessary by the City to substantiate the Occupant's income. If any state or federal agency requires an income certification for Occupants of the Improvements containing the above-referenced information, the City agrees to accept such certification in lieu of Attachment 6 as meeting the requirements of this Ground Lease. In addition to such initial and annual list and certification, Tenant agrees to provide the same information and certification to the City regarding each Occupant of the Improvements not later than twenty (20) business days after such Occupant commences occupancy.

#### **ARTICLE 8     CONDITION OF SITE — "AS IS"**

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

#### **ARTICLE 9     IMPROVEMENTS AND PERMITTED USES**

##### **9.01    Schedule of Performance**

Tenant agrees to undertake and complete all physical construction on the Site, if any, as approved by the City, in accordance with the Schedule of Performance, Attachment 2

##### **9.02    Permitted Uses and Occupancy Restrictions**

The permitted uses of the Project are limited to 93 units of affordable rental housing for very-low income seniors plus one manager's unit, (collectively, the "Residential Units") and common areas. Upon the completion of construction, one hundred percent (100%) of the

Residential Units, with the exception of the manager's unit, in the Project shall be occupied or held vacant and available for rental by Very Low Income Households. In addition, nineteen (19) of the Residential Units must be set aside for homeless or formerly homeless senior households, per LOSP Program requirements; provided however that this requirement shall only apply so long as the Project receives LOSP subsidy funding for all units designated as LOSP units. Residential Units shall be occupied and rented in accordance with all applicable restrictions imposed on the Project by this Ground Lease and by Lenders for so long as such restrictions are required by the applicable Lender.

## **ARTICLE 10    CONSTRUCTION OF IMPROVEMENTS**

### **10.01 General Requirements and Rights of City**

All construction documents, including but not limited to preliminary and final plans and specifications for the construction of the Improvements by Tenant (collectively the "Construction Documents") shall be prepared by a person registered in and by the State of California to practice architecture and shall be in conformity with this Ground Lease, including any limitations established in the City's reasonable approval of the schematic drawings, if any, preliminary construction documents, and final construction documents for the Premises, and all applicable Federal, State and local laws and regulations. The architect shall use, as necessary, members of associated design professions, including engineers and landscape architects.

### **10.02 City Approvals and Limitation Thereof**

The Construction Documents must be approved by the City in the manner set forth below:

- (a) **Compliance with Ground Lease.**

The City's approval with respect to the Construction Documents is limited to determination of their compliance with this Ground Lease. The Construction Documents shall be subject to general architectural review and guidance by City as part of this review and approval process.

**(b) MOHCD Does Not Approve Compliance with Construction**

**Requirements**

The City's approval is not directed to engineering or structural matters or compliance with local building codes and regulations, the Americans with Disabilities Act, or any other applicable State or Federal law relating to construction standards or requirements. Tenant further understands and agrees that City is entering into this Ground Lease in its capacity as a property owner with a proprietary interest in the Premises and not as a regulatory agency with police powers. Nothing in this Ground Lease shall limit in any way Tenant's obligation to obtain any required approvals from City officials, departments, boards or commissions having jurisdiction over the Premises. By entering into this Ground Lease, City is in no way modifying or limiting Tenant's obligation to cause the Premises to be used and occupied in accordance with all applicable laws.

**(c) City Determination Final and Conclusive**

The City's determination respecting the compliance of the Construction Documents with this Ground Lease shall be final and conclusive (except that it makes no determination and has no responsibility for the matters set forth in Section 10.02(b), above).

**10.03 Construction to be in Compliance with Construction Documents and Law**

**(a) Compliance with City Approved Documents**

The construction shall be in compliance with the City-approved Construction Documents.

**(b) Compliance with Local, State and Federal Law**

The construction shall be in strict compliance with all applicable local, State and Federal laws and regulations. Tenant understands and agrees that Tenant's use of the Premises and construction of the Improvements permitted hereunder will require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises, including, without limitation, City agencies. Tenant shall be solely responsible for obtaining any and all such regulatory approvals. Tenant shall not seek any regulatory approval without first obtaining the written consent of City as Landlord under this Lease. Tenant shall bear all costs associated with applying for and obtaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval; provided, however, any such condition that could affect use or occupancy of the Project or City's interest therein must first be approved by City in its sole discretion. Any fines or penalties levied as a result of Tenant's failure to comply with the terms and conditions of any regulatory approval shall be immediately paid and discharged by Tenant, and City shall have no liability, monetary or otherwise, for any such fines or penalties. Tenant shall indemnify, defend, and hold harmless the City and the other Indemnified Parties hereunder against all Claims (as such terms are defined in Section 21.01 (Tenant's Indemnity) below) arising in connection with Tenant's failure to obtain or failure by Tenant, its agents or invitees to comply with the terms and conditions of any regulatory approval.

**10.04 Approval of Construction Documents by City**

Tenant shall submit and City shall approve or disapprove the Construction Documents referred to in this Ground Lease within the times established in the Schedule of Performance. Failure by City either to approve or disapprove within the times established in the Schedule of

Performance shall entitle Tenant to a day for day extension of time for completion of any activities delayed as a direct result of City's failure to timely approve or disapprove the Construction Documents.

**10.05 Disapproval of Construction Documents by City**

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

**10.06 Reserved**

**10.07 Issuance of Building Permits**

Tenant shall have the sole responsibility for obtaining all necessary building permits and shall make application for such permits directly to the City's Department of Building Inspection. The City understands and agrees that Tenant may use the Fast Track method of permit approval for construction of the Improvements.

**10.08 Performance and Payment Bonds**

Prior to commencement of construction of the Improvements, Tenant shall deliver to City performance and payment bonds, each for the full value of the cost of construction of the Improvements, which bonds shall name the City as co-obligee, or such other completion security

which is acceptable to the City. The payment and performance bonds may be obtained by Tenant's general contractor and name Tenant and City as co-obligees.

#### **10.09 City Approval of Changes after Commencement of Construction**

Tenant may not approve or permit any change to the plans and specifications approved by the City without the City's prior written consent. The Tenant shall provide the request to the City in writing, specifying if the change impacts the critical path of the construction schedule. The City shall provide its disapproval or approval to any requested change from Tenant within ten (10) business days of receipt therefor for items that do not impact the critical path of the construction schedule and within three (3) business days of receipt of request therefor for items that do impact the critical party of the construction schedule. If the request is disapproved, the reply must specify the reasons for the disapproval.

#### **10.10 Times for Construction**

Tenant agrees for itself, and its successors and assigns to or of the Leasehold Estate or any part thereof, that Tenant and such successors and assigns shall promptly begin and diligently prosecute to completion the construction of the Improvements upon the Site, and that such construction shall in any event commence and thereafter diligently continue and shall be completed no later than the dates specified in the Schedule of Performance, subject to force majeure, unless such dates are extended by the City.

#### **10.11 Force Majeure**

For the purposes of any of the provisions of this Ground Lease, and notwithstanding anything to the contrary, neither the City nor Tenant, as the case may be, shall be considered in breach or default of its obligations, nor shall there be deemed a failure to satisfy any conditions with respect to the beginning and completion of construction of the Improvements, or progress in

respect thereto, in the event of enforced delay in the performance of such obligations or satisfaction of such conditions, due to unforeseeable causes beyond its control and without its fault or negligence, including, but not restricted to, acts of God, or of the public enemy, acts of the Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, general scarcity of materials and unusually severe weather or delays of subcontractors due to such causes; it being the purposes and intent of this provision that in the event of the occurrence of any such enforced delay, the time or times for the satisfaction of conditions to this Ground Lease including those with respect to construction of the Improvements, shall be extended for the period of the enforced delay; provided, however, that the party seeking the benefit of the provisions of this paragraph shall have notified the other party thereof in writing of the cause or causes thereof within thirty (30) days after the beginning of any such enforced delay and requested an extension for the period of the enforced delay; and, provided further, that this paragraph shall not apply to, and nothing contained in this paragraph shall extend or shall be construed to extend, the time of performance of any of Tenant's obligations to be performed prior to the commencement of construction, nor shall the failure to timely perform pre-commencement of construction obligations extend or be construed to extend Tenant's obligations to commence, prosecute and complete construction of the Improvements in the manner and at the times specified in this Ground Lease.

#### **10.12 Reports**

Commencing when construction of the Improvements commences and continuing until completion of construction of the Improvements, Tenant shall make a report in writing to the City every month, in such detail as may reasonably be required by the City, as to the actual



progress of the Tenant with respect to such construction. The MOHCD Monthly Project Update required under the MOHCD Loan Documents shall satisfy this requirement.

#### **10.13 Access to Site**

Commencing as of the Effective Date, Tenant shall permit access to the Site to the City whenever and to the extent necessary to carry out the purposes of the provisions of this Ground Lease, at reasonable times and upon reasonable advance notice, and on an emergency basis without notice whenever City believes that emergency access is required.

#### **10.14 Notice of Completion**

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

#### **10.15 Completion of Improvements by New Developer**

In the event a Lender or a successor thereto forecloses, obtains a deed in lieu of foreclosure or otherwise realizes upon the Premises and undertakes construction of the Improvements (“New Developer”) (A) such New Developer shall not be bound by the provisions of the Schedule of Performance with respect to any deadlines for the completion of the Improvements but shall only be required to complete the Improvements with due diligence and in conformance with a new Schedule of Performance as agreed upon by the New Developer and the City, (B) such New Developer shall only be required to complete the Improvements in accordance with all applicable building codes and ordinances, and the approved Construction Documents with such changes that are mutually agreed upon by the City and the New Developer pursuant to Subsection (C) hereof; and (C) City and New Developer shall negotiate in good faith

such reasonable amendments and reasonable modifications to Section 10 of this Ground Lease as the parties mutually determine to be reasonably necessary based upon the financial and construction conditions then existing.

## **ARTICLE 11    COMPLETION OF IMPROVEMENTS**

### **11.01 Certificate of Completion — Issuance**

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

City may elect to issue to Tenant a Certificate of Completion if no events of default by Tenant are then existing under this Ground Lease and Tenant has completed the Improvements in accordance with this Ground Lease, except for: (1) punch list items; (2) landscaping and other

outside areas of the Improvements; and (3) other items that do not adversely affect or impair Tenant's use and occupancy of the Improvements for the purposes contemplated by this Ground Lease and that do not preclude the City's issuance of a certificate of occupancy or other certificate or authorization of Tenant's use and occupancy of the Improvements. However, City will not be obligated to issue a Certificate of Completion in these circumstances unless and until Tenant has provided to the City, at the City's request, a bond, letter of credit, certificate of deposit, or other security reasonably acceptable to the City in an amount equal to 110% of the estimated cost of completing the items described in clauses (1) through (3) above, as reasonably determined by the City.

#### **11.02 Certifications to be Recordable**

All certifications provided for in this section shall be in such form as will enable them to be recorded with the Recorder of the City.

#### **11.03 Certification of Completion — Non-Issuance Reasons**

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

### **ARTICLE 12    CHANGES TO THE IMPROVEMENTS**

#### **12.01 Post Completion Changes**

The City has a particular interest in the Project and in the nature and extent of the permitted changes to the Improvements. Accordingly, it desires to and does hereby impose the following particular controls on the Site and on the Improvements: during the term of this Ground Lease, neither Tenant, nor any voluntary or involuntary successor or assign, shall make or permit any Change in the Improvements (as defined in Section 12.02), unless the express prior written consent for any change shall have been requested in writing from the City and obtained, and, if obtained, upon such terms and conditions as the City may reasonably require. The City agrees not to withhold or delay its response to such a request unreasonably.

#### **12.02 Definition of Change**

‘Change’ as used in this Article means any alteration, modification, addition and/or substitution of or to the Site, the Improvements, and/or the density of development which differs materially from that which existed upon the completion of construction of the Improvements in accordance with this Ground Lease, and shall include without limitation the exterior design and exterior materials. For purposes of the foregoing, exterior shall mean and include the roof of the Improvements. Changes shall not include repairs, maintenance and interior alterations in the normal course of operation of the Project, or as may be required in an emergency to protect the safety and well-being of the Project’s Occupants.

#### **12.03 Enforcement**

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

### **ARTICLE 13    TITLE TO IMPROVEMENTS**

City acknowledges that fee title to the Improvements shall be vested in Tenant. It is the intent of the Parties that this Ground Lease and Memorandum of Lease shall create a constructive notice of severance of the Improvements from the Land without the necessity of a deed from Lessor to Lessee. City and Tenant hereby agree that fee title to the Improvements shall remain vested in Tenant during the Term, subject to Section 14.01 below; provided, however, that, subject to the rights of any Lenders and as further consideration for the City entering into this Ground Lease, at the expiration or earlier termination of this Ground Lease, fee title to all the Improvements shall vest in the City without further action of any party, without any obligation by the City to pay any compensation therefor to Tenant, and without the necessity of a deed from Tenant to the City. Notwithstanding the foregoing, if requested by City, upon expiration or sooner termination of this Ground Lease, Tenant shall execute, acknowledge, and deliver to the City a good and sufficient grant deed conveying to City Tenant's fee interest in the Improvements.

**ARTICLE 14    ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE**

**14.01 Assignment, Sublease or Other Conveyance by Tenant**

Tenant may not sell, assign, convey, sublease, or transfer in any other mode or form all or any part of its interest in this Ground Lease or in the Improvements or any portion thereof, other than to Lender(s) or affiliates of Lender(s), or allow any person or entity to occupy or use all or any part of the Site, other than leases to residential tenants in the ordinary course of business, nor may it contract or agree to do any of the same, without the prior written approval of the City, which approval shall not be unreasonably withheld or delayed.

**14.02 Assignment, Sublease or Other Conveyance by City**

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

#### **ARTICLE 15    TAXES**

Tenant agrees to pay, or cause to be paid, prior to delinquency to the proper authority, any and all valid taxes, assessments and similar charges on the Site which become effective after the Effective Date of this Ground Lease, including all taxes levied or assessed on the possession, use or occupancy, as distinguished from the ownership, of the Site. Tenant shall not permit any such taxes, charges or other assessments to become a defaulted lien on the Site or the Improvements thereon; provided, however, that in the event any such tax, assessment or similar charge is payable in installments, Tenant may make, or cause to be made, payment in installments; and, provided further, that Tenant may contest the legal validity or the amount of any tax, assessment or similar charge, through such proceedings as Tenant considers necessary or appropriate, and Tenant may defer the payment thereof so long as the validity or amount thereof shall be contested by Tenant in good faith and without expense to the City. In the event

of any such contest, Tenant shall protect, defend and indemnify the City against all loss, cost, expense or damage resulting there from, and should Tenant be unsuccessful in any such contest, Tenant shall forthwith pay, discharge, or cause to be paid or discharged, such tax, assessment or other similar charge. The City shall furnish such information as Tenant shall reasonably request in connection with any such contest provided that such information is in the City's possession or control or is otherwise available to the public. City hereby consents to and shall reasonably cooperate and assist with Tenant applying for and obtaining any applicable exemptions from taxes or assessments levied on the Site, the Improvements or on Tenant's interest therein. Tenant shall have no obligation under this Section prior to the Effective Date, including but not limited to any taxes, assessments or other charges levied against the Site which are incurred prior to the Effective Date.

#### **ARTICLE 16    UTILITIES**

From and after the Effective Date, Tenant shall procure water and sewer service from the City and electricity, telephone, natural gas and any other utility service from the City or utility companies providing such services, and shall pay all connection and use charges imposed in connection with such services. From and after the Effective Date, as between the City and Tenant, Tenant shall be responsible for the installation and maintenance of all facilities required in connection with such utility services to the extent not installed or maintained by the City or the utility providing such service. All electricity necessary for operations in the Premises shall be purchased from San Francisco Public Utilities Commission ("SFPUC"), at SFPUC's standard rates charged to third parties, unless SFPUC determines, in its sole judgment, that it is not feasible to provide such service to the Premises. SFPUC is the provider of electric services to City property, and the Interconnection Services Department of SFPUC's Power Enterprise

coordinates with Pacific Gas and Electric Company and others to implement this service. To arrange for electric service to the Premises, Tenant shall contact the Interconnection Services Department in the Power Enterprise of the SFPUC.

#### **ARTICLE 17    MAINTENANCE**

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

#### **ARTICLE 18    LIENS**

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



cost, expense or damage resulting therefrom. The provisions of this Section shall not apply prior to the Effective Date or to any liens arising prior to the Effective Date.

## **ARTICLE 19    GENERAL REMEDIES**

### **19.01 Application of Remedies**

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

### **19.02 Notice and Cure Rights for Tenant and Permitted Limited Partner**

(a) The City may not exercise its remedies under this Ground Lease for a default by the Tenant unless and until: (i) the City has given written notice of any such default, in accordance with the notice provisions of Article 38, to Tenant and Permitted Limited Partners who have requested notice as set forth below, and (ii) such default has not been cured within sixty (60) days or such longer period as may be set forth herein, following the giving of such notice or, if such default cannot be cured within such 60-day period, such longer period as is reasonably necessary to cure such default, provided that such cure has been commenced within such 60-day period and is being prosecuted diligently to completion. If a Permitted Limited Partner cannot cure a default due to an automatic stay in Bankruptcy court because the general partner of the Tenant is in bankruptcy, any cure period will be tolled during the pendency of such automatic stay.

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

(c) Unless otherwise provided for herein, any limited partner wishing to become a Permitted Limited Partner other than any Permitted Limited Partner identified in Section 38 must provide five (5) days written notice to the City in accordance with the notice provisions of this Ground Lease, setting forth a notice address and providing a copy of such notice to the Tenant and all of the Tenant's partners. Such limited partner will become a Permitted Limited Partner upon the expiration of the five-day period. A limited partner will not be afforded the protections of this section with respect to any default occurring prior to the time such limited partner becomes a Permitted Limited Partner.

#### **19.03 Breach by City**

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

#### **19.04 Breach by Tenant**

##### **(a) Default by Tenant**

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

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

(2) Tenant voluntarily or involuntarily assigns, transfers or attempts to transfer or assign this Ground Lease or any rights in this Ground Lease, or in the Improvements, except as permitted by this Ground Lease or otherwise with the approval of the City;

(3) From and after the Effective Date, Tenant, or its successor in interest, shall fail to pay real estate taxes or assessments on the Premises or any part thereof prior to delinquency, or shall place thereon any encumbrance or lien unauthorized by this Ground Lease, or shall suffer any levy or attachment to be made, or any material supplier's or mechanic's lien or any other unauthorized encumbrance or lien to attach, and such taxes or assessments shall not have been paid, or the encumbrance or lien removed or discharged within the time period provided in Article 18; provided, however, that Tenant shall have the right to contest any tax or assessment pursuant to Article 15 and Article 18 and, upon the posting of an adequate bond or other security, to contest any such lien or encumbrance. In the event of any such contest, Tenant shall protect, indemnify and hold City harmless against all losses and damages, including reasonable attorneys' fees and costs resulting therefrom;

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

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

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

(b) Notification and City Remedies

Upon the happening of any of the events described in Section 19.04(a) above, and prior to exercising any remedies, the City shall notify Tenant, the Permitted Limited Partners, and each Lender in writing of the Tenant's purported breach, failure or act in accordance with the notice provisions of Article 38, giving Tenant sixty (60) days from receipt of such notice to cure such breach, failure or act. In the event Tenant does not cure or, if the breach, failure or act is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then, subject to the rights of any Lender and subject to Section 19.02 and Article 26, the City thereafter shall be afforded all of its rights at law or in equity, including without limitation any or all of the following remedies: (1) terminating in writing this Ground Lease; (2) prosecuting an action for damages; (3) seeking specific performance of this Ground Lease; or (4) in the case of default under Section 19.04(a)(1), increasing the Base Rent to the full amount of the Annual Rent.

Notwithstanding the foregoing, during the 15-year tax credit "compliance period" (as defined in Section 42 of the Internal Revenue Code, as amended) for the Project, City may only terminate this Ground Lease for a default by Tenant under Section 19.04(a)(6) above.

**ARTICLE 20**    **DAMAGE AND DESTRUCTION**

**20.01 Insured Casualty**

From and after the Effective Date, if the Improvements or any part thereof are damaged or destroyed by any cause covered by any policy of insurance required to be maintained by Tenant hereunder, Tenant shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to the condition thereof prior to such damage or destruction; provided, however, that if more than fifty percent (50%) of the Improvements are destroyed or are so damaged by fire or other casualty and if the insurance proceeds do not provide at least ninety percent (90%) of the funds necessary to accomplish the restoration, Tenant, with the written consent of Lender, may terminate this Ground Lease within thirty (30) days after the later of (i) the date of such damage or destruction, or (ii) the date on which Tenant is notified of the amount of insurance proceeds available for restoration. In the event Tenant is required or elects to restore the Improvements, all proceeds of any policy of insurance required to be maintained by Tenant under this Ground Lease shall, subject to any applicable rights of Lenders, be used by Tenant for that purpose and Tenant shall make up from its own funds or obtain additional financing as reasonably approved by the City any deficiency between the amount of insurance proceeds available for the work of restoration and the actual cost thereof. In the event Tenant elects to terminate this Ground Lease pursuant to its right to do so under this Section 20.01, or elects not to restore the Improvements, the insurance proceeds shall be divided in the order set forth in Section 20.03.

#### **20.02 Uninsured Casualty**

From and after the Effective Date, if (i) more than 50% of the Improvements are damaged or destroyed and ten percent (10%) or more of the cost of restoration is not within the scope of the insurance coverage; and (ii) in the reasonable opinion of Tenant, the undamaged portion of the Improvements cannot be completed or operated on an economically feasible basis;

and (iii) there is not available to Tenant any feasible source of third party financing for restoration reasonably acceptable to Tenant; then Tenant may, with the written consent of each Lender, other than the City, terminate this Ground Lease upon ninety (90) days written notice to the City. If it appears that the provisions of this Section 20.02 may apply to a particular event of damage or destruction, Tenant shall notify the City promptly and not consent to any settlement or adjustment of an insurance award without the City's written approval, which approval shall not be unreasonably withheld or delayed. In the event that Tenant terminates this Ground Lease pursuant to this Section 20.02, all insurance proceeds and damages payable by reason of the casualty shall be divided among City, Tenant and Lenders in accordance with the provisions of Section 20.03. If Tenant does not have the right, or elects not to exercise the right, to terminate this Ground Lease as a result of an uninsured casualty, Tenant shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to their condition prior to such damage or destruction in accordance with the provisions of Section 20.01 and shall, subject to any applicable rights of Lenders, be entitled to all available insurance proceeds.

### **20.03 Distribution of the Insurance Proceeds**

In the event of an election by Tenant to terminate and surrender as provided in either Sections 20.01 or 20.02, the priority and manner for distribution of the proceeds of any insurance policy required to be maintained by Tenant hereunder shall be as follows:

- (a) First to the Lenders, in order of their priority, to control, disburse or apply to any outstanding loan amounts in accordance with the terms their respective Leasehold Mortgages;
- (b) Second, to pay for the cost of removal of all debris from the Site or adjacent and underlying property, and for the cost of any work or service required by any statute,

law, ordinance, rule, regulation or order of any federal, state or local government, or any agency or official thereof, for the protection of persons or property from any risk, or for the abatement of any nuisance, created by or arising from the casualty or the damage or destruction caused thereby;

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

(d) The remainder to Tenant.

#### **20.04 Clean Up of Housing Site**

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

### **ARTICLE 21    DAMAGE TO PERSON OR PROPERTY; HAZARDOUS MATERIALS; INDEMNIFICATION**

#### **21.01 Damage to Person or Property — General Indemnification**

City shall not in any event whatsoever be liable for any injury or damage to any person happening on or about the Site, for any injury or damage to the Premises, or to any property of Tenant, or to any property of any other person, entity or association on or about the Site, unless arising from any gross negligence or willful misconduct of the City or any of its commissioners, officers, agents or employees. Tenant shall defend, hold harmless and indemnify the City including, but not limited to, its boards, commissions, commissioners, departments, agencies and other subdivisions, officers, agents, and employees (each, an "Indemnified Party" and

collectively the “Indemnified Parties”), of and from all claims, loss, damage, injury, actions, causes of action and liability of every kind, nature and description (collectively, “Claims”) incurred in connection with or directly or indirectly arising from its tenancy, its or their use of the Site, including adjoining sidewalks and streets, and any of its or their operations or activities thereon or connected thereto; all regardless of the active or passive negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on, the Indemnified Parties, except to the extent that such Indemnity is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Ground Lease and further excepting only such Claims as are caused exclusively by the willful misconduct or gross negligence of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and City’s costs of investigating any Claim. Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend the City from any claim which actually or potentially falls within any indemnity provision set forth in this Ground Lease even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Tenant by City and continues at all times thereafter. Tenant’s obligations under this Article shall survive the termination or expiration of this Ground Lease.

**21.02 Hazardous Materials — Indemnification**

(a) From and after the Effective Date, Tenant shall indemnify, defend, and hold the Indemnified Parties harmless from and against any and all losses, costs, claims, damages, liabilities, and causes of action of any nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and engineering consultants) incurred by or asserted against any Indemnified Party in connection with, arising out of, in response to, or in



any manner relating to violation of any Environmental Law, or any Release, threatened Release and any condition of pollution, contamination or Hazardous Substance-related nuisance on, under or from the Site.

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

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

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

(3) "Release" shall mean any spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the

environment, including the abandonment or discharging of barrels, containers, and other closed receptacles containing any Hazardous Substance.

## **ARTICLE 22    INSURANCE**

### **22.01 Insurance**

The Tenant shall maintain insurance meeting the requirements of this Article.

#### **(a) Insurance Requirements for Tenant**

During the term of this Ground Lease, Tenant shall procure and maintain insurance against claims for injuries to persons or damage to property, which may arise from or in connection with the performance of any work hereunder by the Tenant, its agents, representatives, employees or subcontractors and the Tenant's use and occupancy of the Site and the Improvements.

#### **(b) Minimum Scope of Insurance**

Coverage shall be at least as broad as:

- (1) Insurance Services Office Commercial General Liability coverage (form CG 00 01 — "Occurrence") or other form approved by the City's Risk Manager.
- (2) Insurance Services Office Automobile Liability coverage, code 1 (form CA 00 01 — "Any Auto") or other form approved by the City's Risk Manager.
- (3) Workers' Compensation insurance as required by the State of California and Employer's Liability insurance.
- (4) Professional Liability Insurance: Tenant shall require that all architects, engineers, and surveyors for the Project have liability insurance covering all negligent acts, errors and omissions. Tenant shall provide the City with copies of consultants' insurance certificates showing such coverage.

(5) Insurance Services Office Property Insurance coverage (form CP 10 30 60 95 — “Causes of Loss — Special Form”) or other form approved by the City’s Risk Manager.

(6) Crime Policy or Fidelity Bond covering the Tenant’s officers and employees against dishonesty with respect to the use of City funds.

(c) **Minimum Limits of Insurance**

Tenant shall maintain limits no less than:

(1) General Liability: Commercial General Liability insurance with no less than One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) annual aggregate limit for bodily injury and property damage, including coverage for contractual liability; personal injury; fire damage legal liability; advertisers’ liability; owners’ and contractors’ protective liability; products and completed operations; broad form property damage; and explosion, collapse and underground (XCU) coverage during any period in which Tenant is conducting any activity on, alteration or improvement to the Site with risk of explosion, collapse, or underground hazards.

(2) Automobile Liability: Business Automobile Liability insurance with no less than One Million Dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable.

(3) Workers’ Compensation and Employers Liability: Workers’ Compensation, in statutory amounts, with Employers’ Liability limits not less than One Million Dollars (\$1,000,000) each accident, injury, or illness.

(4) Professional Liability: Professional Liability insurance of no less than One Million Dollars (\$1,000,000) per claim and Two Million Dollars (\$2,000,000) annual aggregate limit covering all negligent acts, errors and omissions of Tenant's architects, engineers and surveyors. If the Professional Liability Insurance provided by the architects, engineers, or surveyors is "claims made" coverage, Tenant shall assure that these minimum limits are maintained for no less than three (3) years beyond completion of the construction or remodeling.

(5) Crime Policy or Fidelity Bond: Crime Policy or Fidelity Bond of no less than Seventy-Five Thousand Dollars (\$75,000) each loss, with any deductible not to exceed Five Thousand Dollars (\$5,000) each loss.

(6) Pollution Liability and/or Asbestos Pollution Liability: Pollution Liability and/or Asbestos Pollution Liability applicable to the work being performed, with a limit no less than \$1,000,000 per claim or occurrence and \$2,000,000 aggregate per policy period of one year, this coverage shall be endorsed to include Non-Owned Disposal Site coverage. This policy may be provided by the Tenant's contractor, provided that the policy must be "claims made" coverage and Tenant must require Tenant's contractor to maintain these minimum limits for no less than three (3) years beyond completion of the Project.

(7) Property Insurance:

(A) Prior to construction:

(i) Property insurance, excluding earthquake and flood, in the amount no less than One Hundred Percent (100%) of the replacement value of all improvements prior to commencement of construction and City property in the care, custody and control of the Tenant or its contractor, including coverage in transit and storage off-site; the cost of debris removal and demolition as may be made reasonably necessary by such perils,

resulting damage and any applicable law, ordinance or regulation; start up, testing and machinery breakdown including electrical arcing; and with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the City and all subcontractors as loss payees.

(B) During the course of construction:

(i) Builder's risk insurance, special form coverage, excluding earthquake and flood, for one hundred percent (100%) of the replacement value of all completed improvements and City property in the care, custody and control of the Tenant or its contractor, including coverage in transit and storage off-site; the cost of debris removal and demolition as may be made reasonably necessary by such covered perils, resulting damage and any applicable law, ordinance or regulation; start up, testing and machinery breakdown including electrical arcing, copy of the applicable endorsement to the Builder's Risk policy, if the Builder's Risk policy is issued on a declared-project basis; and with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the City and all subcontractors as loss payees.

(ii) Performance and payment bonds of contractors, each in the amount of One Hundred Percent (100%) of contract amounts, naming the City and Tenant as dual obligees or other completion security approved by the City in its sole discretion.

(C) Upon completion of construction:

(i) Property insurance, excluding earthquake and flood, in the amount no less than One Hundred Percent (100%) of the then-current replacement value of all improvements and City property in the care, custody and control of the Tenant or its contractor. For rehabilitation/construction projects that are unoccupied by residential or commercial tenants, Tenant must obtain Property Insurance by the date that the project receives a Certificate of Substantial Completion. (ii) Boiler and machinery insurance, comprehensive form,

covering damage to, loss or destruction of machinery and equipment located on the Site that is used by Tenant for heating, ventilating, air-conditioning, power generation and similar purposes, in an amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment.

**(d) Deductibles and Self-Insured Retentions**

Any deductibles or self-insured retentions in excess of \$25,000 must be declared to and approved by City's Risk Manager. At the option of City's Risk Manager, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to the City and County of San Francisco, and their respective commissioners, members, officers, agents, and employees; or the Tenant shall procure a financial guarantee satisfactory to the City's Risk Manager guaranteeing payment of losses and related investigations, claim administration and defense expenses.

**(e) Other Insurance Provisions**

The policies are to contain, or be endorsed to contain, the following provisions:

(1) General Liability and Automobile Liability Coverage: The "City and County of San Francisco and their respective commissioners, members, officers, agents, and employees" are to be covered as additional insured with respect to: liability arising out of activities performed by or on behalf of the Tenant related to the Project; products and completed operations of the Tenant, premises owned, occupied or used by the Tenant related to the Project; and automobiles owned, leased, hired or borrowed by the Tenant for the operations related to the Project. The coverage shall contain no special limitations on the scope of protection afforded to the City and its Commissioners, members, officers, agents or employees.

(2) Workers' Compensation and Property Insurance: The insured shall agree to waive all rights of subrogation against the "City and County of San Francisco, and their respective commissioners, members, officers, agents, and employees" for any losses in connection with this Project.

(3) Claims-made Coverage: Should any of the required insurance be provided under a claims-made form, Tenant shall maintain such coverage continuously throughout the term of this Ground Lease and, without lapse, for a period of three years beyond the expiration of this Ground Lease, to the effect that, should occurrences during the contract term give rise to claims made after expiration of the Ground Lease, such claims shall be covered by such claims-made policies.

(4) All Coverage: Each insurance policy required by this Article shall:

(i) Be endorsed to state that coverage shall not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice has been given to City, except in the event of suspension for nonpayment of premium, in which case ten (10) days' notice shall be given.

(ii) Contain a clause providing that the City and its officers, agents and employees will not be liable for any required premium.

(iii) For any claims related to this Ground Lease, the Tenant's insurance coverage shall be primary insurance with respect to the City and its commissioners, members, officers, agents, and employees. Any insurance or self-insurance maintained by the City or its commissioners, members, officers, agents, or employees shall be in excess of the Tenant's insurance and shall not contribute with it.

(iv) The Tenant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(v) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City and its commissioners, members, officers, agents, or employees.

(vi) Approval of Tenant's insurance by the City will not relieve or decrease the liability of Tenant under this Ground Lease.

(vii) The City reserves the right to require an increase in insurance coverage in the event the City determines that conditions show cause for an increase, unless Tenant demonstrates to the City's satisfaction that the increased coverage is commercially unreasonable and unavailable to Tenant.

**(f) Acceptability of Insurers**

Insurance is to be placed with insurers with a Best's rating of no less than A-VIII or as otherwise approved by the City's Risk Manager.

**(g) Verification of Coverage**

Tenant shall furnish City with certificates of insurance and with original endorsements effecting coverage required by this clause at the commencement of this Ground Lease and annually thereafter. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. City reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by these specifications at any time.

**(h) Contractor, Subcontractors and Consultants Insurance**



Tenant shall include all subcontractors and consultants as additional insureds under its policies or shall furnish separate certificates and endorsements for each. Tenant shall require the subcontractor(s) to provide all necessary insurance and to name the City and County of San Francisco, its officers, agents and employees and the Tenant as additional insureds. All coverage for subcontractors and consultants shall be subject to all of the requirements stated herein unless otherwise approved by the City's Risk Manager.

**ARTICLE 23**    **COMPLIANCE WITH SITE-RELATED AND LEGAL**  
**REQUIREMENTS**

**23.01 Compliance with Legal Requirements**

From and after the Effective Date, Tenant shall at its cost and expense, promptly comply with all applicable Laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, including without limitation the requirements of the fire department or other similar body now or hereafter constituted and with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, insofar as any thereof relates to or affects the condition, use or occupancy of the Site. In the event Tenant contests any of the foregoing, Tenant shall not be obligated to comply therewith to the extent that the application of the contested law, statute, ordinance, rule, regulation or requirement is stayed by the operation of law or administrative or judicial order and Tenant indemnifies the Indemnified Parties against all loss, cost, expense or damage resulting from noncompliance.

**23.02 Regulatory Approvals**

Tenant understands and agrees that the City is entering into this Ground Lease in its capacity as a landowner with a proprietary interest in the Premises and not as a regulatory agency

with certain police powers. Tenant understands and agrees that neither entry by the City into this Ground Lease nor any approvals given by the City under this Ground Lease will be deemed to imply that Tenant has thereby obtained any required approvals from City departments, boards or commissions that have jurisdiction over the Premises. By entering into this Ground Lease, the City is in no way modifying or limiting the obligations of Tenant to develop the Project in accordance with all Laws and as provided in this Ground Lease.

Tenant understands that its construction of the Improvements on the Premises and development of the Project will require approval, authorization or permit by governmental agencies with jurisdiction, which may include the City's Planning Commission and/or Zoning Administrator and the Department of Building Inspection. Tenant must use good faith efforts to obtain and will be solely responsible for obtaining any such approvals required for the Project in the manner set forth in this Section. Tenant will not seek any regulatory approval without first obtaining MOHCD's approval, which approval shall not be unreasonably withheld or delayed. Throughout the permit process for any regulatory approval, Tenant will consult and coordinate with MOHCD in Tenant's efforts to obtain permits. MOHCD will cooperate reasonably with Tenant in its efforts to obtain permits; provided, however, Tenant may not agree to the imposition of conditions or restrictions in connection with its efforts to obtain a permit from any other regulatory agency if the City is required to be a co-permittee under the permit or the conditions or restrictions could create any financial or other material obligations on the part of the City whether on or off of the Premises, unless in each instance MOHCD has approved the conditions previously in writing and in MOHCD's reasonable discretion. No approval by MOHCD will limit Tenant's obligation to pay all the costs of complying with conditions under this Section. Tenant must bear all costs associated with applying for and obtaining any necessary

regulatory approval, as well as any fines, penalties or corrective actions imposed as a result of Tenant's failure to comply with the terms and conditions of any regulatory approval.

With MOHCD's prior written consent, Tenant will have the right to appeal or contest any condition in any manner permitted by law imposed upon any regulatory approval. In addition to any other indemnification provisions of this Ground Lease, Tenant must indemnify the City and its commissioners, officers, agents or employees from and against any and all losses that may arise in connection with Tenant's failure to obtain or comply with the terms and conditions of any regulatory approval or with the appeal or contest of any conditions of any regulatory approval, except to the extent damage arises out of the gross negligence or willful misconduct of the City or its agents.

**ARTICLE 24**    **ENTRY**

(a) The City reserves for itself and its authorized representatives the right to enter the Site at all reasonable times during normal business hours upon not less than forty-eight (48) hours' written notice to Tenant (except in the event of an emergency), subject to the rights of the occupants, tenants and others lawfully permitted on the Site, for any of the following purposes:

(1) to inspect the work being performed by Tenant in developing the Project.

(2) to determine whether the Premises is in good condition and to inspect the Premises (including soil borings or other Hazardous Material Investigations);

(3) to determine whether Tenant is in compliance with its Ground Lease obligations and to cure or attempt to cure any Tenant default;

(4) to serve, post or keep posted any notices required or allowed under any of the provisions of this Ground Lease;

(5) to do any maintenance or repairs to the Premises that the City has the right or the obligation, if any, to perform hereunder; and

(6) to show the Premises to any prospective purchasers, brokers, Lenders or public officials, or, during the last year of the Term of this Lease, exhibit the Premises to prospective tenants or other occupants, and to post any reasonable “for sale” or “for lease” signs in connection therewith.

(b) In the event of any emergency, as reasonably determined by the City, at its sole option and without notice, the City may enter the Premises and alter or remove any Improvements or Tenant’s personal property on or about the Premises as reasonably necessary, given the nature of the emergency. The City will have the right to use any and all means the City considers appropriate to gain access to any portion of the Premises in an emergency, in which case, the City will not be responsible for any damage or injury to any property, nor for the replacement of any property, and no emergency entry may be deemed to be a forcible or unlawful entry onto or a detainer of the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof.

(c) The City will not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of the City’s entry onto the Premises, except to the extent damage arises out of the gross negligence or willful misconduct of the City or its agents. The City will be responsible for any losses resulting from its gross negligence or willful misconduct and will repair any resulting damage promptly.

(d) Tenant will not be entitled to any abatement in Annual Rent if the City exercises any rights reserved in this Section, subject to subsection (c) above.

(e) The City will use its reasonable good faith efforts to conduct any activities on the Premises allowed under this Section in a manner that, to the extent practicable, will minimize any disruption to Tenant's use hereunder.

## **ARTICLE 25    MORTGAGE FINANCING**

### **25.01 No Encumbrances Except for Development Purposes**

Notwithstanding any other provision of this Ground Lease and subject to the prior written consent of the City in the form attached hereto as Attachment 3, which consent shall not be unreasonably withheld, conditioned or delayed, Leasehold Mortgages are permitted to be placed upon the Leasehold Estate only for the purpose of securing loans of funds to be used for financing the acquisition of the Project; refinancing of financing used to acquire or rehabilitate the Project; design, construction, renovation or reconstruction of the Improvements; and any other expenditures reasonably necessary and appropriate to acquire, own, develop, construct, renovate, or reconstruct the Improvements under this Ground Lease and in connection with the operation of the Improvements; and costs and expenses incurred or to be incurred by Tenant in furtherance of the purposes of this Ground Lease. The City, acting solely in its capacity as landlord under this Ground Lease and not in its capacity as a Project Lender, hereby acknowledges and accepts \_\_\_\_\_ as a Lender, and consents to the Leasehold Mortgage associated with Lender's [construction and permanent loan] to Tenant for the Project.

### **25.02 Holder Not Obligated to Construct**

The holder of any mortgage, deed of trust or other security interest authorized by Section 25.01 ("Holder" or "Lender"), including the successors or assigns of such Holder, is not

obligated to complete any construction of the Improvements or to guarantee such completion; nor shall any covenant or any other provision of this Ground Lease be construed so to obligate such Holder. However, in the event the Holder does undertake to complete or guarantee the completion of the construction of the Improvements, except as provided in Section 26.06(b), nothing in this Ground Lease shall be deemed or construed to permit or authorize any such Holder or its successors or assigns to devote the Site or any portion thereof to any uses, or to construct any Improvements thereon, other than those uses or Improvements authorized under Section 9.02 and any reasonable modifications in plans proposed by any Holder or its successors in interest proposed for the viability of the Project approved by the City in its reasonable discretion. Except as provided in Section 26.06(b), to the extent any Holder or its successors in interest wish to change such uses or construct different improvements, Holder or its successors in interest must obtain the advance written consent of the City.

#### **25.03 Failure of Holder to Complete Construction**

In any case where six (6) months after assumption of obligations pursuant to Section 25.02 above, a Lender, having first exercised its option to complete the construction, has not proceeded diligently with completion of the construction, the City shall be afforded the rights against such Holder it would otherwise have against Tenant under this Ground Lease for events or failures occurring after such assumption; subject to any extensions of time granted pursuant to Section 10.15 of this Ground Lease.

#### **25.04 Default by Tenant and City's Rights**

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

In the event of a default or breach by Tenant under any Leasehold Mortgage, and Tenant's failure to timely commence or diligently prosecute cure of such default or breach, the City may, at its option, cure such breach or default at any time prior to one hundred ten (110) days after the date on which the Lender files a notice of default. In such event, the City shall be entitled to reimbursement from Tenant of all costs and expenses reasonably incurred by the City in curing the default or breach. The City shall also be entitled to a lien upon the Leasehold Estate or any portion thereof to the extent such costs and disbursements are not reimbursed by Tenant. Any such lien shall be subject to the lien of any then-existing Leasehold Mortgage authorized by this Ground Lease, including any lien contemplated because of advances yet to be made. After ninety (90) days following the date of Lender filing a notice of default and expiration of all applicable cure periods of Tenant under the terms of the applicable loan documents, the City shall also have the right to assign Tenant's interest in the Ground Lease to another entity, subject to such Lender's and Permitted Limited Partner's written consent, and which consent may be conditioned, among other things, upon the assumption by such other entity of all obligations of the Tenant under the Leasehold Mortgage.

**(b) Notice of Default to City**

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

**25.05 Cost of Mortgage Loans to be Paid by Tenant**

Tenant covenants and affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of any Leasehold Mortgage, (ii) the delivery of any

instruments and documents and their filing and recording, if required, and (iii) all taxes and charges payable in connection with any Leasehold Mortgage.

**ARTICLE 26    PROTECTION OF LENDER**

**26.01 Notification to City**

Promptly upon the creation of any Leasehold Mortgage and as a condition precedent to the existence of any of the rights set forth in this Article 26, each Lender shall give written notice to the City of the Lender's address and of the existence and nature of its Leasehold Mortgage. Execution of Attachment 3 shall constitute City's acknowledgement of Lender's having given such notice as is required to obtain the rights and protections of a Lender under this Ground Lease. The City hereby acknowledges that \_\_\_\_\_ is deemed to have given such written Notice as First Mortgage Lender.

**26.02 Lender's Rights to Prevent Termination**

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

**26.03 Lender's Rights When Tenant Defaults**

Should any event of default under this Ground Lease occur and be continuing, and not be cured within the applicable cure period, the City shall not terminate this Ground Lease nor



exercise any other remedy hereunder unless it first gives written notice of such event of default to Lender and

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

(b) If such event of default is not a failure to pay a monetary obligation of Tenant, Lender shall have failed, within sixty (60) days of receipt of said written notice, either (a) to remedy such default; or (b) to obtain title to Tenant's interest in the Site in lieu of foreclosure; or (c) to commence foreclosure or other appropriate proceedings in the nature thereof (including the appointment of a receiver) and thereafter diligently prosecute such proceedings to completion, in which case such event of default shall be remedied or deemed remedied in accordance with Article 26.04 below.

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

#### **26.04 Default Which Cannot be Remedied by Lender**

Any event of default under this Ground Lease which in the nature thereof cannot be remedied by Lender shall be deemed to be remedied as it pertains to Lender or any Subsequent Owner if (i) within sixty (60) days after receiving notice from the City setting forth the nature of

such event of default, or prior thereto, Lender shall have acquired Tenant's Leasehold Estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation in accordance with Section 26.03, and (iv) after gaining possession of the Improvements, Lender shall diligently proceed to perform all other obligations of Tenant as and when the same are due in accordance with the terms of this Ground Lease.

#### **26.05 Court Action Preventing Lender's Action**

If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in Sections 26.03 and 26.04 above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition. If this Ground Lease is terminated or rejected by Tenant in bankruptcy, the City agrees to enter into a new ground lease with the Lender on the same terms set forth in this Ground Lease. For purpose of this Article, if there is more than one Lender, the City will offer the new lease to each Lender in the order of priority until accepted.

#### **26.06 Lender's Rights to Record, Foreclose and Assign**

The City hereby agrees with respect to any Leasehold Mortgage, that:

(a) the Lender may cause same to be recorded and enforced, and upon foreclosure, sell and assign the Leasehold Estate created hereby to an assignee from whom it may accept a purchase price; subject, however, to Lender's first securing written approval from City, which approval shall not be unreasonably withheld, and if the Subsequent Owner has

electd to maintain the use restrictions of Article 9, said Subsequent Owner shall be controlled by a California nonprofit public benefit corporation exempt from tax under Section 501(c)(3) of the Internal Revenue Code such that the Premises receive an exemption from state property taxes as provided under Section 214 of the California Revenue and Taxation Code (to the extent such exemption is then generally available). Lender, furthermore, may acquire title to the Leasehold Estate in any lawful way, and if the Lender becomes the assignee, may sell and assign said Leasehold Estate subject to City approval, which shall not be unreasonably withheld, and to the City's rights under Section 25.04.

(b) each Subsequent Owner shall take said Leasehold Estate subject to all of the provisions of this Ground Lease, and shall, so long as and only so long as it shall be the owner of such estate, except as provided elsewhere in this Ground Lease, assume all of the obligations of Tenant under this Ground Lease; provided, however, that, subject to the rent provisions of Section 26.07 below, the Subsequent Owner may operate and maintain the 94 residential units without any limitations on the rents charged or the income of the occupants thereof, subject to any applicable regulatory agreement, restrictive covenant or other encumbrance;

(c) the City shall mail or deliver to any Lender which has an outstanding Leasehold Mortgage a duplicate copy of all notices which the City may from time to time give to Tenant pursuant to this Ground Lease; and

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

### **26.07 Ground Lease Rent after Lender Foreclosure or Assignment**

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

(a) Any accrued Annual Rent at the time of foreclosure shall be forgiven by the City, and shall not remain an obligation of the Lender, its assignee, or the Subsequent Owner. Subsequent to foreclosure or assignment of the Leasehold Estate to the Lender in lieu of foreclosure, if the Lender continues to operate the Project subject to the use and occupancy restrictions of Section 9.02, then Annual Rent otherwise due may, at the option of the Lender, be deferred until the earlier of the date of the Lender's sale or assignment of the Project to a Subsequent Owner that does not agree to operate the Project subject to such restrictions or the date that is sixty (60) days after Lender ceases to operate the Project in accordance with such restrictions. All deferred Annual Rent shall accrue, with simple interest at six percent (6%) per annum until paid.

(b) If the Subsequent Owner exercises its rights under Section 26.06(b) to operate the Project without being subject to Section 9.02, Annual Rent shall be set at the then fair market rental value taking into account any affordability restrictions agreed to by the Subsequent Owner, if any, and the Base Rent shall be increased to the new fair market rent pursuant to this Section 26.07(b) and the provisions of Section 6.02(g) shall be suspended; provided, however, that the City shall be entitled to reduce Annual Rent by any dollar amount (but not below zero) in its sole discretion and, in such case, the Subsequent Owner will be required to reduce rent charged to tenants on a dollar for dollar basis, with respect to such aggregate units occupied by Very Low Income Households as the City and the Subsequent Owner shall agree. The fair market rental value shall be determined by a jointly-commissioned appraisal (instructions

prepared jointly by the Subsequent Owner and the City, with each party paying one half of the appraiser's fee) that will include a market land valuation, as well as a market land lease rent level. Absent a market land lease rent determination, the Annual Rent will be set at an amount equal to ten percent (10%) of the then appraised market land value. If the parties cannot agree on the joint appraisal instructions, either party may invoke a neutral third-party process to set the Annual Rent at fair market rent in accordance with the then-prevailing practice for resolving similar rent determination disputes in San Francisco or, in the event that there is no then-prevailing practice, in accordance with the rules of the American Arbitration Association. Provided, however, that after the neutral third party process, the Lender, in its sole discretion may rescind its written notification of intent to not comply with Section 9.02 of this Ground Lease.

#### **26.08 Permitted Uses After Lender Foreclosure**

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

#### **26.09 Preservation of Leasehold Benefits**

Until such time as a Lender notifies the City in writing that the obligations of the Tenant under its loan documents have been satisfied, the City agrees:

- (a) That subject to Section 19.04(b) the City shall not voluntarily cancel or surrender this Ground Lease, or accept a voluntary cancellation or surrender of this Ground Lease by Tenant, or amend this Ground Lease to materially increase the obligations of the Tenant or the rights of the City thereunder, without the prior written consent of the Lender (which will not be unreasonably withheld or delayed);

(b) That the City shall not enforce against a Lender any waiver or election made by the Tenant under this Ground Lease which has a material adverse effect on the value of the Leasehold Estate without the prior written consent of the Lender (which will not be unreasonably withheld or delayed);

(c) That, if a Lender makes written request for the same within fifteen (15) days after Lender receives written notice of termination of this Ground Lease, the City will enter a new lease with such Lender commencing on the date of termination of the Ground Lease and ending on the normal expiration date of the Ground Lease, on substantially the same terms and conditions as the Ground Lease and subject to the rent provisions set forth in Section 26.07, and with the same priority as against any subleases or other interests in the Premises; provided that such Lender cures all unpaid monetary defaults under the Ground Lease, through the date of such termination;

(d) That the City shall provide reasonable prior notice to each Lender of any proceedings for adjustment or adjudication of any insurance or condemnation claim involving the Premises and will permit each Lender to participate therein as an interested party.

#### **26.10 No Merger**

The Leasehold Estate in the Site pursuant to this Ground Lease shall not merge with the fee interest in the Site, notwithstanding ownership of the leasehold and the fee by the same person, without the prior written consent of each Lender.

#### **26.11 City Bankruptcy**

(a) If a bankruptcy proceeding is filed by or against the City, the City shall immediately notify each Lender of such filing and shall deliver a copy of all notices, pleadings, schedules, and similar materials regarding the bankruptcy proceedings to each Lender.

(b) The City acknowledges that (i) the Tenant seeks to construct improvements on the Premises using proceeds of the loans provided by the Lenders, and (ii) it would be unfair to both the Tenant and the Lenders to sell the Premises free and clear of the leasehold. Therefore, the City waives its right to sell the City's fee interest in the Site pursuant to section 363(f) of the Bankruptcy Code, free and clear of the leasehold interest under this Ground Lease.

(c) If a bankruptcy proceeding is filed by or on behalf of the City, the City agrees as follows: (i) the Tenant shall be presumed to have objected to any attempt by the City to sell the fee interest free and clear of the leasehold under this Ground Lease; (ii) if Tenant does not so object, each Lender shall have the right to so object on its own behalf or on behalf of the Tenant; and (iii) in connection with any such sale, the Tenant shall not be deemed to have received adequate protection under section 363(e) of the Bankruptcy Code, unless it shall have received and paid over to each Lender outstanding balance of the obligations under its respective loan.

(d) City recognizes that the Lenders are authorized on behalf of the Tenant to vote, participate in or consent to any bankruptcy, insolvency, receivership or court proceeding concerning the leasehold interest under this Ground Lease.

## **ARTICLE 27    CONDEMNATION AND TAKINGS**

### **27.01 Parties' Rights and Obligations to be Governed by Agreement**

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

### **27.02 Total Taking**

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

### **27.03 Partial Taking**

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

### **27.04 Effect on Rent**

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



### **27.05 Restoration of Improvements**

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

### **27.06 Award and Distribution**

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

- (a) First, to pay the balance due on any outstanding Leasehold Mortgages and other outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals and lease residuals, to the extent provided therein; and
- (b) Second, to the Tenant in an amount equal to the fair market value of Tenant's interest in the Improvements and its leasehold interest in the Site (including, but not limited to, the value of Tenant's interest in all subleases to occupants of the Site), such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the Site; and;
- (c) Third, to the Landlord.

### **27.07 Payment to Lenders**

In the event the Improvements are subject to the lien of a Leasehold Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Tenant, such award shall be disposed of as provided in the Leasehold Mortgages.

## **ARTICLE 28    ESTOPPEL CERTIFICATE**

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

**ARTICLE 29**    **QUITCLAIM**

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

**ARTICLE 30**    **EQUAL OPPORTUNITY**

In the selection of all contractors and professional consultants for the Project, Tenant must comply with the City's procurement requirements and procedures as described in the Contracting Manual (2007 Amendment) for Federally Funded Construction Projects Financed by the Mayor's Office of Housing, issued by MOHCD on November 18, 2002, as amended on May 22, 2007, as the same may be further amended from time to time, and with the requirements of the Small Business Enterprise Program ("SBE Program") as set forth in that certain Small

Business Enterprise Program manual dated July 1, 2015, as the same may be amended from time to time, according to the procedures established by the City's Contract Monitoring Division. The Project must comply with the training, hiring and contracting requirements of Section 3 of the Housing and Community Development Act of 1968 and of the San Francisco Section 3 program as administered by MOHCD. Federal Section 3 requirements state that contracts and opportunities for job training and employment be given, to the greatest extent feasible, to local low-income residents. Local residents for this project are San Francisco residents. In addition, this project will be required to comply with hiring requirements as incorporated into the local Section 3 program and in conjunction with the City's low-income hiring requirements pursuant to San Francisco's First Source Hiring Ordinance (San Francisco Administrative Code Chapter 83).

**ARTICLE 31**     **CITY PREFERENCE PROGRAMS**

To the extent permitted by applicable federal and state law, Tenant agrees to comply with the requirements of the City's current housing preference programs, as amended from time to time; provided, however, that such requirements shall apply only to the extent permitted by the requirements of non-City funding approved by the City for the Project.

**ARTICLE 32**     **LABOR STANDARDS PROVISIONS**

Although the Parties acknowledge that the development of the Project is a private work of improvement, Tenant agrees that any person performing labor in the construction of the Project and any Change to the Premises, which Tenant provides under this Ground Lease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco, California. Tenant shall include in any contract for construction or demolition of

the Project a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Tenant shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of the Project or any Change to the Premises.

**ARTICLE 33**    **CONFLICT OF INTEREST**

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

**ARTICLE 34**    **NO PERSONAL LIABILITY**

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

**ARTICLE 35**    **ENERGY CONSERVATION**

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

**ARTICLE 36**    **WAIVER**

The waiver by the City or Tenant of any term, covenant, agreement or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other

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

**ARTICLE 37    TENANT RECORDS**

Upon reasonable notice during normal business hours, and as often as the City may deem necessary, there shall be made available to the City and its authorized representatives for examination all records, reports, data and information made or kept by Tenant regarding its activities or operations on the Site. Nothing contained herein shall entitle the City to inspect personal histories of residents or lists of donors or supporters. To the extent that it is permitted by law to do so, the City will respect the confidentiality requirements of Tenant in regard to the lists furnished by Tenant pursuant to Article 7 hereof, of the names of occupants of the Premises.

**ARTICLE 38    NOTICES AND CONSENTS**

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

if to Tenant at: 1296 Shotwell Housing, L.P.  
1525 Grant Ave  
San Francisco, CA 94133  
Attn: Norman Fong

With a copy to the  
Permitted Limited  
Partner at:

if to the City at: San Francisco Mayor's Office of Housing and Community  
Development  
One South Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, California 94103  
Attn.: Director

or to such other address with respect to either party as that party may from time to time designate by notice to the other given pursuant to the provisions of this Article 38. Any notice given pursuant to this Article 38 shall be effective on the date of delivery or the date delivery is refused as shown on the delivery receipt.

#### **ARTICLE 39 HEADINGS**

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

#### **ARTICLE 40 SUCCESSORS AND ASSIGNS**

This Ground Lease shall be binding upon and inure to the benefit of the successors and assigns of the City and Tenant and where the term "Tenant" or "City" is used in this Ground Lease, it shall mean and include their respective successors and assigns; provided, however, that the City shall have no obligation under this Ground Lease to, nor shall any benefit of this Ground Lease accrue to, any unapproved successor or assign of Tenant where City approval of a successor or assign is required by this Ground Lease. At such time as City sells the Site to any

third party, City shall require such third party to assume all of the City's obligations hereunder arising on and after the transfer in writing for the benefit Tenant and its successors and assigns.

**ARTICLE 41    TIME**

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

**ARTICLE 42    PARTIAL INVALIDITY**

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

**ARTICLE 43    APPLICABLE LAW; NO THIRD PARTY BENEFICIARY**

This Ground Lease shall be governed by and construed pursuant to the laws of the State of California. This Ground Lease is entered into solely among, between and for the benefit of, and may be enforced only by, the parties hereto and does not create rights in any other third party.

**ARTICLE 44    ATTORNEYS' FEES**

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

**ARTICLE 45    EXECUTION IN COUNTERPARTS**

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

**ARTICLE 46    RECORDATION OF MEMORANDUM OF GROUND LEASE**

This Ground Lease shall not be recorded, but a memorandum of this Ground Lease shall be recorded in the form attached hereto as Attachment 5 ("Memorandum of Ground Lease"). The parties shall execute the memorandum in form and substance as required by a title insurance company insuring Tenant's leasehold estate or the interest of any Leasehold Mortgagee, and sufficient to give constructive notice of the Ground Lease to subsequent purchasers and mortgagees.

**ARTICLE 47      TRANSFER OF PARTNERSHIP INTERESTS IN TENANT**

Tenant may not cause or permit any voluntary transfer, assignment or encumbrance of its interest in the Site or Project or of any ownership interests in Tenant, or lease or permit a sublease on all or any part of the Project, other than: (a) leases, subleases or occupancy agreements to Occupants; or (b) security interests for the benefit of lenders securing loans for the Project as approved by the City on terms and in amounts as approved by City in its reasonable discretion, (c) transfers from Tenant to a limited partnership or limited liability company formed for the tax credit syndication of the Project, where Tenant or an affiliated nonprofit public benefit corporation is the sole general partner or manager of that entity; (d) transfers of the general partnership or manager's interest in Tenant to a nonprofit public benefit corporation approved in advance by the City; (e) transfers of any limited partnership or membership interest in Tenant to an investor pursuant to the tax credit syndication of the Project; or (f) the grant or exercise of an option agreement between Borrower and Borrower's general partner or manager or any of its affiliates in connection with the tax credit syndication of the Project where such agreement has been previously approved in writing by the City. Any other transfer, assignment, encumbrance or lease without the City's prior written consent will be voidable and, at the City's election, constitute an Event of Default under this Agreement. The City's consent to any specific



assignment, encumbrance, lease or other transfer will not constitute its consent to any subsequent transfer or a waiver of any of the City's rights under this Ground Lease.

## **ARTICLE 48    CITY PROVISIONS**

### **48.01 Non-Discrimination**

(a)    Covenant Not to Discriminate. In the performance of this Ground Lease, Tenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability, weight, height or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with Tenant, in any of Tenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Tenant.

(b)    Subleases and Other Subcontracts. Tenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such subtenant or other subcontractor in substantially the form of Subsection (a) above. In addition, Tenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subtenants and other subcontractors to comply with such provisions. Tenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Ground Lease.

(c)    Non-Discrimination in Benefits. Tenant does not as of the date of this Ground Lease and will not during the Term, in any of its operations in San Francisco or with

respect to its operations under this Ground Lease elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits (collectively “Core Benefits”), as well as any benefits other than Core Benefits, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) Condition to Lease. As a condition to this Ground Lease, Tenant shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contract Monitoring Commission.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by Parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Ground Lease as though fully set forth herein. Tenant shall comply fully with and be bound by all of the provisions that apply to this Ground Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Tenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Tenant and/or deducted from any payments due Tenant.

**48.02 MacBride Principles — Northern Ireland.** The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Tenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

**48.03 Conflicts of Interest.** Tenant states that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, certifies that it knows of no facts which would constitute a violation of such provisions and agrees that if Tenant becomes aware of any such fact during the term of this Lease Tenant shall immediately notify the City. Tenant further certifies that it has made a complete disclosure to the City of all facts bearing on any possible interests, direct or indirect, which Tenant believes any officer or employee of the City presently has or will have in this Lease or in the performance thereof or in any portion of the profits thereof. Willful failure by Tenant to make such disclosure, if any, shall constitute grounds for City's termination and cancellation of this Ground Lease.

**48.04 Charter Provisions.** This Ground Lease is governed by and subject to the provisions of the Charter of the City and County of San Francisco. Accordingly, Tenant acknowledges and agrees that no officer or employee of the City has authority to commit the City to this Ground Lease unless and until a resolution of the City's Board of Supervisors has been duly enacted approving this Ground Lease. Therefore, any obligations or liabilities of the

City under this Ground Lease are contingent upon enactment of a resolution, and this Ground Lease will be null and void unless the City's Mayor and the Board of Supervisors approve this Ground Lease, in their respective sole and absolute discretion, and in accordance with all applicable Laws. Approval of this Ground Lease by any City department, commission or agency may not be deemed to imply that a resolution will be enacted or create any binding obligations on the City.

**48.05 Tropical Hardwood/Virgin Redwood Ban.** Pursuant to Section 804(b) of the San Francisco Environment Code, the City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Tenant shall not use any items in the rehabilitation, development or operation of the Premises or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood or virgin redwood wood products.

**48.06 Tobacco Product Advertising Ban.** Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products may be allowed on the Premises. The foregoing prohibition will include the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product, or on any sign. The foregoing prohibition will not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

**48.07 Pesticide Ordinance.** Tenant shall comply with the provisions of Section 308 of Chapter 3 of the San Francisco Environment Code (the "Pesticide Ordinance") which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage, and (iii) require Tenant to submit to the City's Department of the Environment an integrated pest management ("IPM") plan that (A) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the Term of this Ground Lease, (b) describes the steps Tenant will take to meet the City's IPM Policy described in Section 39.1 of the Pesticide Ordinance, and (c) identifies, by name, title, address and telephone number, an individual to act as the Tenant's primary IPM contact person with City. In addition, Tenant shall comply with the requirements of Sections 303(a) and 303(b) of the Pesticide Ordinance. Nothing herein shall prevent Tenant, acting through the City, from seeking a determination from the City's Commission on the Environment that Tenant is exempt from complying with certain portions of the Pesticide Ordinance as provided in Section 307 thereof.

**48.08 Compliance with City's Sunshine Ordinance.** Tenant understands and agrees that under the City's Sunshine Ordinance (S.F. Admin. Code, Chapter 67) and the State Public Records Law (Cal. Gov. Code §§ 6250 et seq.), this Ground Lease and any and all records, information and materials submitted to the City hereunder are public records subject to public disclosure. Tenant hereby authorizes the City to disclose any records, information and materials submitted to the City in connection with this Ground Lease as required by Law. Further, Tenant specifically agrees to conduct any meeting of its governing board that addresses any matter relating to the Project or to Tenant's performance under this Ground Lease as a passive meeting.

**48.09 Notification of Limitations on Contributions.** Through its execution of this Ground Lease, Tenant acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing any land or building to or from the City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for such contract until the termination of negotiations for such contract or three (3) months has elapsed from the date the contract is approved by the City elective officer, or the board on which that City elective officer serves.

**48.10 Requiring Health Benefits for Covered Employees.** Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (the "HCAO"), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated in this Ground Lease by reference and made a part of this Ground Lease as though fully set forth. The text of the HCAO is available on the web at [www.sfgov.org/oca/lw/h.htm](http://www.sfgov.org/oca/lw/h.htm). Capitalized terms used in this Section and not defined in this Lease have the meanings assigned to them in Chapter 12Q. Notwithstanding this requirement, City recognizes that the residential housing component of the Improvements is not subject to the HCAO.

(a) For each Covered Employee, Tenant must provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Tenant chooses to offer the health plan option, the health plan must meet the minimum standards set forth by the San Francisco Health Commission.

(b) If Tenant is a small business as defined in Section 12Q.3(d) of the HCAO, Tenant will have no obligation to comply with Subsection (a) above.

(c) Tenant's failure to comply with the HCAO will constitute a material breach of this Lease. If Tenant fails to cure its breach within thirty (30) days after receiving the City's written notice of a breach of this Lease for violating the HCAO or, if the breach cannot reasonably be cured within the 30-day period, Tenant fails to commence efforts to cure within the 30-day period, or thereafter fails diligently to pursue the cure to completion, the City will have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies will be exercisable individually or in combination with any other rights or remedies available to the City.

(d) Tenant may not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to Tenant's compliance or anticipated compliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(e) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(f) Tenant must keep itself informed of the current requirements of the HCAO.

(g) Tenant must provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on subtenants, as applicable.

(h) Tenant must provide City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least five (5) business days to respond.

(i) The City may conduct random audits of Tenant to ascertain its compliance with HCAO. Tenant agrees to cooperate with the City when it conducts audits.

(j) If Tenant is exempt from the HCAO when this Lease is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Tenant later enters into an agreement or agreements that cause Tenant's aggregate amount of all agreements with the City to reach \$75,000, all the agreements will be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Tenant and MOHCD to be equal to or greater than \$75,000 in the fiscal year.

**48.11 Public Access to Meetings and Records.** If Tenant receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Tenant shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Ground Lease, Tenant agrees to open its meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5 of the Administrative Code. Tenant further agrees to make good-faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. Tenant acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Ground Lease. Tenant further acknowledges that such material breach of the Lease shall be grounds for City to terminate and/or not renew this Ground Lease, partially or in its entirety.



**48.12 Resource-Efficient Building Ordinance.** Tenant acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Chapter 7 relating to resource-efficient City buildings and resource-efficient pilot projects. Tenant hereby agrees it shall comply with the applicable provisions of such code sections as such sections may apply to the Premises.

**48.13 Drug Free Work Place.** Tenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Tenant agrees that any violation of this prohibition by Tenant, its agents or assigns shall be deemed a material breach of this Ground Lease.

**48.14 Preservative Treated Wood Containing Arsenic.** Tenant may not purchase preservative-treated wood products containing arsenic in the performance of this Ground Lease unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Tenant may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude Tenant from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

**48.15 Nondisclosure of Private Information.** Tenant agrees to comply fully with and be bound by all of the provisions of Chapter 12M of the San Francisco Administrative Code (the "Nondisclosure of Private Information Ordinance"), including the remedies provided. The provisions of the Nondisclosure of Private Information Ordinance are incorporated herein by reference and made a part of this Ground Lease as though fully set forth. Capitalized terms used in this section and not defined in this Ground Lease shall have the meanings assigned to such terms in the Nondisclosure of Private Information Ordinance. Consistent with the requirements of the Nondisclosure of Private Information Ordinance, Contractor agrees to all of the following:

(a) Neither Tenant nor any of its subcontractors shall disclose Private Information, unless one of the following is true:

- (1) The disclosure is authorized by this Ground Lease;
- (2) Tenant received advance written approval from the Contracting Department to disclose the information; or
- (3) The disclosure is required by law or judicial order.

(b) Any disclosure or use of Private Information authorized by this Ground Lease shall be in accordance with any conditions or restrictions stated in this Ground Lease. Any disclosure or use of Private Information authorized by a Contracting Department shall be in accordance with any conditions or restrictions stated in the approval.

(c) Private Information shall mean any information that: (1) could be used to identify an individual, including without limitation, name, address, social security number, medical information, financial information, date and location of birth, and names of relatives; or (2) the law forbids any person from disclosing.

(d) Any failure of Tenant to comply with the Nondisclosure of Private Information Ordinance shall be a material breach of this Ground Lease. In such an event, in addition to any other remedies available to it under equity or law, City may terminate this Ground Lease, debar Tenant, or bring a false claim action against Tenant.

**48.16 Graffiti.** Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti.

Tenant shall remove all graffiti from the Premises and any real property owned or leased by Tenant in the City and County of San Francisco within forty-eight (48) hours of the earlier of Tenant's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require Tenant to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction Premises, whether public or private,

without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.). Any failure of Tenant to comply with this section of this Ground Lease shall constitute an event of default of this Ground Lease.

**48.17 Incorporation.** Each and every provision of the San Francisco Administrative Code described or referenced in this Ground Lease is hereby incorporated by reference as though fully set forth herein. Failure of Tenant to comply with any provision of this Ground Lease relating to any such code provision shall be governed by Article 19 of this Ground Lease, unless (i) such failure is otherwise specifically addressed in this Ground Lease or (ii) such failure is specifically addressed by the applicable code section.

**48.18 Food Service Waste Reduction.** Tenant agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Ground Lease as though fully set forth herein. This provision is a material term of this Ground Lease. By entering into this Ground Lease, Tenant agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Tenant agrees that the

sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Ground Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Tenant's failure to comply with this provision.

**48.19 Local Hire Requirements.** Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.62 (the "Local Hiring Requirements"). Tenant Improvements and Alterations (as defined in Section 7.1) are subject to the Local Hiring Requirements unless the cost for such work is (i) estimated to be less than \$750,000 per building permit or (ii) meets any of the other exemptions in the Local Hiring Requirements. Tenant agrees that it shall comply with the Local Hiring Requirements to the extent applicable. Before starting any Tenant Improvement Work or any Alteration, Tenant shall contact City's Office of Economic Workforce and Development ("OEWD") to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a "Covered Project").

Tenant shall include, and shall require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant shall cooperate, and require its subtenants to cooperate, with the City in any action or proceeding

against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A contractor's or subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party.

#### **48.20 Criminal History in Hiring and Employment Decisions**

(a) Unless exempt, Tenant agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "Chapter 12T"), which are hereby incorporated as may be amended from time to time, with respect to applicants and employees of Tenant who would be or are performing work at the Site.

(b) Tenant shall incorporate by reference the provisions of Chapter 12T in all subleases of some or all of the Site, if any, and shall require all subtenants to comply with such provisions. Tenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Ground Lease.

(c) Tenant and subtenants (if any) shall not inquire about, require disclosure of, or if such information is received base an Adverse Action (as defined in Chapter 12T) on an applicant's or potential applicant for employment, or employee's: (1) Arrest (as defined in Chapter 12T) not leading to a Conviction (as defined in Chapter 12T), unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication in the juvenile justice system; (5) a

Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(d) Tenant and subtenants (if any) shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in subsection (c) above. Tenant and subtenants (if any) shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(e) Tenant and subtenants (if any) shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Tenant or subtenant at the Site, that the Tenant or subtenant will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(f) Tenant and subtenants (if any) shall post the notice prepared by the Office of Labor Standards Enforcement (“OLSE”), available on OLSE’s website, in a conspicuous place at the Site and at other workplaces within San Francisco where interviews for job opportunities at the Site occur. The notice shall be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the Site or other workplace at which it is posted.

(g) Tenant and subtenants (if any) understand and agree that upon any failure to comply with the requirements of Chapter 12T, the City shall have the right to pursue any rights or remedies available under Chapter 12T or this Ground Lease, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee,

applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Ground Lease.

(h) If Tenant has any questions about the applicability of Chapter 12T, it may contact the City's Real Estate Division for additional information. City's Real Estate Division may consult with the Director of the City's Office of Contract Administration who may also grant a waiver, as set forth in Section 12T.8.

#### **48.21 Prevailing Wages and Working Conditions**

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Tenant shall require its Contractors and Subcontractors performing (i) labor in connection with a "public work" as defined under California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) or (ii) Covered Construction, at the Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "**Prevailing Wage Requirements**"). Tenant agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Tenant shall include, and shall require its subtenants, and Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name



the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party. For the current Prevailing Rate of Wages, contact the City's Office of Labor Standards Enforcement.

#### **48.22 Sugar-Sweetened Beverage Prohibition**

Tenant agrees that it will not sell, provide, or otherwise distribute Sugar-Sweetened Beverages, as defined by San Francisco Administrative Code Chapter 101, as part of its performance of this Ground Lease.

#### **48.23 Taxes, Assessments, Licenses, Permit Fees and Liens**

(a) Tenant recognizes and understands that this Ground Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest.

(b) Tenant agrees to pay taxes of any kind, including possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Tenant's usage of the Premises that may be imposed upon Tenant by law, all of which shall be paid when the same become due and payable and before delinquency.

(c) Tenant agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Tenant, if so desiring, may have reasonable opportunity to contest the validity of the same.

(d) San Francisco Administrative Code Sections 23.38 and 23.39 require that the City and County of San Francisco report certain information relating to this Lease, and any renewals thereof, to the County Assessor within sixty (60) days after any such transaction, and that Tenant report certain information relating to any assignment of or sublease under this Lease to the County Assessor within sixty (60) days after such assignment or sublease transaction. Tenant agrees to provide such information as may be requested by the City to enable the City to comply with this requirement.

#### **48.24 Vending Machines; Nutritional Standards**

Tenant shall not install or permit any vending machine on the Premises without the prior written consent of Landlord. Any permitted vending machine must comply with the food nutritional and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9-1(c), as may be amended from time to time (the "Nutritional Standards Requirements"). Tenant agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section 48.24 shall be deemed a material breach of this Lease. Without limiting Landlord's other rights and remedies under this Lease, Landlord shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements.

**ARTICLE 49    COMPLETE AGREEMENT**

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

**ARTICLE 50    AMENDMENTS**

Neither this Ground Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Ground Lease, but each and every term, covenant and condition of this Ground Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Any amendments or modifications to this Ground Lease, including, without limitation, amendments to or modifications to the exhibits to this Ground Lease, shall be subject to the mutual written agreement of City and Tenant, and City's agreement may be made upon the sole approval of the City's Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Site, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Site from the use authorized under this Ground Lease, and (e) any other amendment or modification which materially increases the City's liabilities or financial obligations under this Lease shall additionally require the approval of the City's Board of Supervisors.

**ARTICLE 51    ATTACHMENTS**

The following are attached to this Ground Lease and by this reference made a part hereof:

1. Legal Description of Site
2. Schedule of Performance

3. City Consent of Leasehold Mortgage
4. Reserved
5. Memorandum of Ground Lease
6. Form of Income Certification Form

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, TENANT ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID IF CITY'S MAYOR AND THE BOARD OF SUPERVISORS DO NOT APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE DISCRETION. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ENACTED, NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

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

**TENANT:**

1296 Shotwell Housing, L.P.,  
a California Limited Partnership

By: CCDC 1296 Shotwell LLC,  
a California limited liability company,  
its co- general partner

By: Chinatown Community Development Center, Inc.,  
a California nonprofit public benefit corporation,  
its sole member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: MEDA 1296 Shotwell LLC,  
a California limited liability company,  
its co-general partner

By: Mission Economic Development Agency,  
a California nonprofit public benefit corporation,  
its sole member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*Signatures Continue on Following Page*

**CITY AS LANDLORD:**

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
John Updike  
Director of Property

By: \_\_\_\_\_  
Kate Hartley  
Acting Director,  
Mayor's Office of Housing and Community Development

**APPROVED AS TO FORM:**

DENNIS J. HERRERA  
City Attorney

By: \_\_\_\_\_  
Deputy City Attorney

**ATTACHMENT 1**  
**LEGAL DESCRIPTION OF THE SITE**  
(1296 Shotwell Street)

**ATTACHMENT 2**

**SCHEDULE OF PERFORMANCE**



ATTACHMENT 3

**CITY CONSENT OF LEASEHOLD MORTGAGE**

Date:

Mayor's Office of Housing and Community Development of the  
City and County of San Francisco  
Attn: Director  
One South Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, CA 94103

RE: 1296 Shotwell Street, San Francisco (LEASEHOLD MORTGAGE)

Dear Sir or Madam:

Pursuant to Section 25.01 of the 1296 Shotwell Street Ground Lease, dated \_\_\_\_\_, 20\_\_, between the City and County of San Francisco ("City") and 1296 Shotwell Housing, L.P., a California limited partnership, we are formally requesting the City's consent to our placing a leasehold mortgage upon the leasehold estate of the above referenced development. The following information is provided in order for the City to provide its consent:

Lender:  
Principal Amount:  
Interest:  
Term:

Attached hereto are unexecuted draft loan documents, including the loan agreement, promissory note, and all associated security agreements which we understand are subject to the review and approval by the City. Furthermore, we are willing to supply any additional documentation related to the leasehold mortgage which the City deems necessary.

Sincerely,

1296 Shotwell Housing, L.P.,  
a California Limited Partnership

By: CCDC 1296 Shotwell LLC,  
a California limited liability company,  
its co-general partner

By: Chinatown Community Development Center, Inc.,  
a California nonprofit public benefit corporation,  
its sole member

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: MEDA 1296 Shotwell LLC,  
a California limited liability company,  
its co-general partner

By: Mission Economic Development Agency,  
a California nonprofit public benefit corporation,  
its sole member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By signing this letter, the City consents to the leasehold mortgage, pursuant to the terms and conditions of Section 25.01 of the 1296 Shotwell Street Ground Lease, dated \_\_\_\_\_, 20\_\_.

Mayor's Office of Housing and Community Development

\_\_\_\_\_  
Kate Hartley, Acting Director

**ATTACHMENT 4**

Reserved

**ATTACHMENT 5**  
**MEMORANDUM OF LEASE**

Free Recording Requested Pursuant to  
Government Code Section 27383

When recorded, mail to:  
Mayor's Office of Housing and Community  
Development  
of the City and County of San Francisco  
1 South Van Ness Avenue, Fifth Floor  
San Francisco, California 94103  
Attn: Director  
APN:

---

MEMORANDUM OF GROUND LEASE

This Memorandum of Ground Lease ("Memorandum") is entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "City"), acting by and through the Mayor's Office Of Housing and Community Development ("City"), and 1296 Shotwell Housing, L.P., a California limited partnership ("Tenant"), with respect to that certain Ground Lease (the "Lease") dated \_\_\_\_\_, 20\_\_\_\_, between City and Tenant.

Pursuant to the Lease, City hereby leases to Tenant and Tenant leases from City the real property more particularly described in Exhibit A, attached hereto and incorporated herein by this reference (the "Property"). The Lease shall commence on the date set forth above and shall end on the date which is 75 years from the date set forth above, subject to a 24 year option to extend, unless terminated earlier or extended pursuant to the terms of the Lease.

It is the intent of the parties to the Lease that the Lease shall create a constructive notice of severance of the Improvements (as defined in the Lease), without the necessity of a deed from Lessor to Lessee, which Improvements are and shall remain real property.

This Memorandum shall incorporate herein all of the terms and provisions of the Lease as though fully set forth herein.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Lease, of which this is a memorandum.

This Memorandum may be signed by the parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts shall be deemed an original of this Memorandum.

Executed as of \_\_\_\_\_, 20\_\_ in San Francisco, California.

TENANT:

1296 SHOTWELL HOUSING, L.P.,  
a California Limited Partnership

By: CCDC 1296 Shotwell LLC,  
a California limited liability company,  
its co- general partner

By: Chinatown Community Development Center, Inc.,  
a California nonprofit public benefit corporation,  
its sole member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: MEDA 1296 Shotwell LLC,  
a California limited liability company,  
its co-general partner

By: Mission Economic Development Agency,  
a California nonprofit public benefit corporation,  
its sole member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_

John Updike  
Director of Property

By: \_\_\_\_\_

Kate Hartley  
Acting Director,  
Mayor's Office of Housing and Community Development

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: \_\_\_\_\_

Deputy City Attorney

**ATTACHMENT 6**  
**FORM OF TENANT INCOME CERTIFICATION**

**APPRAISAL OF**

**1296 Shotwell Street  
San Francisco, California  
A Multifamily Development Site**

**AT THE REQUEST OF**

**Mr. Dylan Hamilton  
Project Assistant, Community Real Estate  
Mission Economic Development Agency  
Plaza Adelante  
2301 Mission Street, Suite 301  
San Francisco, CA 94110**

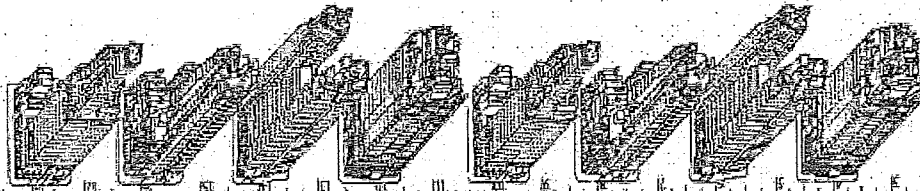
**AS OF**

**October 4, 2017**

**PREPARED BY**

**HAMILTON, RICCI & ASSOCIATES, INC.  
930 Montgomery Street, Suite 100  
San Francisco, CA 94133**





HAMILTON, RICCI & ASSOCIATES, INC., 930 MONTGOMERY ST., 4TH FLOOR, SAN FRANCISCO, CA 94133 415 788-7722 FAX 415 394-7778

October 10, 2017

17-09-180

Mr. Dylan Hamilton  
Project Assistant, Community Real Estate  
**Mission Economic Development Agency**  
Plaza Adelante  
2301 Mission Street, Suite 301  
San Francisco, CA 94110

Re: **1296 Shotwell Street**  
**San Francisco, CA**

Dear Mr. Hamilton:

Hamilton, Ricci & Associates, Inc. (HRA) appraised the fee simple interest in the above-referenced property, an 11,672-square-foot interior frontage site (0.27-acre), with a vacant 10,700-square-foot industrial building that must be demolished and hauled away (making the site available for development), between Cesar Chavez and 26<sup>th</sup> streets in the Mission District. The site has entitlements for the development of 94 dwelling units of affordable senior housing. However, this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with an 18% below-market rate (BMR) requirement.

The appraisal estimates the market value of the "as-is" fee simple interest in the hypothetically entitled (market rate) 11,672-square-foot parcel. The appraisal is for the exclusive use of *1296 Shotwell Housing, LP* and the city of San Francisco, with no other intended users.

We inspected the subject, including the site and its general market area. In our valuation analysis we used the Sales Comparison Approach, with the information conveyed in an appraisal report and the report is in a summary format.

Based on our research and analysis, subject to the limiting conditions, extraordinary assumptions, and hypothetical conditions, it is our opinion that the **hypothetical** "as-is" market value of the fee simple interest in the subject as of October 4, 2017, is estimated as follows.

**TEN MILLION ONE HUNDRED SEVENTY FIVE THOUSAND DOLLARS**  
**(\$10,175,000)**

The marketing and exposure times are estimated to be 12 months or less.

Mr. Dylan Hamilton  
October 10, 2017  
Page 2

The report is a summary of our investigation and analysis, the conclusions subject to the stated limiting conditions and extraordinary assumptions, produced in conformity to the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and subject to the requirements of the Code of Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

Very truly yours,

**HAMILTON, RICCI & ASSOCIATES, INC.**

A handwritten signature in dark ink, appearing to read 'Walter L. Ricci', with a stylized flourish at the end.

Walter L. Ricci, MAI, CCIM  
Certified General Appraiser  
California Certificate #AG009489  
**Tax ID 94-3190470**

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### STATEMENT OF LIMITING CONDITIONS

1. Date and definitions of value, together with other definitions and assumptions on which our analyses are based, are set forth in appropriate sections of this report. These are to be considered part of these limiting conditions as if included here in their entirety.
2. The conclusions, including values in terms of the U.S. Dollar, apply only as of the date of value and are based on prevailing physical and economic conditions and available information at that time. No representation is made as to the effect of subsequent events.
3. Title to the property is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions. The property is appraised assuming it to be available for its highest and best use.
4. All facts and data set forth in this report are true and accurate to the best of the appraiser's knowledge and belief. The appraisal is based on the assumption that data which is of public record or which has been secured through interviews with owners, agents or other informed persons is true and correct. The appraisers reserve the right to make appropriate revisions in the event of discovery of additional or more accurate data.
5. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.
6. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for arranging for engineering studies that may be required to discover them.
7. The property is appraised assuming it to be in full compliance with all applicable federal, state, and local environmental regulations and laws, unless otherwise stated.
8. The property is appraised assuming that all applicable zoning and use regulations and restrictions have been complied with, unless otherwise stated.
9. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated.
10. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable and no encroachment of real property improvements is considered to exist.
11. The existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect value. The value estimate assumes that there is no such material on or in the property that would cause a loss in value. No responsibility is taken for any such conditions, or for any expertise or engineering

knowledge required to discover them. The client should retain an expert in this field, if desired.

12. Earthquakes are not uncommon in the area, so no responsibility is assumed from their possible affect on properties.
13. This appraisal covers only the real property described herein. It does not include consideration of mineral rights or related right of entry, nor personal property or the removal thereof. Values reported are not intended to be valid in any other context, nor are any conclusions as to unit values applicable to any other property or use than that specifically identified herein.
14. By reason of this assignment, testimony or attendance in court or at any government or other hearing with reference to the property is not required without prior arrangements having been made relative to such additional employment.
15. No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials.
16. Maps, plats and exhibits included in this report are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.
17. No opinion is expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
18. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
19. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of this report (especially the conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication, without prior written consent and approval of the authors.
20. The liability of HRA, its owners and staff is limited to the Client only and to the amount of the fee actually paid for the services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the Client, the Client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The Appraiser is in no way to be responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially and/or legally. The Client also agrees that in case of lawsuit (brought by lender, partner or part owner in any form of ownership, tenancy or any other party), Client will hold appraisers completely harmless from and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

## EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS

### Extraordinary Assumptions

An extraordinary assumption is defined by *USPAP* as "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis." This appraisal makes the following Extraordinary Assumptions.

1. The appraisers were provided with a copy of the subject's title report and saw nothing that appeared to be a negative impact on value, but HRA is not an expert in title matters. Title to the property is assumed to be marketable, and free and clear of all liens, encumbrances, easements and restrictions.
2. Compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Compliance is assumed. Failure to comply with the requirements of the ADA may negatively affect the value of the property. The appraisers recommend that an expert in the field be retained should there be any concerns regarding the subject and compliance with ADA.
3. The appraisers were not provided with an environmental assessment report. ***The appraisers are not qualified to make any judgments regarding hazardous materials or assess the impact of hazardous substances and toxics in regard to the subject. The value estimate assumes that there is no such material on or in the property that would cause a loss in value. No responsibility is taken for any such conditions, or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field if further information is required.***
4. Based on an estimate provided by the Client, HRA makes assumptions regarding the site costs associated with bringing the subject to a vacant developable site. If these assumptions are materially incorrect, the value estimate would be affected accordingly.

**If any of the Extraordinary Assumptions is materially incorrect the value estimate could be affected accordingly.**

### Hypothetical Conditions

A hypothetical condition is defined by *USPAP* as "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis." **This appraisal assumes that the site is entitled for the development of 65 dwelling units, with 18% required to be BMR units, a 65-foot height limit and 52,524 square feet of gross building area.** The subject is deed restricted to affordable housing, but at the client's request we are appraising it as if it were not deed restricted, but as if it were available for a market rate development project. The foregoing parameters (65 units, 18% BMR, 65-foot height limit, 52,524 gross square feet) were provided by the city of San Francisco's Planning Department for the development they would entitle on the site were it not deed restricted, but rather a market rate development.

## EXECUTIVE SUMMARY

### Property

The subject is one assessor's parcel, an 11,672-square-foot interior frontage site (0.27-acre), with a vacant 10,700-square-foot industrial building that must be demolished and hauled away for disposal (making the site available for development), between Cesar Chavez and 26<sup>th</sup> streets in the Mission District. The site has entitlements for the development of 94 dwelling units of affordable senior housing. However, this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.

### Address / Zip Code

1296 Shotwell Street, San Francisco, CA 94110

### Census Tract

252.00

### Assessor's Parcel

6571-051

### Total Land Area

11,672 square feet.

### Zoning

NCT, Mission Street Neighborhood Commercial Transit, San Francisco

### Flood Zone

Undated panel: 060298/-/0001 N. Not in a flood zone.

### Earthquake Zone

Not in an Alquist-Priolo Special Studies Zone.

### Highest & Best Use

#### As Vacant

Multi-Family development

#### As Improved

Multi-Family development

### Rights Appraised

Fee simple

### Date of Inspection

October 4, 2017

### Date of Appraised Value

October 4, 2017

### Marketing Time

12 months or less

### Market Value – Sales Comparison

#### "As Is" Market Value

\$10,175,000

## **INTRODUCTION**

### **Identification**

The subject is one assessor's parcel, an 11,672-square-foot interior frontage site (0.27-acre), with a vacant 10,700-square-foot industrial building that must be demolished and hauled away for disposal (making the site available for development), between Cesar Chavez and 26<sup>th</sup> streets in the Mission District. The site has entitlements for the development of 94 dwelling units of affordable senior housing. However, this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area. The address is 1296 Shotwell Street and the parcel number is 6571-051.

### **Purpose of the Appraisal**

The appraisal estimates the hypothetically **entitled "as is" market value** of the fee simple interest.

### **Intended Use of the Appraisal**

The appraisal is for the exclusive use of *1296 Shotwell Housing, LP* and the city of San Francisco to help establish the subject's market value, with no other intended users.

### **Property Rights Appraised**

The fee simple interest, defined below.

### **Date of Inspection**

The date of inspection is October 4, 2017.

### **Date of Appraised Value**

The DOV is the date of inspection, October 4, 2017.

### **Competency**

HRA has extensive experience in appraising both multi-family and mixed-use development properties in the San Francisco Bay Area so no steps to competency were required.



### **Sales History**

The subject has been owned by *the City and County of San Francisco* since June 11, 2013. It was a land transfer to the city and county of San Francisco from Mr. Dean Givas to fulfill the inclusionary housing requirement on a site at 2558 Mission Street. There are no other offers or transfers of the property in the past three years that HRA is aware of.

### **Scope of Work**

The estimated highest and best use of the subject is for multi-family development. The appraisal estimates the "as-is" fee simple value of the subject. Development sites are typically valued using the Sales Comparison Approach. The information is conveyed in an appraisal report that is presented in a summary format.

The appraisers reviewed county records and talked with brokers, appraisers, buyers, and sellers to find comparable land sales and to most completely assess the fundamentals of the current market for development land. The appraisers reviewed published data and interviewed investment participants in the market. Unless otherwise noted, all comparables were confirmed with principals, participatory agents and / or public record, and were inspected.

### **Marketing & Exposure Period**

To estimate a marketing and exposure period for the subject, the appraisers analyzed the indications provided by the comparable sales and relied on the indications of knowledgeable brokers. Based on comparable land sales, and information from local investment brokers, marketing and exposure times of 12 months or less are estimated for the subject.

## DEFINITIONS

### Market Value

"Market value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (*Office of the Comptroller of the Currency under 12 CFR, Part 34*).<sup>1</sup>

### Fee Simple Interest

The term "fee simple interest" is defined as follows.

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."<sup>2</sup>

### Leased Fee Interest

The term "leased fee interest" is defined:

"An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease."<sup>3</sup>

---

<sup>1</sup>Office of the Comptroller of the Currency under 12 CFR, part 34, Subpart C-Appraisals, 34.42 Definitions [f].

<sup>2</sup> *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> Edition (Chicago: Appraisal Institute, 2010), p. 113.

<sup>3</sup> *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> Edition (Chicago: Appraisal Institute, 2010), p. 161.

## LEGAL DATA

**Ownership:**

*The city and county of San Francisco*

**Legal Description:**

**Exhibit A** from the title report is copied **below**. The appraisers assume the subject is free and clear of all liens, encumbrances, easements and restrictions and is fully marketable.

**Assessor's Block & Lot:**

Block 6571, Lot 051 (changed recently from Lot 026)

**Interest Appraised:**

Fee simple

**Easements / Encroachments:**

The appraisers were provided with a copy of the subject's title report and saw nothing that appeared to be a negative affect on value, but HRA is not an expert in title matters. Title to the property is assumed to be marketable, and free and clear of all liens, encumbrances, easements and restrictions that would limit the property's utility, marketability or development to highest and best use.

**Planning:**

There are no planning issues that affect the subject other than those discussed in under *Zoning* in the *Property Description* section.

**Entitlements:**

The site is entitled for development of 94 units of affordable senior housing based on information provided by the Client and information on the city of San Francisco's website. However, this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.

## EXHIBIT A

The land referred to is situated in the County of San Francisco, City of San Francisco, State of California, and is described as follows: Parcel A as shown on the map of Parcel Map 7207 filed April 25, 2013, Book 48 of Parcel Maps, Pages 130 and 131, San Francisco County Records. Being a portion of Mission Block No. 200. Assessor's Lot 051; Block 6571. The next legal description is from an old title report.

Parcel A, Assessor's Block No. 6571, Lot No. 51 (was 26) as shown on Parcel Map No. 7207, filed \_\_\_\_ in Book \_\_\_\_ of Parcel Maps, at Pages \_\_\_\_, in the Office of the Recorder of the City and County of San Francisco, State of California, and more particularly described as follows: Beginning at a point on the western line of Shotwell Street (59.09 feet wide), distant thereon North 04°15'00" West, 30.02 feet from the intersection of the southern line of Cesar Chavez Street (100.00 feet wide) and the western line of Shotwell Street (59.09 feet wide); thence North 84°25'49" West, 101.36 feet; thence 0°15'00" West, 25.74 feet; thence North 14°49'38" East, 107.24 feet; thence North 88°41'39" East, 64.91 feet to the western line of Shotwell Street; thence along said western line South 04°15'00" East, 141.04 feet to the Point of Beginning. Being a portion of Mission Block No. 200.

**ASSESSMENT DATA**

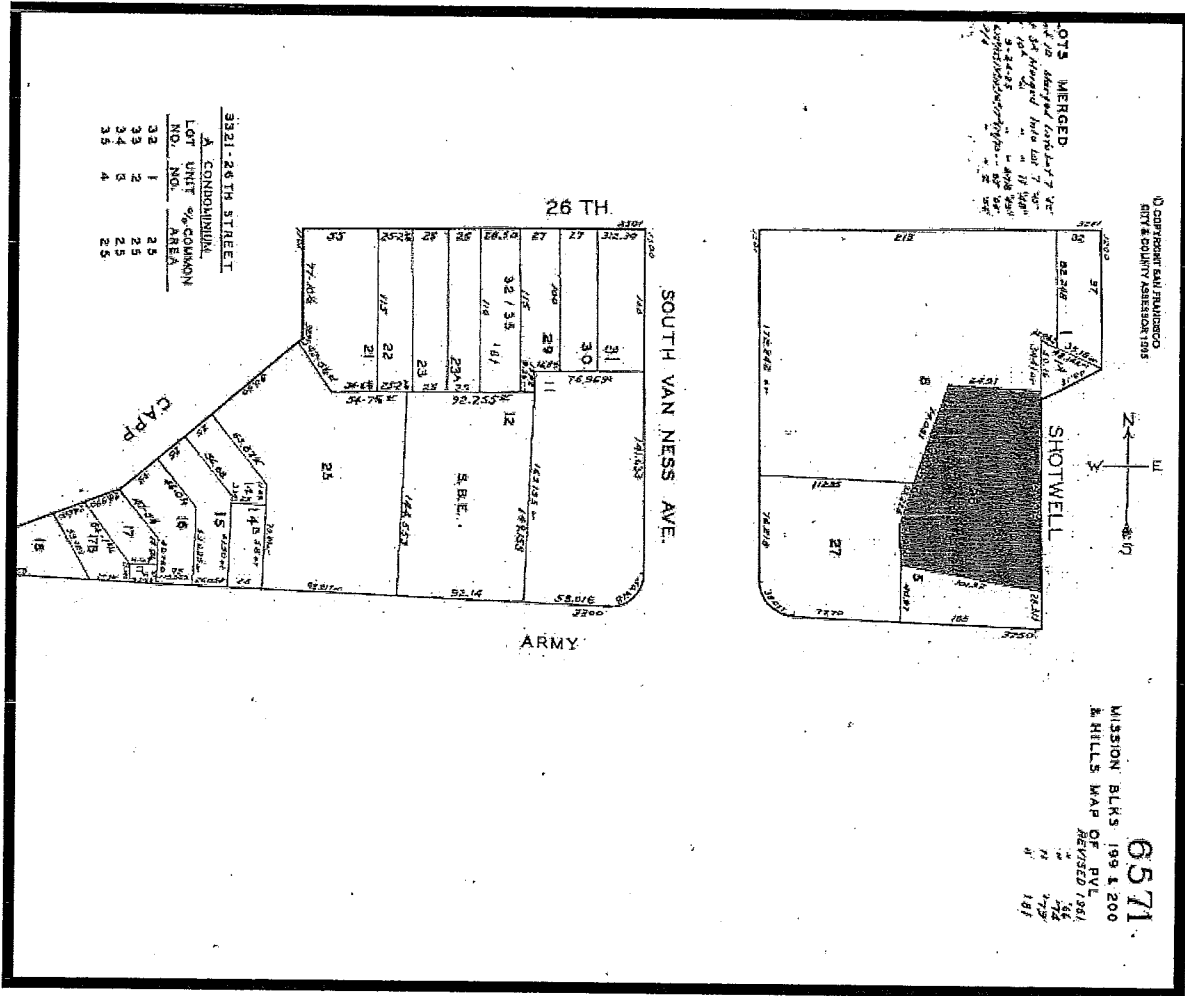
The subject is one assessor's parcel with assessments and taxes for the 2017 / 2018 fiscal year as follow.

Assessed Value & Tax				
Parcel	Category	Value	Tax-Rate	Taxes
6571-051	Land	\$1,289,460	1.1723%	\$15,116
	Improvements	\$0	1.1723%	\$0
<b>Subtotal</b>		<b>\$1,289,460</b>	<b>1.1723%</b>	<b>\$15,116</b>
<b>Special Taxes</b>				<b>\$388</b>
<b>Total</b>				<b>\$15,505</b>

The subject's 2017 / 18 composite tax rate is 1.1723%. There are also direct assessments estimated at \$388.26 based on information obtained from NDC Data, because the county's website for real estate taxes and special assessments is not accessible now.

Under State Proposition 13, real property assessments can be increased by a maximum of 2% per year. Reassessment is permitted only upon change of ownership or completion of new construction. Typically, market value assumes a sale. Accordingly, pro forma real estate taxes are based on the estimated market value.

**PLAT MAP**



The site has 142.245 feet of frontage on Shotwell Street.

## **AREA DESCRIPTION**

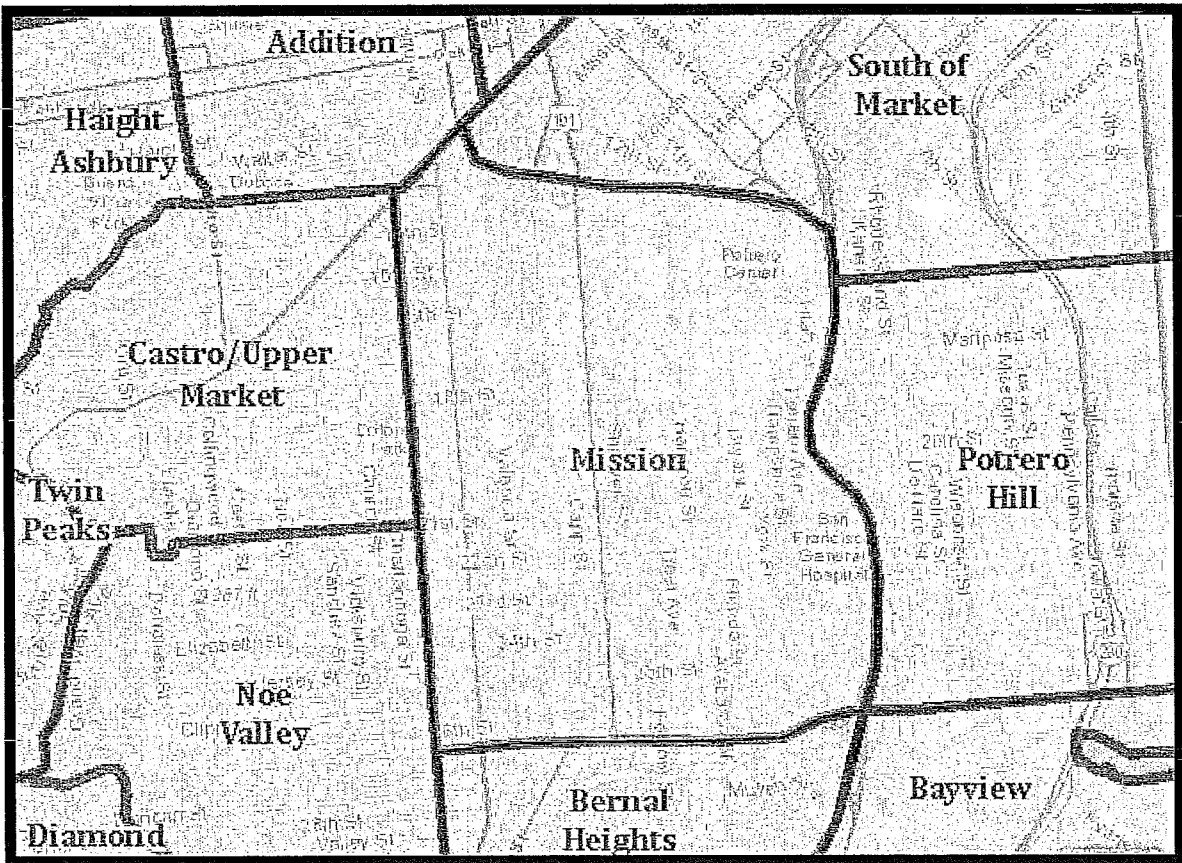
### **Area Overview**

San Francisco is the economic and cultural center of the nine-county Bay Area, a region with a population of approximately 6 million people, and the fourth largest metropolitan area in the United States. The city and county of San Francisco comprise a peninsula containing 47 square miles. San Francisco is bordered on the west by the Pacific Ocean, on the north by the straits of the Golden Gate joining the Pacific Ocean and San Francisco Bay, on the east by San Francisco Bay, and on the south by San Mateo County.

The Bay Area has a diverse and balanced economic base. San Francisco is a center for service industries: city, state, and federal government; public and private health care; finance; insurance; real estate; and support services such as law, accounting and architecture. The East Bay cities of Oakland, Richmond and Hayward are industrial centers, providing most of the region's manufacturing base, distribution services and port facilities. Santa Clara County, particularly the cities of Palo Alto, Sunnyvale and San Jose, comprises a commercial region known as Silicon Valley. The Silicon Valley is a national center for research, development, manufacturing and distribution of computer, software and communications related goods and services. In addition, biotechnology enterprise represents the fastest growing industry, and of strategic importance to the communities surrounding the Bay Area's preeminent research institutions; the University of California at Berkeley and San Francisco, and Stanford University.

### **Neighborhood Description**

**Introduction:** The subject is on the west side of Shotwell Street between 26<sup>th</sup> and Cesar Chavez streets in the Mission District. The Mission District's general boundaries are Cesar Chavez Street to the south, US highway 101 to the north and east, Market Street along the northwest corner and Dolores Street to the west. The proximity of Interstates 80, 280, and US Highway 101 provides exceptional access to major vehicular transportation routes. The district is mixed-use, with many multifamily developments that have ground floor retail throughout the neighborhood. A district map from the city's website is on the next page.



**Access and Exposure:** The subject is accessed from the north and south by Shotwell Street and from the east and west by Cesar Chavez Street. Potrero and South Van Ness avenues are the major north / south nearby-area surface streets. Cesar Chavez Street is the closest major east / west route, which provides access to US Highway 101 and I-280 to the east. Due to the subject's location near a major freeway exit, automotive access is good. Muni transit bus service runs along Mission and Cesar Chavez streets, South Van Ness Avenue, and the nearest BART station is 4½ blocks northwest (the 24<sup>th</sup> Street BART Station). Hence, overall access to the subject is good.

**Surrounding Uses:** Development in the nearby neighborhood is a mix of retail and residential buildings (mostly multi-family properties). The retail and office buildings date from the 1950s to 1990s, and are one and two-story. Residential development typically dates from the 1930s to 1950s. With the exception of Walgreen's on Mission and Cesar Chavez streets, the retailers in the area are small neighborhood-serving businesses. A four-story apartment building with about 100 units dating from the 1980s is across the street to the east.



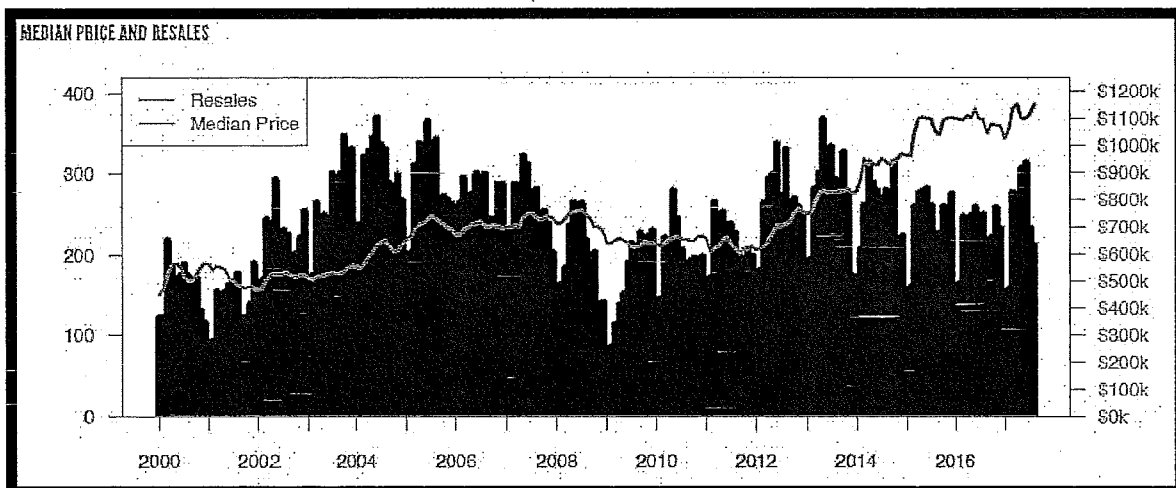
**New Development:** Development in the subject's area consists of mostly one to four-story, small- to mid-sized service commercial buildings, retail outlets, some medical uses including St. Luke's medical campus, older apartment buildings, and recently redeveloped sites with multi-family housing. Most of the above-ground level floors are residential. Because the neighborhood is an older, fully developed area, new development consists of the rehab of existing structures, or the occasional razing and redevelopment of an entire parcel or contiguous parcels. Because of the Mission District's increasing popularity with young professionals, there have been many redeveloped street-level sites, with many of the city's top chefs opening restaurants in the district especially along Valencia Street three blocks west, and many young tech workers have made the Mission their neighborhood of choice.

**Conclusion:** The neighborhood is a mature residential area that has undergone a re-birth, with many new restaurants and nightclubs, and it has become arguably the most popular neighborhood with young professionals who work in San Francisco and to the south in the tech centers along the peninsula. Apartment vacancy is low and rents have experienced robust growth, as the district's popularity has increased. The area benefits from its pleasant climate, proximity to public transportation, freeways, parks, and employment centers. The subject's proximity to the 24<sup>th</sup> Street BART Station provides excellent access to the Bay Area's primary public transportation source. The neighborhood is expected to continue improving into the foreseeable future.

## MULTIFAMILY RESIDENTIAL MARKET ANALYSIS

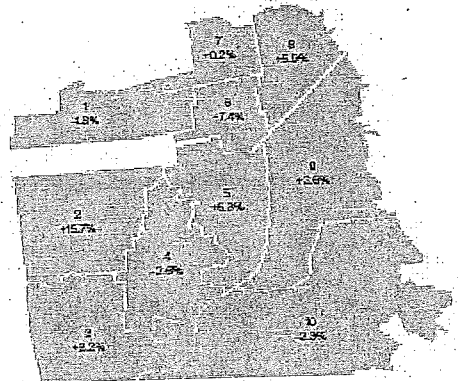
We review the multifamily housing market (both owned and rented) by reference to *The Polaris Pacific (PP) Report San Francisco September 2017* and *Institutional Property Advisors (IPA) Multifamily Research Market Report Bay Area Metros 3<sup>rd</sup> Q 2017*.

**Ownership Trends:** PP reports that during the three-month period ending August 31, the median price increased 5.0% from the prior year to \$1,150,000. At the same time, there were 758 total re-sales, a 0.9% percent increase from the prior year. Since March 2015, the median price has surpassed the \$1,000,000 mark. Following are median price and sale trends, beginning in 2000, based on PP's data.



The maps below (Figures 1 & 2) show annual percentage changes in median price per square foot and total sales by district based on PP's data. The most significant year-over-year price increases occurred in Districts 2 and 3 (+15.7% and +8.2%, respectively).

FIG 1. ANNUAL PSF CHANGE MAP

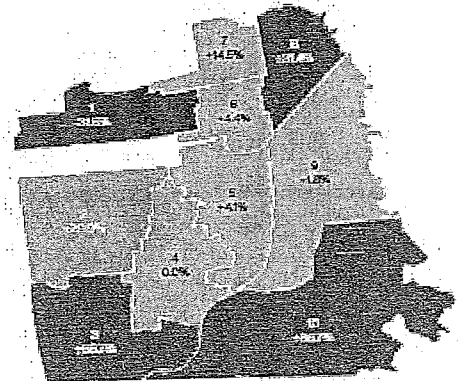


ANNUAL PRICE PSF CHANGE MAP

Year-over-year change in median PSF in each district of the city, for Jun 2017 - Aug 2017  
 [Source: Realquest]



FIG 2. ANNUAL SALES CHANGE MAP



ANNUAL SALES CHANGE MAP

Year-over-year change in total sales in each district of the city, for Jun 2017 - Aug 2017  
 [Source: Realquest]

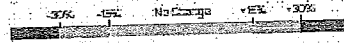
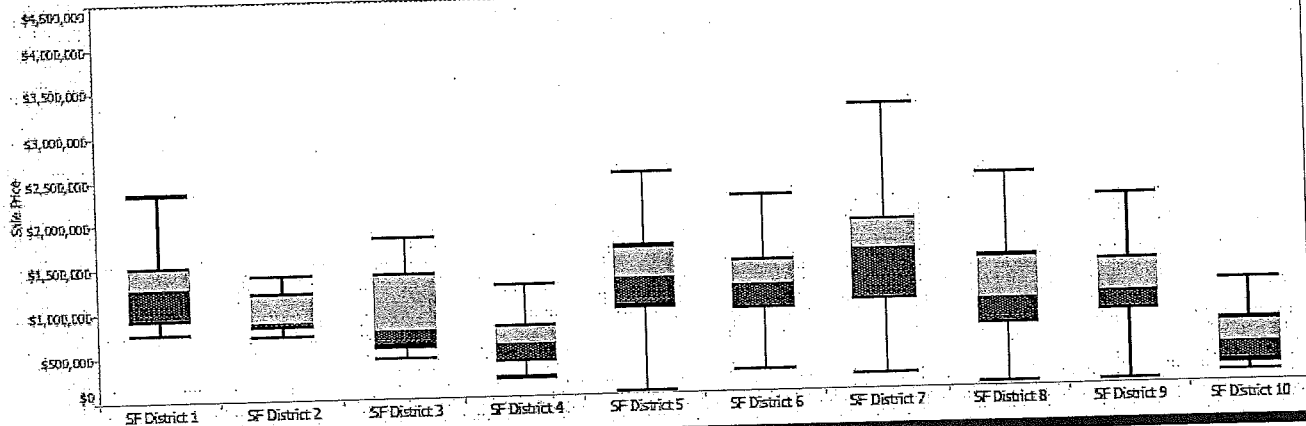
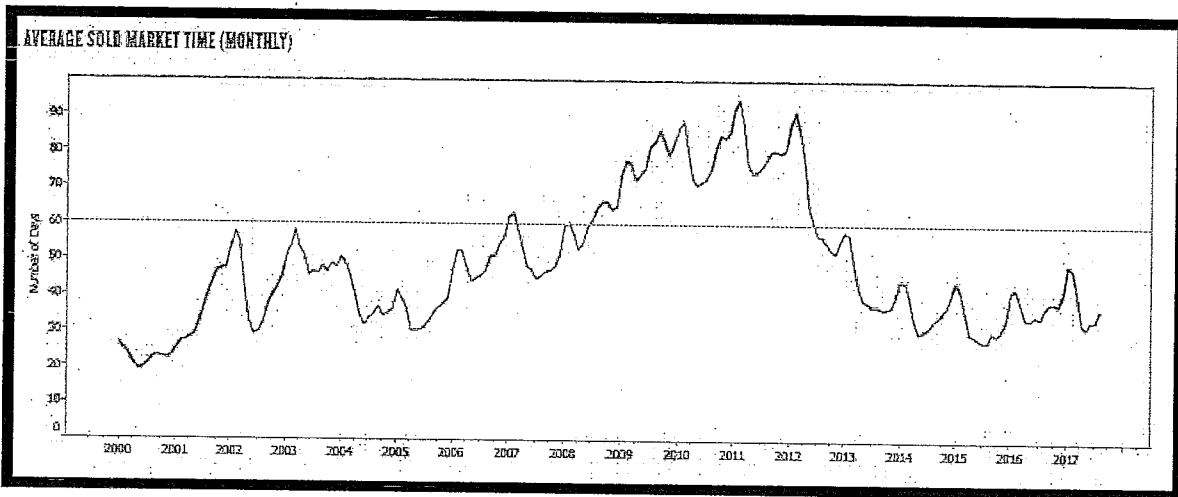


Figure 3 below shows a box-and-whisker plot of sale prices by district during the three-month period ending August 31, 2017. As shown below, District 7 had the highest median price (\$1,575,500), while District 10 had the lowest (\$438,750).

FIG 3. SALES BY DISTRICT

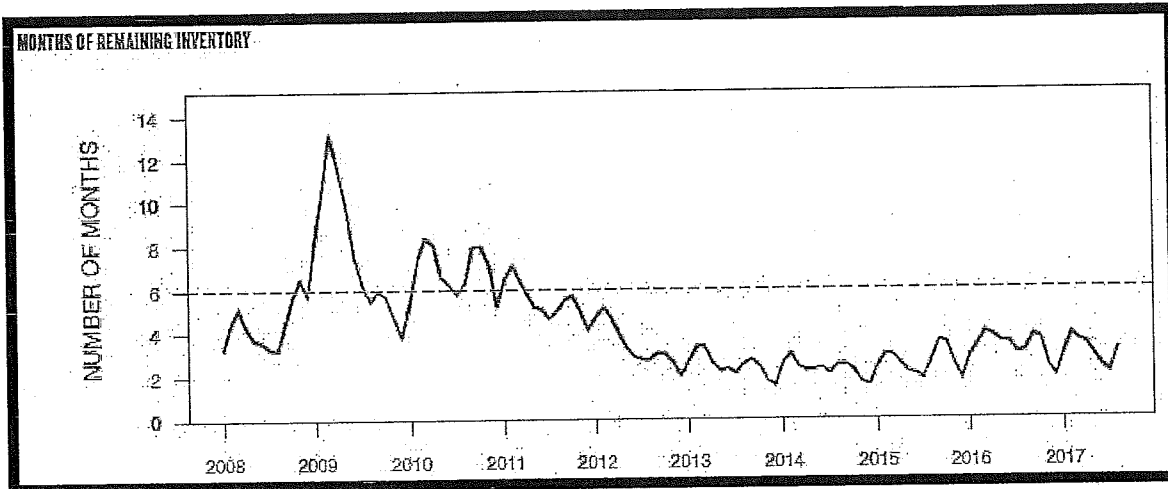


**Time on the Market:** The average days on market (DOM) figure is calculated as the amount of time between the date a condo / co-op / TIC unit is listed for sale and the date it goes into escrow. The 60-day benchmark signifies a balanced market (the dotted line below). As shown below, the average DOM figure was 37 days in the three-month period ending August 31, based on PP's data.

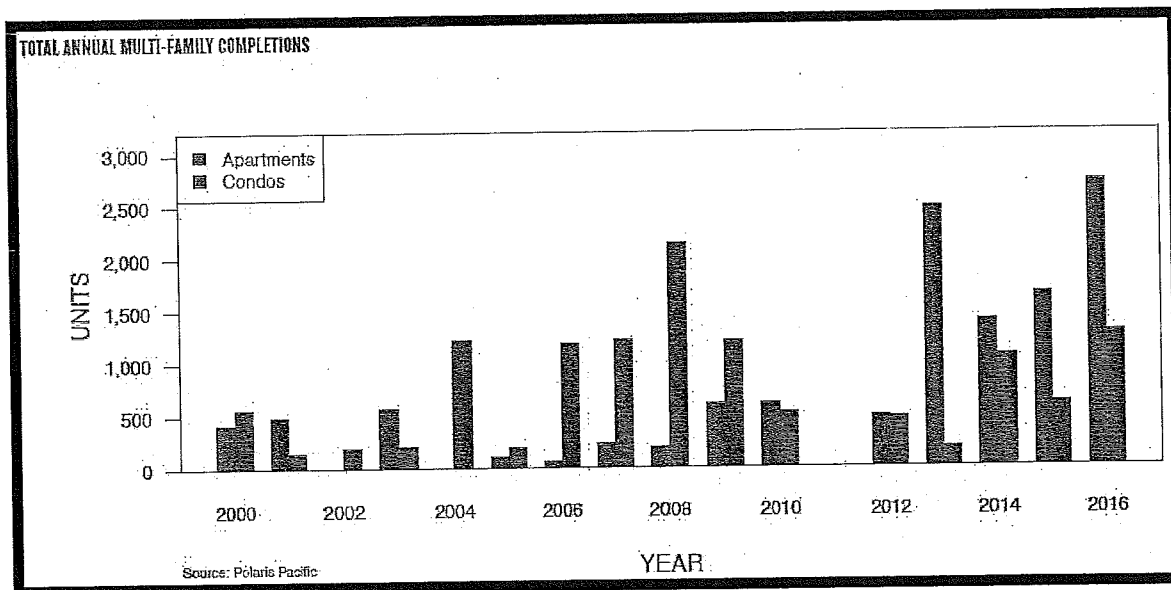


**Months of Remaining Inventory:** The months of remaining inventory, or MRI figure, indicates how many months it would take to absorb current supply. Six months is considered a balanced market, while nine months or more is considered an oversupplied market. The following graph shows a three-month moving average of the figure going back to 2008. The MRI figure has remained below the six-month benchmark since 2012. The most recent figure was 3.2 months, a 2.5% decrease from last year, based on PP's data.

The MRI figure decreased each year from 2010 through 2015 and has been indicative of a seller's market since 2011.



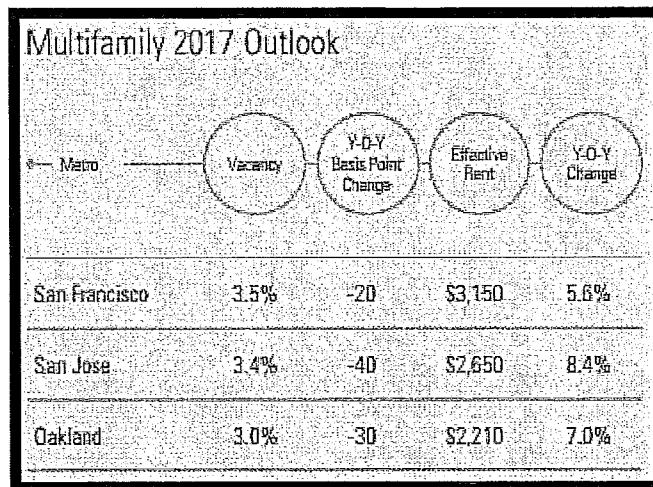
**Supply Factors:** The next histogram shows total annual multi-family completions of both apartments and condominiums in San Francisco based on PP's data. The peak year for condominium completions was 2008, when 2,069 new units were developed. In 2016, there were 2,730 apartment units completed and 1,276 condominium units completed.



**Apartment Market Overview:** The accelerating pace of growth in technology and startups in the Bay Area has driven unemployment rates to the lowest level since 2000, triggering demand for local housing options. Combined with soaring single-family home prices, apartment net absorption

has remained elevated, even as supply increases have reached the highest point in decades. As a result, vacancy remains low, prompting significant growth in average effective rents. Regional supply injections will peak in 2017 in all Bay Area metros, providing further tailwinds for future improvement over the months and years ahead according to IPA.

Amid low vacancy, new construction is at the highest point since the late 1990s. As a result, projects are expanding in size and scope, with a focus on infill submarkets like SOMA, where four of the five largest offerings will come online this year. Generally, the San Francisco metro remains the most active, accounting for more than 43% of all Bay Area completions this year. Meanwhile, new construction in San Jose and Oakland are historically elevated too but less than San Francisco. Even with this addition of new supply, IPA expects lower vacancy and rising rents. The following graphic summarizes Bay Area apartment vacancy and rents, according to IPA.



**Rents:** San Francisco and San Mateo counties' rents are quite high. Led by significant increases in San Mateo County, the average effective rent rose to \$3,119 per month. Rents in all portions of San Mateo County rose at least 4.4%, offsetting a decline in San Francisco. In San Francisco significant supply growth in SOMA triggered an average effective rent decline, dropping 2.9% to \$3,795 per month. Rents in San Francisco remain the highest in the metro.

**Vacancy:** Strong net absorption amid a lack of housing in the metro dropped vacancy to 2.8% over the past year. The submarket with the lowest vacancy, North San Mateo County, was 1.8%. Following is a summary of vacancy by submarkets according to IPA.

**Lowest Vacancy Rates 2017**

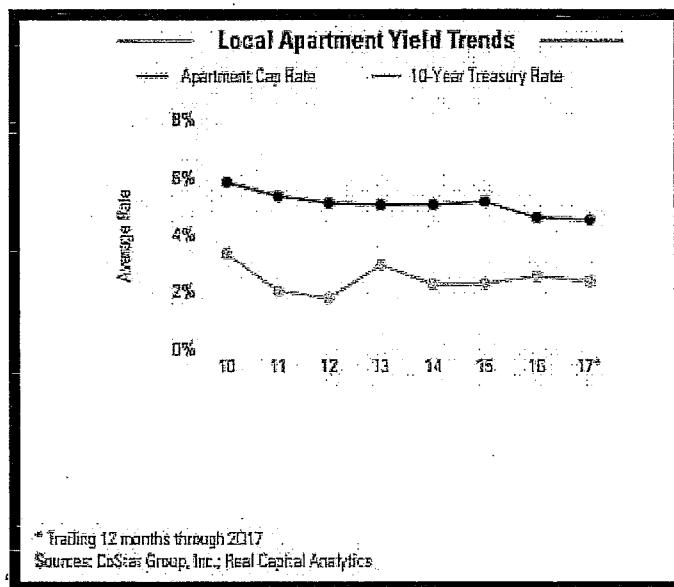
Submarket	Vacancy Rate	YOY Basis Point Change	Effective Rents	YOY % Change
North San Mateo County	1.8%	-240	\$2,531	4.6%
Richmond/Sunset	2.1%	-240	\$3,069	-7.5%
Marin County	2.1%	-70	\$2,488	0.4%
Downtown San Francisco	2.6%	-280	\$3,424	2.3%
Central San Mateo County	2.6%	-100	\$3,076	4.4%
SOMA	3.5%	-10	\$3,795	2.9%
South San Mateo County	4.3%	-20	\$3,138	5.8%
Overall Metro	2.8%	-130	\$3,119	1.5%

SUBMARKET TRENDS

**New Construction:** Completions were moderately lower over the last year. The submarkets were led by projects in SOMA, where nearly 800 units were completed in the first six months of 2017. The largest completed complex this year was 340 Fremont, with 348 units. The pace of development will ramp up through the remainder of 2017, with 4,669 rental units slated for completion.

**Investment Trends:** Value added assets remain a high priority for investors as both recently renovated properties and those with upside potential for rehab have dominated transactions above \$20 million over the past 12 months, according to IPA. While development has been elevated over the past two years, very few of these deals are trading. Due to the long entitlement process, the majority of developers are REITs or firms with long-term hold strategies.

Following is a graph summarizing overall capitalization rates for apartment acquisitions.



Transaction velocity for sales above \$20 million declined by one third over the past 12 months compared to the prior 12-month period. Investor demand remains strong but uncertainty over future rent increases has caused a widening in the bid / ask spread which has temporarily held back new listings, according to IPA. Pricing remains very steady despite the transaction slowdown. The average cap rate held at 3.7% over the past year and the average price per unit is \$608,000.

**Conclusions:** Property values (condos / co-ops / TICs) and apartment rents have risen robustly and consistently since 2011 and are very high. Even with record new supply vacancy is low. Hence, demand for dwelling units is extremely strong and growing in the Bay Area and San Francisco especially. The expectation in the market is for continuing strong and growing demand for housing units of all kinds.



## SITE DESCRIPTION

### Site Description

**Introduction:** The subject is on the west side of Shotwell Street between Cesar Chavez and 26<sup>th</sup> streets in the Mission District. Following is a summary of the site features:

- Size & Shape:** 11,672 square feet (0.27 acres), irregularly-shaped, approximately trapezoidal. See the Plat Map several pages earlier.
- Access:** Ingress/egress to the site is provided by Shotwell Street, the only public roadway adjacent to the subject. Shotwell Street is a two-way road which leads to the subject from the north and south. The subject has *good* access characteristics, given its proximity to I-80, I-280, Highway 101, BART and numerous MUNI bus lines.
- Topography/Terrain:** The site is level at grade with surrounding streets.
- Streets:** Asphalt paved with curbs, gutters, sidewalks and overhead lights.
- Soils:** A soils study was not reviewed. It is assumed that the subject soils are adequate for supporting the proposed development.
- Utilities:** All utilities are available. Water and sewer are provided by the city and county of San Francisco, gas and electricity by PG&E, and telephone by AT&T.
- Flood Hazard:** The subject is not in a FEMA-mapped flood zone.
- Seismic Hazard:** The subject is not in an Alquist-Priolo Special Studies Zone.
- Parking:** The subject consists of an existing industrial building which covers 100% of the parcel. The structure will be demolished during site preparation.
- Toxic Contaminants/  
Hazardous Waste:** No evidence of toxic contamination or hazardous waste was observed during our on-site inspection. The appraisers are not qualified to detect or advise on such matters, and offer no warranty or opinion. See the *Limiting Conditions* and *Special Limiting Conditions & Critical Assumptions* (above) regarding toxics and hazardous materials/wastes.

**Zoning**

**Designations:** Mission NCT - Neighborhood Commercial Transit, San Francisco.

**Uses:** This District has a mixed pattern of larger and smaller lots and businesses, and a sizable number of upper-story residential units. Zoning permits moderate-scale buildings and uses, protecting rear yards above the ground story and at residential levels. New neighborhood-serving commercial development is encouraged, mainly at the ground story. While offices and general retail sales uses may locate at the 2<sup>nd</sup> story of new buildings under certain circumstances, most commercial uses are prohibited above the second story. Continuous retail frontage is promoted by requiring ground floor commercial uses in new developments and prohibiting curb cuts. Housing development in new buildings is encouraged above the ground-story.

**Height Limit:** 65 feet, higher with a use permit which has been reported as pre-approved by the city of San Francisco (the subject has entitlements for a nine-story building so the height limit was increased). However, this appraisal makes the hypothetical assumption that the subject is entitled for the development of 65 dwelling units with all but 18% being market-rate units and that the maximum height is 65 feet.

**Commercial FAR:** The base requirement is 3.6:1.

**Residential Density:** No residential density limit by lot area. Density restricted by physical envelope controls of height, bulk, setbacks, open space, exposure and other applicable controls of this and other codes. The site has entitlements for 94 units in a nine-story building of approximately 67,000 gross square feet. However, this appraisal makes the hypothetical assumption that the site is entitled for 65 dwelling units and 52,524 gross square feet of building area.

**Parking:** For residential uses, no off-street parking is required, and up to 0.5 spaces per unit are permitted.

**Potential Development:** This appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.

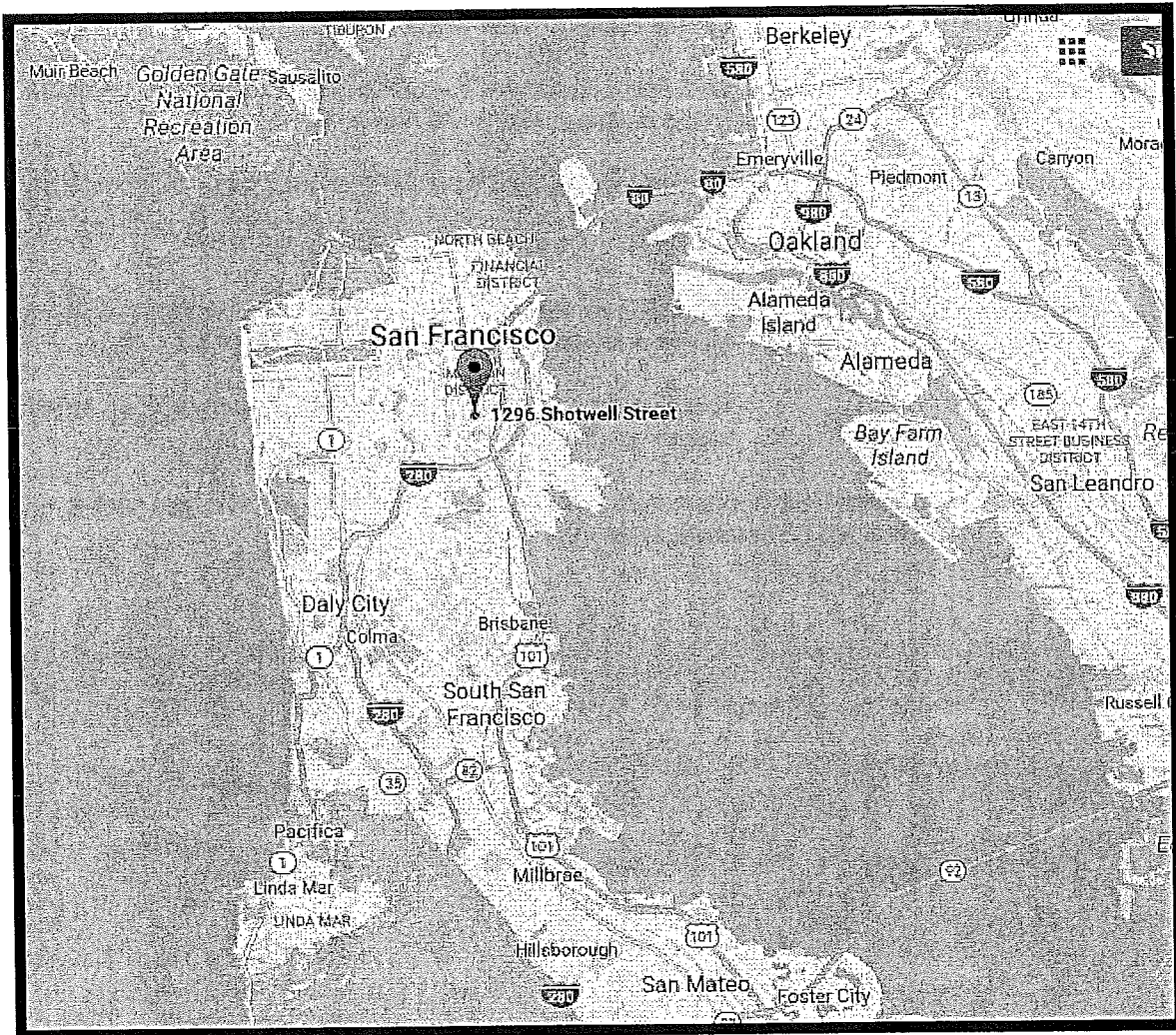
**Zoning Conclusion:** The development described above represents a legally conforming use of the site based on zoning restrictions and requirements (see **Hypothetical Conditions**).

**Site Conclusions:**

The site is functionally adequate for its highest and best use. The reader is directed to the Limiting Conditions section stating that this appraisal assumes the easements noted in the subject's title report are sufficient to develop the site to its highest and best use.

Following is a location map.

**LOCATION MAP**



### **Building Description**

The subject is improved with an old industrial building used for automotive services. The structure will be demolished, hauled away and disposed of in preparation for the proposed construction.

**Potential Improvements:** The subject is being appraised as if vacant, and this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.

When 52,524 gross square feet is divided by the number of dwelling units (65) it equals **808 gross square feet per dwelling unit**. This figure (808 gross square feet / dwelling unit) will be used in our adjustment process when comparing the subject to the sales.

**Unit Description:** It is a hypothetical assumption that there will be 65 dwelling units. Details of the Interior finishes are not available. Following building details are noted.

**Quality/Condition:** The improvements will be *average* or better quality/condition relative to the competitive market, and will be market-rate except for 18% set aside as BMR units.

**Effective Life:** According to *Marshall Valuation Service*, the improvements will have an expected economic life of 55 years.

**Functional Utility:** The subject improvements will exhibit *average* or better functional utility.

**Improvement Conclusion:** The improvements will meet the standard for *average quality* or better apartment units and will be functionally adequate for their use.

## HIGHEST AND BEST USE

Highest and Best Use is defined as, "That reasonable and probable use that will supply the highest present value, as defined, as of the effective date of the appraisal."

Alternatively, highest and best use is defined as, "The use, from among reasonable, probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value."

Highest and Best use is determined by the following.

1. Assuming the site is vacant and available for development and improvement;
2. Defining what improvements could and should be made to existing improvements, if any, to provide the maximum return to the property; and
3. Evaluating which use, among those that are feasible, results in the highest land value. Feasibility requires fit with legal/political constraints (zoning and planning requirements, as well as the political environment), technical constraints (soils, topography, design), linkage constraints (streets, sewers, services, etc.), market constraints (supply, demand, competitive standards), and financial constraints (cost-benefit relationships).

### Highest and Best Use, as Vacant

**Legal:** The site is zoned NCT, Mission Street Neighborhood Commercial Transit District, city of San Francisco. See *Zoning* under Site Description for a discussion of the zoning. This appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area. So this is assumed to be a legal use.

**Physical:** The site is level and at grade with surrounding streets. Overall the subject is physically capable of accommodating all of the legally permissible uses. There are no physical limitations that would preclude the construction of any legal use on the site.

**Financial Feasibility:** Apartment rents support new construction as do prices of new condominiums, so the financially feasible use of the site as if vacant is a residential project.

**Maximally Productive:** The appraisers have concluded that the financially feasible use of the site if vacant is to develop a multifamily complex, so the appraisers conclude that the highest and best use of the site, as if vacant, is to develop a multifamily project to the greatest density allowed.

### Highest & Best Use as Improved

The subject is minimally improved with an automotive service building which contributes less value to the site than the value of the site as if vacant, even considering the cost to remove and dispose of the existing improvements. Therefore the highest and best use as improved is to demolish the existing improvements and develop the site with a multifamily complex.

## **VALUATION METHODOLOGY**

The value of real property is estimated through one or more of three approaches to value - the Cost Approach, the Sales Comparison Approach and the Income Approach.

The Cost Approach incorporates the depreciated cost of improvements, land value as vacant and available for its highest and best use, and an entrepreneurial profit. It is based on the premise that the value of a property would not be greater than the cost of constructing a building of similar utility on a comparable site.

The Sales Comparison Approach incorporates an analysis of sales of similar properties, with adjustments for differences in location, quality, size, tenancy, age, and other characteristics. This approach is based on the principle of substitution, which states that a buyer would not pay more for one property than for another that was equally desirable.

The Income Approach is based on the income generating capabilities of a property. Depending on the actions of the market, a capitalization rate may be applied to net income, or projected net income (including property reversion) over a holding period may be discounted to a present value.

This approach is based on the principle of anticipation, which means that value is created by the expectation of benefits to be derived in the future.

The Sales Comparison Approach is used to estimate the market value of the hypothetical fee simple interest in the subject.

## SALES COMPARISON APPROACH

The Sales Comparison Approach estimates market value from an analysis of recent sales and / or current listings, based on the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an equally suitable substitute property. The Sales Comparison Approach is reliable when an active market produces a sufficient number of comparable sales.

The appraisers have analyzed recent sales of multifamily development land via the Sales Comparison Approach. This appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.

Market value is estimated by direct comparison with similar parcels that have sold, with adjustments made for factors such as location, size and physical attributes. Four sales were selected. The comparables have dates of sale from December 2015 to June 2017. In consideration of appreciation in multifamily land prices, the oldest of the comparables requires upward adjustment for time.

The sales were analyzed on a price per dwelling unit basis and are compared to the subject based on its being entitled for 65 dwelling units with an 18% BMR requirement. Adjustments are estimated based on characteristics including location, number of units, frontage, topography, BMR requirements, the overall size of the project (either expected or approved), density and whether or not the sale had entitlements (the hypothetical assumption is made that the subject has entitlements). The sales had prices ranging from \$175,485 per dwelling unit to \$208,465 per dwelling unit, and range in development size from 103 dwelling units to 205 dwelling units.

The following table summarizes the comparables with a location map on the next page. The analysis relates the comparable sales to the subject. After estimating the subject's value as if the site were ready for development, we subtract the cost to demolish and haul away the existing industrial building and additional disposal costs, estimated at \$290,000 (including a 10% developer's profit estimate on the projected cost).

**COMPARABLE RESIDENTIAL LAND SALES - MARKET RATE**

Address APN	Date	Price Demo Cost	Financing Conditions Entitlements	Sq. Ft. Acreage Units	Frontage Topography Shape SF/Unit (a.)	Zoning % BMR	Price Per Dwelling Unit	Buyer Seller Confirmation
1. 525 Harrison Street 3764-063	Jun-17	\$36,000,000 <u>825,000</u> \$36,825,000	Cash to Seller Arm's Length Yes	13,000 0.30 205	Interior Sloping Trapezoidal 63	RH DTR 12%	<b>\$179,634</b>	Zhuguang Properties LLC (US) MMI / Hines Harrison LLC NDC Data, CoStar, City of SF
2. 88 Arkansas Street 3953-002, 002A	Jan-17	\$26,000,000 <u>475,000</u> \$26,475,000	Cash to Seller Arm's Length Yes	30,000 0.69 127	Corner Level Rectangular 236	UMU 20%	<b>\$208,465</b>	Zhuguang Properties LLC (US) Fifth Historic Properties LLC NDC Data, CoStar, City of SF
3. 2177 Third Street 4045-003, 003B	Dec-16	\$20,000,000 <u>700,000</u> \$20,700,000	Cash to Seller Arm's Length Yes	29,434 0.68 109	Corner Level "L" Shaped 270	UMU 16%	<b>\$189,908</b>	2177 3rd St Prpt Owner Gaehwiler 2000 Trust NDC Data, CoStar, City of SF
4. 950 Tennessee St. 4107-001B	Dec-15	\$17,725,000 <u>350,000</u> \$18,075,000	Cash to Seller Arm's Length No	36,098 0.83 103	2-Street Level Rectangular 350	UMU 33%	<b>\$175,485</b>	TSP Oryx Partners I LLC NAV NDC Data, CoStar, City of SF
<b>S. 1296 Shotwell Street 6571-051</b>	<b>4-Oct-17</b>	<b>\$10,175,000</b>	<b>Cash to Seller Arm's Length Yes</b>	<b>11,672 0.27 65</b>	<b>Interior Level Irregular 180</b>	<b>NCT 18%</b>	<b>\$156,550</b>	

**Comments**

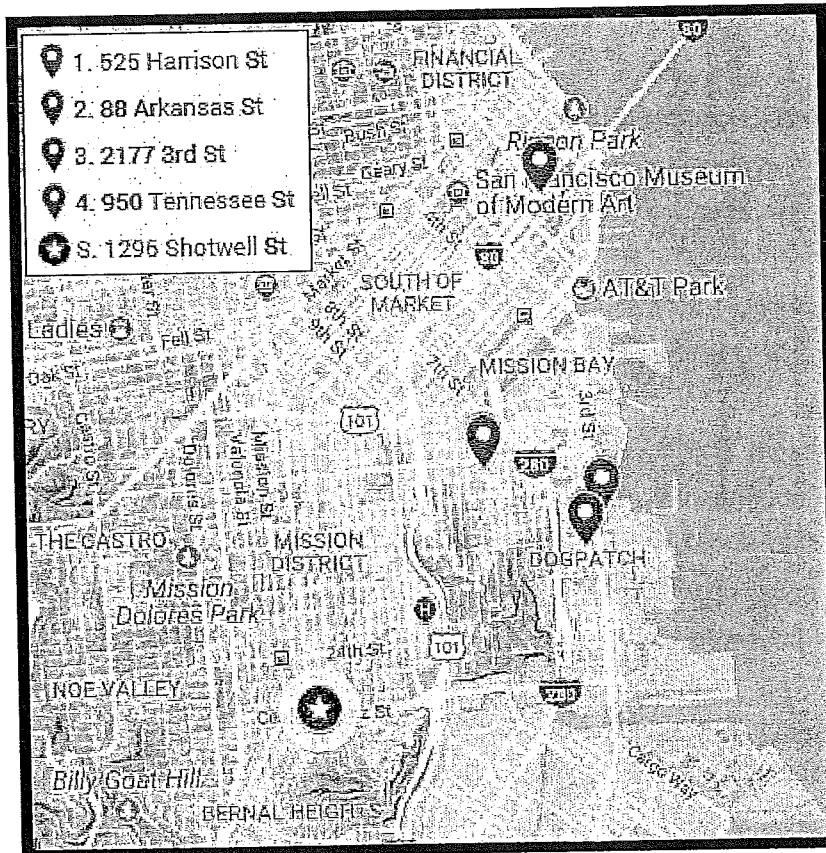
- One:** The project includes demolishing a 27,500-square-foot building and constructing a 23-story 205-unit residential building of 255,468 gross square feet. There will be 164 subterranean stacked parking spaces. The demo / haul-away cost is estimated at \$825,000.
- Two:** The project will demolish the two existing buildings to develop an approximate 143,990-square-foot 5-story mixed-use building with 127 dwelling units and 3,275 square feet of retail space. The residential space will total 111,700 gross square feet. There will also be a subterranean 29,000-square-foot garage providing parking for 98 cars. There will be 25 BMR units.
- Three:** This project will require demolishing two existing commercial buildings to construct two 7-story 109-unit residential buildings with ground floor retail and subterranean parking for 72 cars. The gross above-ground building area will be 135,577 square feet, of which 105,621 usable square feet will be for residential uses and approximately 3,300 square feet will be ground floor retail space.
- Four:** The project includes demolishing a 31,883-square-foot building and constructing a 4-story 103-unit residential building of 99,075 gross square feet. There will be 87 subterranean stacked parking spaces. The demo / haul-away cost is estimated at \$350,000.

**Note**

(a.) Density based on proposed or approved project, expressed as square feet of lot area per unit.



## SALES LOCATION MAP



### Analysis and Adjustments

The comparable sales have been analyzed and adjustments made based on such factors as demolition / other site costs, financing, conditions of sale, market conditions, location, size of the overall building(s), number of dwelling units, views, frontage, topography, density and entitlements.

**Demolition Cost:** Demolition costs are material for all of the sales so each is adjusted accordingly.

**Property Rights Transferred:** All of the comparables are fee simple interests so no adjustments are required.

**Financing:** All of the sales sold cash or cash equivalent so no adjustments are estimated.

**Conditions of Sale:** All sales had adequate time and exposure, so no adjustments are made in this regard.

**Market Conditions:** Apartment land amenable to dense development has experienced significant price appreciation since the 4<sup>th</sup> Quarter of 2010. Hence, an upward adjustment for market conditions has been estimated for Sale Four, a December 2015 sale.

**Location:** The subject is an *average+* location. All of the comparables are estimated to have superior locations, so upward adjustments are estimated for location.

**Gross Building Area:** The larger the entitled or expected to be entitled gross building area per dwelling unit, the more valuable a parcel is, all else being equal (gross building area includes both residential and non-residential areas). All of the sales have entitlements for gross building areas that render more gross square feet per dwelling unit than the subject is assumed to be entitled for and are adjusted downward accordingly.

**Development Size:** Smaller developments (number of units) get premiums compared to larger developments. Smaller properties are economically possible for more developers, providing more competition. But at some point, only a select group of well-capitalized developers can undertake a project, so once the size is great enough to meet this criterion, the project size is not a factor in regard to demand. However, the absorption risk is always greater for large projects, and in volatile economic conditions, absorption times are material. All sales were for projects with more units than the subject so all were adjusted upward for size.

**Views:** Market rate units charge a significant premium for views. Sale One is for a 23-story development so it is adjusted downward for views. The other three sales are similar to the subject in this regard and hence are not adjusted for views.

**Construction Type:** Taller buildings are more expensive to develop per square foot and concrete construction and all-steel construction are more expensive per square foot than wood-frame construction. The proposed improvements will be six-story. Three of the sales are expected to be similar to the subject in height, requiring no adjustment, but Sale One will be 23 stories, so it is adjusted up accordingly.

**Frontage:** The subject has interior frontage. For purposes of comparison, two-street frontage is considered similar to or sometimes superior to corner frontage and three-street frontage is usually better than corner frontage. Corner frontage and multiple-street frontage are almost always superior to interior frontage, and this is particularly true for residential development sites, as these sites enjoy superior access, exposure and light. Three of the sales are adjusted downward for their superior frontage, but Sale One is an interior parcel, similar to the subject, and hence requiring no adjustment.

**Density:** The subject's density of 180 square feet of lot area per dwelling unit is in the higher part of the density range among the subject and the comparables. Lower density is more desirable all else being equal. Three sales are lower density and were adjusted down accordingly while Sale One is much higher density so it was adjusted up accordingly.

**Below-Market Rate (BMR) Units:** The subject is assumed to be 18% affordable (18% of the units will be BMR) and all of the comparables have BMR requirements too, ranging from 12% of the units (Sale One) to 33% of the units (Sale Four). A developer's profit on a project is significantly affected by the BMR percentage, as there is said to be little to no profit on the development of a BMR unit. Hence all of the comparables are adjusted accordingly, Sales One and Three down for lower BMR requirements, while Sales Two and Four are adjusted up for a higher percentage BMR requirement.

**Topography:** The subject and three of the comparables are on level sites, so no adjustments are required for these four. Sale One is on a sloping site so it is adjusted upward to account for higher development costs.

**Entitlements:** The subject is hypothetically assumed to be entitled, as were Sales One, Two and Three, requiring no adjustment, but Sale Four was un-entitled when acquired. Fully entitled properties sell at a premium. Sale Four sold without entitlements, it is adjusted upward.

**“As-Is” Market Value of the Fee Simple Interest:** After adjustment, the sales range from \$125,339 per dwelling unit to \$197,860 per dwelling unit, with a mean adjusted price of \$161,311 per dwelling unit and a median adjusted price of \$161,022 per dwelling unit. The subject would be expected to achieve a sale price near the averages (mean and median) of the sales, estimated at **\$161,000 per dwelling unit.**

Accordingly, the “as-is” market value of the subject’s fee simple interest, as of October 4, 2017 is estimated as 65 units x \$161,000 per unit = \$10,465,000. From this the estimated demo / site cost of \$290,000 is deducted, yielding \$10,175,000. Thus, the estimated value is as follows.

**TEN MILLION ONE HUNDRED SEVENTY FIVE THOUSAND DOLLARS  
(\$10,175,000)**

Marketing and exposure times are estimated at 12 months or less.

The adjustment grid is on the next page.

COMPARABLE LAND SALES ADJUSTMENT GRID					
	Subject 1296 Shotwell Street	One 525 Harrison Street	Two 88 Arkansas Street	Three 2177 Third Street	Four 950 Tennessee St.
Square Feet	11,672	13,000	30,000	29,434	36,098
Units:	65	205	127	109	103
Price		\$36,000,000	\$26,000,000	\$20,000,000	\$17,725,000
Demo / Disposal		\$825,000	\$475,000	\$700,000	\$350,000
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,075,000
Price/Unit:		\$179,634	\$208,465	\$189,908	\$175,485
Prop. Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment:		0.0%	0.0%	0.0%	0.0%
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,075,000
Financing Terms	Conventional	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment		\$0	\$0	\$0	\$0
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,075,000
Condition of Sale	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Adjustment		0.0%	0.0%	0.0%	0.0%
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,075,000
Market Conditions	4-Oct-17	Jun-17	Jan-17	Dec-16	Dec-15
Adjustment		0.0%	0.0%	0.0%	2.5%
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,526,875
Adjusted \$ / Unit		\$179,634	\$208,465	\$189,908	\$179,873
Location	Average+	Above-Avg	Above-Avg	Above-Avg	Above-Avg
Adjustment		-12.5%	-12.5%	-7.5%	-12.5%
Gross Sq.Ft. / Unit	808	1,246	1,134	1,244	962
Adjustment		-25.0%	-20.0%	-25.0%	-10.0%
Units	65	205	127	109	103
Adjustment		15.0%	10.0%	7.5%	7.5%
Views	Average	23-Story	5-Story	7-Story	4-Story
Adjustment		-15.0%	0.0%	0.0%	0.0%
Construction Cost	6 Stories	23-Story	5-Story	7-Story	4-Story
Adjustment		25.0%	0.0%	0.0%	-10.0%
Frontage	Interior	Interior	Comer	Comer	2-Street
Adjustment		0.0%	-2.5%	-2.5%	-5.0%
Density-Land/Unit	180	63	236	270	350
Adjustment		7.5%	-2.5%	-2.5%	-5.0%
BMR	18%	12.0%	20.0%	16%	33%
Adjustment		-12.0%	4.0%	-4.0%	30.0%
Topography	Level	Sloping	Level	Level	Level
Adjustment		7.5%	0.0%	0.0%	0.0%
Entitlements	Yes	Yes	Yes	Yes	No
Adjustment		0.0%	0.0%	0.0%	15.0%
Total Adjustment		-9.5%	-23.5%	-34.0%	10.0%
Adjusted Range		\$162,569	\$159,475	\$125,339	\$197,860

**FINAL VALUE RECONCILIATION**

The Sales Comparison Approach was used to estimate the hypothetical “as is” market value of the fee simple interest in the subject. Following is a brief discussion.

<b>Sales Comparison Approach “As Is”</b>	<b>\$10,175,000</b>
--	---------------------

We used four land sales of residential development sites that met acceptable parameters. The appraisers analyzed the comparables on a price per dwelling unit basis. The Sales Comparison Approach is the analysis technique used for vacant land, and this approach is considered reliable.

Therefore, it is our opinion that the hypothetical “as-is” market value of the fee simple interest in the subject, as of October 4, 2017 is as follows.

**TEN MILLION ONE HUNDRED SEVENTY FIV THOUSAND DOLLARS  
(\$10,175,000)**

Marketing and exposure times are estimated at 12 months or less.

**SUBJECT & NEIGHBORHOOD  
PHOTOGRAPHS**

**SUBJECT & NEIGHBORHOOD**  
**PHOTOGRAPHS**



**View of Subject from the Southeast**

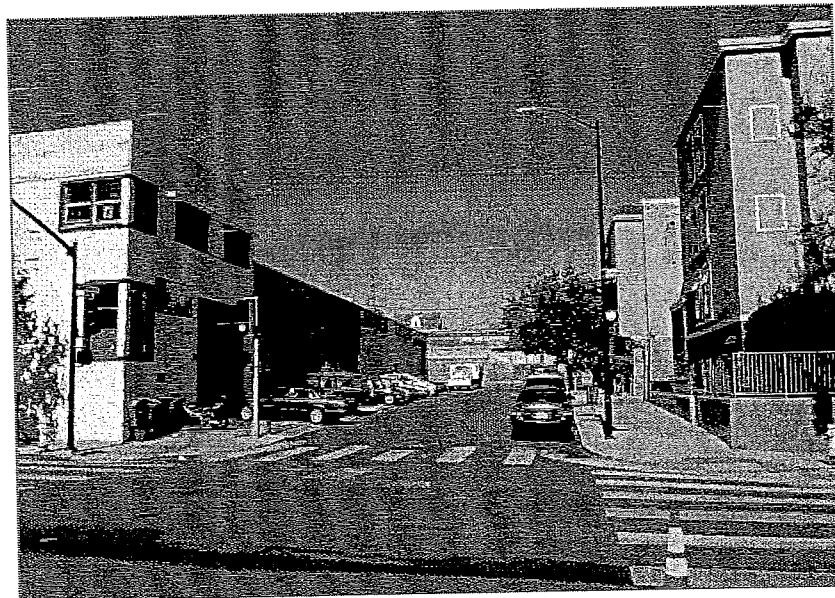


**View of Subject from the Northeast**





Aerial View of Subject



Shotwell Street Looking North



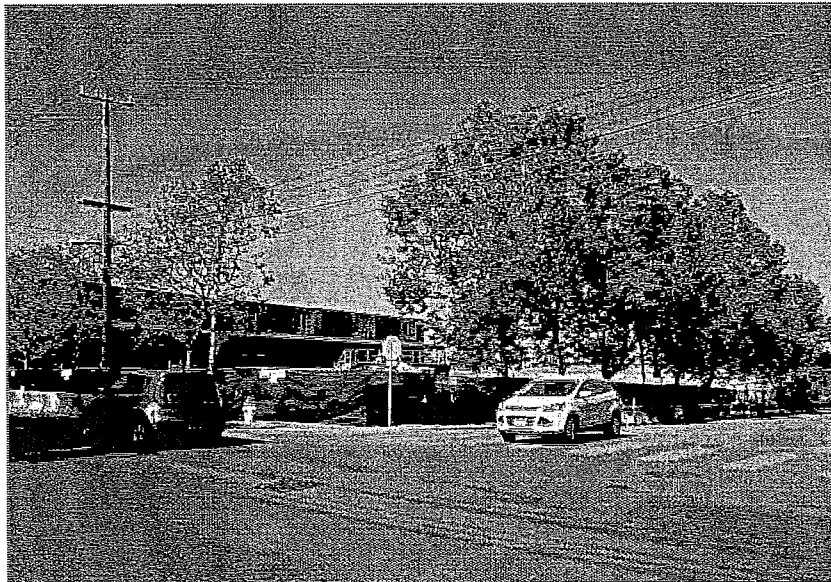
**Shotwell Street Looking South**

**SALES COMPARABLES  
PHOTOGRAPHS**

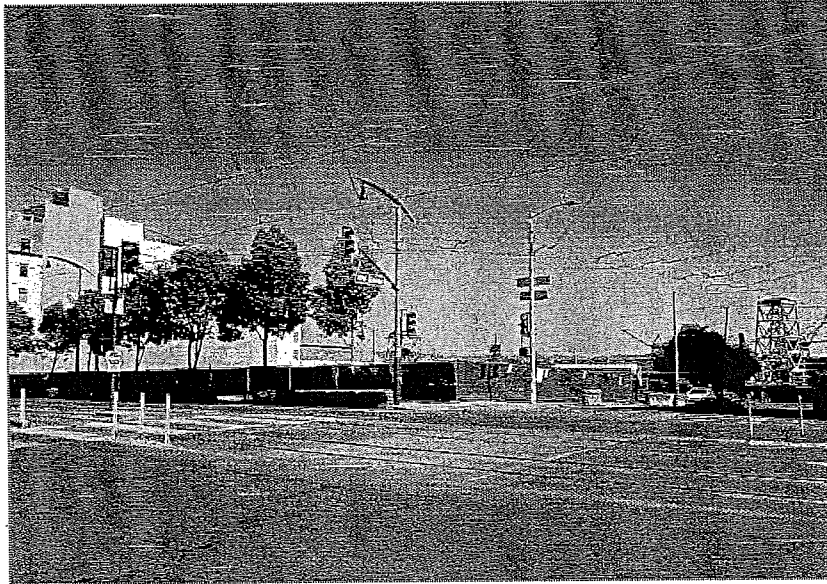
**COMPARABLE SALES**



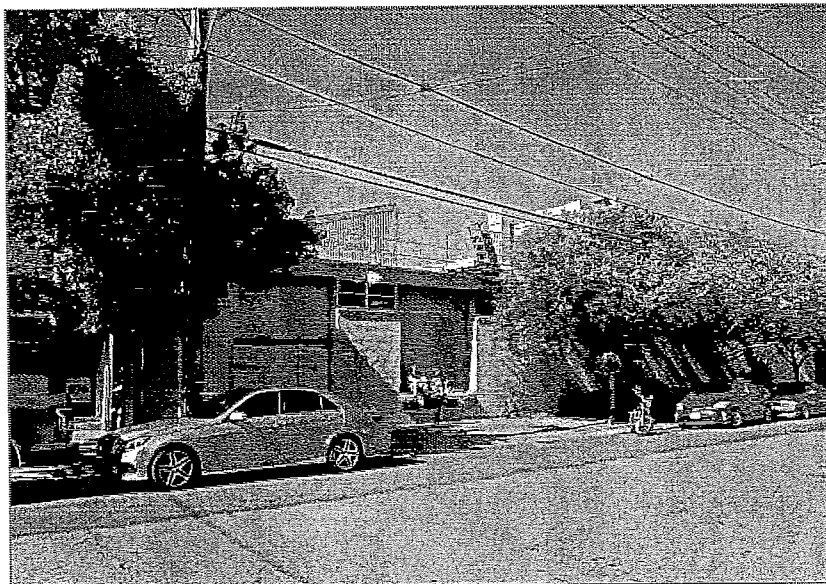
**Sale No. 1—525 Harrison Street**



**Sale No. 2—88 Arkansas Street**



**Sale No. 3—2177 3rd Street**



**Sale No. 4—950 Tennessee Street**

**CERTIFICATIONS**

## CERTIFICATION

I certify to the best of my knowledge and belief, ...

- the statements of fact contained in this appraisal report are true and correct.
- the reported appraisal analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinion, and conclusions were developed, and this report has been prepared, in conformity with Uniform Standards of Professional Appraisal Practice.
- Walter L. Ricci has made a personal inspection of the property that is the subject of this appraisal report.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the 3 year period immediately preceding acceptance of this assignment.
- David Howard, CRE provided significant professional assistance to the person signing this report.
- as of the date of this report, Walter L. Ricci, MAI, CCIM has completed the continuing education requirements of the Appraisal Institute.



\_\_\_\_\_  
**Walter L. Ricci, MAI, CCIM**  
**Certified General Appraiser**  
**California Certificate #AG009489**

11/06/2017

**Date:** \_\_\_\_\_

**QUALIFICATIONS**



## QUALIFICATIONS OF WALTER L. RICCI, MAI, CCIM

### Professional Experience

**Hamilton, Ricci & Associates, Inc.**, San Francisco, California (1986). Provide appraisal and consultation services for a variety of improved and vacant real estate products.

#### **Appraisal**

Various residential and income producing properties, both existing and proposed, including commercial, industrial, office buildings, apartments, shopping centers, motels, subdivisions, mixed use properties, parking garages, low income housing tax credit apartments, congregate care facilities, cold-storage facilities, trade centers, conversions, rehabilitations, and restaurants. Appraisals have been prepared for investment, disposition, mortgage lending, loan workout, condemnation, and litigation support purposes.

#### **Consultation**

Syndication, mortgage financing, acquisitions, dispositions, competitive product analysis, highest and best use studies, project feasibility, market rent surveys, and lease negotiations.

#### **Expert Testimony/Arbitration**

Qualified as an expert witness in the Superior Courts of San Francisco County, Alameda County, Marin County, Santa Clara County, Contra Costa County, San Mateo County, Napa County, San Joaquin County, Placer County and Federal District Court for the Northern District of California, Federal Bankruptcy Court, American Arbitration Association, San Francisco and Sacramento JAMS, ADR and the City and County of San Francisco and Marin County Assessment Appeals Board. Litigation assignments for both plaintiffs and defendants include eminent domain, construction defects, title work, toxic contamination, and partial interest analysis. Arbitration assignments include fair market rent and fair market value determinations.

#### **Speaking Engagements**

Appraising Low Income Housing Tax Credit Apartments  
Developers Tax Credit Conference, Sheraton Palace Hotel, San Francisco, CA  
September 29, 1994

### Education

B.S. Business Administration, Finance  
San Diego State University, May 1986

### Certification

Certified General Appraiser in State of California through May 21, 2019. Appraiser No. AG9489.

### Professional Associations and Memberships

Member: Appraisal Institute (#9547)  
Member: Commercial Investment Real Estate Institute  
The San Francisco Apartment Association

**ORDER NO. : 0224039630**

**EXHIBIT A**

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

Parcel A as shown on the map of Parcel Map 7207 filed April 25, 2013, Book 48 of Parcel Maps, Pages 130 and 131, San Francisco County Records.

Being a portion of Mission Block No. 200.

Assessor's Lot 051; Block 6571



601 California Street, Suite 900  
San Francisco, CA 94108  
(415) 421-9770 Fax: (415) 788-4237

## PRELIMINARY REPORT

FIRST UPDATED REPORT

CCDC  
2301 MISSION STREET, SUITE 300  
SAN FRANCISCO, CA 94110

Our Order Number 0224039630-KN

When Replying Please Contact:

Buyer:  
MEDA AND CCDC

Kathy Nerud  
KNerud@ortc.com  
(415) 421-9770

Property Address:

1296 Shotwell Street, San Francisco, CA 94110

In response to the above referenced application for a policy of title insurance, OLD REPUBLIC TITLE COMPANY, as issuing Agent of Old Republic National Title Insurance Company, hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said Policy or Policies are set forth in Exhibit I attached. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the Homeowner's Policy of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit I. Copies of the Policy forms should be read. They are available from the office which issued this report.

**Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit I of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.**

**It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.**

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of August 18, 2017, at 7:30 AM

**OLD REPUBLIC TITLE COMPANY**  
For Exceptions Shown or Referred to, See Attached

Page 1 of 5 Pages

OLD REPUBLIC TITLE COMPANY  
ORDER NO. 0224039630-KN  
FIRST UPDATED REPORT

The form of policy of title insurance contemplated by this report is:

CLTA Standard Coverage Policy -1990; AND ALTA Loan Policy - 2006. A specific request should be made if another form or additional coverage is desired.

The estate or interest in the land hereinafter described or referred or covered by this Report is:

Fee

Title to said estate or interest at the date hereof is vested in:

City and County of San Francisco, a municipal corporation

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

Parcel A as shown on the map of Parcel Map 7207 filed April 25, 2013, Book 48 of Parcel Maps, Pages 130 and 131, San Francisco County Records.

Being a portion of Mission Block No. 200.

Assessor's Lot 051; Block 6571

At the date hereof exceptions to coverage in addition to the Exceptions and Exclusions in said policy form would be as follows:

1. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, a lien, but not yet due or payable.
  
2. Taxes and assessments, general and special, for the fiscal year 2016 - 2017, as follows:  

Assessor's Parcel No	:	LOT 051; BLOCK 6571	
Bill No.	:	181990	
Code No.	:	01-000	
1st Installment	:	\$0.00 NO TAXES DUE	NOT Marked Paid
2nd Installment	:	\$0.00 NO TAXES DUE	NOT Marked Paid
  
3. Intentionally Deleted
  
4. Intentionally Deleted
  
5. Intentionally Deleted

OLD REPUBLIC TITLE COMPANY  
ORDER NO. 0224039630-KN  
FIRST UPDATED REPORT

6. Said property having been declared tax defaulted for non-payment of delinquent taxes for the fiscal year 2015 - 2016, and subsequent delinquencies

Amount to redeem by September 30, 2017, for the above stated year (and subsequent years, if any) is \$557.49.

and by October 31, 2017 : is \$562.67  
and by November 30, 2017 : is \$567.85

Default No. : 02763

7. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Section 75, et seq., of the Revenue and Taxation Code of the State of California.

8. The herein described property lying within the proposed boundaries of the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing), as follows:

District No. : 2009-1  
For : San Francisco Sustainable Financing  
Disclosed by : Map filed December 7, 2009, in Book 1 of Maps of Assessment and Community Facilities Districts, Page 33.

9. Conditions contained and/or referred to in an instrument,

Entitled : Notice of Special Restrictions under the City Planning Code  
By : City and County of San Francisco  
Dated : June 10, 2013  
Recorded : June 11, 2013 in Official Records under Recorder's Serial Number 2013-J682150

Note: Reference is made to said instrument for full particulars.

OLD REPUBLIC TITLE COMPANY  
**ORDER NO. 0224039630-KN**  
FIRST UPDATED REPORT

10. Conditions contained and/or referred to in an instrument,

Entitled : Notice of Special Restrictions Under the Planning Code  
By : City and County of San Francisco, a municipal corporation  
Recorded : December 30, 2016 in Official Records under Recorder's Serial  
Number 2016-K389817-00

Said restrictions consist of conditions attached to the 100% Affordable Housing Bonus Program Authorization Application No. 2015-018056AHB) approved by the Planning Commission of the City and County of San Francisco on December 1, 2016, as set forth in Planning Commission Motion No. 19804.

Note: Reference is made to said instrument for full particulars.

11. Any unrecorded and subsisting leases.

12. The requirement that the Company be provided with a copy of the "rent roll" and "tenant estoppel certificates" for its review.

The Company may have different and/or additional requirements after its review.

13. The requirement that satisfactory evidence be furnished to this Company of compliance with applicable statutes, ordinances and charters governing the ownership and disposition of the herein described land.

14. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.

15. The requirement that this Company be provided with a suitable Owner's Declaration (form ORT 174). The Company reserves the right to make additional exceptions and/or requirements upon review of the Owner's Declaration.

16. The requirement that this Company be provided with an opportunity to inspect the land (the Company reserves the right to make additional exceptions and/or requirements upon completion of its inspection).

OLD REPUBLIC TITLE COMPANY  
ORDER NO. 0224039630-KN  
FIRST UPDATED REPORT

----- Informational Notes -----

A. The applicable rate(s) for the policy(s) being offered by this report or commitment appears to be section(s) 1.1 and 2.1.

B. The above numbered report (including any supplements or amendments thereto) is hereby modified and/or supplemented to reflect the following additional items relating to the issuance of an American Land Title Association loan form policy:

NONE

NOTE: Our investigation has been completed and there is located on said land a commercial building known as 1296 Shotwell Street, San Francisco, CA 94110.

The ALTA loan policy, when issued, will contain the CLTA 100 Endorsement and 116 series Endorsement.

Unless shown elsewhere in the body of this report, there appear of record no transfers or agreements to transfer the land described herein within the last three years prior to the date hereof, except as follows:

Grant Deed executed by Thomas F. Murphy and Martina Murphy, Trustees of the Murphy Trust UDT dated October 3, 2003 to 2558 Mission LLC, a California limited liability company recorded June 11, 2013 in Official Records under Recorder's Serial Number 2013-J682148.

Grant Deed executed by 2558 Mission LLC, a California limited liability company to City and County of San Francisco, a municipal corporation recorded June 11, 2013 in Official Records under Recorder's Serial Number 2013-J682149.

C. All transactions that close on or after March 1, 2015 will include a \$20.00 minimum recording service fee, plus actual charges required by the County Recorder.

O.N.

**CALIFORNIA LAND TITLE ASSOCIATION  
STANDARD COVERAGE POLICY - 1990  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.-  
  
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy; or
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

**EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments Which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.  
  
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims Which are not shown by the public records but which could be ascertained by an inspection of the land which may be asserted by persons in possession thereof,
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.



**AMERICAN LAND TITLE ASSOCIATION  
LOAN POLICY OF TITLE INSURANCE - 2006  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations.This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
  - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
  - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
  - (c) resulting in no loss or damage to the Insured Claimant;
  - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
  - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
  - (a) a fraudulent conveyance or fraudulent transfer, or
  - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

**EXCEPTIONS FROM COVERAGE – SCHEDULE B, PART 1, SECTION ONE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments; or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.



**WHAT DOES OLD REPUBLIC TITLE  
DO WITH YOUR PERSONAL INFORMATION?**

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Social Security number and employment information</li> <li>• Mortgage rates and payments and account balances</li> <li>• Checking account information and wire transfer instructions</li> </ul> <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p>
<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Old Republic Title chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Old Republic Title share?	Can you limit this sharing?
<b>For our everyday business purposes</b> — such as to process your transactions, maintain your account(s), or respond to court orders and legal investigations, or report to credit bureaus	<b>Yes</b>	<b>No</b>
<b>For our marketing purposes</b> — to offer our products and services to you	<b>No</b>	<b>We don't share</b>
<b>For joint marketing with other financial companies</b>	<b>No</b>	<b>We don't share</b>
<b>For our affiliates' everyday business purposes</b> — information about your transactions and experiences	<b>Yes</b>	<b>No</b>
<b>For our affiliates' everyday business purposes</b> — information about your creditworthiness	<b>No</b>	<b>We don't share</b>
<b>For our affiliates to market to you</b>	<b>No</b>	<b>We don't share</b>
<b>For non-affiliates to market to you</b>	<b>No</b>	<b>We don't share</b>

Go to [www.oldrepublictitle.com](http://www.oldrepublictitle.com) (Contact Us)

Who we are	
Who is providing this notice?	Companies with an Old Republic Title name and other affiliates. Please see below for a list of affiliates.

What we do	
How does Old Republic Title protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. For more information, visit <a href="http://www.OldRepublicTitle.com/newnational/Contact/privacy">http://www.OldRepublicTitle.com/newnational/Contact/privacy</a> .
How does Old Republic Title collect my personal information?	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> <li>• Give us your contact information or show your driver's license</li> <li>• Show your government-issued ID or provide your mortgage information</li> <li>• Make a wire transfer</li> </ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>• Sharing for affiliates' everyday business purposes - information about your creditworthiness</li> <li>• Affiliates from using your information to market to you</li> <li>• Sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing. See the "Other important information" section below for your rights under state law.</p>

Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>Our affiliates include companies with an Old Republic Title name, and financial companies such as Attorneys' Title Fund Services, LLC, Lex Terrae National Title Services, Inc., Mississippi Valley Title Services Company, and The Title Company of North Carolina.</i></li> </ul>
Non-affiliates	<p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> <li>• <i>Old Republic Title does not share with non-affiliates so they can market to you</i></li> </ul>
Joint marketing	<p>A formal agreement between non-affiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• <i>Old Republic Title doesn't jointly market.</i></li> </ul>

**Other Important Information**

Oregon residents only: We are providing you this notice under state law. We may share your personal information (described on page one) obtained from you or others with non-affiliate service providers with whom we contract, such as notaries and delivery services, in order to process your transactions. You may see what personal information we have collected about you in connection with your transaction (other than personal information related to a claim or legal proceeding). To see your information, please click on "Contact Us" at [www.oldrepublictitle.com](http://www.oldrepublictitle.com) and submit your written request to the Legal Department. You may see and copy the information at our office or ask us to mail you a copy for a reasonable fee. If you think any information is wrong, you may submit a written request online to correct or delete it. We will let you know what actions we take. If you do not agree with our actions, you may send us a statement.

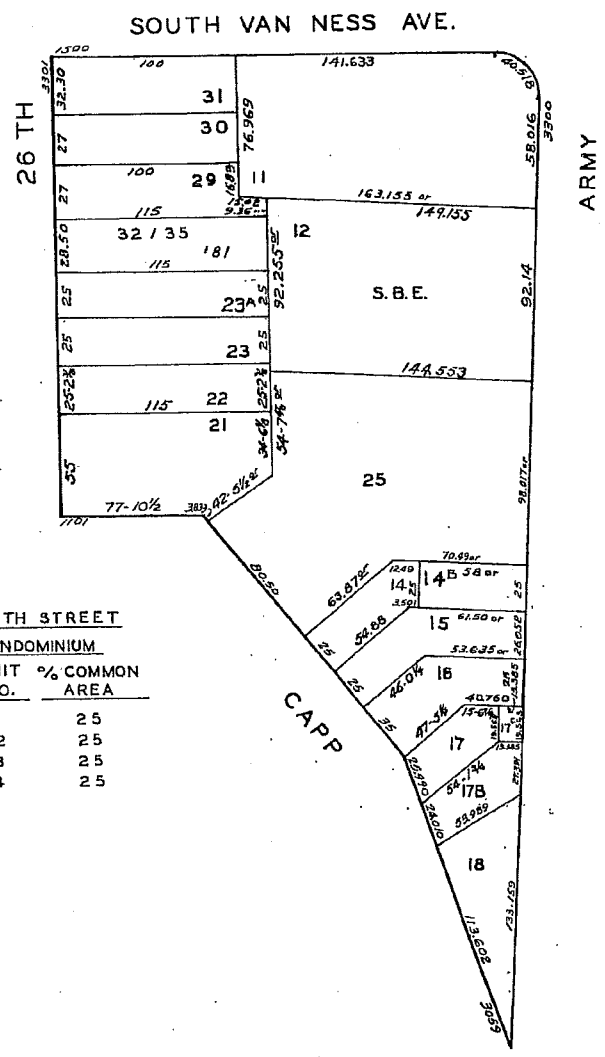
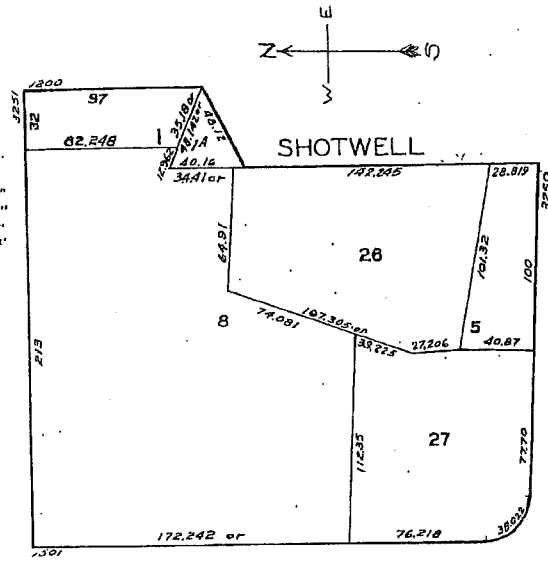
**Affiliates Who May be Delivering This Notice**

American First Abstract, LLC	American First Title & Trust Company	American Guaranty Title Insurance Company	Attorneys' Title Fund Services, LLC	Compass Abstract, Inc.
eRecording Partners Network, LLC	Genesis Abstract, LLC	Kansas City Management Group, LLC	L.T. Service Corp.	Lenders Inspection Company
Lex Terrae National Title Services, Inc.	Lex Terrae, Ltd.	Mara Escrow Company	Mississippi Valley Title Services Company	National Title Agent's Services Company
Old Republic Branch Information Services, Inc.	Old Republic Diversified Services, Inc.	Old Republic Exchange Company	Old Republic National Title Insurance Company	Old Republic Title and Escrow of Hawaii, Ltd.
Old Republic Title Co.	Old Republic Title Company of Conroe	Old Republic Title Company of Indiana	Old Republic Title Company of Nevada	Old Republic Title Company of Oklahoma
Old Republic Title Company of Oregon	Old Republic Title Company of St. Louis	Old Republic Title Company of Tennessee	Old Republic Title Information Concepts	Old Republic Title Insurance Agency, Inc.
Old Republic Title, Ltd.	Republic Abstract & Settlement, LLC	Sentry Abstract Company	The Title Company of North Carolina	Title Services, LLC
Trident Land Transfer Company, LLC				

6571

MISSION BLKS 199 & 200  
& HILLS MAP OF PVL  
REVISED 1961  
" '66  
" '74  
" '79  
" '81

**LOTS MERGED**  
Lot 10 Merged into Lot 7 '42  
Lot 5A Merged into Lot 7 '45  
" 10A " " 11 '38"  
" 8-24-25 " " 2-7/8 '49"  
" 6-12-12-19-19-11-16-17-14-19-20 - 57 '54  
" 7-14 " " 2 '54  
7 '54



**3321-26TH STREET**  
**A CONDOMINIUM**

LOT NO.	UNIT NO.	% COMMON AREA
32	1	25
33	2	25
34	3	25
35	4	25



# SAN FRANCISCO PLANNING DEPARTMENT

## General Plan Referral

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

Reception:  
**415.558.6378**

Fax:  
**415.558.6409**

Planning  
Information:  
**415.558.6377**

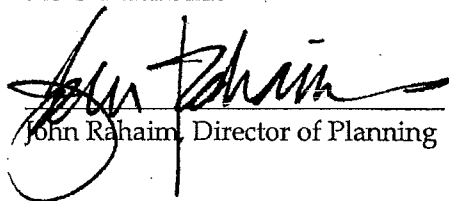
*Date:* March 20, 2017  
*Case No.* Case No. 2016-015994GPR  
**Lease of 1296 Shotwell Street for Use by the Mayor's Office  
of Housing & Community Development**

*Block/Lot No.:* 6571/051  
*Project Sponsor:* Sara Amaral, Project Manager  
Mayor's Office of Housing & Community Development  
1 S. Van Ness, 5<sup>th</sup> Floor  
San Francisco, CA 94103

*Applicant:* Same as Above

*Staff Contact:* Cassie Hoeprich – 415-575-9057  
*cassie.hoeprich@sfgov.org*

*Recommendation:* Finding the project, on balance, is in conformity with  
the General Plan

*Recommended  
By:*   
John Rahaim, Director of Planning

### PROJECT DESCRIPTION

The Project is the City's proposed lease of a parcel located at 1296 Shotwell Street that is currently owned by the City and County of San Francisco for affordable housing development. If the Project is approved, the Mayor's Office on Housing & Community Development will demolish the existing 10,700-square-foot, one-story industrial/PDR building and construct a new nine-story, 85-foot-tall multi-unit affordable senior housing building with 94 units, including units for formerly homeless seniors. The proposed dwelling units would include six studios and 13 one-bedroom units for formerly homeless seniors at or below the 20% Annual Medium Income (AMI) and 18 studios and 56 one-bedroom units for seniors at or below the 50% AMI. The proposed new building would include ground floor community spaces and no off-street parking. The submittal is for a General Plan Referral to recommend whether the Project is in conformity with the General Plan, pursuant to Section 4.105 of the Charter, and Section 2A.52 and 2A.53 of the Administrative Code.

## ENVIRONMENTAL REVIEW

The effects of the project were fully reviewed under the Eastern Neighborhoods Area Plan EIR certified by the San Francisco Planning Commission on 8/7/08, by Motion No. 17661. On 6/24/14, the project was determined to be consistent with the Eastern Neighborhoods Area Plan EIR and exempt from environmental review per CEQA Guidelines Section 15183 (Planning Case No. 2010.0043E). On February 14, 2017, the Board of Supervisors affirmed the determination that the infill project at 1296 Shotwell Street is eligible for streamlined environmental review under the California Environmental Quality Act (File No 170025).

## GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

As described below, the Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 and is on balance, **in-conformity** with the following Objectives and Policies of the General Plan:

**Note:** General Plan Objectives and Policies are in **bold font**; General Plan text is in regular font. Staff comments are in *italic font*.

### Housing Element

#### OBJECTIVE 1

**IDENTIFY AND MAKE AVAILABLE FOR DEVELOPMENT ADEQUATE SITES TO MEET THE CITY'S HOUSING NEEDS, ESPECIALLY PERMANENTLY AFFORDABLE HOUSING.**

#### POLICY 1.8

**Promote mixed use development, and include housing, particularly permanently affordable housing, in new commercial, institutional or other single use development projects.**

*The proposed property transfer would allow for the construction of affordable housing and will include ground floor community room for neighborhood serving purposes.*

#### POLICY 1.10

**Support new housing projects, especially affordable housing, where households can easily rely on public transportation, walking and bicycling for the majority of daily trips.**

*The proposed property is located in a transit-rich, walkable, and bike-friendly neighborhood. The Project Site is located within ¼ mile of the 12, 14, 14R, 27, 36, 49 and 67 bus lines. In addition, the Project Site is within half a mile of the 24<sup>th</sup> Street and Mission BART Station.*

#### OBJECTIVE 4

**FOSTER A HOUSING STOCK THAT MEETS THE NEEDS OF ALL RESIDENTS ACROSS LIFECYCLES.**

**POLICY 4.4**

**Encourage sufficient and suitable rental housing opportunities, emphasizing permanently affordable rental units wherever possible.**

*The proposed property transfer will allow the demolition of the existing one-story industrial/PDR building and the construction of a new nine-story, 85-foot-tall multi-unit affordable senior housing building with 94 units, including units for formerly homeless seniors.*

**OBJECTIVE 3.1**

**ESTABLISH PARKING STANDARDS AND CONTROLS THAT PROMOTE QUALITY OF PLACE, AFFORDABLE HOUSING, AND TRANSIT-ORIENTED DEVELOPMENT.**

**POLICY 3.1.1**

**Provide flexibility for new residential development by eliminating minimum off-street parking requirements and establishing reasonable parking caps.**

**POLICY 3.1.2**

**Provide flexibility for non-residential development by eliminating minimum off-street parking requirements and establishing parking caps generally equal to the previous minimum requirements.**

*The proposed project will include no off-street parking and no curb cuts except for the loading zone in front of the lobby doors along Shotwell Street and will include 28 bicycle parking spaces, possibly a handicap spot.*

**OBJECTIVE 4.5**

**PROVIDE INCREASED HOUSING OPPORTUNITIES AFFORDABLE TO A MIX OF HOUSEHOLDS AT VARYING INCOME LEVELS.**

**POLICY 4.5.1**

**Give first consideration to the development of affordable housing on publicly-owned sites.**

*The proposed property transfer will allow for the construction of a new 100% affordable housing development for seniors. Six of the 24 studios and 13 of the 69 one-bedroom units will be allocated for formerly homeless seniors at or below the 20% Average Medium Income (AMI). 18 of the 24 studios and 56 of the 69 one-bedroom units will be allocated for seniors at or below the 50% AMI.*



**PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1**

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

**Eight Priority Policies Findings**

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

*The proposed property transfer will not negatively affect existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses. The new development will, however, provide new affordable housing for residents who may support such businesses in the surrounding area and will also create new space for ground floor commercial uses.*

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

*No housing exists on the Project Site. The proposed property transfer would create 94 affordable housing units and will help preserve the cultural and economic diversity of the neighborhood.*

3. That the City's supply of affordable housing be preserved and enhanced.

*The Project will increase the stock of 100% affordable housing for low-income seniors in the City.*

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

*The Project would not result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking.*

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

*An automotive service and repair shop and warehouse are currently at the site. The project sponsor hired a relocation consultant to assist the businesses relocation before construction begins.*

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

*The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake.*

7. That landmarks and historic buildings be preserved.

*The proposed property transfer will not affect landmarks or historic buildings.*

8. That our parks and open space and their access to sunlight and vistas be protected from development.

*The Project would have no adverse effect on parks and open space or their access to sunlight and vista.*

<b>RECOMMENDATION:</b>	<b>Finding the Project, on balance, in-conformity with the General Plan</b>
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Mayor's Office of Housing and Community Development  
City and County of San Francisco



Edwin M. Lee  
Mayor

Kate Hartley  
Acting Director

November 8, 2017

Angela Calvillo, Clerk of the Board  
Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102

RE: 1296 Shotwell – Ground Lease

Dear Ms. Calvillo:

Attached, please find an original and a black and white copy of the proposed resolution for the Board of Supervisors Ground Lease approval for 1296 Shotwell Senior Housing. The following is a list of accompanying documents:

Ground Lease  
Ethics Form  
Resolution  
Ground Lease  
General Plan Referral  
Appraisal  
Preliminary Title Report

Please contact Sara Amaral, MOHCD Project Manager, regarding this matter at 415-701-5614 or [sara.amaral@sfgov.org](mailto:sara.amaral@sfgov.org)

Regards,

A handwritten signature in black ink, appearing to read "Dan Adams".

Dan Adams  
Deputy Director

Print Form

# Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED  
 BOARD OF SUPERVISORS  
 SAN FRANCISCO  
 2017 NOV 14 PM 12:30  
 Time stamp  
 or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [ ] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. [ ]
- 9. Reactivate File No. [ ]
- 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.**

Sponsor(s):

Ronen

Subject:

Ground Lease - 1296 Shotwell Housing, L.P. - 1296 Shotwell Street - \$15,000 annual base rent

The text is listed:

Resolution approving and authorizing a long term Ground Lease with 1296 Shotwell Housing, L. P., on City owned land at 1296 Shotwell Street ("Property") for 75 years with a 24 year extension option, and with an annual based rent of \$15,000, in order to construct a 100% affordable, 94-unit multifamily rental housing development for low-income seniors and formally homeless seniors ("Project"), (2) adopting findings that the Ground Lease is consistent with the California Environmental Quality Act, the City's General Plan, and the priority policies of Planning Code Section 101.1; and (3) authorizing and the Director of Property and Acting Director of MOHCD to execute documents, make certain modifications, and take certain actions in furtherance of this Resolution.

Signature of Sponsoring Supervisor: 

For Clerk's Use Only

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

**City Elective Officer Information** *(Please print clearly.)*

Name of City elective officer(s):

**Member, Board of Supervisors**

City elective office(s) held:

**Member, Board of Supervisors****Contractor Information** *(Please print clearly.)*

Name of contractor:

**1296 Shotwell Housing L.P., a California Limited Partnership**

*Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.*

The borrowing entity for the 1296 Shotwell Affordable Housing Project is 1296 Shotwell Housing, L.P., a California limited partnership. 1296 Shotwell Housing, L.P. has no employees and decisions are made by its co-general partners, CCDC 1296 Shotwell LLC, a California Limited Liability Corporation, with sole manager, Chinatown Community Development Center (Chinatown CDC); and MEDA 1296 Shotwell LLC, a California limited liability company, with sole manager, Mission Economic Development Agency (MEDA).

Please see the below Board list to comply with request #1. Additionally, the contractor's chief executive officer, chief financial officer and deputy directors are Chinatown CDC's and MEDA's governing officers as the result of 1296 Shotwell Housing, L.P.'s relationship to Chinatown CDC and MEDA.

**Chinatown CDC Board of Directors:**

Calloway, Pamela

Chin, Gregory (Board Treasurer)

Chin, Philip (Board Chair)

Craig, Cathy

Darmawi, Fay

Ellington, Theo

Fong, Mark

Golvin, Benjamin

Jew, Clayton

Kyo, Jessica

Leadbetter, Julie

Lee, Winston (Board Secretary)

Lim, Tommy

Lin, Barbara

Louie, Michael

McCray, James

Nguyen, James

Poe, Irma

Ruiz, Santiago

Tse, Janet Lee

Tse, Nigel

Wong, Susan

Wu, Jade

Yan, Calvin

Zhang, Mary

Zheng, Eddy

Zoubi, Fady

