File No. 111132

Committee Item No.
Board Item No. 15

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee _____ Date _____

Board of Supervisors Meeting Date November 15, 2011

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OTHER (Use back side if additional space is needed)

☐ ☐ _____
☐ ☐ _____
☐ ☐ _____

Completed by: Joy Lamug Date November 10, 2011
Completed by: _____ Date _____

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

[Ground Lease - Redevelopment Agency Land - 474 Natoma Street]

Resolution approving and authorizing the Redevelopment Agency of the City and County of San Francisco to execute a lease of land at 474 Natoma, Assesor's Block no. 3725, Lot no. 101, to 474 Natoma, LLC, a California limited liability company, an affiliate of BRIDGE Housing Corporation, a California nonprofit public benefit corporation, for 75 years, with an option to extend for 24 years, for the purpose of providing housing for very low-income households.

WHEREAS, The Agency and the City desire to increase the City's supply of affordable housing by encouraging the construction of affordable housing through financial and other forms of assistance; and

WHEREAS, The BRIDGE Housing Corporation (BRIDGE) applied to the Agency for a tax increment loan in the amount of $15,470,713 for the ground lease and construction of a 60-unit affordable rental housing development located at 474 Natoma Street, currently described as the Natoma Family Apartments (Project), located at 474 Natoma Street, Assessor's Block no. 3725, Lot no. 101 (Property); and

WHEREAS, 474 Natoma, LLC, a California limited liability company (Tenant), is an affiliate of BRIDGE Housing Corporation, a California nonprofit public benefit corporation, and desires to enter into a ground lease with the Agency; and

WHEREAS, the Agency issued a Request for Proposals (RFP) for 474 Natoma in December 2006, and an evaluation panel comprised of seven members unanimously rated the proposal submitted by BRIDGE the highest. The Commission simultaneously authorized a predevelopment loan in the amount of $2,600,000. On August 21 2007, site control was obtained when the Agency Commission authorized an Exclusive Negotiations

Agreement with BRIDGE for development of the Project. On April 19, 2011, the Commission authorized an additional tax increment loan agreement funds in an amount not to exceed $12,870,713 for a total aggregate amount not to exceed $15,470,713; and

WHEREAS, The Agency has proposed a long-term ground lease agreement (Ground Lease) with the Tenant to allow for the construction and operation of the improvements at the Property while allowing the Agency to ensure that the affordability of the housing is maintained over the long term; and

WHEREAS, The construction plan will provide for the development of 60 units at 474 Natoma Street with approximately 73,600 gross square feet, comprised of seven studio units, 28 one-bedroom units, 18 two-bedroom units and seven three-bedroom units; and

WHEREAS, The long-term financing plan for the Project includes the leveraging of Agency funds that will pay for a portion of the development costs, through successful financial applications for construction and permanent funding from a commercial lender acceptable to the Agency, Tax Exempt Bond Financing, California Tax Credit Equity, and General Partner Equity. The Tenant anticipates that the Project will be completed and occupied in 2014; and

WHEREAS, The Agency and the Tenant have entered into the Ground Lease, in which the Agency will lease the Property is 10% of the fair market value of $3,300,000 for a lease payment of $330,000 per year, in exchange for the Tenant's agreement, among other things, to operate the Project with rent levels affordable to Very Low-Income Households, provided, however, that notwithstanding any other provision of the Ground Lease, the Annual Rent shall accrue, of which $15,000 is due and payable each year for the first fifteen years. The base rent is to be reset every 15 years based on reappraisal. The remainder of each annual lease shall be payable to the extent the Project's annual operation income exceeds annual operating expenses, required reserves and approved fees; and

WHEREAS, Because the Property was purchased with tax increment funds, Section 33433 of the California Health and Safety Code requires the Board of Supervisors' approval of its sale or lease, after a public hearing; and

WHEREAS, Notice of the public hearing has been published as required by Health and Safety Code Section 33433; and

WHEREAS, The Agency prepared and submitted a report in accordance with the requirements of Section 33433 of the Health and Safety Code, including a copy of the proposed Ground Lease, and a summary of the transaction describing the cost of the Ground Lease to the Agency, the value of the property interest to be conveyed, the lease price and other information was made available for the public inspection; now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco does hereby find and determine that the lease of the Property from the Agency to 474 Natoma, LLC, a California limited liability company: 1) will provide housing for Very Low-Income persons; 2) is consistent with the Agency's Citywide Tax Increment Affordable Housing Program, pursuant to California Health and Safety Code Section 33342.2, et. Seq.; and 3) the consideration to be received by the Agency is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the Ground Lease; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby approves and authorizes the Agency to execute the Ground Lease of the Property from the Agency to 474 Natoma, LLC, a California limited liability company, substantially in the form of the Ground Lease lodged with the Agency General Counsel.

GROUND LEASE

by and between

REDEVELOPMENT AGENCY OF THE

CITY AND COUNTY OF SAN FRANCISCO

as Landlord

and

474 NATOMA, LLC

as Tenant

Dated as of April 19, 2011

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FORM OF GROUND LEASE

This GROUND LEASE ("Ground Lease") is entered into as of April 19, 2011, by and between the REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic, as Landlord (the "Landlord"), and 474 NATOMA, LLC, a California limited liability company (the "Tenant"), as Tenant under this Ground Lease.

RECITALS

A. In accordance with the Law, California Community Redevelopment, the City and County of San Francisco (the "**City**"), acting through its Board of Supervisors, originally approved the Redevelopment Plan for the South of Market Earthquake Recovery Redevelopment Project Area (the "**Project Area**") by Ordinance No. 234-90 adopted on June 11, 1990, asd amended by Ordinance No. 276-05 on December 6, 2005. The Redevelopment Plan is referred to as the "South of Market Redevelopment Plan." In cooperation with the City, the Agency is responsible for implementing the South of Market Redevelopment Plan (the "**Redevelopment Plan**").

B. The Redevelopment Plan provides for the redevelopment, construction and revitalization of the area generally bounded by Seventh Street, Mission Street, Fifth Street, and Harrison Street.

C. On December 6, 2006, the Agency issued a Request for Proposals ("RFP") for the construction, ownership, and operation of affordable family housing for first-time homebuyers on the Agency-owned vacant lot located at 474 Natoma Street, between 5th and 6th Streets in the South of Market Redevelopment Project Area, which is more particularly described in Attachment A attached hereto and incorporated herein by this

reference (the "Property" or "Site"). The RFP sought high-quality proposals from experienced developers capable of building up to 60 units for low- and moderate-income families (the Homeownership "Project").

D. By Resolution Nº. 94-2007, on August 18, 2007, the Agency Commission authorized the Agency Executive Director to negotiate and execute an Exclusive Negotiations Agreement ("ENA") with Borrower to enable the Borrower to pursue predevelopment activities for the construction and operation of the Homeownership Project. The Agency and Borrower executed the ENA pursuant to the Commission's resolution on August 21, 2007.

E. By Resolution Nº. 37-2007, on May 1, 2007, the Agency resolved to apply for and, if awarded, to accept, $5 million in Residential Development Loan Program ("RDLP") funds from the California Housing Finance Agency ("CalHFA"), for the development of 474 Natoma Street as affordable first-time homebuyer housing, of which $2.6 million was requested for predevelopment purposes. Subsequently, the Agency received a CalHFA commitment letter, dated August 16, 2007, for an amount of $4.6 million (the "CalHFA Loan"), of which $2.6 million (the "**Predevelopment Loan Amount**") was loaned to the Borrower for Project predevelopment purposes (the "Predevelopment Loan"). By Resolution Nº. 103-2009, on October 6, 2009, Developer entered into the First Amendment to the Predevelopment Loan (the "First Amendment") and revised the Schedule of Performance accordingly.

F. The market for for-sale housing in San Francisco declined in the past several years while the demand for affordable family rental housing has increased to unprecedented numbers. Accordingly, Tenant submitted a revised predevelopment budget to allow for a thorough

examination of the Homeownership Project's design and tenure type, based on market concerns.

G. By Resolution Nº. 154-2010, on December 14, 2010, the Agency Commission authorized the Agency Executive Director to repay the CalHFA Loan in total for an amount of $2.6 million and execute a Second Amendment to the Predevelopment Loan with Tenant to modify the predevelopment budget to evaluate the Project's design and tenure type, based on market concerns.

H. Based on this evaluation Tenant is proposing to develop 60 units of affordable rental housing at the Property.

I. By Resolution Nº. 50-2011, on April 19, 2011, the Agency Commission authorized the Agency Executive Director to enter into a Tax Increment Loan Agreement (the "Loan Agreement") with the Tenant in an amount not to exceed $15,470,713 (the "Loan"), for the development of 60 units of affordable rental housing at the Property.

J. By Resolution Nº. 51-2011, on April 19, 2011, the Agency Commission authorized the Agency Executive Director to enter into a Ground Lease with the Tenant.

K. The Landlord, on the basis of the foregoing and the undertakings of the Tenant pursuant to this Ground Lease, is willing to lease the Site to the Tenant for the purpose of developing and operating the Project in accordance with the provisions of this Ground Lease.

NOW THEREFORE, in consideration of the mutual obligations of the Parties, the Landlord hereby leases to Tenant, and Tenant hereby leases from the Landlord, 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 Landlord and Tenant hereby mutually agree.

ARTICLE 1. DEFINITIONS

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

1.01. Agency means the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, exercising its functions and powers and organized and existing under the Community Redevelopment Law of the State of California and includes any successor public agency designated by or pursuant to law. The Agency is the owner of the Site and the Landlord.

1.02. Agreement Date means the date that this Ground Lease is deemed to be entered into, as set forth on the cover page.

1.03. Area Median Income ("AMI") means the median household or family income for San Francisco County as determined by the Tax Credit Allocation Committee.

1.04. Construction Documents is defined in Article 10.01.

1.05. Effective Date means the date upon which the Ground Lease shall commence, as further set forth in Section 2 (a).

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

1.07. 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.

1.08. Ground Lease means this Ground Lease of the Site to the Tenant from the Landlord, as amended from time to time.

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

1.10. Landlord means the Agency and its successors and assigns.

1.11. 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.

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

1.13. Leasehold Mortgage means any mortgage, deed of trust, trust indenture, letter of credit or other security instrument, including but not limited to the deeds of trust securing the First Mortgage Lender and which are part of the Loan Documents, and any assignment of the rents, issues and profits from the Site, or any portion thereof, which constitute a lien on the Leasehold Estate created by this Ground Lease and have been approved in writing by the Landlord.

1.14. Lender means any entity holding a Leasehold Mortgage.

1.15. Loan Agreement has the meaning set forth in Recital I.

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

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

1.18. Premises mean the Site together with any Improvements thereon.

1.19. Project means the development, consisting of approximately 60 units of affordable housing and other ancillary uses on the Site. If indicated by context, **Project** means the leasehold interest in the Site and the fee interest in the Improvements on the Site.

1.20. Project Expenses means all charges incurred by Tenant in the operation of the Project including but not limited to: (a) lease payments, utilities, real estate taxes and assessments, and liability, fire and other hazard insurance premiums; (b) salaries, wages and any 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 and principal, if any, on any construction or permanent financing secured by the Project; (d) all other expenses 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) any extraordinary expenses as approved in advance by the Agency; (f) deposits to reserves accounts required to be established under the Loan Documents, and an asset management fee of $17,200 per year increasing 3.5% annually, which fee may be revised based on the Mayor's Office of Housing Asset Management Fee and Partnership Management Fee Policy (attached hereto as Attachment 12) by notice from the Agency's Executive Director for Housing prior to the completion of the Improvements.

1.21. Project Income means all revenue, income receipts, and other consideration actually received from the operation of leasing the Improvements and Project. Project Income shall include but not be limited to: all rents, fees and charges paid by tenants; Section 8 or other rental subsidy payments received for the dwelling units; supportive services funding, if to the Tenant; commercial lease income; 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.

1.22. Redevelopment Requirements is defined in Article 10.02 (a).

1.23. Site means the real property shown in the Site Legal Description, Attachment 1.

1.24. 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.

1.25. "Surplus Cash" means the excess of Project Income over Project Expenses. All permitted uses and distributions of Surplus Cash shall be governed by Section 6.02(g) of this Ground Lease.

1.26. Tenant means 474 Natoma LLC, a California limited liability company (or a Subsequent Owner, where appropriate).

1.27. Low-Income Households means a tenant household whose initial household income does not exceed Forty Percent (40%), Fifty Percent (50%) to Sixty Percent (60%) of Median Income, as determined by the California Tax Credit Allocation Committee and as further

described in the following chart.

Unit Type	Proposed Number of Units	Proposed Avg. Sq. Feet	Max. Rent	Max. % AMI	Target % AMI	Rent or Operating Subsidies
studio	2	462	727	40%	40%	
studio	2	462	915	50%	50%	
studio	3	462	1,103	60%	60%	
1BR	7	653	769	40%	40%	
1BR	11	653	971	50%	50%	
1BR	10	653	1,172	60%	60%	
2BR	4	880	919	40%	40%	
2BR	6	880	1,161	50%	50%	
2BR	8	880	1,403	60%	60%	
3BR	2	1272	1,054	40%	40%	
3BR	2	1272	1,333	50%	50%	
3BR	3	1272	1,612	60%	60%	
Total Units	60					

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) Conditions Precedent to Commencement of Ground Lease Term. The term of this Ground Lease shall not begin until after Tenant has secured all financing necessary to complete the Project and is prepared to start construction of the Improvments. The first date of the Ground Lease term, herein referred to as the "**Effective Date**" shall not occur until the date upon which Agency records the Memorandum of Ground Lease. The Agency shall record the Memorandum of Ground Lease upon close of construction financing for the Project and tenant shall be entitled to possession of the Property upon recordation of the Memorandum of Ground Lease. Until such time as the Ground Lease Effective Date occurs, the Borrower shall not be liable for maintenance, upkeep, taxes or any other matters which are incidental to the possession of the Property.

(b) Initial Term. The term of this Ground Lease shall commence upon the Effective Date and shall end 75 years from that date (the "**Term**"), unless extended pursuant to subsection (c) below.

(c) Option for Extension. Provided that the Tenant is not in default of the terms of its obligations to the Agency either at the time of giving of an Extension Notice, as described in subparagraph (d) below, or on the last day of the term (the "**Termination Date**"), the term of this Ground Lease may be extended at the option of the Tenant for 24 year period as provided below.

(d) Notice of Extension. Not later than one hundred eighty (180) days prior to the Termination Date, the Tenant may notify the Landlord in writing that it wishes to exercise its option to extend the term of this Ground Lease (an "Extension Notice"). The extended term shall be for 24 years from the Termination Date, which option the Tenant may exercise only once, for a total Ground Lease term of not to exceed ninety-nine (99) years.

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

ARTICLE 3. FINANCING

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

ARTICLE 4. RENT

4.01. Annual Rent

(a) To the extent Base Rent and Residual Rent are due pursuant to Section 4.02 and 4.03, Tenant shall pay the Landlord Three Hundred Thirty Thousand Dollars ($330,000) (the "**Annual Rent**") per year for each year of the term of this Ground Lease, which shall be equal to ten percent (10%) of appraised value of the Site as established prior to the Effective Date. Such dollar amounts shall be redetermined on the fifteenth anniversary of the date of the First Lease Payment Year and every fifteen (15) years thereafter, and shall be equal to ten percent (10%) of the appraised value of the Site, as determined by an MAI appraiser selected by and at the sole cost of the Landlord. 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 permitted by this Lease) and without necessity of demand, notice or invoice.

(b) If the Tenant elects to extend the term of this Ground Lease pursuant to Article 2 above, Annual Rent during any such extended term shall be set by mutual agreement of the parties, 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. If the parties cannot agree on the amount of Annual Rent during any extended term, the parties shall 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. Provided, however, that after the neutral third party process and the determination of the new fair market rent, Tenant, in its sole discretion may rescind the Extension Notice if it does not wish to extend the term of this Ground Lease. The costs associated with such third-party process shall be paid for solely by Landlord.

4.02. Base Rent

(a) "**Base Rent**", means FIFTEEN THOUSAND DOLLARS ($15,000) per annum. 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 completion of the Improvements. The first Base Rent payment shall be due on January 31st of the calendar year following the First Lease Payment Year; and provided, further, 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.

(b) If the Project does not have sufficient Project Income (as defined in Section 1.21) to pay Base Rent and the Agency has received written notice from Tenant regarding its inability 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 and, in any event, upon the earlier of sale of the Project or termination of this Ground Lease.

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

4.03. Residual Rent

(a) "**Residual Rent**" means, in any given Lease Year, Ten percent of the appraised value of the land as established prior to the Effective Date minus the Base Rent. Residual Rent shall be due in arrears on April 15th following each Lease Year payable only to the extent that there is Surplus Cash as provided in Section 6.02(g) below , and any unpaid Residual Rent shall not accrue. Furthermore, Residual Rent shall not be due during any Lease Year prior to the First Lease Payment Year. Tenant shall certify to the Landlord in writing by April 15 that available Surplus Cash is insufficient to pay Residual Rent and Tenant shall provide to Landlord any supporting documentation reasonably requested by Landlord to allow Landlord to verify the insufficiency.

4.04. Triple Net Lease

From and after the Effective Date, 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. From and after the Effective Date, if the Landlord pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, the Landlord will be entitled to be reimbursed by Tenant the full amount of such payments as additional rent within thirty (30) days

of written demand by Landlord. Failure to timely pay the additional rent shall be an event of default.

ARTICLE 5. LANDLORD COVENANTS

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

ARTICLE 6. TENANT COVENANTS

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

6.01. Partnership Authority

Tenant is a California limited liability company 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 (which means from and after the Effective Date), Tenant and such successors and assigns shall comply with the following requirements:

6.02(a) Permitted Uses

Except as provided in Sections 26.06, 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.

6.02(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.

6.02(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.

6.02(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.

6.02(e) Equal Opportunity Marketing Plan

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

6.02(f) Lead Based Paint

Tenant agrees to comply with the regulations issued by the Secretary of HUD set forth in 24 CFR Part 35 and all applicable rules and orders issued thereunder which prohibit the use of lead-based paint in certain residential structures undergoing federally assisted construction and require the elimination of lead-based paint hazards.

6.02(g) Permitted Uses of Surplus Cash

At the end of each Lease Year following the Completion Date, Tenant shall calculate Surplus Cash. If the Tenant is found by the Agency to be in compliance with all applicable requirements and agreements, Tenant shall use Surplus Cash to make the following payments:

(a) First to current and accrued Base Rent payments, second to deferred developer fee as allowable under the approved project cash flow, attached hereto as Attachment 11, and third to partnership management fee in the amount of $17,220 increasing at an annual rate of 3.5% (which amount may be revised pursuant to Section 1.20 of this Ground Lease);

(b) Then one-third (1/3) of remaining Surplus Cash to Tenant as an incentive management fee in an amount not to exceed $500 per unit per year; and

(c) The remaining two-thirds (2/3) of remaining Surplus Cash, together with any remaining Surplus Cash after payment of the Tenant's incentive management fee, shall be allocated to the Agency. The Agency's portion of Surplus Cash will be applied first to Residual Rent, and if any Surplus Cash remains, to repayment of the Loan Agreement. If the Project receives funding from MHP then the Agency's portion of Surplus Cash shall be allocated proportionately to the investment in the Project by MHP and other public lenders, if applicable.

6.03. Landlord Deemed Beneficiary of Covenants

In amplification, and not in restriction, of the provisions of the preceding subsections, it is intended and agreed that the Landlord shall be deemed beneficiary of the agreements and

covenants provided in this Article 6 for and in its own right and also for the purposes of protecting the interests of the community and other parties, public or private, in whose favor or for whose benefit such agreements and covenants have been provided. Such agreements and covenants shall run in favor of the Landlord for the entire period during which such agreements and covenants shall be in force and effect, without regard to whether the Landlord has at any time been, remains, or is an owner of any land or interest therein to, or in favor of, which such agreements and covenants relate. The Landlord shall have the right, in the event of any breach of any such agreements or covenants, in each case, after notice and the expiration of cure periods, to exercise all the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach of covenants, to which it or any other beneficiaries of such agreements or covenants may be entitled.

ARTICLE 7. ANNUAL INCOME COMPUTATION AND CERTIFICATION

Forty-five (45) days after recordation of a Notice of Completion (as defined in Section 10.13) by the Tenant for the Improvements, and not later than December 31st of each year thereafter, Tenant will furnish to the Landlord a list, in the form set forth in Attachment 6, of all of the names of the persons who are Occupants of the Improvements, the specific unit which each person occupies, the household income of the Occupants of each unit, the household size and the rent being charged to the Occupants of each unit. If any state or federal agency requires an income certification for Occupants of the Improvements containing the above-referenced information, the Landlord agrees to accept such certification in lieu of Attachment 6 as meeting the requirements of this Ground Lease.

ARTICLE 8. CONDITION OF SITE - "AS IS"

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

ARTICLE 9. IMPROVEMENTS AND PERMITTED USES

9.01. Scope of Development and Schedule of Performance

Tenant agrees to undertake and complete all physical construction on the Site, if any, as approved by the Landlord, in accordance with the Schedule of Performance, Attachment 2 and the Scope of Development, Attachment 10.

9.02. Permitted Uses and Occupancy Restrictions

The permitted uses of the Project are limited to approximately sixty (60) residential dwelling units including one (1) manager's unit(s) ("**Residential Units**"), management space and common areas. Upon the completion of construction, one hundred percent (100%) of the Residential Units, in the Project shall be occupied or held vacant and available for rental by Low Income Households.

ARTICLE 10. CONSTRUCTION OF IMPROVEMENTS

10.01. General Requirements and Rights of Landlord

Construction documents for the construction of the Improvements by Tenant, including: (1) the Basic Concept Drawings; (2) the Schematic Drawings; (3) the Design Development

Documents; and, (3) the final Plans and Specifications (the "Final Construction Documents") (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 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.

Tenant shall submit and the Landlord shall disapprove the Construction Documents referred to in this Ground Lease within the times established in the Schedule of Performance. Failure by the Landlord to disapprove within the times established in the Schedule of Performance shall entitle Tenant to a day for day extension of time for completion of those activities delayed as a direct result of Landlord's failure to timely disapprove the Construction Documents.

10.02. Landlord Approvals and Limitation Thereof

The Construction Documents must be approved by the Landlord in the manner described in the section below.

10.02(a) Compliance with Ground Lease

The Landlord's approval with respect to the Construction Documents is limited to determination of their compliance with this Ground Lease, the South of Market Project Area Redevelopment Plan, and amendments thereto (all as modified by the conditions of approval for the Project) (sometimes referred to collectively as "**Redevelopment Requirements**"). The Construction Documents shall be subject to general architectural review and guidance by the Landlord as part of this review and approval process.

10.02(b) Landlord Does Not Approve Compliance with Construction Requirements

The Landlord's approval is not directed to engineering or structural matters or compliance with building codes and regulations, the Americans with Disabilities Act, or any other applicable State or Federal law relating to construction standards or requirements.

10.02(c) Landlord Determination Final and Conclusive

The Landlord's determination respecting the compliance of the Construction Documents with Redevelopment Requirements 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

10.03(a) Compliance with Landlord Approved Documents

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

10.03(b) Compliance with Local, State and Federal Law The construction shall be in material compliance with all applicable local, State and Federal laws and regulations.

10.04. Disapproval of Construction Documents by Landlord

If the Landlord disapproves the Construction Documents in whole or in part as not being in compliance with Redevelopment Requirements or this Ground Lease, Tenant shall submit new or corrected plans which are in compliance within thirty (30) days after written notification to it of disapproval, and the provision of this Section 10.04 relating to approval, disapproval and re-submission of corrected Construction Documents shall continue to apply until the Construction Documents have been approved by the Landlord; provided, however, that in any event Tenant must submit satisfactory Construction Documents (i.e., approved by the Landlord) no later than the date specified therefor in the Schedule of Performance.

10.05. Final Construction Documents to be Approved by Landlord

The Final Construction Documents, including all drawings, specifications, and other related documents necessary for the construction of the Improvements in accordance with the requirements of this Ground Lease must be approved by the Landlord's Deputy Executive Director for Housing.

10.06. Issuance of Building Permits

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

10.06(b) The Tenant is advised that the Central Permit Bureau forwards all building permits to the Agency for Agency approval of compliance with Redevelopment Requirements. The Agency's approval of compliance with Redevelopment Requirements is limited and does not include Section 10.02(b) matters. Agency evidences such compliance by signing the permit and returning the permit to the Central Permit Bureau for issuance directly to the Tenant. Approval of any intermediate permit, however, is not approval of compliance with all Redevelopment Requirements necessary for a full and final building permit.

10.07. Performance and Payment Bonds

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

10.08. Landlord Approval of Changes after Commencement of Construction

Once construction has commenced, the only Construction Document matters subject to further review by the Landlord will be requests for any material changes in the Construction Documents which affect matters previously approved by the Landlord. For purposes of determining materiality in the Construction Documents, any single change order of $10,000 or more in value and any change order which causes the aggregate value of all change orders to exceed $100,000 shall be considered material and require the Landlord's prior written approval unless waived by the Landlord. Permission to make such changes shall be requested by Tenant in writing directed to the Landlord, Attention: Deputy Executive Director for Housing, with a copy to the Architecture Division Manager. The Landlord shall reply in writing giving approval or disapproval of the changes within ten (10) days after receiving such request. If the request is disapproved, the reply must specify the reasons for the disapproval.

10.09. 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 redevelopment of the Site through the construction of the Improvements thereon, 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 Landlord.

10.10. Force Majeure

For the purposes of any of the provisions of this Ground Lease, and notwithstanding anything to the contrary, neither the Landlord 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.

10.11. Reports

10.11(a) 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 Landlord every three (3) months, in such detail as may reasonably be required by the Landlord, as to the actual progress of the Tenant with respect to such construction. Such

reporting requirements may be satisfied by Tenant's provision of draw requests as required pursuant to the terms of the Loan Agreement. Commencing as of the Effective Date and continuing until completion of the construction of the Improvements, Tenant shall be subject to inspection by representatives of the Landlord, at reasonable times and upon reasonable advance notice.

10.11(b) Tenant will have the right to have an employee, agent, or other representative of Tenant accompany the Landlord representative at all times while the Landlord representative is present on the Site. The Landlord and its representatives will exercise due care in entering upon and/or inspecting the Site, and will perform all entry and inspection in a professional manner and so as to preclude any damage to the Site or Improvements, or any disruption to the work of construction or operation of the Improvements. The Landlord and its respective representatives will abide by any reasonable safety and security measures Tenant imposes.

10.12. Access to Site

Commencing as of the Effective Date, Tenant shall permit access to the Site to the Landlord and 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. In accessing the Site, Landlord shall comply with Section 10.11(b).

10.13. Notice of Completion

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

10.14. Completion of Improvements by New Developer

In the event 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 Landlord, (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 Agency and the New Developer pursuant to subsection (c) hereof; and (c) Landlord and New Developer shall negotiate in good faith such reasonable amendments and reasonable modifications to this Article 10 of this 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 Landlord will furnish Tenant with an appropriate instrument so certifying. Such certification by the Landlord shall be a conclusive determination of satisfaction and termination of the agreements and covenants of this Ground Lease with respect to the obligation of Tenant, and its successors and assigns, to construct the Improvements in accordance with Landlord approved final Construction Documents and the dates for the beginning and completion thereof; provided, however, that such determination shall only be withheld because of failure to carry out specific requirements of the Redevelopment

Requirements or this Ground Lease; provided further, that such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of Tenant to any Lender, or any insurer of a mortgage, securing money loaned to finance the construction or any part thereof; provided further, that Landlord issuance of any Certificate of Completion does not relieve Tenant or any other person or entity from any and all City requirements or conditions to occupancy of the Improvements, which requirements or conditions must be complied with separately.

The Agency may elect to issue to Tenant a Certificate of Completion if no events of default by Tenant are then existing under this Agreement and Tenant has completed the Improvements in accordance with this Agreement, 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 Agreement 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, the Agency will not be obligated to issue a Certificate of Completion in these circumstances unless and until Tenant has provided to the Agency, at the Agency's request, a bond, letter of credit, certificate of deposit, or other security reasonably acceptable to the Agency 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 Agency.

11.02. Certifications to be Recordable

All certifications provided for in this Section 11.02 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 the Landlord shall refuse or fail to provide any certification in accordance with the provisions of Section 11.01, the Landlord shall provide Tenant with a written statement, within fifteen (15) days after written request by Tenant, indicating in adequate detail in what respects Tenant has failed to complete the construction of the Improvements in accordance with the provisions of this Ground Lease or is otherwise in default hereunder and what measures or acts will be necessary, in the opinion of the Landlord, for Tenant to take or perform in order to obtain such certification. Failure by the Agency to either issue a certificate of completion or a written statement within the times provided herein will entitle Tenant to a day for day extension of time for the period of delay caused by the Agency.

ARTICLE 12. CHANGES TO THE IMPROVEMENTS

12.01. Post Completion Changes

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

12.02. Definition of Change

"**Change**" as used in this Article 12 means any alteration, modification, addition and/or substitution of or to the Site, the Improvements, and/or the density of development which differs materially from that which existed upon the completion of construction of the Improvements in

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

12.03. Enforcement

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

ARTICLE 13. TITLE TO IMPROVEMENTS

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

ARTICLE 14. ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE

14.01. Assignment, Sublease or Other Conveyance by Tenant

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

than to Lender(s), or allow any person or entity to occupy or use all or any part of the Site, other than leases to residential tenants in the ordinary course of business nor may it contract or agree to do any of the same, without the prior written approval of the Landlord, and the City and County of San Francisco through approval by the City's Board of Supervisors pursuant to its authority under California Health and Safety Code Section 33433 for transfers of the Leasehold Estate, which approval shall not be unreasonably withheld or delayed. Landlord reserves the right to review and approve any commercial leases and commercial tenants for the Site. Landlord hereby pre-approves the following potential transfers listed in Section 14.01(a) through (d) by the Tenant and acknowledges that such transfers shall not require additional approval of the Agency, the City or the County:

14.01(a) A transfer by Borrower to a limited partnership in which the Borrower or an affiliate of BRIDGE Housing Corporation ("BRIDGE") is the general partner.

14.01(b) **A transfer of the limited** partner interest in the Partnership to a reputable tax credit investor (the "**Tax Credit Investor**") and future transfers of such limited partner interest.

14.01(c) A transfer of Tenant's interests in this Ground Lease and in the Improvements to BRIDGE or an affiliate of BRIDGE or its successor in interest with prior thirty (30) day written notice to the Landlord.

14.01(d) In the event the general partner of the Tenant is removed by the limited partner of the Tenant for cause following a default under the Tenant's partnership agreement, the Agency hereby approves the transfer of the general partner interest to a 501(c)(3) tax-exempt nonprofit corporation, selected by the limited partner and approved by the Agency in writing, which approval shall not be unreasonably withheld.

14.02. Assignment, Sublease or Other Conveyance by Landlord

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

ARTICLE 15. TAXES

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

Tenant shall protect, defend and indemnify the Landlord against all loss, cost, expense or damage resulting there from, and should Tenant be unsuccessful in any such contest, Tenant shall forthwith pay, discharge, or cause to be paid or discharged, such tax, assessment or other similar charge. The Landlord shall furnish such information as Tenant shall reasonably request in connection with any such contest provided that such information is otherwise available to the public. The Landlord hereby consents to Tenant applying for and obtaining any applicable exemptions from taxes or assessments levied on the Site or on Tenant's interest in the Site.

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

ARTICLE 17. MAINTENANCE

From and after the Effective Date, 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 Landlord, 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. From and after the Effective Date, the Landlord shall not be obligated to make any repairs, replacements or renewals of any kind, nature or description whatsoever to the Site or any buildings or 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 Landlord of the imposition of any such lien, the Landlord shall have, in addition to all other remedies provided herein and by law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All sums paid by the Landlord for such purpose, and all reasonable expenses incurred by it in connection therewith, shall be payable to the Landlord by Tenant on demand; provided, however, Tenant shall have the right, upon posting of an adequate bond or other security, to contest any such lien, and the Landlord shall not seek to satisfy or discharge any such lien unless Tenant has failed so to do within ten (10) days after the final determination of the validity thereof. In the event of any such contest, Tenant shall protect, defend, and indemnify the Landlord against all loss, cost, expense or damage resulting there from. 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 Limited Partner

19.02(a) The Landlord may not exercise its remedies under this Ground Lease for a default by the Tenant unless and until (i) the Landlord has given written notice of any such default, in accordance with the notice provisions of Article 40, to Tenant and Permitted Limited Partners who have requested notice as set forth below ("**Permitted Limited Partners**"), 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.

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

19.02(c) Any limited partner wishing to become a Permitted Limited Partner other than the Permitted Limited Partner identified in Article 40 must provide five (5) days written notice to the Landlord 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 19.02 with respect to any default occurring prior to the time such limited partner becomes a Permitted Limited Partner.

19.03. Breach by Landlord

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

19.04. Breach by Tenant

19.04(a) Default by Tenant

The following events each constitute a basis for the Landlord 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 Landlord;

(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 when due, or shall place thereon any encumbrance or lien unauthorized by this Ground Lease, or shall suffer any

levy or attachment to be made, or any material supplier's or mechanic's lien or any other unauthorized encumbrance or lien to attach, and such taxes or assessments shall not have been paid, or the encumbrance or lien removed or discharged; provided, however, that Tenant shall have the right to contest any tax or assessment pursuant to Article 15 and Article 18 and, upon the posting of an adequate bond or other security, to contest any such lien or encumbrance. In the event of any such contest, Tenant shall protect, indemnify and hold Landlord harmless against all losses and damages, including reasonable attorneys' fees and costs resulting therefrom;

(4) Tenant shall be adjudicated bankrupt or insolvent or shall make a transfer in defraud 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; and

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

19.04(b) Notification and Landlord Remedies

Upon the happening of any of the events described in Section 19.04(a) above and prior to exercising any remedies, the Landlord shall notify Tenant, the Permitted Limited Partners and each Lender in writing of the Tenant's purported breach, failure or act, giving Tenant sixty (60) days from receipt of such notice to cure such breach, failure or act. In the event Tenant does not cure or, if the breach, failure or act is not reasonably susceptible to cure within that sixty (60)

day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then, subject to the rights of any Lender and subject to Section 19.02 and Article 26, the Landlord thereafter shall be afforded all of its rights at law or in equity, including any or all of the following remedies: (1) terminating in writing this Ground Lease; (2) prosecuting an action for damages; or (3) seeking specific performance of this Ground Lease.

Notwithstanding the foregoing, during the 15-year tax credit compliance period, Landlord may only terminate this Ground Lease for a default by Tenant under Section 19.04(a)(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 be used by Tenant for that purpose and Tenant shall make up from its own funds or obtain additional financing as reasonably approved by the Landlord any

deficiency between the amount of insurance proceeds available for the work of restoration and the actual cost thereof. In the event Tenant elects to terminate this Ground Lease pursuant to its right to do so under this Section 20.01, or elects not to restore the Improvements, the insurance proceeds shall be disbursed in the order set forth in Section 20.03 below.

20.02. Uninsured Casualty

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

20.03. Distribution of the Insurance Proceeds

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

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

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

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

(d) The remainder to Tenant.

20.04. Clean Up of Housing Site

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

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

21.01. Damage to Person or Property -General Indemnification

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

21.02. Hazardous Materials –Indemnification

21.02(a) From and after the Effective Date, Tenant shall indemnify, defend, and hold the Landlord and the City, and their respective commissioners, officers, agents and

employees (individually, an "**Indemnified Party**" and collectively, the "**Indemnified Parties**") harmless from and against any and all losses, costs, claims, damages, liabilities, and causes of action of any nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and engineering consultants) incurred by or asserted against any Indemnified Party in connection with, arising out of, in response to, or in any manner relating to violation of any Environmental Law by Tenant during the term of the Lease, or any Release caused by Tenant during the term of the Lease, threatened Release caused by Tenant during the term of the Lease and any condition of pollution, contamination or Hazardous Substance-related nuisance on, under or from the Site caused by Tenant during the term of the Lease, and the term of the Lease commences on the Effective Date.

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

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

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

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

ARTICLE 22. INSURANCE AND BONDS

22.01 Insurance Requirement for Tenant. During the term of this Ground Lease (which commences on the Effective Date), 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 and the result of that work by the Tenant, its agents, representatives, employees or subcontractors and the Tenant's use and occupancy of the Site and the Improvements.

22.01(a) Minimum Scope of Insurance. Coverage shall be at least as broad as:

(1) **Commercial General Liability (CGL)**: Insurance Services Office form CG 00 01, covering CGL on an "occurrence" basis, for bodily injury, personal and advertising injury and property damage including products-completed operations.

(2) **Automobile Liability**: Insurance Services Office Form number CA 00 01 covering code 1 (any auto).

(3) **Workers' Compensation and Employer's Liability**.

(4) **Professional Liability**: Tenant shall procure and maintain or cause its architects and engineers, to procure and maintain professional liability insurance covering all negligent acts, errors and omissions. Tenant shall provide the Landlord with copies of insurance certificates showing such coverage.

(5) **Contractors' Pollution Legal Liability:** If project involves environmental hazards, Tenant shall procure and maintain, or cause its contractor, to procure and maintain, pollution legal liability insurance. Tenant shall provide the Agency with copies of insurance certificates showing such coverage.

(6) **Property**: Special form coverage against direct physical loss to the Project and any tenant improvements or betterments, excluding earthquake or flood, during the course of construction and following completion of construction. Such coverage shall name the Agency as loss payee as its interests may appear.

22.01(b) Minimum Limits of Insurance. Tenant shall maintain limits no less than:

(1) **General Liability**: $2,000,000 per occurrence. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location, or the general aggregate limit shall be twice the required occurrence limit.

(2) **Automobile Liability**: $1,000,000 per accident for bodily injury and property damage.

(3) **Workers' Compensation and Employer's Liability**: Workers' Compensation limits as required by the State of California and Employers Liability limits of $1,000,000 per accident or bodily injury or disease.

(4) **Professional Liability**: $1,000,000 per occurrence or claim and in the annual aggregate, during the course of any new construction or remodeling in excess of $100,000.

(5) **Contractors' Pollution Legal Liability**: $1,000,000 per occurrence or claim, and $2,000,000 policy aggregate.

(6) **Property Insurance**:

(a) During the course of construction, builder's risk insurance for the full completed value of the Project.

(b) For improvements and betterments that do not involve new or major reconstruction, at the option of the Landlord, an Installation Floater may be acceptable. For such projects, a Property Installation Floater shall be obtained that provides for the improvement, remodel, modification, alteration, conversion or adjustment to existing buildings, structures, processes, machinery and equipment. The Property Installation Floater shall provide property damage coverage for any building, structure, machinery or equipment damaged, impaired, broken, or destroyed during the performance of the Work, including during transit, installation, and testing at the site.

(c) Following completion of construction, full replacement value of the Project with no coinsurance penalty provision.

22.01(c) Fidelity Bond. Tenant shall obtain a blanket fidelity bond or other form of commercial crime insurance acceptable to the Agency covering all officers and employees of Tenant for the loss of Loan funds, Project Income and Reserve Accounts caused by dishonesty in an amount not less than $1,000,000. Should such a loss occur,

Tenant agrees to diligently pursue recovery under the bond and to assign or remit to the Agency those funds owed to the Agency to the extent recovered.

22.01(d) **Review of Minimum Limits.** At no less than every five (5) years during the Term, the Minimum Limits of insurance required in this Article 22 may be adjusted at the reasonable discretion of the Agency's Risk Manager to reflect current risk management practices in the City.

22.01(e) **Deductibles and Self-Insured Retentions**. Any deductibles or self-insured retentions in excess of $25,000 must be declared to and approved by Landlord's Risk Manager. At the option of Landlord's Risk Manager, Tenant shall procure a bond guaranteeing payment of losses and related investigation, claim administration and defense expenses if the deductible or retention is in excess of $25,000.

22.01 (f) **Other Insurance Provisions**. The policies are to contain, or be endorsed to contain, the following provisions:

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

endorsement to the Tenant's insurance (at least as broad as ISO Form CG 20 10, 11 85 or both CG 20 10 and CG 20 37 forms if later revisions are used).

(2) **Primary Insurance.** For any claims related to this Ground Lease, the Tenant's insurance coverage shall be primary insurance as respects the Landlord, the City and their respective commissioners, members, officers, agents, and employees. Any insurance or self-insurance maintained by the Landlord, the City and their respective commissioners, members, officers, agents, and employees shall be excess of the Tenant's insurance and shall not contribute with it.

(3) **Reporting Provisions.** Any failure to comply with reporting provisions of the policy shall not affect coverage provided to the Landlord, the City, and their respective commissioners, members, officers, agents, and employees.

(4) **Severability of Interests.** Tenant's insurance shall apply separately to each insured against whom claim is made or suit is brought in relation to this project, except with respect to the limits of the insurer's liability.

(5) **Notice of Cancellation.** Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, or canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice, ten (10) days for nonpayment of premium, has been given to Landlord.

(6) **Claims Made Policies.** If any coverage required is written on a claims-made form:

(a) The retroactive date must be shown, and must be before the date of the contract or the beginning of contract work.

(b) Insurance must be maintained and evidence of insurance must be provided for at least three (3) years after completion of contract work.

(c) If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective date, the insured must purchase extended reporting period coverage for a minimum of five (5) years after completion of contract work.

(d) A copy of the claims reporting requirements must be submitted to the Agency for review.

(e) If the services involve lead-based paint or asbestos identification/remediation, the Contractors Pollution Liability policy shall not contain lead-based paint or asbestos exclusions. If the services involve mold identification/remediation, the Contractors Pollution Liability policy shall not contain a mold exclusion, and the definition of Pollution shall include microbial matter, including mold.

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

22.01(h) Verification of Coverage. Tenant shall furnish Landlord 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. Landlord reserves the right to require complete, certified copies of all required insurance policies and endorsements demonstrating the coverage required by these specifications at any time. Each policy shall include the Agency as a certificate holder.

22.01(i) **Contractor, Subcontractors and Consultants Insurance.** Tenant shall include subcontractors and consultants as additional insureds under its policies or shall require and verify that all subcontractors and consultants maintain workers compensation, automobile liability, and commercial general liability insurance in the amounts and in accordance with the requirements listed above, as applicable, unless otherwise approved by the Agency's Risk Manager. Tenant must furnish Agency with general contractor's, architects' and engineers' certificates of insurance and original endorsements effecting coverage required by this Article 22.

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

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

law or administrative or judicial order and Tenant indemnifies the Landlord against all loss, cost, expense or damage resulting from noncompliance.

ARTICLE 24. ENTRY

The Landlord and its authorized agents shall have the right at all reasonable times during normal business hours and after 48 hours written notice to Tenant (except in the event of an emergency when no written notice is required), to go on the Site for the purpose of inspecting the same or for the purpose of posting notices of nonresponsibility, or for police or fire protection. Except in the event of emergency, the provisions of Section 10.11(b) shall apply to the Agency's entry under this Article 24.

ARTICLE 25. MORTGAGE FINANCING

25.01. No Encumbrances Except for Development Purposes

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

25.02. Holder Not Obligated to Construct

The holder of any mortgage, deed of trust or other security interest authorized by Section 25.01 ("**Holder**" or "**Lender**"), including the successors or assigns of such Holder, is not obligated to complete any construction of the Improvements or to guarantee such completion; nor shall any covenant or any other provision of this Ground Lease be construed so to obligate such Holder. However, in the event the Holder does undertake to complete or guarantee the completion of the construction of the Improvements, subject to Section 26.05(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 subject to any reasonable modifications in plans proposed by any Holder or its successors in interest proposed for the viability of the Project, subject to the approval of Landlord which approval shall not be unreasonably withheld. To the extent any Holder or its successors in interest wish to change such uses or construct different improvements, subject to Section 26.05(b), that Holder or its successors in interest must obtain the written consent of the Landlord.

25.03. Failure of Holder to Complete Construction

In any case where six months after assumption of obligations pursuant to Section 25.02 above, a Lender, having first exercised its option to complete the construction, has not proceeded diligently with completion of the construction, the Landlord shall be afforded the rights against such Holder it would otherwise have against Tenant under this Ground Lease for events or failures occurring after such assumption; provided, however, if Lender has proceeded diligently with construction, the Schedule of Performance shall not apply to Lender if such Schedule of Performance has been replaced by the new Schedule of Performance pursuant to Section 10.14 of this Agreement, which new Schedule of Performance will apply to Lender.

25.04. Default by Tenant and Landlord's Rights

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

In the event of a default or breach by Tenant in or of its obligations under any Leasehold Mortgage, and Tenant's failure to timely commence or diligently prosecute cure of such default or breach, the Landlord may, at its option, cure such breach or default at any time prior to one hundred nineteen (119) days after the date on which the Lender files a notice of default. In such event, the Landlord shall be entitled to reimbursement from Tenant of all costs and expenses reasonably incurred by the Landlord in curing the default or breach. The Landlord shall also be entitled to a lien upon the Leasehold Estate or any portion thereof to the extent of such costs and disbursements. Any such lien shall be subject to the lien of any then existing Leasehold Mortgage authorized by this Ground Lease, including any lien contemplated because of advances yet to be made. After ninety (90) days following the date of Lender filing a notice of default, the Landlord shall also have the right to assign Tenant's interest in the Ground Lease to another entity, subject to such Lender's and Permitted Limited Partner's written consent, but which may be conditioned, among other things, upon the assumption by such other entity of all obligations of the Tenant under the Leasehold Mortgage.

25.04(b) Notice of Default to Landlord

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

25.04(c) Cost of Mortgage Loans to be Paid by Tenant

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

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

ARTICLE 26. PROTECTION OF LENDER

26.01. Notification to Landlord

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

26.02. Lender's Rights to Prevent Termination

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

26.03. Lender's Rights When Tenant Defaults

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

26.03(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 Landlord to Lender; or

26.03(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 Section 26.04 below.

All rights of the Landlord to terminate this Ground Lease as the result of the occurrence of any such event of default shall be subject to, and conditioned upon, the Landlord having first given Lender written notice of such event of default and Lender having failed to remedy such default or acquire Tenant's Leasehold Estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof as set forth in and within the time specified by this Section 26.03, and upon the Tenant having failed to proceed as permitted under this Ground Lease, or Permitted Limited Partners having failed to proceed as permitted under Sections 19.02(b) or 26.04(d).

26.03(c) 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 if:

26.03(d) within sixty (60) days after receiving notice from the Landlord setting forth the nature of such event of default, or prior thereto, Lender shall have acquired

Tenant's Leasehold Estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof;

26.03(e) Lender shall diligently prosecute any such proceedings to completion;

26.03(f) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation in accordance with the terms of this Ground Lease; and

26.03(g) 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.

26.03(h) Court Action Preventing Lender's Action

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

26.04. Lender's Rights to Record, Foreclose and Assign

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

26.04(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

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

26.04(b) should the Lender acquire the Leasehold Estate hereunder by foreclosure or other appropriate proceedings in the nature of foreclosure or as the result of any other action or remedy provided for by any Leasehold Mortgage, or should Lender sell or assign the same to a Landlord approved purchaser or assignee, and any subsequent transfer to a Landlord approved transferee Lender or its purchaser or assignee, and any subsequent transferee, shall take said Leasehold Estate subject to all of the provisions of this Ground Lease, and shall, so long as and only so long as it shall be the owner of such estate, except as provided elsewhere in this Ground Lease, assume all of the obligations of Tenant under this Ground Lease; provided, however, the Lender or its purchaser or assignee may operate and maintain the approximately 60 Residential Units without any limitations on the rents charged or the income of the occupants thereof;

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

26.04(d) any Permitted Limited Partners of Tenant shall have the same rights as any Lender under Sections 26.02, 26.03, and 26.04, and any reference to a Lender in said

Sections shall be deemed to include such limited partners; provided, however, that the rights of such limited partners shall be subordinate to the rights of any Lender.

26.05. 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:

26.05(a) Any accrued Annual Rent at the time of foreclosure shall be forgiven by the Landlord, and shall not remain an obligation of the Lender, its assignee, or the Subsequent Owner. Subsequent to foreclosure, if the 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 such time as the Project is no longer operated by the Lender subject to such restrictions. All deferred Annual Rent shall accrue, with simple interest at six percent (6%) per annum until paid, and shall be due and payable upon sale or assignment of the Project by Lender or within sixty (60) days after Lender ceases to operate the Project in accordance with such restrictions.

26.05(b) If the Subsequent Owner exercises its rights under Section 26.04(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 Section 26.05(b) and the provisions of Section 9.02 shall be suspended; provided, however, that the Landlord 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 Low Income Households as the Landlord 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 Landlord, with each party paying one half of the appraiser's fee) that will include a market land valuation, as well as a market land lease rent level. 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.

26.06. Permitted Uses After Lender Foreclosure

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

ARTICLE 27. CONDEMNATION AND TAKINGS

27.01. Parties' Rights and Obligations to be Governed by Agreement

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

27.04. Effect on Rent

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

27.05. Restoration of Improvements

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

27.06. Award and Distribution

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

(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 actual equity invested by the Tenant.

27.07. Payment to Lenders

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

ARTICLE 28. ESTOPPEL CERTIFICATE

The Landlord or Tenant, as the case may be, shall execute, acknowledge and deliver to the other and/or to Lender or a Permitted Limited Partner, promptly upon request (and in no event longer than thirty (30) days following receipt of the 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 Landlord 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 Landlord in the performance or observance by Tenant or the Landlord of any agreement, covenant or condition hereof on the part of Tenant or the Landlord to be performed or observed and whether any notice has been given to Tenant or the Landlord of any default which has not been cured and, if so, specifying the same.

ARTICLE 29. QUITCLAIM

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

ARTICLE 30. SMALL BUSINESS ENTERPRISE AND PERMANENT AND CONSTRUCTION WORKFORCE

Tenant agrees to comply with the Agency's Small Business Enterprise Program and Permanent and Construction Workforce requirements attached hereto as Attachment 5.

ARTICLE 31. CERTIFICATE OF PREFERENCE PROGRAM

Tenant agrees to comply with the requirements of the Agency's Certificate of Preference Program, as it may be amended from time to time, and as set forth on Attachment 4.

ARTICLE 32. LABOR STANDARDS PROVISIONS

Tenant agrees to comply with the requirements of the Agency's Labor Standards Provisions as set forth on Attachment 7.

ARTICLE 33. MINIMUM COMPENSATION AND HEALTH CARE ACCOUNTABILITY POLICY

Tenant agrees that the Tenant and its subtenants, if any, will comply with the provisions of the Agency's Minimum Compensation Policy ("MCP") and Health Care Accountability Policy ("HCAP") (together, the "Policies") as such policies may be amended from time to time, and as set forth in Attachments 8 and 9 respectively. Notwithstanding this requirement, the Agency recognizes that the residential housing component of the Improvements is not subject to the Policies.

ARTICLE 34. CONFLICT OF INTEREST

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

ARTICLE 35. LIMITATIONS ON CONTRIBUTIONS

Through execution of this Agreement, 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 Agency for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant,

loan or loan guarantee, from making any campaign contribution to (1) the Mayor or members of the Board of Supervisors, (2) a candidate for Mayor or Board of Supervisors, or (3) a committee controlled by such office holder or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Tenant acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of $50,000 or more. Tenant further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Tenant's board of directors; Tenant's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Tenant; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Tenant. Additionally, Tenant acknowledges that Tenant must inform each of the persons described in the preceding sentence of the prohibitions contained in section 1.126.

Finally, Tenant agrees to provide to the Agency the names of each member of Tenant's board of directors; Tenant's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Tenant; any subcontractor listed in the bid or contract; and any committee that is not sponsored or controlled by Tenant.

ARTICLE 36. NO PERSONAL LIABILITY

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

ARTICLE 37. ENERGY CONSERVATION

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

ARTICLE 38. WAIVER

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

ARTICLE 39. TENANT RECORDS

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

ARTICLE 40. NOTICES AND CONSENTS

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

if to Tenant at:
474 Natoma LLC
c/o BRIDGE Housing Corporation
345 Spear Street, Suite 700
San Francisco, CA 94105
Telefacsimile: (415) 495-4898
Telephone: (415) 989-1111
Attn: President/CEO

if to Landlord at:
San Francisco RedevelopmentAgency
One South Van Ness Ave, 5th Floor
San Francisco, California 94103
Attn.: Executive Director

And to Tenant's Permitted
Limited Partner at:

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 40. Any notice given pursuant to this Article 40 shall be effective on the date of delivery or the date delivery is refused as shown on the delivery receipt.

ARTICLE 41. COMPLETE AGREEMENT

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

ARTICLE 42. 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 43. SUCCESSORS AND ASSIGNS

This Ground Lease shall be binding upon and inure to the benefit of the successors and assigns of the Landlord and Tenant and where the term "Tenant" or "Landlord" is used in this Ground Lease, it shall mean and include their respective successors and assigns; provided, however, that the Landlord shall have no obligation under this Ground Lease to, nor shall any benefit of this Ground Lease accrue to, any unapproved successor or assign of Tenant where

Landlord approval of a successor or assign is required by this Ground Lease. At such time as Landlord sells the Site to any third party, Landlord shall require such third party to assume all of Landlord's obligations hereunder arising on and after the transfer in writing for the benefit of Tenant and its successors and assigns.

ARTICLE 44. TIME

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

ARTICLE 45. 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 46. APPLICABLE LAW

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

ARTICLE 47. ATTORNEYS' FEES

If either of the Parties 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 48. 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 49. RECORDATION OF MEMORANDUM OF GROUND LEASE

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

ARTICLE 50. TRANSFER OF PARTNERSHIP INTERESTS IN TENANT

Neither the transfer of any limited partner of Tenant (a "Limited Partner") interests in the Tenant or the admission of a successor limited partner or partners pursuant to the terms of the Partnership Agreement shall constitute an event of default under the Lease nor require the Landlord's consent. The withdrawal or removal of a general partner of the Tenant pursuant to the terms of the Partnership Agreement shall not require Landlord consent , and shall not constitute a default under the Lease provided that any replacement general partner shall require the consent of the Landlord which shall not be unreasonably withheld.

ARTICLE 51. ACCESS TO SITE

Prior to the Effective Date, the Developer and its representative will have the right of access and entry upon the Site, for the purpose of obtaining data and making surveys and tests, including site tests and soil borings necessary to carry out the purposes of this Agreement,

provided, however, that Developer must repair any damage to the Site caused by its access to and entry upon the Site to the extent reasonably possible and give prior written notice to the Agency of any such entry and shall, if the Agency so requires, obtain a permit to enter from the Agency for such entry and comply with such insurance and indemnification requirements as the Agency may impose with respect to such inspections as contained in the permit to enter. In the case of invasive tests under any permit to enter granted by the Agency, the Agency may impose such insurance, indemnification, guaranty and other requirements as the Agency determines appropriate, in their reasonable discretion as contained in the permit to enter.

ARTICLE 52. 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. Agency Consent of Leasehold Mortgage
4. Operational Rules for Certificate Holders' Priority
5. Small Business Enterprise Agreement and Permanent and Construction Workforce Agreements
6. Income Certification Form
7. Prevailing Wage Provisions
8. Agency's Minimum Compensation Policy
9. Agency's Health Care Accountability Policy
10. Scope of Development
11. Approved Project Cash Flow
12. Mayor's Office of Housing Asset Management Fee and Partnership Management Fee Policy

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

TENANT:

474 NATOMA, LLC,
A CALIFORNIA LIMITED LIABILITY COMPANY

By BRIDGE HOMES, INC.,
a California nonprofit public benefit corporation, its sole member

By: _____

Cynthia Parker
President

LANDLORD:

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

By: _____

Amy Lee
Deputy Executive Director
Finance and Administration

APPROVED AS TO FORM:

By: _____

James B. Morales
Agency General Counsel

Authorized by Agency Resolution No. 51-2011, adopted April 19, 2011.

ATTACHMENT 1

Legal Description of the Site

SITE LEGAL DESCRIPTION

All that certain real property situated in the City and County of San Francisco, State of California, described as follows:

Lot No. 101, as shown on the Map entitled, "Parcel Map Merger and Resubdivision of Lot 23, 24, 27, 55, 56, 57, 58, 59, and 65. A Portion of Assessor's Block 3725 Being a Portion of 100 Vara Block No. 381, San Francisco, California", filed October 26, 1995 in the office of the Recorder of the City and County of San Francisco, State of California, in Book 42, of Parcel Maps, Page 110.

ATTACHMENT 2

Schedule of Performance

Attachment 2
Schedule of Performance
474 Natoma Street

No.	Performance Milestone	Estimated or Actual Date	Contractual Deadline
1	Acquisition/Predev Financing Commitment	8/07	(for sale)
2.	Site Acquisition	N/A	N/A
3.	Development Team Selection		
a.	Architect	8/07	(RFP)
b.	General Contractor	6/09	(contract date)
c.	Owner's Representative	3/08	(contract date)
d.	Property Manager	8/11	
e.	Service Provider	8/11	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	4/11	4/12
b.	Submittal of Design Development & Cost Estimate	6/11	
c.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	8/11	
5.	Environ Review/Land-Use Entitlements		
a.	CEQA Environ Review Submission	11/08	(date project entitled)
b.	NEPA Environ Review Submission	N/A	
c.	CUP/PUD/Variances Submission	2/11	(variances for new units)
6.	Permits		
a.	Building / Site Permit Application Granted	11/09	11/09
b.	Addendum #1 Submitted (structural)	8/11	12/11
c.	Addendum #2 Submitted (Arch, landscape, civil)	8/11	12/11
d.	Addendum #3 Submitted (MEP)	8/11	12/11
7.	Request for Bids Issued	8/11	12/11
8.	Service Plan Submission		
a.	Preliminary	8/11	8/11
b.	Interim	N/A	
c.	Update	6/12	6/12

Attachment 2
Schedule of Performance
474 Natoma Street

9.	Additional City Financing		
a.	Predevelopment Financing Application #2	12/10	(reallocated existing funds)
b.	Gap Financing Application	4/11	
10.	Other Financing		
a.	MHP Application	N/A	
b.	Construction Financing RFP	6/11	
c.	AHP Application	10/11	5/12
d.	CDLAC Application	8/11	3/12
e.	TCAC Application	8/11	3/12
11.	Closing		
a.	Construction Closing	12/11	6/12
b.	Permanent Financing Closing	3/14	8/14
12.	Construction		
a.	Notice to Proceed	12/11	12/12
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	10/13	10/14
13.	Marketing/Rent-up		
a.	Marketing Plan Submission	4/13	4/14
b.	Commence Marketing	8/13	
c.	95% Occupancy	12/13	12/14
14.	Cost Certification/8609	6/14	12/14
15.	Close Out MOH/SFRA Loan(s)	6/14	12/14

ATTACHMENT 3

Agency Consent of Leasehold Mortgage

Attachment 3
Agency Consent of Leasehold Mortgage

Date:

San Francisco Redevelopment Agency
Attn: Executive Director
One South Van Ness Avenue
San Francisco, CA 94103

RE: 474 Natoma Street, San Francisco (LEASEHOLD MORTGAGE)

Dear Sir or Madam:

Pursuant to Section 25.01 of the 474 Natoma Ground Lease, dated April 19, 2011, between the Redevelopment Agency of the City and County of San Francisco ("Agency") and 474 Natoma LLC, we are formally requesting the Agency'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 Agency 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 Agency. Furthermore, we are willing to supply any additional documentation related to the leasehold mortgage which the Agency deems necessary.

Sincerely,

_____
Printed Name and Title

enc.

By signing this letter, the Agency consents to the leasehold mortgage, pursuant to the terms and conditions of Section 25.01 of the 474 Natoma Street Ground Lease dated April 19, 2011.

San Francisco Redevelopment Agency

_____
Printed Name and Title

ATTACHMENT 4

Operational Rules for Certificate Holders' Priority

OPERATIONAL RULES FOR
CERTIFICATE HOLDERS' PRIORITY

The Owner hereby agrees that priority for units designated for Low Income Households will be given to persons displaced or to be displaced from their homes by Agency redevelopment activities and who have been issued a form described as the "Certificate of Preference" ("Certificate Holder"), establishing a priority right to claim units outlined in the descending order of priority in paragraph D of this Attachment "5". Final acceptance or rejection of Certificate Holders lies with the Owner. The Owner shall notify the Agency and applicant in writing of the reason for rejection. In order to implement this Attachment "5":

A. The Agency agrees to furnish the following:

1. Written and/or printed notices to Certificate Holders advising them that such units will soon be available;
2. Assistance to Certificate Holders in filing applications; and
3. Verification to the Owner that applicant has been displaced.

B. The Owner agrees to the following:

1. To supply the Agency ninety (90) days prior to accepting lease applications with the information listed below. This information shall not be changed without providing the Agency with ten (10) days written notice.
   a. A master unit list with the following information:
      (1) Apartment number;
      (2) Number of bedrooms and baths;
      (3) Square footage; and
      (4) Initial rent to be charged.
   b. Estimated itemized cost of utilities and services to be paid by tenant by unit size.
   c. Detailed description of Owner's rules for tenants, which must include:
      (1) Minimum and maximum income
      (2) Pet policy
      (3) Selection process: To insure no discrimination against Low Income Households and Certificate Holders all criteria and the relative weight to be given to each criterion indicated. The Agency shall approve or disapprove the selection process criteria within ten (10) working days after submission thereof to the Agency.
      (4) Amount of security deposit and all other fees, as well as refund policy regarding same.
      (5) Occupancy requirements must be described in full and found reasonable by the Agency
      (6) Duration of rental agreement or lease.
      (7) Copy of rental agreement or lease.

(8) The Owner's rules for tenants shall be acceptable for purposes of this sub-paragraph.

d. Amount of charge for processing applications, if any.

e. Description of application process and length of time needed by Owner.

f. Copy of rental application and copy of all forms to be used for income verification.

g. Periodic notification to the Agency of the Owner's office hours for accepting applications and showing model unit(s).

2. The Owner further agrees that some applicants who apply directly to the Owner may be entitled to priority because of previous displacement. The Owner will, therefore, ask the following questions on all applications for occupancy:

"Have you been displaced or do you expect to be displaced by the San Francisco Redevelopment Agency?"

If the applicant answers affirmatively, the address from which displacement occurred is required. Copies of all applications indicating that such displacement either has taken place or will take place must be forwarded to the Agency within five (5) working days of receipt of such application by the Owner. It is agreed that information received on the application will be considered confidential. The Agency will, in turn, determine within ten (10) working days which such applicants are then qualified or will qualify as Certificate Holders, and will establish current Certificate of Preference priority.

C. 1. During initial lease-up of Low Income Units, the Agency may supply the Owner with a "status report" listing names, addresses and certificate numbers of Certificate Holders for all open applications. The Owner will return the same form within five (5) working days, indicating:

(1) status of each application as of that date, and
(2) in case of rejection for any cause, the exact reason thereof.

2 If material supplied in any application by a Certificate Holder indicates ineligibility on its face because of the Owner's rules and regulations, such applicant will be notified within one week, with a copy of the Agency. Any fee charged for processing such application will be refunded in full, notwithstanding, however, that such applicant shall be listed on status report showing application is closed and fee has been returned. If ineligibility can be determined only after a follow-up investigation, the applicant will be notified within one week after such determination is made, with a copy to the Agency. Any fee charged for processing such applications may be retained by the Owner. These applications will also appear on the status report.

3. Within ten (10) working days after execution of a lease, the Owner will supply the Agency with a signed copy of the following for all Certificate Holder tenants:

(1) signed copy of lease;
(2) copy of complete application; and
(3) copies of all verification forms used to ascertain income eligibility.

D. In order to expedite occupancy of housing units nearing completion, the Owner further agrees:

1. To select as prospective tenants eligible Certificate Holders who meet the occupancy requirements of the Owner. Selection will be based on the following descending order of priorities:

   a. Families or individuals who reside on Agency property in redevelopment areas.
   b. Families or individuals who were relocated from Agency property and still have a valid Certificate of Preference.
   c. Families or individuals displaced by the Department of Health, Public Works, etc. and referred by the Agency.

2. Applicants who are Certificate Holders who have been accepted and notified by the Owner will have five (5) working days thereafter to accept or reject a unit. If the Certificate Holder fails to affirmatively respond, the application may be closed. Rejection of the unit by a Certificate holder must be shown on current status report.

3. All Certificate Holders found acceptable by the Owner shall have the opportunity to inspect a model or other available completed unit, and be assigned an appropriate unit for future occupancy. Units may be offered to non-Certificate Holders at any time as long as the current status report shows that there are sufficient units available to satisfy applications from Certificate Holders for units of appropriate size in any stage of processing. ALL OBLIGATIONS TO SHOW MODELS OR OTHER AVAILABLE COMPLETED UNITS SHALL REMAIN IN EFFECT DURING INITIAL OCCUPANCY PERIOD. Initial Occupancy is defined for all purposes of this Attachment "I" as the earlier of ninety (90) calendar days following the Agency's receipt of a certified copy of a Certificate (or Certificates) of Occupancy issued by the City and County of San Francisco for the respective unit (or units) to be so approved for occupancy, or the date when all units have been rented to the first occupants thereof. Upon Initial Occupancy the Agency will certify compliance with this Attachment "I" with a written notice provided ten (10) days after Initial Occupancy. Such certification in no way negates the Owner's continued obligations to provide housing to persons displaced or to be displaced by the Agency's redevelopment activities as vacancies occur amount the units designated for Low Income Households.

E. Prior to Initial Occupancy, the Owner will deliver at least monthly, or more frequently if available to the Owner from its leasing agent, a rent-up report for all Development units listing the following:

1. Unit number rented;
2. Tenant name;
3. Date of move-in; and
4. Rent rate.

F. The Owner agrees that any contract entered into for the management of the residential portions of the Development, both before and after Initial Occupancy, shall be furnished to the Agency, shall incorporate the provisions of this Attachment "I", and shall bind the management agent to comply with its requirements.

G. After Initial Occupancy (without regard to whether the Agency has certified compliance with the obligation of the Owner respecting the period prior to Initial Occupancy), the Owner agrees to notify the Agency as far as practicable in advance of vacancies, which may occur in Low Income Housing units. The Agency and the Owner agree to follow the steps set forth in paragraph (D) above with respect to such units. In the event no appropriate Certificate Holder can be found within five (5) working days after receipt of notification by the Owner to the Agency of availability of a unit, the Agency agrees that the Owner may lease the unit to Low Income Households, as appropriate, which do not hold a Certificate of Preference.

H. The Agency reserves the right to waive any of the foregoing conditions, provided however that any such waiver shall not be deemed to have waived any other conditions, nor the same condition subsequently.

ATTACHMENT 5

Small Business Enterprise Agreement and Permanent and Construction Workforce Agreements

SFRA

SAN FRANCISCO REDEVELOPMENT AGENCY
DECLARATION FORM
Nondiscrimination in Contracts and Benefits

1. **Nondiscrimination—Protected Classes**

a. Is it your company/organization's policy that you will not discriminate against your employees, applicants for employment, employees of the San Francisco Redevelopment Agency (Agency) or City and County of San Francisco (City), or members of the public for the following reasons:

• race	☑ Yes	☐ No
• color	☑ Yes	☐ No
• creed	☑ Yes	☐ No
• religion	☑ Yes	☐ No
• ancestry	☑ Yes	☐ No
• national origin	☑ Yes	☐ No
• age	☑ Yes	☐ No
• sex	☑ Yes	☐ No
• sexual orientation	☑ Yes	☐ No
• gender identity	☑ Yes	☐ No
• marital status	☑ Yes	☐ No
• domestic partner status	☑ Yes	☐ No
• disability	☑ Yes	☐ No
• AIDS or HIV status	☑ Yes	☐ No

b. Do you agree to insert a similar nondiscrimination provision in any subcontract you enter into for the performance of a substantial portion of the contract that you have with the Agency or the City?

☑ Yes ☐ No

If you answered "no" to any part of Question 1a or 1b, the Agency or the City cannot do business with you.

2. **Nondiscrimination—Equal Benefits (Question 2 does not apply to subcontracts or subcontractors)**

a. Do you provide, or offer access to, any benefits to employees with spouses or to spouses of employees?

☑ Yes ☐ No

b. Do you provide, or offer access to, any benefits to employees with domestic partners (Partners) or to domestic partners of employees?

☑ Yes ☐ No

If you answered "no" to both Questions 2a and 2b, skip 2c and 2d, and sign, date and return this form. If you answered "yes" to Question 2a or 2b, continue to 2c.

c. If "yes," please indicate which ones. This list is not intended to be exhaustive. Please list any other benefits you provide (even if the employer does not pay for them).

Benefit	Yes, for Spouses	Yes, for Partners	No
• Medical (health, dental, vision)	☑	☑	☐
• Pension (Employee)	☑	☑	☑
• Bereavement	☑	☑	☐
• Family leave	☑	☑	☐
• Parental leave	☑	☑	☐
• Employee assistance programs	☑	☑	☐
• Relocation and travel (Employee)	☑	☑	☑
• Company discounts, facilities, events	☑	☑	☐
• Credit union	☐	☐	☑
• Child care	☐	☐	☑
• Other _____	☐	☐	☑
• Other _____	☐	☐	☐

DECLARATION FORM
Nondiscrimination in Contracts and Benefits

d. If you answered "yes" to Question 2a or 2b, and in 2c indicated that you do not provide equal benefits, you may still comply with the Policy if you have taken all reasonable measures to end discrimination in benefits, have been unable to do so, and now provide employees with a cash equivalent.

(1) Have you taken all reasonable measures? ☑ Yes ☑ No

(2) Do you provide a cash equivalent? ☐ Yes ☑ No

3. **Documentation for Nondiscrimination in Benefits (Questions 2c and 2d only)**

If you answered "yes" to any part of Question 2c or Question 2d, you must attach to this form those provisions of insurance policies, personnel policies, or other documents you have which verify your compliance with Question 2c or Question 2d. Please include the policy sections that list the benefits for which you indicated "yes" in Question 2c. If documentation does not exist, attach an explanation, e.g., some of your personnel policies are unwritten. If you answered "yes" to Question 2d(1) complete and attach form SFRA/CC-103, "Nondiscrimination in Benefits—Reasonable Measures Affidavit," which is available from the Agency. You need not document your "yes" answer to Question 1a or Question 1b.

I declare (or certify) under penalty of perjury that the foregoing is true and correct, and that I am authorized to bind this entity contractually.

Executed this 5 day of May, 2001, at San Francisco (City), CA (State).

Name of Company/Organization: BRIDGE HOUSING CORP

Doing Business As (DBA): _____

Also Known As (AKA): _____

General Address: 345 Spear St. Ste 700, San Francisco CA 94105

(For General Correspondence) same

Remittance Address: _____

(If different from above address) _____

Name of Signatory: CYNTHIA PARKER (Please Print) Title: PRESIDENT & CEO

Signature: [signature]

Phone Number: 415-989-1111 Federal Tax Identification Number: 94-2827909

Approximate number of employees in the U.S.: 341 Vendor Number: _____ (if known)

☐ Check here if your address has changed.

☑ Check here if your organization is a non-profit.

☐ Check here if your organization is a governmental entity.

THIS FORM MUST BE RETURNED WITH THE ORIGINAL SIGNATURE

Please return this form to: San Francisco Redevelopment Agency, One South Van Ness Avenue, 5th Floor, San Francisco, CA 94103

II. EMPLOYMENT POLICIES

BRIDGE reserves the right to revise, modify, delete or add to any and all policies, procedures, work rules or benefits stated in this handbook or in any other document, except for the policy of at-will employment. However, any such changes must be in writing and must be signed by the President of BRIDGE. Any written changes to this handbook will be distributed to all employees so that employees will be aware of the new policies or procedures. No oral statements or representations can in any way change or alter the provisions of this handbook.

Nothing in this employee handbook, or any other personnel document, including benefit plan descriptions, creates or is intended to create a promise or representation of continued employment for any employee.

This employee handbook contains the employment policies and practices of BRIDGE in effect at the time of publication. All previously issued handbooks and any inconsistent policy statements or memoranda are superseded.

AT-WILL EMPLOYMENT

Your employment with BRIDGE is at will. Please understand that no promise of a specified term of employment has been made by BRIDGE. While we hope and expect that your association with us will be successful and rewarding, you or BRIDGE may terminate employment at any time with or without cause and with or without notice.

EQUAL EMPLOYMENT OPPORTUNITY

In keeping with our commitment to the communities in which we do business, and to state and federal law, BRIDGE is an equal opportunity employer and makes its employment decisions on the basis of merit. BRIDGE strives to place the best person in every position.

This policy prohibits unlawful discrimination based on race, color, gender, sexual orientation, marital status, sex, age, national origin, religion, physical disability, mental handicap, other disability, medical condition or ancestry, or any other consideration made unlawful by federal, state or local laws. All such discrimination is unlawful and BRIDGE is committed to complying with all applicable laws.

If you believe you have been subjected to any form of unlawful discrimination, please provide a written complaint to your supervisor or Human Resources. Your complaint should be specific and should include the names of the individuals involved and the names of any witnesses. BRIDGE will immediately undertake an effective, thorough and objective investigation and attempt to resolve the situation.

If BRIDGE determines that unlawful discrimination has occurred, effective corrective action will be taken. Appropriate action will also be taken to deter any future discrimination. BRIDGE will not retaliate against you for filing a complaint and will not knowingly permit retaliation by management, employees or your co-workers.

UNLAWFUL HARASSMENT

BRIDGE is committed to providing a work environment free of unlawful harassment. This policy prohibits sexual harassment and harassment because of race, religion, age, color, national origin, ancestry, physical disability, mental handicap, other disability, medical handicap, other disability, marital status, gender, sexual orientation or any other basis protected by federal, state or local law or ordinance or regulation. All such harassment is unlawful. BRIDGE's anti-harassment policy applies to all persons involved in the operation of BRIDGE and prohibits unlawful harassment by any employee of BRIDGE, including supervisors and co-workers, as well as by any person doing business with or for BRIDGE.

Prohibited unlawful harassment because of sex, gender, race, ancestry, physical handicap, mental condition, marital status, sexual orientation, age or any other protected basis includes, but is not limited to, the following behavior:

a. Verbal conduct such as epithets, derogatory jokes or comments, slurs or unwanted sexual advances, invitations or comments;

b. Visual conduct such as derogatory and/or sexually-oriented posters, photography, web sites, cartoons, drawings or gestures;

c. Physical conduct such as assault, unwanted touching, blocking normal movement or interfering with work because of sex, race or other protected basis;

d. Threats and demands to submit to sexual requests as a condition of continued employment, or to avoid some other loss, and offers of employment benefits in return for sexual favors; and

e. Retaliation for having reported or threatened to report harassment.

If you believe that you have been unlawfully harassed, provide a written complaint to your supervisor or the next level supervisor as soon as possible after the incident. Your complaint should include details of the incident or incidents, names of the individuals involved and names of any witnesses.

INSURANCE BENEFITS

Health Insurance: BRIDGE provides a comprehensive medical, dental, and vision insurance plan for eligible employees and their dependents. Eligible employees may elect medical, dental, vision, are available after 30 days. Life insurance and Short Term Disability, Long Term Disability and Accidental Death and Dismemberment and our employee assistance program are available after 90 days.

BRIDGE contributes to the monthly premium for health, dental and vision insurance for employees who are regularly scheduled to work 30 hours or more per week, including the premiums for spouses/domestic partners* and dependents. Eligibility for medical benefits may be determined by the medical carrier/insurance company.

After leaving BRIDGE, previously enrolled employees have the right to continue medical coverage under COBRA. For a description of this program, please see Appendix A or talk to a Human Resources representative.

*Domestic partner benefits are included in the medical package that provides coverage for an employee's significant other, regardless of their marital status, whether of same or opposite sex. Domestic partners must provide a written, notarized statement of their relationship and two documents that provide proof of interdependency (see Domestic Partner Affidavit form for details).

Short-Term Disability Insurance: BRIDGE contributes to the State of California to provide employees with disability insurance pursuant to the California Unemployment Insurance Code. Disability insurance is payable when you cannot work because of illness or injury not caused by employment at BRIDGE or when you are entitled to temporary workers' compensation at a rate less than the daily disability benefit amount.

Paid Family Leave: PFL also a part of SDI, gives workers partial reimbursement of their pay for up to six weeks during any 12-month period to take time off from their jobs to bond with a new child or care for a family member with a serious health condition.

Workers will be reimbursed by the State 55 percent of their base wage for up to six weeks in any 12-month period for SDI and PFL. One week after date of disability is the waiting period. Someone who is entitled to leave under FMLA/CFRA must use FTDI benefits concurrent with the FMLA/CFRA leave. See Human Resources for more information on this benefit.

Unemployment Compensation: If eligible, a terminated employee may receive compensation from the California Unemployment Insurance Fund.

Social Security: Social Security is an important part of every employee's retirement benefit. BRIDGE pays a matching contribution to each employee's Social Security taxes.

Workers' Compensation: BRIDGE is in full compliance of the law requiring workers' compensation coverage to protect employees who may be injured or become ill in the course of doing their work. This insurance provides medical and wage-loss protection at no cost to you. **Please report any injuries to your supervisor and Human Resources immediately.** If the injury is an emergency, call 911 and seek emergency medical attention. If the injury is not an emergency, proceed to the Workers Compensation Clinic identified by Human Resources. See the Human Resources poster in public staff areas for more information.

Employee Assistance Program: BRIDGE offers employees and their families a free and completely confidential counseling service through Managed Health Network. This program is designed to assist employees who are experiencing problems which can affect their ability to work. Assistance is provided for marital and family problems, alcoholism, drug dependency, domestic violence, financial and credit concerns, emotional problems, stress, elder care concerns or responsibilities, interpersonal conflicts and situational life problems. For further information or assistance, call MHN at **1-800-227-1060.**

For more detail on any of these benefits, contact the BRIDGE Human Resources representative.

LEAVES OF ABSENCE

BRIDGE makes available different types of leaves in the event that eligible employees are unable to work for a period of time. As required by law, BRIDGE provides family and medical leave and pregnancy disability leave (PDL) to eligible employees in accordance with the Family and Medical Leave Act (FMLA), the California Family Rights Act (CFRA), and the pregnancy disability provisions of the California Fair Employment and Housing Act. BRIDGE also offers non-FMLA/CFRA medical leave for employees who have been at BRIDGE for less than a year and need to take some time off due to non-work related medical disability. Personal leave is offered on a discretionary basis for situations not covered by medical or family leave or other legally mandated leave, and is intended to assist where employee issues require that the employee be absent from his or her job for a brief period of time, but the employee does not have enough vacation to cover the leave. See each section below or Human Resources Representative for more information.

FAMILY LEAVE

Eligible employees are entitled under the Family Medical Leave Act (FMLA) and California Family Rights Act (CFRA) to take up to 12 weeks of unpaid family leave within a 12-month period. Eligible employees are those who have completed at least one

year of continuous service, worked 1250 hours of service during 12-months preceding and who are eligible for other benefits offered by the company.

Family leave is permitted for the birth, adoption or serious illness of a child, or to care for a parent, spouse, domestic partner or one's own serious health condition. A serious health condition is an illness, injury or impairment, or physical or mental condition that involves (1) inpatient care in a hospital, hospice or residential medical care facility, including any period of incapacity or any subsequent treatment in connection with such inpatient care; or (2) continuing treatment by a health care provider. The leave may be taken intermittently.

Certain salaried employees may not be entitled to family leave on the basis of their earnings from BRIDGE. BRIDGE will notify any such ineligible persons individually upon request of leave. The federal Family and Medical Leave Act (FMLA) mandate a particular job reinstatement period at the conclusion of 12 weeks. This means that you will be reinstated to the same or comparable position unless a legitimate business reason unrelated to the leave, such as layoff, occurs during your leave period.

The following procedures shall apply when requests for family leave are made:

Employee requests family leave from supervisor, who in turn contacts Human Resources. Human Resources will determine if the employee is eligible for the leave. If the need for leave is foreseeable, the employee must provide reasonable advance notice to his/her supervisor. If the leave is needed due to a planned medical treatment or supervision, the employee must make a reasonable effort to schedule the treatment or supervision to avoid disruption to BRIDGE operations. Human Resources will provide certification forms to be completed by the medical provider. If the leave is needed to care for a sick child, spouse, domestic partner or parent, the employee must provide a certification from the health care provider which are available from Human Resources.

The amount of leave actually granted by BRIDGE will be determined by what is reasonable under the circumstances. A request for family leave will be denied where undue hardship to BRIDGE's operations would result.

BRIDGE may deny a family leave request to care for a child where the child's other parent is already taking family leave or is unemployed. Family leave also includes up to 3 days in 12 months for parents or guardians to participate in school-related activities.

An employee taking family leave will be allowed to continue participating in any health and welfare benefit plans provided the employee continues to pay their premiums. If the employee voluntarily fails to return to work after the leave, BRIDGE can recover the health premiums. The employee is then able to apply for COBRA health insurance through BRIDGE.

Employees taking family leave do not accrue vacation time during the period of leave.

held at the time of leaving, if available. If this position is not available, a comparable position will be offered. If neither the same nor a comparable position is available, your return to work will depend on job openings existing at the time of your scheduled return.

This policy does not apply in cases of work-related injuries or illnesses. California workers' compensation laws govern such work-related disabilities, and BPMC intends to fully comply with these laws.

Employees taking medical leave do not accrue vacation time during the period of leave.

An employee taking family medical leave will be allowed to continue participating in any health and welfare benefit plans provided the employee continues to pay their premiums. If the employee voluntarily fails to return to work after the leave, BRIDGE can recover the health premiums. The employee is then able to apply for COBRA health insurance through BRIDGE.

PERSONAL LEAVE

BRIDGE believes that our vacation and holiday benefits are sufficiently generous for the employees to use, so that additional time off should not be necessary. However, we acknowledge that there may be exceptions and that unpaid leaves of absence of up to six weeks may be granted to employees in certain circumstances. Personal leave is granted to employees in good standing, subject to the company's discretion, who cannot qualify for medical or family leave. This leave is not intended to replace or substitute Family or Medical Leave and is not be used in addition to those leaves.

Personal leaves may begin only after all vacation time has been used. It is important to request any leave in writing as far in advance as possible, to keep in touch with your supervisor during your leave, and to give prompt notice if there is any change in your return date.

Upon return from a leave of absence, you may be credited with the full employment status, which existed prior to the start of the leave, if the position is still available. If your leave expires and you have not contacted your supervisor or Human Resources, it will be assumed that you do not plan to return and that you have terminated your employment.

An employee taking personal leave will be allowed to continue participating in any health and welfare benefit plans provided the employee continues to pay their premiums. If the employee voluntarily fails to return to work after the leave, BRIDGE can recover the health premiums. The employee is then able to apply for COBRA health insurance through BRIDGE.

Human Resources can provide additional information on this subject. Employees taking personal leave do not accrue vacation time during the period of leave.

BEREAVEMENT LEAVE

In the event of the death of an immediate family member (your current spouse, domestic partner, child, parent, brother, sister or grandparent) full-time employees may take up to three days of paid bereavement leave for bereavement and funerals within the state of California and up to five days for out-of-state services. The number of days available to a part-time employee is based on their work schedule and is prorated.

Step-family relationships, guardianships and maternal or paternal aunts and uncles are not automatically considered immediate family, and details of the relationship may be requested. Employees should notify their supervisor immediately of the need for bereavement leave; the use of such leave is subject to verification.

MILITARY LEAVE

If you are a regular full-time employee and you are called-up for active military service, you are considered to be on military service unpaid leave of absence. You are entitled to reinstatement upon completion of military service provided your application for reinstatement is made within 90 days of your discharge.

An employee returning from active military service within 90 days of discharge (or released from hospitalization that continued following discharge) will be offered the same position held at the time of leaving, unless the job no longer exists, or the job has been filled in order to avoid undermining the company's ability to operate safely and efficiently, or you are not capable of performing the job responsibilities. If your former position is not available, a substantially similar position will be offered unless there is no substantially similar position available, or your filling the available position would substantially undermine the company's ability to operate safety and efficiently, or you are not capable of performing the job responsibilities.

If you are ordered on military duty for 17 days or fewer per year, you will not be placed on military service leave, but will be given an excused absence without pay. Whether or not you return to BRIDGE after your military leave, you may elect COBRA health plan continuation coverage for yourself, and previously-enrolled dependents.

JURY DUTY OR WITNESS LEAVE

BRIDGE encourages employees to serve on jury selection or jury duty when called. Employees who have completed their introductory periods will receive full pay while serving up to ten days of jury duty or witness leave. You should notify your supervisor of the need for time off for jury duty or witness leave as soon as a notice or summons from the court is received. If any significant amount of time remains after any day of jury selection or jury duty, you should return to work for the remainder of your work

schedule. In addition, Human Resources should be provided with written verification from the court for each day served.

Time off is also approved for employees who are victims or related to victims of certain felonies including violent or serious felonies. This leave is unpaid unless the employee elects to use accrue sick leave or vacation. Where feasible, notice must be given to BRIDGE prior to need for leave to attend judicial proceeding.

TIME OFF TO VOTE

Employees are allowed two hours at the beginning or end of their scheduled work day to vote in statewide elections. If the employee has reason to believe that time off will be necessary to be able to vote on election day, that employee should give BRIDGE notice at least two days in advance.

VOLUNTARY AND COMPANY RETIREMENT SAVINGS PLAN

BRIDGE has established a voluntary and company retirement savings plan for all regular employees working more than 20 hours per week. There is a six-month waiting period (to the first calendar quarter) from your date of hire before you may participate in the BRIDGE-sponsored plan. Once you are eligible, enrollment in the voluntary retirement savings plan is at your discretion. This plan should be reviewed in detail with you at your initial orientation with Human Resources.

EXTERNAL EMPLOYEE EDUCATION

BRIDGE supports external education for employees and may provide funds and/or time off for job-related seminars, classes, or conferences. Such seminars, classes or conferences must be approved by your supervisor for job relevance, and by a Vice President for funding and time off. It may also be necessary for employees to attend specific training programs for the benefit of BRIDGE. Attendance at such activities may be required, and all expenses associated with such training programs will be covered by BRIDGE.

RECREATIONAL ACTIVITIES AND PROGRAMS

BRIDGE or its insurer will not be liable for the payment of workers' compensation benefits for any injury that arises out of an employee's voluntary participation in any off-duty recreational, social, or athletic activity that is not part of the employee's work-related duties.

TIPPING, GRATUITIES AND GIFTS

BRIDGE employees are not allowed to accept tips, nor may they accept gifts in excess of $100 from the public unless approved by an officer of BRIDGE.

TRAVEL AND EXPENSE REIMBURSEMENT

BRIDGE employees will receive compensation for travel in their own personal vehicles for required activities at a per-mile rate determined by BRIDGE. Any employee who submits expense reports for travel compensation must submit documentation of the purpose of the trip and mileage.

A supervisor must approve all travel and expense reimbursement requests.

BRIDGE Housing

BRIDGE HOUSING CORPORATION
BENEFIT SUMMARY 2011

Benefits available to all full-time employees. Open Enrollment begins November 9th and ends November 29th. All changes will become effective January 1, 2011. Costs determined by plan and coverage. Domestic partners, spouses, children are included as dependents. Employees have the following plan options for 2011.

Medical Plan Options: Employees can select from the following plans:

- Kaiser- HMO ($15 co-pay)
- PacifiCare- HMO ($15 co-pay)
- United Healthcare-PPO 90/70 ($20 co-pay)

Dental Plan:

Delta Dental – PPO

- You and your family have the flexibility to choose any licensed dentist or specialist or you may choose a PPO network provider
- Services provided by a non-PPO provider will be paid at non-PPO benefit levels outlined in the Dental Plan Summary Plan Description
- Annual Maximum coverage is $1500
- Diagnostic and preventive benefits are covered at 100% in/out of network – See plan detail
- Orthodontic benefits are covered for dependent children and adults only at 50% in/out of network – See plan detail
- Orthodontic life time max $1500

Vision Plan:

Vision Plan Services (VSP)

- Exam covered in full, 1 per year
- One set of corrective lenses or one set of frames/contacts every 2 years
- Services received outside the PPO will be subject to a fee reimbursement schedule. Refer to plan detail

Medical Flexible Spending Account

- **Pre-tax Medical (FSA) maximum election is $1,500**
- **Pre-tax Dependent (FSA) maximum election is $5000**
- Reimburses employee for **qualified daycare** expenses with pre-tax income
- Check plan detail for more information on qualified day care
- You can use your account for expenses, not to exceed your total annual election amount, anytime during the plan year
- Once enrolled, your election can't be changed until the following plan year, unless you have a family status change or a qualified event
- You have 12 months to use your elected amount
- You will have 60 days after 12/31 to submit receipts by March 31, 2010
- Remember if you don't use the funds elected at plan year end, you will lose it

Dependent Care Flexible Spending Account

- **Pre-tax Dependent (FSA) maximum election is $5000**
- Reimburses employee for **qualified daycare** expenses with pre-tax income
- **Check plan detail for more information on qualified day care**
- Includes expenses for dependent children and dependent parents
- Must include caregiver's name, SS#, dates of service and amount paid to receive reimbursement
- Once again, you decide how much to deposit in your Dependent Care Expense FSA, up to the maximum allowed
- Unlike the Medical Expense FSA, you can only submit claims on the money currently in your account

DOMESTIC PARTNERSHIP POLICY

Introduction

BRIDGE Housing Corporation is pleased to provide certain benefits coverage for domestic partners of employees. This coverage will also be available to the eligible child(ren) of an employee's domestic partner. The benefit plans available to a domestic partner and the partner's eligible child(ren), if applicable, include:

- Health
- Dental
- Vision
- Employee Assistance Program (EAP)

This will serve as a general guideline in regards to covering Domestic Partners on health coverage. Definitions are included to help assist with understanding these provisions.

Definition of Domestic Partners

Domestic Partners are defined as two adults, of the same or opposite sex, engaged in a spouse-like relationship characterized by mutual caring and dependency. To qualify for Domestic Partners coverage, both individuals must meet each of the following qualifications as well as the specific criteria outlined on the Declaration of Domestic Partnership:

- Individuals are at least eighteen (18) years of age and mentally competent to consent to a contract.
- Individuals are each other's sole Domestic Partner, and intend to remain so indefinitely.
- Individuals are not married to or legally separated from anyone else.
- Individuals are not related by blood to a degree of closeness that would prohibit legal marriage in the state in which they reside.
- Individuals are living together in the same residence and intend to do so indefinitely. Individuals are engaged in a committed relationship of mutual caring and support and are jointly responsible for each other's common welfare and living expenses. The employer's proof of interdependence must include at least three of the following:
  - Common ownership of real property (joint deed or mortgage agreement) or a common leasehold interest in property
  - Common ownership of a motor vehicle
  - Driver's license listing a common address
  - Proof of joint bank accounts or credit accounts

ended. Coverage for Domestic Partners and their dependent children will cease on the date the Domestic Partner relationship ended, as indicated on the Declaration and in accordance with the contract.

- Notarization of the Declaration is not required.
- Declarations will be maintained by the Human Resources Department of the property/office where the employee is employed.
- Civil action may be brought against one or both parties if it is determined that information on the Declaration is falsified.
- It is not necessary to file these documents with state insurance departments,

Enrollment

Effective Date of Domestic Partner Enrollment

Coverage for domestic partners enrolled during the Open Enrollment period will be effective January 1 for the following year. Thereafter, enrollment documents must be submitted within 31 days of the domestic partnership or within 31 days of a qualified mid-year change. Standard enrollment procedures apply to employees with Domestic Partners.

With respect to employees in a Domestic Partner relationship on their original effective date, employees must enroll their domestic partner and any dependent children for coverage within thirty-one (31) days of the employee's eligibility date for this coverage. If the request for coverage is made late - more than thirty-one (31) days from the date the Domestic Partner relationship requirements were fulfilled, coverage for the Domestic Partner and any eligible children will be deferred until next open enrollment.

With respect to enrolled employees who enter a Domestic Partner relationship after their original effective date, employees must enroll their Domestic Partner and any dependent children for coverage within thirty-one (31) days from the date the relationship requirements were fulfilled as indicated on the Domestic Partnership Application and Declaration. If the request for coverage is made more than thirty-one (31) days from the date the Domestic Partner relationship requirements were fulfilled as indicated on the Declaration of Domestic Partnership, coverage for the Domestic Partner and any eligible children will be deferred until next open enrollment.

Mid-year Changes

Changes to domestic partner coverage may be made if an employee has a qualified mid-year change and BHC's Human Resources Office is notified within 31 days of the change. Below are some examples of mid-year changes that would allow employees to make coverage level changes:

partner should consult with their own tax advisor regarding the tax consequences of such coverage.

It's important to be aware of the tax implications when you enroll your domestic partner, dependents of domestic partner, or older child in one of BRIDGE Housing Corporation's health insurance plans.

Pre-Tax or Post Tax Payroll Deductions

- *Pre-Tax:* The portion of the insurance premium you pay for yourself and the dependents you CAN claim on your federal income tax return. This is taken from your paycheck **before** taxes are deducted.

- *Post-Tax:* The portion of the insurance premium you pay for dependents you CANNOT claim on your federal income tax return (also referred to as non tax qualified dependents). This is taken from your paycheck **after** taxes are deducted.

Inputed Income

Imputed income is separate from your monthly premium and is determined based on the plan you choose and the number and type of dependents you have.

In general:

- Imputed income is the amount of money your employer pays for certain non-tax qualified benefits.
- The Internal Revenue Service (IRS) considers the employer's contribution towards coverage for a non-tax-qualified (or post-tax) dependent as your imputed income.
- Imputed income **increases** your taxable gross income and is subject to federal and state income taxes as well as FICA (Social Security and Medicare) withholding.
- Income tax withholding rates are calculated according to your federal W-4 and state A-4 forms.
- Your imputed income is reported on your annual W-2 form.
- Imputed income does not affect calculations for retirement or disability income.

Note: *Based on IRS requirements, imputed income applies only for coverage of an individual whom you do not claim on your income tax return as a dependent. If your domestic partner (or your older child) qualifies as your tax dependent under Section 152(d)(1) of the Internal Revenue Code, you should have no imputed income. IRS Bulletin 2008-2, Notice 2008-5 "Qualifying Relative for Purposes of Section 152(d)(1) is available online at http://www.irs.gov/irb/2008-02_IRB/ar14.html*

Disclaimer: *The example is for illustration only and may not reflect your actual circumstances. BRIDGE Housing Corporation is not providing tax advice nor attempting to*

Legal Action

Employees and their Domestic Partners are required to complete a Declaration certifying that the relationship exists. In the event it is determined that the information on the signed Declaration is false, civil action may be brought against one or both individuals. They must also be made aware that the falsification of information contained in the Declaration and failure to notify the employer of any change in circumstances may lead to: 1) recovery of any benefits improperly paid, and 2) the employer taking disciplinary action against the employee, up to and including discharge from employment.

COBRA

Standard provisions will apply except that due to the limited definition of "spouse" in the COBRA Law, a domestic partner may elect COBRA in his or her own right. However, an employee on COBRA may add a Domestic Partner in the same manner as is permitted for active employees. Also, in the event the employee on COBRA dies or becomes Medicare entitled, or the Domestic Partner relationship terminated, the Domestic Partner may not make an election under COBRA as a second qualifying event.

Questions?

For further questions or assistance regarding domestic partner coverage, contact Human Resources Office at 415- 989-1111 x 7812 or through email at psimon@bridgehousing.com.

BHC reserves the right to amend or discontinue any employee benefit plan, or any part of them, with or without notice, at any time at BHC's sole discretion.

CONSTRUCTION WORK FORCE AGREEMENT

I. PURPOSE. The purpose of the Agency and the Owner entering into this Construction Work Force Agreement is to ensure equal employment opportunities for minority group persons and women in the construction work force involved in constructing any of the phases upon the Site covered by the LOAN. To achieve this purpose, the Agency and the Owner adopt the standards and requirements set forth below, which are modeled on the standards and requirements of Executive Order 11246 and its implementing regulations including those contained in 41 Code of Federal Regulations ("CFR") 60-1.4, 60-4.2 and 60-4.3.

II. WORK FORCE GOALS.

A. The goals set forth below are expressed as a percentage of each Contractor's total hours of employment and training by trade on the Site. The goals represent the level of minority and female utilization each Contractor should reasonably be able to achieve in each construction trade in which it has employees on the Site. The Owner agrees, and will require each Contractor (regardless of tier), to use its good faith efforts to employ minority group persons and women to perform construction work upon the Site at a level at least consistent with said goals.

B. Goals

1. Goal for minority group participation in each trade: ***25.6 percent*** of the total hours worked in the trade.

2. Goal for female participation in each trade: ***6.9 percent*** of the total hours worked in the trade.

3. Goal for participation of San Francisco residents in each trade: ***50 percent*** of the total hours worked in the trade. Residents of the South of Market Project Area shall be given first consideration for hiring followed by other San Francisco residents.

C. If a conflict arises, achieving the ethnic and gender goals shall take precedence over achieving the residency goal set forth in Section II.B.3.

The goals set forth in Section II.B shall be amended to reflect goals issued by the Agency shall either reflect the availability of minority group persons and/or women in the relevant labor area to perform construction work generally or by trade, or, be designed to correct the effects of past discrimination in situations where the Agency concludes that the facts establish a prima facie case of discrimination against a minority group or women, or otherwise meet the current judicial standards for setting employment goals. A judicial finding of discrimination shall not be a prerequisite to the establishment of new goals by the Agency. If the Owner believes that the new goals violate applicable legal

standards, the Owner may challenge the goals either through arbitration under Attachment H or in a de novo court action.

D. Amendments to the goals shall be prospective and go into effect 20 days after the Agency mails written notice of the amendments to the Owner. New goals shall not be applied retroactively.

E. Although paragraph B establishes a single goal for minority group persons and a separate, single goal for women, each Contractor is required to provide equal employment opportunity and to take equal opportunity for all ethnic groups, both male and female, and all women, both minority and non-minority. Consequently, a Contractor may be in violation of this Construction Work Force Agreement if a particular ethnic group is employed in a substantially disparate manner (for example, even though the Contractor has achieved its goal for women generally, the Contractor may be in violation if a specific ethnic group of women is underutilized.) If the Agency determines, after affording a Contractor notice and an opportunity to be heard, that the Contractor has violated its obligations under this paragraph, the Agency may set, for that Contractor, work force participation goals by particular ethnic group, e.g., Blacks, Latinos, etc.

F. Each Contractor is individually required to comply with its obligations under this Construction Work Force Agreement, and to make a good faith effort to achieve each goal in each trade in which it has employees employed at the Site. (See Section IV below.) The overall good faith performance by other contractors or subcontractors toward a goal does not excuse any covered Contractor's failure to make good faith efforts to achieve the goals.

G. The Contractor shall not use the goals or equal opportunity standards to discriminate against any person because of age, ancestry, color, creed, disability, gender, national origin, race, religion or sexual orientation.

H. In order for the non-working training hours of apprentices and trainees to be counted in meeting the goals, such apprentices and trainees must be employed by the Contractor during the training period, and the Contractor must have made a commitment to employ the apprentices and trainees at the completion of their training, subject to the availability of employment opportunities. Unless otherwise permitted by law, trainees must be trained pursuant to training programs approved by the U.S. Department of Labor, Employment and Training Administration, Bureau of Apprenticeship and Training ("BAT") or the California Department of Industrial Relations, Division of Apprenticeship Standards ("DAS").

III. **INCORPORATION.** Whenever the Owner, the general contractor, any prime contractor, or any subcontractor at any tier subcontracts a portion of the work on the Site involving any construction trade, it shall set forth verbatim and make binding on each subcontractor which has a contract in excess of $10,000 the provisions of this

Construction Work Force Agreement, including the applicable goals for minority group and female participation in each trade.

IV. **EQUAL OPPORTUNITY REQUIREMENTS.**

A. Each Contractor shall take specific equal opportunities to ensure equal employment opportunity ("EEO"). The evaluation of the Contractor's compliance with this Construction Work Force Agreement shall be based upon its good faith efforts to achieve maximum results from its actions. Each Contractor shall document these efforts fully, and shall implement equal opportunity steps at least as extensive as the following:

1. Ensure and maintain a working environment free of harassment, intimidation, and coercion at the Site. The Contractor shall specifically ensure that all foremen, superintendents, and other on-site supervisory personnel are aware of and carry out the Contractor's obligation to maintain such a working environment with specific attention given to minority group persons or women working at the Site.

2. Provide written notification to community based organization and any other organizations identified for the Contractor by the Agency when the Contractor or its unions have employment opportunities available, and maintain a record of the organizations' responses.

3. Maintain a current file of the names, addresses and telephone numbers of each off-the-street, minority group, female or resident applicant and each minority, female and resident referral from a union, a recruitment source or community organization and of what action was taken with respect to each such individual. If such individual was sent to the union hiring hall for referral and was not referred back to the Contractor by the union, or if referred, not employed by the Contractor, this shall be documented in the file with the reason therefore, along with whatever additional actions the Contractor may have taken.

4. Provide immediate written notification to the Agency when the union or unions with which the Contractor has a collective bargaining agreement has not referred to the Contractor a minority group person, a woman or a resident sent or requested by the Contractor, or when the Contractor has other information that the union referral process has impeded the Contractor's efforts to meet its obligations.

5. Develop on-the-job training opportunities and/or participate in training programs which expressly include minority group persons and women, including apprenticeship, trainee and upgrading programs relevant to the Contractor's employment needs, especially those funded or approved by

BAT or DAS. The Contractor shall provide notice of these programs to the sources compiled under Section IV.A.2 above.

6. Disseminate the Contractor's EEO policy by providing notice of the policy to unions and training programs and requesting their cooperation in assisting the Contractor in meeting its EEO obligations; by including it in any policy manual and collective bargaining agreement; by publicizing it in the company newspaper, annual report, etc.; by specific review of the policy with all management personnel and with all minority group and female employees at least once a year; and by posting the company EEO policy on bulletin boards accessible to all employees at the Site.

7. Review, prior to beginning work at the Site and at least annually thereafter, the Contractor's EEO policy and equal opportunity obligations under the LOAN and this Construction Work Force Agreement with all employees having any responsibility for hiring, assignment, layoff, termination or other employment decisions including specific review of these items with on-site supervisory personnel such as superintendents, general foremen, etc. A written record shall be made and maintained identifying the time and place of these meetings, persons attending, subject matter discussed and disposition of the subject matter. The Agency's contract compliance staff shall be invited to attend the meeting held prior to the beginning of work at the Site.

8. Disseminate the Contractor's EEO policy externally by including it in any advertising in the news media, specifically including minority and female news media, and providing written notification to and discussing the Contractor's EEO policy with other contractors and subcontractors with whom the Contractor does or anticipates doing business.

9. Direct its recruitment efforts, both oral and written, to local minority group, female and community organizations, to schools with minority and female students and to minority and female recruitment and training organizations serving the Contractor's recruitment area and employment needs. Not later than one month prior to the date for the acceptance of applications for apprenticeship or other training by any recruitment source, the Contractor shall send written notification to organizations such as the above, describing the openings, screening procedures, and tests to be used in the selection process.

10. Encourage present minority and female employees to recruit other minority group persons and women and, where reasonable, provide after school, summer and vacation employment to minority and female youth both on the Site and in other areas of a Contractor's work force.

11. Validate all tests and other selection requirements where there is an obligation to do so under 41 CFR Part 60-3.

12. Conduct, at least annually, an inventory and evaluation of minority and female personnel for promotional opportunities and encourage these employees to seek or to prepare for, through appropriate training etc., such opportunities.

13. Ensure that seniority practices, job classifications, work assignments and other personnel practices do not have a discriminatory effect by continually monitoring all personnel and employment related activities to ensure that the EEO policy and the Contractor's obligations hereunder are being carried out.

14. Ensure that all facilities and company activities are nonsegregated except that separate or single-user toilet and necessary changing facilities shall be provided to assure privacy between the genders.

15. Conduct a review, at least annually, of all supervisors' adherence to and performance under the Contractor's EEO policies and equal opportunity obligations.

B. Contractors are encouraged to participate in voluntary associations which assist in fulfilling one or more of their equal opportunity obligations under Section IV.A.1 through 15. The efforts of a contractor association, joint contractor-union, contractor-community, or other similar group of which the Contractor is a member and participant, may be asserted as fulfilling any one or more of its obligations under Section IV.A.1 through 15 provided that the Contractor actively participates in the group, makes every effort to assure that the group has a positive impact on the employment of minority group persons and women in the industry, ensures that the concrete benefits of the program are reflected in the Contractor's minority and female work force composition, makes a good faith effort to meet its individual goals, and can provide access to documentation which demonstrates the effectiveness of actions taken on behalf of the Contractor. The obligation to comply, however, is the Contractor's and failure of such a group to fulfill an obligation shall not be a defense for the Contractor's noncompliance.

V. ADDITIONAL PROVISIONS.

A. The failure by a union with which the Contractor has a collective bargaining agreement, to refer either minority group persons or women shall not excuse the Contractor's obligations under this Construction Work Force Agreement.

B. A Contractor shall not enter into any subcontract with any person or firm that the Contractor knows or should have known is debarred from government contracts pursuant to Executive Order 11246.

C. No employee to whom the equal opportunity provisions of this Construction Work Force Agreement are applicable shall be discharged or in any other manner discriminated against by the Contractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding under or relating to Attachment H of the LOAN or this Schedule.

D. Each Contractor shall designate a responsible official to monitor all employment-related activity to ensure that the Contractor's EEO policy is being carried out.

VI. DOCUMENTATION AND RECORDS.

A. Submission of certified payrolls to the Agency. Each Contractor shall submit through the General Contractor to the Agency by noon on each Wednesday a report providing the information contained in the Agency's Optional Form of payroll report for the week preceding the previous week on each of its employees. Each prime contractor is responsible for the submission of this report by each of its subcontractors.

B. Instructions for coding certified payrolls. In addition to maintaining the information required by Section VI.C, each Contractor shall include, on the weekly payroll submissions, the code designating each employee's craft, skill level, protected class status and domicile in accordance with the following table:

Table for Coding Crafts, Minority Group Persons,

Women and Residents on Certified Payrolls

CRAFT CODE	DESCRIPTION	CRAFT CODE	DESCRIPTION
1	Electrician	22	Carpet, Linoleum, Vinyl Tile Layer
2	Iron Worker	23	Elevator Constructor
3	Sheet Metal Worker	24	Cement Mason
4	Asbestos Wrkr/Heat & Frost Insulator	25	Laborer or Allied Worker
5	Plumber, Pipe or Steamfitter	26	Glazier & Glassmaker
6	Refrigeration	27	Painter, Paperhanger, Taper
7	Boilermaker	28	Sign Installer
8	Sprinkler Fitter	29	Scrapper
9	Brick, Caulk, Marble, Point, Terrazzo	30	Awning Installer
10	Hod Carrier	31	Drapery Hanger
11	Terrazzo Finisher	32	Low Voltage Electrician
12	Plasterer	33	Towboat Operator-Marine Engineer

13	Lather	34	Towboat Deckhand-Inland Boatworker
14	Carpenter or Drywall Hanger	35	Owner/Operator - Truck
15	Mill Worker or Cabinetmaker	36	Owner/Operator - Heavy Equipment
16	Millwright	37	Upholsterer
17	Roofer	38	Teamster, Construction
18	Pile Driver	39	Janitor
19	Surveyor/Operating Engineer	40	Environmental Control System Installer
20	Tile (Ceramic)/Marble Finisher	41	Window Cleaner
21	Tile (Ceramic)Setter	89	Security Guard

CODE	DESCRIPTION	CODE	DESCRIPTION
D	San Francisco-Domiciled	B	Black
R	Project Area Resident	I	American Indian
S	Latino	C	Caucasian/White
O	Asian/Pacific Islander	W	Woman

C. Required records. For each employee, the Contractor's payroll or similar record shall contain the name, address, whether an employee lives in the Project Area, telephone numbers, construction trade, classification, union affiliation (if any), employee identification number, Social Security number, gender, race, status (e.g., mechanic, apprentice, trainee, helper or laborer), dates of changes in status, hourly wage rates (including rates of contributions for costs anticipated for fringe benefits or cash equivalents thereof), daily and weekly number of hours worked, deductions made and actual wages paid. Records shall be maintained in an easily understandable and retrievable form; however, to the degree that existing records satisfy this requirement, the contractor shall not be required to maintain separate records.

D. Additional information. The report required by Section VI.B shall be accompanied by:

1. A statement of any problems encountered by the Contractor in obtaining minority, female or resident referrals from any union and

2. A statement of the reasons why the Contractor failed to meet the ethnic and gender employment goals (if the goals were not met), the reasons why the contractor failed to meet the 50 percent San Francisco residency goal (if that goal was not met) and the reasons why the contractor was not able to perform any of the equal opportunity steps set forth in Section IV.A.1 through 15 (if any of the steps were not taken).

E. Inspection of records. The Contractor shall make the records required under this section available for inspection or copying by authorized representatives of the Agency, and shall permit such representatives to interview employees during working hours on the job.

F. Failure to submit reports. If a Contractor fails or refuses to provide the reports to the General Contractor as required by Section VI.A, the Agency, upon notice from the General Contractor or the Owner, shall consider but not be required to institute arbitration proceedings against the noncompliant Contractor.

G. Submission of good faith effort documentation. If the Contractor's good faith efforts are at issue, the Contractor shall provide the Agency with the documentation of its efforts as required by Section IV.A.

ARBITRATION OF DISPUTES.

A. **Arbitration by AAA.** Any dispute regarding this Construction Work Force Agreement shall be determined by arbitration through the American Arbitration Association, San Francisco, California office ("AAA") in accordance with the Commercial Rules of the AAA then applicable, but subject to the further revisions thereof. The arbitration shall take place in the City and County of San Francisco.

B. **Demand for Arbitration.** Where the Owner disagrees with the Agency's Notice of Non-Qualification or Notice of Non-Compliance, **the Owner shall have seven (7) business days, in which to file a Demand for Arbitration,** unless otherwise stipulated by the parties. The Demand for Arbitration shall contain at a minimum: (1) a cover letter demanding arbitration under this provision and identifying entities believed to be involved in the dispute; (2) a copy of the Notice of Non-Qualification or Notice of Non-Compliance; and (3) any written response to the Notice of Non-Qualification or Notice of Non-Compliance. If the Owner fails to file a timely Demand for Arbitration, the Owner shall be deemed to have accepted and to be bound by the finding of Non-Qualification or the findings and recommendations contained in the Notice of Non-Compliance.

C. **Parties' Participation.** The Agency and all persons or entities that have a contractual relationship affected by the dispute shall be made an Arbitration Party. Any such person or entity not made an Arbitration Party in the Demand for Arbitration may intervene as an Arbitration Party and in turn may name any other such person or entity as an Arbitration Party, provided however, that the Owner made an initial timely Demand for Arbitration pursuant to Section V.B. above.

D. **Agency Request to AAA.** Within seven (7) business days after service of a Demand for Arbitration, the Agency shall transmit to AAA a copy of the Demand for Arbitration, the Notice of Non-Qualification or Notice of Non-Compliance, and any written response thereto from the affected party. Such material shall be made part of the arbitration record.

E. **Selection of Arbitrator**. One arbitrator shall arbitrate the dispute. The arbitrator shall be selected from the panel of arbitrators from AAA by the parties to the arbitration in accordance with the AAA rules. The parties shall act diligently in this regard. If the Arbitration Parties fail to agree on an arbitrator within seven (7) days from the receipt of the panel, AAA shall appoint the arbitrator. A condition to the selection of any arbitrator shall be that person's agreement to render a decision within ninety (90) days from the arbitrator's fulfillment of the disclosure requirements set forth in California Code of Civil Procedure Section 1281.9.

F. **Setting of Arbitration Hearing**. A hearing shall be held within ninety (90) days of the date of the filing of the Request, unless otherwise agreed by the parties. The arbitrator shall set the date, time and place for the arbitration hearing(s) within the prescribed time periods by giving notice by hand delivery or first class mail to each Arbitration Party.

G. **Discovery**. In arbitration proceedings hereunder, discovery shall be permitted in accordance with Code of Civil Procedure §1283.05.

H. **Burden of Proof**. The burden of proof with respect to Construction Work Force compliance and/or Good Faith Efforts shall be on the Owner. The burden of proof as to all other alleged breaches by the Owner shall be on the Agency.

I. **California Law Applies**. Except where expressly stated to the contrary in this Construction Work Force Agreement, California law, including the California Arbitration Act, Code of Civil Procedure §§ 1280 through 1294.2, shall govern all arbitration proceedings.

J. **Arbitration Remedies and Sanctions**. The arbitrator may impose only the remedies and sanctions set forth below:

1. Order specific, reasonable actions and procedures, in the form of a temporary restraining order, preliminary injunction or permanent injunction, to mitigate the effects of the non-compliance and/or to bring any non-compliant Arbitration Party into compliance.

2. Require any Arbitration Party to refrain from entering into new contracts related to work covered by the Owner or this Construction Work Force Agreement, or from granting extensions or other modifications to existing contracts related to services covered by the Owner or this Construction Work Force Agreement, other than those minor modifications or extensions necessary to enable compliance with this Construction Work Force Agreement.

3. Direct any Arbitration Party to cancel, terminate, suspend or cause to be cancelled, terminated or suspended, any contract or portion(s) thereof for failure of any party to the arbitration to comply with any of the Agency's Work Force policy requirements. Contracts may be continued upon the condition that a program for future compliance is approved by the Agency.

4. If any Arbitration Party is found to be in willful breach of its obligations hereunder, the arbitrator may impose a monetary sanction not to exceed Fifty Thousand Dollars ($50,000.00) or ten percent (10%) of the base amount of the breaching party's contract, whichever is less, for each such willful breach; provided that, in determining the amount of any monetary sanction to be assessed, the arbitrator shall consider the financial capacity of the breaching party. No monetary sanction shall be imposed pursuant to this paragraph for the first willful breach of this Construction Work Force Agreement unless the breaching party has failed to cure after being provided notice and a reasonable opportunity to cure. Monetary sanctions may be imposed for subsequent willful breaches by any Arbitration Party whether or not the breach is subsequently cured. For purposes of this paragraph, "willful breach" means a knowing and intentional breach.

5. Direct any Arbitration Party to produce and provide to the Agency any records, data or reports which are necessary to determine if a violation has occurred and/or to monitor the performance of any Arbitration Party.

K. **Arbitrator's Decision.** The arbitrator shall make his or her award within twenty (20) days after the date that the hearing is completed; provided that where a temporary restraining order is sought, the arbitrator shall make his or her award not later than twenty-four (24) hours after the hearing on the motion. The arbitrator shall send the decision by certified or registered mail to each Arbitration Party.

L. **Default Award; No Requirement to Seek an Order Compelling Arbitration.** The arbitrator may enter a default award against any person or entity who fails to appear at the hearing, provided that: (1) said person or entity received actual notice of the hearing; and (2) the complaining party has a proof of service for the absent person or entity. In order to obtain a default award, the complaining party need not first seek or obtain an order to arbitrate the controversy pursuant to Code of Civil Procedure §1281.2.

M. **Arbitrator Lacks Power to Modify.** Except as otherwise provided, the arbitrator shall have no power to add to, subtract from, disregard, modify or otherwise alter the terms of this Construction Work Force Agreement or any other agreement between the Agency and Owner or to negotiate new agreements or provisions between the parties.

N. **Jurisdiction/Entry of Judgment.** The inquiry of the arbitrator shall be restricted to the particular controversy which gave rise to the Demand for Arbitration. A decision of the arbitrator issued hereunder shall be final and binding upon all Arbitration Parties. The non-prevailing Arbitration Party(ies) shall pay the arbitrator's fees and related costs of arbitration (or reimburse the Arbitration Parties that advanced such arbitration fees and costs). Each Arbitration Party shall pay its own attorneys' fees, provided, however, that attorneys' fees may be awarded to the prevailing party if the arbitrator finds that the arbitration action

was instituted, litigated, or defended in bad faith. Judgment upon the arbitrator's decision may be entered in any court of competent jurisdiction.

O. **Exculpatory Clause.** Owner expressly waives any and all claims against the Agency for damages, direct or indirect, including, without limitation, claims relative to the commencement, continuance and completion of construction and/or providing professional and consulting services ("the Work"). Owner acknowledges and agrees that the procedures set forth herein for dealing with alleged breaches or failure to comply with the obligations and requirements of this Construction Work Force Agreement are reasonable and have been anticipated by the parties in securing financing, in inviting, submitting and receiving bids and proposals for the planning, design and construction of the improvements and in determining the times for commencement and completion of the planning, design and construction and/or for providing consulting, professional or personal services.

P. **Severability.** The provisions of this Construction Work Force Agreement are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section or portion of this Construction Work Force Agreement or the invalidity of the application thereof to any person or circumstance shall not affect the validity of the remainder of this Construction Work Force Agreement or the validity of their application to other persons or circumstances.

Q. **Arbitration Notice:** BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

_____	_____
Agency	Owner

VII. **PRECONSTRUCTION MEETING.**

A. Prior to the commencement of construction, the general contractor, any prime contractor, or any subcontractor at any tier shall attend a preconstruction meeting convened by the Agency and to which outreach organizations are invited to review the reporting requirements, the prospective construction work force composition and any problems that may be anticipated in meeting the construction work force goals.

B. Any subcontractor at any tier, who does not attend such a meeting shall not be permitted on the job site. The Agency shall convene additional preconstruction meetings within 24 hours of the Contractor's request. The Contractor shall endeavor to include as many prospective subcontractors as possible at these meetings in order not to protract unduly the number of meetings.

C. Failure to comply with this preconstruction meeting provision may result in the Agency ordering a suspension of work by the prime contractor and/or the subcontractor until the breach has been cured. Suspension under this provision is not subject to arbitration.

VIII. **TERM.** The obligations of the Owner and the Contractors with respect to their construction work forces, as set forth in Attachment ___ of this LOAN and this Construction Work Force Agreement, shall remain in effect until completion of all work to be performed by the Owner in connection with the construction of any of the phases.

I, hereby certify that I have authority to execute this Construction Work Force Agreement on behalf of the business, organization or entity listed below and that it will use good faith efforts to comply with the Agency's Construction Work Force participation goals. I declare under penalty of perjury under the laws of the State of California that the above statement is true and correct.

Signature

5-5-11
Date

Cynthia Parker
Print Your Name

President
Title

474 Natoma, LLC 415-989-1111
Company Name and Phone Number

ATTACHMENT 6

Income Certification Form

TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _____

Effective Date: _____
Move in Date: _____
(MM/DD/YYYY)

PART I - DEVELOPMENT DATA

Property Name: _____ County: _____ BIN #: _____

Address: _____ Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	$	$	$	$

Add totals from (A) through (D), above — TOTAL INCOME (E): $

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
		TOTALS:	$	$

Enter Column (H) Total If over $5000 $_____ X Passbook Rate 2.00% = (J) Imputed Income $

Enter the greater of the total of column I, or J: imputed income **TOTAL INCOME FROM ASSETS (K)** $

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ _____ _____ _____
Signature *(Date)* Signature *(Date)*

_____ _____ _____ _____
Signature *(Date)* Signature *(Date)*

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 $

Household Meets Income Restriction at:
☐ 60% ☐ 50%
☐ 40% ☐ 30%
☐ ____%

RECERTIFICATION ONLY:
Current Income Limit x 140%: $

Household Income exceeds 140% at recertification:
☐ Yes ☐ No

Current Income Limit per Family Size: $

Household Income at Move-in: $

Household Size at Move-in:

PART VI. RENT

Tenant Paid Rent $
Utility Allowance $

Rent Assistance: $
Other non-optional charges: $

GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges) $

Unit Meets Rent Restriction at:
θ 60% θ 50% θ 40% θ 30% θ____%

Maximum Rent Limit for this unit: $

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS?
☐ yes ☐ no

If yes, Enter student explanation* (also attach documentation)
Enter 1-4

*Student Explanation:
1 TANF assistance
2 Job Training Program
3 Single parent/dependent child
4 Married/joint return

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit ☐	b. HOME ☐	c. Tax Exempt ☐	d. AHDP ☐	e. _____ ☐ *(Name of Program)*
See Part V above.	*Income Status* ☐ ≤ 50% AMGI ☐ ≤ 60% AMGI ☐ ≤ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 60% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ _____ ☐ _____ ☐ OI**

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE _____ DATE _____

INSTRUCTIONS FOR COMPLETING
:NANT INCOME CERTIFICATIO:

This form is to be completed by the owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter the address of the building.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth, student status, and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income

regularly received by the household.

Row (E) Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

e HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable orms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F) List the type of asset (i.e., checking account, savings account, etc.)

Column (G) Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).

Column (H) Enter the cash value of the respective asset.

Column (I) Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).

TOTALS Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K) Enter the greater of the total in Column (I) or (J)

Row (L) Total Annual Household Income From all Sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources — Enter the number from item (L).

Current Income Limit per Family Size — Enter the Current Move-in Income Limit for the household size.

Household income at move-in
Household size at move-in — For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.

Household Meets Income Restriction — Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.

Current Income Limit x 140% — For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

**Full time is determined by the school the student attends.*

Part VIII – Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
HOME	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicting the household's designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.
AHDP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicting the household's designation.
Other	If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

ATTACHMENT 7

Prevailing Wage Provisions

EXHIBIT I

PREVAILING WAGE PROVISIONS
(LABOR STANDARDS)

11.1 **Applicability**. These Prevailing Wage Provisions (hereinafter referred to as "Labor Standards") apply to any and all construction of the Improvements as defined in the Agreement between the Borrower and the Agency of which this Attachment and these Labor Standards are a part.

11.2 **All Contracts and Subcontracts shall contain the Labor Standards. Confirmation by Construction Lender**.

(a) All specifications relating to the construction of the Improvements shall contain these Labor Standards and the Borrower shall have the responsibility to assure that all contracts and subcontracts, regardless of tier, incorporate by reference the specifications containing these Labor Standards. If for any reason said Labor Standards are not included, the Labor Standards shall nevertheless apply. The Borrower shall supply the Agency with true copies of each contract relating to the construction of the Improvements showing the specifications that contain these Labor Standards promptly after due and complete execution thereof and before any work under such contract commences. Failure to do shall be a violation of these Labor Standards.

(b) Before close of escrow under the Agreement and as a condition to close of escrow, the Borrower shall also supply a written confirmation to the Agency from any construction lender for the Improvements that such construction lender is aware of these Labor Standards.

11.3 **Definitions**. The following definitions shall apply for purposes of this Attachment:

(a) "Contractor" is the Borrower if permitted by law to act as a contractor, the general contractor, and any contractor as well as any subcontractor of any tier subcontractor having a contract or subcontract that exceeds $10,000, and who employs Laborers, Mechanics, working foremen, and security guards to perform the construction on all or any part of the Improvements.

(b) "Laborers" and "Mechanics" are all persons providing labor to perform the construction, including working foremen and security guards.

(c) "Working foreman" is a person who, in addition to performing supervisory duties, performs the work of a Laborer or Mechanic during at least 20 percent of the workweek.

11.4 **Prevailing Wage.**

(a) All Laborers and Mechanics employed in the construction of the Improvements will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by §11.5) the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at the time of payment computed at rates not less than those contained in the General Prevailing Wage Determination (hereinafter referred to as the "Wage Determination") made by the Director of Industrial Relations pursuant to California Labor Code Part 7, Chapter 1, Article 2, sections 1770, 1773 and 1773.1, regardless of any contractual relationship which may be alleged to exist between the Contractor and such Laborers and Mechanics. A copy of the applicable Wage Determination is on file in the offices of the Agency with the Development Services Manager. At the time of escrow closing the Agency shall provide the Borrower with a copy of the applicable Wage Determination.

(b) All Laborers and Mechanics shall be paid the appropriate wage rate and fringe benefits for the classification of work actually performed, without regard to skill. Laborers or Mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein provided that the Contractor's payroll records accurately set forth the time spent in each classification in which work is performed.

(c) Whenever the wage rate prescribed in the Wage Determination for a class of Laborers or Mechanics includes a fringe benefit which is not expressed as an hourly rate, the Contractor shall either pay the benefit in the manner as stated therein i.e. the vacation plan, the health benefit program, the pension plan and the apprenticeship program, or shall pay an hourly cash equivalent thereof.

(d) If the Contractor does not make payments to a trustee or other third person, the Contractor may consider as part of the wages of any Laborer or Mechanic the amount of any costs reasonably anticipated in providing benefits under a plan or program of a type expressly listed in the Wage Determination, provided that the Executive Director of the Agency has found, upon the written request of the Contractor, made through the Borrower that the intent of the Labor Standards has been met. Records of such costs shall be maintained in the manner set forth in subsection (a) of §11.8. The Executive Director of the Agency may require the Borrower to set aside in a separate interest bearing account with a member of the Federal Deposit Insurance Corporation, assets for the meeting of obligations under the plan or program referred to above in subsection (b) of this §11.4. The interest shall be accumulated and shall be paid as determined by the Agency acting at its sole discretion.

(e) Regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

11.5 **Permissible Payroll Deductions**. The following payroll deductions are permissible deductions. Any others require the approval of the Agency's Executive Director.

(a) Any withholding made in compliance with the requirements of Federal, State or local income tax laws, and the Federal social security tax.

(b) Any repayment of sums previously advanced to the employee as a bona fide prepayment of wages when such prepayment is made without discount or interest. A "bona fide prepayment of wages" is considered to have been made only when case or its equivalent has been advanced to the employee in such manner as to give him or her complete freedom of disposition of the advanced funds.

(c) Any garnishment, unless it is in favor of the Contractor (or any affiliated person or entity), or when collusion or collaboration exists.

(d) Any contribution on behalf of the employee, to funds established by the Contractor, representatives of employees or both, for the purpose of providing from principal, income or both, medical or hospital care, pensions or annuities on retirement, death benefits, compensation for injuries, illness, accidents, sickness or disability, or for insurance to provide any of the foregoing, or unemployment benefits, vacation pay, savings accounts or similar payments for the benefit of employees, their families and dependents provided, however, that the following standards are met:

1. The deduction is not otherwise prohibited by law; and

2. It is either:

   a. Voluntarily consented to by the employee in writing and in advance of the period in which the work is to be done and such consent is not a condition either for obtaining or for the continuation of employment, or

   b. Provided for in a bona fide collective bargaining agreement between the Contractor and representatives of its employees; and

3. No profit or other benefit is otherwise obtained, directly or indirectly, by the Contractor (or any affiliated person or entity) in the form of commission, dividend or otherwise; and

4. The deduction shall serve the convenience and interest of the employee.

(e) Any authorized purchase of United States Savings Bonds for the employee.

(f) Any voluntarily authorized repayment of loans from or the purchase of shares in credit unions organized and operated in accordance with Federal and State credit union statutes.

(g) Any contribution voluntarily authorized by the employee for the American Red Cross, United Way and similar charitable organizations.

(h) Any payment of regular union initiation fees and membership dues, but not including fines or special assessments provided, that a collective bargaining agreement between the Contractor and representatives of its employees provides for such payment and the deductions are not otherwise prohibited by law.

11.6 **Apprentices and Trainees**. Apprentices and trainees will be permitted to work at less than the Mechanic's rate for the work they perform when they are employed pursuant to and are individually registered in an apprenticeship or trainee program approved by the U.S. Department of Labor, Employment and Training Administration, Bureau of Apprenticeship and Training ("BAT") or with the California Department of Industrial Relations, Division of Apprenticeship Standards ("DAS") or if a person is employed in his or her first 90 days of probationary employment as an apprentice or trainee in such a program, who is not individually registered in the program, but who has been certified by BAT or DAS to be eligible for probationary employment. Any employee listed on a payroll at an apprentice or trainee wage rate, that is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate for a Mechanic. Every apprentice or trainee must be paid at not less than the rate specified in the registered program for the employee's level of progress, expressed as a percentage of a Mechanic's hourly rate as specified in the Wage Determination. Apprentices or trainees shall be paid fringe benefits in accordance with the provisions of the respective program. If the program does not specify fringe benefits, employees must be paid the full amount of fringe benefits listed in the Wage Determination.

11.7 **Overtime**. No Contractor contracting for any part of the construction of the Improvements which may require or involve the employment of Laborers or Mechanics shall require or permit any such Laborer or Mechanic in any workweek in which he or she is employed on such construction to work in excess of eight hours in any calendar day or in excess of 40 hours in such workweek unless such Laborer or Mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of 40 hours in such workweek, whichever is greater.

11.8 **Payrolls and Basic Records**.

(a) Payrolls and basic records relating thereto shall be maintained by the Contractor during the course of its construction of the Improvements and preserved for a period of one year thereafter for all Laborers and Mechanics it employed in the construction of the Improvements. Such records shall contain the name, address and social security number of each employee, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for fringe benefits or cash equivalents thereof), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the wages of any Laborer or Mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program, the Contractor shall maintain records which show the costs anticipated or the actual costs incurred in providing such benefits and that the plan or program has been communicated in writing to the Laborers or Mechanics affected. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage prescribed in the applicable programs or the Wage Determination.

(b) 1. The Contractor shall submit to the Agency on each Wednesday at noon a copy of the payrolls for the week preceding the previous week in which any construction of the Improvements was performed. The payrolls submitted shall set out accurately and completely all of the information required by the Agency's Optional Form, an initial supply of which may be obtained from the Agency. The Contractor if a prime contractor or the Borrower acting as the Contractor is responsible for the submission of copies of certified payrolls by all subcontractors; otherwise each Contractor shall timely submit such payrolls.

(c) 2. Each weekly payroll shall be accompanied by the Statement of Compliance that accompanies the Agency's Optional Form and properly executed by the Contractor or his or her agent, who pays or supervises the payment of the employees.

(d) The Contractor shall make the records required under this §11.8 available for inspection or copying by authorized representatives of the Agency, and shall permit such representatives to interview employees during working hours on the job. On request the Executive Director of the Agency shall advise the Contractor of the identity of such authorized representatives.

11.9 **Occupational Safety and Health**. No Laborer or Mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous to his or her safety and health as determined under construction safety and health standards promulgated by Cal-OSHA or if Cal-OSHA is terminated, then by the federal OSHA.

11.10 **Equal Opportunity Program**. The utilization of apprentices, trainees, Laborers and Mechanics under this part shall be in conformity with the equal opportunity program set forth in Exhibit I of the Agreement including Schedules A and B. Any conflicts between the language contained in these Labor Standards and Exhibit I shall be resolved in favor of the language set forth in Exhibit I, except that in no event shall less than the prevailing wage be paid.

11.11 **Nondiscrimination Against Employees for Complaints**. No Laborer or Mechanic to whom the wage, salary or other Labor Standards of this Agreement are applicable shall be discharged or in any other manner discriminated against by the Contractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding under or relating to these Labor Standards.

11.12 **Posting of Notice to Employees**. A copy of the Wage Determination referred to in subsection (a) of §11.4 together with a copy of a "Notice to Employees," in the form appearing on the last page of these Labor Standards, shall be given to the Borrower at the close of escrow. The Notice to Employees and the Wage Determination shall both be posted and maintained by the Contractor in a prominent place readily accessible to all applicants and employees performing construction of the Improvements before construction commences. If such Notice and Wage Determination is not so posted or maintained, the Agency may do so.

11.13 **Violation and Remedies**.

(a) Liability to Employee for Unpaid Wages. The Contractor shall be liable to the employee for unpaid wages, overtime wages and benefits in violation of these Labor Standards.

(b) Stop Work--Contract Terms, Records and Payrolls. If there is a violation of these Labor Standards by reason of the failure of any contract or subcontract for the construction of the Improvements to contain the Labor Standards as required by §11.2 ("Non-Conforming Contract"); or by reason of any failure to submit the payrolls or make records available as required by §11.8 ("Non-Complying Contractor"), the Executive Director of the Agency may, after written notice to the Borrower with a copy to the Contractor involved and failure to cure the violation within five working days after the date of such notice, stop the construction work under the Non-Conforming Contract or of the Non-Complying Contractor until the Non-Conforming Contract or the Non-Complying Contractor comes into compliance.

(c) Stop Work and Other Violations. For any violation of these Labor Standards the Executive Director of the Agency may give written notice to the Borrower, with a copy to the Contractor involved, which notice shall state the claimed violation and the amount of money, if any, involved in the violation. Within five working days from the date of said notice, the Borrower shall advise the Agency in writing, whether or not the violation is disputed by the Contractor and a statement of reasons in support of such dispute (the "Notice of Dispute"). In addition to the foregoing, the Borrower, upon receipt of the notice of claimed violation from the Agency, shall with respect to any amount stated in the Agency notice withhold payment to the Contractor of the amount stated multiplied by 45 working days and shall with the Notice of Dispute, also advise the Agency that the moneys are being or will be withheld. If the Borrower fails to timely give a Notice of Dispute to the Agency or to advise of the withhold, then the Executive Director of the Agency may stop the construction of the Improvements under the applicable contract or by the involved Contractor until such Notice of Dispute and written withhold advice has been received.

(d) Upon receipt of the Notice of Dispute and withhold advice, any stop work which the Executive Director has ordered shall be lifted, but the Borrower shall continue to withhold the moneys until the dispute has been resolved either by agreement, or failing agreement, by arbitration as is provided in §11.14.

(e) Withholding Certificates of Completion. The Agency may withhold any or all certificates of completion of the Improvements provided for in this Agreement, for any violations of these Labor Standards until such violation has been cured.

(f) General Remedies. In addition to all of the rights and remedies herein contained, but subject to arbitration, except as hereinafter provided, the Agency shall have all rights in law or equity to enforce these Labor Standards including, but not limited to, a prohibitory or mandatory injunction. Provided, however, the stop work remedy of the Agency provided above in subsection (b) and (c) is not subject to arbitration.

11.14 **Arbitration of Disputes**.

(a) Any dispute regarding these Labor Standards shall be determined by arbitration through the American Arbitration Association, San Francisco, California office ("AAA") in accordance with the Commercial Rules of the AAA then applicable, but subject to the further provisions thereof.

(b) The Agency and all persons or entities that have a contractual relationship affected by the dispute shall be made a party to the arbitration. Any such person or entity not made a party in the demand for arbitration may intervene as a party and in turn may name any such person or entity as a party.

(c) The arbitration shall take place in the City and County of San Francisco.

(d) Arbitration may be demanded by the Agency, the Borrower or the Contractor.

(e) With the demand for arbitration, there must be enclosed a copy of these Labor Standards, and a copy of the demand must be mailed to the Agency and the Borrower, or as appropriate to one or the other if the Borrower or the Agency is demanding arbitration. If the demand does not include the Labor Standards they are nevertheless deemed a part of the demand. With the demand if made by the Agency or within a reasonable time thereafter if not made by the Agency, the Agency shall transmit to the AAA a copy of the Wage Determination (referred to in §11.4) and copies of all notices sent or received by the Agency pursuant to §11.13. Such material shall be made part of the arbitration record.

(f) One arbitrator shall arbitrate the dispute. The arbitrator shall be selected from the panel of arbitrators of the AAA by the parties to the arbitration in accordance with the AAA rules. The parties shall act diligently in this regard. If the parties fail to select an arbitrator, within seven (7) days from the receipt of the panel, the AAA shall appoint the arbitrator. A condition to the selection of any arbitrator shall be that person's agreement to render a decision within 30 days from appointment.

(g) Any party to the arbitration whether the party participates in the arbitration or not shall be bound by the decision of the arbitrator whose decision shall be final and binding on all of the parties and any and all rights of appeal from the decision are waived except a claim that the arbitrator's decision violates an applicable statute or regulation. The decision of the arbitrator shall be rendered on or before 30 days from appointment. The arbitrator shall schedule hearings as necessary to meet this 30 day decision requirement and the parties to the arbitration, whether they appear or not, shall be bound by such scheduling.

(h) Any party to the arbitration may take any and all steps permitted by law to enforce the arbitrator's decision and if the arbitrator's decision requires the payment of money the Contractor shall make the required payments and the Borrower shall pay the Contractor from money withheld.

(i) Costs and Expenses. Each party shall bear its own costs and expenses of the arbitration and the costs of the arbitration shall be shared equally among the parties.

11.15 **Non-liability of the Agency**. The Borrower and each Contractor acknowledge and agree that the procedures hereinafter set forth for dealing with violations of these Labor Standards are reasonable and have been anticipated by the parties in securing financing, in inviting, submitting and receiving bids for the construction of the Improvements, in determining the time for commencement and completion of construction and in proceeding with construction work. Accordingly the Borrower, and any Contractor, by proceeding with construction expressly waives and is deemed to have waived any and all claims against the Agency for damages, direct or indirect, arising out of these Labor Standards and their enforcement and including but not limited to claims relative to stop work orders, and the commencement, continuance or completion of construction.

SAN FRANCISCO REDEVELOPMENT AGENCY

NOTICE TO EMPLOYEES

EQUAL OPPORTUNITY NON-DISCRIMI-NATION	The contractor must take equal opportunity to provide employment opportunities to minority group persons and women and shall not discriminate on the basis of age, ancestry, color, creed, disability, gender, national origin, race, religion or sexual orientation.
PREVAILING	You shall not be paid less than the wage rate attached *WAGE* to this Notice for the kind of work you perform.
OVERTIME	You must be paid not less than one and one-half times your basic rate of pay for all hours worked over 8 a day or 40 a week, whichever is greater.
APPRENTICES	Apprentice rates apply only to employees registered under an apprenticeship or trainee program approved by the Bureau of Apprenticeship and Training or the California Division of Apprenticeship Standards.
PROPER PAY	If you do not receive proper pay, write San Francisco Redevelopment Agency One South Van Ness Avenue, 5th Floor San Francisco, CA 94103. or call **415-749-2409** and ask for Mr. Roel Villacarlos Contract Compliance Specialist

ATTACHMENT 8

Agency's Minimum Compensation Policy

MINIMUM COMPENSATION POLICY (MCP) DECLARATION

What the Policy does. The Redevelopment Agency of the City and County of San Francisco adopted the Minimum Compensation Policy (MCP), which became effective on September 25, 2001. The MCP requires contractors and subcontractors to provide the following to their employees covered by the MCP on Agency contracts and subcontracts for services: For Commercial Business MCP the wage rate is $11.69. For Nonprofit MCP the wage rate is $11.03 ;12 days' paid vacation per year (or cash equivalent); 10 days off without pay per year.

The Agency may require contractors to submit reports on the number of employees affected by the MCP.

Effect on Agency contracting. For contracts and amendments signed on or after September 25, 2001, the MCP will have the following effect:

- in each contract, the contractor will agree to abide by the MCP and to provide its employees the minimum benefits the MCP requires, and to require its subcontractors subject to the MCP to do the same.
- if a contractor does not provide the MCP minimum benefits, the Agency can award a contract to that contractor only if the contract is exempt under the MCP, or if the contract has received a waiver from the Agency.

What this form does. If you can assure the Agency now that, beginning with the first Agency contract or amendment you receive after September 25, 2001 and until further notice, you will provide the minimum benefit levels specified in the MCP to your covered employees, and will ensure that your subcontractors also subject to the MCP do the same, this will help the Agency's contracting process. The Agency realizes that it may not be possible to make this assurance now.

If you cannot make this assurance now, please do not return this form.

For more information, the complete text of the MCP is available from the Agency's Contract Compliance Department by calling (415) 749-2400.

Routing. Return this form to: Contract Compliance Department, San Francisco Redevelopment Agency, 1 South Van Ness, Fifth Floor, San Francisco, CA 94103.

Declaration

Effective with the first Agency contract or amendment this company receives on or after September 25, 2001, this company will provide the minimum benefit levels specified in the MCP to our covered employees, and will ensure that our subcontractors also subject to the MCP do the same, until further notice. This company will give such notice as soon as possible.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Signature

5-5-11
Date

Cynthia Parker
Print Name

474 Natoma, LLC
Company Name

415-989-1111
Phone

ATTACHMENT 9

Agency's Health Care Accountability Policy

HEALTH CARE ACCOUNTABILITY POLICY (HCAP) DECLARATION

What the Ordinance does. The San Francisco Redevelopment Agency adopted the San Francisco Health Care Accountability Policy (the "HCAP"), which became effective on September 25, 2001. The HCAP requires contractors and subcontractors that provide services to the Agency, contractors and subcontractors that enter into leases with the Agency, and parties providing services to tenants and sub-tenants on Agency property to choose between offering health plan benefits to their employees or making payments to the Agency or directly to their employees.

Specifically, contractors can either: (1) offer the employee minimum standard health plan benefits approved by the Agency Commission (2) pay the Agency $3.00 per hour for each hour the employee works on the covered contract or subcontract or on property covered by a lease (but not to exceed $120 in any week) and the Agency will appropriate the money for staffing and other resources to provide medical care for the uninsured, or (3) participate in a health benefits program developed by the Agency.

The Agency may require contractors to submit reports on the number of employees affected by the HCAP.

Effect on Agency contracting. For contracts and amendments signed on or after September 25, 2001, the HCAP will have the following effect:

- in each contract, the contractor will agree to abide by the HCAP and to provide its employees the minimum benefits the HCAP requires, and to require its subcontractors to do the same.
- if a contractor does not provide the HCAP's minimum benefits, the Agency can award a contract to that contractor **only if** the contract is exempt under the HCAP, or if the contract has received waiver; from the Agency.

What this form does. If you can assure the Agency now that, beginning with the first Agency's contract or amendment you receive after September 25, 2001 and until further notice, you will provide the minimum benefit levels specified in the HCAP to your covered employees, and will ensure that your subcontractors also subject to the HCAP do the same, this will help the Agency contracting process. The Agency realizes that it may not be possible to make this assurance now.

If you cannot make this assurance now, please do not return this form.

For more information, (1) see the complete text of the HCAP, available from the Agency's Contract Compliance Department at: (415) 749-2400.

Routing. Return this form to: Contact Compliance Department, San Francisco Redevelopment Agency, 1 South Van Ness Avenue, Fifth Floor, San Francisco, CA 94103.

Declaration

Effective with the first Agency contract or amendment this company receives on or after September 25, 2001, this company will provide the minimum benefit levels specified in the HCAP to our covered employees, and will ensure that our subcontractors also subject to the HCAP do the same, until further notice. This company will give such notice as soon as possible.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Signature _____ Date 5-5-11

Print Name Cynthia Parker

Company Name 474 NAPOMA, LLC Phone 415. 989.1111

ATTACHMENT 10

Scope of Development

SCOPE OF DEVELOPMENT / ARCHITECTURAL SUBMITTALS

I. GENERAL DESCRIPTION OF DEVELOPMENT

The Site is located on the north side of Natoma Street between 5th and 6th Streets in San Francisco, further described in Attachment 1, "Site Legal Description." The Developer has proposed a development program ("Project") that is the basis for Agency approval of the Agreement. The Project shall include the following:

Construction of approximately 60 units of affordable rental housing for low income households, including up to 7 residential floors above a podium level garage, community space, property management and services space, common areas, and open space, all as may be required by the Redevelopment Agency of the City and County of San Francisco ("Agency") and/or the City and County of San Francisco ("City") and the South of Market Redevelopment Plan (the "Plan"). The unit configuration shall include studio, one, two and three bedroom units with a square footage of approximately 462, 653, 880, and 1272 respectively. Affordability levels for all units must be approved by the Agency and will be set pursuant to limits required by selected financing sources.

II. GENERAL DESIGN OBJECTIVES

The intent of this Scope of Development is to provide a general direction to the development of the Site in order to insure the following design objectives:

A. Compliance with the objectives and policies of the Plan, the General Plan, the City Planning Code and all applicable codes and ordinances of the City and County of San Francisco.

B. Creation of an appropriate and attractive building scale relationship to the street and to the overall urban design of the adjacent areas.

C. Achievement of a satisfying urban living and working environment preserving and enhancing the unique architectural, cultural and esthetic qualities of the City of San Francisco.

D. Integration of spaces, building forms and landscaping with the topography of the Site and the urban character of the area.

E. Creation of a relationship of all site improvements to adjacent structures to provide a harmonious composition and transition between building masses, materials, colors and textures.

F. Maximization, within the limits of the approved Project, of landscaping and open areas for use by individual tenants and the larger tenant community.

G. Maximization of light and air and optimized views for individual units, while retaining privacy for tenants.

I. Use of the most feasible and cost-effective energy-saving measures, with the goal of meeting Enterprise Green Communities Initiative criteria and/or LEED Certified.

III. DEVELOPMENT STANDARDS

The Development of the Site shall comply with all design and land use standards established by the City and the Agency, including, but not limited to, the following:

A. Site. It is the intent of the Agency, in evaluating the development, to insure a compatible balance of land coverage, open spaces and architectural design in order to provide a high-quality and attractive development.

B. Architectural: To achieve the desired high-quality design for the Site, the developer shall incorporate the following standards, in addition to all design and development standards required by the City:

1. Roof Tops. Any appurtenances occurring on the roof must be carefully grounded and screened from view in a manner approved by the Agency.

2. Utilities. All utility services on the Site shall be underground or concealed within buildings. Mechanical equipment, meters, and other items shall not be left exposed on building walls, in yard areas or on roofs. Exposed television antennas will not be permitted.

3. Trash and Maintenance Areas. A solid fence or wall, at least 6 feet in height, shall enclose any trash storage and maintenance areas.

4. Parking. If parking is included at the Site, the Developer shall endeavor to minimize the aesthetic impact of the ingress/egress elements.

5. Landscaping. Landscaping at the Site shall be of high-quality design and include materials that will insure a permanent landscaped environment that enhances the Site.

6. Signs.

a. All signs on the Site shall be designed and constructed to be complementary elements in a total environment. Each sign shall identify only the user and/or use of the development at the Site. Each sign shall be of size, shape, material, color, type of construction, method and intensity of lighting, and location to be in scale with and harmonious with the development of the Site and with adjacent sites in the vicinity and shall conform to guidelines established by the Agency. No roof signs shall be permitted. No sign shall move or have any moving parts.

b. All signs to be located on the Site shall be reviewed for design and compatibility with site development.

c. All signs and directional maps shall identify only the development name, logo and/or addresses. All Site signs will be subject to Agency approval for design and location, and shall also conform to the limitations of the City's sign ordinance.

C. Construction

1. General. The construction of the development on the Site shall be performed in a manner which insures minimal disturbance to the adjoining property as well as to the neighborhood as a whole.

2. Dust and Disturbance. During construction of the Project, the Contractor shall take all reasonable precautions to minimize dust and disturbance to adjacent properties.

3. Construction Barricade. If required by the Agency and/or City, the Contractor shall erect and maintain a construction barricade at the perimeter of the Site during construction at least 8 feet in height and of a design approved by the Agency.

D. Open Space. Usable, easily accessible open space, which may include a community garden, decks, balconies, rooftop garden or landscaped yard, shall be provided for each dwelling unit as required by the City Planning Department.

IV. DEVELOPER RESPONSIBILITIES

A. In addition to the other Developer responsibilities set forth elsewhere in this Agreement, the Developer shall be responsible, at its sole expense, for the development of the Site and the installation and/or coordination of all public improvements required for the development of the Site. Such public improvements, whether within the Site or in the adjacent public right-of-way, including, but shall not be limited to, the following:

1. All site preparation activities on the Site.

2. All utility services required for the development, either within the Site or the adjacent public right-of-way including, but not limited to, the following:

   (a) Water

   (b) Power

   (c) Sewer

   (d) Storm Drain

   (e) Natural Gas

   (f) Telephone

3. All sidewalks, curbs, gutters, streetscaping, trees and lighting, including sidewalk modifications that enhance pedestrian safety, and any other infrastructural elements required by current legislation and City codes.

4. Completion of all mitigation measures that may be required for compliance with local, state and/or federal environmental laws and regulations.

The above items shall be performed in accordance with City requirements.

V. SUBMITTALS

The Developer shall submit Construction Documents to the Agency which shall include, but not be limited to, the following:

A. Basic Concept Drawings

The following submissions are required:

1. Site plan showing adjacent buildings as well as the proposed development.

2. Site sections showing all proposed buildings, amenities, and adjacent streets and buildings (with height relationships) and planned open spaces.

3. Building plans, elevations, and sections of all proposed buildings sufficient to describe the development of the proposal (1/8" scale).

4. Typical unit plans at 1/4" scale.

5. Ground floor plans showing specific program usage and square footages for each use.

6. Written statement of the development program showing size of the facilities proposed, structural system and principal building materials.

7. Sketches of perspective renderings illustrating the character of the proposed development.

B. Schematic Drawings

The following submissions are required, and shall be presented to the Agency Commission for review:

1. Site Plan showing buildings, landscaped areas, parking areas (if any), loading areas, roads and sidewalks. All land uses shall be designated. Streets and points of vehicular and pedestrian access shall be shown.

2. Site sections showing all buildings and streets.

3. All building plans, including parking levels.

4. All building elevations.

5. All building sections.

6. Roof plans.

C. Design Development Plans and Outline Specifications

Upon approval by the Agency of Basic Concepts Drawings and Schematic Drawings, the following submissions are required (scale to be agreed upon):

1. Site plan or plans showing: the building, landscaped areas, loading areas, roads and sidewalks. All land uses shall be designated. All landscaping and Site development details, including walls, fences, planting, outdoor lighting, street furniture, and ground surface materials, shall be indicated. Streets and points of vehicular and pedestrian access shall be shown, indicating proposed new paving, planting and lighting required by the City. All utilities, easements or service facilities, insofar as they relate to work by the City or by "others," shall be shown.

   Those areas of the Site proposed to be developed "by others" or easements to be provided for others shall be clearly indicated.

   In addition, site plans shall indicate (1) existing and finish contours; (2) yard drainage and roof drainage; (3) an acceptable transition of overhead utilities to underground system within the Site; (4) the required connections to existing utilities; (5) the utilization of public utility easements relative to electric, gas, telephone and water requirements of

buildings within the Site; (6) the planned use of modification of existing public right of way improvements; and (7) all existing structures around the Site.

2. All building plans and elevations.

3. Building sections showing all typical cross sections.

4. All sign locations and sizes.

5. Perspective sketches (at eye level) and/or model showing the architectural character of the proposed design.

6. Outline specifications for materials and methods of construction.

7. Where variances, waivers, or deviations from existing Agency, City, State, or Federal regulations are proposed, they shall be listed and progress toward obtaining such variances shall be stated.

8. Preliminary structural plans and sections.

9. Preliminary cost estimates provided by the general contractor selected by the Developer in compliance with the Agency's Contract Compliance requirements.

D. Construction Documents and Specifications

Upon acceptance by the Agency of the Design Development Drawings and Outline Specifications, the following submissions will be required:

1. Completed site plans for the final parcel development to working drawing level of detail.

2. Completed construction drawings and specifications ready for bidding.

3. Complete presentation of all exterior materials and color schedules including samples, if appropriate.

4. Complete design drawings for all exterior signs and graphics.

5. Final cost estimates.

ATTACHMENT 11

Approved Project Cash Flow

Application Date: 4/19/2011
Project Name: 474 Natoma Family Apartments
Project Address: 474 Natoma Street
Project Sponsor: BRIDGE Housing Corp

	% annual increase	Year 1	Year 2	Year 3	Year 4	Year 5	year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Comments
INCOME																						
Residential - Tenant Rents	2.5%	790,272	810,029	830,280	851,037	872,312	894,120	916,473	939,385	962,870	986,941	1,011,615	1,036,903	1,062,828	1,089,399	1,116,634	1,144,549	1,173,163	1,202,492	1,232,555	1,263,368	
Residential - Tenant Assistance Payments		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Commercial Space		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Parking		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Miscellaneous Rent Income	2.5%	8,640	8,856	9,077	9,304	9,537	9,775	10,020	10,270	10,527	10,790	11,060	11,336	11,620	11,910	12,208	12,513	12,826	13,147	13,475	13,812	
Supportive Services Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interest Income - Project Operations		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Laundry and Vending		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tenant Charges		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Miscellaneous Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Gross Potential Income		798,912	818,885	839,357	860,341	881,849	903,896	926,493	949,655	973,397	997,732	1,022,675	1,048,242	1,074,448	1,101,309	1,128,842	1,157,063	1,185,989	1,215,639	1,246,030	1,277,181	
Vacancy Loss	3%	39,946	40,944	41,968	43,017	44,092	45,195	46,325	47,483	48,670	49,887	51,134	52,412	53,722	55,065	56,442	57,853	59,299	60,782	62,302	63,859	
EFFECTIVE GROSS INCOME		758,966	777,941	797,389	817,324	837,757	858,701	880,168	902,173	924,727	947,845	971,541	995,830	1,020,725	1,046,244	1,072,400	1,099,210	1,126,690	1,154,857	1,183,729	1,213,322	
OPERATING EXPENSES																						
Management																						
Management Fee	3.5%	26,640	27,572	28,537	29,536	30,570	31,640	32,747	33,894	35,080	36,308	37,578	38,894	40,255	41,664	43,122	44,631	46,193	47,810	49,484	51,215	
Asset Management Fee	3.5%	17,200	17,802	18,425	19,070	19,737	20,428	21,143	21,883	22,649	23,442	24,262	25,111	25,990	26,900	27,842	28,816	29,825	30,868	31,949	33,067	
Administrative Rent-Free Unit	3.5%	16,812	17,400	18,009	18,640	19,292	19,967	20,666	21,390	22,138	22,913	23,715	24,545	25,404	26,293	27,213	28,166	29,152	30,172	31,228	32,321	
Sub-total Management Expenses		60,652	62,775	64,972	67,246	69,600	72,036	74,557	77,166	79,867	82,662	85,556	88,550	91,649	94,857	98,177	101,613	105,170	108,851	112,660	116,604	
Salaries/Benefits																						
Office Salaries	3.5%	14,560	15,070	15,597	16,143	16,708	17,293	17,898	18,524	19,173	19,844	20,538	21,257	22,001	22,771	23,568	24,393	25,247	26,130	27,045	27,992	
Manager's Salary	3.5%	34,000	35,190	36,422	37,696	39,016	40,381	41,795	43,257	44,772	46,339	47,960	49,639	51,376	53,175	55,036	56,962	58,956	61,019	63,155	65,365	
Health Insurance and Other Benefits	3.5%	20,552	21,271	22,016	22,786	23,584	24,409	25,264	26,148	27,063	28,010	28,991	30,005	31,055	32,142	33,267	34,432	35,637	36,884	38,175	39,511	
Other Salaries/Benefits	3.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total Salaries/Benefits		69,112	71,531	74,035	76,626	79,308	82,083	84,956	87,930	91,007	94,193	97,489	100,901	104,433	108,088	111,871	115,787	119,839	124,034	128,375	132,868	
Administration																						
Advertising and Marketing	3.5%	5,500	5,693	5,892	6,098	6,311	6,532	6,761	6,998	7,242	7,496	7,758	8,030	8,311	8,602	8,903	9,214	9,537	9,871	10,216	10,574	
Office Expenses	3.5%	8,500	8,798	9,105	9,424	9,754	10,095	10,449	10,814	11,193	11,585	11,990	12,410	12,844	13,294	13,759	14,240	14,739	15,255	15,789	16,341	
Office Rent	3.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Legal Expense - Property	3.5%	3,600	3,726	3,856	3,991	4,131	4,276	4,425	4,580	4,741	4,906	5,078	5,256	5,440	5,630	5,827	6,031	6,242	6,461	6,687	6,921	
Audit Expense	3.5%	11,000	11,385	11,783	12,196	12,623	13,065	13,522	13,995	14,485	14,992	15,517	16,060	16,622	17,204	17,806	18,429	19,074	19,741	20,432	21,148	
Bookkeeping/Accounting Services	3.5%	9,360	9,688	10,027	10,378	10,741	11,117	11,506	11,909	12,325	12,757	13,203	13,665	14,144	14,639	15,151	15,681	16,230	16,798	17,386	17,995	
Bad Debts	3.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Miscellaneous	3.5%	2,500	2,588	2,678	2,772	2,869	2,969	3,073	3,181	3,292	3,407	3,526	3,650	3,778	3,910	4,047	4,188	4,335	4,487	4,644	4,806	
Sub-total Administration Expenses		40,460	41,876	43,342	44,859	46,429	48,054	49,736	51,476	53,278	55,143	57,073	59,070	61,138	63,278	65,492	67,785	70,157	72,613	75,154	77,784	
Utilities																						
Electricity	3.5%	21,600	22,356	23,138	23,948	24,786	25,654	26,552	27,481	28,443	29,439	30,469	31,535	32,639	33,781	34,964	36,188	37,454	38,765	40,122	41,526	
Water	3.5%	16,560	17,140	17,739	18,360	19,003	19,668	20,356	21,069	21,806	22,570	23,360	24,177	25,023	25,899	26,806	27,744	28,715	29,720	30,760	31,837	
Gas	3.5%	14,400	14,904	15,426	15,966	16,524	17,103	17,701	18,321	18,962	19,626	20,313	21,024	21,759	22,521	23,309	24,125	24,969	25,843	26,748	27,684	
Sewer	3.5%	28,800	29,808	30,851	31,931	33,049	34,205	35,403	36,642	37,924	39,251	40,625	42,047	43,519	45,042	46,618	48,250	49,939	51,687	53,496	55,368	
Sub-total Utilities		81,360	84,208	87,155	90,205	93,362	96,630	100,012	103,513	107,136	110,885	114,766	118,783	122,941	127,243	131,697	136,306	141,077	146,015	151,125	156,415	
Taxes and Licenses																						
Real Estate Taxes	3.5%	1,000	1,035	1,071	1,109	1,148	1,188	1,229	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619	1,675	1,734	1,795	1,857	1,923	
Payroll Taxes	3.5%	9,640	9,977	10,327	10,688	11,062	11,449	11,850	12,265	12,694	13,138	13,598	14,074	14,567	15,077	15,604	16,150	16,716	17,301	17,906	18,533	
Miscellaneous Taxes, Licenses and Permits	3.5%	1,400	1,449	1,500	1,552	1,607	1,663	1,721	1,781	1,844	1,908	1,975	2,044	2,115	2,190	2,266	2,345	2,428	2,513	2,600	2,692	
Sub-total Taxes and Licenses		12,040	12,461	12,898	13,349	13,816	14,300	14,800	15,318	15,854	16,409	16,984	17,578	18,193	18,830	19,489	20,171	20,877	21,608	22,364	23,147	
Insurance																						
Property and Liability Insurance	3.5%	33,485	34,657	35,870	37,125	38,425	39,770	41,162	42,602	44,093	45,637	47,234	48,887	50,598	52,369	54,202	56,099	58,063	60,095	62,198	64,375	
Fidelity Bond Insurance	3.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Worker's Compensation	3.5%	10,189	10,546	10,915	11,297	11,692	12,101	12,525	12,963	13,417	13,887	14,373	14,876	15,396	15,935	16,493	17,070	17,668	18,286	18,926	19,588	
Sub-total Insurance		43,674	45,203	46,785	48,422	50,117	51,871	53,686	55,566	57,510	59,523	61,606	63,763	65,994	68,304	70,695	73,169	75,730	78,381	81,124	83,963	
Maintenance & Repair																						
Payroll	3.5%	47,840	49,514	51,247	53,041	54,898	56,819	58,808	60,866	62,996	65,201	67,483	69,845	72,290	74,820	77,438	80,149	82,954	85,857	88,862	91,972	
Supplies	3.5%	7,000	7,245	7,499	7,761	8,033	8,314	8,605	8,906	9,218	9,540	9,874	10,220	10,577	10,948	11,331	11,727	12,138	12,563	13,002	13,458	
Contracts	3.5%	44,220	45,768	47,370	49,028	50,743	52,519	54,358	56,260	58,229	60,267	62,377	64,560	66,819	69,158	71,579	74,084	76,677	79,361	82,138	85,013	
Garbage and Trash Removal	3.5%	14,400	14,904	15,426	15,966	16,524	17,103	17,701	18,321	18,962	19,626	20,313	21,024	21,759	22,521	23,309	24,125	24,969	25,843	26,748	27,684	
Security Payroll/Contract	3.5%	70,522	72,990	75,545	78,189	80,926	83,758	86,690	89,724	92,864	96,114	99,478	102,960	106,564	110,293	114,154	118,149	122,284	126,564	130,994	135,579	
HVAC Repairs and Maintenance	3.5%	1,000	1,035	1,071	1,109	1,148	1,188	1,229	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619	1,675	1,734	1,795	1,857	1,923	
Vehicle and Maintenance Equipment Operation and Repairs	3.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Miscellaneous Operating and Maintenance Expenses	3.5%	1,500	1,553	1,607	1,663	1,721	1,782	1,844	1,908	1,975	2,044	2,116	2,190	2,267	2,346	2,428	2,513	2,601	2,692	2,786	2,884	
Sub-total Maintenance & Repair Expenses		186,482	193,009	199,764	206,756	213,992	221,482	229,234	237,257	245,561	254,156	263,051	272,258	281,787	291,650	301,857	312,422	323,357	334,675	346,388	358,512	
Supportive Services	3.5%	49,500	51,233	53,026	54,882	56,802	58,790	60,848	62,978	65,182	67,463	69,825	72,269	74,798	77,416	80,125	82,930	85,832	88,836	91,946	95,164	
TOTAL OPERATING EXPENSES		543,280	562,295	581,975	602,344	623,426	645,246	667,830	691,204	715,396	740,435	766,350	793,172	820,933	849,666	879,404	910,184	942,040	975,011	1,009,137	1,044,457	
NET OPERATING INCOME (INCOME minus OPERATING EXPENSES)		215,686	215,646	215,414	214,980	214,331	213,455	212,339	210,969	209,331	207,410	205,191	202,657	199,792	196,578	192,995	189,026	184,650	179,846	174,592	168,865	
DEBT SERVICE (amortizing loans)																						
First Lender (enter name & remove shading)		151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	151,363	
Issuer Fee		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	
TOTAL DEBT SERVICE		153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	153,863	

RESERVES																					
Replacement Reserve Deposit	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	
Operating Reserve Deposit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL RESERVES	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	
CASH FLOW (NOI minus DEBT SERVICE minus RESERVES)	37,823	37,783	37,551	37,117	36,468	35,592	34,476	33,106	31,468	29,547	27,328	24,794	21,929	18,715	15,132	11,163	6,787	1,983	-3,271	-8,998	

USES OF CASH FLOW																					
Asset Management Fee	3.5%	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,555	7,820	8,093	8,377	6,787	1,983	0	0
Ground Lease Payment		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	14,374	10,895	7,039	2,786	0	0	0	0
Partnership Management Fee	3.5%	17,200	17,608	17,195	16,573	15,730	14,653	13,329	11,744	9,884	7,733	5,275	2,494	0	0	0	0	0	0	0	0
Deferred Developer Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-amortizing Loan Payment		418																			
Distribution to Sponsor		206																			
REMAINDER (SHOULD BE ZERO)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-3,271	-8,998	

REPLACEMENT RESERVE - RUNNING BALANCE																					
Replacement Reserve Starting Balance	0	24,000	48,000	72,000	96,000	120,000	144,000	168,000	192,000	216,000	240,000	264,000	288,000	312,000	336,000	360,000	384,000	408,000	432,000	456,000	
Replacement Reserve Deposits	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	
Replacement Reserve Withdrawals (ideally tied to CNA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Replacement Reserve Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
RR Running Balance	24,000	48,000	72,000	96,000	120,000	144,000	168,000	192,000	216,000	240,000	264,000	288,000	312,000	336,000	360,000	384,000	408,000	432,000	456,000	480,000	

OPERATING RESERVE - RUNNING BALANCE																					
Operating Reserve Starting Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Operating Reserve Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Operating Reserve Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Operating Reserve Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
OR Running Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

ATTACHMENT 12

Mayor's Office of Housing Asset Management Fee and Partnership Management Fee Policy

MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO
ASSET MANAGEMENT FEE & PARTNERSHIP MANAGEMENT FEE POLICY (10/05/2010)

2010 UPDATE
10/5/10: This update adds clarifying language to several provisions.
8/27/10: This update makes explicit the circumstances when projects are ineligible for General Partner Partnership Management Fees, Limited Partner Asset Management Fees and Limited Partner Investor Services Fee.

2009 UPDATE
This update increases the maximum allowable fees by 3.5% for the year 2010 and also enables the maximum fees to increase by 3.5% per year, effective January 1, unless the City chooses by November 1 of the prior year to forego or postpone the increase.

2008 REVISION OF ASSET MANAGEMENT FEE POLICY
This revised Asset Management Fee Policy reflects the City's efforts to maintain policies that address the current challenges associated with managing affordable housing assets in San Francisco. To inform the revised policy, the City solicited input from developers and owners of affordable housing and analyzed current costs of performing adequate asset management. Highlights of the revised policy include: an increase in the allowable Asset Management Fee; allowing Asset Management Fees to be taken "above the line" in some circumstances (see pages 3-4); and simplified administrative guidelines.

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MAXIMUM AMOUNT OF ASSET MANAGEMENT FEE ("MAXIMUM AMF"):

2009	2010	2011	2012	2013	2014	2015	2016
$15,000	$15,520	$16,060	$16,620	$17,200	$17,800	$18,420	$19,060

The table above reflects the maximum amount of the Asset Management Fee that can be taken in a project's first year of operations following development work funded by the City. This maximum applies regardless of whether tax credits or bond financing have been supplied to the project. This maximum amount may be allowed to increase annually for each project – see "Default Annual Escalation Rate" below.

The annual increase to the Maximum Asset Management Fee will become effective Jan 1st of each year unless the City acts affirmatively by November 1st of the prior year to forego or postpone the increase. An updated version of this policy document will be posted if the City chooses to exercise this option.

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MAXIMUM AMOUNT OF TOTAL OF ASSET MANAGEMENT FEE & PARTNERSHIP MANAGEMENT FEE ("MAXIMUM AMF & PMF"):

2009	2010	2011	2012	2013	2014	2015	2016
$30,000	$31,050	$32,140	$33,260	$34,420	$35,620	$36,870	$38,160

DEFAULT ANNUAL ESCALATION RATE FOR ANNUAL ASSET MANAGEMENT FEE & PARTNERSHIP MANAGEMENT FEE

Projects may increase the amount of the Asset Management Fee and Partnership Management Fee by the same rate of increase used for other project expenses in the 20-year operating pro forma approved during City underwriting, or any subsequent proforma approved by the City. If justified by project sponsors and approved during underwriting, projects may use a different escalation rate for the Asset Management Fee, Partnership Management Fee and other expenses.

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POLICY GOAL

The revised policy is not intended to result in a decrease in Asset Management Fees. Any reduction in Asset Management Fees should come only as a result of a thorough project-specific analysis.

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EFFECTIVE DATE & APPLICABILITY

This policy applies to any project that has not received its gap financing commitment from the City by the effective date of this policy.

Projects Without Executed City Funding Agreements

For projects that are currently under development but have not yet executed gap funding agreements with the City, the sponsor may submit for approval a proposed revision of the underwriting and operational projections that incorporate the limits under this revised policy. Requests will be subject to approval by City underwriters. Changes to projects that have already received gap funding approval from the Citywide Loan Committee may require Loan Committee approval for the changes, depending on the impact that such changes may have on debt service schedules or other major financing structures.

Projects with Existing City Gap Funding Agreements

The applicability of this revised policy to existing projects will vary depending on whether the City's underlying loan/grant agreements include any guidelines about Asset Management and related fees. There are two relevant categories: 1) Projects for which the City's underlying funding agreements include provisions for allowable Asset Management Fees; 2) Projects for which the City's underlying funding agreements are silent on Asset Management Fees.

1. **Projects for which the City's underlying funding agreements include provisions for allowable Asset Management Fees**

As with all aspects related to the development and operation of a project, the ultimate source of guidance for how the project must be developed and operated is the funding

For projects that are eligible for both a partnership management fee and an Asset Management Fee, the combined total for these fees shall not exceed the amounts listed in the table above. This maximum amount may be allowed to increase annually for each project – see "Default Annual Escalation Rate" below.

The annual increase to the Maximum Asset Management Fee & Partnership Management Fee will become effective Jan 1st of each year unless the City acts affirmatively by November 1st of the prior year to forego or postpone the increase. An updated version of this policy document will be posted if the City chooses to exercise this option.

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FEE ELIGIBILITY PERIODS - TAX CREDIT-FUNDED PROJECTS:

Subject to the terms of the project's limited partnership agreement and the Maximum AMF & PMF limits described above, tax credit-funded developments may allocate their total AMF/PMF as follows:

1) Managing General Partner Partnership Management Fee: payable "below the line" during the initial tax credit compliance period only (i.e., not including any extended use compliance period).

2) Project Sponsor Asset Management Fee: payable "above the line" for the duration of the project, capped subject to the Maximum AMF & PMF limits during the tax credit compliance period and subject to the Maximum AMF limits following the termination of the tax credit compliance period.

3) Limited Partner Investor Services Fee: while this Fee is not subject to the Maximum AMF & PMF limits described above, any Limited Partner Investor Services Fee must be payable "below the line" until the expiration of the tax credit compliance period or the exit of the limited partner investor, whichever shall occur first. The City recognizes this Fee as a legitimate fee over and above the Asset Management Fee and the Partnership Management Fee payable to the General Partner.

FEE ELIGIBILITY PERIODS - NON-TAX CREDIT PROJECTS

Project sponsors may take Maximum AMF "above the line", as an operating expense, for the duration of the project.

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agreement (including the other documents related to the loan/grant agreement, such as the Promissory Note and Declaration of Restrictions). If a City funding agreement for a project includes any guidance related to asset aanagement and related fees, the funding agreement must be followed unless an amendment is executed. The City will review requests for amendments, but project sponsors must recognize that the initial underwriting assumptions and current project circumstances may make it impossible to revise the guidelines in any significant way. Sponsors seeking amendments should be prepared to provide significant updates about project operations, including but not limited to:

- Updated 20-year proformas
- Variance analysis/es
- Operating reserve analysis
- Replacement reserve analysis informed by a current capital needs assessment
- Descriptions of asset management structure and staffing and sources of income to cover asset management costs
- Asset Management Plans
- Analysis/es of obstacles to effective asset management

2. Projects for which the City's underlying funding agreements are silent on allowable Asset Management Fees

For projects for which the City's underlying funding agreements are silent about asset management and related fees, the project may take Asset Management Fees and Partnership Management Fees in accordance with this revised policy but only if all of the following conditions are met.

- The project is in full compliance with all of the City's funding agreements.
- Project funds can support Asset Management Fee to be taken.
- The project submits a written request to the City to allow the Asset Management Fee to be taken, and the City approves the request in writing.

Important note regarding possible conflicts with the funding agreements of other project funders: The City recognizes that agreements with other project funders may not be consistent with those of the City, and encourages sponsors to assess agreements for inconsistencies. Under no circumstances should the existence of an agreement based on the policy of one funder be used by a project sponsor as a justification for failing to satisfy the requirements of any other project funder(s).

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VARIATIONS FROM THE ASSET MANAGEMENT FEE POLICY

City underwriters have the authority to approve Asset Management and/or Partnership Management Fee(s) that vary from the revised policy; such variations must also be approved by City Asset Management staff, documented explicitly in the Evaluation of

Request for Funding and approved by the Loan Committee so the operational teams from both the sponsor and the City can reference them in the future..

Approval of maximum fees above the limits established by the revised policy is highly unlikely; proposals to increase the maximum fee(s) will require submission of an extensive project-specific analysis to justify the added operational expense.

Approval of maximum fees below the limits established by the revised policy is possible, particularly when any of the following factors are present.

- Project has a relatively small operational budget.
- Project has relatively fewer capital and/or operational funders, and therefore less compliance reporting.
- Building and/or the systems is/are new and/or in good working order
- Target population/s is expected to have minimal impact on the building & staff.
- Project sponsor has adequate existing Asset Management staffing & infrastructure.

PREVIOUS POLICY

As described above, many funding agreements created prior to the implementation of the revised Asset Management Fee policy may include explicit guidelines regarding the acceptable practices related to a given project's allowable asset management and related fees. Because these agreements' guidelines are generally based upon the Previous Asset Management Fee policy, the previous policy is being kept available below for reference.

The Asset Management Fee policy will become effective for completed projects which are required to submit annual compliance monitoring reports for the 2001 reporting year and subsequent years. The City's review of annual CDBG Housing Program Administration grant requests for asset management expenses will take into consideration those amounts received from other sources which may be used for asset management, including any Asset Management Fees derived from projects as described below.

The Asset Management Fee can be taken in addition to whatever partnership management fee is allowed under the partnership agreement, if any.

The minimum amount that can be taken as an Asset Management Fee is $3,000 per project per year; the maximum amount of the Asset Management Fee is the lesser of:

- $15,000 per year per project; or,
- $12 per residential unit per month (total units including assisted and non-assisted).

For underwriting purposes, the Asset Management Fee may increase three percent (3%) per year after the first complete year of operation.

In the first year, the first $3,000 of the Asset Management Fee is to be considered an operating expense. After the first year, the amount to be considered an operating expense is the first $3,000 plus whatever amount is derived from the 3% annual increase. This amount will be referred to as the "base Asset Management Fee. Amounts beyond the base Asset Management Fee may be taken only after payment of required reserves and debt service (if any), but prior to a ground lease fee (if any), partnership management fee (if any), non-amortizing loans (if any), and residual receipts (if any).

Should a project be eligible for both a partnership management fee and an Asset Management Fee, then the total for these fees shall not exceed $25,000, unless the borrower provides a detailed breakdown for the line item uses for each of these fees, to be approved by the City, which clearly demonstrates that there is no duplicative funding of activities. If there is duplicative funding of activities such that a particular task or function could be paid through both a partnership management fee and an Asset Management Fee, then the Asset Management Fee shall be reduced by a commensurate amount to preclude duplicative funding of the same cost.

As permitted by other sources of project financing, the Asset Management Fee may be taken provided that the borrower complies with each of the following conditions:

1. Sponsor must request the City approval of the Asset Management Fee in writing concurrently with or after the submission of that project's fully completed annual compliance report to the City, as applicable. Approval by the City shall not be unreasonably withheld. The request should include the following items:

    A. A brief description of staff devoted to asset management. These staff must not be the property managers responsible for day-to-day operations. Adequate and non-duplicative oversight must be provided;

    B. A description of all amounts and sources the project receives or may be allowed to receive for asset management activities (e.g. Community Development Block Grant Housing Program Administration, California Department of Housing and Community Development Asset Management Fee, HUD Asset Management Fee, etc.), if any;

    C. If not submitted within the last 3 years, a comprehensive, 20-year capital needs assessment (aka replacement reserve study or long-term capital improvement plan). This assessment must have been completed, approved by the City, and be updated every three (3) years;

    D. An analysis showing that reserves are fully funded in accordance with the most recent comprehensive capital needs assessment or the final budget approved by the City, whichever is more current;

2. The project must be in full compliance with all regulatory requirements;

3. There must be no significant outstanding monitoring findings; and,

4. Required reports and budgets must be consistently submitted to City on time. Property management fees for sponsors collecting both property management and Asset Management Fees should be within the normal range for comparable projects as determined by City.

PERMANENT WORK FORCE AGREEMENT

I. PURPOSE. The purposes of the Agency and the Owner in entering into this Permanent Work Force Agreement are to ensure:

A. that minority group persons and women are provided equal opportunity for and are not discriminated against in employment in the Owner's permanent work force that occupies the improvements on the Site covered by the OPA and in the work forces of businesses which lease space in the Site.

B. that San Francisco residents obtain ***50 percent*** of the permanent jobs in the work forces of the Owner and tenants at the Site.

C. that residents of the South of Market Project Area and then other San Francisco residents are given first consideration for employment by the Owner and tenants for permanent employment at the Site.

II. APPLICATION OF THIS SCHEDULE TO TENANTS. The Owner shall include verbatim in its leases and require the incorporation verbatim in all subleases for space in the Site the provisions of this Permanent Work Force Agreement. The lease shall make the incorporated provisions binding on and enforceable by the Agency against the tenant to the same extent as these provisions are binding on and enforceable against the Owner; except that:

A. Unless agreed otherwise by the Agency, a tenant with ***26 or more*** employees shall submit its workforce plan through the Owner to the Agency not later than 90 days prior to hiring any permanent employees to work on the tenant's premises; rather than pursuant to the requirements set forth in Section V.B.

B. A tenant with 25 or less employees shall not be required to submit an workforce plan pursuant to Section IV, but instead shall undertake and document in writing the good faith efforts it made to meet the goals and first consideration in employment requirements set forth in Section III. The Agency's Contract Compliance Department shall determine if such a tenant has exercised good faith efforts.

C. A tenant with less than 25 employees shall submit to the Agency the reports required by Section VII of not later than 60 days after it opens for business and annually thereafter.

III. GOALS AND OBJECTIVES.

A. The Owner and each tenant shall:

1. make good faith efforts to achieve in each job category in its permanent work force at the Site an ethnic and gender mix that reflects the

composition of the civilian work force of the City and County of San Francisco. These goals are not to be perceived as inflexible quotas, but rather as objectives to be pursued by the mobilization of available resources and by good faith efforts to fulfill the respective equal opportunity plans.

2. make good faith efforts to employ 50 percent of its work force at the Site in each job category from residents of the City and County of San Francisco.

3. as provided in Section IV.B.1, give first consideration for employment at the Site to South of Market Project Area residents and then to other residents of San Francisco.

B. If a conflict arises, achieving the ethnic and gender goals set forth in subparagraph A.1 shall take precedence over the San Francisco residency goal and the requirement to give first consideration in employment as set forth in subparagraphs A.2 and A.3 respectively, of this Section III.

IV. PERMANENT WORKFORCE PLAN.

A. The Owner and each tenant with more than 26 employees, whether or not it is a federal contractor, shall prepare and adopt a plan for its permanent work force at the Site.

B. The workforce plan shall contain the following:

1. Detailed procedures for ensuring that South of Market Project Area residents and then other San Francisco residents who are equally or more qualified than other candidates obtain first consideration for employment. These procedures shall include specific recruiting, screening and hiring procedures (e.g., phased hiring) which ensure that qualified residents (of the South of Market Project Area and then other San Franciscans) receive offers of employment prior to other equally or less qualified candidates. If a candidate(s) who is entitled to first consideration is not selected for the position, the Owner or tenant shall have the burden of establishing to the Agency and the arbitrator (if the matter is taken to arbitration), that the candidate who was selected was better qualified for the position than the candidate(s) who was entitled to first consideration.

2. Where it is a reasonable expectation that 10 percent or more of the employees in any job category will regularly work less than 35 hours per week, detailed procedures for ensuring that minority group persons, women, South of Market Project Area area residents and San Francisco residents do not receive a disproportionate share of the part time work.

3. An agreement that not more than 15 percent of the positions in any job category will be filled by persons transferred from other facilities operated by the Owner, without the prior approval of the Agency. The Agency

shall grant approval upon a showing that transfers in excess of 15 percent do not unreasonably interfere with the objective of creating new jobs for South of Market Project Area and San Francisco residents and that such transfers further legitimate business needs of the Owner. Transfers shall be counted in determining if the Owner has met the employment goals for each ethnic group and women.

4. Where required by the Agency, detailed procedures for utilizing Outreach Organizations as meaningful referral sources for job applicants.

V. ARBITRATION OF DISPUTES.

A. Arbitration by AAA. Any dispute regarding this Permanent Work Force Agreement shall be determined by arbitration through the American Arbitration Association, San Francisco, California office ("AAA") in accordance with the Commercial Rules of the AAA then applicable, but subject to the further revisions thereof. The arbitration shall take place in the City and County of San Francisco.

B. Demand for Arbitration. Where the Owner disagrees with the Agency's Notice of Non-Qualification or Notice of Non-Compliance, **the Owner shall have seven (7) business days, in which to file a Demand for Arbitration,** unless otherwise stipulated by the parties. The Demand for Arbitration shall contain at a minimum: (1) a cover letter demanding arbitration under this provision and identifying entities believed to be involved in the dispute; (2) a copy of the Notice of Non-Qualification or Notice of Non-Compliance; and (3) any written response to the Notice of Non-Qualification or Notice of Non-Compliance. If the Owner fails to file a timely Demand for Arbitration, the Owner shall be deemed to have accepted and to be bound by the finding of Non-Qualification or the findings and recommendations contained in the Notice of Non-Compliance.

C. Parties' Participation. The Agency and all persons or entities that have a contractual relationship affected by the dispute shall be made an Arbitration Party. Any such person or entity not made an Arbitration Party in the Demand for Arbitration may intervene as an Arbitration Party and in turn may name any other such person or entity as an Arbitration Party, provided however, that the Owner made an initial timely Demand for Arbitration pursuant to Section V.B. above.

D. Agency Request to AAA. Within seven (7) business days after service of a Demand for Arbitration, the Agency shall transmit to AAA a copy of the Demand for Arbitration, the Notice of Non-Qualification or Notice of Non-Compliance, and any written response thereto from the affected party. Such material shall be made part of the arbitration record.

E. Selection of Arbitrator. One arbitrator shall arbitrate the dispute. The arbitrator shall be selected from the panel of arbitrators from AAA by the parties to the arbitration in accordance with the AAA rules. The parties shall act diligently in this regard. If the Arbitration Parties fail to agree on an arbitrator within seven (7)

days from the receipt of the panel, AAA shall appoint the arbitrator. A condition to the selection of any arbitrator shall be that person's agreement to render a decision within ninety (90) days from the arbitrator's fulfillment of the disclosure requirements set forth in California Code of Civil Procedure Section 1281.9.

F. **Setting of Arbitration Hearing.** A hearing shall be held within ninety (90) days of the date of the filing of the Request, unless otherwise agreed by the parties. The arbitrator shall set the date, time and place for the arbitration hearing(s) within the prescribed time periods by giving notice by hand delivery or first class mail to each Arbitration Party.

G. **Discovery.** In arbitration proceedings hereunder, discovery shall be permitted in accordance with Code of Civil Procedure §1283.05.

H. **Burden of Proof**. The burden of proof with respect to Permanent Work Force compliance and/or Good Faith Efforts shall be on the Owner. The burden of proof as to all other alleged breaches by the Owner shall be on the Agency.

I. **California Law Applies.** Except where expressly stated to the contrary in this Permanent Work Force Agreement, California law, including the California Arbitration Act, Code of Civil Procedure §§ 1280 through 1294.2, shall govern all arbitration proceedings.

J. **Arbitration Remedies and Sanctions.** The arbitrator may impose only the remedies and sanctions set forth below:

1. Order specific, reasonable actions and procedures, in the form of a temporary restraining order, preliminary injunction or permanent injunction, to mitigate the effects of the non-compliance and/or to bring any non-compliant Arbitration Party into compliance.

2. Require any Arbitration Party to refrain from entering into new contracts related to work covered by the Owner or this Permanent Work Force Agreement, or from granting extensions or other modifications to existing contracts related to services covered by the Owner or this Permanent Work Force Agreement, other than those minor modifications or extensions necessary to enable compliance with this Permanent Work Force Agreement.

3. Direct any Arbitration Party to cancel, terminate, suspend or cause to be cancelled, terminated or suspended, any contract or portion(s) thereof for failure of any party to the arbitration to comply with any of the Agency's Work Force policy requirements. Contracts may be continued upon the condition that a program for future compliance is approved by the Agency.

4. If any Arbitration Party is found to be in willful breach of its obligations hereunder, the arbitrator may impose a monetary sanction not to exceed Fifty Thousand Dollars ($50,000.00) or ten percent (10%) of the base

amount of the breaching party's contract, whichever is less, for each such willful breach; provided that, in determining the amount of any monetary sanction to be assessed, the arbitrator shall consider the financial capacity of the breaching party. No monetary sanction shall be imposed pursuant to this paragraph for the first willful breach of this Permanent Work Force Agreement unless the breaching party has failed to cure after being provided notice and a reasonable opportunity to cure. Monetary sanctions may be imposed for subsequent willful breaches by any Arbitration Party whether or not the breach is subsequently cured. For purposes of this paragraph, "willful breach" means a knowing and intentional breach.

5. Direct any Arbitration Party to produce and provide to the Agency any records, data or reports which are necessary to determine if a violation has occurred and/or to monitor the performance of any Arbitration Party.

K. **Arbitrator's Decision.** The arbitrator shall make his or her award within twenty (20) days after the date that the hearing is completed; provided that where a temporary restraining order is sought, the arbitrator shall make his or her award not later than twenty-four (24) hours after the hearing on the motion. The arbitrator shall send the decision by certified or registered mail to each Arbitration Party.

L. **Default Award; No Requirement to Seek an Order Compelling Arbitration.** The arbitrator may enter a default award against any person or entity who fails to appear at the hearing, provided that: (1) said person or entity received actual notice of the hearing; and (2) the complaining party has a proof of service for the absent person or entity. In order to obtain a default award, the complaining party need not first seek or obtain an order to arbitrate the controversy pursuant to Code of Civil Procedure §1281.2.

M. **Arbitrator Lacks Power to Modify.** Except as otherwise provided, the arbitrator shall have no power to add to, subtract from, disregard, modify or otherwise alter the terms of this Permanent Work Force Agreement or any other agreement between the Agency and Owner or to negotiate new agreements or provisions between the parties.

N. **Jurisdiction/Entry of Judgment.** The inquiry of the arbitrator shall be restricted to the particular controversy which gave rise to the Demand for Arbitration. A decision of the arbitrator issued hereunder shall be final and binding upon all Arbitration Parties. The non-prevailing Arbitration Party(ies) shall pay the arbitrator's fees and related costs of arbitration (or reimburse the Arbitration Parties that advanced such arbitration fees and costs). Each Arbitration Party shall pay its own attorneys' fees, provided, however, that attorneys' fees may be awarded to the prevailing party if the arbitrator finds that the arbitration action was instituted, litigated, or defended in bad faith. Judgment upon the arbitrator's decision may be entered in any court of competent jurisdiction.

O. **Exculpatory Clause.** Owner expressly waives any and all claims against the Agency for damages, direct or indirect, including, without limitation, claims relative to the commencement, continuance and completion of construction and/or providing professional and consulting services ("the Work"). Owner acknowledges and agrees that the procedures set forth herein for dealing with alleged breaches or failure to comply with the obligations and requirements of this Permanent Work Force Agreement are reasonable and have been anticipated by the parties in securing financing, in inviting, submitting and receiving bids and proposals for the planning, design and construction of the improvements and in determining the times for commencement and completion of the planning, design and construction and/or for providing consulting, professional or personal services.

P. **Severability**. The provisions of this Permanent Work Force Agreement are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section or portion of this Permanent Work Force Agreement or the invalidity of the application thereof to any person or circumstance shall not affect the validity of the remainder of this Permanent Work Force Agreement or the validity of their application to other persons or circumstances.

Q. **Arbitration Notice:** BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

_____	_____
Agency	Owner

VII. REPORTS.

A. The Owner and each tenant shall prepare, for its Site work force, reports for each job category which show by race, gender, residence (including South of Market

Project Area area), and, where required by the Agency, by transfer/non-transfer and referral source:

1. Current work force composition;
2. applicants;
3. job offers;
4. hires;
5. rejections;
6. pending applications;
7. promotions and demotions; and
8. employees working, on average, less than 35 hours per week.

B. The reports shall be submitted quarterly to the Agency, unless otherwise required by the Agency. In this regard the Owner and each tenant agrees that if a significant number of positions are to be filled during a given period or other circumstances warrant, the Agency may require daily, weekly or monthly reports containing all or some of the above information. The Owner and each tenant further agrees that the above reports may not be sufficient for monitoring the Owner's or tenant's performance in all circumstances, that they will negotiate in good faith concerning additional reports, and that the arbitrator shall have authority to require additional reports if the parties cannot agree.

VIII. TERM. The obligations of the Owner and its tenants with respect to their permanent work forces as set forth in the OPA, Attachment ___ and this Permanent Work Force Agreement shall arise from the date the Owner or its tenants first assigns employees to the Site on a permanent basis and remain in effect for three years thereafter.

I, hereby certify that I have authority to execute this Permanent Work Force Agreement on behalf of the business, organization or entity listed below and that it will use good faith efforts to comply with the Agency's Permanent Work Force participation goals. I declare under penalty of perjury under the laws of the State of California that the above statement is true and correct.

Signature — Date: 5-5-11

Print Your Name: Cynthia Parker — Title: President

Company Name and Phone Number: 474 Natoma, LLC — 415.989.1111

SMALL BUSINESS ENTERPRISE AGREEMENT

The company or entity executing this Small Business Enterprise Agreement, by and through its duly authorized representative, hereby agrees to use good faith efforts to comply with all of the following:

I. **PURPOSE.** The purpose of entering into this Small Business Enterprise Program agreement ("**SBE Program**") is to establish a set of Small Business Enterprise ("SBE") participation goals and good faith efforts designed to ensure that monies are spent in a manner which provides SBEs with an opportunity to compete for and participate in contracts by or at the behest of the San Francisco Redevelopment Agency ("**Agency**") and/or the Agency-Assisted Contractor. A genuine effort will be made to give First Consideration to Project Area SBEs and San Francisco-based SBEs before looking outside of San Francisco.

II. **APPLICATION**. The SBE Program applies to all Contractors and their subcontractors seeking work on Agency-Assisted Projects on or after November 17, 2004 and any Amendment to a Pre-existing Contract.

III. **GOALS.** The Agency's SBE Participation Goals are:

CONSTRUCTION	**50%**
PROFESSIONAL SERVICES	**50%**
SUPPLIERS	**50%**

A. **Trainee Hiring Goal**. In addition to the goals set forth above in Section III, there is a trainee hiring goal for architects, designers and other professional services consultants as follows:

Trainees	Design Professional Fees
0	$ 0 – $99,000
1	$ 100,000 – $249,999
2	$ 250,000 – $499,999
3	$ 500,000 – $999,999
4	$1,000,000 – $1,499,999
5	$1,500,000 – $1,999,999
6	$2,000,000 - $4,999,999
7	$5,000,000 - $7,999,999
8	$8,000,000 – or more

IV. **TERM.** The obligations of the Agency-Assisted Contractor and/or Contractor(s) with respect to SBE Program shall remain in effect until completion of all work to be performed by the Agency-Assisted Contractor in connection with the original construction of the site and any

tenant improvements on the site performed by or at the behest of the Agency-Assisted Contractor unless another term is specified in the Agency-Assisted Contract or Contract.

V. **FIRST CONSIDERATION.** First consideration will be given by the Agency or Agency-Assisted Contractor in awarding contracts in the following order: (1) Project Area SBEs, (2) San Francisco-based SBEs (outside an Agency Project or Survey Area, but within San Francisco), and (3) Non-San Francisco-based SBEs. Non-San Francisco-based SBEs should be used to satisfy participation goals only if Project Area SBEs or San Francisco-based SBEs are not available, qualified, or if their bids or fees are significantly higher than those of non-San Francisco-based SBEs.

VI. **CERTIFICATION.** Only businesses certified by the Agency as SBEs will be counted toward meeting the participation goals. The SBE Certification Criteria are set forth in the Policy (as defined in Section VII below).

VII. **INCORPORATION.** Each contract between the Agency, Agency-Assisted Contractor or Contractor on the one hand, and any subcontractor on the other hand, shall physically incorporate as an attachment or exhibit and make binding on the parties to that contract, a true and correct copy of this SBE Agreement.

VIII. **DEFINITIONS.** Capitalized terms not otherwise specifically defined in this SBE Agreement have the meaning set forth in the Agency's SBE Policy adopted on November 16, 2004 and amended on July 21, 2009 ("**Policy**") or as defined in the Agency-Assisted Contract or Contract. In the event of a conflict in the meaning of a defined term, the SBE Policy shall govern over the Agency- Assisted Contract or Contract which in turn shall govern over this SBE Agreement.

Affiliates means an affiliation with another business concern is based on the power to control, whether exercised or not. Such factors as common ownership, common management and identity of interest (often found in members of the same family), among others, are indicators of affiliation. Power to control exists when a party or parties have 50 percent or more ownership. It may also exist with considerably less than 50 percent ownership by contractual arrangement or when one or more parties own a large share compared to other parties. Affiliated business concerns need not be in the same line of business. The calculation of a concern's size includes the employees or receipts of all affiliates.

Agency-Assisted Contract means, as applicable, the Development and Disposition Agreement ("**DDA**"), Land Disposition Agreement ("**LDA**"), Lease, Loan and Grant Agreements, personal services contracts and other similar contracts, and Operations Agreement that the Agency executed with for-profit or non-profit entities.

Agency-Assisted Contractor means any person(s), firm, partnership, corporation, or combination thereof, who is negotiating or has executed an Agency-Assisted Contract.

Amendment to a Pre-existing Contract means a material change to the terms of any contract, the term of which has not expired on or before the date that this Small Business

Enterprise Policy ("SBE Policy") takes effect, but shall not include amendments to decrease the scope of work or decrease the amount to be paid under a contract.

Annual Receipts means "total income" (or in the case of a sole proprietorship, "gross income") plus "cost of goods sold" as these terms are defined and reported on Internal Revenue Service tax return forms. The term does not include net capital gains or losses; taxes collected for and remitted to a taxing authority if included in gross or total income, such as sales or other taxes collected from customers and excluding taxes levied on the concern or its employees; proceeds from transactions between a concern and its domestic or foreign affiliates; and amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker. For size determination purposes, the only exclusions from receipts are those specifically provided for in this paragraph. All other items, such as subcontractor costs, reimbursements for purchases a contractor makes at a customer's request, and employee-based costs such as payroll taxes, may not be excluded from receipts. Receipts are averaged over a concern's latest three (3) completed fiscal years to determine its average annual receipts. If a concern has not been in business for three (3) years, the average weekly revenue for the number of weeks the concern has been in business is multiplied by 52 to determine its average annual receipts.

Arbitration Party means all persons and entities who attend the arbitration hearing pursuant to Section XII, as well as those persons and entities who are subject to a default award provided that all of the requirements in Section XII.L. have been met.

Commercially Useful Function means that the business is directly responsible for providing the materials, equipment, supplies or services in the City and County of San Francisco ("City") as required by the solicitation or request for quotes, bids or proposals. Businesses that engage in the business of providing brokerage, referral or temporary employment services shall not be deemed to perform a "commercially useful function" unless the brokerage, referral or temporary employment services are required and sought by the Agency.

Contract means any agreement between the Agency and a person(s), firm, partnership, corporation, or combination thereof, to provide or procure labor, supplies or services to, for, or on behalf of the Agency.

Contractor means any person(s), firm, partnership, corporation, or combination thereof, who is negotiating or has executed a Contract.

Non-San Francisco-based Small Business Enterprise means a SBE that has fixed offices located outside the geographical boundaries of the City.

Office" or "Offices means a fixed and established place(s) where work is performed of a clerical, administrative, professional or production nature directly pertinent to the business being certified. A temporary location or movable property or one that was established to oversee a project such as a construction project office does not qualify as an "office" under this SBE Policy. Work space provided in exchange for services (in lieu of monetary rent) does not constitute an "office." The office is not required to be the headquarters for the business but it

must be capable of providing all the services to operate the business for which SBE certification is sought. An arrangement for the right to use office space on an "as needed" basis where there is no office exclusively reserved for the business does not qualify as an office. The prospective SBE must submit a rental agreement for the office space, rent receipt or cancelled checks for rent payments. If the office space is owned by the prospective SBE, the business must submit property tax or a deed documenting ownership of the office.

Project Area Small Business Enterprise means a business that meets the above-definition of Small Business Enterprise and that: (a) has fixed offices located within the geographical boundaries of a Redevelopment Project or Survey Area where a commercially useful function is performed; (b) is listed in the Permits and License Tax Paid File with a Project Area or Survey Area business street address; (c) possesses a current Business Tax Registration Certificate at the time of the application for certification as a SBE; (d) has been located and doing business in a Project Area or Survey Area for at least six months preceding its application for certification as a SBE; and (e) has a Project Area or Survey Area office in which business is transacted that is appropriately equipped for the type of business for which the enterprise seeks certification as a SBE. Post office box numbers of residential addresses alone shall not suffice to establish a firms' location in a Project Area or Survey Area.

Project Area means an area of San Francisco that meets the requirements under Community Redevelopment Law, Health and Safety Code Section 33320.1. These areas currently include the Bayview Industrial Triangle, Bayview Hunters Point (Area B), Federal Office Building, Hunters Point Shipyard, Mission Bay (North), Mission Bay (South), Rincon Point/South Beach, South of Market, Transbay Terminal, Yerba Buena Center and Visitacion Valley.

San Francisco-based Small Business Enterprise means a SBE that: (a) has fixed offices located within the geographical boundaries of the City where a commercially useful function is performed; (b) is listed in the Permits and License Tax Paid File with a San Francisco business street address; (c) possesses a current Business Tax Registration Certificate at the time of the application for certification as a SBE; (d) has been located and doing business in the City for at least six months preceding its application for certification as a SBE; and (e) has a San Francisco office in which business is transacted that is appropriately equipped for the type of business for which the enterprise seeks certification as a SBE. Post office box numbers or residential addresses alone shall not suffice to establish a firm's status as local.

Small Business Enterprise (SBE) means an economically disadvantaged business that: is an independent and continuing business for profit; performs a commercially useful function; is owned and controlled by persons residing in the United States or its territories; has average gross annual receipts in the three years immediately preceding its application for certification as a SBE that do not exceed the following limits: (a) construction--$14,000,000; (b) professional or personal services--$2,000,000 and (c) suppliers--$7,000,000; and is (or is in the process of being) certified by the Agency as a SBE and meets the other certification criteria described in the SBE application.

In order to determine whether or not a firm meets the above economic size definitions, the Agency will use the firm's three most recent business tax returns (i.e., 1040 with Schedule C for Sole Proprietorships, 1065s with K-1s for Partnerships, and 1120s for Corporations). Once a business reaches the 3-year average size threshold for the applicable industry the business ceases to be economically disadvantaged, it is not an eligible SBE and it will not be counted towards meeting SBE contracting requirements (or goals).

Survey Area means an area of San Francisco that meets the requirements of the Community Redevelopment Law, Health and Safety Code Section 33310. These areas currently include the Bayview Hunters Point Redevelopment Survey Area C.

IX. GOOD FAITH EFFORTS TO MEET SBE GOALS Compliance with the following steps will be the basis for determining if the Agency-Assisted Contractor and/or Consultant has made good faith efforts to meet the goals for SBEs:

A. Outreach. Not less than 30 days prior to the opening of bids or the selection of contractors, the Agency-Assisted Contractor or Contractor shall:

1. **Advertise**. Advertise for SBEs interested in competing for the contract, in general circulation media, trade association publications, including timely use of the ***Bid and Contract Opportunities*** newsletter published by the City and County of San Francisco Purchasing Department and media focused specifically on SBE businesses such as the ***Small Business Exchange***, of the opportunity to submit bids or proposals and to attend a pre-bid meeting to learn about contracting opportunities.

2. **Request List of SBEs**. Request from the Agency's Contract Compliance Department a list of all known SBEs in the pertinent field(s), particularly those in the Project and Survey Areas and provide written notice to all of them of the opportunity to bid for contracts and to attend a pre-bid or pre-solicitation meeting to learn about contracting opportunities.

B. Pre-Solicitation Meeting. For construction contracts estimated to cost $5,000 or more, hold a pre-bid meeting for all interested contractors not less than 15 days prior to the opening of bids or the selection of contractors for the purpose answering questions about the selection process and the specifications and requirements. Representatives of the Contract Compliance Department will also participate.

C. Follow-up. Follow up initial solicitations of interest by contacting the SBEs to determine with certainty whether the enterprises are interested in performing specific items involved in work.

D. Subdivide Work. Divide, to the greatest extent feasible, the contract work into small units to facilitate SBE participation, including, where feasible, offering items of the contract work which the Contractor would normally perform itself.

E. Provide Timely and Complete Information. The Agency-Assisted Contractor or Contractor shall provide SBEs with complete, adequate and ongoing information about the plans,

specifications and requirements of construction work, service work and material supply work. This paragraph does not require the Agency-Assisted Contractor or Contractor to give SBEs any information not provided to other contractors. This paragraph does require the Agency Assisted Contractor and Contractor to answer carefully and completely all reasonable questions asked by SBEs and to undertake every good faith effort to ensure that SBEs understand the nature and the scope of the work.

F. **Good Faith Negotiations.** Negotiate with SBEs in good faith and demonstrate that SBEs were not rejected as unqualified without sound reasons based on a thorough investigation of their capacities.

G. **Bid Shopping Prohibited.** Prohibit the shopping of the bids. Where the Agency-Assisted Contractor or Contractor learns that bid shopping has occurred, it shall treat such bid shopping as a material breach of contract.

H. **Other Assistance.** Assist SBEs in their efforts to obtain bonds, lines of credit and insurance. (Note that the Agency has a Surety Bond Program that may assist SBEs in obtaining necessary bonding.) The Agency-Assisted Contractor or Contractor(s) shall require no more stringent bond or insurance standards of SBEs than required of other business enterprises.

I. **Delivery Scheduling.** Establish delivery schedules which encourage participation of SBEs.

J. **Utilize SBEs as Lower Tier Subcontractors.** The Agency-Assisted Contractor and its Contractor(s) shall encourage and assist higher tier subcontractors in undertaking good faith efforts to utilize SBEs as lower tier subcontractors.

K. **Maximize Outreach Resources.** Use the services of SBE associations, federal, state and local SBE assistance offices and other organizations that provide assistance in the recruitment and placement of SBEs, including the Small Business Administration and the Business Development Agency of the Department of Commerce. However, only SBEs certified by the Agency shall count towards meeting the participation goal.

L. **Replacement of SBE.** If during the term of this SBE Agreement, it becomes necessary to replace any subcontractor or supplier, the Agency's Contract Compliance Specialist should be notified prior to replacement due to the failure or inability of the subcontractor or supplier to perform the required services or timely delivery the required supplies, then First Consideration should be given to a certified SBE, if available, as a replacement.

X. ADDITIONAL PROVISIONS

A. **No Retaliation.** No employee shall be discharged or in any other manner discriminated against by the Agency-Assisted Contractor or Contractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding under or relating to enforcement of this Agreement.

B. **No Discrimination.** There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, creed, national origin or ancestry, sex, gender identity, age, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status) in the performance of an Agency-Assisted Contract or Contract. The Agency-Assisted Contractor or Contractor will ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, creed, national origin or ancestry, sex, gender identity, age, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status) or other protected class status. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; selection for training, including apprenticeship; and provision of any services or accommodations.

C. **Compliance with Prompt Payment Statute.** Construction contracts and subcontracts awarded for $5,000 or more shall contain the following provision:

> "Amounts for work performed by a subcontractor shall be paid within ten (10) days of receipt of funds by the contractor, pursuant to California Business and Professions Code Section 7108.5 *et seq.* Failure to include this provision in a subcontractor or failure to comply with this provision shall constitute an event of default which would permit the Agency to exercise any and all remedies available to it under contract, at law or in equity."

In addition to and not in contradiction to the Prompt Payment Statute (California Business and Professions Code Section 7108.5 *et seq.*), if a dispute arises which would allow a Contractor to withhold payment to a subcontractor due to a dispute, the Contractor shall only withhold that amount which directly relates to the dispute and shall promptly pay the remaining undisputed amount, if any.

D. **Submission Of Electronic Certified Payrolls**. For any Agency-Assisted Contract which requires the submission of certified payroll reports, the requirements of Section VII of the Agency's Small Business Enterprise Policy shall apply. Please see the Small Business Enterprise Policy for more details.

XI. PROCEDURES

A. **Notice to Agency**. The Agency-Assisted Contractor or Contractor(s) shall provide the Agency with the following information within 10 days of awarding a contract or selecting subconsultant:

1. the nature of the contract, e.g. type and scope of work to be performed;
2. the dollar amount of the contract;
3. the name, address, license number, gender and ethnicity of the person to whom the contract was awarded; And
4. SBE status of each subcontractor or subconsultant.

B. Affidavit. If the Agency-Assisted Contractor or Contractor(s) contend that the contract has been awarded to a SBE, the Agency-Assisted Contractor or Contractor(s) shall, at the same time also submit to the Agency a SBE Application for Certification and its accompanying Affidavit completed by the SBE owner. However, a SBE that was previously certified by the Agency shall submit only the short SBE Eligibility Statement.

C. **Good Faith Documentation**. If the 50% SBE Participation Goals are not met in each category (Construction, Professional Services and Suppliers), the Agency-Assisted Contractor or Contractor(s) shall meet and confer with the Agency at a date and time set by the Agency. If the issue of the Agency-Assisted Contractor's or Contractor's good faith efforts is not resolved at this meeting, the Agency-Assisted Contractor or Contractor shall submit to the Agency within five (5) days, a declaration under penalty of perjury containing the following documentation with respect to the good faith efforts ("**Submission**"):

1. A report showing the responses, rejections, proposals and bids (including the amount of the bid) received from SBEs, including the date each response, proposal or bid was received. This report shall indicate the action taken by the Agency-Assisted Contractor or Contractor(s) in response to each proposal or bid received from SBEs, including the reasons(s) for any rejections.

2. A report showing the date that the bid was received, the amount bid by and the amount to be paid (if different) to the non-SBE contractor that was selected. If the non-SBE contractor who was selected submitted more than one bid, the amount of each bid and the date that each bid was received shall be shown in the report. If the bidder asserts that there were reasons other than the respective amounts bid for not awarding the contract to an SBE, the report shall also contain an explanation of these reasons.

3. Documentation of advertising for and contacts with SBEs, contractor associations or development centers, or any other agency which disseminates bid and contract information to small business enterprises.

4. Copies of initial and follow-up correspondence with SBEs, contractor associations and other agencies, which assist SBEs.

5. A description of the assistance provided SBE firms relative to obtaining and explaining plans, specifications and contract requirements.

6. A description of the assistance provided to SBEs with respect to bonding, lines of credit, etc.

7. A description of efforts to negotiate or a statement of the reasons for not negotiating with SBEs.

8. A description of any divisions of work undertaken to facilitate SBE participation.

9. Documentation of efforts undertaken to encourage subcontractors to obtain small business enterprise participation at a lower tier.

10. A report which shows for each private project and each public project (without a SBE program) undertaken by the bidder in the preceding 12 months, the total dollar amount of the contract and the percentage of the contract dollars awarded to SBEs and the percentage of contract dollars awarded to non-SBEs.

11. Documentation of any other efforts undertaken to encourage participation by small business enterprises.

D. Presumption of Good Faith Efforts. If the Agency-Assisted Contractor or Contractor(s) achieves the Participation Goals, it will not be required to submit Good Faith Effort documentation.

E. Waiver. Any of the SBE requirements may be waived if the Agency determines that a specific requirement is not relevant to the particular situation at issue, that SBEs were not available, or that SBEs were charging an unreasonable price.

F. SBE Determination. The Agency shall exercise its reasonable judgment in determining whether a business, whose name is submitted by the Agency-Assisted Contractor or Contractor(s) as a SBE, is owned and controlled by a SBE. A firm's appearance in any of the Agency's current directories will be considered by the Agency as prima facie evidence that the firm is a SBE. Where the Agency-Assisted Contractor or Contractor(s) makes a submission the Agency shall make a determination, as to whether or not a business which the Agency-Assisted Contractor or Contractor(s) claims is a SBE is in fact owned and controlled by San Francisco-based SBEs. If the Agency determines that the business is not a SBE, the Agency shall give the Agency-Assisted Contractor or Contractor a Notice of Non-Qualification and provide the Agency-Assisted Contractor or Contractor with a reasonable period (not to exceed 20 days) in which to meet with the Agency and if necessary make a Submission, concerning its good faith efforts. If the Agency-Assisted Contractor or Contractor disagrees with the Agency's Notice of Non-Qualification, the Agency-Assisted Contractor or Contractor may request arbitration pursuant to Section XII.

G. Agency Investigation. Where the Agency-Assisted Contractor or Contractor makes a Submission and, as a result, the Agency has cause to believe that the Agency-Assisted Contractor or Contractor has failed to undertake good faith efforts, the Agency shall conduct an investigation, and after affording the Agency-Assisted Contractor or Contractor notice and an opportunity to be heard, shall recommend such remedies and sanctions as it deems necessary to correct any alleged violation(s). The Agency shall give the Agency-Assisted Contractor or Contractor a written Notice of Non-Compliance setting forth its findings and recommendations. If the Agency-Assisted Contractor or Contractor disagree with the findings and recommendations of the Agency as set forth in the Notice of Non-Compliance, the Agency-Assisted Contractor or Contractor may request arbitration pursuant to this SBE Agreement.

XII. ARBITRATION OF DISPUTES.

A. **Arbitration by AAA**. Any dispute regarding this SBE Agreement shall be determined by arbitration through the American Arbitration Association, San Francisco, California office ("AAA") in accordance with the Commercial Rules of the AAA then applicable, but subject to the further revisions thereof. The arbitration shall take place in the City and County of San Francisco.

B. **Demand for Arbitration**. Where the Agency-Assisted Contractor or Contractor disagrees with the Agency's Notice of Non-Qualification or Notice of Non-Compliance, **the Agency-Assisted Contractor or Contractor shall have seven (7) business days, in which to file a Demand for Arbitration,** unless otherwise stipulated by the parties. The Demand for Arbitration shall contain at a minimum: (1) a cover letter demanding arbitration under this provision and identifying any entities believed to be involved in the dispute; (2) a copy of the Notice of Non-Qualification or Notice of Non-Compliance; and (3) any written response to the Notice of Non-Qualification or Notice of Non-Compliance. If the Agency-Assisted Contractor and Contractor fails to file a timely Demand for Arbitration, the Agency-Assisted Contractor and Contractor shall be deemed to have accepted and to be bound by the finding of Non-Qualification or the findings and recommendations contained in the Notice of Non-Compliance.

C. **Parties' Participation**. The Agency and all persons or entities who have a contractual relationship affected by the dispute shall be made an Arbitration Party. Any such person or entity not made an Arbitration Party in the Demand for Arbitration may intervene as an Arbitration Party and in turn may name any other such person or entity as an Arbitration Party, provided however, that the Agency-Assisted Contractor or Contractor made an initial timely Demand for Arbitration pursuant to Section XII.B. above.

D. **Agency Request to AAA**. Within seven (7) business days after service of a Demand for Arbitration, the Agency shall transmit to AAA a copy of the Demand for Arbitration, the Notice of Non-Qualification or Notice of Non-Compliance, and any written response thereto from the affected party. Such material shall be made part of the arbitration record.

E. **Selection of Arbitrator**. One arbitrator shall arbitrate the dispute. The arbitrator shall be selected from the panel of arbitrators from AAA by the parties to the arbitration in accordance with the AAA rules. The parties shall act diligently in this regard. If the Arbitration Parties fail to agree on an arbitrator within seven (7) days from the receipt of the panel, AAA shall appoint the arbitrator. A condition to the selection of any arbitrator shall be that person's agreement to render a decision within ninety (90) days from the arbitrator's fulfillment of the disclosure requirements set forth in California Code of Civil Procedure Section 1281.9.

F. **Setting of Arbitration Hearing**. A hearing shall be held within ninety (90) days of the date of the filing of the Request, unless otherwise agreed by the parties. The arbitrator shall set the date, time and place for the arbitration hearing(s) within the prescribed time periods by giving notice by hand delivery or first class mail to each Arbitration Party.

G. **Discovery**. In arbitration proceedings hereunder, discovery shall be permitted in accordance with Code of Civil Procedure §1283.05.

H. **Burden of Proof**. The burden of proof with respect to SBE status and/or Good Faith Efforts shall be on the Agency-Assisted Contractor and/or Contractor. The burden of proof as to all other alleged breaches by the Agency-Assisted Contractor and/or Contractor shall be on the Agency.

I. **California Law Applies.** Except where expressly stated to the contrary in this SBE Agreement, California law, including the California Arbitration Act, Code of Civil Procedure §§ 1280 through 1294.2, shall govern all arbitration proceedings.

J. **Arbitration Remedies and Sanctions.** The arbitrator may impose only the remedies and sanctions set forth below:

1. Order specific, reasonable actions and procedures, in the form of a temporary restraining order, preliminary injunction or permanent injunction, to mitigate the effects of the non-compliance and/or to bring any non-compliant Arbitration Party into compliance.

2. Require any Arbitration Party to refrain from entering into new contracts related to work covered by the Agency-Assisted Contract or this SBE Agreement, or from granting extensions or other modifications to existing contracts related to services covered by the Agency-Assisted Contract or this SBE Agreement, other than those minor modifications or extensions necessary to enable compliance with this SBE Agreement.

3. Direct any Arbitration Party to cancel, terminate, suspend or cause to be cancelled, terminated or suspended, any contract or portion(s) thereof for failure of any party to the arbitration to comply with any of the SBE Program requirements in the Agency-Assisted Contract or this SBE Agreement. Contracts may be continued upon the condition that a program for future compliance is approved by the Agency.

4. If any Arbitration Party is found to be in willful breach of its obligations hereunder, the arbitrator may impose a monetary sanction not to exceed Fifty Thousand Dollars ($50,000.00) or ten percent (10%) of the base amount of the breaching party's contract, whichever is less, for each such willful breach; provided that, in determining the amount of any monetary sanction to be assessed, the arbitrator shall consider the financial capacity of the breaching party. No monetary sanction shall be imposed pursuant to this paragraph for the first willful breach of this SBE Agreement unless the breaching party has failed to cure after being provided notice and a reasonable opportunity to cure. Monetary sanctions may be imposed for subsequent willful breaches by any Arbitration Party whether or not the breach is subsequently cured. For purposes of this paragraph, "willful breach" means a knowing and intentional breach.

5. Direct any Arbitration Party to produce and provide to the Agency any records, data or reports which are necessary to determine if a violation has occurred and/or to monitor the performance of any Arbitration Party.

K. **Arbitrator's Decision.** The arbitrator shall make his or her award within twenty (20) days after the date that the hearing is completed; provided that where a temporary restraining order is sought, the arbitrator shall make his or her award not later than twenty-four (24) hours

after the hearing on the motion. The arbitrator shall send the decision by certified or registered mail to each Arbitration Party.

L. Default Award; No Requirement to Seek an Order Compelling Arbitration. The arbitrator may enter a default award against any person or entity who fails to appear at the hearing, provided that: (1) said person or entity received actual notice of the hearing; and (2) the complaining party has a proof of service for the absent person or entity. In order to obtain a default award, the complaining party need not first seek or obtain an order to arbitrate the controversy pursuant to Code of Civil Procedure §1281.2.

M. Arbitrator Lacks Power to Modify. Except as otherwise provided, the arbitrator shall have no power to add to, subtract from, disregard, modify or otherwise alter the terms of the Agency-Assisted Contract, this SBE Agreement or any other agreement between the Agency, the Agency-Assisted Contractor or Contractor or to negotiate new agreements or provisions between the parties.

N. Jurisdiction/Entry of Judgment. The inquiry of the arbitrator shall be restricted to the particular controversy which gave rise to the Demand for Arbitration. A decision of the arbitrator issued hereunder shall be final and binding upon all Arbitration Parties. The non-prevailing Arbitration Party(ies) shall pay the arbitrator's fees and related costs of arbitration (or reimburse the Arbitration Parties that advanced such arbitration fees and costs). Each Arbitration Party shall pay its own attorneys' fees, provided, however, that attorneys' fees may be awarded to the prevailing party if the arbitrator finds that the arbitration action was instituted, litigated, or defended in bad faith. Judgment upon the arbitrator's decision may be entered in any court of competent jurisdiction.

O. Exculpatory Clause. Agency-Assisted Contractor or Contractor (regardless of tier) expressly waive any and all claims against the Agency for damages, direct or indirect, including, without limitation, claims relative to the commencement, continuance and completion of construction and/or providing professional and consulting services ("the Work"). Agency-Assisted Contractor or Contractor (regardless of tier) acknowledge and agree that the procedures set forth herein for dealing with alleged breaches or failure to comply with the obligations and requirements of this SBE Agreement are reasonable and have been anticipated by the parties in securing financing, in inviting, submitting and receiving bids and proposals for the planning, design and construction of the improvements and in determining the times for commencement and completion of the planning, design and construction and/or for providing consulting, professional or personal services.

P. Severability. The provisions of this SBE Agreement are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section or portion of this SBE Agreement or the invalidity of the application thereof to any person or circumstance shall not affect the validity of the remainder of this SBE Agreement or the validity of their application to other persons or circumstances.

Q. Arbitration Notice: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN

THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Agency

Agency-Assisted Contractor

XIII. AGREEMENT EXECUTION

Note: If you are seeking Agency certification as a SBE, you should fill out the "Application for SBE Certification". If you are already an Agency certified SBE, you should execute the "SBE Eligibility Statement".

I, hereby certify that I have authority to execute this SBE Agreement on behalf of the business, organization or entity listed below and that it will use good faith efforts to comply with the Agency's 50% SBE Participation Goals. I declare under penalty of perjury under the laws of the State of California that the above statement is true and correct.

Signature

May 5, 2011
Date

Cynthia Parker
Print Your Name

President
Title

474 Natoma LLC 415.989.1111
Company Name and Phone Number

File No: 111132

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

City Elective Officer Information (*Please print clearly*)	
Name of City elective officer(s): Members, San Francisco Board of Supervisors	City elective office(s) held: Members, San Francisco Board of Supervisors

Contractor Information (*Please print clearly*)	
Name of Contractor: 474 Natoma, LLC, a California limited liability company	
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 of 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. 1) The officers of BRIDGE Homes, Inc., the sole member of 474 Natoma, LLC, are as follows: President: Cynthia Parker, CP/Secretary: Susan Johnson, CP/CFO: D. Kemp Valentine, VP: Rebecca Hlebasko, VP: Kimberly McKay, VP: Rebecca Clark 2) N/A 3) N/A 4) N/A 5) N/A	
Contractor address: Donald Lusty, Sr. Project Manager, BRIDGE Housing Corp, 345 Spear Street, Suite #700, SF, CA 94105	
Date that contract was approved: November 15, 2011	Amount of contract: $0 - Ground Lease
Describe the nature of the contract that was approved: The contract is a long term ground lease, leasing the land at 474 Natoma Street to the above-named contractor for an initial 75 year term with an option to extend for 24 years. The contractor will own the building that will be built on the land. The ground lease stipulates that the contractor must operate the housing built on the site as affordable supportive housing. This ground lease was approved by the San Francisco Redevelopment Agency Commission on April 19, 2010 by Resolution Number 51-2011.	
Comments:	

This contract was approved by (check applicable)

☐ The City elective officer(s) identified on this form

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

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

Print Name of Board

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

Signature of the Elective Officer (if submitted by City elective officer) — Date Signed

Signature of Board Secretary or Clerk (if Submitted by Board Secretary or Clerk) — Date Signed