

File No. 220015

Committee Item No. 12

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date January 26, 2022

Board of Supervisors Meeting Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- California DHCD Notice of Funding Availability - 9/9/2021
- General Plan Referral - 12/8/2021
- _____
- _____
- _____
- _____
- _____
- _____
- _____

Completed by: Brent Jalipa Date January 19, 2022

Completed by: Brent Jalipa Date _____

1 [Purchase of Real Property - Apply for Grant Application - VSSF Associates, LLC - 835
2 Turk Street - Homelessness and Supportive Housing - Homekey Grant Program -
3 \$25,701,300]

4 **Resolution 1) approving and authorizing the Director of Property, on behalf of the**
5 **Department of Homelessness and Supportive Housing (“HSH”), to acquire certain**
6 **property located at 835 Turk Street (“Property”) for \$25,650,000 plus an estimated**
7 **\$51,300 for typical closing costs, for a total anticipated amount of \$25,701,300; 2)**
8 **approving and authorizing HSH, on behalf of the City, to apply to the California**
9 **Department of Housing and Community Development for its Homekey Grant**
10 **Program to purchase the Property; 3) approving and authorizing an Agreement of**
11 **Purchase and Sale for Real Estate for the acquisition of the Property from VSSF**
12 **Associates, LLC (“Purchase Agreement”), which includes a liquidated damages**
13 **clause of up to \$250,000 in case of default by the City, and an interim property**
14 **management fee not to exceed \$5,000 per month, plus reasonable operating**
15 **expenses for the Property, to be paid to VSSF Associates, LLC until City selects an**
16 **operator for the Property; 4) authorizing the Director of Property to execute the**
17 **Purchase Agreement, make certain modifications, and take certain actions in**
18 **furtherance of this Resolution and the Purchase Agreement, as defined herein; 5)**
19 **affirming the Planning Department’s determination under the California**
20 **Environmental Quality Act; and 6) adopting the Planning Department’s findings that**
21 **the Purchase Agreement, and the transaction contemplated therein, is consistent**
22 **with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

23
24
25

1 WHEREAS, HSH’s mission is to prevent homelessness when possible and to
2 make homelessness a rare, brief, and one-time experience in San Francisco through the
3 provision of coordinated, compassionate, and high-quality services; and

4 WHEREAS, With the enactment of Resolution No. 319-18 in October 2018, the
5 Board of Supervisors and Mayor Breed declared a shelter crisis and affirmed San
6 Francisco’s commitment to combatting homelessness and creating or augmenting a
7 continuum of shelter and service options for those experiencing homelessness; and

8 WHEREAS, Proposition C (2018) (Gross Receipts Tax for Homelessness
9 Services (“Prop C”), passed by San Francisco voters in November 2018, created the
10 Homelessness Gross Receipts Tax to fund the Our City, Our Home (“OCOH”) Fund, in
11 order to expand and be complementary to existing funding and strategic efforts to prevent
12 and end homelessness for San Francisco residents; and

13 WHEREAS, Permanent Supportive Housing is the most effective, evidence-based
14 solution to ending chronic homelessness and also prevents new incidents of homelessness
15 among highly vulnerable people with long experiences of homelessness; and

16 WHEREAS, In July 2020, Mayor Breed announced her Homelessness Recovery
17 Plan, including the goal of acquiring and operating 1,500 new units of Permanent
18 Supportive Housing over the next two years; and

19 WHEREAS, The OCOH Oversight Committee recommended in its most recent
20 Investment Plan that the City use Prop C funds to acquire and develop new Permanent
21 Supportive Housing units for adults, families, and Transitional Age Youth; and

22 WHEREAS, Since July 2020, the City has contracted, opened, or received
23 authorization to acquire more than 950 new units of Permanent Supportive Housing to add
24 to the existing portfolio of Permanent Supportive Housing units that provide permanent
25 homes and services to over 10,000 San Francisco households; and

1 WHEREAS, In October 2021, the Board of Supervisors approved the City to
2 move forward with the acquisition of three properties that will provide more than 230 units
3 of Permanent Supportive Housing in Supervisorial Districts 11, 9, and 6; and

4 WHEREAS, In accordance with California Health and Safety Code, Section
5 50675.1.1, California Department of Housing and Community Development (“HCD”) has
6 issued a 2021 Notice of Funding Availability (“NOFA”), a copy of which is on file with the
7 Clerk of the Board of Supervisors in File No. 220015, for the Homekey Grant Program
8 (“Project Homekey”), to provide housing for individuals and families who are experiencing
9 homelessness or who are at risk of homelessness and who are impacted by the COVID-19
10 pandemic; and

11 WHEREAS, In 2020, the City received two Project Homekey grant awards for the
12 acquisition of two hotels that have added approximately 362 Permanent Supportive
13 Housing units to the City’s existing inventory, a copy of the corresponding authorizing
14 Resolutions are on file with the Clerk of the Board in File No. 201193 and File No. 201268;
15 and

16 WHEREAS, The Property includes the real property and a 114-room single room
17 occupancy hotel, consisting of a central lobby, dining room, and a parking garage, located
18 at 835 Turk Street, as well as certain improvements, appurtenances, personal property,
19 and intangible property described in the Purchase Agreement; and

20 WHEREAS, Upon acquisition of the Property, the City intends to use the Property
21 for Permanent Supportive Housing; and

22 WHEREAS, HSH, on behalf of the City, may choose to submit an application
23 (“Application”) for Project Homekey funds for the Property, under the 2021 NOFA or a future
24 NOFA for Project Homekey funds, in an amount not to exceed the \$25,650,000 plus an
25

1 estimated \$51,300 for typical closing costs, for a total anticipated amount of \$25,701,300
2 (“Acquisition Cost”), or the maximum award amount allowable under Project Homekey; and

3 WHEREAS, HCD will require a Resolution approved by the Board of Supervisors to
4 accompany the Application; and

5 WHEREAS, HSH anticipates using Prop C funding to supplement and match any
6 Project Homekey funding award, if applicable; and

7 WHEREAS, The City, through HSH and the Real Estate Division and in consultation
8 with the Office of the City Attorney, has negotiated the Purchase Agreement to acquire the
9 Property from VSSF Associates, LLC for \$25,650,000, (“Purchase Price”), plus an estimated
10 \$51,300 for typical closing costs, and including a liquidated damages clause of up to \$250,000
11 in case of default by the City, substantially in the form approved by the Director of Property
12 and the HSH Executive Director and on file with the Clerk of the Board of Supervisors in File
13 No. 220015, incorporated herein by reference; and

14 WHEREAS, VSSF Associates, LLC has agreed to provide certain interim property
15 management services at the Property after Closing (as defined in the Purchase Agreement)
16 until City selects an operator for the Property, in exchange for a monthly property
17 management fee not to exceed \$5,000 per month (“Interim Property Management Fee”), plus
18 reasonable operating expenses for the Property (“Interim Operating Expenses”), as further
19 described in the Purchase Agreement; and

20 WHEREAS, The Purchase Price, plus an estimated \$51,300 for typical closing
21 costs, is collectively referred to as the “Acquisition Cost”; and

22 WHEREAS, The Director of Property has determined the Purchase Price to be at or
23 below fair market value; and

24 WHEREAS, The Purchase Agreement will not become effective until the Board of
25 Supervisors and the Mayor approve this Resolution, in their sole and absolute discretion; and

1 WHEREAS, The Planning Department has determined that the actions contemplated in
2 this Resolution comply with the California Environmental Quality Act (“CEQA Determination”)
3 (California Public Resources Code, Sections 21000 et seq.); the Planning Department has
4 also determined that the actions contemplated in this Resolution are consistent, on balance,
5 with the General Plan, and eight priority policies of Planning Code, Section 101.1 (“General
6 Plan Findings”); a copy of said determination (“Planning Letter”) is on file with the Clerk of the
7 Board of Supervisors in File No. 220015 and is incorporated herein by reference; the Board
8 affirms these determinations; now, therefore, be it

9 RESOLVED, That in accordance with the recommendations of the Executive
10 Director of HSH and the Director of Property, the Board of Supervisors approves the
11 Purchase Agreement presented to the Board and authorizes the Director of Property to
12 acquire the Property; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes HSH,
14 on behalf of the City, to submit the Application to HCD; and, be it

15 FURTHER RESOLVED, That the Board of Supervisors acknowledges that if the
16 Application is successful, HSH will seek Board of Supervisors approval to accept and
17 expend the Project Homekey funds and to authorize execution of a Standard Agreement,
18 and any other documents required or deemed necessary to secure the Project Homekey
19 funds under the terms of the Project Homekey program guidelines; and, be it

20 FURTHER RESOLVED, That, in accordance with the recommendations of the
21 HSH Executive Director and the Director of Property, the Board of Supervisors approves
22 the Purchase Agreement, including the liquidated damages clause in case of default by
23 City and the Interim Property Management Fee and Interim Operating Expenses to be paid
24 to VSSF Associates, LLC, and approves and authorizes the HSH Executive Director and
25

1 the Director of Property to take all actions necessary or appropriate to acquire the Property
2 and effectuate the Purchase Agreement and this Resolution; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors approves the Director of
4 Property (or the Director's designees), in consultation with the HSH Executive Director and
5 the Office of the City Attorney, to enter into any additions, amendments, or other
6 modifications to the Purchase Agreement and any other documents or instruments
7 necessary in connection therewith (including but not limited to the exhibits and ancillary
8 agreements attached to the Purchase Agreement), that the Director of Property determines
9 are in the best interests of the City, do not materially decrease the benefits to the City with
10 respect to the Property, do not materially increase the obligations or liabilities of the City,
11 are necessary or advisable to complete the transaction contemplated in the Purchase
12 Agreement, and that effectuate the purpose and intent of this Resolution, such
13 determination to be conclusively evidenced by the execution and delivery by the Director of
14 Property of any such additions, amendments, or other modifications; and, be it

15 FURTHER RESOLVED, The Board of Supervisors affirms the Planning
16 Department's CEQA Determination and General Plan Findings, for the same reasons as
17 set forth in the Planning Letter, and hereby incorporates such findings by reference as
18 though fully set forth in this Resolution; and, be it

19 FURTHER RESOLVED, That approval of the Purchase Agreement shall not be
20 construed as approval of any change in use or new project on the Property; the City will
21 conduct environmental review of any new uses and/or project, following further design
22 development and study under CEQA, and retains absolute discretion to: (1) modify
23 potential future projects to mitigate significant adverse environmental impacts, (2) select
24 feasible alternatives which avoid significant adverse impacts, (3) require the
25 implementation of specific measures to mitigate the significant adverse environmental

1 impacts, (4) reject proposed projects if the economic and social benefits of said project do
2 not outweigh otherwise unavoidable significant adverse impacts of the project, or (5)
3 approve future projects upon a finding that the economic and social benefits of said project
4 outweigh otherwise unavoidable significant adverse impacts; and, be it

5 FURTHER RESOLVED, That within thirty (30) days after the Closing (as defined
6 in the Purchase Agreement), HSH shall provide any applicable final contracts to the Clerk
7 of the Board for inclusion into the official file.

8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

\$25,701,300 Total available in the Chartfields below:

Fund ID:	10582
Department ID:	203646
Project ID:	10036744
Authority ID:	21528
Account ID:	506070
Activity ID:	1

/s/
Michelle Allersma, Budget and Analysis
Division Director on behalf of
Ben Rosenfield, Controller

RECOMMENDED:

/s/
Shireen McSpadden
Homelessness and Supportive Housing
Executive Director

/s/
Andrico Q. Penick
Real Estate Division
Director of Property

Item 12 File 22-0015	Department: Department of Homelessness and Supportive Housing (HSH), Real Estate Division
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the acquisition of 835 Turk Street, which includes 114 Single Room Occupancy (SRO) units to be converted to supportive housing. The resolution would also authorize the Department of Homelessness & Supportive Housing to apply for a State Homekey grant. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The property proposed for purchase at 835 Turk Street was selected following a Request for Information and evaluation by an interdepartmental review panel. The property contains 114 Single Room Occupancy units. According to HSH, 42 units were occupied (including a manager’s unit and a mix of long-term tenants, students, and short-term tenants), and the remaining 72 units were vacant, as of November 2021. The majority of leases have a term of one-year or less or are in month-to-month status. • The purchase price of \$25,650,000 was confirmed by a third-party appraisal and appraisal review. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total cost to purchase the property, including closing costs, is \$25,701,300, with additional costs for immediate rehab needs of approximately \$9.1 million for a total of \$34,763,450, or approximately \$304,943 per unit. HSH plans to use Proposition C funds to acquire and operate the property. However, costs to the City could be offset if the City were awarded a Homekey grant. • Ongoing costs for building operations and supportive services are estimated to be \$19,800 per unit per year or approximately \$2.3 million per year. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • We recommend approval of the proposed resolution because it is consistent with the intended use of Proposition C funds to expand the City’s supportive housing and the acquisition is at fair market value. 	

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions and conveyances of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than \$10,000 and an appraisal review is required if the fair market value is greater than \$200,000.

BACKGROUND

Expansion of Permanent Supportive Housing

As of 2021, the Department of Homelessness and Supportive Housing (HSH) had over 9,000 units of Permanent Supportive Housing serving over 10,000 households. In July 2020, Mayor London Breed announced her Homelessness Recovery Plan, with the goal of acquiring or leasing 1,500 new units of permanent supportive housing by July 2022. According to the proposed resolution, as of December 2021, the City has acquired or contracted for over 950 new units of permanent supportive housing.

In January 2021, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Information (RFI) to identify properties for possible acquisition as permanent supportive housing sites and received 130 responses, including the property located at 835 Turk Street. HSH identified the property located at 835 Turk Street as a potential candidate for a Homekey grant and may choose to submit a grant application for this property. HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of 835 Turk Street for an amount of \$25,650,000, plus \$51,300 for closing costs.

The Existing Property

The property proposed for purchase at 835 Turk Street includes 114 Single Room Occupancy (SRO) units. According to HSH, 42 units were occupied (including a manager’s unit and a mix of long-term tenants, students, and short-term tenants), and the remaining 72 units were vacant, as of November 2021. The majority of leases have a term of one-year or less or are in month-to-month status according to HSH. HSH also reports that no existing tenants will be displaced or asked to leave, but HSH expects that some of the students and short-term tenants may relocate voluntarily. All existing tenants will have access to support services.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would make the following actions:

1. Approve and authorize the Director of Property, on behalf of HSH, to acquire the property located at 835 Turk Street;
2. Approve and authorize HSH, on behalf of the City, to apply for the California Department of Housing and Community Development’s Homekey Grant Program to purchase the property;

3. Approve and authorize an Agreement of Purchase and Sale for Real Estate for acquisition of the property for \$25,650,000 plus an estimated \$51,300 for typical closing costs,¹ for a total amount of \$25,701,300 from VSSF Associates LLC;
4. Authorize the Director of Property, HSH Director, and City Attorney's Office to execute the purchase and sale agreement, make certain modifications, and take certain actions in furtherance of the resolution and the purchase and sale agreement that do not increase the liabilities of the City;
5. Affirm the Planning Department's determination that the purchase is not considered a project under the California Environmental Quality Act (CEQA); and
6. Adopt the Planning Department's findings that the purchase and sale agreement is consistent with the General Plan and Planning Code Section 101.1.

An appraisal conducted by Watts, Cohn, and Partners Inc. confirmed that the proposed sale price of \$25,650,000 is fair market value. An appraisal review by R. Blum and Associates affirmed the appraised value.

Homekey Grant Application

In July 2020, the California Department of Housing and Community Development (HCD) announced the Homekey Program, providing grants to sustain and expand housing for people experiencing homelessness and impacted by COVID-19. In 2020, the City received two Homekey grant awards totaling approximately \$74.1 million to purchase two hotels, adding approximately 362 permanent supportive housing units to the City's existing inventory.² On September 9, 2021, HCD announced a second round of Homekey grant funding. In December 2021, the City received a 2021 Homekey Award in the amount of \$54.8 million for the property located at 1321 Mission Street.³

As noted above, the proposed resolution would allow HSH to apply for a Homekey grant. According to HSH Manager of Policy and Legislative Affairs Dylan Schneider, HSH plans to purchase the property with Proposition C funds. However, HSH would apply for Homekey funding if HSH determines that the project is competitive based on the anticipated timelines for rehabilitation and lease-up and Homekey deadlines. If the grant application is successful, HSH would seek Board of Supervisors approval to accept and expend the Homekey grant and approve a Standard Agreement with HCD.

Based on the Homekey funding materials released to date, projects are eligible for up to \$200,000 in funding per unit, or \$300,000 per unit if the applicant provides at least \$100,000 per unit in matching funds. Operating subsidies are available for up to \$1,400 per unit per month for two

¹ Closing costs include escrow fee, title insurance, property inspection fee, and recording fees. Specific amounts of each fee were not provided by HSH.

² In 2020, the Board of Supervisors approved Standard Agreements with HCD for Homekey grant funds for amounts up to \$30,000,000 to purchase the 130-room Hotel Diva at 440 Geary Street (File 20-1193) and up to \$49,000,000 to purchase the 232-room Hotel Granada at 1000 Sutter Street (File 20-1268).

³ HSH reports that it will seek Board of Supervisors approval to accept and expend the 2021 Homekey award and approve a Standard Agreement with HCD in early 2022.

years, or for three years if a match is provided. Per unit subsidies vary based on unit size and population served.

Property Identification Process

As noted above, HSH had received 130 responses as of December 2021 to the open Request for Information (RFI) seeking properties that could potentially be purchased by the City and converted to permanent supportive housing. The RFI stated preferred property specifications, including a range of 50 to 150 residential units, availability for occupancy, building amenities such as in-unit bathrooms and kitchens, laundry on-site, and community space, accessibility, and compliance with building codes. According to HSH staff, 100 out of 130 responses were considered qualified by HSH staff based on threshold criteria for acquisitions. Following the 2020 Homekey Grant process in which the City purchased two properties,⁴ the City convened a cross-departmental team to evaluate potential properties that had submitted responses to the RFI; the team includes representation from the Mayor's Office, the Real Estate Division, Mayor's Office of Housing and Community Development, and Planning Department, as well as technical consultants. RFI responses were prioritized for site visits and subsequent negotiations based on preferred specifications stated in the RFI, as well as a focus on geographic equity. The RFI was closed on December 31, 2021 according to HSH staff.

According to HSH, 835 Turk Street was prioritized for acquisition based on its favorable acquisition price, building condition, high vacancy rate, and unit amenities, among other factors.

At the recommendation of the Budget & Legislative Analyst Office and in response to a request from the Budget & Finance Committee, HSH is developing formal policies to govern its acquisition process. The Department has committed to provide a status update on the acquisition policy development process and information on newly acquired properties during the June 2022 budget process.

Ongoing Costs and Existing Contracts

After the purchase is complete, the property will be operated by a third-party non-profit provider. HSH released a Solicitation of Information (SOI) to select an operator for the property in January 2022. According to the SOI, applications are due in February 2022 and grant agreements would begin in Spring 2022. HSH expects lease up to begin by the summer of 2022.

The current owner has existing contracts for building services which may be assigned to the City, such as contracts for pest control, fire alarm monitoring, and elevator maintenance. According to the proposed purchase and sale agreement, the current owner would provide interim property management services for up to four months after the closing date, and the City would pay the current owner a monthly fee of \$5,000 and provide reimbursement for interim operating expenses upon invoice and adequate documentation.

Site Condition

The six-story building was constructed in 1930. A visual inspection of the exterior condition and 14 rooms of the building was done by a licensed consultant on behalf of the Housing Accelerator

⁴ The City purchased 1000 Sutter (File 20-1063 & File 20-1268) and 440 Geary (File 20-1193).

Fund over two inspection days in June 2021 and November 2021. The inspection found that the building condition appeared to be good but identified approximately \$9.1 million in immediate repair needs, including \$5.5 million in voluntary seismic upgrades based on an assessment conducted by structural engineers. The inspection did not include a review of the adequacy of building systems, hazardous materials, or a geotechnical assessment, which would inform structural upgrades.

Deposit

Section 2.2 of the proposed purchase and sale agreement states that the City is required to put a deposit of \$250,000 within 10 days of the effective date of the purchase and sale agreement. The purchase and sale agreement is effective after it is approved by the Board and Mayor.

FISCAL IMPACT

The total cost to purchase the property, including closing costs, is \$25,701,300, with additional costs for immediate rehab needs of approximately \$9.1 million for a total of \$34,763,450, or approximately \$304,943 per unit. As noted above, HSH plans to use Proposition C funds to acquire and operate the property. However, costs to the City could be offset if the City were awarded a Homekey grant. The estimated acquisition and improvement costs are shown in Exhibit 1 below.

Exhibit 1: Estimated Acquisition and Improvement Costs

Item	Amount
Purchase Price	\$25,650,000
Closing Costs	51,300
Improvement Cost	9,062,150
Total Cost	\$34,763,450
Units	114
Cost Per Unit	\$304,943

Tenant Improvement and Operating Costs

HSH estimates that initial annual operating costs would be \$19,800 per unit per year, or \$2.3 million for the 114-unit building, once it is fully occupied. HSH has not finalized a supportive housing program for 835 Turk Street, therefore the cost of operations and the timeline until full occupancy may be different than presented above. All operating costs would be funded by Proposition C funds. Costs to the City over the first three years could be offset by Homekey grant funds if the City is awarded a Homekey grant. Estimated annual Proposition C revenues are approximately \$266 million in FY 2022-23. We recommend approval of the proposed resolution because it is consistent with the intended use of Proposition C funds to expand the City's supportive housing and the acquisition is at fair market value.

RECOMMENDATION

Approve the proposed resolution.

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE

by and between

VSSF ASSOCIATES, LLC, a California limited liability company,
as Seller

and

CITY AND COUNTY OF SAN FRANCISCO,
as Buyer

For the purchase and sale of

835 Turk Street,
San Francisco, California

_____, 2021

TABLE OF CONTENTS

		<u>Page</u>
1.	PURCHASE AND SALE	1
1.1	Property Included in Sale	1
2.	PURCHASE PRICE	2
2.1	Purchase Price	2
2.2	Deposit	2
2.3	Payment	2
2.4	Funds	3
3.	TITLE TO THE PROPERTY	3
3.1	Conveyance of Title to the Property	3
3.2	Title Insurance	3
3.3	Bill of Sale	3
3.4	Assignment of Intangibles	3
4.	BUYER'S DUE DILIGENCE INVESTIGATIONS; AS-IS SALE	4
4.1	City's Due Diligence	4
5.	ENTRY; CONDITIONS TO CLOSING	4
5.1	Entry	4
5.2	City's Conditions to Closing	4
5.3	Cooperation with City	7
5.4	Map Act Compliance	7
5.5	COPA	7
5.6	Property Exchange	7
6.	ESCROW AND CLOSING	8
6.1	Opening of Escrow	8
6.2	Closing Date	8
6.3	Seller's Delivery of Documents	8
6.4	City's Delivery of Documents and Funds	9
6.5	Other Documents	10
6.6	Title Company as Real Estate Reporting Person	10
6.7	Seller Default	10
6.8	City Default and Liquidated Damages	10

7.	EXPENSES AND TAXES	11
7.1	Rent and Other Apportionments	11
7.2	Closing Costs	12
7.3	Real Estate Taxes and Special Assessments	12
7.4	Preliminary Closing Adjustment.....	12
7.5	Sales and Use Taxes for Transferred Taxable Personal Property	12
7.6	Post-Closing Reconciliation.....	12
7.7	Survival.....	13
8.	REPRESENTATIONS AND WARRANTIES.....	13
8.1	Representations and Warranties of Seller	13
8.2	Indemnity	16
9.	RISK OF LOSS; POSSESSION.....	16
9.1	Risk of Loss	16
9.2	Insurance.....	17
9.3	Possession	18
10.	MAINTENANCE; CONSENT TO NEW CONTRACTS	18
10.1	Maintenance of the Property by Seller.....	18
10.2	City's Consent to New Contracts Affecting the Property; Termination of Existing Contracts	18
11.	GENERAL PROVISIONS	19
11.1	Notices	19
11.2	Brokers and Finders	19
11.3	Successors and Assigns.....	20
11.4	Amendments	20
11.5	Continuation and Survival of Representations and Warranties	20
11.6	Governing Law	20
11.7	Merger of Prior Agreements	20
11.8	Parties and Their Agents; Approvals	20
11.9	Interpretation of Agreement.....	21
11.10	Seller Tax Obligations	21
11.11	Sunshine Ordinance	21
11.12	Conflicts of Interest.....	21
11.13	Notification of Prohibition on Contributions.....	21

11.14	Non-Liability of City Officials, Employees and Agents	22
11.15	Memorandum of Agreement.....	22
11.16	Counterparts.....	22
11.17	Effective Date	22
11.18	Severability	22
11.19	Agreement Not to Market	23
11.20	Intentionally Omitted	23
11.21	Cooperative Drafting	23

LIST OF EXHIBITS

- EXHIBIT A – Real Property Description
- EXHIBIT B – Description of Accepted Personal Property
- EXHIBIT C – Grant Deed
- EXHIBIT D – Bill of Sale
- EXHIBIT E – Assignment of Contracts, Warranties and Guaranties, and Other Intangible Property
- EXHIBIT F – Assignment of Leases
- EXHIBIT G – Tenant's Estoppel Certificate
- EXHIBIT H – Certificate of Transferor Other Than An Individual (FIRPTA Affidavit)
- EXHIBIT I – Memorandum of Agreement
- EXHIBIT J – Scope of Interim Property Management Services
- EXHIBIT K – Additional Post-Closing Requirements for Interim Property Management Services

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE
(835 Turk Street, San Francisco)

THIS AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE (this “**Agreement**”), dated for reference purposes only as of _____, 2021, is by and between VSSF ASSOCIATES, LLC, a California limited liability company (“**Seller**”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“**Buyer**” or “**City**”).

IN CONSIDERATION of the payment of the non-refundable sum of Ten Dollars and No/100 (\$10.00) by City, the receipt of which is hereby acknowledged by Seller, and the respective agreements contained hereinbelow, Seller and City agree as follows:

1. PURCHASE AND SALE

1.1 Property Included in Sale

Seller agrees to sell and convey to City, and City agrees to purchase from Seller, subject to the terms, covenants and conditions hereinafter set forth, the following:

(a) the real property consisting of approximately 6,899 square feet of land, located in the City and County of San Francisco, commonly known as 835 Turk Street, Assessor Parcel Numbers Block 0761, Lot 016A and more particularly described in the attached Exhibit A (the “**Land**”);

(b) all improvements and fixtures located on the Land, including, without limitation, that certain 114-room single room occupancy hotel, as well as all other buildings and structures located on the Land, all apparatus, equipment and appliances used in connection with the operation or occupancy of the Land and its improvements such as heating and air conditioning systems and facilities used to provide any utility, refrigeration, ventilation, garbage disposal or other services, and together with any and all on-site parking (collectively, the “**Improvements**”);

(c) any and all rights, privileges, and easements incidental or appurtenant to the Land or Improvements, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Land, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Land, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land or Improvements, and any and all of Seller's right, title and interest in and to all roads and alleys adjoining or servicing the Land or Improvements (collectively, the “**Appurtenances**”);

(d) the personal property owned by Seller, and accepted by City, located on or in or used in connection with the Land or Improvements as described in Exhibit B attached hereto (the “**Personal Property**”). If City requests that Seller remove any existing personal property owned by Seller located on or in or used in connection with the Land or Improvements, Seller shall remove such personal property prior to the Closing Date (as defined in Section 6.2 (Closing Date)). Unless City has requested such removal, Seller shall not remove any Personal Property subsequent to the Effective Date; and

(e) any intangible personal property now or hereafter owned by Seller and used in the ownership, use or operation of the Land, Improvements or Personal Property, excluding the name “Vantaggio Suites” or any derivation thereof. Buyer may otherwise use any other trade name now used in connection with the Land or Improvements, and, to the extent

expressly approved by City pursuant to this Agreement, any contract rights or other agreements or rights relating to the ownership, use and operation of the Land, Improvements or Personal Property or any of the foregoing (collectively, the “**Intangible Property**”).

All of the items referred to in Subsections (a), (b), (c), (d) and (e) above are collectively referred to as the “**Property**.”

2. PURCHASE PRICE

2.1 Purchase Price

The total purchase price for the Property is Twenty-Five Million Six Hundred and Fifty Thousand and no/100 Dollars (\$25,650,000) (the “**Purchase Price**”).

2.2 Deposit

Within ten (10) business days following the Effective Date (as defined in Section 11.17 (Effective Date) below), City will deliver to the Title Company (as defined in Section 3.2 (Title Insurance) below), as escrow agent, Two Hundred and Fifty Thousand Dollars (\$250,000) as an earnest money deposit applicable to the Purchase Price (the “**Deposit**”). If City elects, the Title Company will deposit the Deposit into an interest-bearing account at a bank or financial institution approved by City in writing, and the term “Deposit” will include any interest earned thereon. Unless this Agreement is terminated and the Deposit disbursed as provided in this Agreement, the Deposit will be applied to the Purchase Price at Closing. If City terminates this Agreement for failure of any condition precedent under this Agreement, then City and Seller will equally share all title fees and escrow cancellation fees and Seller and City will instruct the Title Company to immediately return the Deposit to City. If the sale of the Property is not consummated because of a City default, then City will pay all title fees and escrow cancellation fees and Seller and City will instruct the Title Company to immediately release the Deposit to Seller in accordance with Section 6.8 (City Default and Liquidated Damages) below. If City terminates this Agreement due to a Seller default, then Seller will pay all title fees and escrow cancellation fees and Seller and Buyer will instruct the Title Company to immediately return the Deposit to City.

2.3 Payment

(a) On the Closing Date (as defined in Section 6.2 (Closing Date)), City will pay the Purchase Price, adjusted pursuant to the provisions of Article 7 (Expenses and Taxes), and reduced by any credits due City hereunder.

(b) Seller acknowledges and agrees that if Seller fails at Closing to deliver to City the documents required under Sections 6.3(h) and 6.3(i) (Seller's Delivery of Documents), City may be required to withhold a portion of the Purchase Price pursuant to Section 1445 of the United States Internal Revenue Code of 1986, as amended (the “**Federal Tax Code**”), or Section 18662 of the California Revenue and Taxation Code (the “**State Tax Code**”). Any amount properly so withheld by City will be deemed to have been paid by City as part of the Purchase Price, and Seller's obligation to consummate the transaction contemplated herein and its obligations under this Agreement will not be excused or otherwise affected such withholding.

2.4 Funds

All payments made by any party hereto will be in legal tender of the United States of America, paid by Controller's warrant or in cash or by wire transfer of immediately available funds to Title Company (as defined in Section 3.2 (Title Insurance)), as escrow agent.

3. TITLE TO THE PROPERTY

3.1 Conveyance of Title to the Property

At the Closing, Seller will convey to City, or its nominee, marketable and insurable fee simple title to the Land, the Improvements and the Appurtenances, by duly executed and acknowledged grant deed in the form attached hereto as Exhibit C (the "**Deed**"), subject to the Accepted Conditions of Title (as defined in the Due Diligence Agreement and Permit to Enter Property by and between Seller and City dated as of October 19, 2021 (the "**Due Diligence Agreement**")).

3.2 Title Insurance

Delivery of title in accordance with the preceding Section will be evidenced by the commitment of Chicago Title Insurance Company (the "**Title Company**") to issue to City, or its nominee, an ALTA extended coverage owner's policy of title insurance (Form ALTA 2006 – updated 6/17/2006) (the "**Title Policy**") in the amount of the Purchase Price, insuring fee simple title to the Land, the Appurtenances and the Improvements in City, or its nominee, free of the liens of any and all deeds of trust, mortgages, assignments of rents, financing statements, rights of tenants or other occupants (except for the tenants under leases approved by City, provided such exception is limited to the interest of such tenants as tenants only without any rights or options to purchase any of the Property), subject only to the Accepted Conditions of Title, as defined in the Due Diligence Agreement, or otherwise accepted by City under the Due Diligence Agreement. If Seller gives notice under Section 1.3(c) of the Due Diligence Agreement that Seller will remove or cure the exceptions objected to by City on or before the Closing and fails to remove the objectionable exceptions from title before the Closing Date, and City is unwilling to take title subject to the objectionable exceptions, Seller will be in default under this Agreement and City will have the rights and remedies provided in this Agreement. The Title Policy must provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Property, and will contain an affirmative endorsement that there are no violations of restrictive covenants, if any, affecting the Property and such other special endorsements as City may reasonably request. The Title Policy will also provide for reinsurance with direct access with such companies and in such amounts as City may reasonably request.

3.3 Bill of Sale

At the Closing, Seller will transfer title to the Personal Property by bill of sale in the form attached hereto as Exhibit D (the "**Bill of Sale**"), such title to be free of any liens, encumbrances or interests. To the extent possible, any maintenance contract or warranty in connection with the purchase the Personal Property will be optional (namely, City may, but is not required to, purchase any maintenance contract or warranty), and included in the Assignment of Intangible Property (defined below).

3.4 Assignment of Intangibles

At the Closing, Seller will transfer title to the Intangible Property by such instruments as City may reasonably determine necessary, including, without limitation, an assignment of

Intangible Property in the form attached hereto as Exhibit E (the “**Assignment of Intangible Property**”).

3.5 Assignment of Leases

At the Closing, Seller shall transfer its title to the Leases by an assignment of leases in the form attached hereto as Exhibit F (the “**Assignment of Leases**”), such title to be free of any liens, encumbrances or interests, except for the Accepted Conditions of Title (as defined in the Due Diligence Agreement).

4. BUYER'S DUE DILIGENCE INVESTIGATIONS; AS-IS SALE

4.1 City's Due Diligence

As of the date hereof, Seller has given City and/or its Agents a full opportunity to investigate the Property as provided in the Due Diligence Agreement, and Seller has provided the Documents (as defined in the Due Diligence Agreement) to City and its Agents.

5. ENTRY; CONDITIONS TO CLOSING

5.1 Entry

During the Due Diligence Period and at all times prior to the Closing Date, Seller shall afford City and its Agents reasonable access to the Property and the Documents (as defined in the Due Diligence Agreement) for the purposes of satisfying City with respect to the representations, warranties and covenants of Seller contained herein and the satisfaction of the Conditions Precedent including, without limitation, the drilling of test wells and the taking of soil borings.

5.2 City's Conditions to Closing

The following are conditions precedent to City's obligation to purchase the Property (collectively, “**City Conditions Precedent**”):

(a) City has reviewed and approved title to the Property, as set forth in Article 3 herein and the Due Diligence Agreement.

(b) City has reviewed and approved physical and environmental conditions of the Property, as provided in the Due Diligence Agreement. City shall be responsible for performing or arranging any such reviews at City's expense, provided that if City's consultants reasonably determine that, based upon their Phase I examination, a Phase II examination is necessary with respect to all or a part of the Real Property, City may elect to perform a Phase II examination and City shall pay the reasonable cost of any such Phase II examination performed by City or City's consultants.

If any of City's investigations reveal any contamination of the Property with any Hazardous Material, as defined in Section 8.1 below, then City may, at its sole election, by written notice to Seller on or before the end of the Due Diligence Period: (i) request that Seller, at Seller's sole cost, complete before the Closing through duly licensed contractors approved by City such activities as are necessary to cleanup, remove, contain, treat, stabilize, monitor or otherwise control Hazardous Material located on or under the Property in compliance with all

governmental laws, rules, regulations and requirements and in accordance with a written remediation plan approved by City in its sole discretion and by all regulatory agencies with jurisdiction; or (ii) terminate this Agreement. If City notifies Seller of its election to request that Seller remediate the contamination, Seller shall have fifteen (15) days after receipt of City's notice, to elect, at Seller's sole option, to provide City with: Seller's election to remediate the contamination before the Closing; or Seller's election to terminate this Agreement. Seller's failure to provide notice to Buyer within such fifteen (15)-day period shall be deemed notice of termination. If Seller chooses to remediate the contamination, the Closing may be extended for a reasonable time to enable Seller to complete such remediation, provided any such extension shall be subject to City's prior written approval, which City may give or withhold in its sole discretion. Seller shall indemnify City for any claims relating to the remediation of such Hazardous Material pursuant to a separate written agreement in form and substance satisfactory to City.

(c) City has reviewed and confirmed the compliance of the Property with all applicable laws, regulations, permits, and approvals as of the Closing Date.

(d) City has reviewed and approved the Documents (as defined in the Due Diligence Agreement).

(e) Seller is in not default in the performance of any covenant or agreement to be performed by Seller under this Agreement or the Due Diligence Agreement, and all of Seller's representations and warranties contained in or made pursuant to this Agreement are true and correct both when made and as of the Closing Date. At the Closing, Seller will deliver to City a certificate certifying that each of Seller's representations and warranties contained in Section 8.1 (Representations and Warranties of Seller) below are true and correct as of the Closing Date.

(f) The physical condition of the Property is substantially the same on the Closing Date as on the date of City's execution of this Agreement, reasonable wear and tear and loss by casualty excepted (subject to the provisions of Section 9.1 (Risk of Loss)), and, as of the Closing Date, there is no litigation or administrative agency or other governmental proceeding, pending or threatened, that after the Closing would materially adversely affect the value of the Property or the ability of City to operate the Property for its intended use, and no proceedings is pending or threatened that could or would cause the change, redesignation or other modification of the zoning classification of, or of any building or environmental code requirements applicable to, any of the Property.

(g) Title Company is committed at the Closing to issue to City, or its nominee, the Title Policy as provided in Section 3.2 (Title Insurance).

(h) City has reviewed and approved a schedule (the "**Schedule of Agreements**") setting forth a list of all of the contracts or agreements that City has elected that Seller will assign to City, and City will assume at Closing (the "**Assumed Contracts**"), together with true and accurate copies of all such documents. At or before the Closing, Seller has terminated any contracts or agreements not to be assumed by City, without liability to City.

(i) Seller has delivered the items described in Section 6.3 below (Seller's Delivery of Documents) in form and substance satisfactory to City.

(j) Title Company has agreed to be the real estate reporting person for the Closing in compliance with the Reporting Requirements (as defined in Section 6.6 below).

(k) City has reviewed and approved of all income and expense statements, year-end financial and monthly operating statements for the Property for the three (3) most recent calendar years prior to Closing and to the extent available, the current year, all of which shall be certified by an independent certified public accountant as having been prepared in accordance with generally accepted accounting principles (except to the extent prepared on a cash basis).

(l) No later than thirty (30) days after the end of the Due Diligence Period (as defined in the Due Diligence Agreement), City has reviewed and approved: (i) all existing and pending leases and other occupancy agreements that City has elected that Seller will assign to City, and City will assume at Closing (“**Leases**”), (ii) tenant correspondence files, and (iii) a current rent roll for the Property, prepared by Seller and listing for each tenant the name, location of leased premises, rent, obligation for reimbursement of expenses, amount of security deposit and rent paid more than thirty (30) days in advance, lease commencement date, lease termination date, lease expansion or extension options, option rent, and cost of living or other rent escalation clauses, any free rent, operating expense abatements or other unexpired concessions, and a description of any uncured defaults. At or before the Closing, Seller has terminated any existing and pending leases and other occupancy agreements that City has not agreed to assume, without liability to City.

(m) Seller has obtained and delivered to City, before the Closing Date, tenant estoppel certificates in form and substance satisfactory to City from any and all tenants occupying any portion of the Property. Such certificates shall be substantially in the form attached hereto as Exhibit G and shall be dated no earlier than thirty (30) days prior to the Closing Date. Notwithstanding the foregoing, to the extent Seller is unable, despite its best efforts, to obtain estoppel certificates from all tenants occupying any portion of the Property, City will have the right, in its sole discretion, to accept an estoppel certificate from Seller certifying the lease information, or to waive in writing this requirement for one or more tenants.

(n) Prior to the Effective Date, the City’s Mayor and the Board of Supervisors, in the respective sole discretion of each, shall have enacted a resolution or an ordinance, as applicable, approving, adopting and authorizing this Agreement and the transaction contemplated herein.

(o) Seller has complied with all applicable requirements of Chapter 41B of the San Francisco Administrative Code (Community Opportunity to Purchase Act) (“**COPA**”), and no Qualified Nonprofit (as defined under COPA) shall have exercised the right of first refusal to purchase the Property conferred upon Qualified Nonprofits by Section 41B.7 of COPA.

The City Conditions Precedent are solely for the benefit of City. If any City Condition Precedent is not satisfied, City will have the right in its sole discretion either to waive in writing the City Condition Precedent in question and proceed with the purchase or, in the alternative, terminate this Agreement. The waiver of any City Condition Precedent will not relieve Seller of any liability or obligation with respect to any representation, warranty, covenant, or agreement of Seller. If one or more City Condition Precedents has not been satisfied, but may be satisfied with additional time, then City may extend Closing Date, at City's option, for a reasonable period

of time specified by City, to allow such City Conditions Precedent to be satisfied, subject to City's further right to terminate this Agreement upon the expiration of the period of any such extension if all City Conditions Precedent have not been satisfied.

5.3 Cooperation with City

Seller will cooperate with City and do all acts as may be reasonably requested by City with regard to the fulfillment of any City Conditions Precedent including, without limitation, execution of any documents, applications or permits, but Seller's representations and warranties to City will not be affected or released by City's waiver or fulfillment of any City Condition Precedent. Seller hereby irrevocably authorizes City and its Agents to make all inquiries with and applications to any person or entity, including, without limitation, any regulatory authority with jurisdiction as City may reasonably require to complete its due diligence investigations.

5.4 Map Act Compliance

The parties acknowledge that the conveyance of the Property is exempt from the California Subdivision Map Act under Government Code section 66428; therefore, compliance with the Subdivision Map Act is not a condition precedent to Closing.

5.5 COPA

Seller and City each acknowledge that City's purchase of the Property will not occur if a Qualified Nonprofit exercises the right of first refusal conferred by Section 41B.7 of COPA, if applicable, and in the event of such exercise this Agreement shall terminate.

5.6 Property Exchange

If applicable, City agrees to cooperate with Seller and any escrow holder or exchange facilitator selected by Seller in facilitating a tax-deferred exchange pursuant to the Federal Tax Code Section 1031, undertaken by Seller with respect to the Property, provided that Seller will indemnify the City against all costs and liabilities incurred by the City in connection with any such exchange, and provided further that: (a) Seller notifies City in writing, not less than thirty (30) days before the Closing Date, of Seller's intent to complete a tax-deferred exchange under the Federal Tax Code; (b) consummation or accomplishment of such an exchange will not be a condition precedent or a condition subsequent to either party's obligations under this Agreement; (c) Seller will effect the exchange through an assignment of this Agreement, or its rights under this Agreement, to a qualified intermediary without release of Seller from any liability thereunder; (d) Seller will pay any additional costs that would not otherwise have been incurred by Seller or the City had Seller not undertaken such exchange; and (e) the City, in its reasonable discretion, will not be required to take an assignment of the purchase for purposes of consummating the exchange. Neither party by this Agreement or acquiescence to an exchange will have its rights under this Agreement affected or diminished in any manner or be responsible

for compliance with, or be deemed to have warranted to the other party that the exchange in fact complies with, Section 1031 of the Federal Tax Code.

6. ESCROW AND CLOSING

6.1 Opening of Escrow

On or before the Closing Date (as defined in Section 6.2), the parties will open escrow by depositing an executed counterpart of this Agreement with Title Company, and this Agreement will serve as instructions to Title Company as the escrow holder for consummation of the purchase and sale contemplated under this Agreement. Seller and City will execute such additional or supplementary instructions as may be appropriate to enable the escrow holder to comply with the terms of this Agreement and close the transaction; provided, however, that in the event of any conflict between the provisions of this Agreement and any additional supplementary instructions, the terms of this Agreement will control.

6.2 Closing Date

The consummation of the purchase and sale contemplated under this Agreement (the “**Closing**”) is expected to be held, and delivery of all items to be made at the Closing under the terms of this Agreement will be made, at the offices of Title Company located at One Embarcadero, Suite 250, San Francisco, CA 94111,, the later of thirty (30) days after the Effective Date or February 28, 2022 (the “**Anticipated Closing Date**”), or on such other date as City and Seller may mutually agree (the actual date of Closing, the “**Closing Date**”); provided, however, that City will have the right to extend the Closing Date to March 31, 2022 and as provided under Section 5.2 (City’s Conditions to Closing). The Closing Date may not otherwise be extended without the prior written approval of both Seller and City, except as otherwise expressly provided in this Agreement. If the Closing does not occur on or before the Anticipated Closing Date, Title Company will, unless it is notified by both parties to the contrary, within five (5) days after the Anticipated Closing Date, return to the depositor any items that may have been deposited into escrow. Any such return will not, however, limit the provisions of this Agreement or otherwise relieve either party of any liability it may have for its wrongful failure to close. In no circumstances shall the Closing Date occur prior to the Effective Date.

6.3 Seller's Delivery of Documents

At or before the Closing, Seller will deliver to City, or City’s nominee, through escrow, the following, in form and substance satisfactory to City:

- (a) a duly executed and acknowledged Deed;
- (b) a duly executed Bill of Sale for the Personal Property, if any;
- (c) a Certificate from the Secretary of State or other appropriate government official of the State of California indicating that, as of the Closing Date, there are no filings against Seller in the office of the Secretary of State or other government official under the Uniform Commercial Code of such State which would be a lien on any of the items specified in the Bill of Sale (other than such filings, if any, as are being released at the time of the Closing);

(d) four (4) duly executed and acknowledged counterparts of the Assignment of Leases;

(e) duly executed tenant estoppel certificates as required pursuant to Section 5.1(m) hereof;

(f) four (4) duly executed counterparts of the Assignment of Intangible Property;

(g) originals of the Documents, Leases, and Assumed Contracts and any other items relating to the ownership or operation of the Property not previously delivered to City;

(h) a properly executed affidavit pursuant to Section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit H, and on which City is entitled to rely, that Seller is not a “foreign person” within the meaning of Section 1445(f)(3) of the Federal Tax Code;

(i) a properly executed California Franchise Tax Board Form 593C certifying that Seller is a California resident if Seller is an individual or Seller has a permanent place of business in California or is qualified to do business in California if Seller is a corporation or other evidence satisfactory to City that Seller is exempt from the withholding requirements of Section 18662 of the State Tax Code;

(j) such resolutions, authorizations, or other limited liability company documents or agreements relating to Seller and its members as the Title Company may reasonably require to demonstrate the authority of Seller to enter into this Agreement and consummate the transactions contemplated by this Agreement, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of Seller to act for and bind Seller;

(k) a closing statement in form and content satisfactory to City and Seller; and

(l) the duly executed certificate regarding the continued accuracy of Seller's representations and warranties as required by Section 5.2(e) above.

6.4 City's Delivery of Documents and Funds

At or before the Closing, City, or its nominee, will deliver to Seller through escrow the following:

(a) an acceptance of the Deed executed by City's Director of Property;

(b) four (4) duly executed and acknowledged counterparts of the Assignment of Leases;

(c) four (4) duly executed counterparts of the Assignment of Intangible Property;

(d) a closing statement in form and content satisfactory to City and Seller; and

(e) the Purchase Price, as provided in Article 2 hereof.

6.5 Other Documents

Seller and City will each deposit such other instruments as are reasonably required by Title Company as escrow holder or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms of this Agreement.

6.6 Title Company as Real Estate Reporting Person

Section 6045(e) of the United States Internal Revenue Code of 1986 and the regulations promulgated thereunder (collectively, the “**Reporting Requirements**”) require that certain information be made to the United States Internal Revenue Service, and a statement to be furnished to Seller, in connection with the Closing. Seller and City agree that if the Closing occurs, Title Company will be the party responsible for closing the transaction contemplated in this Agreement and is hereby designated as the real estate reporting person (as defined in the Reporting Requirements) for such transaction. Title Company will perform all duties required of the real estate reporting person for the Closing under the Reporting Requirements, and Seller and City will each timely furnish Title Company with any information reasonably requested by Title Company and necessary for the performance of its duties under the Reporting Requirements with respect to the Closing.

6.7 Seller Default

If the sale of the Property is not consummated because of a Seller default under this Agreement or the Due Diligence Agreement, or if a City Condition Precedent cannot be fulfilled because Seller frustrated such fulfillment by some affirmative act or negligent omission, City may, at its sole election, either (1) terminate this Agreement by delivery of notice of termination to Seller, whereupon Seller will pay to City any title, escrow, legal and inspection fees incurred by City and any other reasonable expenses incurred by City in connection with the Due Diligence Agreement and performance of its due diligence review of the Property, and neither party will have any further rights or obligations under this Agreement or the Due Diligence Agreement; or (2) continue this Agreement pending City's action for specific performance and/or damages hereunder, including, without limitation, City's costs and expenses incurred under this Agreement and the Due Diligence Agreement.

6.8 City Default and Liquidated Damages

If the sale of the Property contemplated under this Agreement is not consummated solely because of a default under this Agreement by City, then City will pay the amount of the Deposit to Seller as liquidated damages. The parties have agreed that Seller's actual damages, in the event of a default by City, would be extremely difficult or impracticable to determine. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THE DEPOSIT HAS BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF SELLER'S DAMAGES AND AS SELLER'S EXCLUSIVE REMEDY AGAINST CITY, AT LAW OR IN EQUITY, IN THE EVENT OF A DEFAULT UNDER THIS AGREEMENT ON THE PART OF CITY.

INITIALS: Seller AS Seller JL City _____

7. EXPENSES AND TAXES

7.1 Rent and Other Apportionments

The following are to be apportioned through escrow as of the Closing Date:

(a) Rent

Rent under the Leases shall be apportioned as of the Closing Date, regardless of whether or not such rent has been paid to Seller. With respect to any rent arrearage arising under the Leases, after the Closing, City shall pay to Seller any rent actually collected which is applicable to the period preceding the Closing Date; provided, however, that all rent collected by City shall be applied first to all unpaid rent accruing on and after the Closing Date, and then to unpaid rent accruing prior to the Closing Date. City shall not be obligated to take any steps to recover any rent arrearage, and Seller shall not be permitted to do so.

(b) Leasing Costs

Seller shall pay all leasing commissions and tenant improvement costs accrued in connection with any Lease executed on or before the Closing (including, without limitation, leasing commissions attributable to expansion or extension options which are not exercised until after the Closing), if applicable. City shall be entitled to a credit against the Purchase Price for the total sum of all security deposits paid to Seller by tenants under any Leases, and any interest earned thereon, as well as for any free rent, operating expense abatements, or other unexpired concessions under any Leases to the extent they apply to any period after the Closing.

(c) Other Tenant Charges

Where the Leases contain tenant obligations for taxes, common area expenses, operating expenses or additional charges of any other nature, and where Seller shall have collected any portion thereof in excess of amounts owed by Seller for such items for the period prior to the Closing Date, there shall be an adjustment and credit given to City on the Closing Date for such excess amounts collected. City shall apply all such excess amounts to the charges owed by City for such items for the period after the Closing Date and, if required by the Leases, shall rebate or credit tenants with any remainder. If it is determined that the amount collected during Seller's ownership period exceeded expenses incurred during the same period by more than the amount previously credited to City at Closing, then Seller shall promptly pay the deficiency to City.

(d) Utility Charges

Seller will cause all the utility meters to be read on the Closing Date, and will be responsible for the cost of all utilities used prior to the Closing Date. All utility deposits paid by Seller will remain the property of Seller and City will reasonably cooperate to cause such deposits to be returned to Seller to the extent Seller is entitled thereto.

(e) Other Apportionments

Amounts payable under any Assumed Contracts, annual or periodic permit or inspection fees (calculated on the basis of the period covered), and liability for other normal Property operation and maintenance expenses and other recurring costs will be apportioned as of the Closing Date.

7.2 Closing Costs

City will pay the cost of the any survey ordered by City, the premium for any Title Policy endorsements, and escrow and recording fees. City will pay the cost of any transfer taxes applicable to the sale and any sales tax on any Personal Property. Seller will pay for the premium for any Title Policy, and for all costs incurred in connection with the prepayment or satisfaction of any loan, bond or other indebtedness secured by the Property including, without limitation, any prepayment fees, penalties or charges. Any other costs and charges of the escrow for the sale not otherwise provided for in this Section or elsewhere in this Agreement will be allocated in accordance with the closing customs for San Francisco County, as determined by Title Company.

7.3 Real Estate Taxes and Special Assessments

At or before the Closing, Seller will pay all general real estate taxes payable for the tax year in which the Closing occurs and all prior years. Seller may file claim with the City and County of San Francisco for a property tax refund for any taxes paid for the period from and after the Closing Date. At or before the Closing, Seller will pay the full amount of any special assessments against the Property, including, without limitation, interest payable thereon, applicable to the period prior the Closing Date. Seller will pay all hotel or other taxes applicable to the period prior the Closing Date.

7.4 Preliminary Closing Adjustment

Seller and City shall jointly prepare a preliminary Closing adjustment on the basis of the Leases and other sources of income and expenses, and shall deliver such computation to Title Company prior to Closing.

7.5 Sales and Use Taxes for Transferred Taxable Personal Property

Seller will promptly remit to the State of California the entire amount of any sales and use taxes triggered by the transfer of taxable personal property included in the sale of the Property, in accordance with the California law. Upon such payment of sales and use taxes, Seller will promptly provide City with confirmation of such payment to the State of California. Seller, on behalf of itself and its successors and assigns, will indemnify, defend and hold harmless City, its Agents and their respective successors and assigns, from and against any and all liabilities, claims, demands, damages, liens, costs, penalties, losses and expenses (including, without limitation, reasonable attorneys' fees) relating to the sales and use taxes arising out of the transfer of taxable personal property included in the sale of the Property. The foregoing indemnity includes, without limitation, any applicable sales and use taxes that Seller fails to remit to the State of California. The indemnification provisions of this Section will survive beyond the Closing.

7.6 Post-Closing Reconciliation

If any of the foregoing proration cannot be calculated accurately on the Closing Date, then they will be calculated as soon after the Closing Date as feasible. Either party owing the

other party a sum of money based on such subsequent prorations will promptly pay such sum to the other party.

7.7 Survival

The provisions of this Section will survive the Closing.

8. REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of Seller

Seller represents and warrants to and covenants with City as follows:

(a) To the best of Seller's knowledge, and without any independent investigation or inquiry by Seller, there are now, and at the time of the Closing will be, no material physical or mechanical defects of the Property, and no violations of any laws, rules or regulations applicable to the Property, including, without limitation, any earthquake, life safety and handicap laws (including, but not limited to, the Americans with Disabilities Act).

(b) To Seller's knowledge, and without any independent investigation or inquiry by Seller, Seller has not received any written information indicating that any document or instrument furnished by Seller to City in connection with this Agreement contains any untrue statement of material fact or omits a material fact necessary to make the statements contained therein not misleading under the circumstances under which any such statement was made.

(c) The Leases and Assumed Contracts furnished to City and are true, correct, and complete copies of such documents. The Documents and other information furnished to City (other than the Leases and Assumed Contracts) include all of the relevant documents and information in the possession of Seller or its property manager pertaining to the physical condition and operation of the Property and are true and complete (to the extent in the possession of Seller or its property manager) copies of such documents.

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

(e) There are no easements or rights of way on the Property that have been acquired by prescription or are otherwise not of record, and to Seller's knowledge, there are no easements, rights of way, permits, licenses or other forms of agreement that afford third parties the right to traverse any portion of the Property to gain access to other real property that are not of record. There are no disputes with regard to the location of any fence or other monument of the Property's boundary nor any claims or actions involving the location of any fence or boundary.

(f) To Seller's knowledge, all water, sewer, gas, electric, telephone, and drainage facilities and all other utilities required by law or by the normal use and operation of the Property are and at the time of Closing will be installed to the property lines of the Property and are and at the time of Closing will be adequate to service the Property.

(g) There is no litigation pending or, after due and diligent inquiry, to Seller's knowledge, threatened, against Seller or any basis for litigation that arises out of the ownership of the Property or that might detrimentally affect the use or operation of the Property for its

intended purpose or the value of the Property or the ability of Seller to perform its obligations under this Agreement.

(h) Seller is the legal and equitable owner of the Property, with full right to convey the same, and without limiting the generality of the foregoing, Seller has not granted any option or right of first refusal or first opportunity to any third party to acquire any interest in any of the Property.

(i) Seller is a limited liability company duly organized and validly existing under the laws of the State of California and is in good standing under the laws of the State of California, and in good standing as a registered foreign limited liability company in California; this Agreement and all documents executed by Seller that are to be delivered to City at the Closing are, or at the Closing will be, duly authorized, executed and delivered by Seller, are, or at the Closing will be, legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, are, and at the Closing will be, sufficient to convey good and marketable title (if they purport to do so), and do not, and at the Closing will not, violate any provision of any agreement or judicial order to which Seller is a party or to which Seller or the Property is subject.

(j) Seller represents and warrants to City that it has not been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state, or local governmental agency. In the event Seller has been so suspended, disbarred, disciplined, or prohibited from contracting with any governmental agency, it will immediately notify the City of and the reasons therefor together with any relevant facts or information requested by City. Any such suspension, debarment, discipline, or prohibition may result in the termination or suspension of this Agreement.

(k) Seller knows of no facts nor has Seller failed to disclose any fact that would prevent City from using and operating the Property after Closing in the normal manner in which it is intended.

(l) Seller hereby represents and warrants to and covenants with City that the following statements are true and correct as of the Effective Date and will be true and correct as of the Closing Date: (i) neither the Property nor to the best of Seller's knowledge any real estate in the vicinity of the Property is in violation of any Environmental Laws; (ii) the Property is not now, nor to the best of Seller's knowledge has it ever been, used in any manner for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material; (iii) during Seller's ownership of the Property, and to Seller's knowledge, prior to Seller's ownership of the Property, there has been no release and there is no threatened release of any Hazardous Material in, on, under or about the Property; (iv) during Seller's ownership of the Property, and to Seller's knowledge, prior to Seller's ownership of the Property, there have not been and there are not now any underground storage tanks, septic tanks or wells or any aboveground storage tanks at any time used to store Hazardous Material located in, on or under the Property, or if there have been or are any such tanks or wells located on the Property, their location, type, age and content has been specifically identified, they have been properly registered with all appropriate authorities, they are in full compliance with all applicable statutes, ordinances and regulations, and they have not resulted in the release or threatened release of any Hazardous Material into the environment; (v) to Seller's knowledge, the Property does not consist of any landfill or of any building materials that contain Hazardous Material; and (vi) the Property is not subject to any claim by any governmental regulatory agency or third party related to the release or threatened release of any Hazardous Material, and there is no inquiry by any

governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in, on, under or about the Property, or the migration of Hazardous Material from or to other property. As used herein, the following terms shall have the meanings below:

“Environmental Laws” means any present or future federal, state or local laws, ordinances, regulations or policies relating to Hazardous Material (including, without limitation, their use, handling, transportation, production, disposal, discharge or storage) or to health and safety, industrial hygiene or environmental conditions in, on, under or about the Property, including, without limitation, soil, air and groundwater conditions.

“Hazardous Material” means any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a “hazardous substance,” or “pollutant” or “contaminant” pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”, also commonly known as the “Superfund” law), as amended, (42 U.S.C. Section 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any “hazardous waste” listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Improvements or are naturally occurring substances on or about the Property; petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids; and “source,” “special nuclear” and “by-product” material as defined in the Atomic Energy Act of 1985, 42 U.S.C. Section 3011 et seq.

“Release” or **“threatened release”** when used with respect to Hazardous Material includes any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any of the improvements, or in, on, under or about the Property. Release also includes, without limitation, “release” as defined in Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601).

(m) At the time of Closing, there will be no outstanding written or oral contracts made by Seller for any of the Improvements that have not been fully paid for and Seller will cause to be discharged all mechanics' or materialmen's liens arising from any labor or materials furnished to the Property before Closing. There are no obligations in connection with the Property that will be binding upon City after Closing except for the Accepted Conditions of Title, the Assumed Contracts, and the Leases.

(n) Seller is not a “foreign person” within the meaning of Section 1445(f)(3) of the Federal Tax Code.

(o) There are no free rent, operating expense abatements, incomplete tenant improvements, rebates, allowances, or other unexpired concessions (collectively referred to as **“Offsets”**) or any termination, extension, cancellation or expansion rights under any existing or pending Leases and all of the Leases are absolutely net (including the full pass-through of management fees), except for replacement of major capital items, such as roof, foundation and

structural components. Seller has paid in full any of landlord's leasing costs incurred by Seller in connection with any tenant improvements.

(p) No brokerage or similar fee is due or unpaid by Seller with respect to any Lease. No brokerage or similar fee shall be due or payable on account of the exercise of, without limitation, any renewal, extension or expansion options arising under any Leases.

(q) The copies of the Leases delivered by Seller to City on or before the commencement of the Due Diligence Period contain all of the information pertaining to any rights of any parties to occupy the Property, including, without limitation, all information regarding any rent concessions, over-standard tenant improvement allowances or other inducements to lease. None of the tenants of the Property has indicated to Seller either orally or in writing its intent to terminate its respective Lease prior to expiration of the respective term of such Lease.

(r) Seller represents that it is fully compliant with the California Sales and Use Tax Law and warrants to City that Landlord that it will fulfill its use tax obligations under that law with respect to the subject transaction.

8.2 Indemnity

Seller, on behalf of itself and its successors and assigns, will indemnify, defend and hold harmless City, its Agents and their respective successors and assigns, from and against any and all liabilities, claims, demands, damages, liens, costs, penalties, losses and expenses, including, without limitation, reasonable attorneys' and consultants' fees, resulting from any misrepresentation or breach of warranty or breach of covenant made by Seller in this Agreement or in any document, certificate, or exhibit given or delivered to City pursuant to or in connection with this Agreement. The foregoing indemnity includes, without limitation, costs incurred in connection with the investigation of site conditions and all activities required to locate, assess, evaluate, remediate, cleanup, remove, contain, treat, stabilize, monitor or otherwise control any Hazardous Material. The indemnification provisions of this Section will survive beyond the Closing, or, if title is not transferred pursuant to this Agreement, beyond any termination of this Agreement.

9. RISK OF LOSS; POSSESSION

9.1 Risk of Loss

If any of the Property is damaged or destroyed prior to the Closing Date, or if condemnation proceedings are commenced against any portion of the Property, then the rights and obligations of Seller and City under this Agreement are as follows:

(a) If such damage or destruction is fully covered by Seller's insurance except for the deductible amount of up to \$10,000 (Ten Thousand and no/100 Dollars), and the insurer agrees to timely pay for the entire cost of such repair (except the deductible), and the entire cost of the damage or destruction would cost less than \$1,000,000 (One Million and no/100 Dollars) (the "**Threshold Damage Amount**") to repair or restore, then this Agreement will remain in full force and effect and City may proceed acquire the Property upon the terms and conditions set forth in this Agreement. In such event, City will receive a credit against the Purchase Price equal to the deductible amount, and Seller will assign to City at Closing all of Seller's right, title and

interest in and to all proceeds of insurance on account of such damage or destruction pursuant to an instrument satisfactory to City.

(b) If such damage or destruction is not fully covered by Seller's insurance, other than the above deductible amount, and would cost less than the Threshold Damage Amount to repair or restore, then the transaction contemplated by this Agreement will be consummated with City receiving a credit against the Purchase Price at the Closing in an amount reasonably determined by Seller and City (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction.

(c) If the cost of the repairs of damage or destruction would equal or exceed the Threshold Damage Amount, then City will have the right, at its election, to terminate this Agreement in its entirety, or to not terminate this Agreement and purchase the Property. City will have thirty (30) days after Seller notifies City that an event described in this Subsection (c) has occurred to make such election by delivery to Seller of an election notice. City's failure to deliver such notice within the thirty (30)-day period will be deemed City's election to terminate this Agreement. If this Agreement is terminated by City's delivery of notice of termination to Seller, then City and Seller will each be released from all obligations under this Agreement, except those expressly stated to survive, the parties will share equally any title fees and escrow cancellation costs. If City elects not to terminate this Agreement, Seller will notify City of Seller's intention to repair such damage or destruction, in which case this Agreement will remain in full force and effect, or notify City of Seller's intention to give City a credit against the Purchase Price at the Closing in the amount reasonably determined by City and Seller (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction, in which case this Agreement will otherwise remain in full force and effect, and Seller will be entitled to any proceeds of insurance or condemnation awards. Any repairs elected to be made by Seller under this Subsection must be made within one hundred eighty (180) days following such damage or destruction and the Closing will be extended until the repairs are substantially completed.

(d) If condemnation proceedings are commenced against any of the Property (other than by the City or any division or instrumentality thereof), then, City will have the right, at its election, either to terminate this Agreement in its entirety, or only as to that portion of the Property subject to condemnation proceedings (in which case there will be an equitable adjustment to the Purchase Price), or to not terminate this Agreement and purchase the Property (or the portion not affected by condemnation, as the case may be). City will have thirty (30) days after Seller notifies City of receipt of the condemnation notice to make such election by delivery to Seller of an election notice. City's failure to deliver such notice within such thirty (30)-day period will be deemed City's election to terminate this Agreement in its entirety. If this Agreement is terminated in its entirety or in part pursuant to this Subsection (d) by City's delivery of notice of termination to Seller, then City and Seller will each be released from all obligations hereunder pertaining to that portion of the Property affected by such termination except those expressly stated to survive, the parties will share equally any title fees and escrow cancellation costs. If City elects not to terminate this Agreement, then this Agreement will remain otherwise in full force and effect and City will pay Seller the full purchase price less the amount of any condemnation award previously paid to Seller and Seller will transfer and assign to City at Closing the right to receive any condemnation award not paid as of the Closing Date.

9.2 Insurance

Through the Closing Date, Seller will maintain or cause to be maintained, at Seller's sole cost and expense, a policy or policies of property insurance in amounts equal to the full replacement value of the Improvements and the Personal Property, insuring against all insurable risks, including, without limitation, fire, vandalism, malicious mischief, lightning, windstorm,

water, earthquake, and other perils customarily covered by casualty insurance and the costs of demolition and debris removal. Seller will furnish City with evidence of such insurance upon request by City.

9.3 Possession

Seller will deliver possession of the Property to City on the Closing Date, vacant, except for the Assumed Contracts and Leases.

10. MAINTENANCE; CONSENT TO NEW CONTRACTS

10.1 Maintenance of the Property by Seller

Between the Effective Date and the Closing, Seller will maintain the Property in good order, condition and repair, reasonable wear and tear excepted, and will make all repairs, maintenance and replacements of the Improvements and any Personal Property and otherwise operate the Property in the same manner as before the making of this Agreement, as if Seller were retaining the Property.

10.2 City's Consent to New Contracts Affecting the Property; Termination of Existing Contracts

After the Effective Date, Seller may not enter into any lease or contract, or any amendment thereof, or waive any rights of Seller under any Assumed Contract, without in each instance obtaining City's prior written consent. City agrees that it will not unreasonably withhold or delay any such consent. Seller will terminate prior to the Closing, at no cost or expense to City, any and all agreements, including any management agreements affecting the Property that are not Assumed Contracts.

10.3 Post-Closing Interim Property Management Services

(a) **Scope and Term.** Seller agrees to provide certain interim property management services at the Property (the “**Interim Property Management Services**”) for up to four (4) months after the Closing Date, unless terminated by City with thirty (30) days’ prior written notice to Seller or mutually extended by Seller and City for up to an additional two (2) months (the actual term, the “**Interim Property Management Term**”). The Interim Property Management Services will consist of the services described in Exhibit J attached hereto, which may be amended from time to time by City, and will remain at all times in compliance with the requirements described in this Agreement, including but not limited to the requirements described in Article 11 and Exhibit K attached hereto.

(b) **Fee and Expenses.** In exchange for the Interim Property Management Services during the Interim Property Management Term, City agrees to pay a monthly fee to Seller of \$5,000 per month (the “**Interim Property Management Fee**”). In addition, during the Interim Property Management Term, City will reimburse Seller for interim operating expenses for the Property (“**Interim Operating Expenses**”) upon invoice and adequate documentation, in City’s sole discretion, by Seller. Upon receipt and review of the invoice and adequate documentation for each month’s Interim Operating Expenses, Interim Property Management Fee, and tenant rents collected on City’s behalf, City may direct Seller to retain all or a portion of the collected tenant rents as full or partial payment of the Interim Property Management Fee and Interim Operating Expenses.

(c) **New Tenant Leases.** During the Interim Property Management Term, Seller may not enter into any new tenant leases without obtaining City’s prior written consent.

(d) The provisions of this Section will survive the Closing.

11. GENERAL PROVISIONS

11.1 Notices

Any notice, consent or approval required or permitted to be given under this Agreement must be in writing and will be deemed to have been given upon receipt, as demonstrated by courier confirmation of delivery or US mail return receipt or other verified tracking. Notices will be addressed as follows:

City: Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: **835 Turk Street**
andrico.penick@sfgov.org

with copy to: Jessie Alfaro-Cassella
Deputy City Attorney
Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Re: **835 Turk Street**
Jessie.Cassella@sfcityatty.org

Seller: VSSF ASSOCIATES, LLC
1736 State Street
San Diego, CA 92101
Attn: Aki Ito
Re: **835 Turk Street**
akihikoito.22@gmail.com

or to such other address as either party may from time to time specify in writing to the other upon five (5) days prior written notice in the manner provided above. For convenience of the parties, copies of notices may also be given by email to the email address listed above, or such other address as may be provided from time to time. However, neither party may give official or binding notice by email. The effective time of a notice will not be affected by the receipt, before receipt of the original, of an email copy of the notice.

11.2 Brokers and Finders

Neither party has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the purchase and sale contemplated herein, except for Richard Ehmer with The Ehmer Group, whose commission, if any is due, shall be the sole responsibility of Seller pursuant to a separate written agreement with such broker, and City shall have no liability whatsoever therefor. If any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, then the party through whom the broker or finder makes his or her claim will be responsible for such commission or fee and will indemnify

and hold harmless the other party from all claims, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the indemnified party in defending against the same. The provisions of this Section will survive the Closing.

11.3 Successors and Assigns

This Agreement is binding on, and will inure to the benefit of, the parties hereto and their respective successors, heirs, administrators and assigns. City has the right, upon notice to Seller, to assign its right, title and interest in and to this Agreement to a non-profit organization directly affiliated with City's intended use of the Property at any time before the Closing Date.

11.4 Amendments

Except as otherwise provided herein, this Agreement may be amended or modified only by a written instrument executed by City and Seller.

11.5 Continuation and Survival of Representations and Warranties

All representations and warranties by the respective parties in this Agreement or made in writing under this Agreement are intended to be, and must remain, true and correct as of the Closing, will be deemed to be material, and, together with all conditions, covenants, and indemnities made by the respective parties under this Agreement or made in writing in accordance with this Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement), will survive the execution and delivery of this Agreement and the Closing, or, to the extent the context requires, beyond any termination of this Agreement. All statements contained in any certificate or other instrument delivered at any time by or on behalf of Seller in conjunction with the transaction contemplated by this Agreement will constitute representations and warranties hereunder.

11.6 Governing Law

This Agreement is governed by and construed in accordance with the laws of the State of California and the City's Charter and Municipal Code.

11.7 Merger of Prior Agreements

The parties intend that this Agreement (including all of the attached exhibits and schedules, which are incorporated into this Agreement by reference) and the Due Diligence Agreement are the final expressions of their agreement with respect to Seller's sale of the Property and City's purchase of the Property and may not be contradicted by evidence of any prior or contemporaneous oral or written agreements or understandings, including, without limitation, any letter of intent or term sheet. The parties further intend that this Agreement and the Due Diligence Agreement will constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever (including, without limitation, prior drafts or changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

11.8 Parties and Their Agents; Approvals

The term "Seller" as used herein includes the plural as well as the singular. If there is more than one (1) Seller, then the obligations under this Agreement imposed on Seller will be joint and several. As used herein, the term "Agents" when used with respect to either party includes the agents, employees, officers, contractors, and representatives of such party. All

approvals, consents, or other determinations permitted or required by City will be made by or through City's Director of Property unless otherwise provided herein, subject to applicable law.

11.9 Interpretation of Agreement

The article, section, and other headings of this Agreement and the table of contents are for convenience of reference only and will not affect the meaning or interpretation of any provision of this Agreement. Whenever the context requires, the use of the singular will be deemed to include the plural and vice versa, and each gender reference will be deemed to include any gender. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. In addition, each party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law (including California Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement will be interpreted in a reasonable manner to effect the purposes of the parties and this Agreement.

11.10 Seller Tax Obligations

Seller acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code (“**Delinquent Payment**”). If, under that authority, any payment City is required to make to Seller under this Agreement is withheld because Seller owes the City a Delinquent Payment, then City will not be in breach or default under this Agreement, and the Treasurer and Tax Collector will authorize release of any payments withheld under this paragraph to Seller, without interest, late fees, penalties, or other charges, upon Seller coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

11.11 Sunshine Ordinance

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

11.12 Conflicts of Interest

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

11.13 Notification of Prohibition on Contributions

Through its execution of this Agreement, Seller acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits

any person who contracts with the City for the selling or leasing of any land or building to or from any department of the City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or twelve (12) months after the date the contract is approved. Seller 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 \$100,000 or more. Seller further acknowledges that the **(i)** prohibition on contributions applies to each Seller; each member of Seller's board of directors, and Seller's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than ten percent (10%) in Seller; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Seller; and **(ii)** within thirty (30) days of the submission of a proposal for the contract, the City department with whom Seller is contracting is obligated to submit to the Ethics Commission the parties to the contract and any subcontractor. Additionally, Seller certifies that Seller has informed each of the persons described in the preceding sentence of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the contract, and has provided the names of the persons required to be informed to the City department with whom it is contracting.

11.14 Non-Liability of City Officials, Employees and Agents

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

11.15 Memorandum of Agreement

At any time on or after the Effective Date, the parties, upon City's request, shall execute and acknowledge a memorandum hereof, on the form attached hereto as Exhibit I, which will be recorded in the Official Records of the County in San Francisco, California.

11.16 Counterparts

This Agreement may be executed in two (2) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

11.17 Effective Date

As used herein, the term “**Effective Date**” means the date on which City, or its nominee, and Seller have executed this Agreement, as authorized by a resolution or ordinance, as applicable, enacted by the City's Board of Supervisors and Mayor approving and authorizing this Agreement and the transaction contemplated hereunder.

11.18 Severability

If any provision of this Agreement or the application thereof to any person, entity or circumstance is determined to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons, entities or circumstances other than those as to

which it is invalid or unenforceable, will not be affected, and each other provision of this Agreement will be valid and be enforceable to the fullest extent permitted by law, except to the extent that enforcement of this Agreement without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Agreement.

11.19 Agreement Not to Market

Seller agrees that unless and until this Agreement terminates pursuant to its terms, Seller will not negotiate with any other parties pertaining to the sale of the Property and will not market the Property to third parties.

11.20 Intentionally Omitted

11.21 Cooperative Drafting

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

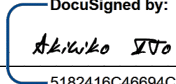
NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, SELLER ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS AGREEMENT UNLESS AND UNTIL APPROPRIATE LEGISLATION OF CITY'S BOARD OF SUPERVISORS WILL HAVE BEEN DULY ENACTED APPROVING THIS AGREEMENT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

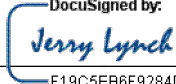
[SIGNATURES ON FOLLOWING PAGES]

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

SELLER:

VSSF ASSOCIATES, LLC,
a California limited liability company

By: 
Its: 5182416C46694C2...

By: 
Its: F19C5EB6F9284D1...

Date: 12/28/2021

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Andrico Q. Penick
Director of Property

Date: _____

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Jessica Alfaro-Cassella
Deputy City Attorney

EXHIBIT A

REAL PROPERTY DESCRIPTION

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

PARCEL I:

BEGINNING at a point on the Southerly line of Turk Street, distant South 80° 55' West thereon 137.50 feet from the Westerly line of Franklin Street; running thence South 80° 55' West along the said line of Turk Street 57.50 feet; thence at a right angle South 9° 05' East 120 feet to the Northerly line of Elm Street; thence North 80 ° 55' East along the said line of Elm Street 57.50 feet; thence North 9° 05' West 120 feet to the point of beginning.

BEING a portion of Western Addition Block No. 135.

PARCEL II:

TOGETHER with and as an appurtenance thereto, a perpetual easement for light and air, over and along the real property described at a level above 15 feet in height from the level of Turk Street, a presently constituted, as provided for in the Final Order and Decree of Condemnation had in Superior Court Action No. 404493 entitled, "State of California vs. Fred J. E. Meyer, et al.", a certified copy of which decree was recorded July 30, 1952, in Book 5974, at Page 102 of Official Records, Series No. 6660, to wit:

BEGINNING at a point on the Southerly line of Turk Street, distant thereon 100 feet Westerly from the Westerly line of Franklin Street; running thence Westerly along the said line of Turk Street 37 feet 6 inches; thence at a right angle Southerly 120 feet to the Northerly line of Elm Street; thence at a right angle Easterly along the said line of Elm Street 37 feet 6 inches; thence at a right angle Northerly 120 feet to the point of beginning.

BEING part of Western Addition Block No. 135.

EXHIBIT B**DESCRIPTION OF ACCEPTED PERSONAL PROPERTY**

<u>Item:</u>	<u>Number</u>	<u>Item</u>	<u>Number</u>
Twin size beds with mattresses:	112	25 Foot Snake:	1
Full size beds with mattresses:	33	Key Maker:	1
Bunkbeds with mattresses:	16	Carpet Cleaner Machine:	1
TV:	99	Steamer:	1
Microwaves:	99	Sander:	1
Mini Frigs:	99	TV:	1
Desks:	179	Sofa:	1
Dressers:	99	Lazy chairs:	2
Chairs:	179	Coffer table:	1
Desk lamps:	179	Ottomans:	2
Ottomans:	13	Electric stoves:	2
Lazy chairs	13	Mini Frig:	1
Coffee tables:	13	Dining table:	5
Towels and linens	various	Chairs:	12
Vacuums	3	Benches:	5
Various hand tools:	various	Sofas:	2
Grinder:	1	Chairs:	2
Hand Drills:	2	Lazy chairs:	4
Power Saw:	1	Coffee tables:	4
Jetter/Pressure Washer:	1	Desks:	1
Heat Gun:	1	Ottomans:	2
100 Foot Snake:	1		

EXHIBIT C

GRANT DEED

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Director of Property
Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102

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

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

GRANT DEED

(Assessor's Parcel No. _____)

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, 505 VSSF ASSOCIATES, LLC, a California limited liability company, hereby grants to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the real property located in the City and County of San Francisco, State of California, described on the attached Exhibit A which is made a part hereof (the "**Property**").

TOGETHER WITH any and all rights, privileges and easements incidental or appurtenant to the Property.

[SIGNATURES ON FOLLOWING PAGE]

Executed as of _____, 20__.

VSSF ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

By: _____

Its: _____

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the foregoing Grant Deed to the City and County of San Francisco, a municipal corporation, is hereby accepted pursuant to Board of Supervisors' Resolution No. 18110 Series of 1939, approved August 7, 1957, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____
Andrico Q. Penick
Director of Property

EXHIBIT A

REAL PROPERTY DESCRIPTION

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

[LEGAL DESCRIPTION TO COME FROM PRELIMINARY REPORT]

EXHIBIT D

BILL OF SALE

For good and valuable consideration the receipt of which is acknowledged, VSSF ASSOCIATES, LLC, a California limited liability company (“**Seller**”), does hereby sell, transfer and convey to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“**Buyer**”), all personal property owned by Seller and located on or in or used in connection with the Land and Improvements (as such terms are defined in that certain Agreement of Purchase and Sale of Real Estate dated as of _____, 20____, between Seller and Buyer (or Buyer's predecessor in interest), including, without limitation, those items described in the attached Schedule 1.

Seller hereby represents to Buyer that Seller is the lawful owner of such personal property, that such personal property is free and clear of all encumbrances, and that Seller has good right to sell such personal property and will warrant and defend the title thereto unto Buyer, its successors and assigns, against the claims and demands of all persons whomsoever.

DATED _____, 20 ____.

SELLER:

VSSF ASSOCIATES, LLC, a California limited liability company

By: _____
[NAME]

Its: _____

EXHIBIT E

**ASSIGNMENT OF CONTRACTS,
WARRANTIES AND GUARANTIES,
AND OTHER INTANGIBLE PROPERTY**

THIS ASSIGNMENT is made and entered into as of _____, 20____, by and between VSSF ASSOCIATES, LLC, a California limited liability company (“**Assignor**”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“**Assignee**”).

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is acknowledged, effective as of the Closing Date (as defined in the Purchase Agreement), Assignor assigns and transfers to Assignee all of Assignor's right, title, claim and interest in and under:

- A. the contracts listed in the attached Schedule 1 (the “**Contracts**”)
- B. all warranties and guaranties made by or received from any third party with respect to any building, building component, structure, system, fixture, machinery, equipment, or material situated on, contained in any building or other improvement situated on, or comprising a part of any building or other improvement situated on, any part of that certain real property described in the attached Exhibit A including, without limitation, those warranties and guaranties listed in the attached Schedule 2 (collectively, “**Warranties**”);
- C. any other Intangible Property (as defined in that certain Agreement of Purchase and Sale of Real Estate dated as of _____, 20____, between Assignor and Assignee (or Assignee's predecessor in interest) (the “**Purchase Agreement**”).

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

- 1. Assignor will indemnify Assignee against and hold Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating prior to the Closing Date and arising out of the Assignor's obligations under the Contracts.
- 2. Except as otherwise set forth in the Purchase Agreement, effective as of the Closing Date, Assignee hereby assumes all of the owner's obligations under the Contracts and agrees to indemnify Assignor against and hold Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating on or subsequent to the Closing Date and arising out of the Assignor's obligations under the Contracts.
- 3. This Assignment will be binding on and inure to the benefit of the parties to this Assignment, their heirs, executors, administrators, successors in interest and assigns.
- 4. This Assignment is governed by and construed in accordance with the laws of the State of California and the City's Charter and Municipal Code.
- 5. This Assignment may be executed in two (2) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first written above.

ASSIGNOR:

VSSF ASSOCIATES, LLC, a California limited liability company

By: _____
[NAME]

Its: _____

By: _____
[NAME]

Its: _____

ASSIGNEE:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____
Andrico Q. Penick
Director of Property

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Deputy City Attorney

EXHIBIT A

REAL PROPERTY DESCRIPTION

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

[LEGAL DESCRIPTION TO COME FROM PRELIMINARY REPORT]

SCHEDULE 1
CONTRACTS

SCHEDULE 2
WARRANTIES

EXHIBIT F

ASSIGNMENT OF LEASES

THIS ASSIGNMENT is made and entered into as of this ____ day of _____, 20____, by and between VSSF ASSOCIATES, LLC, a California limited liability company (“Assignor”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“Assignee”).

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the Closing Date (as defined in the Agreement for the Purchase and Sale of Real Property between Assignor, as Seller, and Assignee, as City, dated as of _____ (the “Purchase Agreement”)), Assignor hereby assigns and transfers to Assignee all of Assignor's right, title, claim and interest in and under certain leases executed with respect to that certain real property commonly known as _____ (the “Property”) as more fully described in Schedule 1 attached hereto (collectively, the “Leases”). Initially capitalized terms used but not defined in this Assignment have the meanings given to them in the Purchase Agreement.

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

1. Assignor represents and warrants that, as of the date of this Assignment and the Closing Date (as defined in the Purchase Agreement), the attached Schedule 1 includes all of the Leases and occupancy agreements affecting any of the Property. As of the date hereof and the Closing Date (as defined in the Purchase Agreement), there are no assignments of or agreements to assign the Leases to any other party.

2. Assignor hereby agrees to indemnify Assignee against and hold Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating prior to the Closing Date (as defined in the Purchase Agreement) and arising out of the landlord's obligations under the Leases.

3. Except as otherwise set forth in the Purchase Agreement (as defined below), effective as of the Closing Date (as defined in the Purchase Agreement), Assignee hereby assumes all of the landlord's obligations under the Leases and agrees to indemnify Assignor against and hold Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating on or subsequent to the Closing Date (as defined in the Purchase Agreement) and arising out of the landlord's obligations under the Leases.

4. Any rental and other payments under the Leases shall be prorated between the parties as provided in the Purchase Agreement.

5. In the event of any litigation between Assignor and Assignee arising out of this Assignment, the losing party shall pay the prevailing party's costs and expenses of such litigation, including, without limitation, attorneys' fees.

6. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.

7. This Assignment is governed by and will be construed in accordance with the laws of the State of California.

8. This Assignment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

Assignor and Assignee have executed this Assignment as of the day and year first written above.

ASSIGNOR:

VSSF ASSOCIATES, LLC, a California limited liability company

By: _____
[NAME]

Its: _____

By: _____
[NAME]

Its: _____

ASSIGNEE:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Andrico Q. Penick
Director of Property

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Jessica Alfaro-Cassella
Deputy City Attorney

SCHEDULE 1

LEASES

EXHIBIT G

TENANT'S ESTOPPEL CERTIFICATE

DATE: _____

TENANT: _____

PREMISES: _____

LEASE DATE: _____

COMMENCEMENT DATE: _____

EXPIRATION DATE: _____

TERM IN MONTHS: _____

DATE RENT AND OPERATING EXPENSE
PARKING: _____

PAYMENTS ARE DUE: _____

OPTIONS: Check if you have any of these
options or rights, and provide details in
Sections 5 or 9 below.

_____ Extension Option
_____ Termination Option
_____ Expansion Option
_____ Purchase Option

CURRENT MONTHLY PAYMENTS: _____

BASE RENTAL: _____

TAXES: _____

OP. EXP. CAP: _____

_____ Check here if you have rental escalations and provide details in Section 6 below:

SECURITY DEPOSIT: _____

THE UNDERSIGNED, AS TENANT OF THE ABOVE REFERENCED PREMISES
("PREMISES") UNDER THE LEASE DATED AS OF THE ABOVE-REFERENCED LEASE
DATE, BETWEEN _____
("LANDLORD") AND TENANT, HEREBY CERTIFIES, REPRESENTS AND WARRANTS

TO THE CITY AND COUNTY OF SAN FRANCISCO (“CITY”), AND ITS ASSIGNEES, AS FOLLOWS:

1. Accuracy. All of the information specified above and elsewhere in this Certificate is accurate as of the date hereof.
2. Lease. The copy of the Lease attached hereto as Exhibit A is a true and correct copy of the Lease. The Lease is valid and in full force and effect. The Lease contains all of the understandings and agreements between Landlord and Tenant and has not been amended, supplemented or changed by letter agreement or otherwise, except as follows (if none, indicate so by writing “NONE” below):
3. Premises. The Premises consist of _____, and Tenant does not have any options to expand the Premises except as follows (if none, indicate so by writing “NONE” below):
4. Acceptance of Premises. Tenant has accepted possession of the Premises and is currently occupying the Premises. There are no unreimbursed expenses due Tenant including, but not limited to, capital expense reimbursements.
5. Lease Term. The term of the Lease commenced and will expire on the dates specified above, subject to the following options to renew or rights to terminate the Lease (if none, indicate so by writing “NONE” below):
6. Rental Escalations. The current monthly base rental specified above is subject to the following escalation adjustments (if none, indicate so by writing “NONE” below):
7. No Defaults/Claims. Neither Tenant nor Landlord under the Lease is in default under any terms of the Lease nor has any event occurred which with the passage of time (after notice, if any, required under the Lease) would become an event of default under the Lease. Tenant has no claims, counterclaims, defenses or setoffs against Landlord arising from the Lease, nor is Tenant entitled to any concession, rebate, allowance or free rent for any period after this certification. Tenant has no complaints or disputes with Landlord regarding the overall operation and maintenance of the property within which the Premises are located (the “Property”), or otherwise.
8. No Advance Payments. No rent has been paid in advance by Tenant except for the current month's rent.
9. No Purchase Rights. Tenant has no option to purchase, or right of first refusal to purchase, the Premises, the Property or any interest therein (if none, indicate so by writing “NONE” below):
10. Notification by Tenant. From the date of this Certificate and continuing until, Tenant agrees to notify City immediately of the occurrence of any event or the discovery of any fact that would make any representation contained in this Certificate inaccurate as of the date hereof or as of any future date.
11. No Sublease/Assignment. Tenant has not entered into any sublease, assignment or any other agreement transferring any of its interest in the Lease or the Premises.
12. No Notice. Tenant has not received notice of any assignment, hypothecation, mortgage, or pledge of Landlord's interest in the Lease or the rents or other payments payable thereunder, except those listed below (if none, indicate so by writing “NONE” below):

13. Hazardous Materials. Tenant has not used, treated, stored, disposed of or released any Hazardous Materials on or about the Premises or the Property. Tenant does not have any permits, registrations or identification numbers issued by the United States Environmental Protection Agency or by any state, county, municipal or administrative agencies with respect to its operation on the Premises, except for any stated below, and except as stated below no such governmental permits, registrations or identification numbers are required with respect to Tenant's operations on the Premises. For the purposes hereof, the term "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Section 9601 et seq.) or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids, and "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act of 1985, 42 U.S.C. Section 3011 et seq.

14. No Relocation Assistance; Waiver of Claims. Tenant acknowledges that it will not be a displaced person at the time the Lease is terminated or expires by its own terms, and Tenant fully RELEASES AND DISCHARGES forever any and all claims against, and covenants not to sue, City, its departments, commissions, officers, directors, and employees, and all persons acting by, through or under each of them, under any legal requirements, including any and all claims for relocation benefits or assistance from City under federal and state relocation assistance legal requirements (including California Government Code Section 7260 et seq.).

15. Reliance. Tenant recognizes and acknowledges it is making these representations to City with the intent that City, and any of its assigns, will fully rely on Tenant's representations.

16. Binding. The provisions hereof shall be binding upon and inure to the benefit of the successors, assigns, personal representatives and heirs of Tenant and City.

17. Due Execution and Authorization. The undersigned, and the person(s) executing this Certificate on behalf of the undersigned, represent and warrant that they are duly authorized to execute this Certificate on behalf of Tenant and to bind Tenant hereto.

EXECUTED BY TENANT ON THE DATE FIRST WRITTEN ABOVE.

By:

[NAME]

[TITLE]

By:

[NAME]

[TITLE]

EXHIBIT A

LEASE

EXHIBIT H

**CERTIFICATE OF TRANSFEROR
OTHER THAN AN INDIVIDUAL
(FIRPTA Affidavit)**

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person. To inform the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the transferee of certain real property located in the City and County of San Francisco, California, that withholding of tax is not required upon the disposition of such U.S. real property interest by _____

_____, a _____
("Transferor"), the undersigned hereby certifies the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Transferor's U.S. employer identification number is _____; and

3. Transferor's office address is _____

Transferor understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

Dated: _____, 20__.

On behalf of:

[NAME]

a _____

By: _____
[NAME]

Its: _____

EXHIBIT I

MEMORANDUM OF AGREEMENT

RECORDING REQUESTED BY,
AND WHEN RECORDED RETURN TO:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property

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

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

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT dated as of _____, 20____, is by and between VSSF ASSOCIATES, LLC, a California limited liability company (“Seller”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“City”).

1. Seller is the owner of certain real property located in the City and County of San Francisco, California, commonly known as _____, more particularly described in Exhibit A attached to and incorporated by this reference in this Memorandum of Agreement (the “Real Property”).

2. Seller and City have entered into that certain unrecorded Agreement for the Purchase and Sale of Real Estate dated as of _____, 20____ incorporated by this reference into this Memorandum (the “Agreement”), pursuant to which Seller agreed to sell, and City agreed to purchase, the Real Property upon all the terms and conditions set forth in the Agreement.

3. The purpose of this Memorandum of Agreement is to give notice of the Agreement and the respective rights and obligations of the parties thereunder, and all of the terms and conditions of the Agreement are incorporated herein by reference as if they were fully set forth herein.

4. This Memorandum of Agreement shall not be deemed to modify, alter or amend in any way the provisions of the Agreement. In the event any conflict exists between the terms of the Agreement and this instrument, the terms of the Agreement shall govern and determine for all purposes the relationship between Seller and City and their respective rights and duties.

5. This Memorandum of Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective legal representatives, successors and assigns.

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

SELLER:

VSSF ASSOCIATES, LLC, a California limited liability company

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____
Andrico Q. Penick
Director of Property

Date: _____

[SIGNATURES ON FOLLOWING PAGE]

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

REAL PROPERTY DESCRIPTION

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

[LEGAL DESCRIPTION TO COME FROM PRELIMINARY REPORT]

EXHIBIT J

SCOPE OF INTERIM PROPERTY MANAGEMENT SERVICES

Seller will provide the following interim property management services at the Property, in accordance with Section 10.3 of the Agreement:

- Maintain a secure and healthful environment for all existing tenants;
- Comply with all applicable laws, including building, fire and health codes;
- Manage utility accounts related to the Property, including but not limited to communications, alarm/security, fire alarm monitoring, electricity, gas, garbage, water and pest control;
- Maintain existing staffing levels, including off-hours back-up and emergency response coverage, and provide continued supervision of personnel engaged in the management of the Property;
- Make repairs, replacements, corrections, and maintenance to all items as shall be required in the normal and ordinary course of business*;
- Respond to emergency repair needs as required**;
- Collect tenant rent and provide accounting to City of rent collected and expenses on a monthly basis; and
- At the City's direction, provide notice or warning to tenants related to any issue that may affect on-going tenancy, including failure to comply with current lease terms.

* Seller is authorized to make and enter, in the name of, for the account of, and at the expense of City as Buyer, all such contracts and agreements as are in Seller's opinion necessary for the repair and maintenance of the Property and to cause the same to be paid when due, subject to obtaining the City's written approval prior to entering into any contracts, or incurring any cost, in excess of \$5,000.

**In the event a condition exists which is of an emergency nature concerning the Property and requires immediate repairs to preserve and protect the Property and to assure its continued operation, Seller, on behalf of the City and at the City's expense, is authorized to take all steps and to make all expenditures necessary to repair and correct any such condition. Notwithstanding any provision to the contrary, if the emergency expenditure is more than \$10,000, Seller shall first obtain the approval of the City.

EXHIBIT K

ADDITIONAL POST-CLOSING REQUIREMENTS FOR INTERIM PROPERTY MANAGEMENT SERVICES

In addition to the requirements described in Article 11, Seller shall comply with the following requirements in connection with its provision of the Interim Property Management Services:

1. Submitting False Claims. The full text of San Francisco Administrative Code Chapter 21, Section 21.35, including the enforcement and penalty provisions, is incorporated into this Agreement. Pursuant to San Francisco Administrative Code §21.35, Seller or any subcontractor who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. Seller or any subcontractor will be deemed to have submitted a false claim to the City if Seller or any subcontractor: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

2. Payment of Prevailing Wages.

2.2 Covered Services. Services to be performed by Seller under this Appendix J may involve the performance of trade work covered by the provisions of Section 6.22(e) [Prevailing Wages] of the Administrative Code or Section 21C [Miscellaneous Prevailing Wage Requirements] (collectively, "Covered Services"). The provisions of Section 6.22(e) and 21C of the Administrative Code are incorporated as provisions of this Appendix J as if fully set forth herein and will apply to any Covered Services performed by Seller and its subcontractors.

2.3 Wage Rates. The latest prevailing wage rates for private employment on public contracts as determined by the San Francisco Board of Supervisors and the Director of the California Department of Industrial Relations, as such prevailing wage rates may be changed during the term of this Agreement, are hereby incorporated as provisions of this Agreement. Copies of the prevailing wage rates as fixed and determined by the Board of Supervisors are available from the Office of Labor Standards and Enforcement ("OLSE") and on the Internet at <http://www.dir.ca.gov/DLSR/PWD> and <http://sfgov.org/olse/prevailing-wage>. Seller agrees

that it shall pay not less than the prevailing wage rates, as fixed and determined by the Board, to all workers employed by Seller who perform Covered Services under this Appendix J.

3. Insurance.

Required Coverages. Without in any way limiting Seller's liability pursuant to the "Indemnification" section of this Agreement, Seller must maintain in force, during the full term of the Agreement, insurance in the following amounts and coverages:

(a) Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations.

(b) Commercial Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence, "Combined Single Limit" for Bodily Injury and Property Damage, including Owned, Non-Owned and Hired auto coverage, as applicable.

(c) Workers' Compensation, in statutory amounts, with Employers' Liability Limits not less than **\$1,000,000** each accident, injury, or illness.

3.1.1 Additional Insured Endorsements

(a) The Commercial General Liability policy must be endorsed to name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.

(b) The Commercial Automobile Liability Insurance policy must be endorsed to name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.

3.1.2 Waiver of Subrogation Endorsements

(a) The Workers' Compensation policy(ies) shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Seller, its employees, agents and subcontractors.

3.1.3 Primary Insurance Endorsements

(a) The Commercial General Liability policy shall provide that such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Agreement, and that the insurance applies separately to each insured against whom claim is made or suit is brought.

(b) The Commercial Automobile Liability Insurance policy shall provide that such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this

Agreement, and that the insurance applies separately to each insured against whom claim is made or suit is brought.

(c) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified above.

(d) Should any required insurance lapse during the term of this Agreement, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the City may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.

(e) Before commencing any Services, Seller shall furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above. Approval of the insurance by City shall not relieve or decrease Seller's liability hereunder.

(f) If Seller will use any subcontractor(s) to provide Services, Seller shall require the subcontractor(s) to provide all necessary insurance and to name the City and County of San Francisco, its officers, agents and employees and the Seller as additional insureds.

4. Indemnification. Seller shall indemnify and hold harmless City and its officers, agents and employees from, and, if requested, shall defend them from and against any and all claims, demands, losses, damages, costs, expenses, and liability (legal, contractual, or otherwise) arising from or in any way connected with any: (i) injury to or death of a person, including employees of City or Seller; (ii) loss of or damage to property; (iii) violation of local, state, or federal common law, statute or regulation, including but not limited to privacy or personally identifiable information, health information, disability and labor laws or regulations; (iv) strict liability imposed by any law or regulation; or (v) losses arising from Seller's execution of subcontracts not in accordance with the requirements of this Agreement applicable to subcontractors; so long as such injury, violation, loss, or strict liability (as set forth in subsections (i) – (v) above) arises directly or indirectly from Seller's performance of this Agreement, including, but not limited to, Seller's use of facilities or equipment provided by City or others, regardless of the negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on City, except to the extent that such indemnity is void or otherwise unenforceable under applicable law, and except where such loss, damage, injury, liability or claim is the result of the active negligence or willful misconduct of City and is not contributed to by any act of, or by any omission to perform some duty imposed by law or agreement on Seller, its subcontractors, or either's agent or employee. The foregoing indemnity shall include, without limitation, reasonable

fees of attorneys, consultants and experts and related costs and City's costs of investigating any claims against the City.

In addition to Seller's obligation to indemnify City, Seller specifically acknowledges and agrees that it has an immediate and independent obligation to defend City from any claim which actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent, which obligation arises at the time such claim is tendered to Seller by City and continues at all times thereafter.

5. Non-Waiver of Rights. The omission by either Party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other Party at the time designated, shall not be a waiver of any such default or right to which the Party is entitled, nor shall it in any way affect the right of the Party to enforce such provisions thereafter.

6. Nondiscrimination Requirements.

6.1 Nondiscrimination in Contracts. Seller shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code. Seller shall incorporate by reference in all subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subcontractors to comply with such provisions. Seller is subject to the enforcement and penalty provisions in Chapters 12B and 12C.

6.2 Nondiscrimination in the Provision of Employee Benefits. San Francisco Administrative Code 12B.2. Seller does not as of the date of this Agreement, and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.

7. Consideration of Criminal History in Hiring and Employment Decisions. If Seller hires any new employees to provide the interim property management services at the Property, Seller agrees to comply fully with and be bound by all of the provisions of Chapter 12T, "City Seller/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Administrative Code ("Chapter 12T"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Chapter 12T are incorporated by reference and made a part of this Appendix J as though fully set forth herein. The text of the Chapter 12T is available on the web at <http://sfgov.org/olse/fco>. Seller is required to comply with all of the applicable provisions of 12T, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Appendix J shall have the meanings assigned to such terms in Chapter 12T.

8. Alcohol and Drug-Free Workplace. City reserves the right to deny access to, or require Seller to remove from, City facilities personnel of any Seller or subcontractor who City has

reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs City's ability to maintain safe work facilities or to protect the health and well-being of City employees and the general public. City shall have the right of final approval for the entry or re-entry of any such person previously denied access to, or removed from, City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

9. Compliance with Laws. Seller shall keep itself fully informed of the City's Charter, codes, ordinances and duly adopted rules and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws, including the Americans with Disabilities Act, as they may be amended from time to time.

10. Nondisclosure of Private, Proprietary or Confidential Information.

10.1 Protection of Private Information. If this Agreement requires City to disclose "Private Information" to Seller within the meaning of San Francisco Administrative Code Chapter 12M, Seller and any subcontractor shall use such information only in accordance with the restrictions stated in Chapter 12M and in this Appendix J and only as necessary in performing the Services. Seller is subject to the enforcement and penalty provisions in Chapter 12M.

10.2 Confidential Information. In the performance of Services, Seller may have access to, or collect on City's behalf, City's proprietary or Confidential Information, the disclosure of which to third parties may damage City. If City discloses proprietary or Confidential Information to Seller, or Seller collects such information on City's behalf, such information must be held by Seller in confidence and used only in performing the services in Appendix J. Seller shall exercise the same standard of care to protect such information as a reasonably prudent person would use to protect its own proprietary or Confidential Information.

11 MacBride Principles - Northern Ireland. The provisions of San Francisco Administrative Code §12F are incorporated herein by this reference and made part of this Agreement. By signing this Agreement, Seller confirms that Seller has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

2020 W. El Camino Avenue, Suite 670, 95833
P.O. Box 952054
Sacramento, CA 94252-2054
(916) 263-2771
www.hcd.ca.gov



September 9, 2021

MEMORANDUM FOR: All Potential Applicants

FROM: Jennifer Seeger, Deputy Director
Division of State Financial Assistance

SUBJECT: **Homekey Program**
Notice of Funding Availability, Round 2

A handwritten signature in blue ink that reads "Jennifer Seeger".

The California Department of Housing and Community Development (Department) is pleased to announce the availability of approximately \$1.45 billion of Homekey Program (Homekey) grant funding through this Round 2 Notice of Funding Availability (NOFA). Building on the success of both [Project Roomkey](#) and the first round of Homekey, this significant investment continues a statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or At Risk of Homelessness, and who are, thereby, inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic.

Of the \$1.45 billion in Homekey funding, \$1.2 billion is derived from the Coronavirus State Fiscal Recovery Fund (CSFRF) established by the federal American Rescue Plan Act of 2021 (ARPA) (Public Law 117-2) and \$250 million is State General Fund. The \$250 million in State General Fund money is intended to supplement the acquisition of, and to provide initial operating subsidies for, Homekey sites to promote project feasibility. Five percent of the \$1.45 billion in Homekey funds is for Department administrative costs. Projects receiving an award from the state's direct allocation of the federal ARPA must expend the funds within eight months of the date of award. The portion of a project's award associated with State General Fund must be expended by June 30, 2026.

Due to the potential for program oversubscription, eligible applicants are encouraged to submit their completed application as soon as possible. The Department will be accepting the applications on a continuous, Over-the-Counter basis from the release of the Homekey application in late September until May 2, 2022, or until the available funds are exhausted, whichever occurs first. Applicants must submit a complete application available at <https://homekey.hcd.ca.gov/content/apply>.

On September 30, 2021, the Department will hold a webinar to review the Homekey NOFA and application process. To register, please go to the Department's [Homekey webpage](#). To receive information on the workshop and other updates, please subscribe to the Department's Homelessness Prevention Programs listserv at http://www.hcd.ca.gov/HCD_SSI/subscribe-form.html.

If you have any questions, please submit them to Homekey@hcd.ca.gov.

Homekey Program

Notice of Funding Availability, Round 2



**Gavin Newsom, Governor
State of California**

**Lourdes M. Castro Ramírez, Secretary
Business, Consumer Services and Housing Agency**

**Gustavo Velasquez, Director
California Department of Housing and Community Development**

2020 West El Camino Avenue, Sacramento, CA 95833 Telephone: (916) 263-2771
Website: <https://homekey.hcd.ca.gov/>

Homekey Program Email: Homekey@hcd.ca.gov

September 9, 2021

Table of Contents

Article I – Program Overview.....	1
Section 100. Notice of Funding Availability (NOFA).....	1
Section 101. Authorizing Legislation and Applicable Law.....	1
Section 102. Program Timeline.....	2
Article II – Program Requirements.....	3
Section 200. Eligible Applicants.....	3
Section 201. Eligible Uses.....	4
Section 202. Eligible Projects.....	4
Section 203. Geographic Distribution and Set-Asides.....	5
Section 204. Program Deadlines.....	8
Section 205. Maximum Grant Amounts and Capital Funding Match.....	9
Section 206. Operating Subsidies and Match.....	10
Section 207. Bonus Awards.....	11
Section 208. Affordability Term.....	12
Section 209. Flexibility.....	12
Article III – Threshold and Scoring Criteria.....	12
Section 300. Threshold Requirements.....	12
Section 301. Permanent Housing Requirements.....	15
Section 302. Interim Housing Requirements.....	16
Section 303. Other Requirements.....	17
Section 304. Application Scoring Criteria.....	18
Article IV. Application Submission, Review, and Award Process.....	22
Section 400. Application Process and Submission.....	22
Section 401. Pre-Application Consultation and Technical Assistance.....	23
Section 402. Award Process.....	23
Section 403. Appeals.....	23
Article V – Other Program Requirements.....	24
Section 501. Housing First.....	24
Section 502. Tenant Selection.....	24
Section 503. Participation in Statewide HDIS/HMIS.....	25
Section 504. Relocation.....	25
Section 505. Accessibility and Non-Discrimination.....	25
Section 506. Prevailing Wages.....	26
Section 507. Environmental Clearances.....	26
Article VI – Program Operations.....	26
Section 600. Program Oversight.....	26
Section 601. Reporting.....	26
Section 602. Disbursement of Grant Funds.....	27
Section 603. Legal Documents.....	28
Section 604. Sales, Transfers, and Encumbrances.....	29
Section 605. Defaults and Grant Cancellations.....	29
Article VII – Definitions.....	29
Article VIII – Insurance Requirements.....	32
Section 800. Insurance Requirements.....	32
APPENDIX A: Capital Contributions to Projects*.....	35

HOMEKEY PROGRAM

NOTICE OF FUNDING AVAILABILITY

Article I – Program Overview

Section 100. Notice of Funding Availability (NOFA)

The California Department of Housing and Community Development (Department) is pleased to announce the availability of approximately \$1.45 billion in Homekey funding to sustain and rapidly expand the inventory of housing for people experiencing homelessness or At Risk of Homelessness and who are, thereby, inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases. Before the COVID-19 pandemic, homelessness data showed Black, Indigenous, and People of Color (BIPOC) were overrepresented in the homelessness system. The pandemic made racial disparities more apparent, and communities are dealing with the additional disproportionate impact of illness and death among people experiencing homelessness. Homekey recognizes these impacts and encourages Eligible Applicants to examine disproportionate impacts in their own communities and to develop strategies to address these impacts.

Homekey is an opportunity for state, regional, and local public entities to develop a broad range of housing types, including but not limited to hotels, motels, hostels, single-family homes and multifamily apartments, adult residential facilities, and manufactured housing, and to convert commercial properties and other existing buildings to Permanent or Interim Housing for the Target Population.

Of the \$1.45 billion in Homekey grant funds, \$1.2 billion is derived from the state's direct allocation of the federal Coronavirus State Fiscal Recovery Fund (CSFRF), which was established by the American Rescue Plan Act of 2021 (ARPA) (Pub.L. No. 117-2). In addition, \$250 million is derived from the state's General Fund to supplement the acquisition of, and to provide initial operating subsidies for, Homekey sites.

Section 101. Authorizing Legislation and Applicable Law

Assembly Bill No. 140 (2021-2022 Reg. Sess.) provided the statutory basis for Round 2 of the Homekey Program by adding section 50675.1.3 to the Health and Safety Code (HSC), and it exempted certain Round 2 Homekey Projects from the California Environmental Quality Act (CEQA) by adding section 50675.1.4 to the HSC. The statutory scheme includes new construction of dwelling units as an eligible use and establishes a set-aside of funds for projects serving Homeless Youth and Youth at Risk of Homelessness.

HSC section 50675.1.3, subdivision (e) states, “The Department of Housing and Community Development may adopt guidelines for the expenditure of the funds appropriated to the department, and for the administration of the program. The guidelines shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.”

This NOFA serves as the Department’s guidelines for the expenditure of Homekey funds and the administration of the Homekey Program. As such, this NOFA establishes the terms, conditions, forms, procedures, and other mechanisms that the Department deems

necessary to exercise its powers and to perform its duties pursuant to the Homekey Program. The matters set forth herein are regulatory mandates and are adopted as regulations that have the dignity of statutes. (*Ramirez v. Yosemite Water Company, Inc.* (1999) 20 Cal. 4th 785, 799 [85 Cal.Rptr.2d 844].)

The Multifamily Housing Program (MHP) (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the HSC), and as subsequently amended, is hereby incorporated by reference. In accordance with HSC section 50675.1.3, subdivision (d), in the event of a conflict between this NOFA and the MHP, the provisions of this NOFA are controlling.

The MHP Final Guidelines (MHP Guidelines), effective June 19, 2019, and as subsequently amended, are hereby incorporated by reference. In the event of a conflict between any of this NOFA and the MHP Guidelines, the provisions of this NOFA are controlling.

The Department will only amend this NOFA as necessary and in accordance with the Department's guideline authority pursuant to HSC section 50675.1.3, subdivision (e).

All other criteria and matters set forth within the NOFA shall also govern the Tribal Entity set-aside that is further described below, unless and except to the extent expressly provided to the contrary by terms set forth within this NOFA and subject to any potential modification or waiver under or pursuant to Assembly Bill No. 1010 (Stats.2019, c. 660), which is set forth in HSC section 50406, subdivision (p).

Section 102. Program Timeline

Homekey funds will be available to Eligible Applicants on a continuous, Over-the-Counter (OTC) basis, rather than on a competitive basis. The following table summarizes the anticipated Homekey Program timeline.

Table 1: Anticipated Timeline for Homekey Applications

NOFA release	September 9, 2021
Application release	Late September 2021
Stakeholder Webinar	September 30, 2021
Final day to submit an application within geographic set-asides and within period for timely submission of application bonus award	January 31, 2022
Application period for statewide pool opens	February 1, 2022
Final application due date	May 2, 2022, or until funds are exhausted, whichever occurs first
Award announcements	Continuous, with individual awards generally announced within 45 days of the Department's receipt of a complete and accurate application and all required supplemental documentation
Standard Agreements issued	Continuous, after the Department's receipt of required information and documentation
Grantee Expenditure and Program Report, annually for five years subsequent to contract execution	Annually by January 31

The Department reserves the right to modify the projected timeline at any time.

Article II – Program Requirements

Section 200. Eligible Applicants

- i. Cities, counties, cities and counties, and all other state, regional, and Local Public Entities, including councils of government, metropolitan planning organizations, and regional transportation planning agencies designated in Section 29532.1 of the Government Code; or
- ii. Tribal Entities.

For purposes of this NOFA, a “Local Public Entity” is defined in accordance with HSC section 50079. Such definition includes the duly constituted governing body of an Indian reservation or rancheria; a tribally designated housing entity, as specified; and a housing authority, as specified.

Each of the foregoing entities may apply independently, or each entity may apply jointly with a nonprofit or for-profit corporation as a Co-Applicant.

Section 201. Eligible Uses

Awarded funds must be used to provide housing for the Target Population of individuals and families experiencing Homelessness or who are At Risk of Homelessness and who are inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases. With respect to the list of eligible uses below, an Eligible Applicant may choose to target Project Roomkey properties, or other, non-Project Roomkey properties. The list of eligible uses is as follows:

- i. Acquisition or Rehabilitation, or acquisition and Rehabilitation, of motels, hotels, hostels, or other sites and assets, including apartments or homes, adult residential facilities, residential care facilities for the elderly, manufactured housing, commercial properties, and other buildings with existing uses that could be converted to permanent or interim housing.
- ii. Master leasing of properties for non-congregate housing.
- iii. Conversion of units from nonresidential to residential.
- iv. New construction of dwelling units.
- v. The purchase of affordability covenants and restrictions for units.
- vi. Relocation costs for individuals who are being displaced as a result of the Homekey Project.
- vii. Capitalized operating subsidies for units purchased, converted, constructed, or altered with funds provided pursuant to HSC section 50675.1.3.

Section 202. Eligible Projects

The Department welcomes and will consider a variety of innovative housing solutions as eligible projects. The following list of eligible projects is not exhaustive.

- i. Conversion of nonresidential structures to residential dwelling units.
- ii. Conversion of commercially zoned structures, such as office or retail spaces, to residential dwelling units.
- iii. Adult residential facilities, residential care facilities for the elderly, manufactured housing, and other buildings with existing residential uses.
- iv. Multifamily rental housing projects.
- v. Excess state-owned properties.
- vi. Shared housing or scattered site housing is permitted as long as the resulting housing has common ownership, financing, and property management, and each household signs a lease.
- vii. The Department may, in its sole and absolute discretion, provide express written approval of structures lacking a permanent foundation, such as manufactured homes,

recreational vehicles, and floating homes, for temporary use only. The Department encourages applicants to explore financing alternatives to Homekey for such structures. Applicants that wish to access Homekey funds for these special uses shall submit, in their application, a detailed explanation of how the use will meet all Homekey Program requirements, including the requirements for use and affordability restrictions set forth at Section 208 of this NOFA.

Applicants seeking the Department's approval of structures lacking a permanent foundation are encouraged to discuss their options at the required pre-application consultation.

- viii. **Existing Homekey Assisted Units, previously awarded under the first round of Homekey funding, are ineligible for funding under this NOFA.**

Section 203. Geographic Distribution and Set-Asides

COVID-19 impacts people who are experiencing or who are at risk of Homelessness throughout California. As such, the Department would like to ensure jurisdictions throughout the state have an equitable opportunity to apply for Homekey funds to protect the health and safety of their most vulnerable residents.

To this end, the Department has divided the state into eight regions, as outlined in Table 2, below. The regions are largely aligned with the various Councils of Government (COGs). As detailed in Table 3 below, each region has funding reserved. Each region's share of the Homekey allocation is calculated based on its proportionate share of persons experiencing homelessness as indicated by both the sheltered and unsheltered 2019 Homeless Point-in-Time (PIT) counts, plus its proportionate share of extremely low-income (ELI) renter households that are paying more than 50 percent of their income for rent.

The Department has established a four-month priority application period from the release date of the Homekey application in late September through January 31, 2022. During this prioritization period, the Department will group applications into one of the eight geographic regions, unless the application is prioritized for the Homeless Youth or Tribal Entity set-asides.

After January 31, 2022, the Department will stop grouping applications by geographic region, and instead deploy unused funds from any undersubscribed geographic region(s) to fund subsequent applications statewide. The set-aside funding for Homeless Youth and Tribal Entities will remain unchanged. The Department will also redeploy undersubscribed and unused funds beginning May 2, 2022, as specified at Section 400 of this NOFA.

To further encourage the timely submission of Homekey applications, the Department will also award a bonus to applications submitted by January 31, 2022, as further detailed in Section 207.

Table 2: Counties by Geographic Distribution through January 31, 2022

Counties by Geographic Distribution			
Los Angeles County	San Joaquin Valley	Central Coast	Balance of State (Cont.)
Bay Area	Fresno	Monterey	Lassen
Alameda	Kern	San Benito	Mariposa
Contra Costa	Kings	San Luis Obispo	Mendocino
Marin	Madera	Santa Barbara	Modoc
Napa	Merced	Santa Cruz	Mono
San Francisco	San Joaquin	Balance of State	Nevada
San Mateo	Stanislaus	Alpine	Plumas
Santa Clara	Tulare	Amador	Shasta
Solano	San Diego County	Butte	Sierra
Sonoma	Sacramento Area	Calaveras	Siskiyou
Southern California	El Dorado	Colusa	Tehama
Imperial	Placer	Del Norte	Trinity
Orange	Sacramento	Glenn	Tuolumne
Riverside	Sutter	Humboldt	
San Bernardino	Yolo	Inyo	
Ventura	Yuba	Lake	

Table 3: Estimated Homekey Geographic Allocations

Region	PIT Count	Severely Rent-Burdened ELI	CSFRF Allocation	GF Allocation
Los Angeles County	58,936	395,380	\$296,715,462	\$61,966,491
Bay Area	35,028	196,270	\$165,312,376	\$34,524,079
Southern CA	15,360	188,835	\$101,785,576	\$21,257,049
San Joaquin Valley	10,064	100,400	\$60,041,459	\$12,539,146
San Diego County	8,102	88,470	\$50,514,984	\$10,549,623
Sacramento Area	8,167	68,640	\$45,065,261	\$9,411,495
Central Coast	8,157	35,795	\$35,671,365	\$7,449,660
Balance of State	7,464	30,834	\$32,093,517	\$6,702,457

Set-Asides

The \$1.45 billion in Homekey funds will be allocated as follows:

Table 4: Homekey Funding Categories

Category	CSFRF Allocation	GF Allocation
Total Homekey Allocation	\$1,200,000,000	\$250,000,000
Total Geographic Allocation	\$787,200,000	\$164,400,000
Discretionary Reserve at 20%	\$196,800,000	\$41,100,000
State Administrative at 5%	\$60,000,000	\$12,000,000
Tribal Set-Aside at 5%	\$60,000,000	\$12,500,000
Homeless Youth Set-Aside at 8%	\$96,000,000	\$20,000,000

The Department will reserve 20 percent of the Homekey money to address unforeseen circumstances and to ensure that funding is effectively aligned with need. (For instance, the Department may use this reserve money to fund high-scoring projects in oversubscribed regions.)

Of the total amount provided under this NOFA, set-asides shall be reserved for Homeless Youth and Tribal Entity Projects meeting the criteria set forth below, and in the amounts set forth in Table 4 above. Unless otherwise indicated, all scoring criteria and other NOFA provisions shall govern the set-aside awards provided under this NOFA.

1. Homeless Youth: Pursuant to HSC section 50675.1.3, subdivision (c), the Department will set aside eight percent (8%) of Homekey funding for Projects serving Homeless Youth, or Youth at Risk of Homelessness, as defined in 24 Code of Federal Regulations (CFR) part 578.3. Projects within this set-aside may expand the Target Population to include current and former foster youth through the age of 25.

This set-aside is not subject to geographic allocation, but the Department will aim to promote geographic equity. Homekey Projects are not required to serve Homeless Youth, or Youth at Risk of Homelessness. Homekey Projects proposing to serve Homeless Youth, or Youth at Risk of Homelessness, may also serve other qualifying members of the Target Population.

Projects that meet the threshold requirements of Sections 300-303, as well as the following criteria, will be prioritized for Homeless Youth set-aside funds:

- Have at least 25 percent (25%) of Assisted Units reserved for Homeless Youth or Youth at Risk of Homelessness; (See Section 304, 4a for points awarded)
- Have jointly applied and/or partnered with a nonprofit corporation(s), including community-based organization(s), with experience serving Homeless Youth, or Youth at Risk of Homelessness; and (see Section 304, 2a-c for points awarded)
- Have reasonable proximity to youth-centered amenities, including, but not limited to, community colleges, universities, trade schools, apprenticeship programs, employment programs, childcare centers for parenting youth, and community centers for youth (e.g., LGBTQ+ centers, drop-in youth centers). (See Section 304, 4g for points awarded)

The Department will also prioritize Projects that provide supportive services for Youth Assisted Units using a Positive Youth Development (PYD) model and trauma-informed care. Services may include, but are not limited to, case management, income supports, educational and employment counseling, life skills, legal assistance, health and wellness, and family connection services.

2. Tribal Entities: The Department will set aside five percent (5%) of the Homekey funding for Eligible Applicants that meet the definition of a Tribal Entity, as set forth and provided in this NOFA. This set-aside is not subject to geographic allocation, but the Department will aim to promote geographic equity.

The Department will endeavor to provide comprehensive technical assistance to Tribal Entities, and Tribal Entities are highly encouraged to utilize available technical assistance throughout the application process and during implementation of the Project.

The requirements set forth in this NOFA are subject to AB 1010 (Stats.2019, c. 660), which is set forth in HSC section 50406, subdivision (p). Accordingly, and pursuant to HSC section 50406, subdivision (p), **(a)** where the provisions of tribal law, tribal governance, tribal charter, or difference in tribal entity or legal structure would cause a violation or not satisfy the requirements of this NOFA, said requirements may be modified as necessary to ensure program compatibility; and **(b)** where provisions of tribal law, tribal governance, tribal charter, or difference in tribal entity legal structure or agency create minor inconsistencies (as determined by the Director of the Department or a duly authorized designee thereof) with the requirements set forth in this NOFA, the Department may waive said requirements, as deemed necessary, to avoid an unnecessary administrative burden. Matters set forth or otherwise provided for in this NOFA that may be modified or waived include, without limitation, threshold scoring requirements and any other matters set forth in HSC section 50406, subdivision (p)(2). Tribal Applicants are accordingly encouraged to discuss any such potential modifications or waivers and their options in that regard at the required pre-application consultation.

Section 204. Program Deadlines

Capital funds must be expended within eight months of the date of award. For Projects that involve acquisition and are receiving capital awards, Grantees must expend the funds by the expenditure deadline and the project escrow must be closed by the expenditure deadline. To meet this requirement, the Department will provide ongoing support to assist Grantees and has developed an accelerated award and disbursement process.

Additionally, Grantees shall complete all applicable construction and/or Rehabilitation within 12 months of the date of award. All Projects shall achieve a full occupancy (fully occupied with consideration for an average of 10% vacancy rate at any given time) within 90 days of construction and/or Rehabilitation completion. The Grantee may ask the Department for an extension for construction and/or Rehabilitation completion, where it is clear that the extension is due to circumstances or conditions beyond their control and granting an extension will enable the Project to complete construction and/or Rehabilitation or achieve full occupancy of the Assisted Units. In cases where an extension for construction and/or Rehabilitation completion is granted by the Department, the deadlines for capital fund expenditure and full occupancy may be extended within the constraints of applicable law.

Pursuant to 31 CFR part 35.5, the Department may reimburse eligible costs incurred beginning on March 3, 2021. Applicants are encouraged to discuss their options at the required pre-application consultation.

All operating funds must be fully expended by the Grantee by no later than June 30, 2026.

Section 205. Maximum Grant Amounts and Capital Funding Match

Homekey will fund a maximum grant amount per door, pursuant to the conditions of this section, which includes both the acquisition cost and any needed Rehabilitation or new construction. **The award will be the lower of the maximum grant amount, or the sum of the acquisition amount supported by an appraisal and any additional construction and Rehabilitation expenses as supported by documentation required by the Department.** "Door" refers to units at the time of the acquisition, which may differ from the number of units that are available after a conversion of the property. For those projects that undergo a future conversion, the number of units may need to be reduced in order to accommodate kitchenettes, additional bedrooms, space for supportive services and other amenities. For new construction and conversion of office, commercial, or other non-residential structures into residential dwelling units, Homekey will fund a maximum grant amount per completed Assisted Unit serving the Target Population, or an amount as supported by an appraisal, whichever is lower. "Assisted Unit" refers to units that are available after the construction or conversion of the property.

The Department will contribute a baseline amount per door, as outlined below, in whichever category is higher for the Assisted Unit. This baseline contribution does not require a local match.

Unit Size -- Baseline Capital Amounts:

- i. Studio or one-bedroom units will receive a baseline amount of \$150,000 per door.
- ii. Two-bedroom units will receive a baseline amount of \$175,000 per door.
- iii. Three-bedroom or larger units will receive a baseline amount of \$200,000 per door.

Note that Homekey will fund "doors" based upon the number of units and unit size at the time of acquisition. In situations where units are combined to make larger units, awards will default to the number of doors and size of units at acquisition. In situations where multi-bedroom (two or more bedrooms) units at acquisition are divided into smaller unit sizes, awards will default to the number of doors and size of units with the lower baseline amount per door.

OR

Sub-Populations Served -- Baseline Capital Amounts:

- i. Assisted Units reserved for those experiencing Chronic Homelessness will receive a baseline amount of \$200,000 per door.
- ii. Assisted Units reserved for Homeless Youth or Youth at Risk of Homelessness will receive a baseline amount of \$175,000 per door.

Additional Contribution Amount – Local Match

Beyond the applicable baseline amount, the Eligible Applicant may leverage a 1:1 local match to provide up to \$100,000 in additional funds per door. For example, where the Applicant shows \$100,000 in matching funds, the Department will fund no more than \$250,000 for a 1-bedroom Assisted Unit, \$275,000 for a 2-bedroom Assisted Unit,

\$300,000 for a 3+ bedroom Assisted Unit, \$300,000 for an Assisted Unit serving those experiencing Chronic Homelessness, and \$275,000 per door for an Assisted Unit serving Homeless Youth/Youth at Risk of Homelessness.

Appendix A shows how maximum funding awards from Homekey vary with different per-door costs, unit types, and Applicant contribution levels.

For relocation costs, the Department will pay for one-half of the relocation cost per door in addition to the capital award. For example, if a Project includes \$15,000 in relocation costs, then the Department will pay for \$7,500 of that relocation cost.

For the purchase of affordability covenants and restrictions, and for master-leasing, the Department may size the award per door based on a recent market study within the past year which conforms to guidelines adopted by the Tax Credit Allocation Committee (TCAC), and/or a rent roll, and/or other supporting documentation. For these uses, the maximum Homekey contribution per door shall not exceed the maximum amounts referenced in this section for acquisition, Rehabilitation, and new construction.

Section 206. Operating Subsidies and Match

- i. Where an operating subsidy is requested, the total amount of operating subsidy per Assisted Unit is limited as follows:
 - a. Assisted Units reserved for those experiencing Chronic Homelessness, for Homeless Youth, or for Youth at Risk of Homelessness shall not exceed \$1,400 per month; and
 - b. All other Assisted Units shall not exceed \$1,000 per month.
- ii. The total duration of the operating subsidy (as described in i. above) is tied to the amount of the Applicant's matching funds, and is limited as follows:
 - a. If Projects can demonstrate a commitment of three years of non-Homekey operating funds for Assisted Units, the Department will provide an operating subsidy sized for two years.
 - b. If Projects can demonstrate a commitment of four or more years of non-Homekey operating funds for Assisted Units, the Department will provide an operating subsidy sized for three years.
 - c. If Projects have application scores of 140 or more, the Department may consider providing an operating subsidy sized for three years without the Applicant demonstrating a commitment of four or more years of non-Homekey operating funds.
- iii. Operating subsidy may pay for necessary, recurring Project Operating Expenses in an amount approved by the Department. Qualifying expenses include utilities, maintenance, management fees, taxes, licenses, and supportive services costs, but not debt service or required reserve account deposits. Operating Expenses should be included in the Project's submitted budget.

- iv. If requesting an operating subsidy, the Eligible Applicant must submit a letter of support from the local Continuum of Care (CoC) or Housing Authority confirming the need for an operating subsidy and evidencing that other operating funding, such as rental subsidies, were sought for the Project, but the funding isn't available for this use. A letter template and a list of potential Homekey complementary funding can be found on the Homekey [webpage](#).
- v. The Homekey-funded portion of the operating subsidy must be expended (liquidated) by June 30, 2026, with the Grantee establishing a capitalized operating subsidy reserve and disbursing the funds as outlined in this NOFA.
- vi. Eligible Applicants are required to demonstrate a five-year commitment to provide operating funds for the proposed project. The first two years of operating funds may include an award from Homekey. Operating match may be obtained from any source, including any federal, state, local, private, or philanthropic source. Eligible Applicants will have an opportunity to discuss the match requirements and potential match sources during the pre-application consultation.

Additionally, the following requirements apply to operating match contributions:

- i. The Eligible Applicant must ensure the laws governing any funds to be used as matching contributions do not prohibit those funds from being used to match Homekey funds; and
- ii. If the State General Funds are used to satisfy the matching requirements of another program, then funding from that program may not be used to fulfill the matching requirements of the Homekey Program.

Section 207. Bonus Awards

Timely Submission of Application

The Department will award an additional \$10,000 per Assisted Unit as a bonus award for each Project with a timely submission of a complete application to the Department by January 31, 2022. Application packages that are incomplete or that do not meet the filing requirements will not be awarded the bonus award. This bonus may be used for either operating or capital expenses.

Expedited Occupancy

The Department will award \$10,000 per Assisted Unit as a conditional bonus amount for Projects meeting the following expedited occupancy timeframe:

- i. Project's Assisted Units achieve full occupancy (with consideration for an average of 10 percent vacancy) within eight (8) months of the date of award.

This bonus award can be used for operating costs only, including the reimbursement of operating costs already incurred. Projects eligible for this bonus award must commit to achieving full occupancy within eight (8) months after the award date. Projects will not receive the bonus award if reaching full occupancy in eight (8) months was not planned in their application, nor required in their Standard Agreement.

The Department will not disburse the conditional bonus amount until proof of full occupancy (rent roll) is provided to the Department within eight (8) months of the date of award. Once the documentation is deemed sufficient by the Department, the Grantee may submit a request for funds disbursement. If Grantee fails to meet the expedited occupancy timeframe as indicated in their application, the Department may reallocate the conditional bonus amount to fund other Eligible Applicants.

Section 208. Affordability Term

The Grantee shall duly encumber all Interim Housing, Transitional Housing, and Congregate Shelter Projects with a 15-year covenant, declaration, regulatory agreement, or similar use restriction that (a) is recorded in first position against the Project real property for the benefit of the Department, (b) restricts the use, operation, occupancy, and affordability of the Project in accordance with all applicable requirements of this NOFA and all other Program requirements, and (c) is otherwise in form and substance acceptable to the Department.

The Grantee shall duly encumber all Permanent Housing Projects with a 55-year covenant, declaration, regulatory agreement, or similar use restriction that (a) is recorded in first position against the Project real property for the benefit of the state, regional, local, or tribal Grantee, (b) restricts the use, operation, occupancy, and affordability of the Project in accordance with all applicable requirements of this NOFA and all other Program requirements, (c) duly names the Department as a third party beneficiary with the right and privilege, but not the obligation, of enforcement thereof, and (d) is otherwise in form and substance acceptable to the Department.

Section 209. Flexibility

The Department recognizes the limited availability of local, state, and federal funds, and the corresponding imperative for flexibility in the Homekey Program. Therefore, subject to the Department's advance written approval, a Grantee may use a capital expenditure award to fund the proposed project's operating costs, or an operating award to fund the proposed capital expenditure, so long as the aggregate Homekey award is expended on eligible uses.

Article III – Threshold and Scoring Criteria

Section 300. Threshold Requirements

To be eligible to receive funding, all Projects must meet the following requirements as they relate to the Eligible Applicant and the project types:

- i. Applications may be submitted independently by an Eligible Applicant, as defined in Section 200 and Article VII. Alternatively, each of the foregoing Eligible Applicants may apply jointly with a nonprofit or for-profit corporation as Co-Applicant.
- ii. Projects must serve persons qualifying as members of the Target Population.
- iii. Applications must include an initial plan for providing supportive services based on the anticipated needs of the Target Population and any proposed sub-populations to be served by the Project. The initial plan shall be reasonably detailed and

comprehensive, as determined by the Department in its sole and absolute discretion. The supportive services plan shall provide a description of the services that will be available at the housing site including but not limited to case management, behavioral health services, physical health services, assistance obtaining benefits and essential documentation, and education and employment services. The plan shall include a description of the on-site staffing plan proposed to deliver these services. Also, the plan shall describe the approach to securing and/or connecting residents to off-site services including primary care and other needed physical health and behavioral health services as well as other tenancy supports.

- iv. Applications must include an overview of the plan and timeline for any required entitlements, permits, and environmental clearances. Eligible Applicants will have an opportunity to discuss their land use and environmental clearance plans, and related statutory authorities during the pre-application consultation.
- v. Applications must include a completed Racial Demographic Data Worksheet, which reports CoC outcomes by race and ethnicity. The completed worksheet may be submitted by the Applicant and the template can be found on the Homekey [webpage](#).
- vi. The Grantee shall have site control of the property at the time of application, and such control shall not be contingent on the approval of any other party. The status and nature of the Grantee's title and interest in the property shall be subject to the Department's approval. Site control may be evidenced by one of the following:
 - a. Fee title;
 - b. A leasehold interest on the property with provisions that enable the lessee to make improvements on and encumber the property provided that the terms and conditions of any proposed lease shall permit compliance with all program requirements;
 - c. A leasehold estate held by a Tribal Entity in federal tribal trust lands property, or a valid sublease thereof that has been or will be approved by the Bureau of Indian Affairs;
 - d. An executed disposition and development agreement, or irrevocable offer of dedication to a public agency;
 - e. A sales contract, or other enforceable agreement for the acquisition of the property;
 - f. A letter of intent, executed by a sufficiently authorized signatory of the Eligible Applicant, that expressly represents to the Department, without condition or reservation, that, upon successful application, the Eligible Applicant shall purchase or otherwise acquire a sufficient legal interest in the property to accomplish the purpose of the award. The letter of intent must also be acknowledged by the party selling or otherwise conveying an interest in the subject property to the Eligible Applicant. If this form of evidence is relied upon at the time of application, the Department may impose additional milestones, in the Standard Agreement, regarding increased evidence of eventual site control closer to the likely close of escrow; or

- g. Other forms of site control that give the Department assurance (equivalent to items a. through f. above) that the Applicant will be able to complete the Project in a timely manner and in accordance with all the Program's objectives and requirements.
- h. For Applicants proposing sites that will require a use change for permanent housing, there should be a commitment and plan to facilitate or expedite those processes, so as to not delay expenditure and occupancy requirements.
- vii. The Eligible Applicant applying for the Homekey funding is the entity that the Department relies upon for experience and capacity, and will control the project during acquisition, development, and occupancy.
- viii. A development plan that supports acquisition of a site and fund expenditure before all program deadlines and demonstrates evidence of strong organizational and financial capacity to develop the project.
- ix. Assisted Units and other units of the Project must meet all applicable state and local requirements pertaining to rental housing, manufactured housing, including but not limited to requirements for minimum square footage, and requirements related to maintaining the project in a safe and sanitary condition.
- x. Applicants and Co-Applicants must be in good standing with the State of California and all agencies and departments thereof. By way of example and not limitation, an Applicant and Co-Applicant must be qualified to do business in the State of California and must be in good standing with the California Secretary of State and the California Franchise Tax Board. Applicants that are delinquent in meeting the material requirements of previous Department awards may, in the Department's reasonable discretion, fail threshold review.
- xi. The Department will require Eligible Applicants to submit a complete application with all required documents. The Department reserves the right to request clarification of unclear or ambiguous statements made in an application and other supporting documents.
- xii. Relocation Assistance Narrative. Applicant shall submit a concise, sufficiently detailed narrative to demonstrate its consideration of, and early engagement with, applicable relocation assistance laws and requirements. (This Relocation Assistance Narrative does not take the place of the relocation plan, or the Certification Regarding Non-Application of Relocation Benefits and Indemnification Agreement, that the Grantee shall submit as a condition of funding.) Applicant's Relocation Assistance Narrative shall include or identify the following:
 - a. A diagrammatic sketch of the Project site.
 - b. Clear, high-resolution photographs of the Project site and all improvements thereon (e.g., buildings, parking lots, billboards).
 - c. The projected dates of any Homekey-funded acquisition, construction, Rehabilitation, demolition, or similar development activities at the Project site.

- d. A description of any persons, businesses, or farm operations that will or may be displaced from the Project site by the foregoing development activities. Applicant shall specify whether any such displacement will be permanent or temporary.
 - i. If no such displacement will occur, Applicant shall conclude the narrative by expressly confirming that Applicant's eligible use(s) of the funds will not result in the displacement of any persons, businesses, or farm operations from the Project site.
 - ii. If such displacement will occur, Applicant shall further develop the narrative by including the additional elements set forth at (e) – (i) below.
- e. A description and evidence of attempts made to maintain the tenure of existing residents that may qualify under the criteria for the Target Population.
- f. A description of the aggregate relocation needs of the persons, businesses, or farm operations that will or may be displaced by the Homekey-funded activities.
- g. A brief description of how those relocation needs will be met, as well as the Applicant's projected timeline for fully meeting those needs, including the dates of planned notices to displaced persons, businesses, or farm operations.
- h. An identification of the Applicant's relocation consultant and/or relocation services provider in connection with the project site. Applicant shall also submit legible copies of its services contract or letter of intent with or to the relocation consultant and/or relocation services provider.
- i. Applicant's cost estimate (and associated funding strategy) for providing relocation assistance and benefits to the persons, businesses, or farm operations that will or may be displaced by the Homekey-funded activities.

Section 301. Permanent Housing Requirements

In addition to Section 300 above, Permanent Housing projects will also be evaluated on the following requirements:

- i. Funding commitments or other reasonable assurance to cover operations and service costs with specific funding sources (government/philanthropic/private) for the proposed project for five (5) years and a budget which covers operations and services costs through year 15 from the recordation of the use restriction.
- ii. If the Eligible Applicant is acquiring, rehabilitating, and operating a Permanent Housing project, the Eligible Applicant or Co-Applicant shall demonstrate the following minimum experience requirements:
 - a. Development, ownership, or operation of a project similar in scope and size to the proposed project; or development, ownership, or operation of at least two affordable rental housing projects in the last ten years, with at least one of those projects containing at least one unit housing a tenant who qualifies as a member of the Target Population.
 - b. The property manager and supportive service provider shall have three or more years of experience serving persons of the Target Population. If a property manager is not yet selected for the proposed project, the Eligible Applicant shall certify that this requirement will be reflected in any future solicitation or memorandum of understanding
 - c. Experience administering a Housing First program that includes principles of harm reduction and low barriers to entry.
- iii. One-for-one replacement of assisted housing
 - a. If the acquired housing or site is to be redeveloped/repositioned as part of the locality's overall goal to address the needs of the Target Population and the community, the Applicant shall provide as part of the application a commitment to ensure one-for-one replacement of units.
 - b. If the target site is going to be demolished before any occupancy by the Target Population, no one-for-one replacement commitment needs to be provided. The unit mix will be evaluated based on the project proposal.
 - c. The application shall include a site map indicating the original target housing location and all proposed housing location(s). If all proposed housing will be located within the neighborhood, no additional documentation is necessary. If replacement housing is proposed outside the target neighborhood, the application must also include a justification explaining why it is necessary to locate this replacement housing outside the target neighborhood (i.e., offsite) and how doing so supports and enables the Target Population to maintain housing.

Section 302. Interim Housing Requirements

In addition to Section 300 above, Interim Housing projects will also be evaluated on the following requirements:

- i. Funding commitments or other reasonable assurance to cover operations and service costs with specific funding sources (government/philanthropic/private) for the

proposed project for five (5) years and submit a budget to cover operations and services costs through year 15 from the recordation of the use restriction.

- ii. If the Eligible Applicant is acquiring, rehabilitating, and/or operating an Interim Housing project, the Eligible Applicant or Co-Applicant shall demonstrate the following minimum experience requirements:
 - a. Successful development, ownership, or operation of an Interim Housing project, such as an emergency shelter or Transitional Housing for at least three of the last ten years for individuals who qualify as members of the Target Population;
 - b. Experience in linking Interim Housing program participants to Permanent Housing to ensure long-term housing stability; and
 - c. Experience administering a Housing First program that includes principles of harm reduction and low barriers to entry.

Section 303. Other Requirements

- i. Units serving the Target Population and occupied units serving ELI households are eligible for funding.
 - a. Homekey may fund all units in a project or a portion of the units. If seeking Homekey funding for a portion of the units in a given project, Applicants must identify committed sources for the non-Homekey units. The non-Homekey units are not required to serve the Homekey Target Population.
 - b. If, at the time of acquisition, an existing tenant's household income is at or below the ELI limit, but the tenant does not qualify as a member of the Target Population, the tenant may remain in place and the unit may still be funded by Homekey. When, in the course of normal tenant turnover, the ineligible household moves from the unit, the unit shall thereafter be occupied by the Target Population. There should be no more than 49 percent of the Assisted Units that do not meet the Target Population. An existing household who meets the Target Population definition or was a member of the Target Population at the time they moved into the property will not be counted towards the 49 percent cap. Evidence confirming that existing tenants qualify as either ELI or Target Population will be required of the Applicant.
- ii. At year 15 from the recordation of the use restriction, in circumstances where the Grantee has exhausted available operating funding and demonstrated to the Department that the Project is no longer feasible, the Department may approve an increase in income levels, to the minimum extent required for fiscal integrity, in five percent increments of Assisted Units up to 50 percent AMI.
- iii. The Department reserves the right to set restrictions on the unit mix, rent levels, and other factors deemed necessary. To the maximum extent possible, these changes shall minimize the impact on the lowest income Project residents and shall be phased in as gradually as possible. If, following any increase in rents and income limits, or modification of Target Population occupancy requirements, new resources become available, or market demand changes, allowing reversion to the former income and

rent limits or Target Population occupancy requirements, the Department may re-impose these income limits and rent limits or Target Population occupancy requirements, in whole or in part, subject to an analysis of Project feasibility.

- iv. In addition to Section 300 above, Applicants purchasing affordability covenants and restrictions will also be evaluated on the following requirements:
 - a. The Grantees that purchase affordability covenants and restrictions for existing residential units shall restrict those units to individuals and families who are Homeless or who are At Risk of Homelessness, as defined in 24 CFR part 578.3. Such restriction shall run for at least 15 years.
- v. In addition to Section 300 above, master leasing projects will also be evaluated on the following requirements:
 - a. The Grantee shall provide a 15-year plan from the recordation of the use restriction to cover operations and service costs for the Project with specific funding sources (government/philanthropic/private). The Department may waive the requirement for a 15-year plan to cover operating and services costs in cases where master-leased units are intended for a shorter-term need, including, but not limited to, the housing of individuals temporarily displaced as a result of Rehabilitation, or immediate and short-term placement of individuals while permanent units are under construction.
 - b. The Department can consider and has the discretion to approve other master leasing timeframes and scenarios. Applicants are encouraged to discuss their options at the required pre-application consultation.

Section 304. Application Scoring Criteria

In addition to meeting the other minimum program requirements outlined in Article III, Applicants must score a **minimum of 120 points to be eligible for funding**. Scores will be based on the following:

Table 5: Homekey Application Scoring Criteria

Categories and Maximum Point Scores	Evaluation Criteria
1. Ability to expend funds timely and demonstration of operating leverage (Up to 40 points)	<ul style="list-style-type: none"> a. Identification of the site suitable for development and evidence of site control, or a plan and timeline for obtaining site control along with other supporting evidence (e.g., letter of intent, an exclusive negotiating agreement, ground lease, etc.). NOTE: Sections 300-303 of this NOFA further outline site control requirements related to specific project type. (Up to 20 points) <ul style="list-style-type: none"> - Fee title/leasehold (20 points) - Option agreement/sales contract (20 points) - Exclusive negotiating agreement (15 points) - Letter of intent (15 points) b. Documented commitment of non-Homekey rental or operating subsidies that will be used to maintain the ongoing affordability of the project. (Up to 20 points)

Categories and Maximum Point Scores	Evaluation Criteria
	<p>Project-Based or Grantee-Based Enforceable Funding Commitments for operating assistance, or rental subsidies (including, but not limited to project-based vouchers, VASH vouchers, tenant-based vouchers, or locally funded rental assistance): (1 point for each 5 percentage increment of Assisted Units with committed funding, up to a maximum of 20 points)</p> <p>Contingencies in commitment documents based upon the receipt of Round 2 Homekey funding will not disqualify a source from being counted as committed. However, the Department must approve evidence that funding will reliably be available.</p>
<p>2. Experience (Up to 55 points)</p>	<p>a. Demonstration of Applicant or member(s) of development team’s experience in development, ownership, or operation of a project(s) similar in scope and size to the proposed Project. NOTE: Sections 300-303 of this NOFA further outline threshold experience requirements related to specific project type. (Up to 25 points)</p> <ul style="list-style-type: none"> - Development, ownership, or operation of one project similar in scope and size to the proposed Project; or development, ownership, or operation of at least two affordable rental housing or interim projects in the last ten years, with at least one of those projects containing at least one unit housing a tenant who qualifies as a member of the Target Population. (10 points) - 5 additional points awarded for each additional project (development, ownership, or operation of affordable rental housing or interim projects in the last ten years serving at least one member of the Target Population) (up to 15 additional points) <p>b. Demonstration of service provider’s experience helping persons address barriers to housing stability and providing other support services, not necessarily within a housing project. Service provider may be Applicant, or a member of the development team described in Applicant’s response to point category 2.c., below. Service provider experience must be with the specific population(s) housed within the Homekey units to count toward points in this section (e.g., families, singles, Homeless Youth, Chronically Homeless) (Up to 15 points)</p> <ul style="list-style-type: none"> - 1 point awarded for each year of service experience, up to a maximum of 15 points. - NOTE: Sections 300-303 of this NOFA further outline threshold experience requirements related to specific project type. <p>c. Commitment letter(s) or MOU(s) documenting how the complete development and management team (which may include Applicant, developer, property manager, lead service provider, etc.) are connected and will work together on the Project. Applicants are encouraged to complete due diligence checklists to ensure all members of the team are aware of roles and responsibilities (Up to 15 points)</p>
<p>3. Racial equity and Community Engagement (Up to 20 points)</p>	<p>a. Racial Disparities Analysis (Up to 10 points) Using the Racial Demographic Data Worksheet (in application), provide the Continuum of Care Outcomes by Race and Ethnicity and the following analysis. NOTE: Section 300 of this NOFA further outlines this threshold requirement.</p> <p>Using the data from the worksheet, provide a narrative analysis of the racial and ethnic disparities in systems outcomes. What are the root</p>

Categories and Maximum Point Scores	Evaluation Criteria
	<p>causes or factors leading to these racial inequities? For service providers with prior experience, provide an analysis of prior program outcomes.</p> <p>Detail how the Applicant will address racial and ethnic disparities in program outcomes at each stage of the project design and development.</p> <p>b. Community Engagement (Up to 10 points) Detail how the Applicant has engaged or will engage with the target community, including people currently experiencing homelessness and people with lived experience of homelessness, to inform the design of the project.</p> <p>Provide documentation of this engagement, including but not limited to meeting notes, community planning documents, MOU of partnership with community organization, etc.</p>
<p>4. Community impact and site selection (Up to 92 points)</p>	<p>a. The Project serves specific sub-populations (20 points)</p> <ul style="list-style-type: none"> - 25% or more of Assisted Units are reserved for those experiencing Chronic Homelessness (20 points); OR - 50% or more of Assisted Units are reserved for those experiencing Homelessness (20 points); OR - 25% or more of Assisted Units are reserved for Homeless Youth or Youth at Risk of Homelessness (20 points); <p>b. Assisted Units include units for large family housing types (10 points)</p> <ul style="list-style-type: none"> - At least twenty-five percent (25%) of the Assisted Units in the project shall be three-bedroom or larger units, AND - At least an additional twenty-five percent (25%) of the Assisted Units in the project shall be two-bedroom or larger units, consistent with TCAC Regulations (4 CCR § 10325(g)(1)(A-I)), (10 points) <p>c. Commitment to 55 year deed restriction to serve Target Population, waiving any potential accommodation by the Department to increase income limits as described in Section 303. (Up to 20 points)</p> <ul style="list-style-type: none"> - At least 25% of Assisted Units restricted (5 points) - At least 50% of Assisted Units restricted (10 points) - At least 75% of Assisted Units restricted (15 points) - 100% of Assisted Units restricted (20 points) <p>d. The extent to which the Project (with 20 or more units) commits to being accessible to persons with disabilities (Up to 10 points)</p> <ul style="list-style-type: none"> - Exceeds the state and federal accessibility requirements set forth Section 505, specifically providing a minimum of 15 percent of units with features accessible to persons with mobility disabilities, as defined in 24 C.F.R. Section 8.22 and the parallel ADAAG 2010 and CBC provisions; (5 points) - A minimum of 10 percent of units with features accessible to persons with hearing or vision disabilities, as defined in 24 CFR Part 8.22 and the parallel ADAAG 2010 and CBC Chapter 11B provisions. (5 points) <p>e. The proposed project requires no Rehabilitation or construction, or the Rehabilitation/construction and full occupancy can be completed within eight (8) months of award. Those receiving points in this category are</p>

Categories and Maximum Point Scores	Evaluation Criteria
	<p>also able to utilize the bonus award as outlined in Section 207. (10 points)</p> <p>f. For any project where the Applicant’s capital match exceeds the minimum match required per Assisted Unit, one (1) point will be assigned for every \$10,000 over the minimum match required (Up to 10 points);</p> <p>OR</p> <p>For any project where the average total cost per Assisted Unit is below the minimum baseline per door, one (1) point will be assigned for every \$10,000 under the baseline amount. (Up to 10 points)</p> <p>g. Site Selection (Up to 12 points)</p> <p>The project site is located within 1/2 mile of a bus rapid transit station, light rail station, commuter rail station, ferry terminal, bus station, or public bus stop OR the project includes an alternative transportation service for residents (e.g., van or dial-a-ride service), if costs of obtaining and maintaining the van and its service are included in the budget and the operating schedule is either on demand by tenants or a regular schedule is provided (4 points)</p> <p>The Project site is in proximity to essential services:</p> <ul style="list-style-type: none"> i. Grocery store – within 1/2 mile of a full-scale grocery store/supermarket where staples, fresh meat, and fresh produce are sold. (1 mile for projects in rural areas) (2 points); <p>NOTE: If applying for TCAC, it is advisable that the grocery store be at least 25,000 gross interior square feet.</p> <ul style="list-style-type: none"> ii. Health facility – within 1/2 mile (1 mile for projects in rural areas) of a qualifying medical clinic with a physician, physician’s assistant, or nurse practitioner on-site for a minimum of 40 hours each week, or hospital (not merely a private doctor’s office). <p>A qualifying medical clinic must accept Medi-Cal payments, or Medicare payments, or Health Care for the Homeless, or have an equally comprehensive subsidy program for low-income patients; (1 point)</p> <ul style="list-style-type: none"> iii. Library – within 1/2 mile of a book-lending public library (1 mile for projects in rural areas); (1 point) iv. Pharmacy – within 1/2 mile of a pharmacy (1 mile for projects in rural areas). May be included in a grocery store or health facility (2 points) v. For projects with units serving Homeless Youth: within one mile of at least two of the following: community colleges, universities, trade schools, apprenticeship programs, employment programs, childcare centers for parenting youth, and/or community centers for youth (e.g., LGBTQ+ centers, drop-in youth centers) (2 points)
<p>5. Negative Points (Up to -20 points)</p>	<ul style="list-style-type: none"> a. For any project resulting in the permanent displacement of residents (not businesses or farm operations), as outlined below: <ul style="list-style-type: none"> - The project permanently displaces existing residents in 5% of total units. (-5 points) - Applicants lose one point (up to an additional 15 points) for each additional percentage point of households displaced out of total units.

In the event of program oversubscription, where Applicants have the same score and the same date and time stamp, the Department may consider additional criteria as a tiebreaker, including, but not limited to, cost-effectiveness, community impact, affirmatively furthering fair housing, innovative housing types, tenant stability and proximity to transit, and services and amenities.

Article IV. Application Submission, Review, and Award Process

Section 400. Application Process and Submission

For OTC funding, applications will be accepted and evaluated on a first-come, first-served basis at any time from the release of the application until May 2, 2022, or until the available funds are exhausted, whichever occurs first. Funds are awarded to those applicants that meet the minimum threshold criteria, including the minimum point score.

Homekey Round 2 application materials must be submitted electronically to the Department's [website](#).

Electronic Submission - Requirements for uploading the Homekey Round 2 Application and required supporting documentation, including naming conventions, are described in the Homekey Round 2 Application instructions/checklist tab. Applicants must upload all complete application materials to the Department's website no later than 11:59 p.m. Pacific Daylight Time on Wednesday, May 2, 2022, to the extent that funds remain available at that time.

Application packages that are incomplete or that do not meet the filing requirements will not be considered for funding but may be amended and resubmitted. Applications must be on the Department's forms and, forms cannot be altered or modified by the Applicant. Excel forms must be submitted in Excel format, not as a PDF document.

- i. Applications will be prioritized as described in Section 203.
- ii. The Department will evaluate applications for compliance with the minimum program requirements set forth in this NOFA.
- iii. After each Applicant has been certified to meet the minimum program requirements, each project must receive a minimum overall score of 120 points, as outlined in Section 304, to be considered for a funding award.
- iv. Each Applicant and Co-Applicant shall submit an authorizing resolution that, in the Department's reasonable determination, materially comports with the Program's requirements and is legally sufficient. In addition, each Co-Applicant shall submit a complete set of its organizational documents (including any amendments thereto). The Department will not disburse Homekey funds until it receives the foregoing documentation, as specified.
- v. Applicant shall provide documentation of its ability to obtain the insurance coverages outlined in Article VIII of this NOFA.
- vi. The application is a public record, which is available for public review pursuant to the California Public Records Act (CPRA) (Chapter 3.5 (commencing with Section 6250))

of Division 7 of Title 1 of the Government Code). After final Homekey awards have been issued, the Department may disclose any materials provided by the Applicant to any person making a request under the CPRA. The Department cautions Applicants to use discretion in providing information not specifically requested, including but not limited to, bank account numbers, personal phone numbers, and home addresses. By providing this information to the Department, the Applicant is waiving any claim of confidentiality and consents to the disclosure of submitted material upon request.

- vii. The Department reserves the right to do the following:
 - a. Score an application as submitted even if information is missing from the application;
 - b. Request clarification of unclear or ambiguous statements made in an application or request additional clarifying documentation or information; and
 - c. Beginning May 2, 2022, deploy unused funds from an undersubscribed set-aside to fund other Eligible Applicants for other subsets of the Target Population.

Section 401. Pre-Application Consultation and Technical Assistance

The Department requires all Applicants to engage in a pre-application consultation with the Department prior to applying. The consultation will allow the prospective Applicant to discuss the proposed project, along with other applicable programmatic considerations, including those related to site acquisition, the CEQA, land use and land entitlements, CoC coordination and services partnerships, and long-term financing approaches. Pre-application consultations will be available upon the release of this NOFA and may be requested by emailing Homekey@hcd.ca.gov.

Section 402. Award Process

The Department will send an award letter to the successful Applicant. Funds will be disbursed after the Standard Agreement has been fully executed and approved by the Department unless the Standard Agreement specifies conditions precedent to disbursement.

The Department is committed to disbursing Homekey funds in a timely manner. To avoid any expenditure delays, funds may be issued directly to an escrow company that has been approved by the Department if the full award is toward acquisition. The Applicant shall identify the name and address of the escrow company, the name of the escrow officer, the escrow number, and any other information requested by the Department.

Section 403. Appeals

Basis of Appeals.

1. Applicants may appeal the Department's written determination that an application is incomplete, has failed threshold review, or has otherwise been determined to provide an insufficient basis for an award.
2. No Applicant shall have the right to appeal a decision of the Department relating to another Applicant's application (e.g., eligibility, point score, award, denial of award).

3. The appeal process provided herein applies solely to decisions of the Department made pursuant to this NOFA.

Appeal Process and Deadlines.

1. **Process.** To file an appeal, Applicants must submit to the Department a written appeal, which sets forth all relevant facts, arguments, and evidence in support of the appeal. In addition, the Applicant must specify the area(s) of the application that are relevant to or provide context for the appeal. New or supplemental information must be limited and necessary to provide clarification or to address the insufficiencies identified in the subject application. No new or supplemental information will be considered if it would result in an unfair competitive advantage to the Applicant. Appeals are to be submitted to the Department at Homekey@hcd.ca.gov.
2. **Filing Deadline.** Appeals must be received by the Department no later than five (5) business days from the date of the Department's written determination regarding the subject application.
3. **Decision.** The requirements of this NOFA and all other applicable law will govern the Department's determination. All decisions rendered shall be final, binding, and conclusive, and shall constitute the final action of the Department.

Article V – Other Program Requirements

Section 500. Article XXXIV

Per HSC section 37001, subdivision (h)(2), article XXXIV, section 1 of the California Constitution (Article XXXIV) is not applicable to development that consists of the acquisition, Rehabilitation, reconstruction, alterations work, new construction, or any combination thereof, of lodging facilities or dwelling units using moneys received from the CSFRF established by the federal American Rescue Plan Act of 2021 (ARPA) (Public Law 117-2). As such, Article XXXIV is not applicable to Homekey-funded development.

Section 501. Housing First

The Eligible Applicant shall certify to employ the core components of Housing First, as set forth at Welfare and Institutions Code section 8255, in its property management and tenant selection practices. Projects shall accept tenants regardless of sobriety, participation in services or treatment, history of incarceration, credit history, or history of eviction in accordance with practices permitted pursuant to Housing First practices, including local Coordinated Entry System prioritization protocols, or other federal or state Project funding sources.

Section 502. Tenant Selection

Referrals to Homekey Assisted Units shall be made through the local Coordinated Entry System (CES) for persons who are experiencing Homelessness. For persons At Risk of Homelessness, CES or another comparable prioritization system based on greatest need shall be used. All referral protocols for Homekey Assisted Units must be developed in collaboration with the local CoC and implemented consistent with the requirements set forth

in this NOFA. CoC collaboration in Project and supportive service design is also strongly encouraged to help target and serve greatest need populations.

Section 503. Participation in Statewide HDIS/HMIS

All Homekey Grantees shall support CoC participation in the statewide Homeless Data Integration System (HDIS), and, in accordance with state and federal law (including all applicable privacy law), disclose relevant data to the local Homeless Management Information System (HMIS).

Section 504. Relocation

1. Grantee must comply with all applicable federal, state, and local relocation law. Pursuant to relocation law, a Grantee must have a relocation plan prior to proceeding with any phase of a project or other activity that will result in the displacement of persons, businesses, or farm operations. To ensure that displaced persons and entities do not suffer a disproportionate impact as a result of projects which benefit the public, all notices to vacate and relocation services must be provided to them in accordance with applicable law. In addition, before the Homekey award will be disbursed, Grantee must have either:
 - a. A Department-approved relocation plan; or
 - b. A Department-issued Certification Regarding Non-Application of Relocation Benefits and Indemnification Agreement, which has been duly executed and approved by the Department.

The Department will identify its form, substance, and submittal requirements for these relocation documents in the Homekey application materials. Where the Grantee's activities will or may result in displacement, the Grantee's development budget shall include enough funds to pay all costs of relocation benefits and assistance. Any modifications to the foregoing process requirements must be approved in advance by the Department in writing.

Section 505. Accessibility and Non-Discrimination

All developments shall adhere to the accessibility requirements set forth in California Building Code Chapter 11A and 11B and the Americans with Disabilities Act, Title II. In addition, developments shall adhere to either the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 8, or HUD's modified version of the 2010 ADA Standards for Accessible Design (Alternative 2010 ADAS), HUD-2014-0042-0001, 79 F.R. 29671 (5/27/14) (commonly referred to as "the Alternative Standards" or "HUD Deeming Memo"). Accessible units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout the Project and be available in a sufficient range of sizes and amenities consistent with 24 CFR part 8.26.

Grantees shall adopt a written non-discrimination policy requiring that no person shall, on the grounds of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where explicitly prohibited by federal law), arbitrary characteristics, and all other

classes of individuals protected from discrimination under federal or state fair housing laws, individuals perceived to be a member of any of the preceding classes, or any individual or person associated with any of the preceding classes be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with program funds made available pursuant to this NOFA.

Grantees shall comply with the requirements of the Americans with Disabilities Act of 1990, the Fair Housing Amendments Act, the California Fair Employment and Housing Act, the Unruh Civil Rights Act, Government Code section 11135, Section 504 of the Rehabilitation Act of 1973, and all regulations promulgated pursuant to those statutes, including 24 CFR Part 100, 24 CFR Part 8, and 28 CFR Part 35.

Section 506. Prevailing Wages

Applicant's contemplated use of Homekey funds is subject to California's prevailing wage law (Lab. Code, § 1720 et seq.). Applicant is urged to seek professional legal advice about the law's requirements. Prior to disbursing the Homekey funds, the Department will require a certification of compliance with California's prevailing wage law, as well as all applicable federal prevailing wage law. The certification must verify that prevailing wages have been or will be paid, and that labor records will be maintained and made available to any enforcement agency upon request. The certification must be signed by the general contractor(s) and the Grantee.

Section 507. Environmental Clearances

The Department encourages Eligible Applicants to fully engage with the Department's technical assistance and to consider the CEQA exemption set forth at HSC section 50675.1.4 and the provision for land use consistency and conformity set forth at HSC section 50675.1.3, subdivision (i).

Applicants should consult with their counsel for legal advice in construing application of the foregoing exemptions to their Project. It is entirely within an Applicant's discretion to determine whether to use the statutory CEQA exemption, whether the exemption applies to the Applicant's proposed activity, or whether some other mechanism applies and could be used to satisfy obligations under CEQA.

Article VI – Program Operations

Section 600. Program Oversight

As specified by the Department and upon request, Grantees shall provide progress reports in connection with the development plan and any updates to the timeline for completion of the Project. The development plan should include the Project's completion milestones and any updates or substantial changes.

Grantees shall promptly notify the Department upon any changes in Grantee organization, authorization, or capacity.

Section 601. Reporting

Grantees shall submit an annual Homekey Program and Expenditure Report to the Department for five years following Standard Agreement execution. The report will be due no

later than January 31 for the prior calendar year of January 1 to December 31. The report shall be in such form and contain such information as required by the Department in its sole and absolute discretion. At minimum, the report shall include the following data:

- i. The amount of funds expended for the project.
- ii. The location of any properties for which the funds are used.
- iii. The number and size of habitable housing units produced, or planned to be produced, using the funds.
- iv. The number and demographics of individuals housed, or likely to be housed, using the funds.
- v. The racial and ethnic composition of the tenants assisted.
- vi. The number of units, and the location of those units, for which operating subsidies have been, or are planned to be, capitalized using the funds.
- vii. Detail of supportive services offered to tenants.
- viii. Any lessons learned from the use of the funds.
- ix. The proposed development vision that identifies the financial and regulatory mechanisms to be used to maintain the long-term affordability of the project.
- x. The progress and status in securing any required entitlements, permits, environmental clearances.
- xi. The proposed timeline for the completion of the project.

If a project received an award for an operating subsidy, Grantees shall also report their operating expenditures in the annual report.

In addition to the foregoing, the Grantee shall submit to the Department such periodic reports, updates, and information as deem necessary by the Department to monitor compliance and/or perform program evaluation. Any requested data or information shall be submitted in electronic format on a form provided by the Department.

The Grantee shall ensure that the expenditure of Homekey funds is consistent with the requirements of the Program. The Department shall monitor the expenditures to ensure that those expenditures comply with this NOFA.

The Department may request the repayment of funds or pursue any other remedies available, at law or in equity, for failure to comply with Program requirements.

Section 602. Disbursement of Grant Funds

Pursuant to 31 CFR part 35.5, the Department may disburse funds to cover Homekey-critical expenditures that were incurred beginning March 3, 2021. Homekey Program funds will be disbursed to the Grantee after the Department has received a request for funds from the Grantee and a Standard Agreement between the Grantee and the Department is fully

executed. The Standard Agreement will set forth the general conditions of disbursement, any conditions precedent to disbursements (e.g., documentation requirements for pre-Standard Agreement expenditures or conditional performance measures), and the Department's remedies upon an event of default. The Standard Agreement will also identify the payee. Where Co-Grantees wish to receive the grant award outside of escrow, they must identify, and memorialize in the Standard Agreement, which Grantee will serve as the designated payee for all award amounts.

Section 603. Legal Documents

Upon the award of Homekey funds to a Project, the Department shall enter into one or more agreements with the Grantee(s), including a Standard Agreement, which shall encumber funds from the Homekey Program, subject to specified conditions. The agreement or agreements shall include, but not be limited to:

- i. A description of the approved project and the permitted uses of funds;
- ii. The amount and terms of the program grant;
- iii. The use, income, occupancy, and rent restrictions, to be imposed on the project through a use restriction (e.g., covenant, regulatory agreement) recorded against the property of the project;
- iv. Performance milestones, and other progress metrics, governing the completion of the project, along with the remedies available to the Department in the event of a failure to meet such milestones or metrics;
- v. Provisions governing the manner, timing, and conditions of the disbursement of the program grant;
- vi. Special conditions imposed as part of the Department's approval of the project;
- vii. Terms and conditions required by federal and state law;
- viii. Requirements for reporting to the Department;
- ix. Remedies available to the Department in the event of a violation, breach, or default of the agreement; and
- x. Provisions regarding Grantee liability. Specifically, the Grantee will remain liable to the Department for compliance with and the performance of all Program requirements regardless of any Department-approved transfer or assignment of interest. Likewise, each co-Grantee will remain jointly and severally liable to the Department for compliance with and the performance of all Program requirements regardless of any Department-approved transfer or assignment of interest, and notwithstanding the co-Grantees' identification of a designated payee.

The agreement will also include such other provisions as are necessary to ensure adherence to the objectives and requirements of the program.

Section 604. Sales, Transfers, and Encumbrances

An Applicant(s) shall not sell, assign, transfer, or convey the awarded Project, or any interest therein or portion thereof, without the express prior written approval of the Department, which may be granted, delayed, or withheld in the Department's sole and absolute discretion.

Section 605. Defaults and Grant Cancellations

Funding commitments may be canceled by the Department under any of the following conditions:

- i. The objectives and requirements of the Homekey Program cannot be met and the implementation of the Project cannot proceed in a timely fashion in accordance with the timeframes established in the Standard Agreement or the regulatory agreement.
- ii. In the event of a breach or violation by the Grantee, the Department may give written notice to the Grantee to cure the breach or violation. If the breach or violation is not cured to the satisfaction of the Department within a reasonable time period, the Department, at its option, may declare a default under the relevant document and may seek legal remedies for the default including the following:
 - a. The Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation or the appointment of a receiver to complete the Project in accordance with Homekey Program requirements; and
 - b. The Department may seek such other remedies as may be available under the relevant agreement or at law, or in equity.

Article VII – Definitions

Below are the definitions for purposes of the Homekey Program:

- i. "Applicant" means the "Eligible Applicant," as that term is defined in this NOFA, as well as the Eligible Applicant's nonprofit or for-profit corporation Co-Applicant(s), if applicable. As allowed or required by context, the term "Applicant" shall refer to all such entities in their individual and/or collective capacity.
- ii. "Area Median Income" or "AMI" means the most recent applicable county median family income published by the California Tax Credit Allocation Committee (TCAC) or the Department.
- iii. "Assisted Unit" means a residential housing unit that is subject to rent, income, occupancy, or other restrictions associated with a Homekey site.
- iv. "At Risk of Homelessness" has the same meaning as defined in Title 24 CFR Part 578.3.
- v. "Co-Applicant" means the nonprofit or for-profit corporation that is jointly applying for Homekey funds with a state, regional, or local public entity, or with a Tribal Entity.

- vi. "City" means a city or city and county that is legally incorporated to provide local government services to its population. A city can be organized either under the general laws of this state or under a charter adopted by the local voters.
- vii. "Chronic Homelessness" means a person who is chronically homeless, as defined in Title 24 CFR Part 578.3.
- viii. "Continuum of Care" means the same as defined by the United States Department of Housing and Urban Development at Title 24 CFR Part 578.3.
- ix. "Department" means the Department of Housing and Community Development.
- x. "Eligible Applicant" means a city; county; a city and county; any other state, regional, and local public entity, including a council of government, metropolitan planning organization, and regional transportation planning agency designated in Section 29532.1 of the Government Code; or a Tribal Entity(ies) as defined in this NOFA. For purposes of this definition, a "local public entity" is further defined in accordance with HSC section 50079. As allowed or required by context, "Applicant" shall be interpreted to include any of the foregoing entities, as well as that entity's nonprofit or for-profit corporation Co-Applicant. Upon receiving an award of Homekey funds, the Eligible Applicant and any Co-Applicant(s) will, both individually and collectively, be referred to as the "Grantee" for purposes of this NOFA.
- xi. "Extremely Low Income" or "ELI" has the same meaning as in Title 24 CFR Part 93.2.
- xii. "Enforceable Funding Commitment" means a letter or other document, in form and substance satisfactory to the Department, which evidences an enforceable commitment of funds or a reservation of funds by a Project funding source, and which contains the following:
 - a. The name of the Applicant or Grantee;
 - b. The Project name;
 - c. The Project site address, assessor's parcel number, or legal description; and
 - d. The amount, interest rate (if any), and terms of the funding source.

The Enforceable Funding Commitment may be conditioned on certain standard underwriting criteria, such as appraisals, but may not be generally conditional. Examples of unacceptable general conditions include phrases such as "subject to senior management approval," or a statement that omits the word "commitment," but instead indicates the lender's "willingness to process an application" or indicates that financing is subject to loan committee approval of the Project. Contingencies in commitment documents based upon the receipt of tax-exempt bonds or low-income housing tax credits will not disqualify a source from being counted as committed.
- xiii. "Grantee" means the Eligible Applicant (and, if applicable, the Co-Applicant) that has been awarded funds under the Program, and that will be held responsible for compliance with and performance of all Homekey Program requirements. The Grantee may comprise one or more entities, so long as the Grantee structure includes an "Eligible Applicant," as that term is defined in this NOFA. All such entities shall, in their

individual and collective capacity as the “Grantee,” be bound by the Homekey Standard Agreement and each and every one of the Homekey Program terms, conditions, and requirements.

- xiv. “HDIS” means the statewide Homeless Data Integration System.
- xv. "Homeless" has the same meaning as defined in Title 24 CFR Part 578.3.
- xvi. “Homeless Youth” or “Youth at Risk of Homelessness” has the same meaning as defined in Title 24 CFR Part 578.3.
- xvii. "Housing First" has the same meaning as in Welfare and Institutions Code section 8255, including all of the core components listed therein.
- xviii. "HUD" means the U.S. Department of Housing and Urban Development.
- xix. "Interim Housing", “Transitional Housing” or "Congregate Shelter" means any facility whose primary purpose is to provide a temporary shelter for the Homeless in general or for specific populations of the Homeless, and which does not require occupants to sign leases or occupancy agreements.
- xx. “Local Public Entity” is defined in accordance with HSC section 50079, and means any county, city, city and county, the duly constituted governing body of an Indian reservation or rancheria, tribally designated housing entity as defined in Section 4103 of Title 25 of the United States Code and Section 50104.6.5, redevelopment agency organized pursuant to Part 1 (commencing with Section 33000) of Division 24, or housing authority organized pursuant to Part 2 (commencing with Section 34200) of Division 24, and also includes any state agency, public district, or other political subdivision of the state, and any instrumentality thereof, that is authorized to engage in or assist in the development or operation of housing for persons and families of low or moderate income. “Local public entity” also includes two or more local public entities acting jointly.
- xxi. "NOFA" means a Notice of Funding Availability.
- xxii. "Operating Expenses" means the amount approved by the Department that is necessary to pay for the recurring expenses of the Project, such as utilities, maintenance, management fees, taxes, licenses, and supportive services costs, but not including debt service or required reserve account deposits.
- xxiii. "Permanent Supportive Housing" has the same meaning as "supportive housing," as defined at HSC section 50675.14, subdivision (b)(2), except that "Permanent Supportive Housing" shall include associated facilities if used to provide services to housing residents.
- xxiv. "Permanent Housing" means a housing unit where the landlord does not limit length of stay in the housing unit, the landlord does not restrict the movements of the tenant, and the tenant has a lease and is subject to the rights and responsibilities of tenancy.
- xxv. “Positive Youth Development (PYD)” is an intentional, prosocial approach that engages youth within their communities, schools, organizations, peer groups, and families in a manner that is productive and constructive; recognizes, utilizes, and enhances young

people's strengths; and promotes positive outcomes for young people by providing opportunities, fostering positive relationships, and furnishing the support needed to build on their leadership strengths.

- xxvi. "Project" means a structure or set of structures providing housing or shelter with common financing, ownership, and management.
- xxvii. "Program Award" means the portion of program funds available for a Grantee to expend toward eligible program uses.
- xxviii. "Point-in-Time Count" or "PIT" means a count of sheltered and unsheltered Homeless persons on a single night conducted by Continuums of Care as prescribed by HUD.
- xxix. "Rehabilitation" means the term as defined at HSC section 50096, but includes improvements and repairs made to a residential structure acquired for the purpose of preserving its affordability and use by the Target Population.
- xxx. "Rural Area" is defined in accordance with HSC section 50199.21.
- xxxi. "Target Population" means individuals and families who are experiencing homelessness or who are at risk of homelessness, as defined at HSC section 50675.1.3, subdivision (l), and who are inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases.
- xxxii. "Tribal Entity(ies)" means an Applicant that is any of the following:
 - a. Applicant meets the definition of Indian tribe under Section 4103(13)(B) of Title 25 of the United State Code;
 - b. Applicant meets the definition of Tribally Designated Housing Entity under 25 USC 4103(22);
 - c. If not a federally recognized tribe, either:
 - i. Applicant is listed in the Bureau of Indian Affairs Office of Federal Acknowledgement petitioner list pursuant to Section 82.1 of Title 25 of the Federal Code of Regulations.
 - ii. Applicant is an Indian tribe located in California that is on the contact list maintained by the Native American Heritage Commission for the purposes of consultation pursuant to Section 65352.3 of the Government Code.
- xxxiii. "Unit" means a residential unit that is used as a primary residence by its occupants, including individual units within the project.
- xxxiv. "Youth Assisted Unit" means an Assisted Unit serving Homeless Youth, or Youth at Risk of Homelessness, as defined in Title 24 CFR Part 578.3. Pursuant to Section 203, Youth Assisted Units may also serve current and former foster youth through the age of 25.

Article VIII – Insurance Requirements

Section 800. Insurance Requirements

i. Commercial General Liability

Applicants shall maintain general liability on an occurrence form with limits not less than \$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury and property damage liability. The policy shall include coverage for liabilities arising out of premises, operations, independent contractors, products, completed operations, personal and advertising injury, and liability assumed under an insured agreement. This insurance shall apply separately to each insured against which claim is made, or suit is brought subject to the Applicant's limit of liability. **The policy must name the State of California and the Department of Housing and Community Development, as well as the respective appointees, officers, agents, and employees of each, as additional insureds, but only with respect to work performed under the contract.**

If available in the open market at a reasonable cost, the policy shall also include an endorsement for physical abuse and child/sexual molestation coverage.

Coverage shall include actual or threatened physical abuse, mental injury, sexual molestation, negligent hiring, employment, supervision, investigation, reporting to proper authorities, and retention of any person for whom the Applicant is responsible. This insurance shall apply separately to each insured against which claim is made, or suit is brought subject to the Applicant's limit of liability. Coverage shall include the cost of defense and the cost of defense shall be provided outside the coverage limit.

If available in the open market at a reasonable cost, the policy shall also include an endorsement for assault and battery.

ii. Automobile Liability

Applicant shall maintain motor vehicle liability with limits not less than \$1,000,000 combined single limit per accident. Such insurance shall cover liability arising out of a motor vehicle including owned, hired, and non-owned motor vehicles. **The policy must name the “State of California and the Department of Housing and Community Development”, as well as the respective appointees, officers, agents, and employees of each, as additional insureds, but only with respect to work performed under the contract.**

If Applicant will not have or use any commercially owned vehicles during the term of the Standard Agreement, by signing the Standard Agreement, the Applicant certifies that the Applicant and any appointees, employees, subcontractors, or servants possess valid automobile coverage in accordance with California Vehicle Code sections 16450 to 16457, inclusive. The Department reserves the right to request proof at any time.

iii. Workers' Compensation and Employer's Liability

Applicant shall maintain statutory worker's compensation and employer's liability coverage for all its employees who will be engaged in the performance of the contract. In addition, employer's liability limits of \$1,000,000 are required. By signing the Standard Agreement, Applicant acknowledges compliance with these regulations. **A Waiver of Subrogation or Right to Recover endorsement in favor of the State of California and the Department of Housing and Community Development must be attached to the certificate.**

iv. Builder's Risk/Installation Floater

If there is installation or construction of property/materials on or within the facility at any time during the term of the Standard Agreement, the Applicant shall maintain in force, at its own expense, Builders Risk/Installation Floater covering the labor, materials, and equipment to be used for completion of the Work performed under this contract against all risks of direct physical loss, excluding earthquake and flood, for an amount not less than the full amount of the property and/or materials being installed and/or constructed on or within the facility. The Applicant agrees as a provision of the contract to waive all rights of recovery against the state.

v. Property Insurance

The Applicant shall maintain fire, lightning and extended coverage insurance on the facility which shall be in a form of a commercial property policy, in an amount equal to one hundred percent (100%) of the then current replacement cost of the facility, excluding the replacement cost of the unimproved real property constituting the site. The extended coverage endorsement shall, as nearly as practicable, include but not be limited to loss or damage by an explosion, windstorm, riot, aircraft, vehicle damage, smoke, vandalism, and malicious mischief and such other hazards as are normally covered by such endorsement.

vi. Self-Insured

If a state, regional, or local public entity is the sole Applicant, and if that entity is self-insured in whole or in part as to any of the above-described types and levels of coverage, then that entity shall provide the Department with a written acknowledgment of this fact before execution of the Standard Agreement. If, at any time after the execution of the Standard Agreement, the state, regional, or local public entity abandons its self-insured status, that entity shall immediately notify the Department of this fact and shall comply with all of the terms and conditions of this Section pertaining to insurance requirements. The Department may accept evidence of self-insurance from other Eligible Applicants in its sole and absolute discretion.

APPENDIX A: Capital Contributions to Projects*

Assisted Unit, 1:1 Match	Homekey Capital Contributions		
	Total Cost Per Door *	Maximum Homekey Contribution	Applicant Contribution
Up to 1 Bedroom	\$140,000	\$140,000	\$0
	\$150,000	\$150,000	\$0
	\$160,000	\$155,000	\$5,000
	\$180,000	\$165,000	\$15,000
	\$200,000	\$175,000	\$25,000
	\$220,000	\$185,000	\$35,000
	\$240,000	\$195,000	\$45,000
	\$260,000	\$205,000	\$55,000
	\$280,000	\$215,000	\$65,000
	\$300,000	\$225,000	\$75,000
	\$320,000	\$235,000	\$85,000
	\$340,000	\$245,000	\$95,000
\$350,000+	\$250,000	\$100,000+	
Two Bedrooms	\$155,000	\$155,000	\$0
	\$175,000	\$175,000	\$0
	\$195,000	\$185,000	\$10,000
	\$215,000	\$195,000	\$20,000
	\$235,000	\$205,000	\$30,000
	\$255,000	\$215,000	\$40,000
	\$275,000	\$225,000	\$50,000
	\$295,000	\$235,000	\$60,000
	\$315,000	\$245,000	\$70,000
	\$335,000	\$255,000	\$80,000
	\$355,000	\$265,000	\$90,000
	\$375,000+	\$275,000	\$100,000+
Three or More Bedrooms	\$180,000	\$180,000	\$0
	\$190,000	\$190,000	\$0
	\$200,000	\$200,000	\$0
	\$220,000	\$210,000	\$10,000
	\$240,000	\$220,000	\$20,000
	\$260,000	\$230,000	\$30,000
	\$280,000	\$240,000	\$40,000
	\$300,000	\$250,000	\$50,000
	\$320,000	\$260,000	\$60,000
	\$340,000	\$270,000	\$70,000
	\$360,000	\$280,000	\$80,000
	\$380,000	\$290,000	\$90,000
\$400,000+	\$300,000	\$100,000+	
Experiencing Chronic Homelessness	\$180,000	\$180,000	\$0
	\$190,000	\$190,000	\$0
	\$200,000	\$200,000	\$0

Assisted Unit, 1:1 Match	Homekey Capital Contributions		
	Total Cost Per Door *	Maximum Homekey Contribution	Applicant Contribution
	\$220,000	\$210,000	\$10,000
	\$240,000	\$220,000	\$20,000
	\$260,000	\$230,000	\$30,000
	\$280,000	\$240,000	\$40,000
	\$300,000	\$250,000	\$50,000
	\$320,000	\$260,000	\$60,000
	\$340,000	\$270,000	\$70,000
	\$360,000	\$280,000	\$80,000
	\$380,000	\$290,000	\$90,000
\$400,000+	\$300,000	\$100,000+	
Homeless Youth or Youth At Risk of Homelessness	\$155,000	\$155,000	\$0
	\$175,000	\$175,000	\$0
	\$195,000	\$185,000	\$10,000
	\$215,000	\$195,000	\$20,000
	\$235,000	\$205,000	\$30,000
	\$255,000	\$215,000	\$40,000
	\$275,000	\$225,000	\$50,000
	\$295,000	\$235,000	\$60,000
	\$315,000	\$245,000	\$70,000
	\$335,000	\$255,000	\$80,000
	\$355,000	\$265,000	\$90,000
\$375,000+	\$275,000	\$100,000+	

* The total cost per door referenced in the table above includes all eligible capital expenses, including acquisition, Rehabilitation, and new construction costs.



GENERAL PLAN REFERRAL

December 8, 2021

Case No.: 2021-012122GPR
Block/Lot No.: 835 Turk Street, 0761/016A
Project Sponsor: City and County of San Francisco
Applicant: Dan Adams, Department of Homelessness and Supportive Housing
Dan.adams@sfgov.org
49 South Van Ness Ave.
San Francisco, CA, 94102

Staff Contact: Patrick Race – (628) 652-7461
patrick.race@sfgov.org

Recommended By: 
AnMarie Rodgers, Director of Citywide Policy
For Rich Hillis, Director of Planning

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

Project Description

The City and County of San Francisco Department of Homelessness and Supportive Housing proposes to purchase the property at 835 Turk Street. The property consists of 6,899 square feet of land, improved with a 115-room residential hotel. The transaction does not entail any physical changes to the building itself, or adjacent streets and public infrastructure.

A General Plan Referral is generally required for any purchase of real property by the City.

Environmental Review

Real estate transaction only. Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment.

General Plan Compliance and Basis for Recommendation

As described below, the proposed purchase of 835 Turk Street is consistent with the Eight Priority Policies of Planning Code Section 101.1 and is, on balance, in conformity with the Objectives and Policies of the General Plan.

Note: General Plan Objectives are shown in **BOLD UPPER CASE** font; Policies are in **Bold** font; staff comments are in *italic* font.

HOUSING ELEMENT

OBJECTIVE 1

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

POLICY 1.3

Work proactively to identify and secure opportunity sites for permanently affordable housing.

POLICY 7.5

Encourage the production of affordable housing through process and zoning accommodations, and prioritize affordable housing in the review and approval processes.

OBJECTIVE 6

REDUCE HOMELESSNESS AND THE RISK OF HOMELESSNESS

POLICY 6.1

Prioritize permanent housing and service enriched solutions while pursuing both short- and long-term strategies to eliminate homelessness.

The City anticipates the subsequent use of the building as affordable and or supportive housing. This real estate transaction helps facilitate the production of permanently affordable housing, adding to the City's affordable housing stock.

OBJECTIVE 11

SUPPORT AND RESPECT THE DISTINCT CHARACTER OF SAN FRANCISCO'S NEIGHBORHOODS

POLICY 11.7

Respect San Francisco's historic fabric, by preserving landmark buildings and ensuring consistency with historic districts

The property and building to be purchased by the City of San Francisco will not undergo any alterations as part of the transaction, and its design and character will thus be preserved

MARKET AND OCTABIA AREA PLAN**OBJECTIVE 3.3****PROMOTE THE PRESERVATION OF NOTABLE HISTORIC LANDMARKS, INDIVIDUAL HISTORIC BUILDINGS, AND FEATURES THAT HELP TO PROVIDE CONTINUITY WITH THE PAST****POLICY 3.3.1**

Preserve landmark and other buildings of historic value as invaluable neighborhood assets.

POLICY 3.3.2

Encourage rehabilitation and adaptive reuse of historic buildings and resources.

835 Turk Street, which identified as an historic resource, is located within the geography of the Market and Octavia Area Plan. The project does not call for any physical changes to the building.

Planning Code Section 101 Findings

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

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

The proposed project will not have an impact on neighborhood serving retail uses.

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

The proposed project will help preserve existing neighborhood character, as the building will not undergo a change of use at this time. The proposed project will strengthen neighborhood character, as the proposed project is a property purchase that does not include any changes to the building itself. The City anticipates that the building will be subsequently occupied by affordable and or supportive housing.

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

The Project will not diminish the City's affordable housing supply; on the contrary the anticipated future use will enhance the City's supply of affordable housing.

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

The proposed project will not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from

displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

The proposed project does not include any changes to industrial and service space in San Francisco.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

This project does not include any construction, and will not impact emergency preparedness

7. That the landmarks and historic buildings be preserved;

The property, which is identified as an historic resource, will be utilized in its current state; the project does not include any structural or design changes.

8. That our parks and open space and their access to sunlight and vistas be protected from development;

The proposed project will not impact the access to sunlight or vistas for the parks and open space.

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



San Francisco Ethics Commission

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102

Phone: 415.252.3100 . Fax: 415.252.3112

ethics.commission@sfgov.org . www.sfethics.org

Received On:

File #: 220015

Bid/RFP #:

Notification of Contract Approval

SFEC Form 126(f)4

(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)

A Public Document

Each City elective officer who approves a contract that has a total anticipated or actual value of \$100,000 or more must file this form with the Ethics Commission within five business days of approval by: (a) the City elective officer, (b) any board on which the City elective officer serves, or (c) the board of any state agency on which an appointee of the City elective officer serves. For more information, see: <https://sfethics.org/compliance/city-officers/contract-approval-city-officers>

1. FILING INFORMATION

TYPE OF FILING	DATE OF ORIGINAL FILING (for amendment only)
Original	
AMENDMENT DESCRIPTION – Explain reason for amendment	

2. CITY ELECTIVE OFFICE OR BOARD

OFFICE OR BOARD	NAME OF CITY ELECTIVE OFFICER
Board of Supervisors	Members

3. FILER'S CONTACT

NAME OF FILER'S CONTACT	TELEPHONE NUMBER
Angela Calvillo	415-554-5184
FULL DEPARTMENT NAME	EMAIL
office of the clerk of the Board	Board.of.Supervisors@sfgov.org

4. CONTRACTING DEPARTMENT CONTACT

NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Bryn Miller	978-460-2875
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
HOM Homelessness and Supportive Housing	bryn.miller@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR VSSF Associates, LLC	TELEPHONE NUMBER (619) 595-0111
STREET ADDRESS (including City, State and Zip Code) 1736 State St, San Diego, CA 92102	EMAIL

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 220015
DESCRIPTION OF AMOUNT OF CONTRACT \$25,701,300		
NATURE OF THE CONTRACT (Please describe) The acquisition of the property at 835 Turk Street.		

7. COMMENTS

8. CONTRACT APPROVAL	
This contract was approved by:	
<input type="checkbox"/>	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
<input checked="" type="checkbox"/>	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
<input type="checkbox"/>	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Lynch	Jerry	Shareholder
2	Ito	Akihiko	Shareholder
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			

9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			

9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50			

Check this box if you need to include additional names. Please submit a separate form with complete information. Select “Supplemental” for filing type.

10. VERIFICATION

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

<p>SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK</p> <p>BOS Clerk of the Board</p>	<p>DATE SIGNED</p>
---	---------------------------

From: [Matthew Ringard](#)
To: [Board of Supervisors, \(BOS\)](#); [Breed, Mayor London \(MYR\)](#)
Subject: In Support of Acquiring 835 Turk
Date: Tuesday, January 4, 2022 3:18:42 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Mayor Breed and Board of Supervisors,

I write as a resident of D1 to urge you to support the acquisition of the Gotham Hotel at 835 Turk St. This is an opportunity to get over 100 permanent supportive housing units with private bathrooms available to help curb our City's devastating homelessness emergency. It would also be one of the first supportive housing sites in District 5.

The COVID pandemic has made it important to all PSH to be places where, if a person is sick with a communicable disease, they can properly isolate. Furthermore, the ability to have a private bathroom is a disability and transgender equity issue. This is an excellent opportunity for the City to live up to its values and take a small step toward helping the most vulnerable.

Thank you for your consideration.

Matthew Ringard
District 1

From: [Gabriel Goffman](#)
To: [Board of Supervisors, \(BOS\)](#); [Breed, Mayor London \(MYR\)](#)
Subject: 835 Turk
Date: Tuesday, January 4, 2022 11:36:04 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Mayor Breed and Board of Supervisors,

We are urging you to support the acquisition of the Gotham Hotel at 835 Turk St. This is an opportunity to get over 100 permanent supportive housing units with private bathrooms online to deal with the homelessness crisis. It would also be one of the first supportive housing sites in District 5.

The COVID pandemic has made it important to all PSH to be places where, if a person is sick with a communicable disease, they can properly isolate. Furthermore, the ability to have a private bathroom is a disabled and transgender equity issue.

We also urge that moving forward, all new supportive housing units the city acquires has private restrooms.

Thank you,

Gabe Goffman,
D2

From: [Heidi Petersen](#)
To: [Board of Supervisors, \(BOS\)](#); [Breed, Mayor London \(MYR\)](#)
Subject: Support for acquisition of 835 Turk St as permanent supportive housing
Date: Tuesday, January 4, 2022 10:29:44 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Mayor Breed & Supervisors,
Please support the acquisition of 835 Turk Street for permanent supportive housing. I'm a D5 resident and support this in my neighborhood. One of the few things almost everyone agrees on in this city is that we need to get our homeless neighbors off the streets. The only sustainable way to do this is to make sure we have homes to offer them - that means buying buildings like this. Let's start 2022 off strong, and get people into homes as quickly as possible.

Thank you,
Heidi Petersen
1341 McAllister St
San Francisco CA 94115

From: [Terri Saul](#)
To: [Breed, Mayor London \(MYR\); Board of Supervisors. \(BOS\)](#)
Subject: In support of the acquisition of the Gotham Hotel at 835 Turk St.
Date: Tuesday, January 4, 2022 9:18:14 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Mayor Breed and Board of Supervisors,

We are urging you to support the acquisition of the Gotham Hotel at 835 Turk St. This is an opportunity to get over 100 permanent supportive housing units with private bathrooms online to deal with the homelessness crisis. It would also be one of the first supportive housing sites in District 5.

The COVID pandemic has made it important to all PSH to be places where, if a person is sick with a communicable disease, they can properly isolate. Furthermore, the ability to have a private bathroom is a disabled and transgender equity issue.

We also urge that moving forward, all new supportive housing units the city acquires have private restrooms.

Thank you,

Terri Saul
San Francisco worker

City & County of San Francisco
London N. Breed, Mayor



Office of the City Administrator
Carmen Chu, City Administrator
Andrico Q. Penick, Director of Real Estate

December 30, 2021

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: City's Purchase of Real Property – 835 Turk Street – Permanent Supportive Housing

Dear Honorable Board Members:

Attached for your consideration is a Resolution authorizing the execution of a Purchase and Sale Agreement for the acquisition of the property located at 835 Turk Street (the "Property") for \$25,650,000 (the "Purchase Price") plus an estimated \$51,300 for typical closing costs, for a total aggregate amount not to exceed \$25,701,300. The Property consists of a 114-room single room occupancy hotel which will be converted into up to 114 units of Permanent Supportive Housing.

In July 2020, Mayor London N. Breed announced her Homelessness Recovery Plan that includes the goal of acquiring and operating 1,500 new units of Permanent Supportive Housing over the next two years. To help meet that goal, the City is proposing to purchase the property located at 835 Turk Street.

The City, through the Department of Homelessness and Supportive Housing ("HSH") and the Real Estate Division ("RED") and in consultation with the Office of the City Attorney, has negotiated the Purchase Agreement to acquire the property from VSSF Associates, LLC. The Director of Property has determined the purchase price of \$25,650,000 to be at or below fair market value.

Along with the my recommendation, the Director of HSH recommends approval of the proposed resolution authorizing the purchase. If you have questions regarding the proposed use of the property, please contact Dylan Schneider of HSH at 628.652.7742 or Dylan.schneider@sfgov.org. If you have questions regarding the Purchase Agreement, please contact me at 415.554.9850 or Andrico.penick@sfgov.org.

Respectfully,

Andrico Q. Penick
Director of Property