



MULTI-FAMILY GROUND LEASE

1555 Turk Street
San Francisco, California 94115

APPRAISAL REPORT

Date of Report: March 17, 2016
Colliers File #: CV150253



PREPARED FOR
Al Reynolds, Agent
Laurel Gardens of Bethel AME Church, LP
2934 Telegraph Avenue
Oakland, CA 94609

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

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March 17, 2016

Al Reynolds, Agent
Laurel Gardens of Bethel AME Church, LP
2934 Telegraph Avenue
Oakland, CA 94609

RE: Multi-Family Ground Lease
1555 Turk Street
San Francisco, California 94115

Colliers File #: CV150253

Mr. Reynolds:

This appraisal report satisfies the scope of work and requirements agreed upon by Laurel Gardens of Bethel AME Church, LP and Colliers International Valuation & Advisory Services. The date of this report is March 17, 2016. This appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). My appraisal format provides a summary description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's leased fee interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value (As Restricted)	Leased Fee	December 29, 2015	\$9,500,000

The subject is a 1.47-acre site at 1555 Turk Street in San Francisco, California. The subject's deed is restricted for affordable housing use only. Therefore this is a value in use analysis where the highest and best use is the current use, whether as vacant or as improved. Although briefly described herein, the improvements are excluded from the valuation as this is an analysis of the land value only.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and

does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The report is intended to conform to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards and the appraisal guidelines of Laurel Gardens of Bethel AME Church, LP.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions". *USPAP* defines a Hypothetical Condition as, "that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis".

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at my opinion of value are fully discussed below. I advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

No Extraordinary Assumption was made for this assignment.

HYPOTHETICAL CONDITIONS

No Hypothetical Conditions were made for this assignment.

The signature below indicates my assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES



Phil Sarazen
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Certified General Real Estate Appraiser
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LETTER OF TRANSMITTAL

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CERTIFICATION OF APPRAISAL**ASSUMPTIONS & LIMITING CONDITIONS****ADDENDA**

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GENERAL INFORMATION

Property Name	Multi-Family Ground Lease
Property Type	Land - Multi-Family Land
Address	1555 Turk Street
City	San Francisco
State	California
Zip Code	94115
County	San Francisco
Core Based Statistical Area (CBSA)	San Francisco-Oakland-Fremont, CA
Market	San Francisco
Submarket	Haight Ashbury
Latitude	37.779991
Longitude	-122.434449
Number Of Parcels	1
Assessor Parcel	0754-028
Census Tract Number	158.01

SITE INFORMATION

Land Area	Acres	Square Feet
Usable	1.47	64,046
Unusable	0.00	0
Excess	0.00	0
<u>Surplus</u>	<u>0.00</u>	<u>0</u>
Total	1.47	64,046
Topography	Level at street grade	
Shape	L-Shaped	
Access	Average/Good	
Exposure	Average/Good	
Current Zoning	Residential Mixed Medium Density (RM)	
Seismic Zone	High Risk	

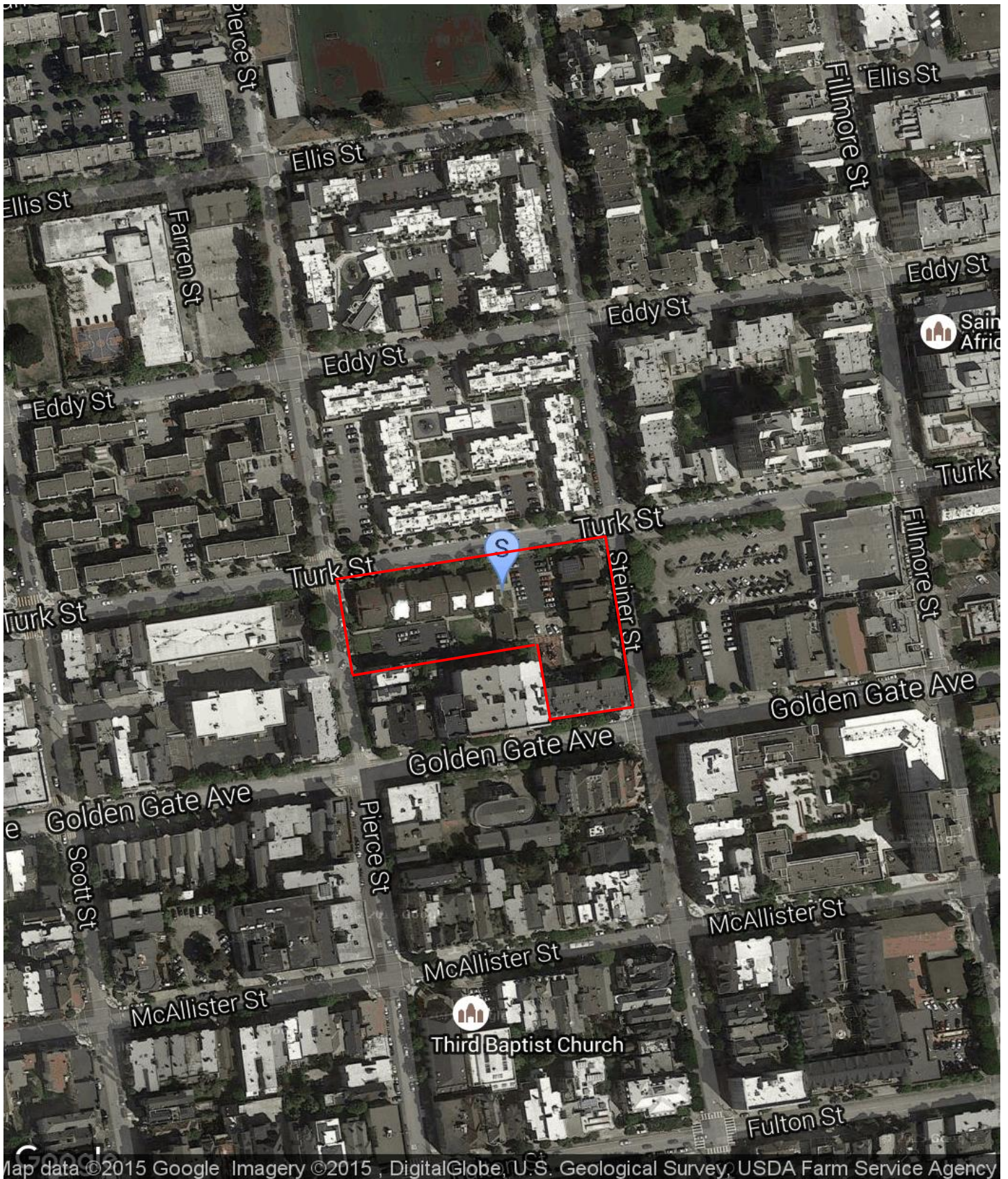
VALUATION SUMMARY

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	LEASED FEE
DATE OF VALUE	DECEMBER 29, 2015

FINAL VALUE CONCLUSION

FINAL VALUE (As Restricted)	\$9,500,000
\$/SF	\$148/SF

>



SUBJECT PHOTOGRAPHS



VIEW OF SUBJECT SIGNAGE



LOOKING WEST ALONG TURK STREET



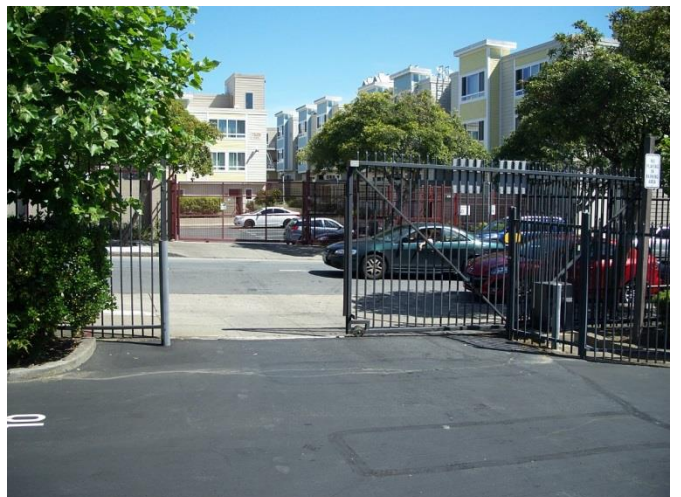
LOOKING EAST ALONG TURK STREET



LOOKING SOUTH ALONG PIERCE STREET



LOOKING NORTH ALONG PIERCE STREET



VIEW OF SUBJECT ENTRANCE



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT

PROPERTY IDENTIFICATION

The photographs shown above were taken by John Larson of /Colliers International on May 13, 2014 for a previous assignment.

The subject a 1.47-acre site at 1555 Turk Street in San Francisco, San Francisco County, California. The assessor's parcel number is: 0754-028.

The legal description of the subject property is as follows:

All buildings and improvements situated on the following described land:

BEGINNING at the point of intersection of the Southerly line of Turk Street, and the Westerly line of Steiner Street; running thence Southerly along said Westerly line of Steiner Street 192 feet and 6 inches to a point distant thereon 82 feet and 6 inches Northerly from the Northerly line of Golden Gate Avenue; thence at a right angle Westerly 137 feet and 6 inches; thence at a right angle Northerly 55 feet; thence at a right angle Westerly 275 feet to the Easterly line of Pierce Street; thence at a right angle Northerly along said Easterly line of Pierce Street 137 feet and 6 inches to the Southerly line of Turk Street; thence at a right angle Easterly along said Southerly line of Turk Street 412 feet and 6 inches to the point of beginning, which buildings and improvements are and shall remain real property.

BEING a portion of Western Addition Block No. 382.

CLIENT IDENTIFICATION

The client of this specific assignment is Laurel Gardens of Bethel AME Church, LP.

PURPOSE

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's leased fee interest.

INTENDED USE

The intended use of this appraisal is to assist the client in making internal business decisions related to this asset.

INTENDED USERS

Laurel Gardens of Bethel AME Church, LP is the only intended user of this report. Use of this report by Third-Parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

ASSIGNMENT DATES

Date of Report	March 17, 2016
Date of Inspection	May 13, 2014
Valuation Date - As-Is	December 29, 2015

PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

PROPERTY AND SALES HISTORY**Current Owner**

The subject title is currently recorded in the name of Laurel Gardens of Bethel A M E who acquired title to the property on 10/13/1998 as improved for an undisclosed amount, as reported by the RealQuest property report.

Three-Year Sales History

The subject has not sold in the last three years.

Subject Sale Status

The subject is not currently listed for sale.

DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the definition of Market Value is applicable. The definition of Market Value, along with all other applicable definitions for this assignment, is located in the Valuation Glossary section of the Addenda.

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the leased fee interest.

VALUE SCENARIOS

The valuation scenarios developed in this appraisal report include the As-Is Market Value of the subject property's leased fee interest..

INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- The appraiser analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- The appraiser confirmed and analyzed legal and physical features of the subject property including sizes of the site, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site.
- The appraiser completed land market analysis that included market and sub-market overviews. The San Francisco market and Haight Ashbury sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- The appraiser conducted Highest and Best Use analysis and conclusions were drawn for the highest and best use of the subject property As-Vacant. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site.
- The appraiser confirmed and analyzed financial features of the subject property including potential entitlement issues, and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. This appraisal developed the Sales Comparison Approach to value, which was adjusted and reconciled as appropriate. The appraisal develops an opinion of the As-Is Market Value of the subject property's leased fee interest.
- Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are summarized within this document.
- I understand the Competency Rule of USPAP and the author of this report meets the standards.
- No one provided significant real property appraisal assistance to appraiser signing this certification.

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

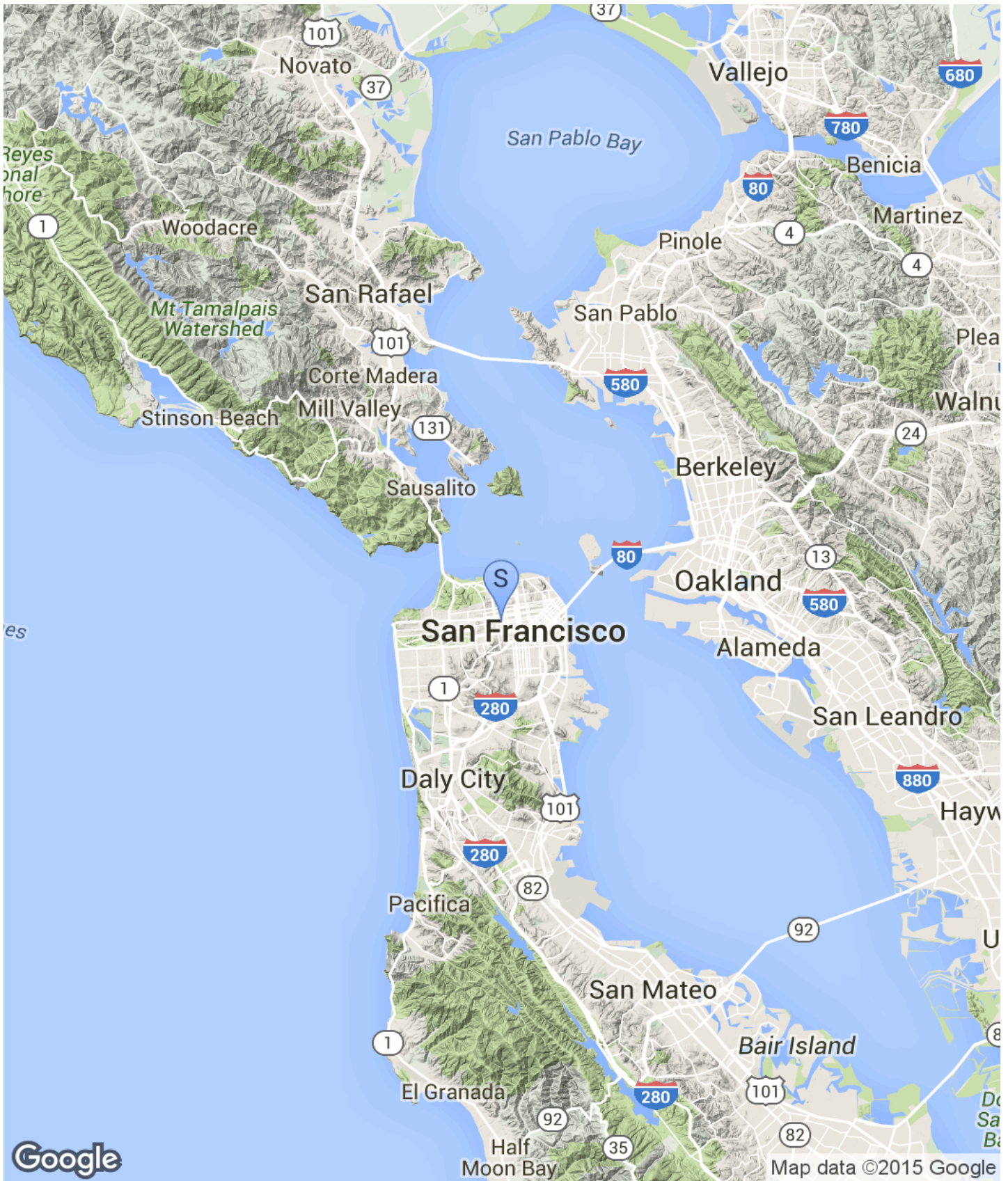
SOURCES OF INFORMATION

ITEM	SOURCE
Tax Information	San Francisco County Tax Assessor
Zoning Information	City of San Francisco Zoning Code
Site Size Information	San Francisco County Tax Assessor
Building Size Information	San Francisco County Tax Assessor
New Construction	City of San Francisco / San Francisco County
Flood Map	Interflood
Demographics	Esri
Comparable Information	See Comparable Datasheets for details
Legal Description	Grant Deed from RealQuest
Other Property Data	RealQuest

SUBJECT PROPERTY INSPECTION

SUBJECT PROPERTY INSPECTION

APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
Phil Sarazen	No	-	-
John Larson	Yes	Exterior/Interior	May 13, 2014

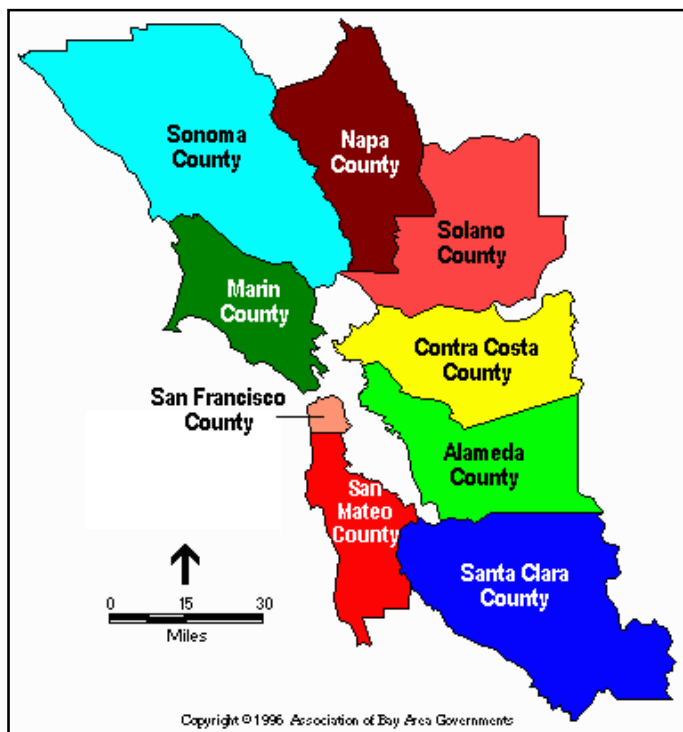


REGIONAL ANALYSIS

The city of San Francisco is located in the county of San Francisco and is part of the three county San Francisco Metropolitan Statistical Area (MSA). The San Francisco MSA is comprised of San Francisco, Marin, and San Mateo Counties. The MSA is bordered by five neighboring counties as well as the Pacific Ocean. This area encompasses more than 1,015 square miles of land area and miles of scenic coastline.

While San Francisco covers a relatively small land area of approximately 45 square miles, it is the geographic center of the nine-county Bay Area and the fourth largest metropolitan area in the United States. San Francisco is characterized by a moderate climate, vibrant economy and one of the highest standards of living in the United States.

San Francisco is the historical center of the region and the phenomenal growth over the past three decades has led to the emergence of several distinct geographic and economic sub-regions. The area north of San Francisco (Marin, Napa and Sonoma counties) is noted for its rural charm and numerous wineries, many of which have become world-renowned. San Mateo County lies south of San Francisco between San Francisco Bay and the Pacific Ocean. The eastern portion, bordering the Bay, is highly developed, but rugged mountains reaching westward to the ocean characterize central San Mateo County. Santa Clara County, located at the southern end of the Bay, has emerged as a dominant force within the Greater Bay Area and is known internationally as “Silicon Valley” due to its high concentration of semiconductor manufacturers and other high-technology employers. Alameda and Contra Costa Counties form the standard metropolitan statistical area which comprises the East Bay Area. The East Bay region known as the “Tri-Valley” area has become a technology hub and an area of major job growth. Northern Alameda County and Solano County comprise the Sacramento River Delta communities. While much of the area is agricultural, many communities are experiencing rapid expansion due to lower housing costs compared with more established areas closer to the Population



DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by *Esri*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis.

Transportation

The San Francisco MSA has numerous freeways, which provide good access throughout the area and to neighboring regions. The Bay Bridge provides the main access to the East Bay counties and to Interstates 80, 580, 680, and Interstate 880. The Golden Gate Bridge provides access to the north to Marin County. Highway 101 runs north and south through the city and Highway 280 provides additional access to the south bay markets. Public transportation systems in San Francisco are extensive and include BART, MUNI, CalTrain, AC Transit, SAMTRANS, and the Municipal railway, which provide access to all counties of the Bay Area. Bart is the Bay Area Rapid Transit system, which provides access to Contra Costa and Alameda Counties from San Francisco. MUNI, CalTrain, AC Transit, and SAMSTRANS provide bus service and train service to north and south bay markets.



San Francisco is served primarily by San Francisco International Airport, which is located 13 miles south of the subject, and the Oakland International Airport, which is located across the Bay. Also available is the San Jose International Airport, located approximately 40 miles to the south.

Climate

San Francisco's climate is characteristic of the cool-summer Mediterranean climate of California's coast with mild, wet winters and dry summers. Since it is surrounded on three sides by water, San Francisco's weather is strongly influenced by the cool currents of the Pacific Ocean which tends to moderate temperature swings and produce a remarkably mild climate with little seasonal temperature variation.

The combination of cold ocean water and the high heat of the California mainland create the city's characteristic fog that can cover the western half of the city all day during the spring and early summer. The fog is less pronounced in eastern neighborhoods, in the late summer, and during the fall, which are the warmest months of the year. Due to its sharp topography and maritime influences, San Francisco exhibits a multitude of distinct microclimates. The high hills in the geographic center of the city are responsible for a 20% variance in annual rainfall between different parts of the city. They also protect neighborhoods directly to their east from the foggy and cool conditions experienced in the Sunset District; for those who live on the eastern side of the city, San Francisco is sunnier, with an average of 260 clear days, and only 105 cloudy days per year.

Topography/Geography & Service Infrastructure

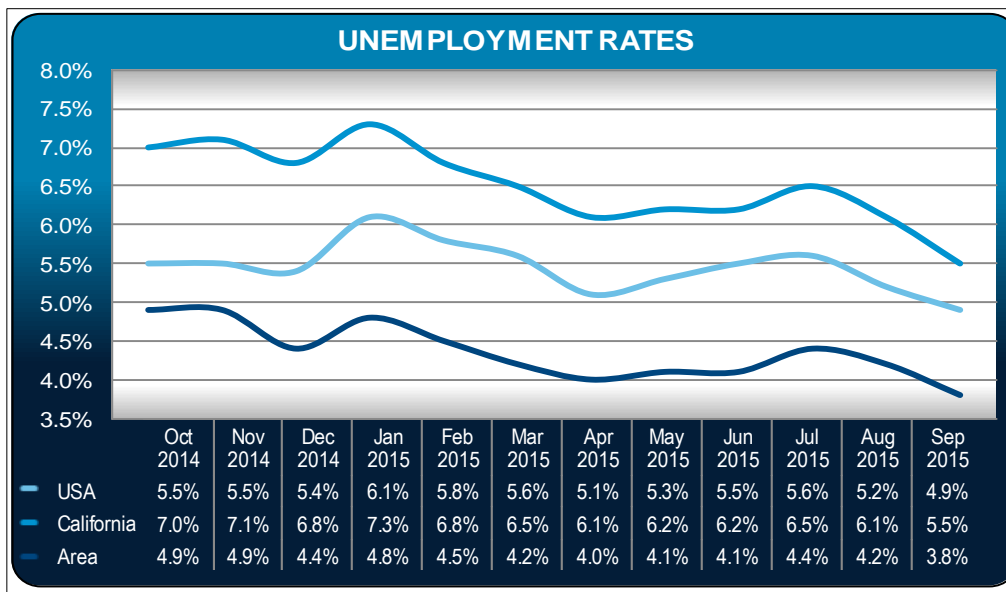
The topography and geography of San Francisco is extremely varied. There are more than 50 hills within the San Francisco city limits and elevations range from sea level to 925 feet. All levels of public and private education are available, along with an extensive library system. Major colleges and universities include the University of California San Francisco, University of San Francisco and San Francisco State University.

EMPLOYMENT

Total employment has increased annually over the past decade in the state of California by 0.5% and increased annually by 1.5% in the area. From 2013 to 2014 unemployment decreased in California by 1.4% and decreased by 1.3% in the area. In the state of California unemployment has decreased over the previous month by 0.6% and decreased by 0.4% in the area.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2005 - 2014								
TOTAL EMPLOYMENT					UNEMPLOYMENT RATE			
Year	California		San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area		United States*	California	San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area	
	Total	% Δ Yr Ago	Total	% Δ Yr Ago				
2005	16,582,651	1.7%	2,043,849	0.2%	5.1%	5.4%	4.8%	
2006	16,789,422	1.2%	2,064,760	1.0%	4.6%	4.9%	4.2%	
2007	16,931,590	0.8%	2,097,061	1.6%	4.6%	5.4%	4.4%	
2008	16,854,482	(0.5%)	2,113,687	0.8%	5.8%	7.3%	5.7%	
2009	16,182,572	(4.0%)	2,040,528	(3.5%)	9.3%	11.2%	9.4%	
2010	16,091,945	(0.6%)	2,089,373	2.4%	9.6%	12.2%	9.9%	
2011	16,260,099	1.0%	2,131,190	2.0%	8.9%	11.7%	9.1%	
2012	16,630,055	2.3%	2,209,911	3.7%	8.1%	10.4%	7.8%	
2013	17,002,894	2.2%	2,269,047	2.7%	7.4%	8.9%	6.5%	
2014	17,397,119	2.3%	2,330,245	2.7%	6.2%	7.5%	5.2%	
CAGR	0.5%	-	1.5%	-	-	-	-	-

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate



The unemployment rate in the San Francisco-San Mateo-Redwood City MD was 3.8 percent in September 2015, down from a revised 4.2 percent in March 2015, and below the year-ago estimate of 4.9 percent. This compares with an unadjusted unemployment rate of 7.0 percent for California and 5.5 percent for the nation during the same period. The unemployment rate was 3.9 percent in Marin County, 4.4 percent in San Francisco County, and 4.2 percent in San Mateo County.

Major Employers

The following chart lists major employers in San Francisco County.

Employer Name	Location	Industry
Bechtel Corp	San Francisco	Engineers-Civil
Black Rock Inc	San Francisco	Pension Health & Welfare Funds
California Pacific Medical Ctr	San Francisco	Hospitals
California Physicians Ins Corp	San Francisco	Insurance
Deloitte	San Francisco	Accountants
Federal Reserve Bank	San Francisco	Federal Reserve Banks
Golden Gate University	San Francisco	Non-Profit Organizations
Gsa Pacific Rim Region	San Francisco	Government Offices-US
HC Moffitt Hospital	San Francisco	Hospitals
Hilton-Union Square	San Francisco	Hotels & Motels
Kaiser Hospital	San Francisco	Hospitals
Laguna Honda Hospital & Rehab	San Francisco	Rehabilitation Services
Marriott-Marquis	San Francisco	Hotels & Motels
Pacific Gas & Electric Co	San Francisco	Electric Companies
PG&E Corp	San Francisco	Utilities-Holding Companies
Police Dept-Public Affairs	San Francisco	Police Departments
San Francisco Chronicle	San Francisco	Newspapers (Publishers/Mfrs)
San Francisco Municipal Rlwy	San Francisco	Government Offices-City, Village & Twp
San Francisco Police Dept	San Francisco	Police Departments
State Compensation Ins Fund	San Francisco	Insurance
UCSF Medical Ctr-Parnassus	San Francisco	Hospitals
UCSF-MEDICAL Center At Mt Zion	San Francisco	Cancer Treatment Centers
University of Ca-San Francisco	San Francisco	Schools-Universities & Colleges Academic
US Veterans Medical Ctr	San Francisco	Hospitals
Williams-Sonoma	San Francisco	Kitchen Accessories

REGIONAL AREA DEMOGRAPHICS

YEAR	US	CA	COUNTY	YEAR	US	CA	COUNTY
Population				Number Of Households			
2010 Total Population	308,745,538	37,253,956	805,235	2015	120,746,349	12,932,388	358,859
2015 Total Population	318,536,439	38,371,836	832,330	2020	125,477,562	13,418,674	378,322
2020 Total Population	330,622,575	39,802,811	874,027	CAGR	0.8%	0.7%	1.1%
2010 - 2015 CAGR	0.6%	0.6%	0.7%	Average Household Size			
2015 - 2020 CAGR	0.7%	0.7%	1.0%	2015	2.57	2.90	2.25
Population Density				2020	2.57	2.91	2.25
2015 Per Square Mile	90	246	17,757	CAGR	0.0%	0.1%	0.0%
2020 Per Square Mile	94	256	18,647	Housing Units			
Median Age				Total Housing Units	136,527,306	14,074,045	390,229
2015	37.90	35.70	39.50	Owner Occupied	55.7%	49.5%	31.2%
2020	38.60	36.60	39.90	Renter Occupied	32.8%	42.4%	60.7%
CAGR	0.4%	0.5%	0.2%	Vacant Housing Units	11.6%	8.1%	8.0%
Per Capita Income				Median Household Income			
2015	\$28,597	\$29,788	\$46,598	2015	\$53,217	\$60,382	\$76,360
2020	\$32,501	\$33,957	\$53,954	2020	\$60,683	\$71,245	\$87,982
CAGR	2.6%	2.7%	3.0%	CAGR	2.7%	3.4%	2.9%

Source: Esri

Population

According to Esri, a Geographic Information System (GIS) Company, San Francisco County had a 2015 total population of 832,330 and experienced an annual growth rate of 0.7%, which was higher than the California annual growth rate of 0.6%. The county accounted for 2.2% of the total California population (38,371,836). Within the county the population density was 17,757 people per square mile compared to the lower California population density of 246 people per square mile and the lower United States population density of 90 people per square mile. The 2015 median age for the county was 39.50, which was 4.05% older than the United States median age of 37.90 for 2015. The median age in the county is anticipated to grow by 0.20% annually, increasing the median age to 39.9 by 2020.

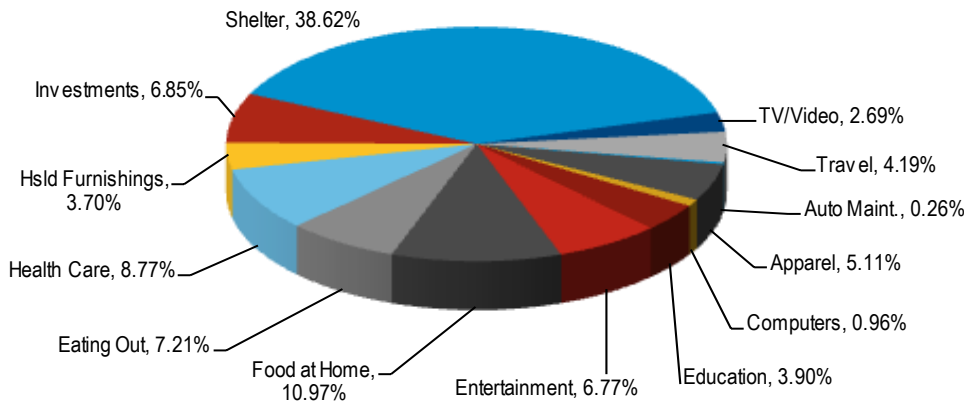
Household Trends

The 2015 number of households in the county was 358,859. The number of households in the county is projected to grow by 1.1% annually, increasing the number of households to 378,322 by 2020. The 2015 average household size for the county was 2.25, which was -12.45% smaller than the United States average household size of 2.57 for 2015. The average household size in the county is anticipated to retract by 0.00% annually, reducing the average household size to 2.25 by 2020. San Francisco County had a 60.7% renter occupied market, compared to the lower 42.4% in California and the lower 32.8% in the United States.

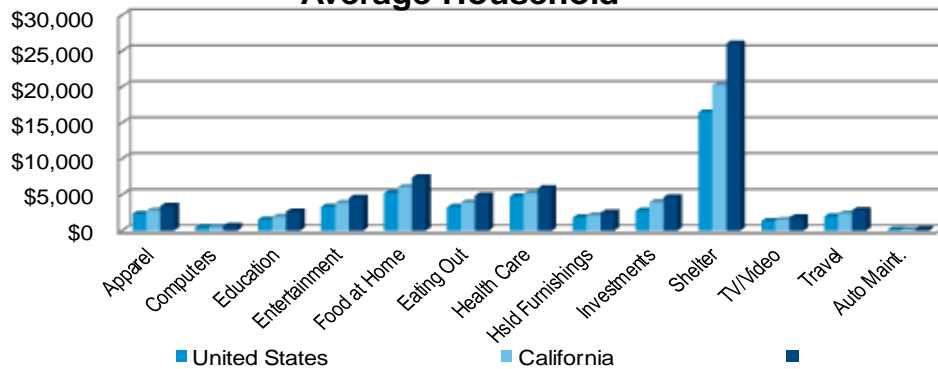
Income Trends

The 2015 median household income for the county was \$76,360, which was 43.5% higher than the United States median household income of \$53,217. The median household income for the county is projected to grow by 2.9% annually, increasing the median household income to \$87,982 by 2020. As is often the case when the median household income levels are higher than the national average, the cost of living index is also higher. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the San Francisco-Oakland-Fremont, CA MSA's cost of living is 164.7 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas

Consumer Spending



**Consumer Spending Comparison
Average Household**



In addition to large corporations, universities, hospitals and public sector employment located within the San Francisco MSA, smaller businesses make up a large portion of the local employment picture.

AIRPORT STATISTICS

The following chart summarizes the local airport statistics.

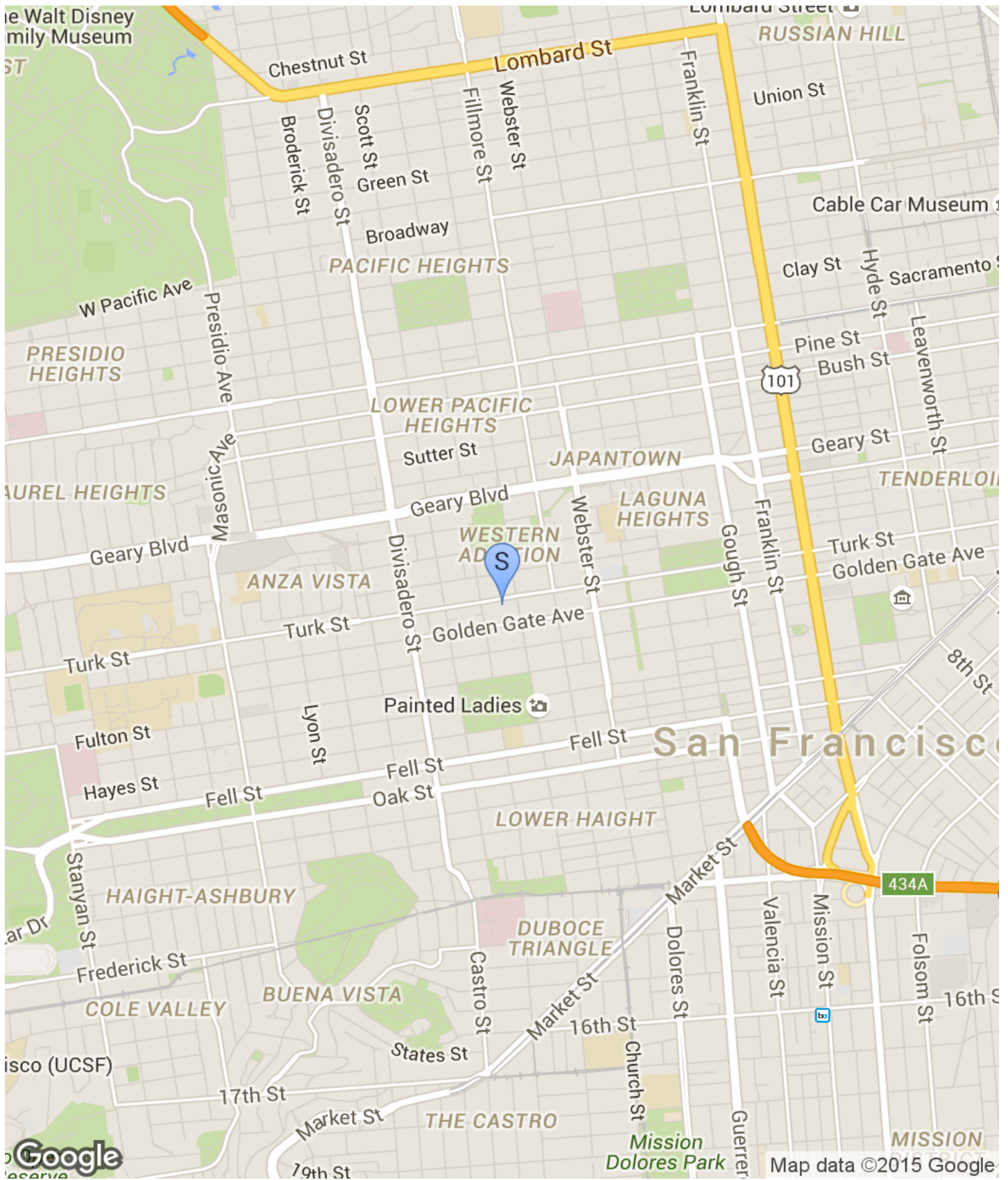
SAN FRANCISCO INTERNATIONAL AIRPORT (SFO)		
YEAR	ENPLANED PASSENGERS	% CHG
2004	15,605,822	-
2005	16,070,133	3.0%
2006	16,236,592	1.0%
2007	17,280,328	6.4%
2008	18,135,827	5.0%
2009	18,467,908	1.8%
2010	19,359,003	4.8%
2011	20,056,568	3.6%
2012	21,284,236	6.1%
2013	21,704,626	2.0%
2014	22,756,008	4.8%

Source: U.S. Department of Transportation

SUMMARY

Overall the condition and appeal of the market area is generally considered average. Growth is not physically restricted because of the abundance of undeveloped sites. New projects may be accomplished by development of vacant and under-improved properties as the economy slowly improves. Demand stalled

during 2014 but improved during 2015. As the real estate market continues to recover from the recession, property values are expected to appreciate.



INTRODUCTION

In this section of the report, I provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

LOCAL AREA PROFILE

The subject property is located in San Francisco, California, within San Francisco County.

DEMOGRAPHIC PROFILE

Below is a demographic study of the area, sourced by *Esri*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas.

LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION				AVERAGE HOUSEHOLD INCOME			
2000 Population	96,120	482,489	764,989	2015	\$96,805	\$109,647	\$106,871
2010 Population	98,753	500,153	791,501	2020	\$113,466	\$127,430	\$123,561
2015 Population	103,586	519,786	817,880	Change 2015-2020	17.21%	16.22%	15.62%
2020 Population	109,654	548,086	858,719	MEDIAN HOUSEHOLD INCOME			
Change 2000-2010	2.74%	3.66%	3.47%	2015	\$63,878	\$75,272	\$76,331
Change 2010-2015	4.89%	3.93%	3.33%	2020	\$77,661	\$88,026	\$88,056
Change 2015-2020	5.86%	5.44%	4.99%	Change 2015-2020	21.58%	16.94%	15.36%
POPULATION 65+				PER CAPITA INCOME			
2010 Population	13,771	66,205	108,105	2015	\$51,990	\$55,230	\$46,887
2015 Population	15,823	75,552	124,312	2020	\$60,949	\$64,266	\$54,308
2020 Population	18,238	87,344	145,001	Change 2015-2020	17.23%	16.36%	15.83%
Change 2010-2015	14.90%	14.12%	14.99%	2015 HOUSEHOLDS BY INCOME			
Change 2015-2020	15.26%	15.61%	16.64%	Household Income Base	54,446	258,223	353,788
HOUSEHOLDS				<\$15,000	16.5%	14.4%	13.0%
2000 Households	50,659	235,230	325,708	\$15,000-\$24,999	8.4%	7.2%	7.0%
2010 Households	51,789	247,636	340,984	\$25,000-\$34,999	7.3%	6.5%	6.6%
2015 Households	54,446	258,223	353,788	\$35,000-\$49,999	9.0%	8.2%	8.7%
2020 Households	57,865	273,270	372,953	\$50,000-\$74,999	13.9%	13.6%	14.0%
Change 2000-2010	2.23%	5.27%	4.69%	\$75,000-\$99,999	10.4%	10.2%	11.4%
Change 2010-2015	5.13%	4.28%	3.76%	\$100,000-\$149,999	13.3%	13.6%	15.5%
Change 2015-2020	6.28%	5.83%	5.42%	\$150,000-\$199,999	9.6%	11.6%	10.6%
HOUSING UNITS (2015)				\$200,000 or greater	11.7%	14.8%	13.4%
Total Housing Units	59,163	282,535	384,607	MEDIAN HOME VALUE			
Owner Occupied	17.8%	23.3%	31.1%	2015	\$866,676	\$920,391	\$790,031
Renter Occupied	74.3%	68.1%	60.9%	2020	\$980,580	\$1,000,001	\$924,201
Vacant Housing Units	8.0%	8.6%	8.0%	Change 2015-2020	13.14%	8.65%	16.98%
HOUSING UNITS (2020)				AVERAGE HOME VALUE			
Total Housing Units	62,918	297,767	404,348	2015	\$848,091	\$868,876	\$786,843
Owner Occupied	17.4%	23.2%	30.9%	2020	\$948,802	\$972,709	\$907,016
Renter Occupied	74.6%	68.6%	61.4%	Change 2015-2020	11.88%	11.95%	15.27%
Vacant Housing Units	8.0%	8.2%	7.8%	HOUSING UNITS BY UNITS IN STRUCTURE			
HOUSING UNITS BY YEAR BUILT				1 - Detached	3,036	27,395	68,727
2010 or Later	64	591	802	1 - Attached	2,181	18,916	50,157
2000 to 2009	2,771	21,290	24,562	2	4,153	28,940	37,993
1990-1999	3,598	12,889	15,855	3 or 4	8,143	37,640	43,623
1980-1989	4,168	14,610	19,083	5 to 9	7,741	33,619	38,276
1970-1979	4,714	20,333	26,517	10 to 19	8,442	35,465	38,960
1960-1969	5,308	21,891	29,964	20 to 49	9,324	35,476	37,384
1950-1959	3,627	19,617	34,505	50 or greater	12,976	54,328	56,917
1940-1949	2,640	15,964	38,204	Mobile Home	16	251	435
1939 or Earlier	29,135	145,113	183,289	Boat/RV/Van	13	270	311

Source: Esri

As noted in the table above, population has increased by 3.93% since 2010 in the subject's market area (3-mile radius) and is expected to increase by 5.44% through 2020. Also, the subject's market area has a lower number of renter occupied homes (40,864) than owner occupied homes (56,893). Vacant housing in the subject's market area is estimated to be 8.2%. The average and median household income levels in the subject's market area are \$109,647 and \$75,272, respectively.

Residential Development

There is a moderate amount of residential development in the subject's market area. The figure to the right is provided by Zillow.com. Zillow projects home values on a month-to-month basis. Zillow states that median home values are currently \$931,100, an increase of 16.2% from the previous year. Home values in San Francisco have been increasing overall since November 2011. Multi-family developments within proximity to the subject include The Fillmore Center, Webster Tower & Terrace, El Bethel Terrace, and Martin Luther King Square.

Commercial Development

Commercial and light-industrial development is located along Fillmore Street and Divisadero Street. General commercial and industrial uses within proximity to the subject include shopping centers, fast food restaurants, banks, gas stations, grocery stores, self-storage facilities, and auto related shops. Retailers in the subject's immediate area include: Safeway, Walgreens, The Brooklyn Circus SF, Gump's, Kinokuniya Book Stores, Central Ace Hardware, Marshall Associates, Teri's Creation & Boutique, and Aqua Forest Aquarium. There are a variety of other local tenants in the subject's area.

Community Services/Transportation

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). Nearby schools Town School for Boys, Creative Arts Charter School K-8, Jewish Community High School of the Bay, Raoul Wallenberg Traditional High School and Gateway High School all located within one mile of the subject. Public transportation is available throughout the area. Local bus stops are located along Turk Street, and Pierce Street. There are a number of parks, golf courses, and other recreational facilities in the area including Alamo Square Park, Golden Gate and Steiner Mini Park, and Fillmore and Turk Mini Park.

SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.





Subject Conclusion

Trends in the local and immediate areas, adjacent uses and the property's specific location features indicate an overall typical external influence for the subject, which is concluded to have an average position in context of competing properties.

SUMMARY

The subject property is located in an established area of the San Francisco area. Residential uses present in the subject's immediate neighborhood primarily include multi-family and single-family development. Commercial developments are located along major thoroughfares and are easily accessible from the subject. The subject property has an average to good location with respect to commercial services, thoroughfares, public transportation, and community services. Condition and appeal of the neighborhood is generally Average/Good. The neighborhood is anticipated to experience limited growth in the foreseeable future due to the built-out nature of the area (lack of developable land).

General Description The subject site consists of 1 parcel. As noted below, the subject site has 64,046 SF (1.47 AC) of land area. The area is estimated based on the assessor's parcel map, and may change if a professional survey determines more precise measurements. Going forward, our valuation analyses will utilize the usable site area. The following discussion summarizes the subject site size and characteristics.

Assessor Parcel 0754-028

Number Of Parcels 1

Land Area	Acres	Square Feet
Primary Parcel	1.47	64,046
Unusable Land	0.00	0
Excess Land	0.00	0
<u>Surplus Land</u>	<u>0.00</u>	<u>0</u>
Total Land Area	1.47	64,046

Shape L-Shaped - See Plat Map For Exact Shape

Topography Level at street grade

Drainage Assumed Adequate

Utilities All available to the site

Street Improvements	Street	Direction	No. Lanes	Street Type	Curbs	Sidewalks	Streetlights	Center Lane	Gutters
					✓	✓	✓	✓	✓
Turk Street	Primary Street	one-way	two-lane	minor arterial	✓	✓	✓	✓	✓
Steiner St	Secondary Street	two-way	two-lane	connector street	✓	✓	✓	✓	✓
Pierce St	Secondary Street	two-way	two-lane	connector street	✓	✓	✓	✓	✓

Frontage Turk St: apx. 412 feet; Pierce St: apx 137 feet; Steiner St:192 feet

Accessibility Average/Good - There is a full curb cut along Turk Street

Exposure Average/Good - The subject has frontage along one minor arterial and two neighborhood connector streets. The subject has exposure at the signalized intersections of Pierce Street and Turk Street as well as Steiner Street and Turk Street.

Seismic The subject is in High Risk.

Flood Zone At this time, the City of San Francisco does not participate in the Flood Insurance Rate Maps published by the Federal Emergency Management Agency (FEMA).

Site Rating Overall, the subject site is considered a good to excellent land site in terms of its location, exposure, and access to employment, education and shopping centers, recognizing its location along a neighborhood collector street.

Easements A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal

assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

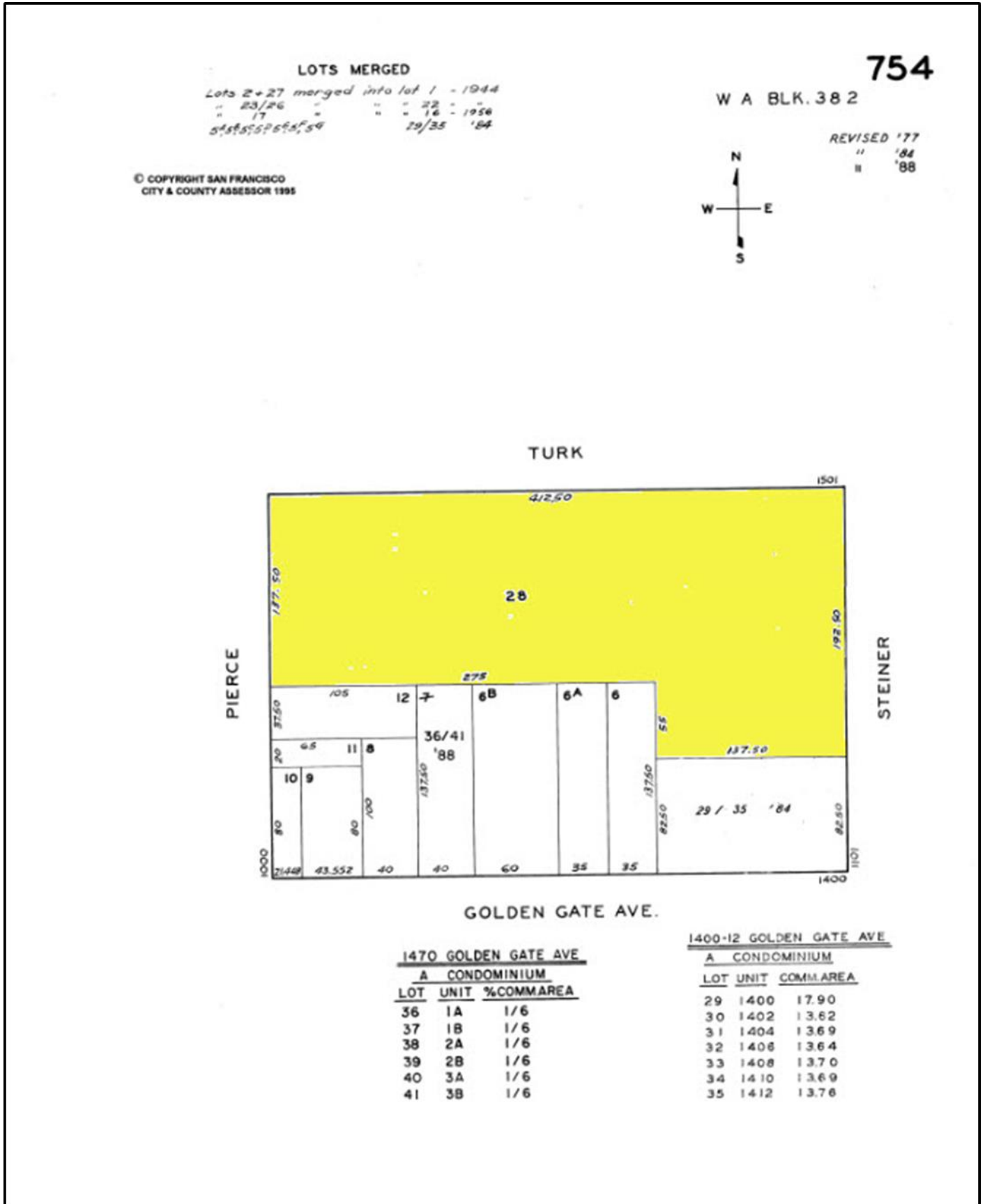
Soils A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

Hazardous Waste We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

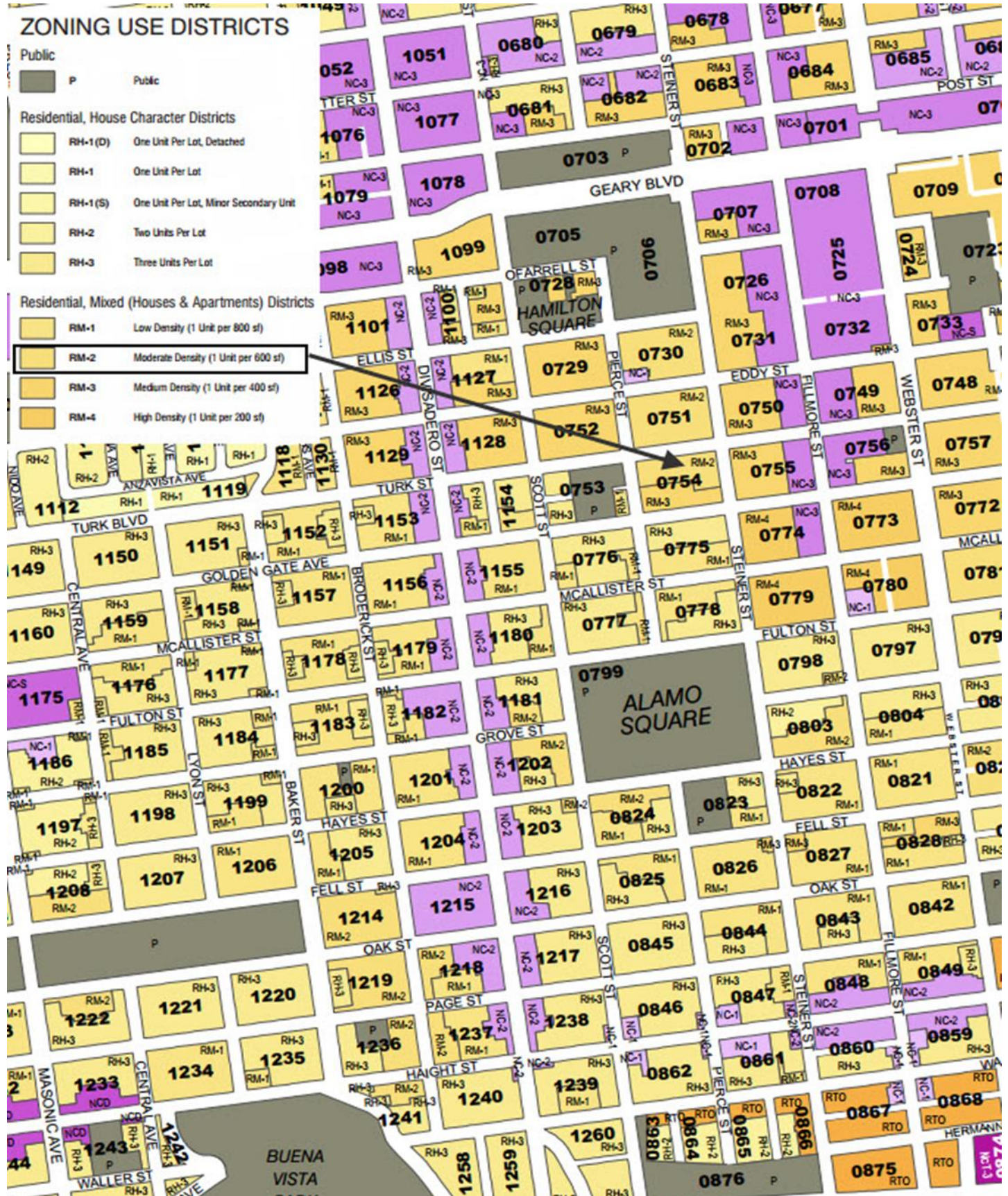
Improvement Description The subject consists of a 51 unit affordable housing project within two buildings and one common area building, built in 1977. The improvements are in average/good condition.

Property Type	Multi-Family - Garden/Low Rise
Number of Units	51
Average Unit Size	814 SF
Apartment Buildings	2
Common Area Buildings	1
Total Number of Buildings	3
Number of Stories	3
Development Density	34.7 Units/Acre (51 Units / 1.47 Acres)
Net Rentable Area (NRA)	41,508 SF
Gross Building Area (GBA)	42,208 SF
Parking Total	39 (Surface)
Open Parking Spaces	39
Covered Parking Spaces	-
Detached Garage Spaces	-
Parking Garage Spaces	-
Parking Comment	Parking is adequate and is consistent with the other projects in the market
Parking Spaces/Unit	0.8
Year Built	1977
Age/Life Analysis	
Actual Age	37 Years
Effective Age	35 Years
Economic Life	65 Years
Remaining Life	30 Years
Quality	Average/Good
Condition	Average/Good
Marketability	Good

PLAT MAP



ZONING MAP



INTRODUCTION

Assessment of real property is established by an assessor that is an appointed or elected official charged with determining the value of each property. The assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is a levy on the value of property that the owner is required to pay to the municipality in which it is situated. Multiple jurisdictions may tax the same property.

The subject property is located within San Francisco County. The assessed value and property tax for the current year are summarized in the following table.

ASSESSMENT & TAXES							
Tax Year	2015			Tax Rate	1.8260%		
Tax Rate Area	Misc/70			Taxes Current	Yes		
APN	LAND	IMPV	PERSONAL	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
0754-028	\$1,493,518	\$1,766,423	\$40,236	\$3,300,177	-\$3,259,941	\$40,236	\$735
Totals	\$1,493,518	\$1,766,423	\$40,236	\$3,300,177	-\$3,259,941	\$40,236	\$735
Total/SF	\$23.32	\$27.58	\$0.63	\$51.53	-\$50.90	\$0.63	\$0.01
Additional Tax Charges							
Rent Stabilization Fee							\$1,887.00
SFUSD Facility District							\$919.36
SFCCD Parcel Tax							\$79.00
Apartment House License Fee							\$543.00
SF - Teacher Support							\$230.94
Total Additional Tax Charges							\$3,659
Total Additional Tax Charges Per SF							\$0.06
Total Base Tax & Additional Tax Charges							\$4,394
Total Base Tax & Additional Tax Charges Per SF							\$0.07

Source: San Francisco County Assessment & Taxation

SUBJECT PROPERTY ANALYSIS

The total assessment for the subject property is \$3,300,177 or \$51.53/SF. The subject property benefits from an exemption in the amount of -\$3,259,941, reducing the taxable assessment to \$40,236 or \$0.63/SF. Total taxes for the property are \$4,394 or \$0.07/SF.

As part of the scope of work, I researched assessment and tax information related to the subject property. The following are key factors related to local assessment and taxation policy. Real property in San Francisco County is assessed at 100% of market value. Real property is reassessed upon sale, conversion, renovation or demolition.

According to the staff representative at the County Assessor's Office, real estate taxes for the subject property are current as of the date of this report. The subject benefits from a property tax exemption, amounting to approximately 98.75% of the total assessed value. For purposes of our Income/Expense analysis, we assume the same tax exemption allocation in the As-Is Market Value conclusion and estimate the property taxes in the Income Approach at 1.25% multiplied by the value indicated by the Income Approach, multiplied by the property tax rate.

INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
Municipality Governing Zoning	City of San Francisco Planning & Zoning Department
Current Zoning	Residential Mixed Medium Density (RM)
Permitted Uses	Multi-Family Residential
Current Use	Multi-Family Residential
Is Current Use Legally Permitted?	Yes
Zoning Change	Not Likely

ZONING REQUIREMENTS	
Minimum Site Area (SF)	2,500 SF
Subject Density (Units per Acre)	34.7
Minimum Yard Setbacks	
Maximum Density (Units/Acre)	One dwelling per 600 SF of lot area; 106 units
Subject Density (Units per Acre)	One dwelling per 1,232 SF of lot area; 52 units
Maximum Building Height	40 Feet
Maximum Floor Area Ratio (FAR)	1.8 times lot area
Maximum Building Area	None
Parking Requirement	
Parking Required	51
Parking Provided	39
Conforming Use	The existing improvements represent a conforming use within this zone

Source: City of San Francisco Planning & Zoning Department

ZONING CONCLUSIONS

Based on my interpretation of the zoning ordinance, the subject property is an outright permitted use that could be rebuilt if unintentionally destroyed; however, the subject's use has been grandfathered due to insufficient parking. The subject provides 39 spaces for 51 units, which is insufficient per current code requirements, making the subject legal but non-conforming.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of my analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through my due diligence. Please note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

INTRODUCTION

In this section, an overview of market conditions which influence the marketability of the subject property, as a multi-family site will be considered. The major factors requiring consideration are the supply and demand conditions that influence multi-family development.

REIS, Inc., a specialist in multi-family market research, classifies the San Francisco apartment market into eight submarkets. In addition, it segregates inventory by class of space (Class A and B/C). There are 11 submarkets within the San Francisco Metro Area market and are as follows: North Marin (1), South Marin (2), North San Mateo (3), Central San Mateo (4), South San Mateo (5), South Market (6), Russian Hill/Embarcadero (7), West San Francisco (8), Civic Center/Downtown (9), Marina/Pacific Heights (10), and Haight Ashbury/Western Addition (11). This market is connected to San Francisco by the Bay Area Rapid Transit (BART).

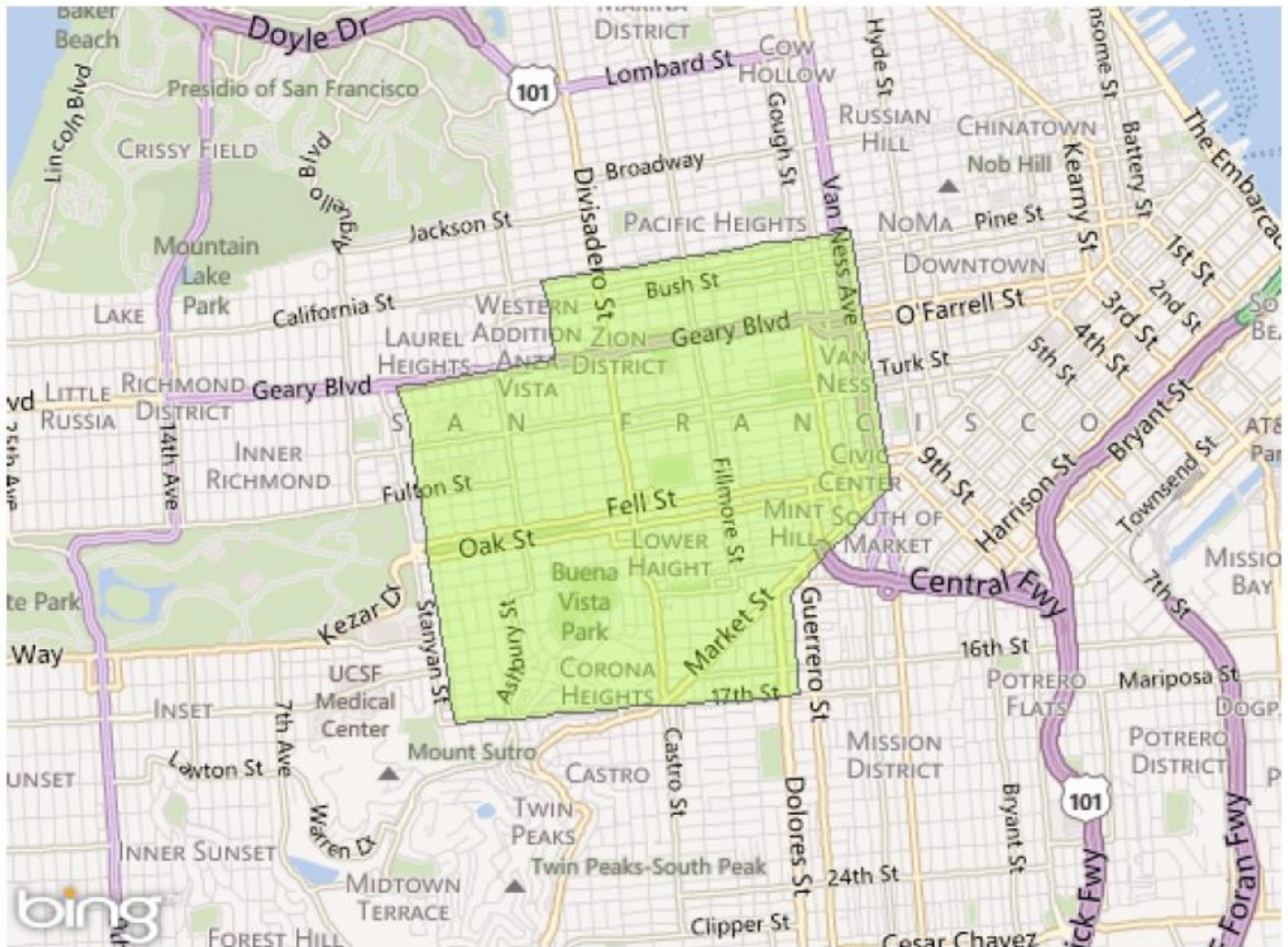
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The subject property is situated in the Haight Ashbury submarket, which is labeled 11 in the graphic below.

San Francisco Metro Area



Haight Ashbury Submarket



According to the submarket boundaries defined by REIS, the subject is located within the Haight Ashbury submarket. The following table provides a snapshot of the submarkets in the San Francisco Metro Area for Q1 2014.

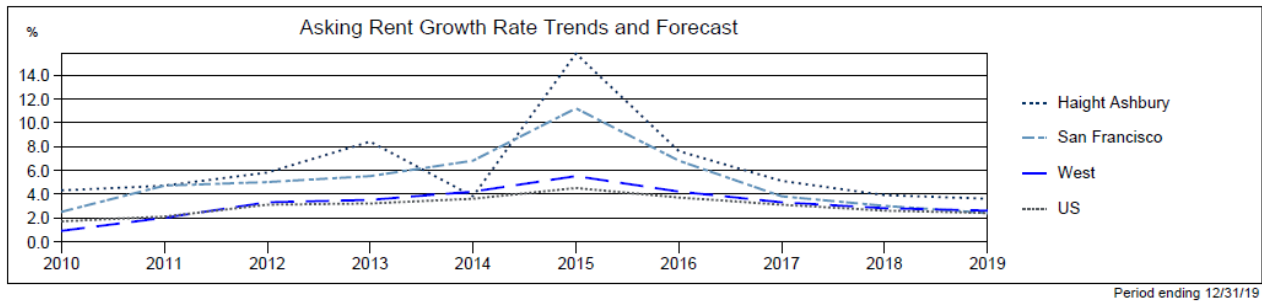
Submarket	Inventory (Buildings)	Inventory (Units)	Asking Rent \$	Vac %	Free Rent (mos)	Expenses % (Apartment)
North Marin	115	8,381	\$1,623	1.3%	0.12	35.0%
South Marin	52	7,072	\$1,936	1.5%	0.00	36.1%
North San Mateo	81	14,294	\$1,856	3.4%	0.48	36.8%
Central San Mateo	119	14,713	\$2,181	2.1%	0.29	35.8%
South San Mateo	167	10,771	\$1,889	2.0%	0.32	35.3%
South of Market	107	16,682	\$2,664	4.9%	0.53	33.0%
Russ Hill/Embarcadero	88	9,826	\$2,935	2.0%	0.46	36.2%
West San Francisco	130	19,522	\$2,183	3.7%	0.75	37.6%
Civic Ctr/Downtown	226	16,276	\$1,710	3.2%	0.00	35.2%
Marina/Pacific Hts	218	8,084	\$2,456	1.6%	0.05	36.0%
Haight Ashbury	206	12,998	\$2,393	3.2%	0.48	35.2%

According to REIS, there are 206 apartment buildings and 12,998 units in the Haight Ashbury Submarket with an average vacancy of 3.2%, which is towards the upper end of the range for the metro area. The average asking rent in the subject's submarket (\$2,393) is towards the middle of the range for the metro area.

Rent Growth Comparisons

	Asking Rent Growth						
	Quarterly			Annualized			
	3Q15	2Q15	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Haight Ashbury	1.9%	6.6%	4.8%	3.8%	6.0%	5.4%	7.1%
San Francisco	3.0%	3.3%	3.2%	6.8%	5.7%	4.9%	5.4%
West	1.9%	1.4%	1.5%	4.2%	3.6%	2.8%	3.7%
United States	1.4%	1.2%	1.2%	3.6%	3.3%	2.7%	3.3%
Period Ending:	09/30/15	06/30/15	09/30/15	12/31/14	12/31/14	12/31/14	12/31/19

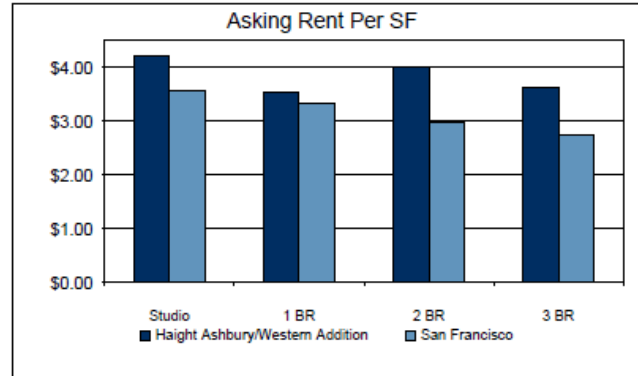
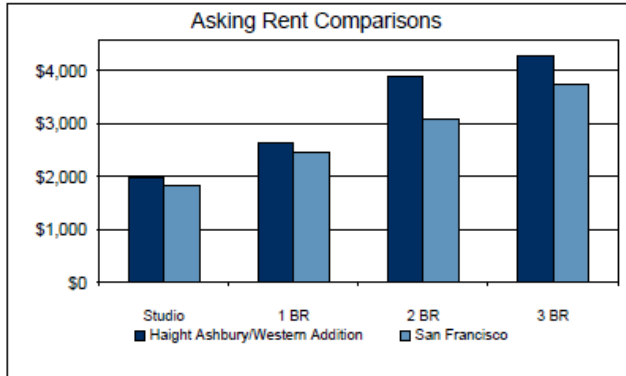
Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		3Q15	2Q15	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
San Francisco	11	9	1	1	9	7	6	2
West	240	85	1	1	84	23	13	2
United States	835	148	2	1	220	37	19	5



During the Q3 2015, rent growth in the Haight Ashbury Submarket was estimated at 1.9%, comparatively lower than the San Francisco Metro (3.0%) and similar to the Western Region (1.9%). Over the next five years, REIS projects 7.1% rent growth within the submarket, slightly higher than the forecasted rent growth for the city (5.4%), Western Region (3.7%), and country as a whole (3.3%).

Rent By Unit Mix

Current Submarket Average Rents and Sizes				Asking Rent Growth					
	3Q 2015			Quarterly			Annualized		
	Rent	Avg. SF	Avg. Rent PSF	3Q15	2Q15	YTD	1 Year	3 Year	5 Year
Studio/Efficiency	\$1,978	472	\$ 4.19	2.3%	4.1%	13.2%	6.8%	5.8%	3.8%
One Bedroom	\$2,625	743	\$ 3.53	2.8%	3.9%	9.4%	6.5%	6.0%	5.5%
Two Bedroom	\$3,883	971	\$ 4.00	- 0.7%	8.5%	18.0%	- 3.7%	3.7%	5.3%
Three Bedroom	\$4,264	1183	\$ 3.60	4.0%	- 3.9%	- 3.1%	11.9%	10.9%	6.8%
Average over period ending:				09/30/15	06/30/15	09/30/15	12/31/14	12/31/14	12/31/14



	Studio	1 BR	2 BR	3 BR
Haight Ashbury/Western Addition	\$1,978	\$2,625	\$3,883	\$4,264
San Francisco	\$1,823	\$2,440	\$3,089	\$3,727

As of 09/30/15

	Studio	1 BR	2 BR	3 BR
Haight Ashbury/Western Addition	\$ 4.19	\$ 3.53	\$ 4.00	\$ 3.60
San Francisco	\$ 3.56	\$ 3.32	\$ 2.96	\$ 2.72

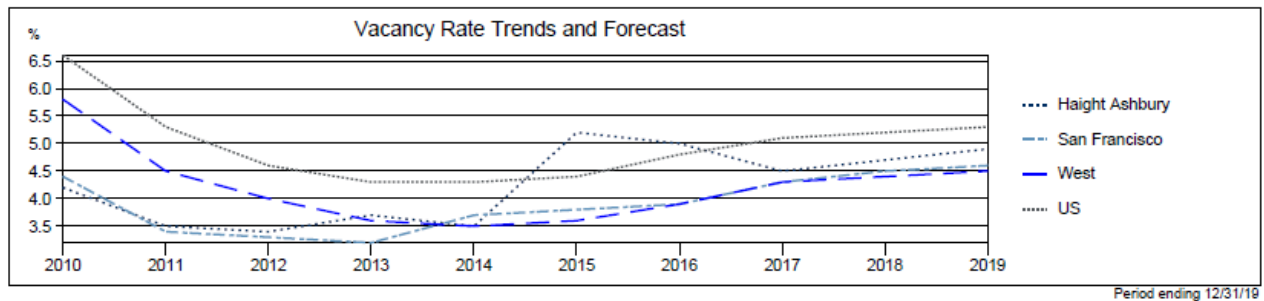
As of 09/30/15

The Haight Ashbury submarket has generally higher rents than the overall San Francisco Metro when analyzed on a per month basis and per square foot basis.

Vacancy Comparisons

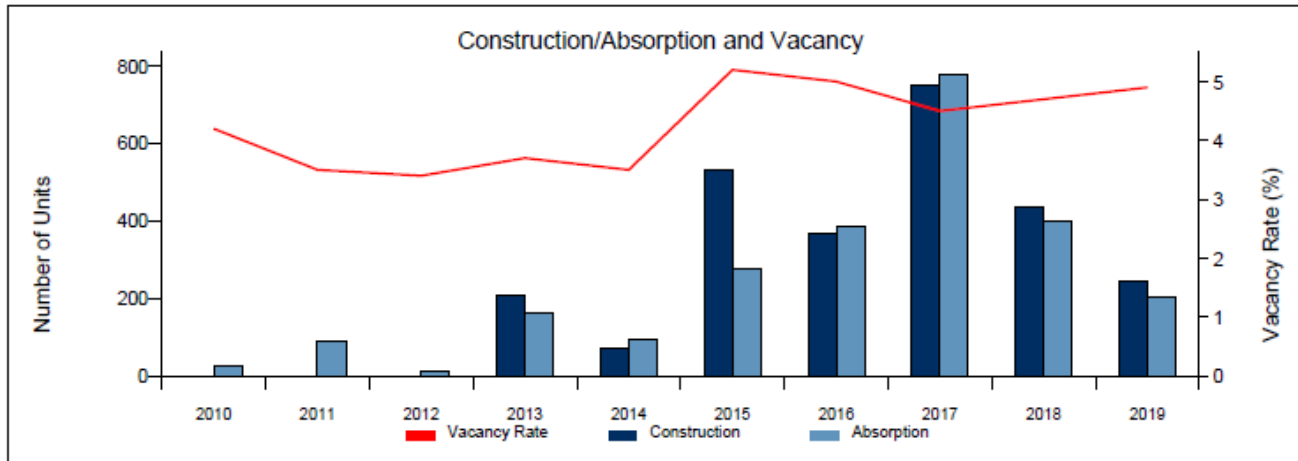
	Vacancy Rates						
	Quarterly			Annualized			
	3Q15	2Q15	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Haight Ashbury	5.5%	4.9%	4.6%	3.6%	3.5%	3.8%	4.8%
San Francisco	3.9%	3.6%	3.7%	3.4%	3.4%	3.8%	4.2%
West	3.6%	3.5%	3.5%	3.6%	3.9%	4.7%	4.2%
United States	4.3%	4.2%	4.2%	4.3%	4.6%	5.5%	5.0%
Period Ending:	09/30/15	06/30/15	09/30/15	12/31/14	12/31/14	12/31/14	12/31/19

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		3Q15	2Q15	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
San Francisco	11	10	9	9	7	7	7	10
West	240	203	192	181	140	112	71	174
United States	835	613	558	525	352	260	172	488



As noted in the chart above, the Q3 2015 average vacancy in the Haight Ashbury Submarket was estimated at 5.5%, which is slightly higher than San Francisco Metro Area average of 3.9% and the Western Region average of 3.6%. Within the subject's submarket, an average vacancy rate of 4.8% is projected over the next five years.

Construction and Absorption



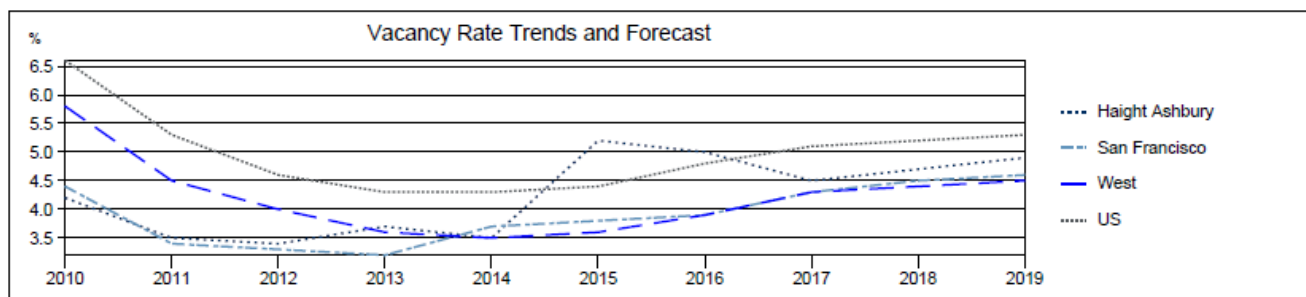
Period ending 12/31/19

According to REIS, there were 617 units of new construction during the Q3 2015 within the San Francisco Metro. REIS forecasts 3,295 additional units of new construction over the next five years. Absorption and occupancy are forecasted to keep pace with new construction.

Please note that the majority of new construction projects are of superior appeal and design (high-rise complexes) located within the downtown core. Overall, new construction is not anticipated to have a negative effect on the subject’s occupancy and rent levels.

General Vacancy Conclusion

As summarized in the chart below this market analysis relied on various published data sources and field research for assessing how supply/demand conditions influence the long term vacancy estimate of the subject property at market rate.



Period ending 12/31/19

Given the subject’s size, condition, and location, we have concluded a general vacancy rate of 5.0%. Credit loss is not applicable given the subject’s location and immediate market conditions. None of the surveyed properties in the subject’s market are currently offering free or reduced rent concessions. The subject property is not currently offering concessions, nor has it offered concessions historically. Based on the preceding, we have not included an additional concession factor within our vacancy conclusion.

Rent Control

The city of San Francisco is regulated by rent control ordinance; however, buildings constructed after June 1979 are not subject to rent control. It is noted that the subject property is under rent control restrictions which restrict rent increases on existing tenants. Over the past year, the annual allowable increase amount was 1.9%. Effective March 1, 2015 through February 28, 2016, the annual allowable increase amount is 1.0%. Under rent control, landlords get an annual rent increase which can be imposed on tenants without the landlord having to petition the Rent Board. The landlord must give 30-day notice (or 60 days if this increase, as well as any other increases, in the past 12 months results in a rent increase of more than 10%). Landlords can "bank" these increases, that is, not impose an increase in one year but then impose that "banked" rent increase in a later year.

SUMMARY OF APARTMENT MARKET ANALYSIS

Overall, based on interviews with planners and brokers, and Colliers International Valuation & Advisory Services market survey, there is sufficient demand for the land and improvements. The depth of demand for the subject property is anticipated to be sufficient based on continuing economic and population growth in the subject's area. Rent levels are anticipated to remain stable and/or increase. Demand is expected to remain strong in the subject's immediate market area based upon the immediate location and overall Bay Area location.

BROKER / MARKET PARTICIPANT INTERVIEWS

Interviews with brokers and other market participants were conducted to put previously discussed trends and data into better context of what is really occurring in the marketplace.

SALES PERSPECTIVE INTERVIEW

Name	Matt Kroger
Company	CBRE
Location	San Francisco, CA
Survey Property Profile	Multi-Family Land

According to Matt Kroger, sale transactions have been steady over the past six months for the subject property type, with most activity being seen from local buyers. The market participant reported that quality investment opportunities are currently in greatest demand. This property type is considered to have somewhat limited availability, with few listings offered within the marketplace. Based on these factors, conditions favor sellers in regard to negotiating sale terms. Marketing periods are ranging from 2 to 12 months, with an average approximately 6 months. Pricing for this property type generally falls within a moderate range from \$250 to \$500 per square foot. Finally, the most typical sales commission for this property type is 6% of the sale price.

TRANSACTION TRENDS

In the open market, the subject property type would command most interest from local buyers that are actively pursuing similar quality investment properties. There is currently steady buyer demand for substitute properties of the subject based on the volume of sale transactions and reports by buyer and sellers during confirmation of market transactions.

Based on the preceding analysis, there is an established sales market for the subject property. As previously discussed, the velocity of sale transactions has been steady over the past six months. Currently there is steady buyer demand, while there is somewhat limited availability for this property type on the supply side. Based on these factors, conditions favor sellers in regard to negotiating sale terms.

SUBJECT PROPERTY ANALYSIS

Based on my analysis of the subject property and investigation of substitute properties in the marketplace, the subject is considered to have Good overall buyer appeal with an Above Average competitive position if the asset was exposed to the open market.

EXPOSURE TIME

Exposure time is best established based the recent history of comparable sales, discussions with market participants and information from published surveys. The following table summarizes the information that was taken into consideration to develop an estimate of exposure time for the subject property:

John Antonini, a regional sales broker at Colliers International who specializes in multifamily assets similar to the subject stated that exposure times are typically two months or less if marketed and priced accordingly.

Clinton Textor, a local broker at Marcus & Millichap who deals with multifamily assets similar to the subject property stated that a reasonable exposure time would be one month or less.

Michael Klestoff, a local broker at West & Praszker stated that a reasonable exposure time for assets similar to the subject would be from one to three months.

The preceding information generally supports an exposure time range from zero to 12 months for assets such as the subject. The availability of acquisition financing also factors into exposure time. My review of the local capital market indicates that adequate financing options would have been available to consummate a sale of the subject on the date of value.

Exposure Time Conclusion

Six Months or Less

Marketing Period

Six Months or Less

INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant.

AS-VACANT ANALYSIS

Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Permitted uses of the subject's Residential Mixed Medium Density (RM) zoning were listed in the Zoning Analysis section. The subject has deed restrictions that restrict the subject's use to affordable multifamily housing. The potential use that meets the requirements of the legal permissibility test is therefore affordable multifamily residential development. Overall, legal factors support affordable multi-family apartment uses for the subject site.

Physical & Locational Factors

Regarding physical characteristics, the subject site is I-shaped in shape and has level topography with average/good access and average/good exposure. The subject is surrounded by residential and commercial uses, as well as undeveloped land and a nature reserve. Given the subject's location and surrounding uses, the subject site is desirable for residential development. Although a mixed-use area, residential is the predominant land use with various retail and commercial uses along primary arterials. Of the outright permitted uses, physical and locational features best support affordable multi-family use (as stipulated by the subject's regulatory agreements) for the site's highest and best use as-vacant.

Feasibility Factors

The financial feasibility of those uses that meet the legal and physical tests discussed is analyzed further in this section. Supply and demand conditions affect the financial feasibility of possible uses. Indicators of feasibility, which typically indicate favorable or non-favorable supply and demand conditions, include construction financing and proposed projects. Financial feasibility factors generally support immediate development of the subject site.

As-Vacant Conclusion

Based on the previous discussion, the subject's highest and best use as-vacant is concluded to be affordable multi-family use.

As-Improved Analysis

The subject's affordable multi-family apartment use (as-improved) is a conforming use by the RM zoning. The legal factors influencing the highest and best use of the subject property support the existing use. The subject's improvements were constructed in 1977 and have a remaining economic life of 30 years based on my estimate. The project is of average/good quality construction and in average/good condition, with adequate service amenities. Legal, physical, locational and marketability factors support the existing use as the highest and best use of the subject site.

In addition to legal, physical and locational considerations, analysis of the subject property as-improved requires the treatment of alternative uses for the property. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's use "as-improved". Among the five alternative uses, continued use as affordable multi-family apartments is the Highest and Best Use of the subject property as-improved.

INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The As-Is Market Value of the subject's fee simple interest is estimated using the Sales Comparison Approach, which is recognized as the standard appraisal technique for commercial land. The Cost and Income Capitalization Approaches are not applicable when valuing unimproved commercial land and are therefore excluded. Their exclusion is not detrimental to the reliability or credibility of the final value conclusion.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

LAND VALUATION

As previously discussed within the Valuation Methods section, the subject is valued as one marketable economic site in this appraisal. Land value is influenced by a number of factors; most prominent of which is development and use potential. These factors, as well as others, are considered in the following analysis.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot. This indicator best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning in this marketplace.

COMPARABLE SELECTION

A thorough search was made for similar land sales in terms of proximity to the subject, size, location, development potential, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of commercial sites that are similar to the subject property in terms of location and physical characteristics. Overall, the sales selected represent the best comparables available for this analysis.

ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.
Financing Terms	The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.
Expenditures After Purchase	Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-existing structures, general site clearing and/or mitigation of environmental issues.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on my research, the following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	December 2015	(As-Is)	6%

Based on research and interpretation of value trends, a flat market conditions adjustment has been applied in this analysis. The analysis applies an upward market conditions adjustment of 6% annually reflecting the conditions between the oldest comparable sale date up through the effective valuation date.

Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, shape, access, exposure, topography, zoning and overall utility. Where possible the adjustments applied are

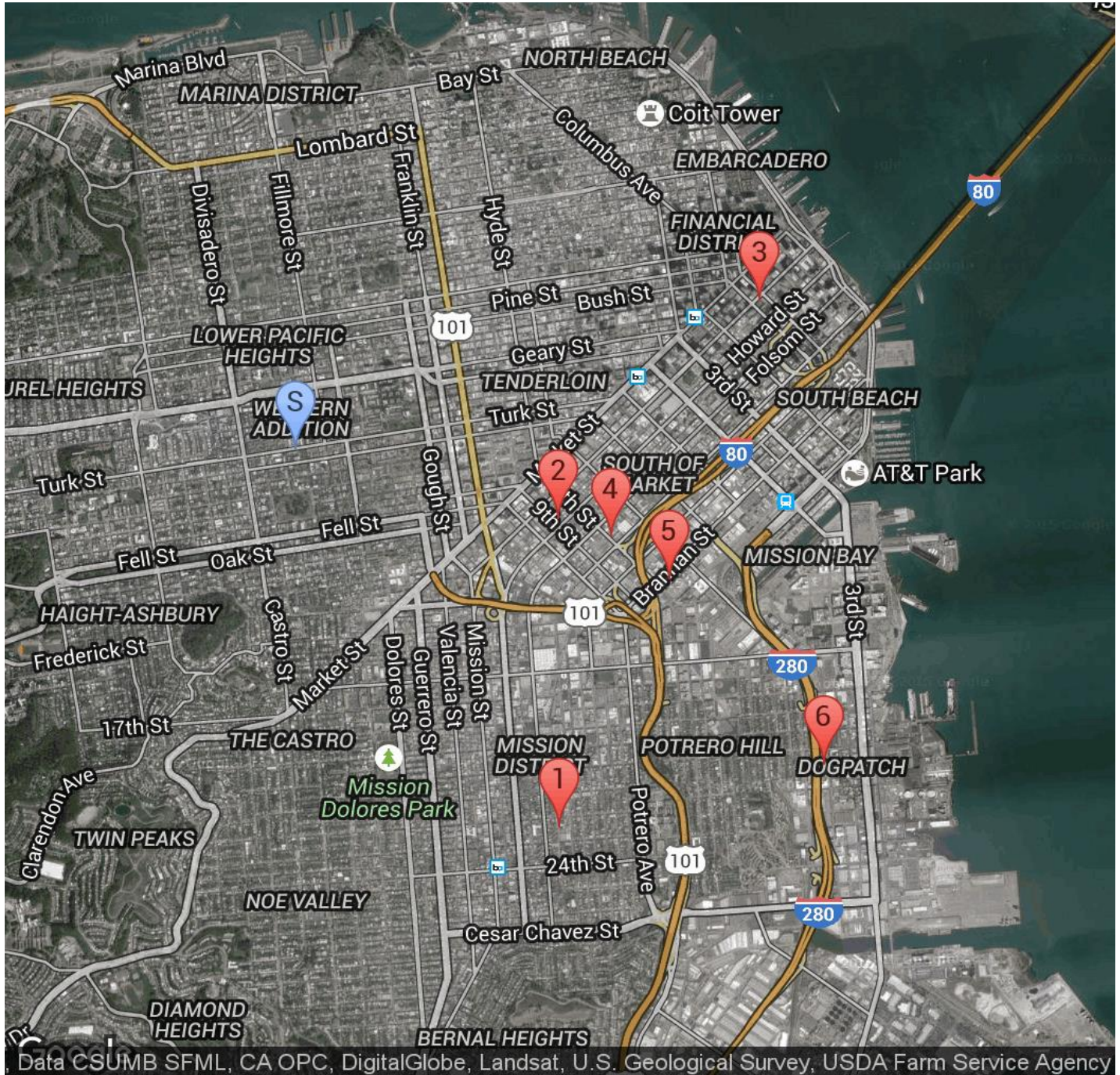
based on paired data or other statistical analysis. For example, location adjustments are based primarily on review of land values in the market areas for the comparables relative to the subject. It should be stressed that the adjustments are subjective in nature and are meant to illustrate my logic in deriving a value opinion for the subject site.

LAND VALUATION PRESENTATION

The following Land Sales Summation Table, Location Map and datasheets summarize the sales data used in this analysis. Following these items, the comparable land sales are adjusted for applicable elements of comparison and the opinion of site value is concluded.

LAND SALES SUMMATION TABLE							
COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
Name	Multi-Family	MF Land	A Residential Site	MF Land	A Residential	A Residential	A multifamily site
Address	1555 Turk Street	953 Treat Ave	1298 Howard	Folsom St-	350 8th Street	801 Brannan	800 Indiana
City	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco
State	CA	CA	CA	CA	CA	CA	CA
Zip	94115	94110	94103	94105	94103	94103	94107
County	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco
APN	0754-028	3639-028	3728-019, 024,	3738-004	3756-003, 015	3783-001	4105-009
PHYSICAL INFORMATION							
SF	64,046	4,792	38,111	79,279	144,123	226,874	116,455
Location	Good	Good	Good	Excellent	Good/Excellent	Good	Average
Exposure	Average/Good	Average/Good	Average/Good	Good	Average/Good	Average	Average/Good
Access	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good
Shape	L-Shaped	Irregular	Rectangular	Rectangular	Rectangular	Rectangular	Irregular
Site Utility Rating	Average/Good	Average	Average	Average	Average	Average	Average
Zoning	RM	UMU	RCD/MUG/W	P	WMUG	UMU	UMU
Corner	No	No	Yes	Yes	Yes	Yes	No
Topography	Level	Level	Level	Level	Level	Level	Level
Easements	Standard	Standard	Standard	Standard	Standard	Standard	None
SALE INFORMATION							
Date		3/26/2015	11/15/2013	10/10/2013	5/28/2013	2/26/2013	4/22/2015
Status		Recorded	Recorded	Recorded	Recorded	Recorded	In Contract
Rights Transferred		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price		\$1,900,000	\$11,200,000	\$30,571,100	\$44,000,000	\$40,130,000	\$26,000,000
Analysis Price		\$1,900,000	\$11,200,000	\$30,571,100	\$44,130,000	\$41,380,000	\$26,000,000
\$/SF Land		\$396.49	\$293.88	\$385.61	\$306.20	\$182.39	\$223.26

LAND SALES LOCATION MAP



Data CSUMB SFML, CA OPC, DigitalGlobe, Landsat, U.S. Geological Survey, USDA Farm Service Agency

COMPARABLE KEY

COMP	DISTANCE	ADDRESS	SALE DATE	ACRES	SF	\$/SF
SUBJECT	-	1555 Turk Street, San Francisco, CA	-	1.5	64,046	\$330.00
No. 1	2.1 Miles	953 Treat Ave, San Francisco, CA	3/26/2015	0.1	4,792	\$396.49
No. 2	1.2 Miles	1298 Howard Street, San Francisco, CA	11/15/2013	0.9	38,111	\$293.88
No. 3	2.2 Miles	Folsom St-Transbay Block 6, San Francisco, CA	10/10/2013	1.8	79,279	\$385.61
No. 4	1.5 Miles	350 8th Street, San Francisco, CA	5/28/2013	3.3	144,123	\$306.20
No. 5	1.8 Miles	801 Brannan Street, San Francisco, CA	2/26/2013	5.2	226,874	\$182.39
No. 6	2.7 Miles	800 Indiana Street, San Francisco, CA	4/22/2015	2.7	116,455	\$223.26

COMPARABLE 1

LOCATION INFORMATION

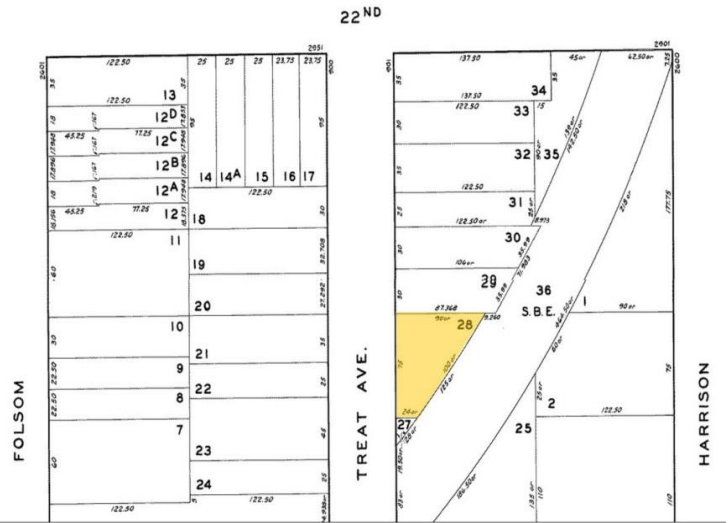
Name MF Land
 Address 953 Treat Ave
 City, State, Zip Code San Francisco, CA, 94110
 County San Francisco
 MSA San Francisco-Oakland-San Jose, CA CMS
 APN 3639-028

SALE INFORMATION

Buyer 953 Treat Avenue Lp
 Seller James W & Barbara G Heinzer
 TransactionDate 03/26/2015
 Transaction Status Recorded
 Transaction Price \$1,900,000
 Analysis Price \$1,900,000
 Recording Number 38839
 Rights Transferred Fee Simple
 Down Payment \$570,000
 Financing \$1.9M conv
 Conditions of Sale None
 Marketing Time 56 Day(s)

PHYSICAL INFORMATION

Allowed Use Multi-residential
 Location Good
 Site Size Acres SF
 Net 0.11 4,792
 Gross 0.11 4,792
 Zoning UMU
 Development Potential 16 Units
 Density 145.45 Units/Net Acre
 Shape Irregular
 Topography Level
 Access Average/Good
 Exposure Average/Good
 Corner No
 Easements Standard
 Environmental Issues None Noted
 Utilities All



MF LAND

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$17,272,727	\$396.49
Net	\$17,272,727	\$396.49

CONFIRMATION

Name Louis Cornejo
 Company Urban Group Real Estate
 Source CoStar
 Date 12/24/2015

REMARKS

The subject property was \$1.9 million on 3/26/2015. This consists of 2 parcels of land approximately .11-acre. The property is zoned for UMU- Urban Mixed Use that can accommodate 9-16 residential condo's. There is an existing structure on the property and project may commence sometime next year. Escrow length was approximately 30 days.

COMPARABLE 2

LOCATION INFORMATION

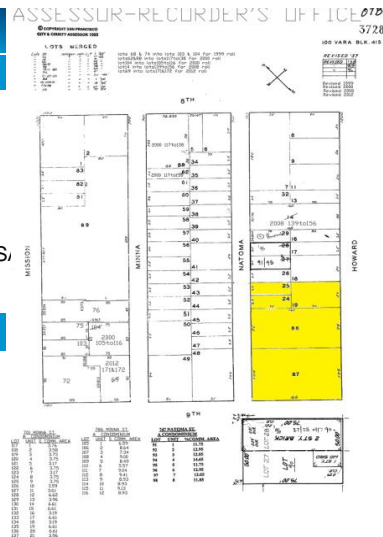
Name A Residential Site
 Address 1298 Howard Street
 City, State, Zip Code San Francisco, CA, 94103
 County San Francisco
 MSA San Francisco-Oakland-San Jose, CA CMS
 APN 3728-019, 024, 025, 086, 087

SALE INFORMATION

Buyer Worldco Company, LTD
 Seller Werbe TR Properties Inc.
 TransactionDate 11/15/2013
 Transaction Status Recorded
 Transaction Price \$11,200,000
 Analysis Price \$11,200,000
 Rights Transferred Leased Fee
 Down Payment \$11,200,000
 Financing All Cash
 Conditions of Sale None

PHYSICAL INFORMATION

Allowed Use Multi-residential
 Intended Use Land - Multi-Family
 Location Good
 Site Size Acres SF
 Net 0.87 38,111
 Gross 0.87 38,111
 Zoning RCD/MUG/W
 Development Potential 130 Units
 Density 149.43 Units/Net Acre
 Shape Rectangular
 Topography Level
 Access Average/Good
 Exposure Average/Good
 Corner Yes
 Easements Standard
 Environmental Issues Site Assumed Clean
 Utilities All



A RESIDENTIAL SITE

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$12,873,563	\$293.88
Net	\$12,873,563	\$293.88

CONFIRMATION

Name Alvin Chan
 Company Worldco Company Ltd
 Source Buyer
 Date 02/13/2014

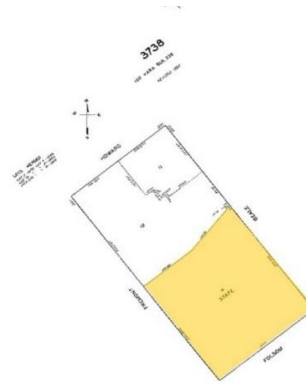
REMARKS

This is the sale of land that could be redeveloped into a multifamily complex with up to 130 units. According to the buyer representative and confirmed by the city of San Francisco, the site is not currently entitled, but is currently improved as a Chevron service station with a lease that runs for another five years. According to the buyer representative, the property was not marketed; it was a pocket listing. The buyer ultimately intended to redevelop the site; the interim income was deemed to be beneficial whilst obtaining the necessary permits for redevelopment. The buyer representative indicated that the purchase price was inclusive of this interim income benefit (estimated annual net income was 3% of the overall purchase price). No unusual terms were noted.

COMPARABLE 3

LOCATION INFORMATION

Name	MF Land
Address	Folsom St-Transbay Block 6
City, State, Zip Code	San Francisco, CA, 94105
County	San Francisco
MSA	San Francisco-Oakland-San Jose, CA CMS
APN	3738-004



SALE INFORMATION

Buyer	Bentall Kennedy
Seller	Transbay Joint Powers Authority
TransactionDate	10/10/2013
Transaction Status	Recorded
Transaction Price	\$30,571,100
Analysis Price	\$30,571,100
Recording Number	J768-0905
Rights Transferred	Fee Simple
Down Payment	\$30,000,000

PHYSICAL INFORMATION

Allowed Use	Multi-residential	
Location	Excellent	
Site Size	Acres	SF
Net	1.82	79,279
Gross	1.82	79,279
Zoning	P	
Development Potential	545 Units	
Density	299.45 Units/Net Acre	
Shape	Rectangular	
Topography	Level	
Access	Average/Good	
Exposure	Good	
Corner	Yes	
Easements	Standard	
Environmental Issues	None Noted	
Utilities	All	

MF LAND

ANALYSIS INFORMATION

Price	<u>\$/Acre</u>	<u>\$/SF</u>
Gross	\$16,797,308	\$385.61
Net	\$16,797,308	\$385.61

CONFIRMATION

Name	No broker involved
Company	
Source	CoStar
Date	12/24/2015

REMARKS

On the 10th of October 2013, the 1.82 acre site known as Transbay Block 6 was sold for \$30.571 million, or about \$16.8 million per acre. Block 6 is entitled for a 545-unit, 300-foot apartment tower on the corner of Folsom, Beale, and Fremont Streets. The apartment building can be found by searching CoStar for PID: 9241431. This was a direct deal between the city and Bentall Kennedy. Information from this comp has been confirmed.

COMPARABLE 4

LOCATION INFORMATION

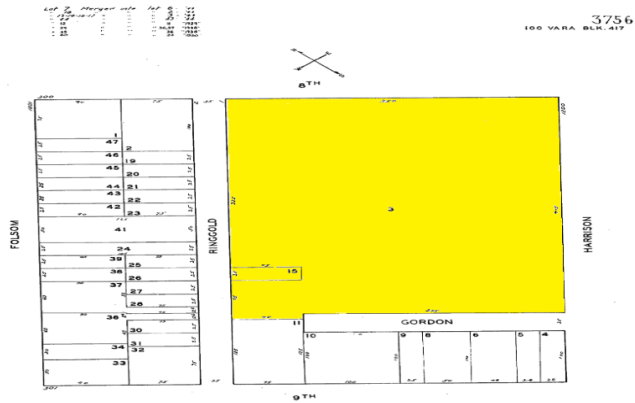
Name	A Residential Land Site
Address	350 8th Street
City, State, Zip Code	San Francisco, CA, 94103
County	San Francisco
MSA	San Francisco-Oakland-San Jose, CA CMS
APN	3756-003, 015

SALE INFORMATION

Buyer	AERC 8th and Harrison, LLC
Seller	Werbe RT Properties Inc.
TransactionDate	05/28/2013
Transaction Status	Recorded
Transaction Price	\$44,000,000
Analysis Price	\$44,130,000
Recording Number	669060
Rights Transferred	Fee Simple
Down Payment	\$44,000,000
Financing	All Cash
Conditions of Sale	None

PHYSICAL INFORMATION

Allowed Use	Multi-residential
Intended Use	Land - Multi-Family
Location	Good/Excellent
Site Size	Acres SF
Net	3.31 144,123
Gross	3.31 144,123
Zoning	WMUG
Development Potential	410 Units
Density	123.87 Units/Net Acre
Shape	Rectangular
Topography	Level
Access	Average/Good
Exposure	Average/Good
Corner	Yes
Easements	Standard
Environmental Issues	Site Assumed Clean
Utilities	All



A RESIDENTIAL LAND SITE

ANALYSIS INFORMATION

Price	<u>\$/Acre</u>	<u>\$/SF</u>
Gross	\$13,332,326	\$306.20
Net	\$13,332,326	\$306.20

CONFIRMATION

Name	Jeffrey Friedman
Company	Associated Estates Realty
Source	Buyer's Representative
Date	Confidential

REMARKS

This is the sale of a residential redevelopment site. According to the city of San Francisco planning documents, the site has been entitled for an eight building mixed-use development consisting of 410 residential units, 22,280 SF of retail/commercial space, 10,600 SF of arts activity/PDR space, 9,400 SF of office space, and underground parking. No value was considered for the existing improvements and we have considered a \$5/SF demolition cost for said improvements (26,000 SF). No unusual terms or conditions were noted.

COMPARABLE 5

LOCATION INFORMATION

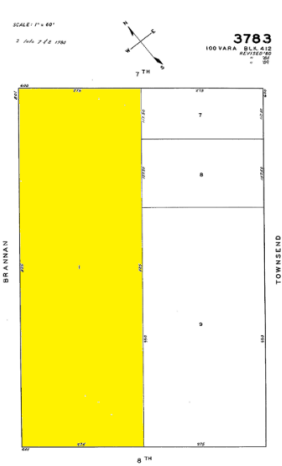
Name	A Residential Land Site
Address	801 Brannan Street
City, State, Zip Code	San Francisco, CA, 94103
County	San Francisco
MSA	San Francisco-Oakland-San Jose, CA CMS
APN	3783-001

SALE INFORMATION

Buyer	Archstone Concourse LLC
Seller	BW Brannan St, LLC
TransactionDate	02/26/2013
Transaction Status	Recorded
Transaction Price	\$40,130,000
Analysis Price	\$41,380,000
Recording Number	608470
Rights Transferred	Fee Simple
Down Payment	\$40,130,000
Financing	All Cash
Conditions of Sale	None

PHYSICAL INFORMATION

Allowed Use	Multi-residential	
Intended Use	Land - Multi-Family	
Location	Good	
Site Size	Acres	SF
Net	5.21	226,874
Gross	5.21	226,874
Zoning	UMU	
Development Potential	432 Units	
Density	82.92 Units/Net Acre	
Shape	Rectangular	
Topography	Level	
Access	Average/Good	
Exposure	Average	
Corner	Yes	
Easements	Standard	
Environmental Issues	Site Assumed Clean	
Utilities	All	



A RESIDENTIAL LAND SITE

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$7,942,418	\$182.39
Net	\$7,942,418	\$182.39

CONFIRMATION

Name	CBRE
Company	
Source	Appraiser
Date	02/13/2014

REMARKS

This is the sale of a residential development site improved with an industrial building at the time of sale (exhibition center). The site transferred with entitlements for the construction of a six-story, 68-foot buildings of up to 432 dwelling units, approximately 19,650 SF of ground floor retail, and up to 422 parking spaces. A demo cost at \$10/SF was estimated to account for the existing building (125,000 SF). Archstone will not begin construction until 2014. This site was sold with 55 Division which is located across the street. It was noted that this site sold for less than the 55 Division site due to the proposed low-income housing units at 801 Brannan. No unusual terms or conditions were noted.

COMPARABLE 6

LOCATION INFORMATION

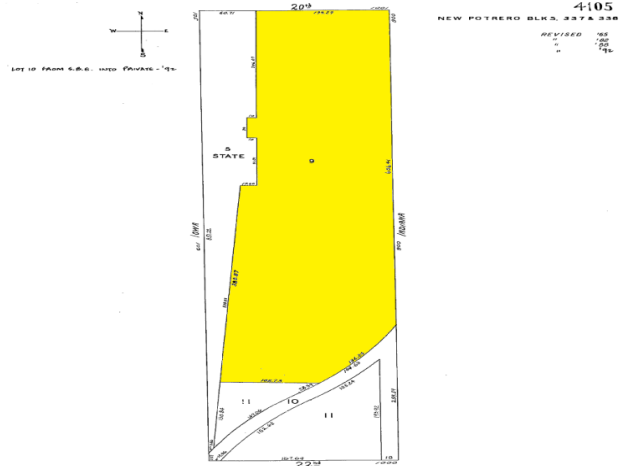
Name	A multifamily site
Address	800 Indiana Street
City, State, Zip Code	San Francisco, CA, 94107
County	San Francisco
MSA	San Francisco-Oakland-San Jose, CA CMS
APN	4105-009

SALE INFORMATION

Buyer	Archstone
Seller	San Francisco Opera Association
TransactionDate	04/22/2015
Transaction Status	In Contract
Transaction Price	\$26,000,000
Analysis Price	\$26,000,000
Rights Transferred	Fee Simple
Financing	Conventional
Conditions of Sale	None

PHYSICAL INFORMATION

Allowed Use	Multi-residential	
Intended Use	Multi-residential - Apartments	
Location	Average	
Site Size	Acres	SF
Net	2.67	116,455
Gross	2.67	116,455
Zoning	UMU	
Development Potential	326 Units	
Density	122.10 Units/Net Acre	
Shape	Irregular	
Topography	Level	
Access	Average/Good	
Exposure	Average/Good	
Corner	No	
Easements	None	
Environmental Issues	None Noted	
Utilities	All	



A MULTIFAMILY SITE

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$9,737,828	\$223.26
Net	\$9,737,828	\$223.26

CONFIRMATION

Name	Darren Kuiper
Company	Colliers International
Source	Confidential
Date	Confidential

REMARKS

According to sources familiar to the property, the property is currently in contract with Archstone to purchase an improved site from the San Francisco Opera for approximately \$26 MM. Archstone is proposed to replace the single-story metal-sided warehouse with a two-building, 326 unit multifamily project. Archstone is currently working on obtaining the proper permits to redevelop. No unusual terms or conditions were noted.

LAND SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
Name	Multi-Family	MF Land	A Residential Site	MF Land	A Residential	A Residential	A multifamily site
Address	1555 Turk Street	953 Treat Ave	1298 Howard	Folsom St-	350 8th Street	801 Brannan	800 Indiana
APN	0754-028	3639-028	3728-019, 024, 02	3738-004	3756-003, 015	3783-001	4105-009
SF	64,046	4,792	38,111	79,279	144,123	226,874	116,455
Location	Good	Good	Good	Excellent	Good/Excellent	Good	Average
Exposure	Average/Good	Average/Good	Average/Good	Good	Average/Good	Average	Average/Good
Access	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good
Shape	L-Shaped	Irregular	Rectangular	Rectangular	Rectangular	Rectangular	Irregular
Site Utility Rating	Average/Good	Average	Average	Average	Average	Average	Average
SALE INFORMATION							
Date		3/26/2015	11/15/2013	10/10/2013	5/28/2013	2/26/2013	4/22/2015
Status		Recorded	Recorded	Recorded	Recorded	Recorded	In Contract
Rights Transferred		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price		\$1,900,000	\$11,200,000	\$30,571,100	\$44,130,000	\$41,380,000	\$26,000,000
Price/SF		\$396.49	\$293.88	\$385.61	\$306.20	\$182.39	\$223.26
TRANSACTIONAL ADJUSTMENTS							
Property Rights		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	-5%
Financing		0%	0%	0%	0%	0%	0%
Market Conditions¹		5%	13%	14%	16%	18%	4%
Subtotal Transactional Adj Price		\$416.31	\$332.08	\$439.60	\$355.19	\$215.22	\$220.58
PROPERTY ADJUSTMENTS							
Location		0%	0%	-10%	-5%	0%	10%
Size		-10%	-5%	5%	10%	25%	10%
Exposure		0%	0%	-10%	0%	10%	0%
Access		0%	0%	0%	0%	0%	0%
Shape		0%	0%	0%	0%	0%	0%
Density		0%	0%	-5%	0%	5%	0%
Subtotal Property Adjustment		-10%	-5%	-20%	5%	40%	20%
TOTAL ADJUSTED PRICE		\$374.68	\$315.48	\$351.68	\$372.95	\$301.31	\$264.70
STATISTICS	UNADJUSTED	ADJUSTED					
LOW	\$182.39	\$264.70					
HIGH	\$396.49	\$374.68					
MEDIAN	\$300.04	\$333.58					
AVERAGE	\$297.97	\$330.13					

¹ Market Conditions Adjustment: 6%

Date of Value (for adjustment calculations): 12/29/15

CALCULATION OF VALUE

The comparable land sales indicate an adjusted value range from \$264.70 to \$374.68/SF, with a median of \$333.58/SF and an average of \$330.13/SF. Based on the results of the preceding analysis, Comparable 1 (\$374.68/SF adjusted), Comparable 2 (\$315.48/SF adjusted), Comparable 3 (\$351.68/SF adjusted), Comparable 4 (\$372.95/SF adjusted), Comparable 5 (\$301.31/SF adjusted) and Comparable 6 (\$264.70/SF adjusted) are given primary consideration for the subject’s opinion of land value. With equal emphasis on each of the subject comparables I conclude near the middle of the range at \$330/SF as indicated in the table below.

Based on the results of the preceding analysis, all comparables are given primary consideration for the sale price per square foot conclusion as each comparable required similar types and amounts of adjustment therefore, all of the adjusted comparables are considered primary indicators. With similar emphasis on each comparable, we conclude near the middle of the comparable range at \$330/SF.

The following table summarizes the analysis of the comparables, reports the reconciled price per square foot value conclusion, and presents the concluded value of the subject site.

CALCULATION OF LAND VALUE								
COMP	ANALYSIS PRICE	ADJUSTMENT				NET ADJ %	GROSS ADJ %	OVERALL COMPARISON
		TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²	FINAL			
1	\$396.49	5%	\$416.31	-10%	\$374.68	-6%	15%	PRIMARY
2	\$293.88	13%	\$332.08	-5%	\$315.48	7%	18%	PRIMARY
3	\$385.61	14%	\$439.60	-20%	\$351.68	-9%	44%	PRIMARY
4	\$306.20	16%	\$355.19	5%	\$372.95	22%	31%	PRIMARY
5	\$182.39	18%	\$215.22	40%	\$301.31	65%	58%	PRIMARY
6	\$223.26	-1%	\$220.58	20%	\$264.70	19%	29%	PRIMARY
LOW	\$264.70					AVERAGE		\$330.13
HIGH	\$374.68					MEDIAN		\$333.58
COMPONENT		SUBJECT SF		\$/SF CONCLUSION			VALUE	
TOTAL PROPERTY		64,046	x	\$330.00	=	\$21,140,000		

¹Cumulative ²Additive

Rounded to nearest \$10,000

ADJUSTMENTS TO LAND VALUE

To reflect conditions in effect at the subject property as the date of value, adjustments to preceding land value were necessary for a one-time discounted land value adjustment due to the affordable multi-family use deed restrictions. The following discussion summarizes my support of the value adjustments.

Due to the long length of the lease (99 years) we conclude that the improvements will have no reversionary value, therefore, the value of the ground lease is tantamount to a fee simple value of the land as if vacant.

One Time Adjustment

Due to the restricted rents for affordable multi-family use, and the fact that the deeded restriction runs with the land if sold, we found it necessary to apply a discount to the market value. We derived the discount by examining market rents versus restricted rents in the San Francisco market area.

We found six rentals of studio apartments showing market rents as well as restricted rents and derived the discount for each. The discounted rents ranged from 46% to 86% and the average discount for all comparables was 66%; however, the subject will be restricted to 60% of Area Median Income (AMI) which indicates a current rounded studio rent of \$1,220/month (assuming a \$75 utility allowance). Relative to market rent, the approved restricted rent for the subject indicates a discount of 55%). Based on this analysis, I conclude a 55% discount off of the unencumbered market value of the land as indicated in the table below:

RENT DISCOUNTS

Address	# Units	Avg Unit SF	Yr Blt	Unit Type	Market Rents	Restricted Rents	% Discount
737 Post St, San Francisco, CA	137	326	1989	Studio	\$2,547	\$1,368	46%
737 Post St, San Francisco, CA	10	400	1989	Studio	\$2,712	\$1,386	49%
2235 Third St, San Francisco, CA	33	406	2012	Studio	\$2,845	\$546	81%
21 Clarence Pl, San Francisco, CA	12	353	2012	Studio	\$2,706	\$372	86%
150 Van Ness Ave, San Francisco, CA	24	441	2016	Studio	\$3,000	\$941	69%
1600 15th St, San Francisco, CA	28	518	2013	Studio	\$2,500	\$939	62%
Averages		407			\$2,718	\$925	
60% AMI Rent						\$1,222	
Concluded						\$1,220	
						Discount	-55%
Market Value of the Land					\$21,140,000		
Less the Discount due to Deed Restrictions					-55%		
Restricted Value of the Land					\$9,487,725		\$9,500,000

LAND VALUE CONCLUSION

The Sales Comparison Approach was utilized for valuation of the subject site, as it best reflects the decision-making of buyers and sellers of affordable multi-family land in the local marketplace. The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property’s leased fee interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

The subject property’s land value is impacted by the affordable housing multi-family use deed restriction. Therefore we discounted the market value of the land in order to reflect the restricted land value.

My opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject’s value.

ANALYSIS OF VALUE CONCLUSIONS

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	LEASED FEE
DATE OF VALUE	DECEMBER 29, 2015
FINAL VALUE CONCLUSION (As Restricted)	\$9,500,000
\$/SF	\$148/SF
Exposure Time	Six Months or Less
Marketing Period	Six Months or Less

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions of the signer are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signer of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- Phil Sarazen has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The signer is not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- Phil Sarazen did not inspect the property that is the subject of this report.
- No one provided significant real property appraisal assistance to appraiser signing this certification.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report Phil Sarazen has completed the Standards and Ethics Education Requirement for (Candidates) of the Appraisal Institute.

Phil Sarazen
 Senior Valuation Specialist
 Certified General Real Estate Appraiser
 State of California License #AG003244
 +1 559 256 0156
 phil.sarazen@colliers.com

March 17, 2016
 Date

This appraisal is subject to the following assumptions and limiting conditions:

- The appraiser may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The appraiser may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraiser which is not specifically disclosed in this report.
- Without the written consent or approval of the author neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraiser and the firm with which the appraiser is connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the author no portion of the report stands alone.
- The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraiser is not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or

personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- The appraiser assumes no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

Engagement Letter

Valuation Glossary

Qualifications of Appraiser

Qualifications of Colliers International Valuation & Advisory Services

PROFESSIONAL SERVICE AGREEMENT

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

1508 Eureka Road, Suite 250
Roseville, CA 95661
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FAX +1 916.724.5600
WEB www.colliers.com/valuationadvisory



December 1, 2015

John E. Larson
Senior Valuation Services Director
Dir +1 559 221 7391
john.larson@colliers.com

Al Reynolds, Agent
Laurel Gardens of Bethel AME Church, Inc.
c/o Alton Management Corporation
2934 Telegraph Avenue
Oakland, CA 94609
510.663.0177

RE: Appraisal of Laurel Gardens Apartments

Dear Mr. Reynolds:

Thank you for considering Colliers International Valuation & Advisory Services, LLC for the assignments identified in the attached Professional Service Agreement. Please sign one copy of the agreement and return it to me, thereby indicating your authorization for us to proceed with this assignment and your acceptance of the attached Terms and Conditions.

PROFESSIONAL SERVICE AGREEMENT

("Agreement")

Project:	Laurel Garden Apartments ("Property")
Location:	1555 Turk Street San Francisco CA
Project Description:	52-Unit Apartment Complex,
Parties:	Colliers International Valuation & Advisory Services, LLC ("CIVAS") and Laurel Gardens of Bethel AME Church, Inc. (herein at times referred to as "Client")
Intended User:	The appraisal will be prepared for Laurel Gardens of Bethel AME Church, Inc. Intended users include the Client, Laurel Gardens of Bethel AME Church, L.P, and Fannie Mae. No other users are intended. It should be noted that if this engagement is directly with the owner of the Property, typically the Appraisal may not be accepted by many federally insured lenders due to FIRREA Compliance, limiting the use of this report for many potential lenders. Should this potentially impact your source of lenders, we recommend engagement be directed by a Federally Insured Lender.
Intended Use:	The report to be performed under this Agreement ("Appraisal") is intended only for use in financing purposes. The report is not intended for any other use.
Purpose:	Lease Fee of the Land (Ground Lease)
Type of Appraisal:	CIVAS will produce an Appraisal Report in which the appraiser's analysis and conclusions will be fully described within this document.
Rights Appraised:	Leasehold (Land)
Date of Value:	Date of report.

Scope of Work:	<p>CIVAS and/or its designated affiliate will provide the Appraisal in accordance with USPAP, and the Code of Ethics and Certifications Standards of the Appraisal Institute and State Licensing Laws. CIVAS will inspect the property, research relevant market data, and perform analysis to the extent necessary to produce credible appraisal results. Based on our discussions with the Client, the Client has requested the following valuation scenarios: Ground Lease – As Is Market Value of Leased Fee. CIVAS anticipates developing the following valuation approaches:</p> <ul style="list-style-type: none"> ➤ All applicable approaches <p>Please note if it's a requirement per your underwriting or guidelines to have all approaches to value, although some approaches may be limited in application.</p> <p>The scope of work will be included in the Appraisal. A copy of the Assumptions and Limiting Conditions, which appear in the Appraisal, is available upon request.</p>
Delivery:	<p>Draft Appraisal: Delivered two (2) weeks from the date of authorization and receipt of property specific information.</p> <p>Final Appraisal: Delivered three (3) days after completion of client review and authorization to deliver final report(s).</p>
Professional Fee:	\$4,500. Additional reports will be provided at \$200.00 a copy.
Expenses:	Fees do not include all associated expenses; associated expenses will not exceed <u>_N/A_</u> and will be billed separately.
No. of Reports	One (1) Electronic Draft Appraisal, One (1) Electronic Final Appraisal and Two (2) printed Color Final Appraisal (at the request of Client)
Retainer:	50% retainer is required, due on engagement
Payment Terms:	CIVAS will invoice Client for the Appraisal in its entirety at the completion of the assignment. Final payment is due and payable within five (5) business days upon delivery of the electronic copy of the Final Appraisal or within thirty (30) days of your receipt of our Draft Appraisal, whichever is sooner. If a Draft Appraisal is requested, the fee is considered earned upon delivery of our Draft Appraisal.
Acceptance Date:	These specifications are subject to modification if this Agreement is not accepted within 2 business days from the date of this letter.

ITEMS NEEDED

- **None Needed**

•

In addition to the items requested above, please forward any additional materials you would consider relevant in the analysis of the subject property.

Terms and Conditions

The attached Terms and Conditions and Specific Property Data Request are deemed a part of this Agreement as though set forth in full herein. The following is a list of information we will need to begin our analysis. Please forward with the Agreement or as soon as possible.

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. CIVAS is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by CIVAS or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that CIVAS will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CIVAS, by a party satisfactory to CIVAS. CIVAS does consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide CIVAS with an Indemnification Agreement and/or Non-Reliance letter.

CIVAS hereby expressly grants to Client the right to copy the Appraisal and distribute it to other parties in the transaction for which the Appraisal has been prepared, including employees of Client, other lenders in the transaction, and the borrower, if any.

Our ability to honor the terms of this Agreement will require Client's response within three (3) business days. If you have questions regarding the enclosed, please feel free to contact me. CIVAS appreciates this opportunity to be of service to you on this assignment and looks forward to serving you. If you have additional questions, please contact us.

I, Al Reynolds, Principal of Alton Management Corporation, as Agent for Laurel Gardens of Bethel AME Church, Inc., agree to the above stated terms and authorize Colliers International Valuation & Advisory Services, LLC to prepare the above referenced appraisal.

_____ Date: _____

Al Reynolds, Alton Management Corporation
Agent for Laurel Gardens of Bethel AME Church, Inc.

Respectfully,

Colliers International Valuation & Advisory Services, LLC



John E. Larson
Senior Valuation Services Director
Dir +1 559 221 7391
john.larson@colliers.com

TERMS AND CONDITIONS

“T&C”

- 1) The Appraisal will be subject to Colliers International Valuation & Advisory Services, LLC's ("CIVAS") Assumptions and Limiting Conditions that are incorporated into each appraisal, and any Extraordinary Assumptions and Hypothetical Conditions that may be incorporated into each appraisal.
- 2) Any capitalized, non-defined words shall have the same meaning as defined in the Agreement to which these T&Cs are attached.
- 3) Client is defined as the party signing the Agreement and shall be responsible for payment of the fees stipulated in the Agreement. Payment of the fee for the Appraisal is not contingent on the appraised value(s) or the outcome of the report(s). Additional fees will be charged on an hourly basis for any work that may exceed the scope of this proposal, including performing additional valuation scenarios, additional research, and conference calls or meetings that may exceed the time allotted by CIVAS for an assignment of this nature. If CIVAS is requested to cease working on the Appraisal for any reason prior to the completion of the appraisal(s), CIVAS will be entitled to bill the Client for the time spent to date at CIVAS' hourly rates for the personnel involved. The Client will be billed a minimum \$500 or at a rate of \$250 per hour for associate time, \$350 per hour for valuation services director, and \$450 per hour for executive managing director. If the Client delays completion of the assignment beyond ninety (90) days, the fee may be renegotiated. This may result in the total fee exceeding the original agreed fee agreed upon cost.
- 4) The fees and expenses shall be due CIVAS as agreed to in the Agreement and these T&Cs. Client agrees to pay all fees and expenses, including attorney's fees, incurred by CIVAS in connection with the collection or attempted collection of the fees and expenses. In the event Client fails to make payments when due and payable, then from the date due and payable until paid the amount due and payable, shall bear interest at 1.5% per month or the maximum rate permitted in the state in which the CIVAS office executing the Agreement is located, whichever is greater.
- 5) The fee is due upon delivery of the final report or within thirty (30) days of your receipt of the draft report, whichever is sooner. If a draft is requested, the fee is considered earned upon delivery of our draft report.
- 6) In the event that either party commences any legal action relating to the provisions of the Agreement, including collection, the prevailing party shall be entitled to its actual attorneys' fees and costs, including those incurred upon appeal. The Agreement shall be governed by and construed in accordance with the laws of the state where the CIVAS office executing the Agreement is located. The venue of any action arising out of the Agreement shall be the county where the CIVAS office executing the Agreement is located. Client will have up to fourteen (14) days from receipt of the Draft Appraisal to review and communicate its review to CIVAS. CIVAS reserves the right to bill Client for additional appraisal efforts that may arise from the Client not responding within with this time period.
- 7) All statements of fact in the Appraisal which are used as the basis of the CIVAS' analyses, opinions, and conclusions will be true and correct to the best of the CIVAS' knowledge and belief. CIVAS does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to CIVAS by Client.
- 8) CIVAS shall have no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The Appraisal will not constitute a survey of the Property analyzed.
- 9) Client shall provide CIVAS with such materials with respect to the Appraisal as requested by CIVAS and which are in the possession or under the control of Client. Client shall provide CIVAS with sufficient access to the Property to be analyzed and hereby grants permission for entry, unless discussed in advance to the contrary.
- 10) The data gathered in the course of the Appraisal (except data furnished by Client) and the Appraisal prepared pursuant to the Agreement are, and will remain, the property of CIVAS. With respect to data provided by Client, such data shall be confidential, and CIVAS shall not disclose any information identified as confidential furnished to CIVAS. Notwithstanding the foregoing, CIVAS is authorized by Client to disclose all or any portion of the Appraisal and the related data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable CIVAS to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
- 11) Unless specifically noted, CIVAS does not assume any duty to analyze or examine the Property or adjacent property for the possible presence of toxic and/or hazardous substances or materials (including but not exclusive to asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof) and accepts no liability regarding the issue. If such materials exist, CIVAS defers to the expertise of professionals specifically trained in analyzing the cost to remediate, which will not be a part of the appraisal fee proposal. The Appraisal will contain a comprehensive disclaimer to this effect.
- 12) CIVAS understands that there is no major or significant deferred maintenance in the Property which would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, and are not a part of the fee contemplated in the Agreement.
- 13) Client acknowledges that CIVAS is being retained hereunder as an independent contractor to perform the services described herein and nothing in the Agreement shall be deemed to create any other relationship between Client and CIVAS. The Agreement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Appraisal discussed herein.

- 14) In the event of any dispute between Client and CIVAS relating to this Agreement, or CIVAS' or Client's performance hereunder, CIVAS and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the CIVAS office executing this Agreement is located. The arbitrator(s) shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar type damages. The prevailing party in the arbitration proceeding shall be entitled to recover from the losing party its reasonable expenses, including the costs of arbitration proceeding, and reasonable attorneys' fees.
- 15) Client agrees that its only remedy for losses or damages relating to the Agreement shall be limited to the amount of the appraisal fee paid by the Client. Should the Client, or any other entitled party, make a claim against CIVAS, its directors, officers, employees and other affiliates and shareholders, relating to this engagement or the appraisal(s), the maximum damages recoverable from CIVAS, its directors, officers, employees and other affiliates and shareholders, shall be the amount of funds actually collected by CIVAS under the Agreement, and no claim shall be made for any consequential or punitive damages.
- 16) If CIVAS or any of its employees receives a subpoena or other judicial notification to produce documents or provide testimony involving the Appraisal in connection with a lawsuit or related proceeding, CIVAS will notify the Client of receipt of the subpoena or notification. However, if CIVAS is not part of the lawsuit or proceedings, Client agrees to compensate CIVAS for the professional time required and to reimburse CIVAS for the expenses incurred in responding to any such subpoena or judicial notification, including any attorneys' fees, as they are incurred. CIVAS is to be compensated at the prevailing hourly rates of the personnel responding to the subpoena or command for testimony.
- 17) If expert witness testimony is required in connection with the Appraisal, the following hourly rates will apply. The Client will be billed at the rate of \$250 per hour for associate time, \$350 per hour for valuation services director, and \$450 per hour for executive managing director. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes appraisal report) and all meetings related to court testimony.
- 18) Client shall indemnify and hold CIVAS, its parent, subsidiaries, affiliates, its officers, directors, employees and agents ("CIVAS Indemnities"), fully harmless against all losses, damages, claims, and expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligence or intentional acts or omissions of Client (including any failure to perform any duty imposed by law), any misrepresentation, distortion or if Client fails to provide complete and accurate information to CIVAS, for which recovery is sought against the CIVAS Indemnities by that third party; however, such obligation to defend and indemnify shall not apply to the extent caused by the negligent act or willful misconduct of CIVAS. Client shall indemnify and hold CIVAS Indemnities harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the Appraisal to any third party. **LIMITATION OF LIABILITY.** EXCEPT FOR THE INDEMNIFICATION PROVISION ABOVE, ANYTHING IN THE AGREEMENT TO THE CONTRARY NOTWITHSTANDING, UNDER NO CIRCUMSTANCES WHATSOEVER SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, OR INCIDENTAL DAMAGES OF ANY KIND WHATSOEVER. EXCEPT FOR IN NO EVENT WHATSOEVER SHALL CIVAS' TOTAL LIABILITY TO CLIENT FOR DIRECT DAMAGES UNDER THE AGREEMENT OR ANY OTHER DAMAGES WHATSOEVER EXCEED IN THE AGGREGATE THE TOTAL SUM OF FUNDS RECEIVED BY CIVAS FROM CLIENT.
- 19) The Appraisal and the name Colliers International Valuation & Advisory Services may not be used in any marketing or investment material or offering memoranda without CIVAS' prior written consent. CIVAS, its employees and appraisers have no liability to any recipients of any prepared material, and disclaim all liability to any party other than the Client.
- 20) Unless CIVAS consents in writing, the Appraisal cannot be used by any party or for any purpose other than the Client for the purposes specified in the Agreement. Should the Client provide a copy of this Appraisal to any person or entity not authorized by CIVAS in writing, Client hereby agrees to hold CIVAS, its directors, officers, employees and other affiliates and shareholders, harmless from all damages, expenses, claims and costs, including any attorney's fees. The Client acknowledges that any opinions and conclusions expressed by the professionals of CIVAS pursuant to the Agreement are made as employees and not as individuals. CIVAS' responsibility is limited to the Client, and the use of the Appraisal or related product by third parties shall be solely at the risk of the Client and/or third parties.
- 21) CIVAS agrees to maintain Professional Liability Insurance in the amount of \$1,000,000 and General Liability insurance in the amount of \$2,000,000, as well as workers compensation and shall contain a full waiver of subrogation clause but only to the extent of loss arising from or attributable to CIVAS negligence. Within ten (10) days of the execution of the Agreement, CIVAS will provide Client with certificates of insurance naming Client as an additional insured. CIVAS will endeavor to provide Client with prior written notice regarding any cancellation of any such insurance.
- 22) Please note that CIVAS' consent to allow the Appraisal or portions of the Appraisal, to become part of or be referenced in, any offering or other material intended for the review of others, or to be submitted to others, will be at CIVAS' sole and absolute discretion and, if given, will be on condition that CIVAS will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CIVAS, by a party satisfactory to CIVAS. CIVAS does consent to Client submission of the complete Appraisal to rating agencies, loan participants or your auditors without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

- 23) Client and its affiliates, rating agencies and a limited number of investors involved in the securitization, may use and rely upon CIVAS report in connection with a planned loan securitization involving the Property including, without limitation, utilizing selected information in the Appraisal in the offering documents relating to the securitization and CIVAS agrees to cooperate in answering reasonable questions by any of the above parties in connection with the securitization.

Client agrees that it will not file, use, or permit or cause to be used in any offering documents or any other document any portion or extract of the Appraisal, or any reference to the Appraisal, without first (i) having provided the portion or portions of an offering document or other document to CIVAS for review and (ii) having obtained the prior written consent of CIVAS to any such filing, use, amendment or modification, which consent shall not be unreasonably withheld. CIVAS shall have the right to require Client to include in any offering document or other document disclosure concerning the conditions, qualifications and assumptions of the appraisal and such other disclosure concerning the Appraisal as CIVAS shall reasonably require.

Client can use the appraised value without attribution to the Appraisal, and selected information in the Appraisal, provided Client agrees that it has complied and at all times will comply, and will use Client's best efforts to cause any underwriters to comply, with all applicable Federal and state securities laws in connection with any offering, and offering document and any use of the Appraisal. Client further agrees that neither any offering document nor any other document used in connection with any offering will contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading regarding the Appraisal, or any portion or extract thereof, or any reference to the Appraisal.

FIRST AMENDMENT TO GROUND LEASE

THIS FIRST AMENDMENT TO GROUND LEASE (this “**First Amendment**”) is made by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the “**City**” or “**Landlord**”), represented by the Mayor, acting by and through the Mayor’s Office of Housing and Community Development (“**MOHCD**”) and **LAUREL GARDENS OF BETHEL A.M.E. CHURCH, L.P.**, a California limited partnership (“**Developer**”), and is effective as of _____, 2015.

RECITALS

- A. The former San Francisco Redevelopment Agency (the “**Agency**”), as landlord, and Developer, as tenant, are parties to that certain Ground Lease dated as of October 15, 1998 (the “**Lease**”), with respect to certain real property and improvements located at 1555 Turk Street, San Francisco, CA 94115 and commonly known as Laurel Gardens Apartments (the “**Property**”).
- B. Under California State Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, first Extraordinary Session) ("AB 26"), the Agency dissolved as a matter of law on February 1, 2012, and pursuant to AB 26, as amended by California State Assembly Bill No. 1484 ("AB 1484"), and Resolution No. 11-12, adopted by the City's Board of Supervisors and Mayor on January 26, 2012, Ordinance No. 215-12, adopted by the City’s Board of Supervisors and Mayor on October 12, 2012, and the approved housing asset list submitted by City to, and approved by, the State of California Department of Finance pursuant to AB 1484 (Cal. Health & Safety Code Section 34176(a)(2)), City is successor in interest to Agency’s interest in the Property and to all of the Agency's rights and obligations with respect to the Lease and the Property.
- C. Developer has applied to Citibank, N.A., a national banking association (together with its successors and assigns, the “**Lender**”), for a mortgage loan in the maximum principal amount of \$[**12,000,000**] (the “**Loan**”) for the refinancing, rehabilitation, development, equipping and/or operation of the Improvements (as defined in the Lease) located at the Property.
- D. Agency and Developer desire to amend the Lease pursuant to this Amendment as a condition to Lender agreeing to make the Loan to Developer.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

1. Refinancing; Reserves. Notwithstanding anything to the contrary in Section 25.01 of the Lease, in connection with the Loan, Developer and the City agree that “Cash-out

Proceeds” in an amount not to exceed \$_____ (the “**Cash-out Proceeds**”) may be applied as follows: One-third (1/3) of available Cash-out Proceeds will be distributed as unrestricted funds to the Developer; and two-thirds (2/3) of total Cash-Out Proceeds shall be distributed to the City and held in an interest-bearing reserve by the City for use by Developer pursuant to this Section (the “**Restricted Proceeds**”). Release of the Restricted Proceeds may be requested by Developer in writing accompanied by copies of invoices, contracts or other documents covering all amounts requested and are to be used by Developer for purposes related solely to the development and operation of projects owned or controlled by Developer (including the Project) that are affordable to low-, lower- or moderate-income households in the City and County of San Francisco unless the City approves an alternative use, in its sole and absolute discretion. The City may deny or approve Developer’s request for release of the Restricted Proceeds in its sole and absolute discretion (except that any request for release related to the Site shall be made in its reasonable discretion). Among the conditions to any release of Restricted Proceeds shall be that no Event of Default, or event that with notice or the passage of time or both could constitute an Event of Default under the Lease has occurred that remains uncured. Any Restricted Proceeds that are not expended within ten (10) years of the date of this Amendment shall be unencumbered and released to the City. The Developer may request an extension of this ten (10) year period and the City may deny or approve such request in its sole and absolute discretion. For purposes of this Section 1, “**Cash-Out Proceeds**” shall include all equity created by the Loan after paying off all existing debt secured by the Project, completing the rehabilitation of the Improvements as contemplated by the Loan documents (as approved by the City and Lender), funding of any initial reserve account deposits required by Lender as a condition to making the Loan, and paying costs associated with the closing of the Loan; release of project operating accounts and/or reserve accounts or other available cash assets (providing, however, that any replacement reserve accounts may be released as Cash-out Proceeds only so long as the account is not less than \$1,000/unit as of the date the Loan is funded); and any developer fee approved by MOHCD. [

2. The underlined language below is hereby added to **Section 1.03** of the Lease, such that **Section 1.03** of the Lease reads as follows:

1.03 Developer means Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership, or its permitted successors as holder of the leasehold estate in the Site and fee ownership of the Improvements, including a Subsequent Owner, where appropriate.

3. The following sections are added to the Lease as new sections:

1.18 Subsequent Owner means any successor (including a Lender or an affiliate or assignee of a Lender as applicable) to the Developer’s interest in the Leasehold Estate and the Improvements following a foreclosure, deed in lieu of foreclosure, or transfer to a Lender, its affiliate, and any successors to any such person or entity.

1.19 Surplus Cash means the excess of Project Income over Project Expenses. All permitted uses and distributions of Surplus Cash shall be governed by Section 6.02h of this Lease.

1.20 Project Expenses means all charges incurred by Developer in the operation of the Project including but not limited to: (a) lease payments, utilities, real estate and/or possessory interest taxes, assessments, and liability, fire and other hazard insurance premiums; (b) salaries, wages and other compensation due and payable to the employees or agents of Developer who maintain, administer, operate or provide services in connection with the Project, including all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required for such employees; (c) required payments of interest, principal or annual servicing fees, if any, on any construction or permanent financing secured by the Project; (d) all other expenses incurred by Developer to cover routine operating and services provision costs of the Project, including maintenance and repair and the reasonable fee of any managing agent; (e) any extraordinary expenses as approved in advance by the City; and (f) deposits to reserves accounts required to be established under any loan documents executed with respect to any Leasehold Mortgage.

1.21 Project Income means all revenue, income receipts, and other consideration actually received from the operation of leasing the Improvements and Project, including non-residential and/or commercial uses of the Site. Project Income shall include but not be limited to: all rents, fees and charges paid by tenants or users of any portion of the Site; Section 8 or other rental subsidy payments received for the dwelling units; supportive services funding, if applicable; commercial lease income; deposits forfeited by tenants; all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; and the proceeds of business interruption or similar insurance. Project Income shall not include tenants' security deposits, loan proceeds, capital contributions or similar advances.

1.22 First Lease Payment Year means the year in which rehabilitation activities are completed on the Project, as evidenced by a notice of completion, to be recorded in the San Francisco Recorder's Office.

4. Article 4 of the Lease is deleted in its entirety and replaced with the following:

ARTICLE 4: RENT

4.01 Annual Rent

Developer shall pay to the City up to [NEED: Appraised Land Value, please update appraisal to include] XXX Dollars (\$XXX) (the “Annual Rent”) per year for each year of the Term of this Ground Lease, which is equal to ten percent (10%) of appraised value of the Site as of the Effective Date, and consists of Base Rent and Residual Rent, as defined in Sections 4.02 and 4.03 below, without offset of any kind (except as otherwise permitted by this Lease) and without necessity of demand, notice or invoice. Annual Rent shall be re-determined on the fifteenth (15th) anniversary of the date of the first payment of Base Rent pursuant to Section 4.02a below and every fifteen (15) years thereafter, and shall not exceed ten percent (10%) of the appraised value of the Site as determined by an MAI appraiser selected by and at the sole cost of the Project. Notwithstanding the foregoing, the maximum amount of Annual Rent shall be re-determined upon any renewal or execution of 20 year HAP contract or loss of such a contract.

4.02 Base Rent

4.02a. “Base Rent” means FIFTEEN THOUSAND DOLLARS (\$15,000) per annum. Base Rent shall be due and payable in arrears on January 31st of each Lease Year, provided, however, no Base Rent shall be due until after completion of the rehabilitation of the Improvements, as evidenced by a notice of completion. The first Base Rent payment shall be due on the January 31st of the calendar year following the issuance of the notice of completion; and provided, further, that in the event that the Developer or, if applicable, any Subsequent Owner, fails, after notice and opportunity to cure, to comply with the provisions of Section 9.02, Base Rent shall be increased to the full amount of the Annual Rent until such time as the Project achieves compliance with the provisions of Section 9.02, or in the event that a Subsequent Owner elects pursuant to Section 26.06(ii) to operate the Project without being subject to Section 9.02 or any Subsequent Owner elects, pursuant to Section 26.06(ii), to operate the Project without compliance with such provisions, Base Rent shall be increased to the full amount of the Annual Rent.

4.02b If the Project does not have sufficient Project Income to pay Base Rent in any given Lease Year after the payment of Project Expenses in items 4.02a through 4.02.f in definition of Project Expenses and the City has received written notice from Developer regarding its inability to pay Base Rent from Project Income, the unpaid amount shall be deferred and all such deferred amounts shall accrue without interest until paid (“**Base Rent Accrual**”). The Base Rent Accrual shall be due and payable each year from and to the extent Surplus Cash is available to make such payments in accordance with Section 6.02h and, in any event, upon the earlier of sale of the Project or termination of this Ground Lease.

4.02c. If Developer has not provided City with written notice that it cannot pay Base Rent due to insufficient Project Income, the City shall assess a late payment penalty of two percent (2%) for each month or any part thereof that any Base Rent payment is delinquent. This penalty shall not apply to Base Rent Accrual that has been previously approved by the City pursuant to Section 4.02b. The Developer may request in writing that the City waive such penalties by

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

4.03 Residual Rent

“**Residual Rent**” means, in any given Lease Year, [Annual Rent less Base Rent, need updated appraisal]. Residual Rent shall be due in arrears on April 15th following each Lease Year, payable only to the extent of Surplus Cash as provided in Section 6.02h, and any unpaid Residual Rent shall not accrue.

4.04 Absolute Net Lease

This Ground Lease is an absolute net lease and the Developer shall be responsible to pay all costs, charges, taxes, impositions and other obligations related thereto. If the Agency pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, the Agency will be entitled to be reimbursed by Developer the full amount of such payments as additional rent on the next rent payment date.

5. The following **Section 6.02h** is hereby added to the Lease:

6.02h Permitted Uses of Surplus Cash.

All annual Project Income, prior to the calculation of Surplus Cash, shall be used to pay Project Expenses. If the Developer is in compliance with all applicable requirements and agreements under this Ground Lease, Developer shall then use any Surplus Cash to make the following payments:

- i. First to Base Rent Accrual payments, if any;
- ii. Then, any remaining Surplus Cash shall be used as follows: (a) one-third (1/3) of remaining Surplus Cash may be retained by Developer and may be used by Developer to pay distributions or other payments in accordance with Tenant's partnership agreement and (b) two-thirds (2/3) of Surplus Cash shall be allocated to the City. The City's portion of Surplus Cash will be applied first to Residual Rent. [to discuss]

6. The underlined sentence below is hereby added to **Section 14.02** of the Lease, such that **Section 14.02** of the Lease reads as follows:

The Agency acknowledges that any sale, assignment, transfer or conveyance of all or any part of the Agency's interest in the Site, the Improvements, or this Ground Lease, are subject to this Ground Lease.

The Agency will not encumber its fee interest in the Property. The Agency will require that any purchaser, assignee or transferee will expressly assume all of the obligations of the Agency under this Ground Lease by a written instrument recordable in the Official Records of the City. This Ground Lease shall not be affected by any such sale, and Developer shall attorn to any such purchaser or assignee. In the event that the Agency intends to sell all or any part of the Site, other than as provided in Section 2(b), the Agency shall notify Developer of the proposed terms of such sale not later than ninety (90) days before the anticipated close of escrow. Developer shall have sixty (60) days from the giving of such notice to exercise a right of first refusal to purchase the Site on the same terms and conditions of such proposed sale.

7. The underlined language below is hereby added to the second to last sentence of **Section 20.01** of the Lease, such that sentence of **Section 20.01** of the Lease reads as follows:

In the event Developer is required, or elects, to restore the Improvements, all proceeds of any policy of insurance required to be maintained by Developer under this Ground Lease shall, subject to the rights of Lenders, be used by Developer for that purpose and Developer shall make up from its own funds or obtain additional financing as reasonably approved by Agency any deficiency between the amount of insurance proceeds available for the work of restoration and the actual cost thereof.

8. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, **Section 20.03** of the Lease, such that **Section 20.03** of the Lease reads as follows:

20.03 Distribution of the Insurance Proceeds.

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

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

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

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

(~~d~~) The remainder to Developer.

~~(d) — The provisions of this Article 20.03 shall be subject to the rights of any Lender.~~

9. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, **Sections 26.03(i) and (ii)** of the Lease, such that **Section 26.03(i) and (ii)** of the Lease reads as follows:

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

(ii) If such event of default is not a failure to pay a monetary obligation of Developer, Lender shall have failed, within ~~sixty (60)~~ one hundred eighty (180) days of receipt of said written notice, either (a) to remedy such default; or (b) to obtain title to Developer's interest in the Site in lieu of foreclosure; or (c) to commence foreclosure or other appropriate proceedings in the nature thereof (including the appointment of a receiver) and thereafter diligently prosecute such proceeding to completion, in which case such event of default shall be remedied or deemed remedied in accordance with Article 26.04 below.

10. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, **Section 26.04** of the Lease, such that **Section 26.04** of the Lease reads as follows:

Any event of default under this Ground Lease which in the nature thereof cannot be remedied by Lender (including all amounts due from Developer to Agency in respect to damages, indemnifications, or other monetary amounts, other than Annual Rent, arising from the action or inaction of Developer) shall be deemed to be remedied if (i) within ~~thirty (30)~~ one hundred eighty (180) days after receiving notice from the Agency setting forth the nature of such event of default, or prior thereto, Lender shall have acquired Developer's leasehold estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation in accordance with the terms of this Ground Lease, and (iv) after gaining possession of the Site perform, or diligently proceed to perform, all other obligations of

Developer as and when the same are due in accordance with the terms of this Ground Lease.

11. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, **Section 26.05** of the Lease, such that **Section 26.05** of the Lease reads as follows:

If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Developer from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in Articles 26.03 and 26.04 above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; ~~provided that Lender shall have fully cured any default in the payment of any monetary obligations of Developer under this Ground Lease and shall continue to pay currently such monetary obligations as and when the same fall due.~~ If this Ground Lease is terminated or rejected by Developer in bankruptcy, Agency agrees to enter into a new ground lease with the Lender on the same terms set forth in this Ground Lease. And, specifically provided that in the event the Ground Lease is terminated for any reason, including, without limitation, a termination or rejection through any bankruptcy proceeding or a foreclosure transferee becomes the legal owner of Developer's interest in the Property, and upon written request by the most senior Lender or the Subsequent Owner thereof given within sixty (60) days after such termination or acquisition by Subsequent Owner of Tenant's interest in the Project, as applicable, Agency shall enter into a new lease of the Project with such Lender or the Subsequent Owner for the remainder of the Ground Lease term with the same agreements, covenants, reversionary interests and conditions (except for any requirements which have been fulfilled by Developer prior to termination) as are contained in the Ground Lease and with priority equal to the Ground Lease.

12. The underlined language below is hereby added to **Section 26.06(iv)** of the Lease, such that **Section 26.06(iv)** of the Lease reads as follows:

(iv) Any limited partners of Developer shall have the same rights as any Lender under Sections 26.02, 26.03, and 26.06 (iii), and any reference to a Lender in said section shall be deemed to include such limited partners; provided, however, that the rights of such limited partners shall be subordinate to the rights of any Lender.

13. The following sections are added to the Lease as a new **Sections 26.08, 26.09, 26.10, 26.11, 26.12, and 26.13:**

26.08 Ground Lease Rent after Lender Foreclosure or Assignment

Upon foreclosure of a Leasehold Mortgage or assignment of the Leasehold Estate in lieu of such foreclosure any accrued Annual Rent that remains unpaid at the time of such foreclosure or assignment in lieu of foreclosure shall be forgiven by the Agency, and shall not be an obligation of the Lender or any other Subsequent Owner.

26.09 Preservation of Leasehold Benefits.

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

(a) That the Agency shall not voluntarily cancel or surrender this Ground Lease, or accept a voluntary cancellation or surrender of this Ground Lease by Developer, or materially amend this Ground Lease to increase the obligations of the Developer or the rights of Agency thereunder, without the prior written consent of the Permitted Limited Partner and each Lender (which will not be unreasonably withheld or delayed);

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

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

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

26.10 No Merger.

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

26.11 Agency Bankruptcy.

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

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

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

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

26.11 No Changes to Lease

Agency will not make or accept any voluntary surrender, cancellation, modification or amendment of or to the Ground Lease at any time while any Leasehold Mortgage is in effect, nor will Agency convey all or any part of the property subject to the Leasehold Estate to

Developer, nor will Developer accept such conveyance, without first obtaining the prior written consent of the Leasehold Mortgagees.

26.12 Voluntary Termination

In no event shall any abandonment of the Property or the Leasehold Estate or any action by Developer to terminate the Ground Lease be effective without the prior written consent of the Leasehold Mortgagees. Agency agrees that it shall give notice of any such abandonment or action by Developer to Leasehold Mortgagees, and Leasehold Mortgagees shall thereupon be entitled to exercise its rights and remedies under the Leasehold Mortgage and the provisions of Section 26.

14. The underlined language below is hereby added to **Section 28.06(i)** of the Lease, such that **Section 28.06(i)** of the Lease reads as follows:

(i) First, to the extent required by a Lender in accordance with its loan documents, to pay the balance due on any outstanding Leasehold Mortgages and other outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals and lease residuals, to the extent provided therein

15. The strikethrough language below is hereby deleted from **Section 28.07** of the Lease, such that **Section 28.07** of the Lease reads as follows:

28.07 Payment to Lenders

In the event the Improvements are subject to the lien of a Leasehold Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Developer, such award shall be disposed of as provided in the Lender's loan documents; ~~subject, however, to any requirements (i) arising in connection with financing insured by the Federal Housing Administration or (ii) otherwise imposed by HUD.~~

16. Notwithstanding anything in the Lease to the contrary, all provisions relating to cross-defaults between the Lease and any financing document or Leasehold Mortgage (as such term is defined in the Lease), including, without limitation, **Sections 3(b), 19.04a(7), and 25.04c** of the Lease, are hereby deleted in their entirety.

17. The following section is added to the Lease as **Section 50**:

50: GENERAL PROVISIONS

50.1 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof.

50.2 Public Transit Information

Developer shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Developer employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Premises and encouraging use of such facilities, all at Developer's sole expense.

50.3 Wages and Working Conditions

Developer agrees that any person performing labor in connection with the Developer Improvements or any Alterations at the Premises that is a "public work" as defined under San Francisco Administrative Code Section 6.22(E) or California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Developer shall include in any contract for such Developer Improvements and Alterations a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Developer shall require any contractor to provide, and shall deliver to Agency upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

50.4 Non-Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Lease, Developer agrees not to discriminate against any employee, any City employee working with Developer, or applicant for employment with Developer, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social,

or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subleases and Other Subcontracts

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

(c) Non-Discrimination in Benefits

Developer does not as of the date of this Lease and will not during the term of this Lease, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) CMD Form

As a condition to this Lease, Developer shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contract Monitoring Division. Developer hereby represents that prior to execution of this Lease, **(i)** Developer executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and **(ii)** the CMD approved such form.

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Developer shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Developer understands that pursuant to Section 12B.2(h) of the San Francisco

Administrative Code, a penalty of Fifty Dollars (\$50) for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Developer and/or deducted from any payments due Developer.

50.5 MacBride Principles - Northern Ireland

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

50.6 Tropical Hardwood and Virgin Redwood Ban

The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Developer shall not provide any items to the construction of Developer Improvements or the Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event Developer fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Developer shall be liable for liquidated damages for each violation in any amount equal to Developer's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

50.7 Restrictions on the Use of Pesticides

Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "IPM Ordinance") describes an integrated pest management ("IPM") policy to be implemented by all City departments. Developer shall not use or apply or allow the use or application of any pesticides on the Premises or contract with any party to provide pest abatement or control services to the Premises without first receiving Agency's written approval of an IPM plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Developer may need to apply to the Premises during the term of this Lease, (ii) describes the steps Developer will take to meet the City's IPM Policy described in Section 300 of the IPM Ordinance and (iii) identifies, by name, title, address and telephone number, an individual to act as the Developer's primary IPM contact person with the City. Developer shall comply, and shall require all of Developer's contractors to comply, with the IPM

plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Developer were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require Developer to keep certain records and to report to City all pesticide use at the Premises by Developer's staff or contractors.

If Developer or Developer's contractor will apply pesticides to outdoor areas at the Premises, Developer must first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation ("CDPR") and any such pesticide application shall be made only by or under the supervision of a person holding a valid, CDPR-issued Qualified Applicator certificate or Qualified Applicator license. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

50.8 Sunshine Ordinance

In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between Agency and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

50.9 Conflicts of Interest

Through its execution of this Lease, Developer acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, 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 provisions, and agrees that if Developer becomes aware of any such fact during the term of this Lease Developer shall immediately notify Agency.

50.10 Prohibition of Tobacco Sales and Advertising

Developer acknowledges and agrees that no advertising or sale of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (a) communicate the health hazards of cigarettes and tobacco products, or (b) encourage people not to smoke or to stop smoking.

50.11 Prohibition of Alcoholic Beverage Advertising

Developer acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (a) communicate the health hazards of alcoholic beverages, (b) encourage people not to drink alcohol or to stop drinking alcohol, or (c) provide or publicize drug or alcohol treatment or rehabilitation services.

50.12 Requiring Health Benefits for Covered Employees

Unless exempt, Developer agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

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

(b) Notwithstanding the above, if the Developer is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subsection (a) above.

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

(d) Any Subcontract entered into by Developer shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Developer shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Developer shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the Agency may pursue the remedies set forth in this Section against Developer based on the Subcontractor's failure to comply, provided that Agency has first provided Developer with notice and an opportunity to obtain a cure of the violation.

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

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

(g) Developer shall keep itself informed of the current requirements of the HCAO.

(h) Developer shall provide reports to the Agency in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(i) Developer shall provide Agency with access to records pertaining to compliance with HCAO after receiving a written request from Agency to do so and being provided at least five (5) business days to respond.

(j) Agency may conduct random audits of Developer to ascertain its compliance with HCAO. Developer agrees to cooperate with Agency when it conducts such audits.

(k) If Developer is exempt from the HCAO when this Lease is executed because its amount is less than Twenty-Five Thousand Dollars (\$25,000) (Fifty Thousand Dollars (\$50,000) for nonprofits), but Developer later enters into an agreement or agreements that cause Developer's aggregate amount

of all agreements with the City to reach Seventy-Five Thousand Dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Developer and the Contracting Department to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

50.13 Notification of Limitations on Contributions

Through its execution of this Lease, Developer acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require 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 (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Developer acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Developer further acknowledges that the prohibition on contributions applies to each Developer; each member of Developer's board of directors, and Developer's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Developer; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Developer. Additionally, Developer acknowledges that Developer must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Developer further agrees to provide to Agency the name of each person, entity or committee described above.

50.14 Preservative-Treated Wood Containing Arsenic

Developer may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Developer may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude

Developer from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

50.15 Resource-Efficient City Buildings

Developer acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction, and operation of buildings owned or leased by City. Developer hereby agrees that it shall comply with all applicable provisions of such code sections.

50.16 Food Service Waste Reduction

Developer agrees to comply fully with and be bound by all of the applicable provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease as though fully set forth herein. Accordingly, Developer acknowledges that City contractors and lessees may not use Disposable Food Service Ware that contains Polystyrene Foam in City Facilities and while performing under a City contract or lease, and shall instead use suitable Biodegradable/Compostable or Recyclable Disposable Food Service Ware. This provision is a material term of this Lease.

50.17 Bottled Drinking Water

Unless exempt, Developer agrees to comply fully with and be bound by all of the provisions of the San Francisco Bottled Water Ordinance, as set forth in San Francisco Environment Code Chapter 24, including the administrative fines, remedies, and implementing regulations provided therein, as the same may be amended from time to time. The provisions of Chapter 24 are incorporated herein by reference and made a part of this Lease as though fully set forth.

50.18 Criminal History in Hiring and Employment Decisions

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

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

(c) Developer and subtenants shall not inquire about, require disclosure of, or if such information is received base an Adverse Action on an applicant's or potential applicant for employment, or employee's: (1) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication in the juvenile justice system; (5) a Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

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

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

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

(g) Developer and subtenants understand and agree that upon any failure to comply with the requirements of Chapter 12T, the City shall have the right to pursue any rights or remedies available under Chapter 12T or this Lease, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease.

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

50.19 Local Hiring Policy for Improvements and Alterations

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 6.22(G) (the "**Local Hiring Policy**"). The Improvements and any alterations are subject to the Local Hiring Policy unless the cost for such work on alterations is (i) estimated to be less than \$750,000 per building permit or (ii) meets any of the other exemptions in the Local Hiring Policy. Accordingly, as a condition of this Lease, Developer agrees that it shall comply with the requirements of the Local Hiring Policy applicable to the Improvements or any alteration and shall require its subtenants to comply with those requirements to the extent applicable. Before starting any work on the Improvements or any alteration, Developer shall contact City's Office of Economic Workforce and Development ("**OEWD**") to verify if any Local Hiring Ordinance requirements apply to such work or alteration. Developer shall comply with all such applicable requirements. Developer's failure to comply with its obligations under this Section shall constitute a material breach of this Lease and may subject Developer and its subtenants to the consequences of noncompliance specified in the Local Hiring Policy, including but not limited to penalties. Without limiting the foregoing:

(a) For a Covered Project estimated to cost more than \$750,000, Developer and its subtenants shall comply with the applicable mandatory participation levels for Project Work Hours performed by Local Residents, Disadvantaged Workers, and Apprentices as set forth in San Francisco Administrative Code Section 6.22(G)(4).

(b) For a Covered Project estimated to cost more than \$1,000,000, Developer and its subtenants shall prepare and submit a local hiring plan to OEWD for approval as set forth in San Francisco Administrative Code Section 6.22(G)(6) prior to commencing any of the work subject to the Local Hiring Policy.

(c) Developer and its subtenants shall comply with the applicable record keeping and reporting requirements and shall cooperate in City inspections and audits for compliance with the Local Hiring Policy, including access to employees of its contractors and subcontractors and other witnesses at the Premises.

(d) Developer agrees that (i) Developer shall comply with all applicable requirements of the Local Hiring Policy; (ii) the provisions of the Local Hiring Policy are reasonable and achievable by Developer and its subtenants; and (iii) Developer has had, and its subtenants will have prior to signing their subleases for the Premises, a full and fair opportunity to review and understand the terms of the Local Hiring Policy.

18. Notwithstanding anything in the Lease to the contrary, except as expressly set forth in this Amendment, all other terms and conditions of the Lease shall remain in full force and

effect. Any conflict between the terms and conditions of the Lease and those of this Amendment shall be resolved in favor of this Amendment.

19. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument.
20. The terms, covenants and conditions contained in this Amendment shall bind and inure to the benefit of the parties hereto and, except as otherwise provided herein, their successors and assigns.

[Signatures on following page(s)]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this First Amendment to Ground Lease or caused this First Amendment to Ground Lease to be duly executed and delivered by its authorized representative as of the date first set forth above.

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Olson M. Lee
Director, Mayor's Office of Housing
and Community Development

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this First Amendment to Ground Lease or caused this First Amendment to Ground Lease to be duly executed and delivered by its authorized representative as of the date first set forth above.

DEVELOPER:

LAUREL GARDENS OF BETHEL A.M.E. CHURCH, L.P.,
a California limited partnership

By: Laurel Gardens of Bethel A.M.E. Church, Inc.,
a California nonprofit public benefit corporation,
its general partner

By: _____
Suniqa Thomas, Secretary

[END OF SIGNATURE PAGES]

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These definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010 (*Dictionary*).

Uniform Standards of Professional Appraisal Practice, 2014-2015 Edition (USPAP).

The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 (*14th Edition*).

Marshall Valuation Service, Marshall & Swift, Los Angeles, California (*MVS*).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (*Dictionary*)

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. (*14th Edition*)

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions. (*Dictionary*)

Arm's-length Transaction

A transaction between unrelated parties who are each acting in his or her own best interest. (*Dictionary*)

As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (*Dictionary*)

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. (*14th Edition*)

Average Daily Room Rate (ADR)

In the lodging industry, total guest room revenue divided by the total number of occupied rooms. (*Dictionary*)

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (*Dictionary*)

Cash-Equivalent Price

The price of a property with above- or below-market financing expressed in terms of the price that would have been paid in an all-cash sale. (*Dictionary*)

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. (*Dictionary*)

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Contract Rent

The actual rental income specified in a lease. *(14th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(14th Edition)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

Deferred Maintenance

Needed repairs or replacement of items that should have taken place during the course of normal maintenance. *Dictionary)*

Depreciation

In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. *(Dictionary)*

Direct Costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

An interest rate used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time specified by the client.

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8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. *(14th Edition)*

Economic Life

The period over which improvements to real property contribute to property value. *(Dictionary)*

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. *(Dictionary)*

Effective Date

The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. *(Dictionary)*

Effective Gross Income (EGI)

The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income. *(Dictionary)*

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

Effective Rent

The rental rate net of financial concessions such as periods of free rent during the lease term and above or below-market tenant improvements (TIs). *(14th Edition)*

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit actually earned on a development or improvement. *(Dictionary)*

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Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. *(Dictionary)*

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. *(14th Edition)*

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

Exposure Time

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. *(Dictionary)*

External Obsolescence

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant. *(Dictionary)*

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

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Fair Market Value

A term that is, in concept, similar to market value in general usage; used mainly in condemnation, litigation, income tax, and property tax situations. When an appraisal assignment involves developing an opinion of fair market value, the appropriate, requisite, and precise definition of the term depends on the use of the appraisal and the applicable jurisdiction. *(Dictionary)*

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(USPAP)*

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. *(Dictionary)*

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. *(Dictionary)*

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. *(Dictionary)*

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. *(Dictionary)*

Going-concern Value

1. The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern*.

2. The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. *(Dictionary)*

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. *(Dictionary)*

Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. *(Dictionary)*

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Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) (*Dictionary*)

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (*Dictionary*)

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (*Dictionary*)

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (*Dictionary*)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP*)

Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*14th Edition*)

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected. (*Dictionary*)

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. (*Dictionary*)

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Insurable Value

Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and non-insurable items. Sometimes cash value or market value, but often entirely a cost concept. *(MVS)*

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Interim Use

The temporary use to which a site or improved property is put until it is ready to be put to its future highest and best use. *(Dictionary)*

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship. *(Dictionary)*

Leasehold Interest

The tenant's possessory interest created by a lease. *(Dictionary)*

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of the current zoning in the zone where it is located; also known as a *grandfathered use*. *(Dictionary)*

Market Study

A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographic of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. *(Dictionary)*

Marketability Study

A microeconomic study that examines the marketability of a given property or class of properties, usually focusing on the market segment(s) in which the property is likely to generate demand. Marketability studies are useful in determining a specific highest and best use, testing development proposals, and projecting an appropriate tenant mix. *(Dictionary)*

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Market Analysis

A process for examining the demand for and supply of a property type and the geographic market area for that property type. *(Dictionary)*

Market Area

The area associated with a subject property that contains its direct competition. *(Dictionary)*

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(14th Edition)*

Market Value

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;

3. a reasonable time is allowed for exposure in the open market;

4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. *(Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value.)*

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(14th Edition)*

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

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Off-site Costs

Costs incurred in the development of a project, excluding actual building construction costs, e.g., the costs of streets, sidewalks, curbing, traffic signals, and water and sewer mains; also called *common costs* or *off-site improvement costs*. (*Dictionary*)

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. (*Dictionary*)

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. (*14th Edition*)

Overall Capitalization Rate (OAR)

An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value. (*Dictionary*)

Potential Gross Income (PGI)

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. (*Dictionary*)

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income. (*Dictionary*)

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. (*Dictionary*)

Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. (*Dictionary*)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. (*Dictionary*)

Qualitative Analysis

The process of accounting for differences (such as between comparable properties and the subject property) that are not quantified; may be combined with quantitative analysis. (*Dictionary*)

Quantitative Adjustment

In the sale comparison approach, the process of making numerical adjustments to the sale prices of comparable properties, including data analysis techniques (paired data analysis, grouped data analysis, and secondary data analysis), statistical analysis, graphic analysis, trend analysis, cost analysis (cost-to-cure, depreciated cost), and capitalization of rent differences; usually precedes qualitative analysis. (*Dictionary*)

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. (*Dictionary*)

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Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (*Dictionary*)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (*Dictionary*)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (*Dictionary*)

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Scope of Work

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. (*USPAP*)

Shopping Center Types

Neighborhood Shopping Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Shopping Center: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Shopping Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

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Shopping Center Types (cont.)

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. (14th Edition)

Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary)

Triple Net Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. (Dictionary)

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. (Dictionary)

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. (Dictionary)

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. (Dictionary)

Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. (Dictionary)



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Phil Sarazen joined Colliers International Valuation & Advisory Services in April 2014. Phil has been working in the appraisal industry since 1979 and has experience in a wide range of property types.

Throughout his career, Phil has performed various types of appraisal assignments, specializing in mixed-use properties. During the 1980s, Phil was one of the first to create appraisal software and established a large appraisal service in 14 Western States including Hawaii with 128 offices and more than 1200 appraisers. Phil is also a published author and contributor to several industry publications.

His specialty at Colliers is Retail, Office and Industrial use property types but has also performed Special Purpose appraisals that include proposed religious facilities and a privately owned airport. Phil has experience in valuations of properties valued over \$25 million and consultations completed on a wide range of commercial, industrial, apartments, residential, and special purpose properties located throughout Southern and Northern California. Phil primarily works in the counties of Kern, Fresno, San Diego, Orange, Los Angeles, Riverside, San Bernardino, and Sacramento.

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Candidate for Designation, Appraisal Institute

APPRAISAL INSTITUTE COURSES

Separating Personal, Tangible, Intangible Interests

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USPAP

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Real Estate Legal Aspects

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REPRESENTATIVE CLIENTS AND PROJECTS

Mortgage Lenders: Mixed-Use, retail, office, industrial, special purpose and vacant land.

Attorneys, CPAs: Partial Interests, Leasehold Interests, Lease Analysis, Estate Taxes

Government Agencies: City-Owned Retail Kiosks along Metrolink Platforms

Developers: Live/Work Retail/Condominium Project in Santa Ana, CA

Special Purpose: Privately owned public use Gliderport in the Tehachapi Mountains

Private Investors: Leasehold Values, Acquisition/Disposition of Assets, Lease Analysis.



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Philip F. Sarazen

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: A AG 003244

Effective Date: January 5, 2015
Date Expires: January 4, 2017


Jim Martin, Bureau Chief, BREA

3018138



Colliers International

Valuation & Advisory Services

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Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

Colliers Valuation & Advisory Services' reports are designed to deliver insight into a property's fundamentals, its competition and the overall market dynamics affecting value. A solid valuation report can be a strategic asset for investors, lenders and owners, provided that it addresses both a property's unique characteristics and the most current market conditions.

Commitment to high-end client service, coupled with Colliers International's unparalleled market intelligence and resources, differentiates us as the firm of choice in the real estate industry.

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Our professionals share a commitment to deliver the highest level of service and consistent results. We go the extra mile for our clients, whether this means meeting a tight deadline or working with a complex and challenging property.

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Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers International's Valuation and Advisory reports give our clients the information they need to make better business decisions.

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