



CLIFFORD
ADVISORY
LLC

Real Estate Valuation ■ Arbitration

SUMMARY
APPRAISAL REPORT

Complete Appraisal

Market Rent
Valuation

for

Hetch Hetchy Parcel
Pipeline BDPL #3 & #4
Portion of SFPUC Parcel 201-A
Mountain View, CA

Prepared For

San Francisco Public Utility Commission

January 2018

John C. Clifford, MAI

January 25, 2018

Mr. Anthony Bardo
San Francisco Public Utilities Commission
Real Estate Services Division
525 Golden Gate Avenue, 10th Floor
San Francisco, CA 94102



CLIFFORD
ADVISORY
LLC

Real Estate Valuation

RE: Appraisal Report
Market Rent Valuation
Hetch Hetchy Parcel
Pipeline BDPL #3 & #4 - Portion of SFPUC Parcel 201-A
Mountain View, CA

Mr. Bardo,

Subsequent to your request and authorization, I have completed an appraisal to estimate the Market Rental Value for the Hetch Hetchy Pipeline Parcel BDPL #3 & #4 (Portion of SFPUC Parcel 201-A) in Mountain View, CA.

The Parcel 201-A contains 1.96-acres and supports two uses. It serves as a utility right of way improved with underground distribution water pipes linking the Hetch-Hetchy reservoir to the City of San Francisco. Parcel 201-A is also integrated in the development of the Shorebreeze Apartment Complex at 460 N. Shoreline Boulevard in Mountain View, California. Parcel 201-A was incorporated into the 1980 design of a combined site area of 5.32-acre to serve a 120-unit multi-family rental project now operated by MidPen Housing. Parcel 201-A provides essential ingress from Shoreline Boulevard, required parking, landscaping and emergency vehicle access for the project. The precise boundary between Parcel 201-A and APN 150-26-006 appears to delineate that the subject provides approximately 80 parking spaces that serve the 120-unit multi-family project, and as well provides essential access from Shoreline Boulevard. The use of the subject to satisfy development criteria and compliance with approvals has a material affect on the determination of the subject's highest and best use - an essential component part of the larger Shorebreeze Apartments project area.

The subject site has served the project under a long-term 51-year lease agreement beginning in April 1980 and extending through March 2031. Following the assignment of the lease to Mid-Peninsula Housing Coalition and its sublease to MP Shoreline Associates Limited Partnership (as subtenant), the parties are contemplating entering into a new 60-year lease.

In order to appraise the property, I have completed an inspection of the subject property, and observed trends of land uses in the area. In addition, the appraiser investigated comparable land sales, and yield rates for ground lease transactions. Based on the analysis presented herein the appraiser concludes a final estimate of annual net market rental value for the subject property at **\$316,000 / YEAR**. In addition to the base rental rate, the analysis assumes that an annual rent escalation will be calculated based upon changes in the CPI.

The summary narrative report contains 27 pages, plus the addenda. The valuation stated herein is subject to the conditions and assumptions stated on the following pages. The valuation and report is intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP). Further, the appraisal is

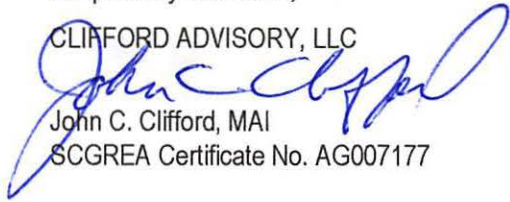
subject to the requirements of the Code of Ethics and the Standards of Professional Conduct of the Appraisal Institute.

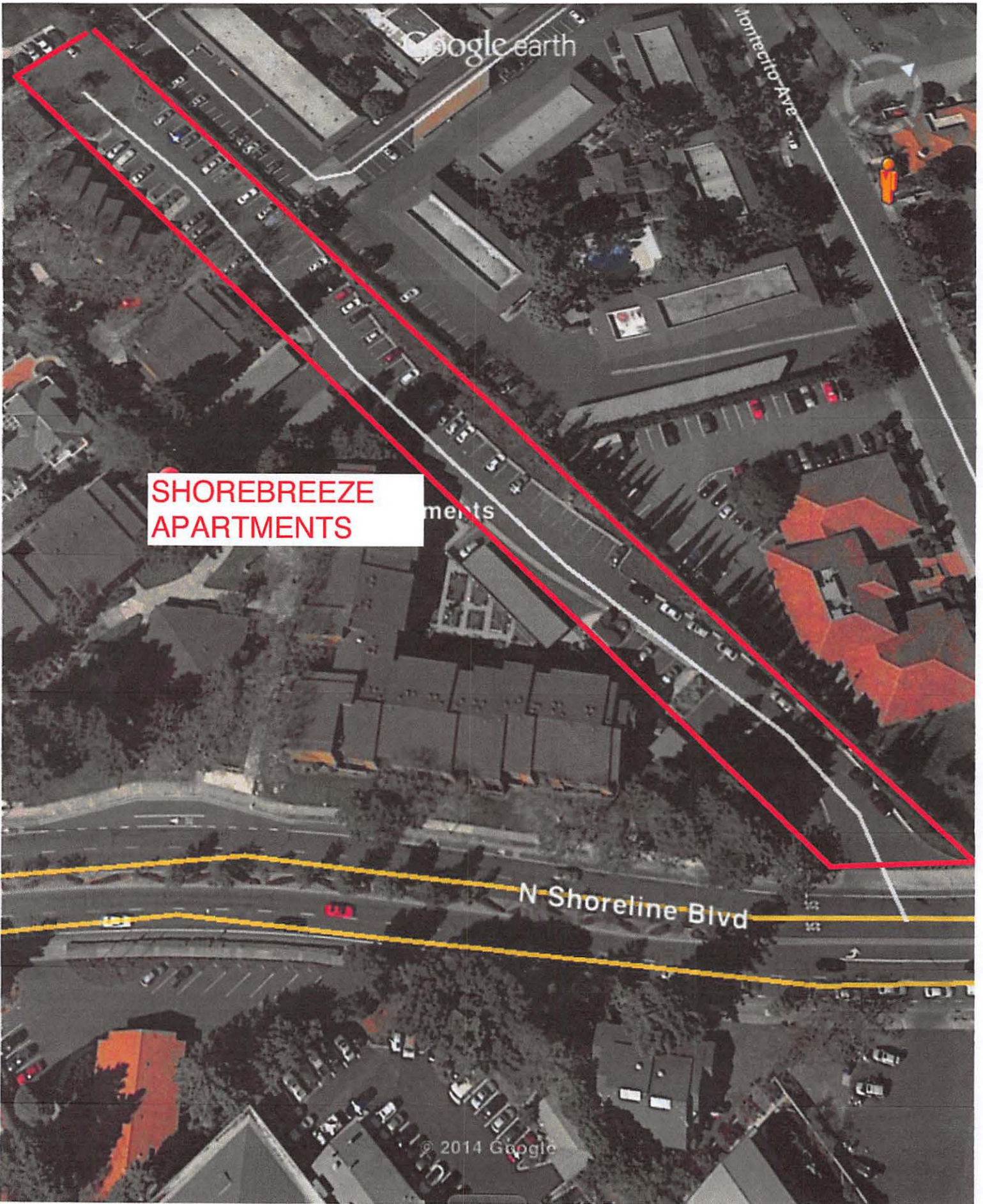
Respectfully submitted,

CLIFFORD ADVISORY, LLC

John C. Clifford, MAI

SCGREA Certificate No. AG007177

A handwritten signature in blue ink, appearing to read "John Clifford", is written over the typed name and company information.



**SHOREBREEZE
APARTMENTS**

Google earth

Montecito Ave

apartments

N Shoreline Blvd

© 2014 Google

I. INTRODUCTION

A. Appraisal Problem

The purpose of the valuation presented herein is to determine a market rent for the continued use a portion of the Bay Division Pipeline No. 3 and 4 right of way being Parcel 201-A. The Parcel 201-A contains 1.96-acres and supports two uses. It serves as a utility right of way improved with underground distribution water pipes linking the Hetch-Hetchy reservoir to the City of San Francisco. Parcel 201-A is also integrated in the development of the Shorebreeze Apartment Complex at 460 N. Shoreline Boulevard in Mountain View, California. Parcel 201-A was incorporated into the 1980 design of a combined site area of 5.32-acre to serve a 120-unit multi-family rental project now operated by MidPen Housing. Parcel 201-A provides essential ingress from Shoreline Boulevard, required parking, surplus parking, landscaping and emergency vehicle access for the project. It has served the project under a long-term 51-year lease agreement beginning in April 1980 and extending through March 2031. Following the assignment of the lease to Mid-Peninsula Housing Coalition and its sublease to MP Shoreline Associates Limited Partnership (as subtenant), the parties are contemplating entering into a new 60-year lease.

The determination of the market rental value for the (proposed) new lease is the intended use of the appraisal. Among all factors pertinent to the valuation, the valuation of the fee simple title to the property is to be based on the **highest fair market value** of the site based on its **highest and best use**. Further, the instructions stipulate the appraiser shall use methodologies generally accepted by appraisers as necessary to produce credible appraisals and shall **take into account any covenants, conditions, and restrictions** or easements benefitting or burdening the Property an any unusual characteristics of the Property. The instructions set forth important elements for the subject's valuation. They are summarized as follows.

- The first is the "highest" fair market value that varies from the "most probable" price found in the definition of fair market value.
- Next is the basis for highest and best use that is deemed to support the existing multi-family development as reflected by prevailing market trends and the requirement it provide essential parking when the subject and the adjoining parcel was approved for development that was completed in 1980.
- Finally, the requirement to take into account any covenants, conditions, and restrictions or easements benefitting or burdening the Property and any unusual characteristics of the Property. For these conditions two sub-factors are considered.
 - The analysis must take into consideration of the terms of the proposed 60-year lease and the PUC reserved rights under the historical and proposed ground lease (access to maintain underground pipelines).
 - The analysis must consider occupancy by qualified residents set for in the 1978 Mountain View Precise Development Plan, and for a variable number of units subject to the regulatory agreements with the State of California Tax Credit Allocation Committee (TCAC) and ABAG Finance Authority for Non-Profit Corporations (ABAG) and summarized on Exhibits C, D and E. The term of compliance required under the TCAC regulatory agreement (provided for this analysis) appears to have expired in 2017, but is stated otherwise (as 2027) in a summary of regulatory controls provided by MidPen. The term of compliance required under the ABAG regulatory agreement expired in 2012. Once the TCAC regulatory provisions mature in approximately 10 years, the below market rate affordable pricing set forth in the Precise Development Plan may apply (but does not specify if it would beyond 20 years @ 1999) or at what level of AMI limits apply.

- The analysis excludes any further parking requirement provided by the subject based on the proposed 50-unit expansion now under review by the City of Mountain View (based on documentation from Zoning Administrator).

These issues are further discussed in the report that follows.

Based on a review of City of Mountain View planning file documents, the **project plans** approved for development and the initial **Lease**, indicate the integration of the subject inextricably links it to the value of the larger parcel, a 5.32 acre development area. A partial set of plans were found in the City of Mountain View Planning Department files. The project's development application and landscape plan identifies the Hetch-Hetchy parcel as part of the multi-family project area. The subject's use supports various site improvements as mentioned previously. The precise boundary between Parcel 201-A and APN 150-26-006 appears to delineate that the subject provides approximately 80 parking spaces that serve the 120-unit multi-family project, and as well provides essential access from Shoreline Boulevard.

The use of the subject to satisfy development criteria or compliance with approvals has a material affect on the determination of the subject's highest and best use - an essential component part of the larger Shorebreeze Apartments project area.

Other factors included in the market rental value for the subject property are based on the age, quality, condition and size of surrounding development. The surrounding land use patterns are an important factor in several ways. These factors are summarized as follows:

1. Typical multi-family development patterns are controlled by criteria such as setbacks, landscaping, height limits, floor area limits, parking and appropriate access. Suburban development relies upon site planning that orients parking and landscaping in perimeter areas that otherwise also satisfies setback requirements. Each of these criteria, but most importantly parking is essential as it is directly linked to the scale of development any site can support – and for all forms of development parking represents an integral component. That is to say the value of development land is equally dependent on the land that provides required parking (and provides equal value), as it is for the footprint of a site that supports vertical construction.

Notwithstanding the above comments, it is noted the current owner of the Shorebreeze Apartment Complex (Mid Pen Corporation) is proposing to demolish 12 existing units and newly develop 62 units resulting in an increase in the project size from 120 units to 170 units (120-12+62). For this analysis, the appraiser relies upon a letter issued by the City of Mountain View Community Development Director and interviewed the proposed expansion project planner and Zoning Administrator to confirm the subject property is not required to serve any greater number of units than the existing 120 unit density. Therefore, based on the aforementioned documentation and by agreement with the client, the highest and best use and valuation of the subject property is based on the subject's contribution to the project site supporting 120 units.

2. Representatives for the San Francisco PUC confirmed they are nearing completion of a maintenance program that could have required invoking its rights to enter similar leased parcels, and temporarily interrupt use or cancel occupancy, when they did not.

In summary the continued use of the subject to provide required and competitive parking is anticipated to continue for a long-term period. Thus, it is unlikely that no other alternative use of the subject property is contemplated over the next 60 years, and it will likely continue to be an essential functional component of the Shorebreeze Apartment complex.

B. Scope of Appraisal Development and Reporting Process

In preparing this appraisal, the appraiser inspected the subject site and surrounding land uses. The appraiser gathered and confirmed competitive market area data for land sale and ground lease transactions. The data set is used to establish valuation factors and conclusions in a Sales Comparison Approach and Income Approach to value. In addition, recent ground lease transactions were investigated and analyzed to support an opinion of rental value for the subject.

This is a narrative appraisal report that intends to comply with the requirements under Uniform Standards of Professional Appraisal Practice (USPAP). The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

C. Competency Provision

The appraiser possesses the knowledge and required ability to appraise the subject property, and has appraised this property type before both within its competitive market area and in other San Francisco Bay Area locations. Please refer to the Addenda for a summary of the appraiser's experience.

D. Intended Use and Users of the Appraisal Report

The contents and conclusions presented in this report are prepared for the exclusive use of the City and County of San Francisco ("City"). The purpose of the valuation presented herein is to establish a market rent for a 50-year license agreement to continue the use of the subject property, reflecting its Highest and Best Use (i.e. most probable use). It is the client's responsibility to read this report and to inform the appraiser of any errors or omissions of which the client is aware prior to utilizing this report or making it available to any third party. No duplication is permitted without the written authorization of John C. Clifford, MAI. Distribution of this report is the sole prerogative of the client and no distribution is allowed without specific direction of the client. Please refer to Item 18 of the Assumptions and Standard Limiting Conditions for further clarification.

E. Appraisal Standards

The appraiser shall complete the appraisal in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics of the Appraisal Institute of which the appraiser is a member.

F. Definition of Market Value and Market Rent

Two definitions are presented to understand the methodology and conclusions set forth herein.

Market Value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by federal financial institutions in the United States of America is:

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 the definition is the consummation of a sale 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 each acting in what they consider their own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.

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

Source: (OCC 12 CFR 34.42 (g)) (OTS 12 CFR, Part 564.2 (g))

Market Rent is the most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of a specified (and hypothetical) lease agreement including term, rent amount, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations.

II. SAN FRANCISCO BAY AREA REGIONAL DESCRIPTION

A. State of California

The subject property is located in San Francisco, California. California is ranked as the world's eighth largest economy with an estimated Gross State Product in excess of \$1.6 trillion. Its 37.0 million people and 12.0 million households make California by far the nation's largest state economy, producing 13% of the gross domestic product. Its economy exceeds other world powers including England, France and South Korea.

The state of California is divided geographically and economically into three regions, each with a semi-autonomous economy. They include the urban Northern California region, the urban industrial Southern California region, and the Agrarian Central Valley area. The Northern California region includes the greater San Francisco Bay Area, Sacramento and San Jose areas where the economy is dominated by high tech research/manufacturing, financial services, bio-technology, multimedia production and governmental operations. California is the nation's leader in foreign trade, manufacturing, venture capital, agriculture and tourism not only in terms of size, but also in terms of innovation and new products. As of the effective date of the appraisal, economic growth and prosperity in California are linked to national trends. Those national trends appear to be improving with each economic report as business capital spending rose 11.2% over the last 12 months. These trends add up to strong prospects for future capital purchases and new hiring.

In conclusion, the State of California is experiencing a healthy economic cycle given its economic diversity and strategic geographic location within an expanding global economy.

B. The San Francisco Bay Area

Typically separated into six distinct areas, the real estate markets in the Bay Area include Alameda County, San Francisco, Silicon Valley, San Mateo County, Contra Costa County, and the North Bay.

San Francisco leads the region as the financial and cultural center, corporate headquarters location for major global companies and magnet for tourism. San Francisco is the hub of Bay Area finance, design, film, fashion, accounting, consulting, and advertising activities. It also offers a world-class amenity base, outstanding city and bay views, and convenient access to the entire Bay Area. Major regional transit systems are routed through San Francisco.

As the epicenter for the technological boom of the past two decades, Silicon Valley in Santa Clara County led or leads the world in the evolution of the knowledge-based economy with an innovative and entrepreneurial spirit. Industry leaders in semiconductors, software, computer hardware, telecommunications, the Internet, and defense call Silicon Valley home. Its capital, San Jose (California's third-largest city), includes a diverse mix of financial and technological firms.

San Mateo County is a diverse economy with special strengths in biotechnology, communications, software development, electronics, agriculture, and finance. Located between Silicon Valley and San Francisco, San Mateo houses the largest concentration of venture capital firms in the world and shares with Silicon Valley the advantages of its proximity to Stanford University and the University of California at Berkeley. San Francisco International Airport is located in San Mateo County.

The subject supports two uses. It serves as a utility right of way improved with underground distribution water pipes linking the Hetch-Hetchy reservoir to the City of San Francisco. Parcel 201-A is also integrated in the development of the Shorebreeze Apartment Complex at 460 N. Shoreline Boulevard in Mountain View, California. Parcel 201-A was incorporated into the 1980 design of a combined site area of 5.32-acre to serve a 120-unit multi-family rental project now operated by MidPen Housing. Parcel 201-A provides essential ingress from Shoreline Boulevard, required parking, landscaping and emergency vehicle access for the project. It has served the project under a long-term 51-year lease agreement beginning in April 1980 and extending through March 2031. However, a new lease is proposed that would extend for another 60-years until 2078.

The subject site supports a multi-family project identified as the Shorebreeze Family and Senior Housing Apartments. The It was developed in 1980 and was acquired by Mid Pen Housing in 1997. The project unit mix includes (72) 1 BR units ranging in size from 610-650 SF, (36) 2 BR units ranging in size from 850 – 890 SF, and (12) 3 BR units containing 1,390 SF. The project appears to be served by approximately 140 parking spaces. According to parking regulations presented on **Exhibit C**, the 120 unit count would appear to require 174 parking spaces¹, notwithstanding allowances for senior occupancy and age of construction.

The Shorebreeze Family and Senior Housing Apartments have operated as an affordable housing project under various requirements that are noteworthy in terms of the contributory value of the site that is so encumbered, including the subject property. Effectively, there are three regulatory factors to consider.

1. The existing project was developed under historical zoning, i.e. the 1979 Precise Development Plan. Excerpts from the Precise Development Plan are presented on **Exhibit C** that illustrates the essential contribution the subject property provides, and identifies the plan's goal to provide housing for families or senior residents. The plan indicates the affordable requirement continues for a minimum period of 20 years, or approximately the year **2000**.
2. Next, the affordable housing requirement was subsequently linked by Regulatory Agreements and Declaration of Restrictive Covenants with the ABAG Finance Authority For Nonprofit Corporations as presented on **Exhibit D**. Based on the excerpts it appears the regulatory low-income housing requirement matured in **2012**.
3. Finally, the affordable housing requirement is further linked by use of low income housing tax credit financing as set forth in the Regulatory agreement with the State of California Tax Credit Allocation Committee (TCAC). Excerpts from the TCAC agreement are presented on **Exhibit E**. Based on the above excerpts it appears the regulatory low-income housing requirement matures in **2027**, or 10 years following the effective date of value.

Based on a review of City of Mountain View planning file documents, the **project plans** approved for development and the **Lease**, indicate the integration of the subject inextricably links it to the value of the larger parcel, a 5.32 acre development area. Only a partial set of plans were retained in the file, but the development application and landscape plan identifies the Hetch-Hetchy parcel as part of the multi-family project area. The precise boundary between Parcel 201-A and APN 150-26-006 appears to delineate that the subject provides approximately 80 parking spaces that serve the 120-unit multi-family project, and as well provides essential access from Shoreline Boulevard.

The property provides required surface parking and landscaping improvements (paved, striped, landscaped and lighted spaces) and provides on-site circulation that is used by the multi-family project and for emergency vehicle access.

¹ According to Paula Bradley, City of Mountain View Planner, who indicates 28 guest parking spaces are required along with 118 for family units and 28 for seniors based on the 1.5 and .35 factors, respectively.

460 SHORELINE BOULEVARD PRECISE PLAN
MAY 1979
PROPERTY DEVELOPMENT GUIDELINES
FOR THE P (PLANNED COMMUNITY) DISTRICT

EXHIBIT C

I. Property Description

The site consists of a total of 5.32+ acres, 3.37 acres of City-owned land, and 1.95 acres of land owned by the City of San Francisco (Hetch-Hetchy Aqueduct). The General Plan designates the area for mixed-density residential use. The 1.95 acres of Hetch-Hetchy land cannot be used for buildings but may be used for landscaping, parking and access. The odd configuration of the property makes development difficult. A land swap with adjoining properties to "square off" the parcels would be advantageous to both parcels and is encouraged.

II. Development Concept

The area is to be developed with a residential complex designed for either a mix of families and senior citizens or exclusively for senior citizens. The residential location, proximity to shopping services and central location in the City all lend themselves to this unique and needed use. Planned Community District procedures should be utilized to ensure high-quality development and harmonious integration of uses with adjacent properties. A substantial proportion of the entire parcel shall be retained for landscape and open space.

Alternative – Mix of Seniors and Family Housing

Up to 125 units of housing with a minimum of 50 percent devoted to seniors may be developed. The unusual qualities of senior citizen housing (e.g., small units, common facilities, small family size, need for low-cost housing and low automobile use) justify development at higher densities. One hundred twenty-five units represent approximately 37 du/acre net area, or 24 du/acre including the Hetch-Hetchy lands.

2. Affordability:

Housing must be made available at substantially below-market prices. Federal, State or private assistance programs must be utilized to guarantee affordable housing for families and senior citizens for a minimum period of 20 years.

3. Parking:

The minimum parking ratio should be .35 spaces per senior unit and 1-1/2 spaces per family unit. Special attention should be given in the site layout for additional, convenient guest parking facilities. Special attention shall also be given to parking for the disabled, minimization of paving, screening parking from Shoreline Boulevard and safe and efficient automobile access to and from the site. At least half of the required spaces must be covered.

EXHIBIT D

**REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (the "Regulatory Agreement") is made and entered into as of July 1, 1997, by and among the ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America and authorized to accept and execute trusts of the type contemplated by the Indenture (as herein defined), with a corporate trust office in San Francisco, California (the "Trustee"), and MP SHORELINE ASSOCIATES LIMITED PARTNERSHIP, a California limited partnership (the "Borrower").

"Affordable Rent" or "Rents" means monthly rent (excluding any supplemental rental assistance from the State, the federal government, or any other public agency to tenants or on behalf of the applicable Very Low Income Units) not in excess of thirty percent (30%) of one twelfth of sixty percent (60%) of the Median Income for the Area, based upon the following assumed household sizes for the following sizes of residential units in the Project:

"Qualified Project Period" means the period beginning on the Issue Date, and ending on the later of (a) the date which is 15 years after the Issue Date, (b) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United State Housing Act of 1937 terminates. For purposes of clause (b), the term "private activity bond" has the meaning contemplated in Section 142(d)(2)(A)(ii) of the Code.

"Regulatory Agreement" means this Regulatory Agreement and Declaration of Restrictive Covenants, dated as of July 1, 1997, among the Authority, the Trustee and the Borrower.

Regulatory agreements and household income and rent restrictions applicable to Shorebreeze are as follows:

1. **TCAC (Federal Credits/Tax-Exempt Bond)** – Monitored by CTCAC for 30 Years (2027). **NOTE: Maturity date of 2027 conflicts with TCAC 20-year term expiring in 2017.**

Regulatory Summary	
Unit Specific	No
Bedroom Specific	No
Rent Calculation	1.5/Bed
Income Limit Table	MTSP
HERA/Hold Harmless	YES
Recert Requirements	Annually
Preferences	None
Total Restricted	119
Total Un-Restricted	1
Miscellaneous	None

Layering Requirements	
60% AMI	119

Manager	1
---------	---

2. **CDBG – Monitored by City of Mountain View for 30 years(2027)**

Regulatory Summary	
Unit Specific	No
Bedroom Specific	No
Rent Calculation	#BD + 1
Income Limit Table	Section 8
HERA/Hold Harmless	Yes
Recert Requirements	Annually
Preferences	None
Total Restricted	119
Total Un-Restricted	1
Miscellaneous	None

Layering Requirements	
45% AMI	119

** In post-Sec. 8 periods, income layer keeps @ 45% median income. 69 units will continue to be used as senior housing.

Manager	1
---------	---

3. **HOME-FLOATING – Monitored by City of Mountain View for 30 Years(2027)**

Regulatory Summary	
Unit Specific	No
Bedroom Specific	No
Rent Calculation	HOME
Income Limit Table	HUD
HERA/Hold Harmless	N/A
Recert Requirements	Annually
Preferences	None
Total Restricted	5
Total Un-Restricted	115
Miscellaneous	None

Layering Requirements			
AMI	1BD	2BD	3BD
50%	3	1	1

HOME LO RENT

Manager	1
---------	---

4. **MHRB (Bonds) – Monitored by ABAG Finance Authority for 30 Years (2027)**

Regulatory Summary	
Unit Specific	No
Bedroom Specific	No
Rent Calculation	#BD + 1
Income Limit Table	MTSP
HERA/Hold Harmless	Yes
Recert Requirements	Annually
Preferences	None
Total Restricted	48
Total Un-Restricted	72
Miscellaneous	None

Layering Requirements	
60% AMI	48 (40% of units)

Manager	1
---------	---

3. **Project Based Section 8 HAP – Monitored by the CAHI, Original Contract 03/26/1980, Renewed for 15 Years effective 03/01/2011 (2026)**

Regulatory Summary	
Unit Specific	No
Bedroom Specific	No
Rent Calculation	#BD +1
Income Limit Table	Section 8
HERA/Hold Harmless	N/A
Recert Requirements	Annually
Preferences	None
Total Restricted	119
Total Un-Restricted	1
Miscellaneous	None

Layering Requirements	
30% AMI	48 *
50% AMI	71
80% AMI	Depending

* 30%AMI units will be increased as "income-targeting" rule be followed.

Manager	1
---------	---

* Based on "Income-Targeting" rule in HUD 4350.3—"For each project assisted under a contract for project-based Section 8 assistance, the owner must lease not less than 40% of the dwelling units that become available for occupancy in any project fiscal year to extremely low-income families".

** Original Contract targets to lower income (80%AMI), based on current BP setup and "income targeting" rule, we will keep the current setup as 3 layers—30%, 50%, and 80%AMI.

* 69 Senior Units must have one household member, head, co-head or spouse age 62 or over.

Google earth

**SHOREBREEZE
APARTMENTS**

apartments

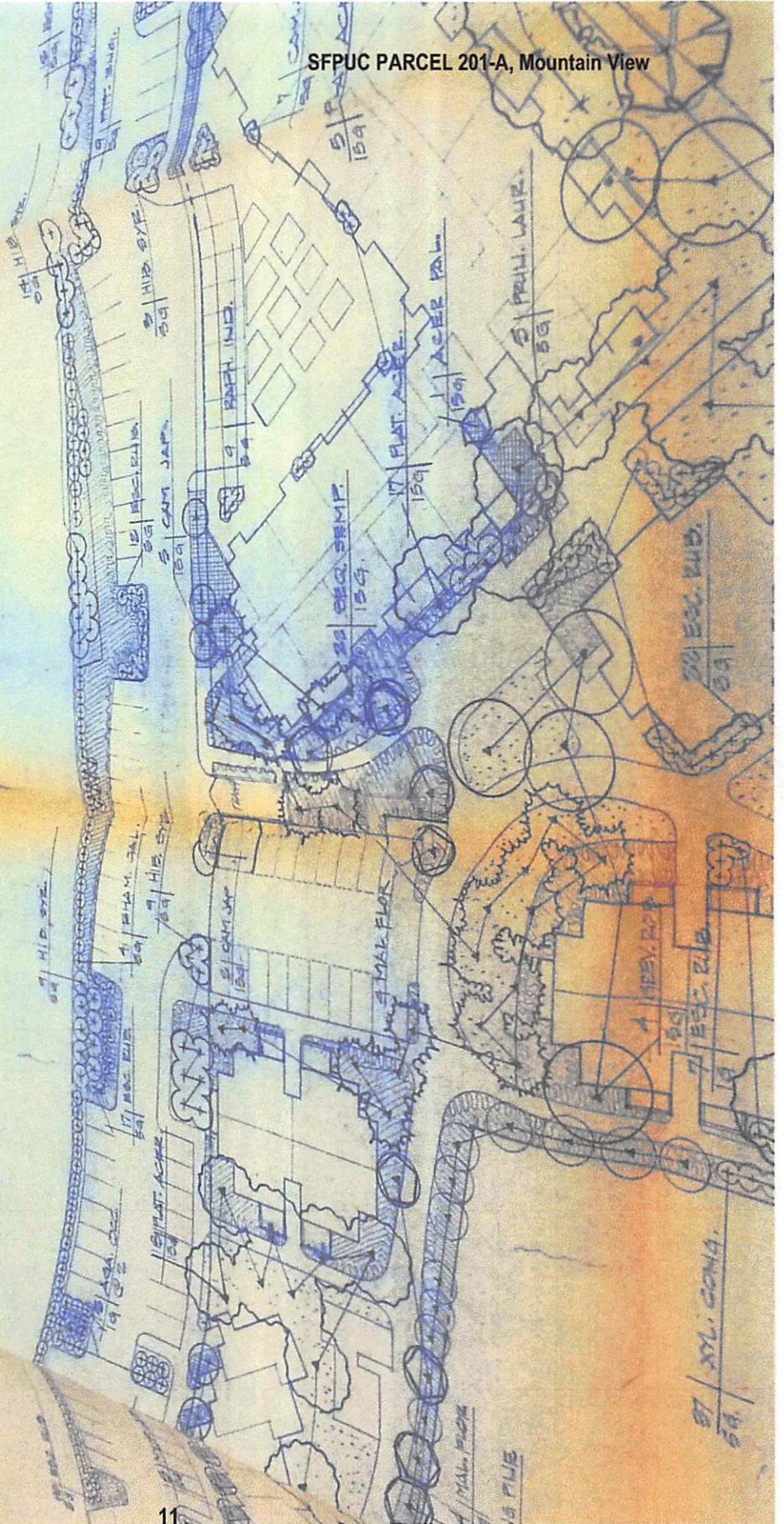
N Shoreline Blvd

© 2014 Google

CLIFFORD ADVISORY, LLC

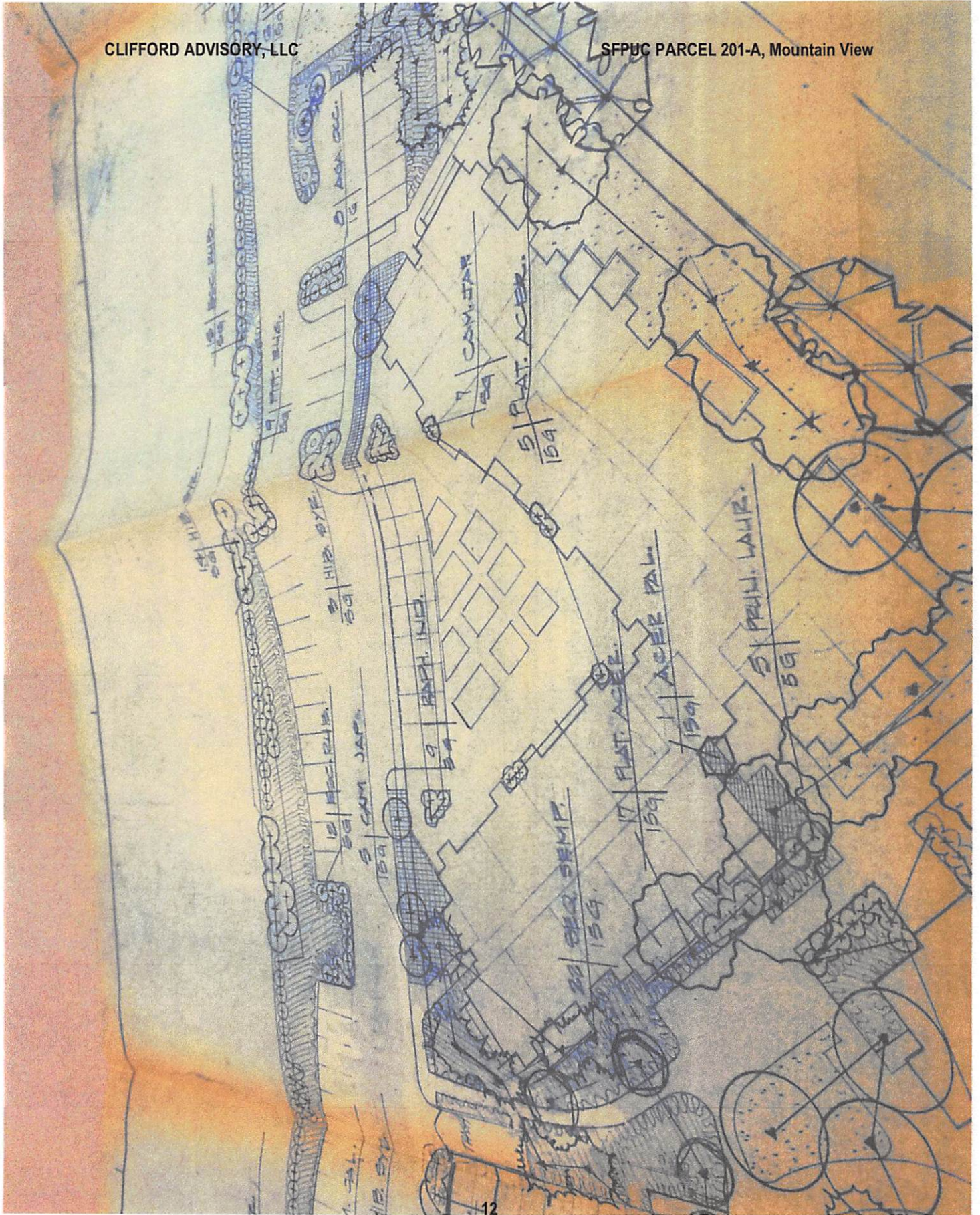
SFPUC PARCEL 201-A, Mountain View

ARCHITECTURAL LANDSCAPE PLANS FOR APPROVAL
THAT ILLUSTRATE INTEGRATION OF SUBJECT SITE
INTO PROJECT AREA TO PROVIDE ACCESS, PARKING, LANDSCAPING



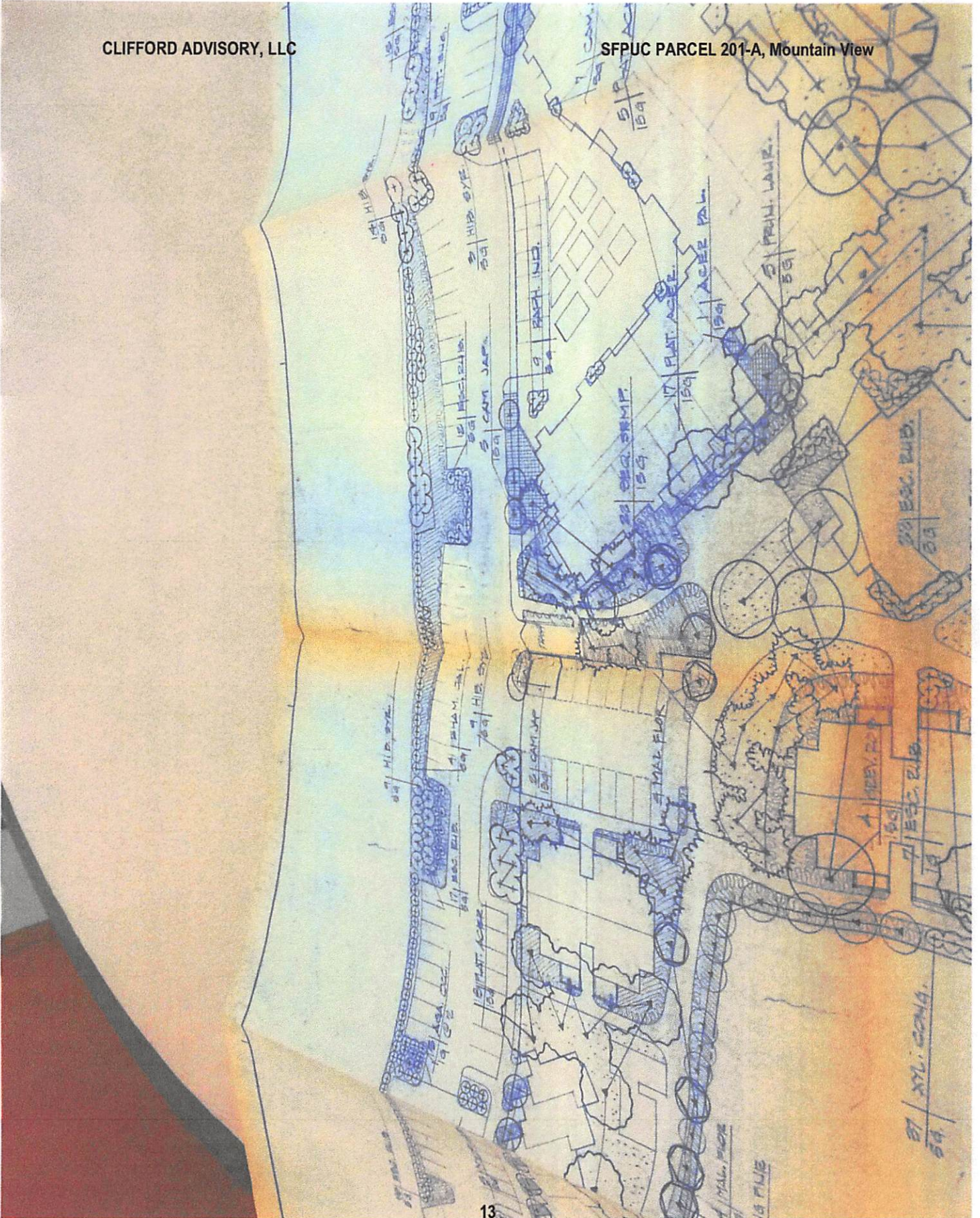
CLIFFORD ADVISORY, LLC

SFPUC PARCEL 201-A, Mountain View



CLIFFORD ADVISORY, LLC

SFPUC PARCEL 201-A, Mountain View



CLIFFORD ADVISORY, LLC

SFPUC PARCEL 201-A, Mountain View

west side of Bailey Avenue, from the
 200 feet north of Wright Avenue, from the
 existing O (Administrative Office) Dist. to the R3-2* (Multiple-Family Residential) Dist.
 PC 7/2/69

72-69 Recommend approval to C.C.
 190

450 BAILEY AVENUE 224-6

DATE		DATE
8/30/78	Request initiated by the EPC to rezone 5.32+ acres of land including portions of the Hetch-Hetchy right-of-way, on the west side of Bailey Avenue, south of Montecito Avenue from the present R3-1.5*, R3-2*, R3-3* and CN Districts to the P District and to consider adoption of a precise plan to govern development of the property with up to 200 units of senior citizen housing. EPC 9/6/78	4/4/78
9/6/78	Forwarded to Council	4/18/78
9/11/78	Set for hearing	10/9/78
10/9/78	Continued to	10/16/78
10/16/78	Introduced P zoning. Second reading 10/30/78. Resol. 12287 adopting precise plan #2 change "apartment" to "residential"	8-1-
10/30/78	Ordinance # 38.78 adopted for P zoning	

450-490 BAILEY AVENUE

In order to determine the highest and best use of the subject property, many factors have been evaluated that include identifying the most probable user of the subject property, along with land use controls, zoning, and use or development criteria that impact how the utility of the subject property contributes to the adjoining property.

Typical multi-family development patterns are controlled by criteria such as setbacks, landscaping, height limits, floor area limits, parking and appropriate access. Suburban development relies upon site planning that orients parking and landscaping in perimeter areas that otherwise also satisfies setback requirements. Each of these criteria, but most importantly parking is essential as it is directly linked to the scale of development any site can support – and for all forms of development parking represents an integral component. That is to say the value of development land is equally dependent on the land that provides required parking (and provides equal value), as it is for the footprint of a site that supports vertical construction.

Notwithstanding the above comments, it is noted the current owner of the Shorebreeze Apartment Complex (Mid Pen Corporation) is proposing to demolish 12 existing units and newly develop 62 units resulting in an increase in the project size from 120 units to 170 units (120-12+62). For this analysis, the appraiser relies upon a letter issued by the City of Mountain View Community Development Director and interviewed the proposed expansion project planner and Zoning Administrator to confirm the subject property is not required to serve any greater number of units than the existing 120 unit density. Therefore, based on the aforementioned documentation and by agreement with the client, the highest and best use and valuation of the subject property is based on the subject's contribution to the project site supporting 120 units.

E. Ownership History

Ownership of the subject property is vested in the name of the City and County of San Francisco. No known ownership transfers have occurred in the past three years. Use of the subject property that provides access, parking and landscape improvements is conveyed under a long-term lease and will continue under the new modified lease.

F. Title and Legal

For the purposes of this analysis, no title report was provided or reviewed. It is assumed there exists no adverse easements or encumbrances that would have a detrimental affect on the utility, marketability or value of the subject property, as outlined herein. Unless otherwise noted, it is assumed no conditions of title exist which would have a detrimental affect on the utility, marketability or value of the subject property. Please refer to Item 2 of the appraisal Assumptions and Limiting Conditions.

G. Legal Description

A legal description for the subject properties is presented in the addenda.

H. Taxes & Assessments

Since passage of Proposition 13 (Jarvis Gann Initiative) in 1978, Article XIII A of the California State Constitution, requires that real property taxes are limited to 1% of Market Value, as of a specified base year. The base year valuation is the Assessor's 1975 Market Value estimate, unless there is a transfer of ownership (sale), new construction, or the property is leased on a long-term basis. Whenever this occurs, the property is reassessed at full Market Value. If a reassessment is not triggered, the assessed value is trended upward at a maximum of 2% annually. Furthermore, Proposition 13 limits annual taxes to 1%, plus an amortized amount for voter approved bonded indebtedness, of the assessed value. Taxes are levied annually for each fiscal year from July through June. They are paid in semi-annual installments being delinquent in December and April, respectively. Accordingly, under the premise of market value, assuming a transfer of ownership, the subject property may be reassessed to its market value.

III. Highest And Best Use

1. Definition

According to the revised edition of Real Estate Appraisal Terminology, a publication of the Appraisal Institute, the Highest and Best Use is defined as follows:

That reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value.

The definition differs somewhat for improved property and vacant property; however, four criteria must, in effect, be met for both. The Highest and Best Use must (1) be physically possible, (2) be legally permitted, (3) be feasible, and (4) produce the highest return or value.

The Highest and Best Use is that use which is most likely to produce the greatest return over a given period of time. Net return refers to the residual of gross yield after all costs are met. Only those uses that are natural, probable, and legally permissible may be properly considered tenable. Thus, it may be defined as the available use and program of future utilization that produces the highest present value to the land.

2. Highest and Best Use As If Vacant

Physically Possible

The subject's size and shape and location and use impact its physical characteristics for determination of highest and best use.

The subject property comprises a level elongated rectangular parcel under the ownership of the City and County of San Francisco (PUC). The subject contains 85,378 SF (1.96 acres) measuring approximately 80' by approximately 1,084' in length. Exhibit C and the aerial photographs are intended to illustrate the location, orientation and size of the subject property.

Parcel 201-A supports two uses. It serves as a utility right of way improved with underground distribution water pipes linking the Hetch Hetchy reservoir to the City of San Francisco. Vertical development is restricted due to its use as a utility right of way improved with underground distribution water pipes. However, Parcel 201-A is also integrated in the development of the Shorebreeze Apartment Complex. The subject site is utilized to support the multi-family project site's development capacity when it was incorporated into the 1980 design of a combined site area of 5.32-acre to serve a 120-unit multi-family rental project.

It has served the project under a long-term 51-year lease agreement beginning in April 1980 and extending through March 2031. Following the assignment of the lease to Mid-Peninsula Housing Coalition and its sublease to MP Shoreline Associates Limited Partnership (as subtenant), the parties are contemplating entering into a new 60-year lease.

Legally Permissible

The Highest and Best Use of vacant land is typically that use or uses permitted by the existing zoning ordinance. One exception is when a zone change or use variance can likely be obtained.

The existing project was developed under historical zoning, i.e. the 1979 Precise Development Plan. Excerpts from the Precise Development Plan are presented on **Exhibit C** that illustrates the essential contribution the subject property provides, and identifies the plan's goal to provide housing for families or senior residents. Please refer to the discussion of the subject Property Description section of the report for more detail. No factors exist that are considered to diminish the subject's most probable continued parking, landscaping and circulation use and their contribution to highest and best use.

However, the use of the subject property so encumbered by the aforementioned affordable housing covenants represents other legal considerations that impact the value of the subject (that represents an essential portion of the site supporting multi-family development).

Typically, such low-income units do not generate sufficient net revenue to provide any significant return to support positive land value, especially under current market conditions when new construction costs are elevated. This cost-income return is less imbalanced given the contributory value of existing improvements. However, the aforementioned affordable housing covenants have, or are soon, to mature. The Precise Plan set forth a minimum period of 20 years during which time affordable units were to be made available to families and seniors. The Plan cites no other term requirement, or if any, at what AMI income level. The period of that covenant matured in approximately 2000, some 17 years ago. The ABAG financing low-income covenant matured in 2012. Only the TCAC covenant remains active but it matures in 2027, enforceable for another 10 years. However, the remaining 10 years only constitute a minor portion of the proposed 60-year ground lease term.

Beyond 2027, there exists no affordable housing covenant that so encumbers the site. That is not to say, the current non-profit owner may elect to continue operating the project as affordable. However, the ownership of the subject property is under no such obligation or mission, at least at the low-income levels once stipulated. The use of the property therefore could revert to a competitive market rental project, or alternatively, target moderate income households that generate rent levels not so adverse to providing a return on underlying land value, especially when the AMI in Santa Clara County is the highest in the Bay Area and the state of California. These factors are discussed later in the valuation section of the report.

Based on a review of City of Mountain View planning file documents, the **project plans** approved for development and the **Lease**, indicate the integration of the subject inextricably links it to the value of the larger parcel, a 5.32 acre development area. Only a partial set of plans were retained in the file, but the development application and landscape plan identifies the Hetch-Hetchy parcel as part of the multi-family project area. The subject's use support various site improvements as mentioned previously.

The project appears to be served by approximately 140 parking spaces. According to parking regulations presented on **Exhibit C**, the 120 unit count would appear to require 174 parking spaces, notwithstanding allowances for senior occupancy and age of construction. The precise boundary between Parcel 201-A and APN 150-26-006 appears to delineate that the subject provides approximately 80 parking spaces that serve the 120-unit multi-family project, and as well provides essential access from Shoreline Boulevard.

The use of the subject to satisfy development criteria or compliance with approvals has a material affect on the determination of the subject's highest and best use - an essential component part of the larger Shorebreeze Apartments project area.

The subject site is utilized to support the multi-family project site's development capacity when it was incorporated into the 1980 design of a combined site area of 5.32-acre to serve a 120-unit multi-family rental project. Parcel 201-A provides essential ingress from Shoreline Boulevard, required parking, landscaping and emergency vehicle access for the project. It has served the project under a long-term 51-year lease agreement beginning in April 1980 and extending through March 2031. Following the assignment of the lease to Mid-Peninsula Housing Coalition and its sublease to MP Shoreline Associates Limited Partnership (as subtenant), the parties are contemplating entering into a new 60-year lease.

While vertical development of the subject is restricted due to its use as a utility right of way improved with underground distribution water pipes linking the Hetch Hetchy reservoir to the City of San Francisco, the subject has shown to be capable of providing essential parking, landscaping and access that are required to support vertical development, that is as essential as that portion of a site that supports vertical development. An examination of virtually any municipal code indicates that parking is one of the most important criteria in determining the development capacity of any project. In the case of the subject itself, there is historical, current and future mandates that the subject continue its function to insure the adjoining property is in compliance for its development and occupancy.

Economically Feasible

The land sales uncovered during the investigative phase of the appraisal indicate that comparable sites are primarily being developed, or in some cases redeveloped, with multi-family uses. The supply and demand analysis reveals that unsatisfied demand for such space exists, and such uses are considered to be economically feasible at this time.

Maximally Productive

The subject property could be developed to contribute to the densities permitted in the zoning ordinance, or as otherwise required under the development approval for what is now identified as the Shorebreeze Family and Senior Housing Complex. Demand for multi-family uses appears strong. Based upon this analysis, it is the appraiser's opinion that the subject's use to support multi-family development at its maximum density level, reasonably permitted, is the most profitable and productive use of the site.

Conclusion

The Highest and Best Use of the subject property is for its parking, landscaping and circulation use and required functional contribution to its integrated multi-family use.

IV. VALUATION

1. Methodology

The condition and highest and best use of the subject property dictates the valuation methodology employed to determine the market rental value for the subject property. The Highest and Best Use of the subject property is for its parking, landscaping and circulation use contribution to the adjoining use.

The methodology for the Market Rental valuation of the subject property under the proposed 50-year license agreement is to analyze the appropriate rental amount that will provide the owner a competitive rate of return on the value of the underlying asset. The rental return on asset value is hereafter referred to by its acronym RRAV.

The RRAV **methodology** for the Market Rental valuation of the subject property requires the analysis of several inputs based on market factors. These include 1) land value, 2) site improvement costs, and 3) competitive rates of return. In the appraisal report to follow, each of these factors is presented.

The first step is to estimate the market value of the subject property as it contributes to the utility and function of the adjoining property, as it is mandated to do so under the project's development approval. Like for the subject jurisdiction, an examination of virtually any municipal code indicates that parking is one of the most important criteria in determining the development capacity of any project site. A parking (or landscaping or access) use that is required to support vertical development is as essential as that portion of a site that supports or serves as the footprint of vertical development. When a development site is acquired, there is no market distinction between the contributory value of that portion of the site that supports the building footprint and the requisite parking area that serves it. Therefore, to establish the market value of the site, the *Sales Comparison Approach* is a method of comparing recent sales of similar properties. This is the primary approach relied upon in the marketplace and is based on the principle that the prudent investor would pay no more for a property than the cost of acquiring a satisfactory alternative property that possesses physical, economic and financial comparability.

The second step is to estimate the market rental value of the subject property. The market rental valuation may be defined as a monthly or annual rent payment that provides a competitive return on the market value of the underlying asset. The market rent valuation must then consider an appropriate rate of return, depending on the term and escalation of the rent schedule, and as well the reversion value of the improvements, if any. The market rental value is calculated by multiplying the market value by an appropriate rate of return.

2. Market Analysis

Demand for well-located development land in the San Francisco Bay Area generally remains healthy as the national and regional economy has rebounded. This is especially true both in San Francisco and Silicon Valley where the technology sector has led the recovery and there exists a scarcity of available sites. For sites that are so well linked to the areas infrastructure system as well as leading industries, and cultural and recreational assets, demand appears strong. Recently several large technology corporations are developing new or expanding existing office campuses and facilities. These include Google, Apple, Yahoo, Facebook, LinkedIn, Samsung, Dell, Amazon, Nvidia and others. Other institutional and commercial retail development interests have acquired or developed sites such as Kaiser and Lowes. The appraiser presents excerpts from the Marcus & Millichap 1Q18 apartment market report that reveals strengthened market conditions with rent levels climbing to levels that support new construction and high demand for available land.

2018 INVESTMENT FORECAST

San Jose Metro Area

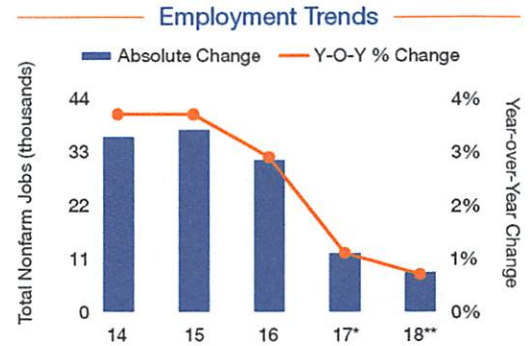
Tech Firms Drive Local Demand for Talent; Slower Development to Trim Vacancy

Moderating development schedule set to boost multifamily operations. Led by numerous tech and professional firms, unemployment has fallen substantially in the San Jose metro and is driving significant housing demand. The high cost of single-family homes, coupled with a shortage of available apartments, triggered the largest number of multifamily completions in two decades in 2016. Although vacancy ticked up moderately last year, the pipeline will thin substantially this year, allowing vacancy to stabilize as recently built units are filled. While this process involved some rent discounting during lease-up as construction peaked, continued growth in high-paying skill positions will create sufficient demand to improve NOIs as rents reaccelerate. This past year, rent control gained some traction in the metro. In San Jose, a 5 percent limit on annual rent hikes with allowances passed, along with annual rent increases limited to between 2 and 5 percent in Mountain View.

Suburban assets near corporate campuses in high demand; land constraints figure heavily into investment thesis. Low interest rates and consistent job growth are motivating investors to deploy capital in the San Jose metro. While an increase in completions pushed vacancy up temporarily, a slower pace of construction in the year ahead could lead to even greater investment volume as buyers position to realize additional performance upside. Well-located complexes near corporate campuses will be an institutional favorite, while private parties and syndicates scour for value-add opportunities to capture potentially higher returns. Metrowide, cap rates will begin in the low-4 percent range and extend into the high-4 percent band on average, although assets can close up to 50 basis points on either side of the average. Merchant builders wishing to exit newly developed properties will provide additional investment opportunities, particularly as listings remain limited.

2018 Market Forecast

- Employment** ↑ The lowest unemployment rate in 17 years leads hiring to 8,000 new jobs this year, increasing by 0.7 percent. Last year, 12,000 workers were hired, a 1.1 percent gain.
- Construction** ↓ Development activity cools modestly, sliding to 3,150 units from 2017's total of 3,950 rentals. Deliveries will remain concentrated in Central San Jose and Milpitas.
- Vacancy** ↑ Vacancy ticks up 30 basis points to 4.2 percent as construction weighs on overall results. Last year, vacancy rose 10 basis points as supply outpaced net absorption.
- Rent** ↑ The average effective rent rises 4.6 percent to \$2,750 per month as higher incentives weigh on top-line growth. In 2017, average effective rent tacked on 7.6 percent.
- Investment** ○ Deal flow remains dependent on willing sellers amid constant rent growth. Owners of fully valued assets may choose to list in order to diversify portfolios, while institutions have been selling based on planned rates of return and fund life cycles.



* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

San Francisco Office

Ramon Kochavi First Vice President/Regional Manager
750 Battery Street, Fifth Floor
San Francisco, CA 94111
(415) 963-3000 | ramon.kochavi@marcusmillichap.com

For information on national apartment trends, contact:

John Chang First Vice President | Research Services
Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of November 2017. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

3. *Site Valuation by Sales Comparison Approach*

The Market Value of the subject site is estimated by the Sales Comparison Approach, utilizing sales of similar sites that can be compared to the subject. The *Sales Comparison Approach* is a method of comparing recent sales of similar properties. It reflects the primary approach relied upon in the marketplace and is based on the principle that the prudent investor would pay no more for a property than the cost of acquiring a satisfactory alternative property that possesses physical, economic and financial comparability. A summary table for those sales that provide the most meaningful comparison is presented on **Table 1**.

The value of vacant land is measured by size (SF or acreage) and expressed as the unit price per square foot (\$/SF) and when known a \$/unit as shown **Table 1**. In comparing market data to the subject property, adjustments are typically required for property rights conveyed, financing terms, condition of sale, date of sale, location, physical and other characteristics.

For the analysis of the subject project area, the selection of comparables must be distinguished between those sites that were approved for development prior to the sale and those sales that yet face the entitlement process. This important element is imbedded in the Property Rights appraised. Thus, for the land sales conveyed with approvals reflect unit prices that lack uncertainty or risk associated with obtaining a development entitlement, as well as the time and costs associated with the expertise and consulting analyses required to document and process development approval. In the case of the subject it reflects a multi-family use that is approved (as it exists to support 120 multi-family units). However, it is noted that it reflects a typical density of development, generally commensurate with the level of scrutiny and conditions of approval associated with multi-family uses. The typical unit of comparison is expressed as the sales price square foot of land area and when known the sales price per unit.

As discussed previously, the valuation analysis for the subject property requires an atypical consideration, not directly evident by the comparable sales, due to PUC rights reserved and the expired or expiring affordable housing use covenants. The adjustment is based on an analysis of the time or duration the operating performance of the project may not provide sufficient yield to the project's underlying land value. Only the TCAC covenant continues for another 10 years (of the 60 year ground lease). Beyond that period it appears the project could operating at a market rate level, or as a conservative measure do so at moderate income level. Consequently the appraiser addresses appropriate adjustments for typical salient differences between the comparables and subject to conclude a unit value for the subject before any consideration is given to the affordable housing covenant. Then as a final adjustment the impact of the remaining short-term covenant is addressed as well as any potential the City of Mountain View may require some form or level of affordability be required beyond 2027 when the TCAC covenant expires.

The 11 tabulated transactions indicate an unadjusted range of value from approximately **\$70/SF to \$604/SF**, and alternatively approximately **\$118,000/unit to \$812,500/unit**. These transactions occurred between 2013 – 2017 conveying sites ranging in size from .26 acre to 9.95 acres. Six of the eleven transactions represent sites with development approval and support development density ranging from 11 – 35 units / acre. Five of the eleven transactions are located in Mountain View while the others are located in various Peninsula communities ranging from Daly City in North San Mateo County to Saratoga in southern Santa Clara County. The appraiser acknowledges the vast array of locations and indicated unit values, but this is in part due to the scarcity of available development land throughout Silicon Valley, and for the most part a trend where new or redevelopment project sites are designed to support multi-story townhouse development than stacked flats.

Excluding **Sale 2** that represents a small site slated for 9 units and appears to be an outlier among the comparable set. **Sale 11** is excluded as well that represents a site supporting smaller scale low density in Saratoga, a superior residential location. Excluding these two transactions, the aforementioned range of values narrows for nearby projects from approximately **\$70/SF to \$200/SF**, and alternatively approximately **\$118,000/unit to \$330,769,438/unit**.

Land Sales

TABLE 1

CLIFFORD ADVISORY, LLC

Comp No	Address	Zoning	No of Units	ID	Res Density	Approval	Size SF	Sale Date	Sale Price	\$/SF	Total \$/Unit
1	277 Fairchild APN 160-07-013,-012,-011	P32	30	1272	16.77	Yes	67,518	9/18/15	\$8,600,000	\$127.37	\$286,667
Site is approved to support 26 units and 4 detached SFR's.											
2	231 Hope APN 158-22-021 Mountain View	P(19)	9	1273	34.6	Yes	11,260	3/24/17	\$6,800,000	\$603.91	\$755,556
Site was in process of obtaining approvals to develop 9-unit apartment project.											
3	111 Fairchild Avenue Mountain View	P32	35	1113	35	No	43,638	4/11/14	\$3,700,000	\$84.79	\$105,714
Level rectangular shaped parcel in Moffet/Whisman plan area. Site improved with (6) SFR's and (5) industrial buildings slated for redevelopment of multi-family units. Planning application seeks approval of 35 rowhouse units or 35 units/acre.											
4	2624 Fayette Mountain View	CRA - Mixed Use	28	1110	16	No	50,000	11/18/13	\$5,400,000	\$108.00	\$192,857
Level irregular shaped parcel in San Antonio plan area. Site improved with industrial building and SFR slated for redevelopment of multi-family units. Planning application seeks approval of 28 units or 24 units/acre.											
5	1978 Montecito Mountain View	R3-22	16	1112	17	No	40,337	4/22/13	\$3,495,000	\$86.65	\$218,438
Level rectangular shaped parcel in Monta Loma/ Farley/Rock plan area. Site improved with (4) SFR's slated for redevelopment of multi-family units. Planning application seeks approval of 16 units or 17 units/acre. Broker reported multiple offers including purchasers at \$505,000 above asking price.											
6	1632 Edgeworth APN 006-344-200,-210,-220 Daly City		25	1288	14.5	Yes	74,923	7/14/16	\$13,320,000	\$177.78	\$532,800
Approved medium density site in North San Mateo County supporting 25 condominium units. Project site sold in March 2015 for \$5.56 million (\$120,870/unit) but did not have approvals at the time of sale.											
7	2820 S. El Camino Real San Mateo	C3-1/R4	N/A	1114	N/A	No	21,890	8/25/14	\$2,000,000	\$91.37	?
Level L-shaped parcel in San Mateo. Site was excess land sold by AT&T. Buyer was adjoining property owner who proposed multi-family residential project that may require nominal retail component.											
8	3101 Middlefield APN 060-059-350 Redwood City	CH00C2		1289	N/A	No	12,179	3/31/17	\$1,100,000	\$90.32	
Site is located at NEC of 3rd Avenue and Middlefield Rd. The site has no approvals.											
9	166 Saratoga APN 294-38-001 Santa Clara	R16LE	33	1271	19	Yes	75,359	5/21/15	\$7,325,000	\$97.20	\$221,970
Site is approved to develop 33 unit townhome project.											
10	1600 Nantucket APN 097-05-105 Santa Clara	ML	256	1270	25	Yes	433,422	3/1/16	\$30,190,000	\$69.65	\$117,930
Transaction reflects the purchase of the leased fee interest in the land beneath the 256 unit Nantucket project from the City of Santa Clara.											
11	12262 Saratoga Sunnyvale Rd 386-30-035 Saratoga	CV	12	1268	10.7	Yes	48,700	6/29/15	\$9,750,000	\$200.21	\$812,500
Site approved for development of 12 townhome units.											

Parcel 201-A, Mountain View

Sale 1 is located in the Moffett/Whisman plan area of Mountain View. It comprises a mid-size site among those recently sold that is approved for development of 26 units. The proposed density is comparatively low at 16 units/acre and includes 4 SFR detached units along with 22 townhomes. Its sale price of \$8.6 million reflects a unit price of **\$127/SF** and approximately **\$330,769/unit**. It requires an upward adjustment for date of sale as market conditions have improved since its transfer in the Fall 2015, but is offset by downward adjustments due to its smaller size and lower density including a higher revenue component associated with SFR detached units. Finally, a downward adjustment is warranted for the rights reserved under the PUC lease.

Sale 3 is located in the Moffett/Whisman plan area of Mountain View. It comprises a mid-size sites that is slated for development of 35 units, but was not yet approved at the time of sale. The site was developed with 6 single-family homes and older industrial buildings. An application for development review is planned for early 2015 that reflect a density of 35 units/acre. Its sale price of \$3.7 million reflects a unit price of **\$85/SF** and approximately **\$106,000/unit**. It requires an upward adjustment for date of sale as market conditions have improved since its transfer in early 2014, lack of approval, but is partly offset by its smaller size and higher density of development potential. Finally, a downward adjustment is warranted for the rights reserved under the PUC lease.

Sale 4 is located in the San Antonio plan area of Mountain View. It comprises one of the larger sites among those sold that is slated for development of 28 units within a 4-story project, and potentially generating interim income. An application for development was filed in May 2014 that reflects a density of 24 units/acre. It too lies adjacent to a Hetch-Hetchy parcel but that is not incorporated into the development site. Its sale price of \$5.4 million reflects a unit price of **\$108/SF** and approximately **\$193,000/unit**. It requires an upward adjustment for date of sale as market conditions have improved since its transfer in 2013, and lack of approval but is partly offset by its smaller size. However, it reflects a similar density of development potential. Finally, a downward adjustment is warranted for the rights reserved under the PUC lease.

Sale 5 is located in the Monta Loma/Farley/Rock plan area of Mountain View. It comprises one of the larger sites among those sold that is slated for development of 16 units. The site was developed with 3 apartment units and a single-family residence. Townhome development is proposed but utilizing underground parking. An application for development was filed in September 2014 that reflects a density of 17 units/acre. Its sale price of \$3.495 million reflects a unit price of **\$87/SF** and approximately **\$218,000/unit**. It requires an upward adjustment for date of sale as market conditions have improved since its transfer in early 2013, lack of approval, lower density, but is partly offset by its smaller size. Finally, a downward adjustment is warranted for the rights reserved under the PUC lease.

Sales 7 – 10 are located in other Peninsula locations that generally indicate unit values ranging from approximately **\$70/SF to \$97/SF**. The low end of the range involves **Sale 10** that involves the purchase of a leased fee interest of a developed site supporting a large 256 unit site.

Sale 7 is located in the City of San Mateo in San Mateo County. It comprises a relatively small site among those sold. The buyer has not identified a proposed unit count, other than the intent to design a project within a 5-story envelope that may include a small component of ground floor retail area. Its sale price of \$2.0 million reflects a unit price of **\$91/SF**. It requires an upward adjustment for its inferior location, and lack of approval and probable higher density. **Sale 8** requires similar adjustments to its unit value indication of **\$97/SF**. Finally, a downward adjustment is warranted for the rights reserved under the PUC lease.

Primary consideration is given to the local Mountain View transactions but is otherwise supported by several other Peninsula transactions. The most recent Mountain View transaction reflects an unadjusted unit price of **\$127/SF**, however, it too requires upward adjustments for its date of sale but also reflects value associated with development approval. It is superior, however, in terms of its lower density design supporting townhouses and four detached SFR units that requires a downward adjustment to the indicated unit price of **\$330,679/unit**.

In the final analysis, the selection of an appropriate unit value is based on the subject's highest and best use conclusion for the 1.96 acre subject property (85,378 SF), that is deemed to be an integral part of a larger 5.32 acre project area that is developed as a 120-unit multi-family project.

$$231,739 \text{ SF} \times \$100/\text{SF} = \$23,173,900$$

$$120 \text{ units} \times \$200,000/\text{unit} = \$24,000,000$$

Expressed as a single value estimated, the appraiser selects a mid-point estimate of **\$23,500,000**

The subject's 85,378 SF square footage represents 37% of the total site area, and contributes to a pro-rated density of approximately 44 units (37% X 120 units). Using these metrics, a baseline² value of the subject property can be estimated as follows:

$$\mathbf{\$23,500,000 \times 37\% = 8,700,000}$$

However, to conclude a final value estimate for the subject, one other factor is considered - the actual and potential affordable housing covenant. As noted previously, typically, such low-income units do not generate sufficient net revenue to provide any significant return to support positive land value, especially under current market conditions when new construction costs are elevated. This cost-income return is less imbalanced given the contributory value of existing improvements.

The aforementioned affordable housing covenants have, or are soon, to mature.

The Precise Plan set forth a minimum period of 20 years during which time affordable units were to be made available to families and seniors. The Plan cites no other term requirement, or if any, at what AMI income level. The period of that covenant matured in approximately 2000, some 17 years ago.

The ABAG financing low-income covenant matured in 2012.

The TCAC covenant remains active but it matures in 2027, enforceable for another 10 years. However, the remaining 10 years only constitute a minor portion of the proposed 60-year ground lease term. Beyond 2027, there exists no affordable housing covenant that so encumbers the site. That is not to say, the current non-profit owner may elect to continue operating the project as affordable. However, the ownership of the subject property is under no such obligation or mission, at least at the low-income levels once stipulated. The use of the property therefore could revert to a competitive market rental project, or alternatively, target moderate income households that generate rent levels not so adverse to providing a return on underlying land value, especially when the AMI in Santa Clara County is the highest in the Bay Area and the state of California.

For the TCAC covenant that extends 10 years of the proposed 60 year term when very low and low income occupancy is required, no positive land value is associated with the subject site. Thus, a 17% adjustment is applied to reflect the percentage of value over the 10-year period of encumbrance in comparison to the 60 year term (10/160). For the remaining 50 year period of the 60 year term, the appraiser concludes that the project site may be required to serve as an affordable housing resource but a variable limits up as high as a moderate level generally identifying an 80% AMI level (20% less than a 100% AMI level). Thus, a 17% adjustment is applied to reflect the percentage of value over the encumbered 50-year period of the 60 year term (50/60 X 20%).

² Baseline value is established for the subject as it serves an essential parking and access function, It also reflects the condition the subject property serves as a utility right of way improved with large (up to 80"), water transmission lines located underground where access to it must be preserved.

Thus, the aggregate downward adjustment is 34%, or - \$2,958,000, that when applied results in a land value for the subject at:

+ \$8,700,000
- <u>\$2,958,000</u>
+5,742,000

4. *Market Rental Value*

For the intended use of the appraisal, the estimated market rent amount for the subject property should provide a competitive return on the market value of the underlying asset. The market rental value is calculated by multiplying the market value of the asset by an appropriate rate of return.

The market value of the underlying asset is established in the preceding section of the report. It is concluded the market value of the asset is **\$5.74 million**. The market rent valuation must then consider an appropriate rate of return, depending on the term and escalation of the rent schedule, and as well the reversion value of the improvements, if any.

Rate of Return

In order to establish a competitive Rental Value for the subject, it is deemed appropriate (and compliant with lease terms) that it provide an appropriate return on the asset value. Typically a competitive rate of return reflects a measure of demand and risk that is associated with the development and operation of the asset, as well as the contract terms of the permit.

For this analysis, several factors must be considered. Among them, the 60-year remaining lease term must be considered along with the assumption the permit represents an unsubordinated obligation for well-located properties that are developed with a competitive facility.

The 60-year remaining term appears typical.

Historically, ground lease rates of return vary dependent upon the economic cycle where lower rates prevail during a recessionary economy and higher rates during an expansionary cycle. Depending on the relative quality and appeal of the location for the site, ground lease rates up to 8 – 10% have been reported. However, these transactions tend to reflect older agreements conveying use for mid-long term periods that insulate the parties from inflation and market volatility and are also impacted by periodic adjustments, if any.

For this analysis, given the relative safety of the unsubordinated short term obligation, prevailing long term US bond yields are considered, along with the perceived risk and prevailing yield rates associated with other ground lease investments.

Currently prevailing 30-year US bond yields range from approximately 2.5% to 4%.

Next the appraiser has completed a survey of yield rates indicated by the purchase of ground lease assets. The results of the survey are presented on **Table 2**. Ground leases acquired as investments reveal yields that range from 2.27% to 5.52%³. Comparable 3 is not an acquisition but rather a lease rate reported to set rent based on land value.

Comparable 1 involves the historic Mark Hopkins hotel site atop San Francisco's Nob Hill, a prominent location. The competitively bid price yields a rate of 5.52% and it is noted the lease remains level but for one adjustment

³ For Comparables 1 and 4, the range is indicative of both the acquisition date and the yield rate that is indexed to the prevailing 30 year Treasury bond rate at the time of the ground lease.

in 2019. The limited rent escalation schedule is typical of older ground lease transactions. Comparable 2 involves a Google development site in Mountain View. Consummated in 2011, it relies upon a more frequent escalation schedule. The rate of 2.7% is indicative of the quality and low risk associated with this high quality tenant. Comparable 3 is again Google but it is noted the lease was transacted in 2008 when lease rates began to drop in response to current economic conditions. Comparable 4 involves a well-located apartment project site acquired by BRE an active REIT that acquired the land beneath its leasehold improvements. The indicated rate of 3.8% is indicative of the influence of potential annual rent increases as the ground rent is tied to a 12% share of gross rental income. Comparable 5 involves the land beneath a newly built Lowe's Home Improvement Center that calls for annual rent increases. However, the bulk retail improvement on this property is of lower quality and caliber than the other and the occupancy by Lowe's is potentially only set for shorter a 20 year term that is deemed higher risk that impacts the indicated 6.39% cap rate.

Before selecting the appropriate rate of return, the analysis requires a determination of a rent adjustment schedule. Comparable 1 reflects mostly a fixed rent schedule with only one adjustment in the next 52 years. The rate at 5.52% is relatively low for this fixed schedule but is considered to reflect the landmark location of this asset. In contrast Comparable 2 requires an annual adjustment indicating a lower yield is required in exchange. The rate at 2.27% is considered to reflect the extraordinarily high quality of this tenant. Comparable 3 requires a less frequent adjustment every 5 years and correspondingly requires a higher yield. Comparable 4, at 3.8%, provides for the potential to realize a rent increase every year tied to an annual income based performance. Similar to Comparable 3, Comparable 5 at 6.4% requires periodic adjustments every 5 years.

The appraiser concludes that recent transactions tend to require annual or periodic rent adjustments. The impact on the frequency of adjustment serves to lower the required yield as it is better protected against inflation or market cycles. For this analysis, the appraiser projects an annual rent increase tied to a 3% CPI assumption, and land value escalating at 3% per year. Under this projection a market rent is derived by use of a 5.5% rate of return. This rate is above the risk free Treasury rates, and above the 2.27% and 3.8% indications reflected by Comparable 2 and 4. These indications are mitigated by the tenant quality of Google and the potential marriage value of BRE's purchase of the land underlying their leasehold improvement. The 5.5% rate is similar to Comparable 1 at 5.52% that has a fixed schedule but again is impacted by its unique location. Use of a 5.5% rate of return yields an annual rent of **\$316,000/year** ($\$5,742,000 \times 5.5\%$). The aforementioned conclusion otherwise reflects a rental value of approximately \$219/unit/mo ($\$296,000 / 12 / 120$).

V. ADDENDA

Certificate of Appraisal EXHIBIT A

The undersigned does hereby certify as follows:

I have inspected the subject property.

I have the knowledge and experience to complete the appraisal assignment and have appraised this property type before. Please refer to the Addenda for a summary of the appraiser's experience.

I have no present or prospective future interest in the real estate that is the subject of this appraisal report.

I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.

To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

This appraisal report sets forth all of the limiting conditions imposed by the terms of the assignment affecting the analyses, opinions, and conclusions contained in this report.

This appraisal report containing my analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The undersigned hereby acknowledges that he has the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraiser's Statement of Qualifications.

The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

No one other than the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this appraisal report.

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

The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAI's who meet the minimum standards of this program are awarded periodic educational certification. As of the date of this report, John C. Clifford, MAI, has completed the requirements of the continuing education program, and is currently certified under this program.

CLIFFORD ADVISORY, LLC



John C. Clifford, MAI

SCGRE A Certificate No. AG007177

Assumptions and Standard Limiting Conditions**EXHIBIT B**

This appraisal is subject to the following limiting conditions.

1. The legal description and area dimensions furnished the appraiser is assumed to be correct. No survey of the boundaries of the property was completed.
2. No responsibility for matters legal in character is assumed, nor is any opinion as to title rendered, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, except where noted, and the property is appraised as though free and clear, under responsible ownership and competent management. It is specifically noted the appraisal assumes the property will be competently managed, leased and maintained by financially sound owners over a reasonable period of ownership.
3. Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
4. No opinion is intended to be expressed on matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
5. The exhibits in this report are included to assist the reader in visualizing the property. No survey of the property has been made and no responsibility in connection with such matters is assumed.
6. The distribution or allocation, if any, of the total valuation of this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
7. The statements of value and all conclusions shall apply as of the date shown herein.
8. No responsibility for economic or physical factors is assumed which may affect the opinions herein stated, which may be present or occur at some date after the date of value.
9. An inspection, as far as possible, by observation, the land has been made; however, it was impossible to personally inspect conditions beneath the soil; therefore, no representations are made as to these matters unless specifically considered in the appraisal. Further, no opinion is expressed as to the value of sub-surface oil, gas, or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.
10. This appraisal is predicated on the assumption that the existence of hazardous material, which may or may not be present in, on or near the property, was not observed by the appraiser, unless otherwise stated. The appraiser has no knowledge of the existence of such materials in, on or near the property. The appraiser, however, is not qualified to detect such substances, and assumes no responsibility for such conditions, or for engineering or other inspections which might be required to discover such factors. The presence of asbestos or other potentially hazardous materials may affect the value of the property. The value estimate herein is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such condition, or for any expertise or knowledge required to discover them.
11. No engineering survey has been made by us. Except as specifically stated, data relative to size and area were taken from sources considered reliable. Furthermore, no warranty is implied with regard to physical or structural or operational deficiencies which are not disclosed to the appraiser and noted herein.
12. 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. The appraiser assumes that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. The appraiser assumes that all required licenses, certificates of occupancy, consents or other legislative or

administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

13. Information, estimates, and opinions contained in this report are obtained from sources considered reliable and where feasible, has been verified. However, no liability can be assumed for information supplied by others.
14. The right to make such adjustments to the valuation herein reported is reserved, as may be required by the consideration of additional data or more reliable data that may become available.
15. All projections of income and expenses in this report are estimates of current market expectations, not predictions of the future. No warranty or representation is made that these projections will materialize. Where Discounted Cash Flow Analyses have been completed, the discount rates utilized to bring forecast future revenues back to estimates of present value, reflect both the appraiser's market investigations of yield anticipations and judgement as to the risks and uncertainties in the subject property and the consequential rates of return required to attract an investor under such risk conditions.
16. The appraiser may not be required to give testimony or to appear in court or any governmental or other hearing by reason of this appraisal, unless prior arrangements have been made.
17. The liability of John C. Clifford, MAI and Clifford Advisory, LLC is limited to the Client only and to the amount of fee actually paid for services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of any one other than the Client, the Client shall make such party aware of all assumptions and limiting conditions of the assignment and related discussions. John C. Clifford, MAI and Clifford Advisory, LLC is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property, physical, financially and/or legally. Any claims or damages made against the Appraiser by the Client will be limited to the amount paid by the Client to the Appraiser for the appraisal report or services. Client waives all other claims to consequential or special damages arising from the use of the report, and agrees to hold harmless Clifford Advisory, LLC from any liability, loss, or expense incurred by the client in such action, regardless of its outcome.
18. The appraiser has no present or contemplated future interest in the property which is not specifically disclosed in this report.
19. This report shall be used for its intended purpose only and by the parties to whom it is addressed as of the current date of valuation. Possession of this report does not carry with it the right of publication, or duplication. One of the signatories of this appraisal is a member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member or candidate to control the use and distribution of each appraisal signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal was prepared may distribute copies of this report, in its entirety, to such third parties as may be selected by the party for whom this report was prepared; however, selected portions of this appraisal shall not be given to third parties without the prior written consent of the signatories of this report. 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 without the written consent or approval of the author. This applies particularly to value conclusions, the identity of the appraiser or firm with which is connected, and any reference to the Appraisal Institute, or MAI designation.
20. Information regarding any earthquake and flood hazard zones for the subject property was provided by outside sources. Accurately reading flood hazard and earthquake maps, as well as tracking constant changes in the zone designations, is a specialized skill and outside the scope of the services provided by this appraisal assignment. No responsibility is assumed by the appraisers in the misinterpretation of these maps. It is strongly recommended that any lending institution reverify earthquake and flood hazard locations for any property for which they are providing a mortgage loan.



CITY OF MOUNTAIN VIEW

COMMUNITY DEVELOPMENT DEPARTMENT • PLANNING DIVISION
500 Castro Street • Post Office Box 7540 • Mountain View, California 94039-7540
650-903-6306 • FAX 650-962-8501

November 8, 2017

Rosanna S. Russell
Real Estate Director
San Francisco Public Utilities Commission Real Estate Services Division, 10th Floor
525 Golden Gate Avenue
San Francisco, CA 94102

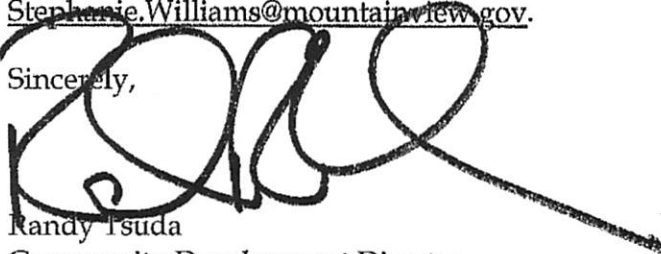
**Re: 460 N. Shoreline Blvd.
Shorebreeze Apartments
Affordable Housing Project**

Dear Ms. Russell:

This letter is to confirm that the San Francisco Public Utilities Commission's property (APN 150-26-005), located adjacent to the proposed project for the demolition of 12 units and the construction of 62 units at the existing Shorebreeze Apartments, is not required for the project entitlements or the project's Building Permit.

If you have any questions or would like to discuss this matter, please contact Stephanie Williams, Acting Zoning Administrator, at 650-903-6306 or by email at Stephanie.Williams@mountainview.gov.

Sincerely,



Randy Tsuda
Community Development Director

**EXHIBIT A
to Regulatory Agreement**

**Description of the real property
on which the Project is located**

Location:

460 North Shoreline Blvd.
Mountain View, CA 94043

Legal Description:

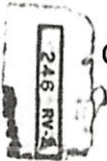
The real property referred to in this Lease as the Fee Property is situated in the City of Mountain View, County of Santa Clara, State of California, and is legally described as follows:

All of Lots 1, 2, 3, 4, and 5 in Block 3, as shown on that certain Map entitled Tract No. 3523, which Map was filed for record in the office of the Recorder of the County of Santa Clara, State of California on June 20, 1963, in Book 162 of Maps page(s) 53, 54 and 55, and being an amended Subdivision Map of Tract No. 2282, Bailey Park Plaza.

APN: 150-26-006

Project Size Description:

5 Buildings
119 Low-Income Units; 1 Manager's Unit
72 1-Bedroom; 36 2-Bedroom;
12 3-Bedroom; 0 4-Bedroom;
0 5-Bedroom



CLIFFORD ADVISORY, LLC

SFPUC PARCEL 201-A, Mountain View

CITY OF MOUNTAIN VIEW
RESOLUTION NO. 12780
SERIES 1979

A RESOLUTION CONDITIONALLY APPROVING A PLANNED
COMMUNITY PERMIT

WHEREAS, an application was received from Jack Baskin and Mountain View Apartments for a Planned Community Permit to allow construction of a 120-unit assisted housing complex for elderly and family occupancy at 460 North Bailey Avenue in the P District; and

WHEREAS, the Zoning Administrator held a public hearing on said application and has recommended that the Planned Community Permit be granted subject to the conditions set forth on his August 28, 1979 Findings Report and the amended conditions made at the September 17, 1979 Council meeting; and

WHEREAS, on September 17, 1979, the City Council held a public hearing on said application and received and considered all evidence presented at said hearing, including a August 31, 1979 report from the Zoning Administrator; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Mountain View that said application is hereby approved and a Planned Community Permit for said project is hereby granted subject to the developer's fulfillment of each and all of the conditions which are attached hereto as Exhibit "A" and incorporated herein by reference, (including an amended Condition 31 to require a minimum front yard of 25 feet, and an added Condition 44).

BE IT FURTHER RESOLVED that the City Council hereby finds that the establishment, maintenance, and operation of the uses applied for will not, under the circumstances of this particular case, be detrimental to the health, safety, peace, morals or general welfare of persons residing or working in the neighborhood of said proposed use, or be detrimental or injurious to property and improvements in the neighborhood or to the general welfare of the City;

BE IT FURTHER RESOLVED that as findings of fact in support of its decision in this matter, this body incorporates, by reference, the Zoning Administrator's August 31, 1979 report, the Zoning Administrator's August 28, 1979 Findings Report, and the approved minutes of this body's public hearing of September 17, 1979, when this matter was considered.

The foregoing Resolution was regularly introduced and adopted at an Adjourned Regular meeting of the City Council of the City of Mountain View, duly held on the 17th day of September 1979 by the following vote:

- AYES: Councilmembers Allen, Figueroa, Moss, Perry, Wilmuth, and Mayor Nichols.
- NOES: Councilmember Frosolone.
- ABSENT: None.
- NOT VOTING: None.

ATTEST:

Alice Roynance
ALICE ROYLANCE
CITY CLERK

APPROVED:

Leslie C. Nichols
LESLIE C. NICHOLS
MAYOR

X-17-B16-17



201909 sja

BOOK 2044 PAGE 624

6.60

DEED

THOMAS SOUZA and LAURA E. SOUZA, his wife, the first parties, hereinafter referred to as the Grantors, hereby grant to CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the second party, hereinafter referred to as the City, the following described real property situated in the County of Santa Clara, State of California:

A strip of land 80 feet wide, lying 40 feet either side of the following described line and extensions thereto, across that certain parcel of land conveyed by N. S. Wright et al, to Thomas Souza et al, by Deed dated July 14, 1938 and recorded July 15, 1938 in Volume 885 at page 227, Official Records, Santa Clara County, hereinafter referred to as the Souza Parcel; being a portion of Lots 2, 3, 12, 13 and 14 of "W. P. Wright Subdivision No. 2" according to the Map thereof, recorded in the office of the Recorder of the County of Santa Clara, State of California, in Book "Y" of Maps, page 39; said line being more particularly described as COMMENCING at a point in the Westerly boundary of the existing Stierlin Road, as said road is delineated on the above mentioned Map, distant thereon North 0°20'15"East 261.20 feet from the Southeasterly corner of Lot 1 of the above mentioned "W. P. Wright Subdivision No. 2", thence from said point of commencement, North 77°15'15"West 73.45 feet and South 89°11'15" West 1259.99 feet to a point in the common boundary between the above mentioned Lot 13 of the Souza Parcel and that certain 67.30 acre parcel of land described in Deed of Trust between F. C. Ormonde et ux, Truators, F. Schneider, Trustee, and J. W. Paulsen, Beneficiary, dated December 23, 1922 and recorded January 9, 1923 in Volume 6 of Official Records, page 136, Santa Clara County, hereinafter referred to as the Ormonde Parcel; said point being distant along said common boundary North 0°00'45"East 82.36 feet from the Southwest corner of the above mentioned Lot 13; the Easterly end of said strip being the above mentioned Westerly boundary of Stierlin Road and the Westerly end of said strip being the above mentioned common boundary between the Ormonde and Souza Parcels, CONTAINING 2.449 acres.

TOGETHER with all right title and interest of the first parties in and to that portion of said Stierlin Road adjoining the above described land.

ALSO the right of ingress to and egress from said parcel of real property across adjacent lands of the Grantors over any available private roadway or over such route as may be agreed upon, the right to cut any and all existing fences and to install gates therein at such points as may be necessary for the convenience of the City in the use of said parcel of real property, and the right to protect pipes and other structures or improvements of the City by means of fences or

CLIFFORD ADVISORY, LLC

SFPUC PARCEL 201-A, Mountain View

BOOK 2044 PAGE 625

otherwise; provided, however, that the City shall not construct any other fences upon or with respect to said parcel of real property without the consent of the Grantors. If the City should damage the Grantors' roads or fences, the City shall, at its own expense, repair such damage.

THIS DEED IS MADE SUBJECT TO THE FOREGOING AND THE FOLLOWING COVENANTS:

1. The Grantors are permitted the right to plant, cultivate, irrigate, harvest and retain crops from the parcel of land herein described, and to use said land for pasturage, until such time as the City requires said land for construction purposes, and thereafter to cultivate, plant, irrigate, harvest and retain crops from, and to use for pasturage, such parts of said parcel of land as are not actually needed by the City for the construction, maintenance, repair, operation, renewal and replacement of its aqueduct pipe lines and other structures or improvements, appurtenances and appliances; provided, that the Grantors shall not plant any trees on said above described parcel of real property.

2. The Grantors are permitted the right to construct, maintain, use, repair, replace, and renew, over and across said parcel of land, (but not along in the direction of the City's pipe line or lines), fences, roads, streets, earth fills, sewers, water pipes, gas pipes, electric power lines, telephone lines, telegraph lines; provided, however that the locations and grades of such improvements and structures of the Grantors, and the amount of any earth fill, proposed to be placed on said parcel of real property by the Grantors, shall first be approved by the City's Public Utilities Commission; provided further, that the Grantors shall not use said parcel of land, or permit the same to be used, for any purpose or in any manner which will interfere with, damage, or endanger in any way any aqueduct pipe lines and other structures and improvements, appurtenances or appliances of the City. The Grantors shall install gates in any additional fences which he may construct across said parcel of real property sufficient in width to allow passage of trucks and other equipment.

BOOK 2044 PAGE 626

3. After installation of the City's first pipe line, the City's Public Utilities Commission shall give the Grantors at least six months' written notice before commencing construction of any additional aqueduct pipe lines, utilities, and other structures or improvements on said parcel of real property.

4. All notices to be given between the parties hereto shall be in writing and served personally or by depositing the same in the United States mail, postage prepaid and addressed to City at the office of its Manager of Utilities, City Hall, San Francisco, California; and to Grantors, at P. O. Box 15, Mountain View, California, and the said notice shall be binding upon any successor in interest of the Grantors unless the City is notified in writing of the address of said successor in interest, in which case said notice of the City is to be sent thereto.

5. The tops of all of City's pipe lines and conduits shall be laid below the surface of the ground and covered to a depth of not less than 18 inches, excepting pipe line appurtenances which may be constructed flush with or above the surface of the ground.

6. The covenants herein set forth shall inure to the benefit of, and bind, the heirs, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the first parties have executed this conveyance this 29th day of August, 1950.

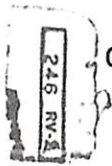
Thomas Souza
Laura C. Souza

-3-

STATE OF CALIFORNIA
Santa Clara
County of Santa Clara
On this 29th day of August in the year one thousand nine hundred and Fifty
before me, John W. Clark
Notary Public in and for the County of Santa Clara, State of California, residing therein, duly commissioned and sworn, personally appeared Thomas Souza and Laura E. Souza, his wife, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.
IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the County of Santa Clara, the day and year in this certificate first above written.
Notary Public in and for the County of Santa Clara, State of California, My Commission Expires 3/29/52

Cowdery's Form No. 32-Acknowledgment-General (C. C. Sec. 1189)

COMPARE



CLIFFORD ADVISORY, LLC

SFPUC PARCEL 201-A, Mountain View

CITY OF MOUNTAIN VIEW
RESOLUTION NO. 12780
SERIES 1979

A RESOLUTION CONDITIONALLY APPROVING A PLANNED
COMMUNITY PERMIT

WHEREAS, an application was received from Jack Baskin and Mountain View Apartments for a Planned Community Permit to allow construction of a 120-unit assisted housing complex for elderly and family occupancy at 460 North Bailey Avenue in the P District; and

WHEREAS, the Zoning Administrator held a public hearing on said application and has recommended that the Planned Community Permit be granted subject to the conditions set forth on his August 28, 1979 Findings Report and the amended conditions made at the September 17, 1979 Council meeting; and

III. Land Use and Development Criteria

1. Density:

Alternative A – All Seniors

Up to 200 units of senior housing may be developed. The unusual qualities of senior citizen housing (e.g., small units, common facilities, small family size, need for low-cost housing and low automobile use) justify development at higher-than-normal densities. Two hundred units represent approximately 60 du/acre net area, or 38 du/acre including the Hetch-Hetchy lands.

Alternative – Mix of Seniors and Family Housing

Up to 125 units of housing with a minimum of 50 percent devoted to seniors may be developed. The unusual qualities of senior citizen housing (e.g., small units, common facilities, small family size, need for low-cost housing and low automobile use) justify development at higher densities. One hundred twenty-five units represent approximately 37 du/acre net area, or 24 du/acre including the Hetch-Hetchy lands.

2. Affordability:

Housing must be made available at substantially below-market prices. Federal, State or private assistance programs must be utilized to guarantee affordable housing for families and senior citizens for a minimum period of 20 years.

3. Parking:

The minimum parking ratio should be .35 spaces per senior unit and 1-1/2 spaces per family unit. Special attention should be given in the site layout for additional, convenient guest parking facilities. Special attention shall also be given to parking for the disabled, minimization of paving, screening parking from Shoreline Boulevard and safe and efficient automobile access to and from the site. At least half of the required spaces must be covered.

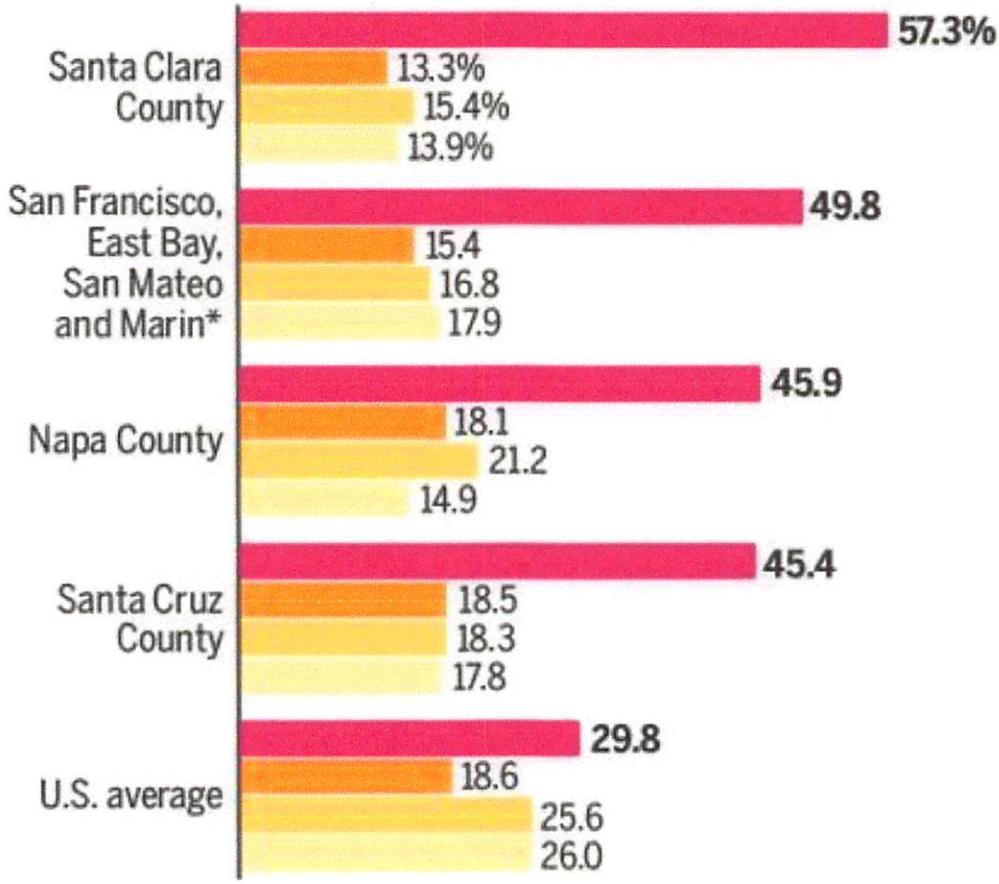
4. Development Standards:

Soaring wealth but widening income gap

The Bay Area has some of the highest median household incomes in the country, but the region also has a widening gap between high earners and other workers.

Household incomes

- \$75,000 and above
- \$50,000-\$74,999
- \$25,000-\$49,999
- Less than \$25,000



*Consists of San Francisco, Alameda, Contra Costa, San Mateo and Marin counties

Sources: U.S. Conference of Mayors, IHS Global Insight

BAY AREA NEWS GROUP

Santa Clara County has highest median household income in nation, but wealth gap widens

By **GEORGE AVALOS** | gavalos@bayareanewsgroup.com | Bay Area News Group

PUBLISHED: August 10, 2014 at 11:17 am | UPDATED: August 12, 2016 at 6:11 am

Business

**Santa Clara County has
highest median
household income in
nation, but wealth gap
widens**

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

EDWIN M. LEE, MAYOR

GROUND LEASE

among

**the CITY AND COUNTY OF SAN FRANCISCO,
as Landlord**

and

**MP SHORELINE ASSOCIATES LIMITED PARTNERSHIP,
a California limited partnership, and**

**MP SHOREBREEZE ASSOCIATES, L.P.,
a California limited partnership, collectively as Tenant**

for the lease of

**SFPUC Parcel 201A, Mountain View, California
_____, 2017**

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Anson B. Moran - President

Ike Kwon - Vice President

Ann Moller Caen – Commissioner

Vince Courtney – Commissioner

Francesca Vietor – Commissioner

Harlan L. Kelly, Jr.

General Manager of San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

GROUND LEASE

THIS GROUND LEASE (this “Lease”) dated for reference purposes only as of _____, 2017, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“City”), acting by and through its Public Utilities Commission (“SFPUC”), MP Shoreline Associates Limited Partnership, a California limited partnership and MP Shorebreeze Associates, L.P., a California limited partnership, as joint tenants (each, a “Co-Tenant” and collectively, “Tenant”).

City and Tenant hereby agree as follows:

1. BASIC LEASE INFORMATION

The following is a summary of basic lease information (the “Basic Lease Information”). Each item below shall be deemed to incorporate all of the terms set forth in this Lease pertaining to such item. In the event of any conflict between the information in this Section and any more specific provision of this Lease, the more specific provision shall control.

Lease Reference Date: _____, 2017

Landlord: CITY AND COUNTY OF SAN FRANCISCO, acting by and through its Public Utilities Commission

Tenant/Co-Tenant: MP SHORELINE ASSOCIATES LIMITED PARTNERSHIP, a California limited partnership and MP SHOREBREEZE ASSOCIATES, L.P., a California limited partnership

Premises (Section 3.1): That real property located in Mountain View, California, as more particularly described in the attached **Exhibit A** and shown in the attached **Exhibit B**, together with any appurtenances.

Term (Section 4.1): Approximately sixty (60) years
 Commencement Date: _____ *[insert date when GM signs following approvals and Tenant’s signing]*

Lease Term Expiration Date: [_____]

Base Rent (Section 5.1):

Lease Years	Base Rent (Annual)
1 - 5	\$102,254.00
6 - 10	\$118,540.00
11-15	\$137,421.00
16 - 20	\$159,308.00
21 - 25	\$184,682.00
26 - 30	\$214,097.00
31-35	\$248,197.00
36 - 40	\$287,729.00

41 - 45	\$333,556.00
46 - 50	\$386,683.00
51 - 55	\$448,272.00
56 - 60	\$519,670.00

Adjustment Dates (Section 5.2): First (1st) day of the fifth Lease Year, the first day of each subsequent fifth Lease Year thereafter, the first day of any Holdover, the yearly anniversary of such date during any Holdover and, at City’s election, the effective date of a Transfer

Use (Section 7.1): Ancillary parking, landscaping, and Temporary Staging and Improvements for the Adjacent Housing Complex and for no other purpose whatsoever.

Security Deposit (Section 24): None

Tenant’s Share of Property Taxes (Section 6.1): One Hundred Percent (100%)

Notice Address of City (Section 25.1):
 Real Estate Services Division
 San Francisco Public Utilities Commission
 525 Golden Gate Avenue, 10th Floor
 San Francisco, California 94102
 Attn: Real Estate Director
 Re: L3888A - Mid-Peninsula Shorebreeze Apartments

with a copy to:
 Office of the City Attorney
 City and County of San Francisco
 Room 234, City Hall
 1 Dr. Carlton B. Goodlett Place
 San Francisco, California 94102-4682
 Attn: Real Estate & Finance Team
 Re: Mid-Peninsula Shorebreeze Apartments

Key Contact for City: Real Estate Director

Telephone No.: (415) 487-5210

Notice Address of Tenant (Section 25.1):
 MP Shoreline Associates Limited Partnership
 c/o MidPen Housing Corporation
 303 Vintage Park Drive, Suite 250
 Foster City, California 94404
 Attn: Asset Management
 Re: SFPUC Shorebreeze Apartments

And MP Shorebreeze Associates, L.P.,
 c/o MidPen Housing Corporation

303 Vintage Park Drive, Suite 250
 Foster City, California 94404
 Attn: Asset Management
 Re: SFPUC Shorebreeze Apartments

Key Contact for Tenant: MidPen Housing Corporation
 303 Vintage Park Drive, Suite 250
 Foster City, California 94404
 Attn: Asset Management
 Re: SFPUC Shorebreeze Apartments

Telephone No.: (650) 356-2900

Email Address: pmreports@midpen-housing.org

Brokers (Section 25.8): N/A

2. DEFINITIONS

For purposes of this Lease, initially capitalized terms shall have the meanings ascribed to them in this Section:

“**Additional Charges**” means any and all real and personal property taxes, possessory interest taxes, and other costs, impositions, and expenses described in **Section 6** (Taxes, Assessments, and Other Expenses) or otherwise payable by Tenant under this Lease.

“**Adjacent Housing Complex**” means the following two developments, located at 460 North Shoreline Boulevard, Mountain View, California, including the buildings and other improvements owned by Tenant and located on Tenant’s property adjacent to the Premises: (1) the existing 120-unit low-income housing development; and (2) the proposed construction of the Expansion Phase (which, when complete, will add an additional 50 new units). Each development is owned separately by one of the Co-Tenants. All of the Adjacent Housing Complex units are “rent restricted” with one onsite manager unit in each development (as defined in Internal Revenue Code §42(g)(2)). The Adjacent Housing Complex, occupied by individuals whose income is eighty percent (80%) or less than the area median gross income for the City of Mountain View, California, is commonly known as the Shorebreeze Apartments.

“**Adjustment Date**” means the annual date for adjusting the Monthly Base Rent as specified in Basic Lease Information and **Section 5.2** (Adjustments to Base Rent).

“**Agents**” means, when used with reference to either Party to this Lease, the officers, directors, employees, agents, and contractors of such Party, and their respective heirs, legal representatives, successors, and assigns.

“**Alterations**” means any Improvements, as defined below, including, without limitation, Temporary Staging and Improvements, as defined below, made, constructed or installed on, over or under the Premises by or on behalf of Tenant during the Term of this Lease or the term of the Existing Lease, including any modifications of pre-existing Improvements.

“**Assignment**” has the meaning given in **Section 16.1** (Restriction on Assignment and Subletting).

“**Award**” means all compensation, sums, or value paid, awarded, or received for a Taking, whether pursuant to judgment, agreement, settlement, or otherwise.

“**Basic Lease Information**” means the information with respect to this Lease summarized in **Section 1** (Basic Lease Information).

“**Base Rent**” means the annual Base Rent specified in the Basic Lease Information and described in **Section 5.1** (Base Rent), as adjusted from time to time in accordance with **Sections 5.2** (Adjustments to Base Rent) and **5.3** (Fair Market Rent Adjustments to Base Rent).

“**City**” means the City and County of San Francisco, a municipal corporation.

“**CMD**” means the San Francisco Contract Monitoring Division (formerly known as the San Francisco Human Rights Commission).

“**Commencement Date**” is the date set forth in the Basic Lease Information as the Commencement Date. In this Lease, the Commencement Date is the same date as the Effective Date, as defined in **Section 4.4**.

“**Co-Tenant**” shall refer to each Tenant individually.

“**Date of Taking**” means the earlier of (i) the date upon which title to the portion of the Premises taken passes to and vests in the condemnor or (ii) the date on which Tenant is dispossessed.

“**Effective Date**” means the date on which this Agreement becomes effective pursuant to **Section 4.4** (Effective Date).

“**Encumber**” means create any Encumbrance; “**Encumbrance**” means any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance.

“**Encumbrancer**” means a mortgagee, beneficiary of a deed of trust, or other holder of an Encumbrance.

“**Environmental Laws**” means any present or future federal, state, or local Laws or policies relating to Hazardous Material (including its use, handling, transportation, production, disposal, discharge, or storage) or to human health and safety, industrial hygiene, or environmental conditions in, on, under or about the Premises (including any permitted Alterations) and any other property, including soil, air, and groundwater conditions.

“**Event of Default**” means any one of the events of default described in **Section 17.1** (Events of Default).

“**Existing Lease**” means that certain Right of Way Lease dated as of February 26, 1980 by and between City and Mountain View Apartments, a limited partnership, as subsequently assigned on September 28, 1984 to Mountain View Associates Limited Partnership, a District of Columbia limited partnership, and as subsequently assigned on July 24, 1997 to MidPen Housing Corporation (formerly known as Mid-Peninsula Housing Coalition), a California nonprofit

benefit corporation (“**Existing Tenant**”). Tenant is the same entity as the Existing Tenant under the Existing Lease.

“**Expansion Phase**” means the development of 50 new apartment units, comprising the expansion of the Adjacent Housing Complex and the related Alterations as described herein. .

“**Expiration Date**” means the date on which the Term will expire, unless terminated earlier pursuant to the terms of this Lease. If this Lease does not terminate early, the Expiration Date will be the date specified in the Basic Lease Information as the Initial Term Expiration Date.

“**Fair Market Rent**” has the meaning given in **Section 5.3**.

“**General Manager**” means the General Manager of the SFPUC.

“**Hazardous Material**” means any material that, because of its quantity, concentration, or physical or chemical characteristics, is deemed by any federal, state, or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes any material or substance defined as a “hazardous substance,” “pollutant,” or “contaminant” pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA,” also commonly known as the “Superfund” law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any “hazardous waste” listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing improvements on the Land, any Alterations constructed on the Land by or on behalf of Tenant, or are naturally occurring substances on, in, or about the Land; and petroleum, including crude oil or any crude-oil fraction, and natural gas or natural gas liquids.

“**Hazardous Material Claims**” means any and all enforcement, Investigation, Remediation, or other governmental or regulatory actions, agreements, or orders threatened, instituted, or completed pursuant to any Environmental Laws, together with any and all Losses made or threatened by any third party against City, the SFPUC, their respective Agents, or the Premises or any Alterations, relating to damage, contribution, cost recovery compensation, loss, or injury resulting from the presence, release, or discharge of any Hazardous Material, including Losses based in common law. Hazardous Material Claims include Investigation and Remediation costs, fines, natural resource damages, damages for decrease in value of the Premises or any Improvements, the loss or restriction of the use or any amenity of the Premises or any Improvements, attorneys’ fees and costs, consultants’ fees and costs, and experts’ fees and costs.

“**Holdover**” means any period after the expiration of the Lease during which the Premises continue to be used or occupied by or on behalf of Tenant (whether with or without City’s consent).

“**Improvements**” means any and all buildings, structures, fixtures, and other improvements to the Premises (including Alterations and the Temporary Staging and Improvements) made, constructed, installed or placed on, over or under the Premises, by or on behalf of Tenant only with prior written SFPUC consent pursuant to this Lease or the Existing Lease, including signs, billboards, or other advertising materials, roads, trails, driveways, parking areas, curbs, walks, fences, walls, stairs, poles, plantings, utility infrastructure, and landscaping. “Improvements” includes any trailers, mobile homes, and permanent tent facilities

that are affixed to the Premises so that they cannot be removed without structural or other material damage to the Premises.

“**Indemnify**” means indemnify, protect, defend, and hold harmless forever.

“**Indemnified Parties**” means City, including, but not limited to, all of its boards, commissions, departments, agencies, and other subdivisions, including its SFPUC, and all of its and their respective Agents, and their respective heirs, legal representatives, successors, and assigns, and each of them.

“**Initial Lease Term**” means the period commencing on the Commencement Date and expiring on the Expiration Date set forth in the Basic Lease Information.

“**Investigation**” when used with reference to Hazardous Material means any activity undertaken to determine the nature and extent of Hazardous Material that may be located in, on, under, or about any portion of the Premises or any Alterations or that have been, are being, or threaten to be Released into the environment. Investigation shall include preparation of site history reports and sampling and analysis of environmental conditions in, on, under, or about the Premises or any Alterations.

“**Invitees**” when used with respect to Tenant means Tenant’s clients, customers, invitees, guests, members, licensees, assignees, and subtenants.

“**Land**” means the real property described in the attached **Exhibit A**.

“**Landlord**” means the City and County of San Francisco.

“**Law**” means any law, statute, ordinance, resolution, regulation, proclamation, order, or decree of any municipal, county, state, or federal government or other governmental or regulatory authority with jurisdiction over any portion of the Premises, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties.

“**Lease**” means this Lease as it may be amended in accordance with its terms.

“**Lease Year**” means each twelve (12)-month period following the Commencement Date, except that (i) if the Commencement Date occurs on a day other than the first day of the calendar month, the first Lease Year shall begin on the Commencement Date and end on the last day of the twelfth (12th) full calendar month thereafter, and (ii) the final Lease Year shall end on the day this Lease expires or terminates, even if less than twelve (12) full months.

“**Leasehold Mortgage**” means any mortgage, deed of trust, or other security instrument and any obligation relating thereto, which secures Tenant’s repayment of any loan to, and associated obligations of, Tenant, and in which all or any part of the security consists of an encumbrance on the leasehold estate created by this Lease, the Improvements, Tenant’s fixtures on the Premises, or Tenant’s equipment or other personal property used on or about the Premises.

“**Losses**” means any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits, and other proceedings, judgments and awards, and costs and expenses, including reasonable attorneys’ and consultants’ and experts’ fees and costs.

“**Market Adjustment Date**” has the meaning given in **Section 5.3**.

“Official Records” means the recorded real property records maintained by the Office of the Clerk Recorder of the County of Santa Clara, California.

“Party” means City or Tenant; **“Parties”** means both City and Tenant.

“Project” means the improvement of the Premises for parking, circulation, and landscaping uses, including access by current and future residents and guests of the Adjacent Housing Complex.

“Premises” has the meaning given in **Section 3.1 (Leased Premises)**. The Premises shall include any Improvements existing on the Premises and owned by City. However, notwithstanding anything to the contrary in this Lease, the Premises do not include (i) the SFPUC Facilities, (ii) any water, water rights, riparian rights, water stock, mineral rights, or timber rights relating to the Premises, or (iii) any Alterations except to the extent SFPUC’s General Manager or his or her designee states in writing that an Alteration shall remain on and become part of the Premises.

“Release” when used with respect to Hazardous Material means any actual or imminent spilling, leaking, migrating, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any existing Improvements or any Alterations, or in, on, under, or about any portion of the Premises or any of the SFPUC Facilities.

“Remediation” when used with reference to Hazardous Material means any activities undertaken to clean up, remove, contain, treat, stabilize, monitor, or otherwise control any Hazardous Material located in, on, under, or about the Premises or the SFPUC Facilities or that have been, are being, or threaten to be Released into the environment. Remediate includes those actions included within the definition of “remedy” or “remedial action” in California Health and Safety Code Section 25322 and “remove” or “removal” in California Health and Safety Code Section 25323.

“Rent” means the Base Rent, as adjusted from time-to-time pursuant to the provisions of **Sections 5.2 (Adjustments to Base Rent) and 5.3 (Fair Market Rent Adjustments to Base Rent)**, together with any and all Additional Charges.

“SFPUC” means the Public Utilities Commission of the City and County of San Francisco.

“SFPUC Facilities” means any and all water pipelines, drainage pipelines, hatch covers, wells, electrical or telecommunications lines or conduits, and any other overhead, surface and subsurface facilities of any kind owned by City or the SFPUC and now or later located in, under, on, or about the Premises for the conveyance, transmission, storage, transportation, or distribution of water, power, or telecommunication, together with all associated appurtenances and monuments.

“Sublease” has the meaning given in **Section 16.1 (Restriction on Assignment and Subletting)**.

“Taking” means a taking or damaging, including severance damage, by eminent domain, inverse condemnation, or for any public or quasi-public use under Law. A Taking may occur pursuant to the recording of a final order of condemnation, by voluntary sale or conveyance in lieu of condemnation, or in settlement of a condemnation action.

“Temporary Staging and Improvements” means the installation of construction materials, and equipment, made, constructed, installed or placed on, over or under the Premises for the temporary construction staging area on the Premises in connection with the development of the Adjacent Housing Complex. Temporary Staging and Improvements may include placement of a trailer and construction vehicles on the Premises, and the construction of a temporary road on the Premises to transfer materials and equipment to the Adjacent Housing Complex, all to be made, constructed, installed and placed in accordance with the terms and conditions of Tenant’s Staging Plans, as approved by Landlord in advance in writing, and this Lease. No trailer, vehicle or heavy equipment may be placed directly on top of a SFPUC water transmission pipeline or within 20 feet of the edge of a water transmission pipeline.

“Tenant” means, collectively, the Party identified as Tenant in the Basic Lease Information and at the beginning of this Lease. Except when immediately followed by the word “itself,” the term Tenant shall also refer to the successors and assigns of Tenant’s interests under this Lease, including but not limited to any permitted subtenants, provided that the rights and obligations of Tenant’s successors and assigns shall be limited to only those rights and obligations that this Lease permits to be transferred and that have been transferred in accordance with this Lease.

“Tenant’s Personal Property” means the personal property of Tenant described in **Section 8.3** (Tenant’s Personal Property).

“Term” means the term of this Lease as determined under **Section 4.1** (Term of Lease).

“Transfer” means an Assignment or Sublease.

“Transferee” means an assignee under an Assignment or a subtenant under a Sublease, as described in **Section 16** (Assignment and Subletting).

“Unmatured Event of Default” means any default by Tenant under this Lease that, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Lease.

3. PREMISES; ACCESSIBILITY DISCLOSURES; AS IS CONDITION

3.1 Leased Premises

Subject to the terms, covenants, and conditions of this Lease, City leases to Tenant and Tenant leases from City the real property described in the attached **Exhibit A**, together with those Improvements (but not Alterations or SFPUC Facilities) existing on the Premises and owned by City as of the Commencement Date (the **“Premises”**), excluding from such lease and reserving during the Term unto City and its successors and assigns the rights described in **Section 3.2** (Rights Reserved to City). The Premises are shown generally on the attached **Exhibit B**. Any acreage stated in this Lease with respect to the Premises is an estimate only, and City does not warrant it to be correct. For all purposes of this Lease, however, the Parties agree that any such acreage shall be deemed to be correct. Nothing in this Lease is intended to grant Tenant any right whatsoever to possess, use, or operate any portion of the SFPUC Facilities. City and Tenant hereby acknowledge and agree that each Co-Tenant shall have the same rights to lease the Premises as joint tenants.

3.2 Rights Reserved to City

Notwithstanding anything to the contrary in this Lease, City reserves and retains all of the following rights relating to the Premises:

(a) Any and all water and water rights, including, but not limited to (i) any and all surface water and surface water rights, including riparian rights and appropriative water rights to surface streams and the underflow of streams, and (ii) any and all groundwater and subterranean water rights, including the right to export percolating groundwater for use by City or its water customers;

(b) Any and all timber and timber rights, including all standing trees and downed timber;

(c) Any and all minerals and mineral rights of every kind and character now known to exist or hereafter discovered in, on, or under the Premises, including, but not limited to, oil and gas and rights, together with the sole, exclusive, and perpetual right to explore for, remove, and dispose of those minerals by any means or methods suitable to City or its successors and assigns, but without entering upon or using the surface of the lands of the Premises and in such manner as not to damage the surface of the Premises or to interfere with the permitted use of the Premises by Tenant, without Tenant's prior written consent;

(d) All rights to use, operate, maintain, repair, enlarge, modify, expand, replace, and reconstruct the SFPUC Facilities;

(e) The right to grant future easements and rights-of-way over, across, under, in, and upon the Premises as City determines to be in the public interest, provided that any such easement or right-of-way shall not interfere materially with Tenant's permitted use of the Premises as authorized by this Lease, and provided that any such easement or right-of-way shall be conditioned upon the grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain as a result of the grantee's use of such easement or right-of-way;

(f) Without limiting the generality of Subsection (e) above, the right to grant future easements, rights-of-way, permits, and/or licenses over, across, under, in, and upon the Premises for the installation, operation, maintenance, repair, and removal of (i) equipment for furnishing cellular telephone, radio, or other telecommunications services, including antennas, radio, devices, cables, and other equipment associated with a telecommunications cell site, and (ii) commercial billboards, signs, and/or advertising kiosks, provided that any such easement or right-of-way shall not materially interfere with Tenant's permitted use of the Premises as authorized by this Lease, and provided further that the grant of any such easement or right-of-way shall be conditioned upon the grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain as a result of the grantee's use of such easement or right-of-way; and

(g) All rights of access provided for in **Section 20 (Access by City)**.

3.3 Subject to Municipal Uses

Tenant acknowledges that the property of which the Premises are a part constitutes a portion of City's right-of-way for the SFPUC Facilities or the SFPUC water, power, or wastewater enterprise, which City holds for the purposes of transporting and distributing water and/or power or for other uses. Tenant's rights under this Lease are subject to City's use of the

Premises for such purposes and for other City uses. So long as there is no Event of Default or Unmatured Event of Default on the part of Tenant outstanding under this Lease, and subject to the terms and conditions of this Lease, City shall use reasonable efforts to avoid interfering with Tenant's quiet use and enjoyment of the Premises. The use of the term "right-of-way" or similar terms in this Lease shall not be deemed to imply that City holds less than fee title to the Premises or otherwise call into question the nature of City's title to any of its property. City shall in no way be liable for any damage to or destruction of Tenant's property and/or Alterations resulting from any pipeline break or other malfunction with respect to the SFPUC Facilities or from any construction, alteration, repair or maintenance activities with respect to the SFPUC Facilities. At City's request, Tenant shall remove immediately any of Tenant's Personal Property or Alterations on the Premises to allow City's access to the SFPUC Facilities. In addition, Tenant shall also remove or cause to be removed from the Premises all personal property of Tenant's tenants and other occupants in the Adjacent Housing Complex. If City deems it necessary, at City's sole discretion, City may remove any such property or improvements and City shall not be responsible for restoring or returning the same to its prior condition; provided, however, that City shall use reasonable efforts to minimize damage to such property or Improvements made by Tenant.

3.4 Accessibility Disclosures

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. The law does not require landlords to have the inspections performed. Tenant is hereby advised that the Premises have not been inspected by a CASp.

3.5 As Is Condition of Premises

(a) Inspection of Premises

Tenant represents and warrants that Tenant is in possession of the Premises under the Existing Lease and is familiar with all aspects of the Premises, and Tenant has had the opportunity to conduct a thorough and diligent inspection and investigation, either independently or through Agents of Tenant's own choosing, of the Premises and the suitability of the Premises for Tenant's intended use. Tenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses.

(b) As Is; Disclaimer of Representations

Tenant acknowledges and agrees that the Premises are being leased and accepted strictly in their "**AS IS, WITH ALL FAULTS**" condition, without representation or warranty of any kind, and subject to all applicable Laws governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Lease is made subject to any and all covenants, conditions, restrictions, easements, and other title matters affecting any portion of the Premises, whether or not of record. Tenant acknowledges and agrees that neither City, SFPUC, nor any of their Agents have made, and City hereby disclaims, any representations or warranties, express or implied, concerning: **(i)** title or survey matters affecting the Premises, **(ii)** the physical, geological, seismological, or environmental condition of the Premises, **(iii)** the quality, nature, or adequacy of any utilities serving the Premises, **(iv)** the present or future suitability of the Premises for Tenant's business and intended uses, **(v)** the feasibility, cost, or legality of constructing any Alterations on the Premises if required for Tenant's use and permitted under this Lease, or **(vi)** any other matter whatsoever relating to the

Premises or their use, including any implied warranties of merchantability or fitness for a particular purpose.

4. TERM

4.1 Term of Lease

The Premises are leased for a term (the “**Term**”) commencing on the date specified in the Basic Lease Information as the Commencement Date, subject to this Lease becoming effective pursuant to **Section 4.4** (Effective Date). The Term shall end on the Initial Lease Term Expiration Date specified in the Basic Lease Information, unless sooner terminated or extended pursuant to the provisions of this Lease. If Tenant properly exercises any Extension Option, “**Term**” as used in this Lease, shall include the applicable Extension Term, and “**Expiration Date**” shall mean the date the last such Extension Term expires.

4.2 Commencement Date and Expiration Date

The dates on which the Term commences and expires pursuant to this Lease are referred to respectively as the “**Commencement Date**” and the “**Expiration Date**.” Such dates are further defined in **Section 2**. If the Commencement Date occurs on a date other than the Commencement Date specified in the Basic Lease Information, then promptly following the actual Commencement Date, Tenant shall deliver to City a written notice substantially in the form attached as **Exhibit C**, confirming the actual Commencement Date, but Tenant’s failure to do so shall not affect the commencement of the Term.

4.3 Termination of Existing Lease

The Existing Lease shall terminate automatically upon commencement of the Term of this Lease, and all rights and duties of the parties under the Existing Lease shall end effective as of that date, except that (i) any covenants that are expressly stated in such lease to survive expiration or sooner termination of the Existing Lease shall survive, and (ii) Tenant’s obligation to Indemnify City and the other Indemnified Parties contained in the Existing Lease shall survive the termination of the Existing Lease with respect to all Losses incurred or arising from or connected with circumstances, actions or omissions that occurred prior to the termination of the Existing Lease.

4.4 Effective Date

This Lease shall become effective on the last to occur of the following (the “**Effective Date**”): (a) the date SFPUC adopts a resolution approving this Lease, (b) the effective date of a Board of Supervisors resolution or ordinance approving this Lease, and (c) the date the Parties have duly executed and delivered this Lease.

5. RENT

5.1 Base Rent

Beginning on the Commencement Date and throughout the Term, Tenant shall pay to City the monthly Base Rent specified in the Basic Lease Information (the “**Base Rent**”), subject to periodic adjustment as provided in **Sections 5.2** and **5.3**. The Base Rent shall be payable in monthly installments on or before the first day of each month, in advance, at the San Francisco Public Utilities Commission, Customer Service Bureau, Attention: Real Estate Billing, 525 Golden Gate Avenue, 3rd Floor, San Francisco, California 94102, ref: L3888A, or such other

place as City may designate in writing. If the Commencement Date occurs on a day other than the first day of a calendar month, or if the Lease expires or terminates on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30) day month.

5.2 Annual Adjustments to Base Rent

Base Rent shall be paid as set forth in **Section 1** (Basic Lease Information); provided, however, in the event of a Market Adjustment as defined in **Section 5.3(a)** below, the monthly Base Rent payable during the Lease Year (or Holdover period, as the case may be) shall immediately increase to an amount equal to one hundred and four percent (104%) of the Base Rent that was payable each month during the immediately preceding Lease Year or Holdover period, as applicable, immediately preceding such Adjustment Date (disregarding any temporary abatement of rent that may have been in effect during such preceding Lease Year or Holdover).

5.3 Fair Market Rent Adjustments to Base Rent

(a) Fair Market Rent Adjustments. In addition to the adjustments to Base Rent set forth in **Section 5.2**, the Base Rent payable by Tenant shall be adjusted to the “**Fair Market Rent**” (as determined below) effective (i) as of the date of an Adjacent Housing Complex Change in Use as described in **Section 7.4(r)** below; (ii) as of the date of a Change in 501(c)(3) Status as described in **Section 7.4(s)** below; and (iii) as of any Transfer Adjustment Date, as defined in **Section 16.3**. Each such adjustment shall be referred to herein as a “**Market Adjustment**” and each such adjustment date may be referred to herein as a “**Market Adjustment Date**.”

During the thirty (30) days following either (i) City’s receipt of Tenant’s written notice of a Market Adjustment Date or (ii) City’s written notice to Tenant of a Market Adjustment, the Parties shall attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to negotiate the Fair Market Rent for the Premises. The Parties may, by an instrument in writing, mutually agree to extend such thirty (30) day period for a reasonable number of days to resolve their disagreement if the Parties are negotiating in good faith and would be unable to resolve their differences within such thirty (30) day period. Tenant shall continue to pay Base Rent in the amounts required pursuant to this Lease until the Fair Market Rent has been finally determined pursuant to this Section, at which time Tenant shall pay the shortage amount to City.

Notwithstanding the foregoing, in no event shall the Base Rent after a Market Adjustment as of any Market Adjustment Date be less than one hundred four percent (104%) of the Base Rent in effect immediately prior to such Market Adjustment Date (disregarding any temporary abatement of rent that may then have been in effect), except that if a Transfer Adjustment Date is a date other than any of the dates described in items (i) and (ii) above, the Base Rent after the Market Adjustment shall in no event be less than the Base Rent in effect immediately prior to such Transfer Adjustment Date (disregarding any temporary abatement of rent that may then have been in effect).

The new Base Rent shall thereafter continue to be subject to the annual adjustments pursuant to **Section 5.2** and Market Adjustments pursuant to this **Section 5.3**.

Notwithstanding anything to the contrary in this **Section 5.3**, the increase in Base Rent to the Fair Market Rent shall not be conditioned upon notice of the Market Adjustment Date being given by either Party to the other, it being understood and agreed that the increase in Base Rent to the Fair Market Rent shall occur and be effective as of each Market Adjustment

Date, even if the Fair Market Rent is later determined retroactively to the Market Adjustment Date.

(b) Payments Prior to Fair Market Rent Determination. If the Fair Market Rent has not been finally determined pursuant to this Section 5.3 by the Market Adjustment Date, then Tenant shall continue to pay the then current Base Rent, as adjusted in accordance with Section 5.2 above, until such time as the Fair Market Rent is finally determined, at which time Tenant shall pay any unpaid shortfall to City.

(c) Fair Market Rent. As used herein, "Fair Market Rent" for the Premises shall be determined in accordance with the following procedures, definitions, and requirements:

(i) The Parties acknowledge that the Premises provide parking and landscaping. Given these facts, the fair market value of the fee interest in the Premises shall be determined as follows: The fair market value of the Premises shall be determined on an average per square foot or per acre basis, as appropriate, based on the highest and best use of the land. The fair market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold, on the effective date of the valuation, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to sell or buy, giving due consideration to all available economic uses of the property at the time of the valuation. The fair market value shall be (i) determined based on sales of comparable property within Santa Clara County (the "Market Area"), and/or (ii) derived from ground rental rates for comparable property within the Market Area, by dividing the ground rental rate by an appropriate capitalization rate for the comparable property. For this purpose, "comparable property" means land within the Market Area (whether or not currently improved), comparable to the land underlying the Premises in size, location, current zoning, and suitability for parking, landscaping, and emergency vehicle access in connection with the Adjacent Housing Complex.

(ii) The per square foot or per acre fee value determined above shall be discounted by ten percent (10%) to account for the actual diminution in market value of the Premises as a result of City's retained rights described in Section 3.2 and the existence of the SFPUC Facilities, as defined in Section 2.

(iii) The discounted per square foot or per acre fee value shall be multiplied by the total square footage or acreage of the Premises, and the resulting product shall be multiplied by the then-prevailing market yield for ground leases of property located in the Market Area to determine the annual Fair Market Rent for the Premises as of a Market Adjustment Date.

(d) Process for Determination of Fair Market Rent and Arbitration. If the Parties have not agreed on the Fair Market Rent determination within any of the thirty (30)-day time periods set forth in Sections 5.4, 5.5 and 5.6 below, then Tenant and City will each appoint an appraiser who meets the qualifications set forth below to act on its behalf and the two appraisers shall independently determine the Fair Market Rent by written appraisal in strict compliance with the terms of this Section 5.3, within thirty (30) days after the appointment of the last of such appraisers ("Appraisal Period"). If one Party fails to designate an appraiser who meets the qualifications set forth below within ten (10) business days after receipt of a second (2nd) written request to do so by the other Party, then the determination of Fair Market Rent of the one appraiser will be binding on both Parties. Tenant shall advise City via electronic notice, as specified in the Basic Lease Information (as such electronic notice address may be changed from time to time by notice given by City to Tenant), of Tenant's designated appraiser

(“Tenant’s Designated Appraiser”) and City shall endeavor to promptly respond to Tenant via electronic notice, as specified in the Basic Lease Information (as such electronic notice address may be changed from time to time by notice given by Tenant to City) and advise Tenant of City’s designated appraiser (**“City’s Designated Appraiser”**). Each appraiser will make an independent determination of the Prevailing Market Rate. The appraisers may share and have access to objective information in preparing their appraisals, but they will independently analyze the information in their determination of the Fair Market Rent. Neither of the appraisers shall have access to the appraisal of the other (except for the sharing of objective information contained in such appraisals) until both of the appraisals are submitted in accordance with the provisions of this Section. Neither party shall communicate with the appraiser appointed by the other party regarding the instructions contained in this Section before the appraisers complete their appraisals. If either appraiser has questions regarding the instructions in this Section or the interpretation of the Lease, such appraiser shall use his or her own professional judgment and shall make clear all assumptions upon which his or her professional conclusions are based, including any supplemental instructions or interpretative guidance received from the party appointing such appraiser. There shall not be any arbitration or adjudication of the instructions to the appraisers contained in this Lease. Each appraiser shall complete, sign and submit its written appraisal setting forth its determination of Fair Market Rent to both Parties in writing during the Appraisal Period. If the difference between the two determinations is ten percent (10%) or less of the higher appraisal, then the average of the two determinations shall be the Base Rent for the Premises effective as of the applicable Market Adjustment Date.

(e) If the difference between Tenant’s Designated Appraiser’s and City’s Designated Appraiser’s Fair Market Rent value conclusion is greater than ten percent (10%) of the higher appraisal, then within ten (10) business days following expiration of the Appraisal Period, City and Tenant shall appoint a third appraiser who meets the qualifications set forth below (the **“Joint Appraiser”**) and the three appraisers shall meet and confer (either in person, via telephone or by other reasonable method) and agree on the Fair Market Rent in strict compliance with the terms of this **Section 5.3** within twenty (20) days following appointment of the Joint Appraiser. The agreement of a majority of the appraisers on the Fair Market Rent shall be binding upon the Parties.

(f) If the Parties are unable to agree on a Joint Appraiser, then City’s Designated Appraiser shall have fifteen (15) business days following the expiration of the Appraisal Period in which to prepare a list of four (4) qualified appraisers (the **“City’s Designated Appraiser’s List”**) and submit the City’s Designated Appraiser’s List to the Tenant’s Designated Appraiser. The Tenant’s Designated Appraiser shall have fifteen (15) business days following the expiration of the Appraisal Period in which to prepare a list of four (4) qualified appraisers (the **“Tenant’s Designated Appraiser’s List”**) and submit the Tenant’s Designated Appraiser List to the City’s Designated Appraiser. The City’s Designated Appraiser List and the Tenant’s Designated Appraiser List shall be collectively known as the **“Designated Appraiser Lists”**. City’s Designated Appraiser shall have ten (10) business days from receipt of the Tenant’s Designated Appraiser List in which to strike up to two (2) names from the Tenant’s Designated Appraiser List. The Tenant’s Designated Appraiser shall have ten (10) business days from receipt of the City’s Designated Appraiser List in which to strike up to two (2) names from the City’s Designated Appraiser List. The remaining names on the Designated Appraiser Lists shall comprise the joint appraiser list (the **“Joint List”**). If a Party’s Designated Appraiser fails to submit a Designated Appraiser List within the time specified, such Designated Appraiser List shall not be considered in compiling the Joint List. Tenant and City shall have ten (10) business days from receipt of such Joint List in which to agree on the Joint Appraiser. If Tenant and City are unable to find a mutually agreeable appraiser on the Joint List, then an appraiser on the Joint List shall be chosen randomly using a method mutually agreeable to the Parties.

(g) Each of the appraisers specified herein shall be a member of the Appraisal Institute (MAI) with not less than five (5) continuous years of recent experience appraising commercial properties with experience in San Francisco and Santa Clara Counties, shall have significant experience with ground leases and shall be impartial and competent. All appraisals prepared hereunder shall be in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

(h) City and Tenant shall each pay the costs of its appointed appraiser and one-half of the cost of the Joint Appraiser, if any, plus one-half of any other costs incurred in the arbitration (excluding such party's own attorneys' fees and experts' costs), notwithstanding the provisions of **Section 25.12 (Attorneys' Fees)**.

(i) The Parties shall have the right to deliver to the appraisers any opinions of value, appraisals or other relevant written information concerning the Fair Market Rent such Party wishes to provide. Neither of the first two (2) appraisers nor the third appraiser shall have any power to modify any of the provisions of this Lease and all must base their decision on the definitions, standards, assumptions, instructions and other provisions contained in this Lease. Subject to the provisions of this Section, the parties will cooperate to provide all appropriate information to the appraisers and the third appraiser. The first two appraisers (but not the Joint Appraiser) can utilize the services of special experts, including experts to determine such things as property condition, market rates, leasing commissions, renovation costs and similar matters.

(j) **Conclusive Determination.** Except as provided in California Code of Civil Procedure Section 1286.2 (as the same may be amended from time to time), the determination of the Fair Market Rent by the foregoing process shall be conclusive, final and binding on the Parties.

(k) **Waiver.** Each Party waives any claims against the appraiser appointed by the other Party, and against the third appraiser, for negligence, malpractice or similar claims in the performance of the appraisals or arbitration contemplated by this Section.

5.4 Base Rent Increase Due to Adjacent Housing Complex Change in Use (Section 7.4(r))

The Parties recognize and agree that City agreed to the below market Base Rent under this Lease based in part on the Premises being used to benefit the existing low-income Adjacent Housing Complex. Therefore, in the event that all or a portion of the Adjacent Housing Complex or any future redevelopment or replacement of the Adjacent Housing Complex ceases to be used or operated as low income or affordable housing under applicable Laws (an "**Apartment Complex Change in Use**"), Tenant shall immediately notify City. Upon an Apartment Complex Change in Use, the Base Rent shall be recalculated to an amount equal to one hundred percent (100%) of the Fair Market Rent of the Premises, as Fair Market Rent is defined and determined under **Subsections 5.3(c)-(f)** above and this **Section 5.4** or such lesser amount as determined by the City in its sole discretion, and the new Base Rent shall be effective as of the date on which Tenant first offers a unit in the Apartment Complex for rent, use or sale at or around a fair market rent or sale price (the "**Apartment Complex Change Effective Date**"). Nothing in this **Section 5.4** shall be construed as a waiver of **Section 7.1**.

5.5 Base Rent Increase Due to Change in 501(c)(3) Status (Section 7.4(s))

The Parties recognize and agree that City agreed to the below market Base Rent under this Lease based in part on Tenant's status as a nonprofit entity. On or before January 15th of each year during the Term, Tenant shall furnish a written statement to City, certified as true by

Tenant's President or Chief Financial Officer that Tenant remains a nonprofit entity. If there is a change in Tenant's organizational status, Tenant shall promptly provide notice to City certifying the current name, type of entity and jurisdiction of formation of Tenant. In the event of a reorganization or Transfer to a Transferee that is not a nonprofit entity, the Base Rent of the Premises shall be adjusted to be equal to one hundred percent (100%) of the then Fair Market Rent of the Premises, as Fair Market Rent is defined and determined under **Subsections 5.3(c)-(f)** above and this **Section 5.5** or such lesser amount as determined by the City in its sole discretion, and the new Base Rent shall be effective as of the effective date of the reorganization or other Transfer. Nothing in this **Section 5.5** shall be construed as a waiver by City of the provisions of **Section 16**.

5.6 Base Rent Increase Due to Assignment or Sublease (Section 16.3)

In the event of an Assignment or Sublease as set forth in **Section 16.3** below, except for a Permitted Transfer (as defined in **Section 16.7** below), the Fair Market Rent of the Premises shall be determined in accordance with this **Section 5.6** and **Section 5.3** above. On the date that City receives Tenant's Notice of Proposed Transfer, the Base Rent thereafter owed by Tenant shall be at a rate equal to two hundred percent (200%) of the Base Rent in effect on the date that Tenant's Notice of Proposed Transfer is received by City until the Fair Market Rent has been finally determined pursuant to this Section, at which time Tenant shall pay any shortage amount to City. Notwithstanding anything to the contrary in this **Section 5.6** or **Section 16.3** below, the increase in Base Rent due to an Assignment or Sublease shall not be conditioned upon notice of the Assignment or Sublease being given by Tenant to City, it being understood and agreed that the increase in Base Rent to the Fair Market Rent shall automatically occur and be effective as of the Assignment/Sublease Effective Date (as defined in **Section 16.3** below).

If the Parties have not agreed on the Fair Market Rent within the thirty (30) day-period (or extended period) set forth above in this Section, then Fair Market Rent shall be determined in accordance with the procedures set forth in **Section 5.3(d)** above.

5.7 Late Charge

If Tenant fails to pay any Rent within five (5) business days (excluding holidays) after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. This late payment charge has been agreed upon by City and Tenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that City will incur as a result of any such failure by Tenant, the actual costs of any such failure being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate City for its damages resulting from such failure to pay and Tenant shall promptly pay such charge to City, together with such unpaid amount.

5.8 Default Interest

If any Rent is not paid within five (5) business days (excluding holidays) following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of ten percent (10%) per year or, if a higher rate is legally permissible, at the highest rate City is permitted to charge under Law. Interest shall not be payable on late charges incurred by Tenant nor on any amounts on which late charges are paid by Tenant, however, to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest pursuant to this Section shall not excuse or cure any default by Tenant.

5.9 Net Lease

This Lease is a “net lease.” Accordingly, Tenant shall pay to City the Base Rent, Additional Charges, and any other payments required by this Lease, without prior demand and without abatement, deduction, counterclaim, or setoff. Under no circumstances, whether now existing or subsequently arising, and whether or not beyond the present contemplation of the Parties, shall City be expected or required to make any payment of any kind whatsoever with respect to Tenant’s use or occupancy of the Premises and any permitted Alterations or this Lease, except as may otherwise be expressly set forth in this Lease. Without limiting the foregoing, Tenant shall be solely responsible for paying each item of cost or expense of every kind and nature whatsoever, the payment of which City otherwise would be or could become liable by reason of its estate or interests in the Premises and any Alterations, any rights or interests of City in or under this Lease, or the ownership, leasing, operation, management, maintenance, repair, rebuilding, remodeling, renovation, use, or occupancy of any portion of the Premises or any permitted Alterations. Except as may be specifically and expressly provided otherwise in this Lease, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its liability to pay all of the sums required by any of the provisions of this Lease, or otherwise relieve Tenant from any of its obligations under this Lease, or give Tenant any right to terminate this Lease in whole or in part. Tenant waives any rights now or subsequently conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement, diminution, reduction, or suspension of payment of such sums on account of any such occurrence or situation.

5.10 Processing Fee and Other Fees

Upon execution of this Lease, Tenant shall pay SFPUC the sum of Five Thousand and No/100 Dollars (\$5,000.00) as a fee for processing this Lease. Tenant shall also reimburse City for all fees and costs, including attorney’s fees and costs, incurred by City in seeking the approvals necessary to enter into this Lease, including completion of environmental reviews and review and approval of this Lease by the Commissioners of the SFPUC, the San Francisco Board of Supervisors, and the Mayor of San Francisco, as applicable, within thirty (30) days following the date of City’s invoice. Tenant shall also reimburse City for all fees and costs, including attorney’s fees and costs, incurred by City in (i) negotiating, preparing, drafting and obtaining any estoppel certificates requested by Tenant pursuant to **Section 21** below; (ii) seeking any consents requested by Tenant under the terms of this Lease; and (iii) preparing and obtaining any other documents required by City or requested by Tenant under the terms of this Lease.

6. TAXES, ASSESSMENTS, AND OTHER EXPENSES

6.1 Taxes and Assessments, Licenses, Permit Fees, and Liens

(a) Payment Responsibility

Tenant shall pay any and all real and personal property taxes, general and special assessments, excises, licenses, permit fees, and other charges and impositions of every description levied on or assessed against all or any part of the Premises, any Alterations, Tenant’s Personal Property, the leasehold estate, or any subleasehold estate, or Tenant’s use of the Premises or any Alterations. Tenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days before delinquency, subject to Tenant’s right to contest the validity of such charge pursuant to Subsection (c) below. With respect to real property taxes and assessments levied on or assessed against the Premises for which City receives the tax bill directly from the taxing authority, however, Tenant shall reimburse City for payment of such sums immediately upon demand.

(b) Taxability of Possessory Interest

Without limiting the foregoing, Tenant recognizes and agrees that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest.

(c) No Liens

Tenant shall not allow or suffer a lien for any taxes payable by Tenant pursuant to this Lease to be imposed upon the Premises or upon any equipment or other property located on the Premises without promptly discharging the same. Tenant may have a reasonable opportunity to contest the validity of any such taxes provided Tenant, before commencement of any proceeding or contest, furnishes to City a surety bond issued by a surety company qualified to do business in California and acceptable to City's Controller. The amount of such bond shall be equal to one hundred twenty-five percent (125%) of the amount of taxes in dispute and shall be in such form as approved by the City Attorney of the City and County of San Francisco ("City Attorney"). The bond shall insure payment of any judgment that may be rendered should Tenant be unsuccessful in any such contest. Tenant shall Indemnify City, the other Indemnified Parties, and the Premises from and against any Losses arising out of any such proceeding or contest. The foregoing Indemnity shall not be limited by the amount of the bond.

(d) Reporting Requirement

Tenant agrees to provide such information as City may request to enable City to comply with any tax reporting requirements applicable to this Lease. Each Lease Year unless and until an Adjacent Housing Complex Change in Use has occurred, Tenant shall annually file with the Santa Clara County Tax Assessor's Office claim form BOE-236, Exemption of Leased Property Used Exclusively for Low-Income Housing, and form BOE-236-A, Supplemental Affidavit for BOE-236, Housing—Lower-Income Households, and Tenant shall send Landlord copies of such filed forms within ten (10) business days after filing.

6.2 Other Expenses

Tenant shall be responsible for any and all other charges, costs, and expenses related to its use, occupancy, operation, or enjoyment of the Premises or any Alterations permitted by this Lease, including the cost of any utilities or services necessary for Tenant's permitted use of the Premises.

6.3 Evidence of Payment

Upon City's request, Tenant shall furnish to City, within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to City, evidencing payment of such charges.

7. USE; COVENANTS TO PROTECT PREMISES AND SFPUC FACILITIES**7.1 Tenant's Permitted Use**

Tenant may use the Premises and any Alterations permitted by this Lease only for the use specified in the Basic Lease Information, and for no other purpose.

7.2 Temporary Construction Staging and Improvements

Tenant may install on and use the Premises for certain Temporary Staging and Improvements until the date that the Expansion Phase is complete, provided that the terms and conditions of this Lease shall apply to such use, including, without limitation, **Sections 3.3, 7.5 and 8.1**. Not less than 120 days prior to the placement and installation of the Temporary Staging and Improvements on the Premises, Tenant shall submit to City, for City's review and approval in its sole discretion, plans and specifications identifying the precise location of the electrical lines and temporary road on the Premises ("**Tenant's Staging Plans**"), and such plans shall also be subject to the review and approval of other governmental authorities as required. Tenant shall reimburse City, upon demand, for any fees and costs incurred by City for review of Tenant's Staging Plans or any other documents or requests pertaining to the Temporary Staging and Improvements, including without limitation, the fees and costs of City's third party consultants and attorneys. Tenant's Staging Plans shall contain sufficient level of detail as required by City in its sole discretion, such detail to include, without limitation, showing all proposed sub-surface disturbances and improvements. As a condition to approval of Tenant's Staging Plans, City may impose requirements and/or require modifications as determined by City in its reasonable discretion, in which case Tenant shall modify its plans and resubmit the plans for City's final approval. Once Tenant's Staging Plans have been approved by City, such plans shall not be modified without the prior written consent of City, which may be granted or withheld in City's sole and absolute discretion. City's approval of the Temporary Staging and Improvements and Tenant's Staging Plans shall not (i) constitute the approval by any other governmental authority that is required for the Temporary Staging and Improvements, (ii) waive, affect or limit any provisions of this Lease, including without limitation, **Sections 3.3 and 7.5**, which permit City to remove Alterations (including, without limitation, the Temporary Staging and Improvements) if City deems it necessary at City's sole discretion, and/or (iii) be interpreted as City's approval of any other future Alterations to the Premises.

City or City's representative may, at any time, review and inspect the Temporary Staging and Improvements. Any damage to the Premises caused by Tenant, its contractors, subcontractors, or Agents pertaining to the Temporary Staging and Improvements shall be promptly repaired by Tenant, at Tenant's sole expense, in a good and workmanlike manner satisfactory to City. In furtherance of the foregoing, Tenant shall perform, at Tenant's sole cost, any Remediation that is required as a result of the Temporary Staging and Improvements. Tenant shall Indemnify City, the other Indemnified Parties and the Premises against any and all Losses arising out of, occasioned by, or in any way attributable to the Temporary Staging and Improvements, except to the extent caused solely and directly by the gross negligence or willful misconduct of City or its Agents. Upon completion of the Expansion Phase, the Temporary Staging and Improvements shall be promptly removed by Tenant in accordance with **Section 22.1 (Surrender of the Premises)**.

Tenant expressly acknowledges and agrees that pursuant to **Sections 3.3 and 7.5**, City may itself remove or require that Tenant, its contractors or subcontractors remove the Temporary Staging and Improvements and Tenant, its contractors and/or its subcontractors may incur Losses as a result of such removal. Tenant is hereby advised to take such right granted to City and the possible Losses which may result if such right is exercised by City into consideration when designing and locating the Temporary Staging Improvements. City shall in no event be liable to

Tenant, its contractors or its subcontractors for any Losses pertaining to the Temporary Staging and Improvements, including, without limitation, any Losses resulting from a casualty or condemnation or any Losses resulting from the removal of the Temporary Staging and Improvements in accordance with **Sections 3.3** and/or **7.5**, and no such Losses shall entitle Tenant to any abatement in Rent or to terminate this Lease. In no event shall City be required to construct, install and/or replace any of the Temporary Staging and Improvements.

The contractors and subcontractors engaged by Tenant to perform the Expansion Phase shall execute an agreement in favor of City in a form acceptable to City in its sole and absolute discretion, whereby the contractors and subcontractors expressly acknowledge and agree (i) to be bound by the provisions in this Lease applicable to such contractors and subcontractors, including without limitation, **Section 3.3** (Subject to Municipal Uses), **Section 7.5** (Covenants Regarding Use), **Section 18** (Waiver of Claims; Indemnification) and **Section 19** (Insurance), (ii) that pursuant to **Sections 3.3** and **7.5**, City may remove, or require that the contractors or subcontractors remove, the Temporary Staging and Improvements at any time and the contractors and subcontractors may incur Losses as a result of such removal, and (iii) City shall in no event be liable to contractors or subcontractors or any third party for any Losses incurred pertaining to the Temporary Staging and Equipment, including, without limitation, any Losses resulting from the Temporary Staging and Equipment having to being removed in accordance with **Sections 3.3** and/or **7.5**.

7.3 Reserved

7.4 Expansion Phase

Tenant intends to build 50 net new units (after the demolition of 12 townhomes on site), of family housing in accordance with City of Mountain View requirements (the “**Expansion Phase**”). The proposed Expansion Phase will be subject to development review and any building or other permit required by the Mountain View Municipal Code.

7.5 Covenants Regarding Use

As a material inducement to City to enter into this Lease, Tenant covenants with City as follows:

(a) No Unlawful Uses or Nuisances

Tenant shall not use or occupy any of the Premises or any Alterations, or permit their use or occupancy, in any unlawful manner or for any illegal purpose, or permit to be carried on any offensive, immoral, noisy, or hazardous use or any use in violation of the conditions of any certificate of occupancy. Tenant shall take all precautions to eliminate immediately any nuisances or hazards relating to its activities on or about the Premises or any Alterations permitted by this Lease.

(b) Covenant Against Waste

Tenant shall not cause or permit any waste, damage, or injury to the Premises.

(c) Covenant to Protect SFPUC Facilities

At all times during the Term, Tenant shall use extreme care to protect the SFPUC Facilities from any damage, injury, or disturbance. Tenant shall mark at its own expense the location of City's water transmission pipelines within the Premises. If Tenant or any of its Agents or Invitees damages, injures, or disturbs any portion of the SFPUC Facilities (including monuments), Tenant shall immediately notify City of that occurrence. Without limiting any of its other rights under this Lease or at Law or equity, City may take all actions it deems proper to repair such SFPUC Facilities (including relocation of monuments) at Tenant's sole expense. Upon City's request, Tenant shall promptly remove or alter to City's satisfaction and at Tenant's sole cost, any Alterations, including, without limitation, the Temporary Staging and Improvements or Tenant's Personal Property placed on the Premises by or on behalf of Tenant as necessary to avoid interference with City's use of the Premises for municipal utility purposes. Alternatively, subject to the General Manager's approval at his or her sole discretion, Tenant must pay City for the costs determined by the General Manager that City will incur as a result of such interference.

City may adopt from time to time such rules and regulations with regard to Tenant's facilities and operations placed upon, or occurring on or about, the Premises, including, without limitation, the Temporary Staging and Improvements, as City may determine are necessary or appropriate to protect the SFPUC Facilities or prevent or safeguard against the corrosion or failure of the SFPUC Facilities. Upon receipt of a copy of such rules and regulations, Tenant shall fully comply with them.

(d) Covenant to Protect Water Courses

Tenant shall not cause any ponding on the Premises or any flooding on adjacent land. Tenant shall not engage in any activity that causes any change, disturbance, fill, alteration, or impairment to the bed, bank, or channel of any natural water course, wetland, or other body of water on, in, under, or about the Premises, nor shall Tenant engage in any activity that would pollute or degrade any surface or subsurface waters or result in the diminution or drainage of such waters.

(e) Covenant Against Dumping

Tenant shall not cause or permit the dumping or other disposal on, under, or about the Premises of landfill, refuse, Hazardous Material, or other materials that are unsightly or could pose a hazard to human health or safety, native vegetation or wildlife, or the environment.

(f) Covenant to Protect Trees or Other Native Vegetation

Tenant shall not engage in or permit the cutting, removal, or destruction of trees or any other native vegetation on the Premises, without the SFPUC's prior, written approval.

(g) No Tree Planting

Tenant shall not plant any trees on the Premises, nor plant any other vegetation on the Premises except as otherwise expressly provided in this Lease.

(h) Covenant Against Hunting or Fishing

Tenant shall not engage in or permit any hunting, trapping, or fishing on or about the Premises, except for hunting or trapping for the purpose of controlling predators or problem animals by the appropriate use of selective control techniques approved in advance by SFPUC

equipment excavation and grading over and within twenty feet (20') on each side of the centerline of the subterranean SFPUC Facilities (measured on the surface), Tenant shall first submit a written proposal together with all supporting calculations and data to SFPUC for review and approval. In any case, the two feet (2') of soil around the subterranean SFPUC Facilities shall be removed manually or by other methods approved by SFPUC with due care as provided above.

(p) Watershed Management Plan

Tenant shall comply with any and all other regulations or requirements resulting from City's development of a watershed management plan, and any modifications or additions to such plan, provided that such regulations or requirements do not unreasonably interfere with Tenant's use and enjoyment of the Premises as contemplated by this Lease.

(q) Emergency Vehicle Access

In order to avoid overburdening the emergency vehicle ingress and egress ("EVA") route on the Premises, Tenant agrees that, in connection with any new development, redevelopment, reconstruction or remodeling of the Adjacent Housing Complex during the Term of this Lease, including, without limitation, the Expansion Phase, in the event that Tenant receives written notice from City that City did not receive approvals from City of Mountain View, its fire marshal and its city attorney, SFPUC's risk management and any other approvals that City deems necessary in City's sole and absolute discretion (collectively referred to hereafter as the "EVA Approvals") that a second means of EVA to serve and benefit the Adjacent Housing Complex shall not be required, Tenant shall install on the Adjacent Housing Complex property at no cost to City, a second means of EVA to serve and benefit the Adjacent Housing Complex in accordance with City's requirements. Nothing herein shall be construed as a requirement that (i) City maintain an EVA route on the Premises to serve and benefit the Adjacent Housing Complex, or (ii) City obtain the EVA Approvals. Tenant hereby waives all claims for any damage or liability arising out of (a) Tenant's use or inability to use City's EVA route on the Premises, (b) the inability of City to obtain the EVA Approvals, and (c) the requirement that Tenant install a second means of EVA as may be obligated herein. In the event Tenant fails to install on the Adjacent Housing Complex property a second means of EVA if required pursuant to this Section 7.5(q), City shall have the right to deny Tenant's use of City's EVA on the Premises until such time as Tenant installs such second EVA.

(r) Change in Adjacent Housing Complex

Tenant recognizes and agrees that City agreed to the below market Base Rent under this Lease based in part on the Premises being used in connection with the existing Adjacent Housing Complex, which operates as low income affordable housing under applicable Law. Therefore, if less than one hundred percent (100%) of the residential units in the Adjacent Housing Complex are "rent restricted" (as defined in Internal Revenue Code §42(g)(2)) and occupied by individuals whose income is eighty percent (80%) or less than the area median gross income (an "Adjacent Housing Complex Change in Use"), Tenant shall immediately notify City. On the first day of each Lease Year, Tenant shall deliver to Landlord a certification executed by Tenant's Chief Financial Officer certifying that an Adjacent Housing Complex Change in Use has not occurred. Upon an Adjacent Housing Complex Change in Use, City shall recalculate the Base Rent to an amount equal to one hundred percent (100%) of the Fair Market Rent of the Premises determined pursuant to the procedure set forth in Section 5.4 above or such lesser amount as determined by the City in its sole discretion, and the new Base Rent shall be effective as of the date on which the Adjacent Housing Complex Change in Use occurred (the "Adjacent Housing Complex Change Effective Date"); provided, however, in no event shall

the Base Rent after the recalculation to Fair Market Rent be less than the Base Rent in effect immediately prior to the Adjacent Housing Complex Change Effective Date.

(s) Change in 501(c)(3) Status

Tenant recognizes and agrees that City agreed to the below market Base Rent under this Lease based in part on Tenant being a non-profit organization that is tax exempt under Section 501(c)(3) of the Internal Revenue Code (a “**501(c)(3) Entity**”). Therefore, if at any time Tenant ceases to qualify as a 501(c)(3) Entity under applicable Law (a “**Change in 501(c)(3) Status**”), Tenant shall immediately notify City. On the first day of each Lease Year Tenant shall deliver a certification to Landlord executed by the Chief Financial Officer of Tenant certifying that a Change in 501(c)(3) Status has not occurred. Upon a Change in 501(c)(3) Status, City shall recalculate the Base Rent to an amount equal to one hundred percent (100%) of the Fair Market Rent of the Premises determined pursuant to the procedure set forth in **Section 5.5** above or such lesser amount as determined by the City in its sole discretion, and the new Base Rent shall be effective as of the date on which the Change in 501(c)(3) Status occurred (the “**Change in 501(c)(3) Status Effective Date**”). For the purposes of this **Section 7.5(s)** and the obligations described herein, references to Section 501(c)(3) of the Internal Revenue Code shall be deemed to include any future Internal Revenue Code statute that is substantially similar to and the functional equivalent of Section 501(c)(3). Notwithstanding anything in this **Section 7.5(s)** to the contrary, City acknowledges and agrees that each Co-Tenant qualifies as a 501(c)(3) entity for so long as each Co-Tenant’s general partner or managing member, as applicable, is an Affiliate (as hereinafter defined) of MidPen Housing Corporation, Mid-Peninsula The Farm, Inc. or MV Central Park Apartments, Inc.

(t) Adjacent Housing

Tenant shall not use the Premises to fulfill any open space, setback, parking or third party development requirements, including the requirements of any governmental authority in connection with obtaining entitlements, permits, licenses or other approvals for or in connection with any improvements or redevelopment to Adjacent Housing Complex. City acknowledges and agrees that Tenant may use the Premises to provide supplemental parking for the Adjacent Housing Complex. Tenant shall Indemnify City, the other Indemnified Parties and Premises against any and all Losses arising out of Tenant’s failure to comply with the foregoing provision. Within thirty (30) days following the date of City’s invoice, Tenant shall reimburse City for any costs, fees and expenses, including attorney’s fees and costs, incurred by City in monitoring compliance with and enforcing this paragraph, including reviewing and commenting on any environmental review documents, development plans and permit applications.

8. IMPROVEMENTS AND ALTERATIONS

8.1 Construction of Alterations

(a) Conditions and Requirements for Alterations

Tenant shall not construct, install or permit any Alterations (including modifying any existing Improvements and including the Temporary Staging and Improvements) in, to, or about the Premises, without City’s prior written consent in each instance, which City may give or withhold at its reasonable discretion. Subject to City’s consent as provided above, any permitted Alterations shall be done at Tenant’s sole expense **(i)** in strict accordance with plans and specifications approved in advance by City in writing, **(ii)** by duly licensed and bonded contractors or mechanics approved by City, **(iii)** in a good and professional manner, **(iv)** in strict compliance with all applicable Laws, including, without limitation, applicable Environmental

11.4 Reports

Tenant shall submit a report and provide such documentation to City as City may from time to time request regarding Tenant's operations and evidencing compliance with this Lease and all Laws.

12. FINANCING; ENCUMBRANCES; SUBORDINATION

12.1 Encumbrance of City's Fee Interest

The following provisions shall apply notwithstanding anything to the contrary contained in this Lease.

(a) Encumbrance by City

To the extent permitted by applicable Law, City may at any time sell or otherwise transfer or encumber its fee estate in any portion of the Premises provided that (i) any such sale or Encumbrance shall be subject and subordinate to all of the terms of this Lease and the leasehold estate created hereby, (ii) the right of possession of Tenant to the Premises shall not be affected or disturbed by any such sale or Encumbrance, or by the exercise of any rights or remedies by any purchaser or Encumbrancer arising out of any instrument reflecting such sale or Encumbrance, so long as no Event of Default or Unmatured Event of Default is outstanding under this Lease.

(b) Encumbrance By Tenant

Tenant shall not under any circumstances whatsoever Encumber in any manner any portion of: the Premises, the SFPUC Facilities, City's estate in the Premises or City's interest under this Lease, and Tenant shall have no right to require City to Encumber any such estate or interest.

12.2 Leasehold Encumbrances

12.2.1 Tenant's Right to Encumber Leasehold. Tenant shall, upon the prior written consent of the City, which consent shall not be unreasonably withheld, have the right from time to time to enter into a Leasehold Mortgage subject to the terms and conditions of this **Section 12.2**. However, Tenant's rights to enter into a Leasehold Mortgage shall be suspended as long as Tenant is in default hereunder and has received written notice of such default from City.

Tenant shall promptly provide City with a fully executed complete copy of each Leasehold Mortgage, and all related loan documents (including copies of all appraisals), and any and all amendments thereto.

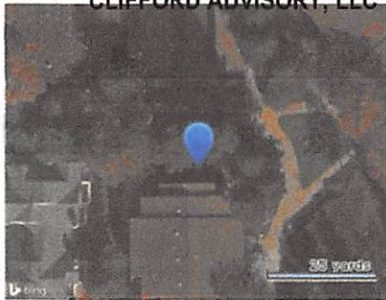
12.2.2. Lender's Rights During Term of Leasehold Mortgage. For the express benefit of City and as a condition to Lender's rights under this **Section 12.2.2**, all secured parties under a Leasehold Mortgage (hereinafter referred to as "Lender") shall provide to City contemporaneously with service on or delivery to Tenant copies of all notices of default and notices of foreclosure and sale under the Leasehold Mortgage and all notices and documents pertaining to obtaining title in lieu of foreclosure.

For the express benefit of Lender, the parties agree as follows during the term of any Leasehold Mortgage:

460 N Shoreline Blvd, Mountain View, CA 94043-4661, Santa Clara County

CLIFFORD ADVISORY, LLC

SFPUC PARCEL 201-A, Mountain View



3.19 AC +

N/A	106,953	138,969	N/A
Beds	Bldg Sq Ft	Lot Sq Ft	Sale Price
N/A	1980	MLT FAM DW	N/A
Baths	Yr Built	Type	Sale Date

Owner Information

Owner Name:	Mid-Pen Housing Coalition	Tax Billing Zip:	94404
Owner Name 2:	Mid-Peninsula Housing Coalition	Tax Billing Zip+4:	1176
Tax Billing Address:	303 Vintage Park Dr #250	Owner Occupied:	No
Tax Billing City & State:	Foster City, CA		

Location Information

School District:	Mountain View Los Al	Carrier Route:	C011
Census Tract:	5092.02	Zoning:	P(5)
Map Page/Grid:	811-H3		

Tax Information

Tax ID:	150-26-006	% Improved:	61%
Block:	3	Tax Area:	05010
Lot:	1-5	Exemption(s):	School/College,Welfare

Assessment & Tax

Assessment Year	2014	2013	2012
Assessed Value - Total	\$11,296,593	\$11,245,539	\$11,025,040
Assessed Value - Land	\$4,376,654	\$4,356,874	\$4,271,446
Assessed Value - Improved	\$6,919,939	\$6,888,665	\$6,753,594
YOY Assessed Change (%)	0.45%	2%	
YOY Assessed Change (\$)	\$51,054	\$220,499	

Tax Year	Total Tax	Change (\$)	Change (%)
2012	\$3,986		
2013	\$3,863	-\$123	-3.08%
2014	\$3,833	-\$30	-0.77%

Characteristics

Lot Area:	138,969	Parking Type:	Covered
Lot Acres:	3.1903	No. Parking Spaces:	120
Building Sq Ft:	106,953	Heat Type:	None
Land Use - CoreLogic:	Multi Family Dwelling	Cooling Type:	None
Land Use - County:	Resid 5+ Family	Construction:	Wood
Style:	H-Shape	Equipment:	Dishwasher
Year Built:	1980	Quality:	Good
Effective Year Built:	1980	Condition:	Average
Stories:	2	Total Units:	120
Garage Type:	Covered		

Last Market Sale & Sales History

Recording Date:	08/06/1997	Seller:	Mountain View Associates Ltd Partne
Owner Name:	Mid-Pen Housing Coalition	Document Number:	13802137

Courtesy of John Clifford, San Francisco Association of Realtors

The data within this report is compiled by CoreLogic from public and private sources. If desired, the accuracy of the data contained herein can be independently verified by the recipient of this report with the applicable county or municipality.

Property Detail

Generated on 12/08/2014
Page 1 of 2



FY 2017 FAIR MARKET RENT DOCUMENTATION SYSTEM

The Final FY 2017 San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area FMRs for All Bedroom Sizes

Final FY 2017 FMRs By Unit Bedrooms

	<u>Efficiency</u>	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Four-Bedroom</u>
Final FY 2017 FMR	\$1,507	\$1,773	\$2,220	\$3,078	\$3,545
Final FY 2016 FMR	\$1,348	\$1,582	\$1,994	\$2,777	\$3,098
Percentage Change	11.8%	12.1%	11.3%	10.8%	14.4%

The San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area consists of the following counties: Santa Clara County, CA. All information here applies to the entirety of the San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area.

Fair Market Rent Calculation Methodology

[Show/Hide Methodology Narrative](#)

Fair Market Rents for metropolitan areas and non-metropolitan FMR areas are developed as follows:

1. 2010-2014 5-year American Community Survey (ACS) estimates of 2-bedroom adjusted standard quality gross rents calculated for each FMR area are used as the new basis for FY2017 provided the estimate is statistically reliable. For FY2017, the test for reliability is whether the margin of error for the estimate is less than 50% of the estimate itself.

If an area does not have a reliable 2010-2014 5-year, HUD checks whether the area has had a reliable estimate in any of the past 5 years. If so, the most recent reliable estimate is updated by the change in the area's corresponding State metropolitan or non-metropolitan area from the year of the most recent reliable estimate to 2010. This update value becomes the basis for FY2017.

If an area has not had a reliable estimate in the past 5 years, the estimate State



Parcel 201-A, Mountain View
making homes, growing communities

Income Limits

The U.S. Department of Housing and Urban Development (HUD) establishes income limits based upon the Area Median Income (AMI) for each county in each state. These limits are used in determining a family's initial eligibility to participate in certain SCCHA administered housing assistance programs, such as:

- Housing Choice Voucher
- Project Based Voucher
- Continuum of Care (formerly Shelter Plus Care)

In order for a family to be eligible for federal housing assistance in the County of Santa Clara, the total household income must not exceed these established yearly income limits as listed on the table below:

To be eligible for SCCHA housing assistance programs your income must be in the Extremely-Low or Very-Low range.

INCOME LIMIT CATEGORY	EXTREMELY LOW (30% OF AMI)	VERY LOW (50% OF AMI)	LOW (80% OF AMI)
1 PERSON	\$25,100	\$41,800	\$59,350
2 PERSONS	\$28,650	\$47,800	\$67,800
3 PERSONS	\$32,250	\$53,750	\$76,300
4 PERSONS	\$35,800	\$59,700	\$84,750
5 PERSONS	\$38,700	\$64,500	\$91,550
6 PERSONS	\$41,550	\$69,300	\$98,350
7 PERSONS	\$44,400	\$74,050	\$105,100
8 PERSONS	\$47,300	\$78,850	\$111,900

Income Limits effective as of 4/17/2017

For additional information from HUD on income limits [Click Here \(http://www.huduser.org/portal/datasets/il/il2013/2013summary.odn\)](http://www.huduser.org/portal/datasets/il/il2013/2013summary.odn)

HACSC.org

© 2017 Santa Clara County Housing Authority. All rights reserved.

CLIFFORD ADVISORY, LLC

Parcel 201-A, Mountain View

for the area's corresponding metropolitan area (if applicable) or State non-metropolitan area is used as the basis for FY2017.

2. HUD calculates a recent mover adjustment factor by comparing a 2014 1-year 40th percentile recent mover 2-bedroom rent to the 2010-2014 5-year 40th percentile adjusted standard quality gross rent. If either the recent mover and non-recent mover rent estimates are not reliable, HUD uses the recent mover adjustment for a larger geography. For metropolitan areas, the order of geographies examined is: FMR Area, Entire Metropolitan Area (for Metropolitan Sub-Areas), State Metropolitan Portion, Entire State, and Entire US; for non-metropolitan areas, the order of geographies examined is: FMR Area, State Non-Metropolitan Portion, Entire State, and Entire US. The recent mover adjustment factor is floored at one.
3. HUD calculates the appropriate recent mover adjustment factor between the 5-year data and the 1-year data and applies this to the 5-year base rent estimate.
4. Rents are calculated as of 2015 using the relevant (regional or local) change in gross rent Consumer Price Index (CPI) from annual 2014 to annual 2015.
5. All estimates are then inflated from 2015 to FY2017 using a national trend factor based on the forecast of gross rent changes through FY2017.
6. FY2017 FMRs are then compared to a State minimum rent, and any area whose preliminary FMR falls below this value is raised to the level of the State minimum.

The results of the Fair Market Rent Step-by-Step Process

1. The following are the 2014 American Community Survey 5-year 2-Bedroom Adjusted Standard Quality Gross Rent estimate and margin of error for San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area.

Area	ACS ₂₀₁₄ 5-Year 2-Bedroom Adjusted Standard Quality Gross Rent	ACS ₂₀₁₄ 5-Year 2-Bedroom Adjusted Standard Quality Gross Rent Margin of Error	Ratio	Result
San Jose- Sunnyvale- Santa Clara,	<u>\$1,554</u>	\$14	\$14 / \$1,554=0.009	0.009 < .5 Use ACS ₂₀₁₄ 5-Year San Jose-

CLIFFORD ADVISORY, LLC

Parcel 201-A, Mountain View

CA HUD Metro FMR Area	Sunnyvale-Santa Clara, CA HUD Metro FMR Area 2-Bedroom Adjusted Standard Quality Gross Rent
-----------------------------	---------------------------------------------------------------------------------------------------------------

Since the ACS₂₀₁₄ Margin of Error Ratio is less than .5, the ACS₂₀₁₄ San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area value is used for the estimate of 2-Bedroom Adjusted Standard Quality Gross Rent:

Area	ACS ₂₀₁₄ Rent
San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area	\$1,554

- A recent mover adjustment factor is applied based on the smallest area of geography which contains San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area and has an ACS₂₀₁₄ 1-year Adjusted Standard Quality Recent-Mover estimate with a Margin of Error Ratio that is less than .5.

Area	ACS ₂₀₁₄ 1-Year Adjusted Standard Quality Recent-Mover Gross Rent	ACS ₂₀₁₄ 1-Year Adjusted Standard Quality Recent- Mover Gross Rent Margin of Error	Ratio	Result
San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area – 2 Bedroom	<u>\$1,986</u>	\$74	0.037	0.037 < .5 Use ACS ₂₀₁₄ 1-Year San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area 2-Bedroom Adjusted Standard Quality Recent-Mover Gross Rent

The smallest area of geography which contains San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area and has an ACS₂₀₁₄ 1-year Adjusted Standard Quality Recent-Mover estimate with a Margin of Error Ratio that is less than .5 is San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area.

- The calculation of the relevant Recent-Mover Adjustment Factor for San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area is as follows:

CLIFFORD ADVISORY, LLC

Parcel 201-A, Mountain View

ACS₂₀₁₄ 5-Year Area	ACS₂₀₁₄ 5-Year 40th Percentile Adjusted Standard Quality Gross Rent	ACS₂₀₁₄ 1-Year 40th Percentile Adjusted Standard Quality Recent-Mover Gross Rent
San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area – 2 Bedroom	<u>\$1,554</u>	<u>\$1,986</u>

Area	Ratio	Recent-Mover Adjustment Factor
San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area	\$1,986 / \$1,554 = 1.278	1.278 ≥ 1.0 Use calculated Recent-Mover Adjustment Factor of 1.278

4. The calculation of the relevant CPI Update Factors for San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area is as follows: HUD updates the 2014 intermediate rent with the ratio of the annual 2015 local or regional CPI to the annual 2014 local or regional CPI to establish rents as of 2015.

	Update Factor	Type
CPI Update Factor	<u>1.0614</u>	Local CPI

5. The calculation of the Trend Factor is as follows: HUD forecasts the change in national gross rents from 2015 to 2017. This makes Fair Market Rents "as of" FY2017.

National Trend Factor
<u>1.0531</u>

6. The FY 2017 2-Bedroom Fair Market Rent for San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area is calculated as follows:

Area	<u>ACS₂₀₁₄ 5-Year Estimate</u>	<u>Recent-Mover Adjustment Factor</u>	<u>Annual 2014 to 2015 CPI Adjustment</u>	<u>Trending 1.0531 to FY2017</u>	FY 2017 2-Bedroom FMR
San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area	\$1,554	1.278	1.0614	1.0531	\$1,554 * 1.278 * 1.0614 * 1.0531 = \$2,220

CLIFFORD ADVISORY, LLC

Parcel 201-A, Mountain View

- 7. In keeping with HUD policy, the preliminary FY 2017 FMR is checked to ensure that it does not fall below the state minimum.

Area	Preliminary FY2017 2-Bedroom FMR	FY 2017 California State Minimum	Final FY2017 2-Bedroom FMR
San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area	\$2,220	<u>\$681</u>	\$2,220 ≥ \$681 Use San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area FMR of \$2,220

Final FY2017 Rents for All Bedroom Sizes for San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area

The following table shows the Final FY 2017 FMRs by bedroom sizes.

Click on the links in the table to see how the bedroom rents were derived.

Final FY 2017 FMRs By Unit Bedrooms					
	<u>Efficiency</u>	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Four-Bedroom</u>
Final FY 2017 FMR	\$1,507	\$1,773	\$2,220	\$3,078	\$3,545

The FMRs for unit sizes larger than four bedrooms are calculated by adding 15 percent to the four bedroom FMR, for each extra bedroom. For example, the FMR for a five bedroom unit is 1.15 times the four bedroom FMR, and the FMR for a six bedroom unit is 1.30 times the four bedroom FMR. FMRs for single-room occupancy units are 0.75 times the zero bedroom (efficiency) FMR.

DEBUG: fmr_2_unfloor = 2219.831403

DEBUG: fmr_2017_2 = ("\$,###",2220.0)

Permanent link to this page: http://www.huduser.gov/portal/data_sets/fmr/fmrs/FY2017_code/2017summary.odn?&year=2017&fmrtype=Final&cbsasub=METRO41940M41940

Other HUD Metro FMR Areas in the Same MSA

Select another Final FY 2017 HUD Metro FMR Area that is a part of the San Jose-Sunnyvale-Santa Clara, CA MSA:

CLIFFORD ADVISORY, LLC

Parcel 201-A, Mountain View

San Benito County, CA HUD Metro FMR Area



Select Metropolitan FMR Area

Select a different area

Press below to select a different county within the same state (same primary state for metropolitan areas):

- Alameda County, CA
- Alpine County, CA
- Amador County, CA
- Butte County, CA
- Calaveras County, CA

Select a new county

Press below to select a different state:

Select a new state

Select a Final FY 2017 Metropolitan FMR Area:

San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area



Select Metropolitan FMR Area

[HUD Home Page](#) |
 [HUD User Home](#) |
 [Data Sets](#) |
 [Fair Market Rents](#) |
 [Section 8 Income Limits](#) |
 [FMR/IL Summary System](#) |
 [Multifamily Tax Subsidy Project \(MTSP\) Income Limits](#) |
 [HUD LIHTC Database](#)

Prepared by the [Economic and Market Analysis Division](#), HUD. Technical problems or questions? [Contact Us](#).



Real Estate Valuation ■ Arbitration

**QUALIFICATIONS
OF
JOHN C. CLIFFORD, MAI**

Mr. John C. Clifford is a designated member of the Appraisal Institute (MAI) and is qualified by the State of California as a Certified General Appraiser. The following is a brief resume of his background and experience.

Experience

Mr. Clifford is the principal of CLIFFORD ADVISORY, LLC and has provided real estate appraisal, arbitration and consultation services since 1982. He has performed a wide variety of appraisal and valuation consulting assignments.

Based in San Francisco, Mr. Clifford has benefited from the unique opportunity to analyze many complex properties including:

Complex Properties

- San Francisco Giants AT&T Baseball Stadium
- Treasure Island
- Mission Bay MXU Development Project
- Hamilton Army Air Field (HAAF)
- Hunters Point Naval Shipyard
- Ferry Building - Embarcadero
- Fisherman's Wharf Restaurants
- United Airlines Maintenance Facility

Arbitration

- 400,000 SF - Pacific Bell
370 Third Street, SOMA
- 200,000 SF - Heller Ehrman
333 Bush Street, Financial
District
- 500,000 SF - Nordstroms Centre
Union Square District
- Pier 41 - Fisherman's Wharf

Valuation property types include major high-rise office and mixed-use retail/office projects, retail projects, biotech facilities, medical office buildings, regional malls, neighborhood shopping centers, hotels and restaurants, industrial and manufacturing buildings and facilities, high-rise and suburban multi-family residential projects, subdivision analysis, special purpose properties, recreational properties, vacant land and open space.

Mr. Clifford has provided litigation support in numerous condemnation valuation assignments, and has testified as a qualified expert witness in the Superior Court of the State of California, U.S. Bankruptcy Court, and before various quasi-judicial and municipal hearings.

Condemnation

- **Moscone West Convention Center Site**
- **Transbay Terminal Project Sites**
- **San Francisco Cable Car Line**
- **The Rock**
- **Richmond Parkway**
- **Golden Gate Ministorage vs. The State of California**

Client

- City of San Francisco**
- City of San Francisco**
- City of San Francisco**
- City of San Francisco**
- Property Owner**
- Property Owner**

Mr. Clifford participated in a landmark inverse condemnation land use case which upheld the use of public agency purchases as comparables following the 1987 revision to the State's evidence code (*City and County of San Francisco v. Golden Gate Heights Inv.* (1993) 14 Cal.App.4th 1203).

Other major assignments demonstrating the extent of his experience are listed as follows:

- **Genentech Research Facility**
- **Biorad Research Facility**
- **Port Sonoma-Marin Marina**
- **Marin County Civic Center**
- **Sea Cliff Sinkhole Properties**
- **Hamilton Airfield Reuse Plan**
- **Wal-Mart Distribution Facility**
- **Silverado Country Club**
- **Renaissance Estates Golf & SFR Community**
- **Fountaingrove Ranch Golf & SFR Community**
- **Northeast Ridge Subdivision**
- **Lagoon Valley MXU Golf, SFR, Business Park**
- **Bel Marin Keys Unit 5**
- **AT&T Cable Franchise – Possessory Interest**

After earning his MAI designation in 1983, he established an appraisal and consulting practice. As his practice and reputation has grown, he now maintains offices in San Francisco and Mill Valley, California.

Development Consulting

Mr. Clifford is a specialist in evaluating real estate economic feasibility, completing land use entitlement processes, and formulating development strategies. He successfully processed tentative and final subdivision maps, secured development financing and acted as project manager in the construction and marketing of the 100-unit Cotati Station project in Sonoma County.

Education and Professional Affiliation

Mr. Clifford graduated from Indiana University in 1974, Bloomington, Indiana, with a Bachelor of Arts degree.

During the years 1979 through 1983, Mr. Clifford completed a curriculum of study in the understanding and application of the theory and practice of appraisal principles. The course subjects include appraisal and economic theory, real property law, finance, and professional ethics, and are presented by the Appraisal Institute, which ultimately awards the MAI (Member of the Appraisal Institute) designation. After satisfying the additional five years of experience requirements, demonstration reports, and successfully completing a Comprehensive Exam, he was awarded the MAI designation in 1983.

415-269-0370 ph / John.clifford@cliffordadvisory.com / 415-891-8833 fax
Clifford Advisory is a Limited Liability Company