

File No. 231199

Committee Item No. 10

Board Item No. 22

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date November 29, 2023

Board of Supervisors Meeting Date December 5, 2023

Cmte Board

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Loan Agreement</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Declaration of Restrictions</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Promissory Note - Acquisition</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Promissory Note - Predevelopment</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Deed of Trust - Assignment of Rents</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Notice of Funding Availability 1/27/2023</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Notice to Amend NOFA 5/30/2023</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Planning General Plan Referral 11/6/2023</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>MOHCD Presentation 11/29/2023</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | <u> </u> |

Completed by: Brent Jalipa Date November 21, 2023

Completed by: Brent Jalipa Date December 1, 2023

1 [Loan Agreement - Grove Street Development, L.P. - 100% Affordable Housing at 650
2 Divisadero - Not to Exceed \$15,000,000]

2

3 **Resolution approving and authorizing the Mayor and the Director of the Mayor’s Office**
4 **of Housing and Community Development to execute loan documents relating to a loan**
5 **to provide financing for the acquisition of real property located at 650 Divisadero Street**
6 **(the “Property”), and predevelopment activities for a 100% affordable multifamily rental**
7 **building, in an aggregate amount not to exceed \$15,000,000; approving the form of the**
8 **loan agreement and ancillary documents; ratifying and approving any action heretofore**
9 **taken in connection with the property; granting general authority to City officials to**
10 **take actions necessary to implement this Resolution; and finding that the loan is**
11 **consistent the City’s General Plan and the priority policies of Planning Code Section**
12 **101.1.**

13

14 WHEREAS, The City and County of San Francisco, acting through the Mayor’s Office
15 of Housing and Community Development (“MOHCD”), administers a variety of housing
16 programs financing the development of new affordable housing and rehabilitation of single-
17 and multi-family housing for low- and moderate-income households and resources for
18 homeowners in San Francisco; and

19 WHEREAS, MOHCD enters into loan agreements with affordable housing developers
20 for the purpose of acquiring and developing 100% affordable housing within the City; and

21 WHEREAS, MOHCD published a Notice of Funding Availability for acquisition and
22 predevelopment financing on January 27, 2023 for Site Acquisition and Predevelopment
23 Financing for New Affordable Rental Housing (“NOFA”); and

24 WHEREAS, Jonathan Rose Companies LLC, a New York Limited Liability Company,
25 (“JRC”), and Young Community Developers, a California nonprofit public benefit corporation

1 (“YCD”), were selected as joint developers for an acquisition and predevelopment loan under
2 the NOFA, and JRC and YCD established Grove Street Development, L.P., a California
3 limited partnership (the “Borrower”) as an affiliate to acquire the real property located at 650
4 Divisadero Street, San Francisco (the “Property”) and conduct predevelopment activities in
5 furtherance of the development and construction of affordable housing on the Property; and

6 WHEREAS, The Borrower intends to acquire the Property in order to develop and
7 construct a 100% affordable, multifamily rental housing project for extremely-low, very-low,
8 and low -income households with studio, 1-bedroom, 2-bedroom, and 3-bedroom units, and
9 ancillary space for residential property staff offices and social services support, and a
10 community-serving commercial space, to be commonly known as 650 Divisadero (the
11 “Project”); and

12 WHEREAS, On October 13, 2023, the Citywide Affordable Housing Loan Committee
13 recommended approval to the Mayor of a loan in an amount not to exceed \$15,000,000 (the
14 “Loan”), consisting of \$12,775,000 for acquisition and \$ 2,225,000 for predevelopment
15 activities, to finance Borrower’s acquisition of the Property and predevelopment activities
16 associated with the development of the Project, respectively; and

17 WHEREAS, MOHCD desires to provide the Loan to the Borrower pursuant to a Loan
18 Agreement, a Secured Promissory Note (Acquisition), a Secured Promissory Note
19 (Predevelopment), Declaration of Restrictions, and a Deed of Trust (collectively, “Loan
20 Documents”), in substantially the forms on file with the Clerk of the Board in File No. 231199,
21 and in such final form as approved by the Director of MOHCD and the City Attorney; and

22 WHEREAS, The material terms of the Loan Documents include the following: (i) a term
23 of 57 years and an interest rate of three percent (3%) under the Secured Promissory Note
24 (Predevelopment); (ii) a term of 5 years and no interest rate under the Secured Promissory
25 Note (Acquisition); (iii) annual repayment of the loan through residual receipts after completion

1 of the Project; (iv) the Property will be restricted for life of the project as 100% affordable
2 housing to lower- and moderate-income households with annual maximum rent and income
3 established by MOHCD; (v) the loan will be secured by a deed of trust recorded against the
4 Property; and (vi) if the Property cannot be developed within the time period required by
5 MOHCD's loan agreement, the City can require the Property to be transferred to another
6 nonprofit organization or conveyed to the City, and the Loan will be deemed repaid in full; and

7 WHEREAS, The Borrower intends to convey the Property to the City as repayment of
8 the Secured Promissory Note (Acquisition), and the City intends to ground lease the Property
9 back to Borrower for construction of the Project, subject to approval by the Board of
10 Supervisors; and

11 WHEREAS, The Planning Department, through the General Plan Referral letter dated
12 November 6, 2023, found that the Project would be eligible for ministerial approval under
13 California Government Code, Section 65913.4 (Senate Bills 35 and 765), California Public
14 Resources Code, Section 21080, and the CEQA Guidelines, Sections 15002(i)(1), 15268 and
15 15369, would therefore not be subject to the California Environmental Quality Act ("CEQA",
16 Pub. Resources Code Section 21000 et seq.), and is consistent with the General Plan, and
17 the eight priority policies of Planning Code, Section 101.1; which letter is on file with the Clerk
18 of the Board of Supervisors in File No. 2023-010232GPR, and incorporated herein by this
19 reference; now, therefore, be it

20 RESOLVED, This Board affirms the Planning Department's determination that the
21 proposed Project and Loan is not subject to CEQA and is consistent, on balance, with the
22 General Plan and with Planning Code Section 101.1 for the reasons set forth in the Director of
23 Planning's letter; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
25 Documents, and authorizes the Mayor and the Director of MOHCD or the Director's designee

1 to enter into the Loan Documents, including, without limitation, modifications of the Loan
2 Documents, and preparation and attachment of, or changes to, any of all of the exhibits and
3 ancillary agreements, and any other documents or instruments necessary in connection
4 therewith, that the Director determines, in consultation with the City Attorney, are in the best
5 interest of the City, do not materially increase the obligations or liabilities for the City or
6 materially diminish the benefits of the City, or are necessary or advisable to effectuate the
7 purposes and intent of this Resolution and are in compliance with all applicable laws,
8 including the City Charter; and, be it

9 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
10 delegates to the Director of MOHCD and/or the Director of Property, and their designees, the
11 authority to undertake any actions necessary to protect the City's financial security in the
12 Property and enforce the affordable housing restrictions, which may include, without limitation,
13 acquisition of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed
14 in lieu of foreclosure, or curing the default under a senior loan; and, be it

15 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
16 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors;
17 and be it

18 FURTHER RESOLVED, That within thirty (30) days of the Loan Documents being fully
19 executed by all parties, MOHCD shall provide the Loan Agreement to the Clerk of the Board
20 for inclusion into the official file.

21
22
23
24
25

<p>Item 10 File 23-1199</p>	<p>Department: Mayor’s Office of Housing and Community Development (MOHCD)</p>
---	---

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves a loan of \$15,000,000 to Jonathan Rose Companies (JRCo) and Young Community Developers (YCD) to acquire 650 Divisadero for affordable housing development and pay for predevelopment costs.

Key Points

- In May 2023, the Mayor’s Office of Housing and Community Development (MOHCD) issued a revised Notice of Funding Availability (NOFA) for \$66.5 million for acquisition and predevelopment financing of affordable housing. In response to the NOFA, MOHCD awarded financing to a project sponsored by JRCo and YCD at 650 Divisadero and four other projects. The project is anticipated to provide 94 units of housing for formerly homeless households and for households at or below 80% Area Median Income (AMI).
- The \$15,000,000 loan agreement allocates \$12,775,000 in acquisition financing to cover the cost of purchasing the property at 650 Divisadero, as well as the associated taxes and fees. An additional \$2,225,000 is designated to pay for design costs, site studies, and fees incurred in the predevelopment phase of the project.

Fiscal Impact

- The proposed loan is funded by a combination of development impact and certificates of participation.
- Repayment of the acquisition loan is due in three years but will be considered repaid upon transfer of the land to the City, at the end of the predevelopment phase. The loan agreement also includes a 3-year term for the predevelopment loan, repaid with any residual project income, and which may be consolidated with permanent financing.

Policy Consideration

- Total MOHCD financing for 650 Divisadero is currently estimated at \$349,847 per unit, just under the \$350,000 per unit cap of City financing set in the NOFA. MOHCD anticipates that construction costs will exceed current estimates by three million dollars, which may therefore require additional City permanent financing that exceeds the \$350,000 per unit limit. MOHCD has advised the developers to revise budgets and seek non-City financing sources as conditions for future permanent financing. Any amendments to the proposed loan above \$500,000 will be subject to Board of Supervisors approval as will any new loans that cost more than \$10 million.

Recommendations

- Amend the proposed legislation to state that it is the City’s intent to enter into a purchase and sales agreement in the future at the closing of the construction loan, in which the City will take ownership of the land and enter into a ground lease with the project sponsor.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

In 2022, the Board of Supervisors appropriated \$112 million in Certificates of Participation proceeds for FY 2022-2023 intended to develop and repair the City’s affordable housing stock in line with the General Plan’s housing element. This funding, administered by MOHCD, allocates \$40 million for acquisition of 100% affordable housing projects in California Debt Limit Allocation Committee (CDLAC)-designated high-resource areas.¹

MOHCD issued a Notice of Funding Availability (NOFA) in January 2023 for \$40 million in designated City funding for site acquisition and predevelopment financing of affordable housing, including projects for formerly homeless households. Proposals were due April 7, 2023, and were evaluated by four MOHCD staff and one staff person from the Department of Homelessness and Supportive housing (HSH) on experience (40 points) and project attributes, which include program, community engagement strategy, service delivery, financing and cost containment, and racial equity strategy (together 60 points).

On May 30, 2023, the NOFA was amended to add \$26.5 million in other, unspecified, MOHCD funds, for a total amount of \$66.6 million in funding availability.² Proposals were due a week later on June 7, 2023, and were evaluated by the same panel using the same criteria as the original NOFA. In response to the NOFA, MOHCD awarded financing to five projects³ including the 650 Divisadero project, jointly sponsored by Jonathan Rose Companies and Young Community Developers. Exhibit 1 below summarizes the results of the developer procurement:

¹ CDLAC incorporates the California Tax Credit Allocation Committee (CTCAC) and California Department of Housing and Community Development’s (HCD) Opportunity Map designations into their application process. High Resource Areas are those that have been shown by research to be associated with positive socioeconomic outcomes for low-income households.

² The MOHCD Memo for 2023 Acquisition NOFA Recommendations indicates that the scoring panel requested \$2,500,000 in additional funds to satisfy the full acquisition and predevelopment costs for the 249 Pennsylvania project. Neither the \$24,000,000 funding request amount nor explanation of when 1234 Great Highway was added to applicant pool was discussed in MOHCD’s memo.

³ Three other proposals were submitted but disqualified because they did not meet minimum qualifications.

Exhibit 1: Sites Awarded Funds and Scoring Under 2023 Acquisition and Predevelopment NOFA

Project	Developer	NOFA Score (out of 100)	Funding Award
250 Laguna Honda	Mission Housing Development Corporation	83.2	\$8,000,000
3300 Mission	Bernal Heights Housing	82.4	\$6,500,000
650 Divisadero	Jonathan Rose Co & Young Community Developers	80.0	\$15,000,000
249 Pennsylvania	Tenderloin Neighborhood Development Corporation & Young Community Developers	79.0	\$13,000,000
1234 Great Highway	Tenderloin Neighborhood Development Corporation	75.0	\$24,000,000
Total			\$66,500,000

Source: MOHCD Memo for 2023 Acquisition NOFA Recommendations

The project at 650 Divisadero was the third highest scoring application received by MOHCD, receiving 80 out of 100 possible points based on application criteria. MOHCD determined that the project at 650 Divisadero met the following required eight outcomes outlined in the NOFA: (1) Project is best positioned to secure funding from the California Debt Limit Allocation Committee; (2) Project maximizes density and unit count; (3) Project implements an interim use plan for the site that outlines contingencies for construction start delays; (4) Project has a maximum \$350,000 per unit City subsidy, including land; (5) Project designates a minimum of 25% of the units for households experiencing homelessness; (6) Project aligns with the implementation of City policies regarding anti-displacement, racially inclusive communities, and creating stable housing for vulnerable populations; (7) Project creates opportunities for the growth of emerging developers; and (8) Project serves at least 30% Extremely Low Income households.⁴

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves a loan of \$15,000,000 to Grove Street Development LP, a joint venture of Jonathan Rose Companies (JRCo) and Young Community Developers (YCD), a non-profit, to acquire 650 Divisadero for affordable housing development and pay for

⁴ HCD defines Extremely Low Income households as households at or below 30% Area Median Income (AMI).

predevelopment costs. Predevelopment activities funded by the proposed loan include obtaining design work and obtaining permanent financing.

The proposed resolution also (1) finds that the loan is not subject to CEQA and is consistent with the City’s General Plan and the priority policies of Planning Code Section 101.1; (2) authorizes MOHCD to enter into and modify loan documents in consultation with the City Attorney, (3) authorizes MOHCD to act in favor of the City’s financial interest in the property, including acquiring the property at a foreclosure; (4) ratifies and approves actions to be taken to implement the proposed resolution; and (5) instructs MOHCD to fully execute and bring to the Clerk of the Board the loan agreement.

Project Description

The proposed project will potentially construct 95 units of residential rental housing, utilized by formerly homeless families and households at or below 80% MOHCD area median income (AMI), as shown in Exhibit 2 below.

Exhibit 2: Unit Mix and Income Levels

Unit Type	Proposed Number of Units
<u>Formerly Homeless</u>	
Studio	7
One Bedroom	7
Two Bedroom	6
Three Bedroom	4
Subtotal Formerly Homeless	24
<u>AMI Restricted</u>	
Studio – 30% AMI	6
Studio – 65% AMI	3
One Bedroom – 65% AMI	5
Two Bedroom – 65% AMI	4
Three Bedroom – 65% AMI	7
Studio	9
One Bedroom	5
Two Bedroom	14
Three Bedroom	17
Subtotal AMI Restricted	70
Two Bedroom (manager’s unit)	1
Total Units	95

Source: MOHCD

The proposed loan agreement mandates 24 of the project’s units must be dedicated to homeless households or those at risk of homelessness during the period in which the City’s Local Operating

Subsidy Program (LOSP) is in operation. The project’s remaining units include 70 units at varying AMI levels according to MOHCD unit mix recommendations outlined by the NOFA.

Currently, there are no finite plans to incorporate commercial ground floor space at 650 Divisadero. JRCo and YCD are exploring the possibility to seek a waiver for commercial space from the Planning Department to construct additional units on the ground floor. There will otherwise be designated space on the ground floor for two property management offices and three onsite services offices. Lutheran Social Services will be the service provider for the project and will hire up to 3 full time employees to administer supportive resident services.

Loan Documents

The proposed resolution also approves the following associated loan documents:

- Loan Agreement
- The predevelopment and acquisition promissory notes for the loans;
- A Declaration of Restrictions, which requires JRCo and YCD to maintain the housing affordability levels defined in the loan agreement for the entire lifespan of the project; and
- The Deed of Trust.

FISCAL IMPACT

Exhibit 3 below summarizes the sources and uses of the proposed loan funds. The MOHCD predevelopment and acquisition loan to 650 Divisadero will be financed by a mix of Certificates of Participation, Van Ness-Market Housing Funds, and Market Octavia Housing Funds. The Loan Agreement Budget reflects additional sources and uses for the interim use of the property at 650 Divisadero between acquisition and construction. The current tenant at 650 Divisadero will continue occupying the property up until three months prior to construction. Monthly rental payments made from the current tenant to JRCo and YCD will cover costs incurred during this time.

Exhibit 3: Predevelopment Sources and Uses

	Proposed Amount
Sources	
Van Ness-Market Housing Funds	\$6,442,911
Market Octavia Housing Funds	\$3,454,619
Certificates of Participation	\$5,102,470
Interim Use (Non-MOHCD Source)	\$700,707
Total Sources	\$15,700,707
Uses	
Acquisition	\$12,775,000
Soft Costs	\$2,375,707
Developer Fee	\$550,000
Total Acquisition & Predevelopment	\$15,700,707

Source: 650 Divisadero MOHCD Application Pro Forma

Property Acquisition Loan

Grove St Development, LP intends to purchase 650 Divisadero from its current owner, Divco Group, LLC between December 26, 2023 and January 26, 2024 for \$12,250,000.⁵ Total acquisition costs of \$12,775,000 also include a \$250,000 transfer tax and \$25,000 in legal fees.

A March 2023 appraisal of 650 Divisadero by CBRE valued the property and its current structure at \$12,300,000 according to an analysis of recent sale points of comparable properties and recommendations established by the Uniform Standards of Professional Appraisal Practice.

The acquisition loan term is for 3 years but will be considered repaid upon the transfer of the site to the City at 0 percent interest. MOHCD would then enter into a 75-year initial ground lease agreement with JRCo and YCD at the time of construction start. Annual rent would be set at 10% of the fair market unrestricted value of the property and redetermined every 15 years.

Predevelopment Loan

The predevelopment loan of up to \$2,225,000 is primarily comprised of architectural design fees, estimated at \$1,283,000. The remaining financing includes the site studies and permit fees associated with the 2-year predevelopment period. The predevelopment loan term is for 3 years and will accrue at 3 percent interest each year. The loan agreement indicates JRCo and YCD may consolidate the predevelopment loan with the eventual MOHCD-issued permanent loan over a 57-year term. Remaining pre-development costs of approximately \$150,000 will be covered by interim use revenues, described below.

Interim Use

650 Divisadero is currently being occupied and leased by Seismic Retrofitters, who will continue renting the property from Grove St Development for \$15,000 per month until September 2025.

⁵ Divco Group, LLC accepted the February 2023 offer to purchase 650 Divisadero by the sponsors of the proposed project. A final purchase and sale agreement was executed in April 2023.

Developer Fee

The proposed loan agreement provides for a standard payment of a developer fee to JRCo and YCD of \$550,000. MOHCD has asked JRCo and YCD to submit evidence that the developer fee will be split between JRCo and YCD prior to loan disbursement. The loan agreement assigns the payment schedule shown below in Exhibit 4.

Exhibit 4: Developer Fee Payment Schedule

Developer Fee Distribution		
Milestone	% Fee	Amount
Acquisition/ close of predevelopment financing	15%	\$165,000
Approval of schematic design/site plan	15%	\$165,000
Preliminary gap loan approval prior to submission of California Department of Housing & Community Development funding application	10%	\$110,000
Submission of joint California Debt Limit Allocation Committee and Tax Credit Allocation Committee application	10%	\$110,000
Total	100%	\$550,000

Source: Proposed Loan Agreement

Permanent Financing

At this time, estimated total development costs for the proposed project to be \$105,770,739. Total City loans to the 650 Divisadero project, estimated to be \$33,235,439 including the acquisition and predevelopment loans, comprise 31 percent of total estimated project funding. Other funding sources for 650 Divisadero are expected to be the California Department of Housing and Community Development Multifamily Housing Program, Low Income Housing Tax Credits, and general partner equity.

Total MOHCD loan financing per unit is currently estimated at \$349,847, just under the \$350,000 per unit cap set in the NOFA. MOHCD noted this issue in their loan evaluation report and indicated elsewhere that the proforma submitted by JRCo and YCD did not accurately account for construction costs or year-to-year cost escalation of 5%. The project’s contractors provided an initial estimate of \$59.7 million while the latest version of the project’s proforma estimates total construction costs at \$69.1 million. MOHCD evaluated the costs at approximately \$72 million. In their loan evaluation memo, MOHCD indicated that there would be no additional financing towards the predevelopment stage, and did not guarantee gap financing, but did not commit to a financing cap for the construction phase of development. If MOHCD cost projections are correct, the project’s cost may exceed the \$350,000 City subsidy cost per unit.

Any amendments to the proposed loan above \$500,000 will be subject to Board of Supervisors approval as will any new loans that cost more than \$10 million.

Land Banking

According to Section 3.8 of the proposed loan agreement, if the City determines by the Outside Construction Commencement Date that the 650 Divisadero project is unlikely to be developed within a reasonable time period for any reason, including JRCo and YCD inability to obtain necessary financing, the City may require that JRCo and YCD transfer the fee title of the property either to another nonprofit corporation or affordable housing developer or to the City for an amount equal to the outstanding principal balance of the loan, plus accrued and unpaid interest.

POLICY CONSIDERATION

Financial Feasibility

The proposed loan agreement outlines conditions for additional City financing that would commit MOHCD to issuing construction and permanent financing for 650 Divisadero. These terms require JRCo and YCD to secure state funding programs and tax credit equity, revise preliminary development budgets, establish a services and staffing plan in accordance with MOHCD underwriting guidelines, and work with MOHCD and the Department of Homelessness & Supportive Housing to seek ways to utilize all supportable debt and other financing sources available. If construction costs exceed the proposed budget, or if additional costs are not absorbed by non-City funding, the project at 650 Divisadero will exceed the \$350,000 per unit cap of City financing set by the NOFA.

RECOMMENDATIONS

1. Amend the proposed legislation to state that it is the City’s intent to enter into a purchase and sales agreement in the future at the closing of the construction loan, in which the City will take ownership of the land and enter into a ground lease with the project sponsor.
2. Approve the resolution, as amended.

SITE ACQUISITION & PREDEVELOPMENT NOFA AWARDEES

1234 GREAT HIGHWAY
&
650 DIVISADERO

BUDGET AND FINANCE COMMITTEE
NOVEMBER 29, 2023

MATT GRAVES,
SENIOR PROJECT MANAGER

MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT

SITE ACQUISITION AND PREDEVELOPMENT FINANCING FOR NEW AFFORDABLE RENTAL HOUSING

- Issued January 27, 2023 with applications due June 7, 2023
- Total of \$66.5M = \$40M Certificates of Participation (COP) + \$26.5M MOHCD sources
- Total Applicants – 8; 5 Awarded

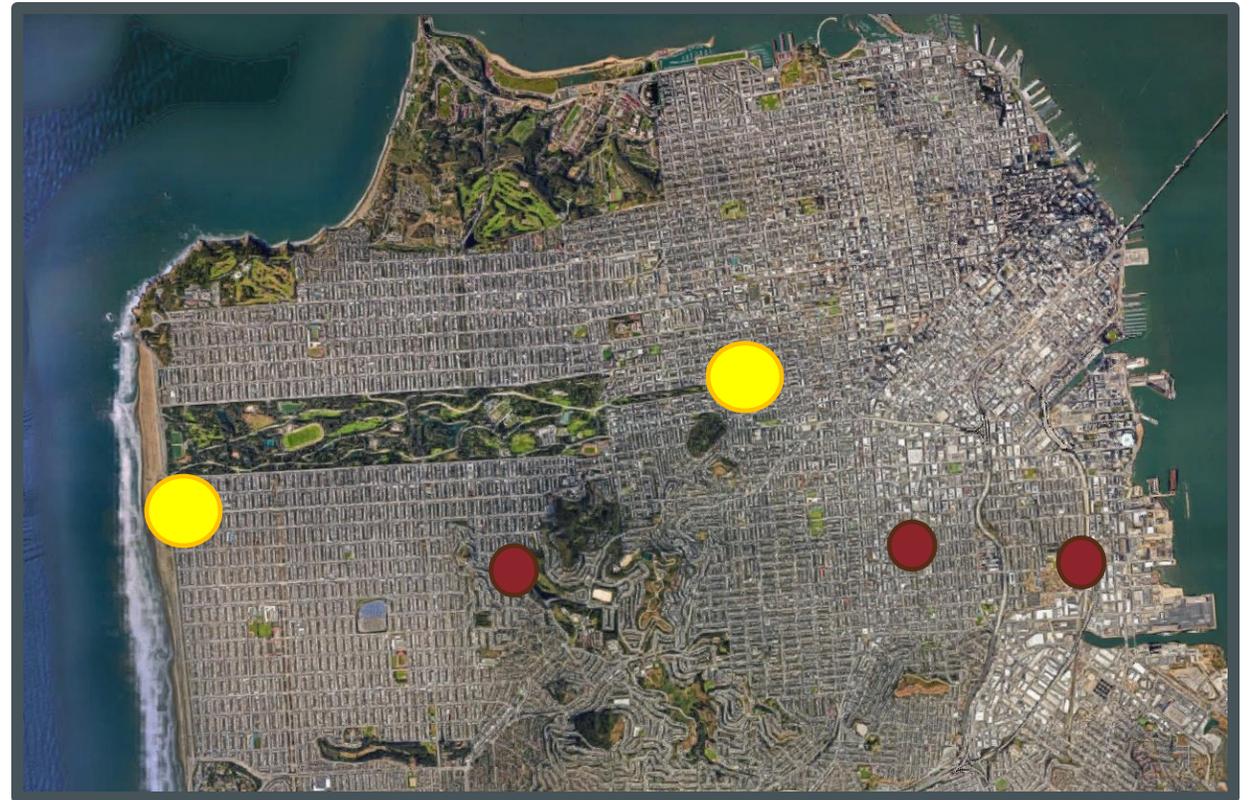
NOFA Expectations

- Site acquisition and predevelopment only
- Create Opportunities for Emerging and BIPOC Developers
- Implement an interim use before construction start
- Minimum of 25% of units subsidized by LOSP
- Maximize City's subsidy by securing State and private sources for construction and permanent financing
- Land to be transferred to MOHCD at construction close; ground lessor under a long-term ground lease
- Construction from 2026 – 2028, Occupancy in 2029

SITE ACQUISITIONS

Five new sites acquired:

Site	Units	Request
650 Divisadero	95 units	\$15,000,000
1234 Great Highway	216 units	\$24,000,000
249 Pennsylvania	120 units	\$13,000,000
3300 Mission	40 units	\$6,500,000
250 Laguna Honda	115 units	\$8,000,000
TOTAL	586 units	\$66,500,000



1234 GREAT HIGHWAY @ LINCOLN AVE.

FILE # 23-1198

Current use:

- Commercial Motel

Development Team

- Tenderloin Neighborhood Development Corp.
- Self Help for the Elderly

Proposed use:

- 214 units (Studios to 2 bds) for seniors
- 7 stories
- 15% - 60% AMI (\$15,160 - \$60,500 1-person HH)
- \$24,000,000 requested loan amount
 - \$23,348,500 Acquisition
 - \$651,500 Predevelopment

Timeline:

- 2024: Predevelopment and community engagement
- 2025: Entitlement and financing
- 2026-2028: Construction
- 2029: Fully occupied and operational



650 DIVISADERO @ GROVE ST

FILE # 23-1199

Current use:

- Leased for PDR

Development Team:

- Jonathan Rose Companies
- Young Community Developers

Future use:

- 95 Units (Studios through 3 BRs)
- 9 stories (estimated)
- 25% - 60% AMI (\$36,050 - \$86,450 Family of four)
- High Resource Area
- \$15,000,000 requested loan amount
 - \$12,775,000 - Acquisition
 - \$2,225,000 – Predevelopment

Timeline

2024: Predevelopment and community engagement

2025: Entitlement and financing

2026-2028: Construction

2029: Occupancy



SHEILA NICKOLOPOULOS
DIRECTOR OF POLICY & LEGISLATIVE AFFAIRS
SHEILA.NICKOLOPOULOS@SFGOV.ORG

SARA AMARAL
DIRECTOR OF HOUSING DEVELOPMENT
SARA.AMARAL@SFGOV.ORG

MATTHEW GRAVES
SENIOR PROJECT MANAGER
650 DIVISADERO
MATTHEW.GRAVES@SFGOV.ORG

JENNY COLLINS
PROJECT MANAGER
1234 GREAT HIGHWAY
JENNIFER.M.COLLINS@SFGOV.ORG

Thank you

**LOAN AGREEMENT
(CITY AND COUNTY OF SAN FRANCISCO VAN NESS-MARKET HOUSING FUNDS,
MARKET-OCTAVIA HOUSING FUNDS, 2023 CERTIFICATES OF PARTICIPATION)**

By and Between

THE CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, represented by the Mayor,
acting by and through the Mayor's Office of Housing and Community Development,

and

GROVE STREET DEVELOPMENT LP,
A California limited partnership,

for

650 Divisadero St, San Francisco, CA 94117

Funding Amount: \$15,000,000

Van Ness-Market Housing Funds: \$6,442,911

Market Octavia Housing Funds: \$3,454,619

Certificates of Participation: \$5,102,470

Dated as of _____, 2024

TABLE OF CONTENTS

Page

* * * * *

EXHIBITS

A	Schedules of Income and Rent Restrictions
B-1	Table of Sources and Uses of Funds
B-2	Annual Operating Budget
B-3	20-Year Cash Flow Proforma
C	Form of Tenant Income Certification
D	First Source Hiring Requirements and Numerical Goals
E	Governmental Requirements
F	Lobbying/Debarment Certification Form
G	Form of Annual Monitoring Report
H	Tenant Selection Plan Policy
I	MOHCD Tenant Screening Criteria Policy
J	Developer Fee Policy
K	Hold Harmless Policy
L	Insurance Requirements
M	Reserved
N	Reserved
O	MOHCD Commercial Underwriting Guidelines
P	MOHCD Residual Receipts Policy

LOAN AGREEMENT

(City and County of San Francisco Van Ness-Market Housing Funds,
Market-Octavia Housing Funds, 2023 Certificates of Participation)
650 Divisadero St, San Francisco

THIS LOAN AGREEMENT ("Agreement") is entered into as of _____, 2023, by and between the **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation (the "City"), represented by the Mayor, acting by and through the Mayor's Office of Housing and Community Development ("MOHCD"), and **GROVE STREET DEVELOPMENT, LP**, a California limited partnership ("Borrower").

RECITALS

A. Pursuant to Sections 416.1 et seq. of the San Francisco Planning Code, the Citywide Affordable Housing Fund receives affordable housing fees from sponsors of certain residential developments in the Market and Octavia Program Area ("Market-Octavia Fees"). The City may use the Market-Octavia Fees received by the Citywide Affordable Housing Fund (the "Affordable Housing Fund") to finance housing affordable to qualifying households according to the priorities set forth in Section 416.5 of the San Francisco Planning Code. MOHCD administers the Affordable Housing Fund pursuant to Section 10.100-49 of the San Francisco Administrative Code and enforces agreements relating to them. The funds provided from the Affordable Housing Fund under this Agreement will be referred to herein as the "Market-Octavia Funds."

B. Under the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee and Program set forth in Sections 424.1 et seq. of the San Francisco Planning Code, the Citywide Affordable Housing Fund receives impact fees paid by developers to satisfy requirements of the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee and Program ("Van Ness-Market Fees"). The City may use the Van Ness-Market Fees received by the Citywide Affordable Housing Fund (the "Affordable Housing Fund") to finance housing affordable to qualifying households. MOHCD administers the Affordable Housing Fund pursuant to Section 10.100-49 of the San Francisco Administrative Code and enforces agreements relating to them. The funds provided from the Affordable Housing Fund using Van Ness-Market Fees under this Agreement will be referred to herein as the "Van Ness-Market Funds."

C. On June 2, 2023, the City enacted Ordinance 102-23, which provided for the issuance of up to \$146,800,000 in Certificates of Participation to finance and refinance certain capital improvement, affordable housing and community facilities development projects within the City and County of San Francisco, including site acquisition, demolition and site preparation, design work, construction, repairs, renovations, improvements and the equipment of such facilities, including through the retirement of certain commercial paper notes of the City issued for such purposes (the "2023 Certificates of Participation"). To the extent permitted by law, the City intends to reimburse with proceeds of the 2023 Certificates of Participation amounts disbursed under this Agreement to Borrower for the acquisition costs and development of affordable housing. The proceeds from the 2023 Certificates of Participation provided under this

Agreement will be referred to herein as the “2023 COP Funds,” and together with the Market-Octavia Funds and the Van-Ness-Market Funds, collectively, the “Funds.”

D. MOHCD issued a Notice of Funding Availability on January 7, 2023, to solicit qualified affordable housing developers for Site Acquisition and Predevelopment Financing for New Affordable Rental Housing (“NOFA”). In response to the NOFA, MOHCD awarded Funds to Jonathan Rose Companies, LLC, a New York limited liability company and an affiliate of Rose Companies Holdings, LLC a Delaware limited liability company (“RCH”) and Young Community Developers, a California nonprofit public benefit corporation (“YCD”), jointly, to finance acquisition costs and predevelopment activities related to the new construction of affordable housing. RCH and YCD, through affiliate single purpose entities, formed the Borrower for the purpose of undertaking the activities described in the NOFA and in this Agreement.

E. Borrower intends to acquire a fee interest in the real property located at 650 Divisadero, San Francisco, California (the "Site"). Borrower desires to use the Funds to acquire the Site and undertake predevelopment activities related to the construction of a 95-unit multifamily residential housing project affordable to low-income and/or formerly homeless families, including the shell of a community serving commercial space (the “Project”).

F. The Citywide Affordable Housing Loan Committee has reviewed Borrower's application for Funds and, in reliance on the accuracy of the statements in that application, has recommended to the Mayor that the City make a loan of Funds to Borrower (the "Loan") in the amount of Twelve Million Seven Hundred Seventy Five Thousand and No/100 Dollars (\$12,775,000.00) related to the acquisition of the Site (“Acquisition Amount”), and Two Million Two Hundred Twenty Five Thousand and No/100 Dollars (\$2,225,000.00) for certain costs related to the predevelopment of the Project (“Predevelopment Amount”), for a total amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) (the "Funding Amount") under this Agreement to fund certain costs related to the Project. The Funding Amount is comprised of (i) Van Ness-Market Housing Funds in the amount of \$6,442,911, (ii) Market Octavia Housing Funds in the amount of \$2,904,619, and (iii) 2023 Certificates of Participation in the amount of \$5,102,470.

G. On _____, the City’s Board of Supervisors and the Mayor approved this Agreement by Resolution No. _____ for the purpose of developing the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement, the parties agree as follows:

ARTICLE 1 DEFINITIONS.

1.1 Defined Terms. As used in this Agreement, the following words and phrases have the following meanings:

"Accounts" means all depository accounts, including reserve and trust accounts, required or authorized under this Agreement or otherwise by the City in writing. All Accounts will be maintained in accordance with **Section 2.3**.

"Agreement" means this Loan Agreement.

"Agreement Date" means the date first written above.

"AHP" means the Affordable Housing Program, which provides funds from a Federal Home Loan Bank.

"Annual Monitoring Report" has the meaning set forth in **Section 10.3**.

"Annual Operating Budget" means an annual operating budget for the Project attached hereto as **Exhibit B-2**, which may not be adjusted without the City's prior written approval.

"Approved Plans" has the meaning set for in **Section 5.2**.

"Approved Specifications" has the meaning set forth in **Section 5.2**.

"Acquisition Amount" has the meaning set forth in **Recital F**.

"Acquisition Maturity Date" has the meaning set forth in Section 3.1(a).

"Acquisition Note" means the promissory note executed by Borrower in favor of the City in the original principal amount of the Acquisition Amount.

"Authorizing Resolutions" means: (a) in the case of a corporation, a certified copy of resolutions adopted by its board of directors; (b) in the case of a partnership (whether general or limited), a certificate signed by all of its general partners; and (c) in the case of a limited liability company, a certified copy of resolutions adopted by its board of directors or members, satisfactory to the City and evidencing Borrower's authority to execute, deliver and perform the obligations under the City Documents to which Borrower is a party or by which it is bound.

"Borrower" means GROVE STREET DEVELOPMENT, LP, a California limited partnership whose administrative general partner is Rose Grove Street GP, LLC, a Delaware limited liability company ("AGP"), and whose managing general partner is Grove St YCD MGP, LLC, a California limited liability company whose manager is Young Community Developers, a California nonprofit public benefit corporation ("MGP", and together with AGP, "General Partner"), and its authorized successors and assigns.

"Cash Out Policy" means the MOHCD Cash Out Acquisition/Rehabilitation, Resyndication, And Refinancing Policy dated June 19, 2020, as it may be amended from time to time.

"CFR" means the Code of Federal Regulations.

"Charter Documents" means: (a) in the case of a corporation, its articles of incorporation and bylaws; (b) in the case of a partnership, its partnership agreement and any certificate or statement of partnership; and (c) in the case of a limited liability company, its operating agreement and any LLC certificate or statement.

"City" means the City and County of San Francisco, a municipal corporation, represented by the Mayor, acting by and through MOHCD. Whenever this Agreement provides for a submission to the City or an approval or action by the City, this Agreement refers to submission to or approval or action by MOHCD unless otherwise indicated.

"City Documents" means this Agreement, the Notes, the Deed of Trusts, the Declaration of Restrictions, and any other documents executed or delivered in connection with this Agreement.

"City Project" has the meaning set forth in **Exhibit E, Section 13(c)**.

"CNA" means a 20-year capital needs assessment or analysis of replacement reserve requirements, as further described under the CNA Policy.

"CNA Policy" means MOHCD's Policy For Capital Needs Assessments dated November 5, 2013, as it may be amended from time to time.

"Commercial Income" means all receipts received by Borrower from the operation of the Commercial Space, including rents, fees, deposits (other than security deposits), any accrued interest disbursed from any reserve account authorized under this Agreement for a purpose other than that for which the reserve account was established, reimbursements and other charges paid to Borrower in connection with the Commercial Space.

"Commercial Shell" means all components of an unfinished Commercial Space as further defined by MOHCD's commercial space policy, as it may be amended from time to time.

"Commercial Space" has the meaning set forth in **Recital E** and further defined in MOHCD's commercial space policy as it may be amended from time to time. As used in this Agreement, the term excludes non-residential space in the Project to be used primarily for the benefit of the Tenants.

"Commercial Surplus Cash" means Commercial Income remaining after payment of the sum of commercial debt service, operating expenses for the Commercial Space and reserve deposits for the Commercial Space but excludes depreciation, amortization, depletion, other non-cash expenses or expenditures from reserve accounts.

"Community-Serving Purposes" means a non-residential use, approved by MOHCD in writing, that provides a direct benefit to the residents of the Project and the community in which the Project is located, including, but not limited to, family resource center, early childhood education center, community bicycle workspace, or other community serving commercial use under MOHCD's Commercial Space Underwriting Guidelines.

"Completion Date" has the meaning set forth in **Section 5.6**.

"Compliance Term" has the meaning set forth in **Section 3.2**.

"Construction Contract" has the meaning set forth in **Section 5.2**.

"Conversion Date" means the date on which construction financing for the Project is converted into permanent financing, if applicable.

"Declaration of Restrictions" means a recorded declaration of restrictions in form and substance acceptable to the City that requires Borrower and the Project to comply with the use restrictions in this Agreement for the Compliance Term, even if the Loan is repaid or otherwise satisfied, this Agreement terminates or the Deed of Trust is reconveyed.

"Deed of Trust" means the deed of trust executed by Borrower granting the City a lien on the Site and the Project to secure Borrower's performance under this Agreement and the Notes, in form and substance acceptable to the City.

"Department of Building Inspection" has the meaning set forth in **Section 5.2**.

"Developer" means Rose Community Development Company, LLC, a Delaware limited liability company ("RCDC") and Young Community Developers, a California nonprofit public benefit corporation ("YCD"), and their authorized successors and assigns.

"Developer Fee Policy" means the MOHCD Policy on Development Fees for Tax Credit Projects dated October 16, 2020, as amended from time to time, attached hereto as **Exhibit J**.

"Developer Fees" has the meaning set forth in **Section 15.1**.

"Development Expenses" means all costs incurred by Borrower and approved by the City in connection with the development of the Project, including: (a) hard and soft development costs; (b) deposits into required capitalized reserve accounts; (c) costs of converting Project financing, including bonds, into permanent financing; (d) the expense of a cost audit; and (e) allowed Developer Fees.

"Development Proceeds" means the sum of: (a) funds contributed or to be contributed to Borrower by Borrower's limited partner as capital contributions, equity or for any other purpose under Borrower's limited partnership agreement; and (b) the proceeds of all other financing for the Project.

"Disbursement" means the disbursement of all or a portion of the Funding Amount by the City as described in **Article 4**.

"Distributions" has the meaning set forth in **Section 13.1**.

"Early Retention Release Contractors" means contractors who will receive retention payments upon satisfaction of requirements set forth in **Section 4.7**.

"Environmental Activity" means any actual, proposed or threatened spill, leak, pumping, discharge, leaching, storage, existence, release, generation, abatement, removal, disposal, handling or transportation of any Hazardous Substance from, under, into or on the Site.

"Environmental Laws" means all present and future federal, state, local and administrative laws, ordinances, statutes, rules and regulations, orders, judgments, decrees, agreements, authorizations, consents, licenses, permits and other governmental restrictions and requirements relating to health and safety, industrial hygiene or the environment or to any Hazardous Substance or Environmental Activity, including the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (commonly known as the "Superfund" law) (42 U.S.C. §§ 9601 *et seq.*), the Resource Conservation and Recovery Act of 1976, as amended by the Solid Waste and Disposal Act of 1984 (42 U.S.C. §§ 6901 *et seq.*); the National Environmental Policy Act of 1969 ("NEPA") (24 CFR §§ 92 and 24 CFR §§ 58); the California Hazardous Substance Account Act (also known as the Carpenter-Presley-Tanner Hazardous Substance Account Law and commonly known as the "California Superfund" law) (Cal. Health & Safety Code §§ 25300 *et seq.*); and the Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as "Proposition 65") (Cal. Health & Safety Code §§ 25249.2 *et seq.*); and Sections 25117 and 25140 of the California Health & Safety Code.

"Escrow Agent" has the meaning set forth in **Section 4.2**.

"Event of Default" has the meaning set forth in **Section 19.1**.

"Excess Proceeds" means Development Proceeds remaining after payment of Development Expenses. For the purposes of determining Excess Proceeds, no allowed Project Expenses may be included in Development Expenses.

"Expenditure Request" means a written request by Borrower for a Disbursement from the Funding Amount, which will certify that the Project costs covered by the Expenditure Request have been paid or incurred by Borrower.

"Funding Amount" has the meaning set forth in **Recital F**.

"Funds" has the meaning set forth in **Recital C**.

"GAAP" means generally accepted accounting principles in effect on the date of this Agreement and at the time of any required performance.

"General Partner" means, collectively, Rose Grove Street GP, LLC, a Delaware limited liability company, as administrative general partner, and Grove St YCD MGP, LLC, a California limited liability company, as managing general partner.

"Governmental Agency" means: (a) any government or municipality or political subdivision of any government or municipality; (b) any assessment, improvement, community facility or other special taxing district; (c) any governmental or quasi-governmental agency, authority, board, bureau, commission, corporation, department, instrumentality or public body; or (d) any court, administrative tribunal, arbitrator, public utility or regulatory body.

"Hazardous Substance" means any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any Governmental Agency to pose a present or potential hazard to human health or safety or to the environment. Hazardous Substance includes any material or substance listed, defined or otherwise identified as a "hazardous substance," "hazardous waste," "hazardous material," "pollutant," "contaminant," "pesticide" or is listed as a chemical known to cause cancer or reproductive toxicity or is otherwise identified as "hazardous" or "toxic" under any Environmental Law, as well as any asbestos, radioactive materials, polychlorinated biphenyls and any materials containing any of them, and petroleum, including crude oil or any fraction, and natural gas or natural gas liquids. Materials of a type and quantity normally used in the construction, operation or maintenance of developments similar to the Project will not be deemed "Hazardous Substances" for the purposes of this Agreement if used in compliance with applicable Environmental Laws.

"HCD" means the California Department of Housing and Community Development.

"Hold Harmless Policy" means the Hold Harmless Policy for MOHCD's Income Limits & Maximum Rents dated May 3, 2019, as amended from time to time, attached hereto as **Exhibit K**.

“Homeless” means an individual or a family who lacks a fixed, regular, and adequate nighttime residence and who has a primary nighttime residence in one or more of the following categories: (a) Anyone staying in a mission or homeless or domestic violence shelter, i.e., a supervised public or private facility that provides temporary living accommodations; (b) Anyone displaced from housing due to a disaster situation; (c) Anyone staying outdoors; for example, street, sidewalk, doorway, park, freeway underpass; (d) Anyone staying in a car, van, bus, truck, RV, or similar vehicle; (e) Anyone staying in an enclosure or structure that is not authorized or fit for human habitation by building or housing codes, including abandoned buildings (“squats”) or sub-standard apartments and dwellings; (f) Anyone staying with friends and/or extended family members (excluding parents and children) because they are otherwise unable to obtain housing; (g) Any family with children staying in a Single Room Occupancy (SRO) hotel room (whether or not they have tenancy rights); (h) Anyone staying in temporary housing for less than 6 months where the accommodations provided to the person are substandard or inadequate (for example, in a garage a very small room, or an overly crowded space); (i) Anyone staying in a Single Room Occupancy (SRO) hotel room without tenancy rights; (j) Anyone formerly homeless (formerly in one of the above categories (a) through (i)) who is now incarcerated, hospitalized, or living in a treatment program, half-way house, transitional housing; or (k) Anyone formerly homeless (formerly in one of the above categories (a) through (i)) who has obtained and resided in supportive housing or permanent housing for less than 30 days.

“Homeless Household” means a household that meets the referring agency’s definition of Homeless Household for initial occupancy and upon available vacancies thereafter, as per the Local Operating Subsidy contract.

“HSH” means the San Francisco Department of Homelessness and Supportive Housing, or other successor agency.

"HUD" means the United States Department of Housing and Urban Development acting by and through the Secretary of Housing and Urban Development and any authorized agents.

"In Balance" means that the sum of undisbursed Funds and any other sources of funds that Borrower has closed or for which Borrower has firm commitments will be sufficient to complete acquisition/construction/rehabilitation of the Project, as determined by the City in its sole discretion.

"Income Restrictions" means the maximum household income limits for Qualified Tenants, as set forth in **Exhibit A**.

"Indemnitee" means, individually or collectively, (i) City, including MOHCD and all commissions, departments, agencies and other subdivisions of City; (ii) City's elected officials, directors, officers, employees, agents, successors and assigns; and (iii) all persons or entities acting on behalf of any of the foregoing.

"Laws" means all statutes, laws, ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or Governmental Agency.

"Life of the Project" means the period of time in which the Project continues to operate as a multi-family apartment project substantially similar to its current condition in terms of square footage and number of units, and in the event the Project is substantially damaged or destroyed by fire, the elements, an act of any public authority or other casualty, and is subsequently replaced by a multi-family residential project substantially similar to its current condition in terms of square footage and number of units, the life of such replacement project will be deemed to be a continuation of the life of the Project.

"Loan" has the meaning set forth in **Recital F**.

"Local Operating Subsidy" means an operating subsidy provided by the City to Borrower for the operation of the Project, the amount of which is sufficient to permit Borrower to operate the Project in accordance with the terms of this Agreement with Qualified Tenants at income levels specified by MOHCD in writing which are below those set forth in **Exhibit A**.

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

"Loss" or "Losses" includes any and all loss, liability, damage, obligation, penalty, claim, action, suits, judgment, fee, cost, expense or charge and reasonable attorneys' fees and costs, including those incurred in an investigation or a proceeding in court or by mediation or arbitration, on appeal or in the enforcement of the City's rights or in defense of any action in a bankruptcy proceeding.

"Marketing and Tenant Selection Plan" has the meaning set forth in **Section 6.1**.

"Median Income" means median income as published annually by MOHCD for the City and County of San Francisco, adjusted solely for household size, and derived in part from the income limits and area median income determined by HUD for the San Francisco area, but not adjusted for a high housing cost area (also referred to as unadjusted median income)

"MOHCD" means the Mayor's Office of Housing and Community Development or its successor.

"MOHCD Monthly Project Update" has the meaning set forth in **Section 10.2**.

"Notes" means, collectively, the Predevelopment Note and the Acquisition Note.

"Official Records" means the official records of San Francisco County.

"Operating Reserve Account" has the meaning set forth in **Section 12.2**.

"Opinion" means an opinion of Borrower's California legal counsel, satisfactory to the City and its legal counsel, that Borrower is a duly formed, validly existing California limited partnership in good standing under the laws of the State of California, has the power and authority to enter into the City Documents and will be bound by their terms when executed and delivered, and that addresses any other matters the City reasonably requests.

"Out of Balance" means that the sum of undisbursed Funds and any other sources of funds that Borrower has closed or for which Borrower has firm commitments will not be sufficient to complete acquisition/construction/rehabilitation of the Project, as determined by the City in its sole discretion.

"Outside Construction Commencement Date" has the meaning set forth in **Section 3.1**

"Payment Date" means the first June 30th following the Completion Date and each succeeding June 30th until the Predevelopment Maturity Date or Acquisition Maturity Date, as applicable.

"Permitted Exceptions" means liens in favor of the City, real property taxes and assessments that are not delinquent, and any other liens and encumbrances the City expressly approves in writing in its escrow instructions.

"Predevelopment Amount" has the meaning set forth in **Recital F**.

"Predevelopment Maturity Date" has the meaning set forth in Section 3.1(b).

"Predevelopment Note" means the promissory note executed by Borrower in favor of the City in the original principal amount of the Predevelopment Amount.

"Preferences and Lottery Manual" means MOHCD's Marketing, Housing Preferences and Lottery Procedures Manual dated October 19, 2020, as amended from time to time.

"Preferences Ordinance" means Chapter 47 of the San Francisco Administrative Code, as amended from time to time.

"Project" means the development described in **Recital E**. If indicated by the context, "Project" means the Site and the improvements developed on the Site.

"Project Expenses" means the following costs, which may be paid from Project Income in the following order of priority to the extent of available Project Income: (a) all charges incurred in the operation of the Project for utilities, real estate taxes and assessments and premiums for insurance required under this Agreement or by other lenders providing secured financing for the Project; (b) salaries, wages and any other compensation due and payable to the employees or agents of Borrower employed in connection with the Project, including all related withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments; (c) required payments of interest and principal, if any, on any junior or senior financing secured

by the Site and used to finance the Project that has been approved by the City; (d) all other expenses actually incurred to cover operating costs of the Project, including maintenance and repairs and the fee of any managing agent as indicated in the Annual Operating Budget; (e) annual base rent under the ground lease; (f) required deposits to the Replacement Reserve Account, Operating Reserve Account and any other reserve account required under this Agreement; (g) the approved annual asset management fees indicated in the Annual Operating Budget and approved by the City; and (h) any extraordinary expenses approved in advance by the City (other than expenses paid from any reserve account); and (i) Supportive Services. Partnership Fees are not Project Expenses.

"Project Income" means all income and receipts in any form received by Borrower from the operation of the Project, including, but not limited to, the following: (a) rents, fees, charges, and deposits (other than tenants' refundable security deposits); (b) Section 8 or other rental subsidy payments received for the Project, supportive services funding (if applicable); (c) price index adjustments and any other rental adjustments to leases or rental agreements; (d) proceeds from vending and laundry room machines; (e) the proceeds of business interruption or similar insurance; (f) any accrued interest disbursed from any reserve account required under this Agreement for a purpose other than that for which the reserve account was established; (g) reimbursements and other charges paid to Borrower in connection with the Project; and (h) other consideration actually received from the operation of the Project, including non-residential uses of the Site. Project Income does not include interest accruing on any portion of the Funding Amount or tenants' refundable security deposits.

"Project Operating Account" has the meaning set forth in **Section 11.1**.

"Public Benefit Purposes" means activities or programs that primarily benefit low-income persons, are implemented by one or more nonprofit 501(c)(3) public benefit organizations, or have been identified by a City agency or a community planning process as a priority need in the neighborhood in which the Project is located.

"Publication" means any report, article, educational material, handbook, brochure, pamphlet, press release, public service announcement, webpage, audio or visual material or other communication for public dissemination, which relates to all or any portion of the Project or is paid for in whole or in part using the Funding Amount.

"Qualified Tenant" means a Tenant household earning no more than the maximum permissible annual income level allowed under this Agreement as set forth in **Exhibit A**. The term "Qualified Tenant" includes each category of Tenant designated in **Exhibit A**.

"Rent" means the aggregate annual sum charged to Tenants for rent and utilities in compliance with **Article 7**, with utility charges to Qualified Tenants limited to an allowance determined by the SFHA.

"Replacement Reserve Account" has the meaning set forth in **Section 12.1**.

"Residual Receipts" means Project Income remaining after payment of Project Expenses and Partnership Fees. The amount of Residual Receipts will be based on figures contained in audited financial statements.

"Residual Receipts Policy" means the Mayor's Office of Housing and Community Development Residual Receipts Policy effective April 1, 2016, as amended from time to time, attached hereto as **Exhibit P**.

"Retention" has the meaning set forth in **Section 4.7**.

"Section 8" means rental assistance provided under Section 8(c)(2)(A) of the United States Housing Act of 1937 (42 U.S.C. § 1437f) or any successor or similar rent subsidy programs.

"Senior Lien" has the meaning set forth in **Section 22.1**.

"Site" means the real property described in **Recital E** of this Agreement.

"Supportive Services" means Services provided to the Tenants, including, but not limited to, case management provided by social workers, healthy aging activities, employment services, urban agriculture/food distribution, social events and activities, assistance with public benefits applications, technology assistance, and any other services required by LOSP or other subsidy to address other community-identified needs in the amount shown in the approved 20-Year Cash Flow Proforma, see also **Section 3.9**.

"Table" means: (a) the Table of Sources and Uses, (b) the Annual Operating Budget, and (c) the 20-Year Cash Flow Proforma.

"Table of Sources and Uses" means a table of sources and uses of funds attached hereto as **Exhibit B-1**, including a line item budget for the use of the Funding Amount, which table may not be adjusted without the City's prior written approval.

"TCAC" means the California Tax Credit Allocation Committee.

"Tenant" means any residential household in the Project, whether or not a Qualified Tenant.

"Tenant Screening Criteria Policy" has the meaning set forth in **Section 6.3**.

"Title Policy" means an ALTA extended coverage lender's policy of title insurance in form and substance satisfactory to the City, issued by an insurer selected by Borrower and satisfactory to the City, together with any endorsements and policies of coinsurance and/or reinsurance required by the City, in a policy amount equal to the Funding Amount, insuring the

Deed of Trust and indicating the Declaration of Restrictions as valid liens on the Site, each subject only to the Permitted Exceptions.

“20-Year Cash Flow Proforma” means the 20-year cash flow proforma for the Project attached as **Exhibit B-3**.

"Unit" means a residential rental unit within the Project.

“Waiting List” has the meaning set forth in **Section 6.5**.

“Work Product” has the meaning set forth in **Section 22.21**.

1.2 Interpretation. The following rules of construction will apply to this Agreement and the other City Documents.

(a) The masculine, feminine or neutral gender and the singular and plural forms include the others whenever the context requires. The word "include(s)" means "include(s) without limitation" and "include(s) but not limited to," and the word "including" means "including without limitation" and "including but not limited to" as the case may be. No listing of specific instances, items or examples in any way limits the scope or generality of any language in this Agreement. References to days, months and years mean calendar days, months and years unless otherwise specified. References to a party mean the named party and its successors and assigns.

(b) Headings are for convenience only and do not define or limit any terms. References to a specific City Document or other document or exhibit mean the document, together with all exhibits and schedules, as supplemented, modified, amended or extended from time to time in accordance with this Agreement. References to Articles, Sections and Exhibits refer to this Agreement unless otherwise stated.

(c) Accounting terms and financial covenants will be determined, and financial information will be prepared, in compliance with GAAP as in effect on the date of performance. References to any Law, specifically or generally, will mean the Law as amended, supplemented or superseded from time to time.

(d) The terms and conditions of this Agreement and the other City Documents are the result of arms'-length negotiations between and among sophisticated parties who were represented by counsel, and the rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not apply to the construction and interpretation of the City Documents. The language of this Agreement will be construed as a whole according to its fair meaning.

ARTICLE 2 FUNDING.

2.1 Funding Amount. The City agrees to lend to Borrower a maximum principal amount equal to the Funding Amount in order to finance the acquisition of the Site and existing

improvements as described in Recital E, as well as provide predevelopment funding for the Project. The Funding Amount will be disbursed according to the terms and subject to the conditions set forth in this Agreement.

2.2 Use of Funds. Borrower acknowledges that the City's agreement to make the Loan is based in part on Borrower's agreement to use the Funds solely for the purpose set forth in **Section 2.1** and agrees to use the Funds solely for that purpose in accordance with the approved Table of Sources and Uses. Notwithstanding anything to the contrary contained herein, City will not approve expenditure of Funds for expenses incurred by Borrower prior to June 22, 2023, except for closing costs or predevelopment costs approved by MOHCD.

2.3 Accounts; Interest. Each Account to be maintained by Borrower under this Agreement will be held in a bank or savings and loan institution acceptable to the City as a segregated account that is insured by the Federal Deposit Insurance Corporation or other comparable federal insurance program. With the exception of tenant security deposit trust accounts, Borrower will use any interest earned on funds in any Account for the benefit of the Project.

2.4 Records. Borrower will maintain and provide to the City upon request records that accurately and fully show the date, amount, purpose and payee of all expenditures from each Account authorized under this Agreement or by the City in writing and keep all estimates, invoices, receipts and other documents related to expenditures from each Account. In addition, Borrower will provide to the City promptly following Borrower's receipt, complete copies of all monthly bank statements, together with a reconciliation, for each Account until all funds (including accrued interest) in each Account have been disbursed for eligible uses.

2.5 Conditions to Additional Financing. The City may grant or deny any application by Borrower for additional financing for the Project in its sole discretion. Borrower will satisfy the following conditions before applying to the City for additional financing:

Prior to MOHCD issuing a preliminary commitment for construction/permanent financing:

- Borrower will provide a detailed relocation budget and plan within nine (9) months of closing of the Loan for MOHCD approval.
- Borrower will explore ways to leverage state funding programs and tax credit equity which would lower the City's gap financing.
- Borrower will provide to MOHCD no less than six (6) months prior to the Loan Committee date, a services plan and proposed staffing levels that comply with MOHCD's underwriting standards.
- Borrower will provide a Commercial Space Plan to MOHCD no less than ninety (90) days prior to the Loan Committee date for approval of a preliminary commitment of a construction/permanent loan, including outcomes achieved related to racial equity goals. Given the site's small size, Borrower may ask for a waiver of the city requirement to provide ground floor commercial space. If the waiver is approved as part of the project's SB 35 approval, then this requirement shall no longer apply.

- Borrower will provide a revised budget to MOHCD consistent with MOHCD policy guidelines no less than 90 days prior to the Loan Committee meeting date for approval of a preliminary commitment of a construction/permanent loan.
- Borrower will provide to MOHCD a revised interim use budget consistent with MOHCD policy guidelines no less than ninety (90) days prior to the Loan Committee meeting date for approval of a preliminary commitment of a construction/permanent loan.
- Borrower will work with MOHCD and HSH to establish the LOSP budget and income restrictions for the referrals from Coordinated Entry. Borrower's proforma estimates the project can support a larger senior mortgage than what is proposed in the current Sources & Uses. Borrower will need to seek to reduce MOHCD's construction/permanent loan by utilizing all supportable debt and other sources available. Borrower will confirm with HSH the desired Median Income ranges for LOSP family units.

2.6 Other Requirements.

Prior to Completion of Project:

- Borrower will submit to MOHCD an updated first year operating budget and 20-year cash flow, if any changes have occurred, by November 1st before the year the Project will achieve TCO so that MOHCD may request the LOSP subsidy.

On-Going

- Borrower will provide to MOHCD quarterly updated response to any letters requesting corrective action.
- Borrower will provide to MOHCD detailed monthly updates via the MOHCD Monthly Project Update, including, but not limited to:
 1. Community outreach completed,
 2. Outcomes achieved related to racial equity goals, and
 3. Commercial-use programming.

ARTICLE 3 TERMS. Borrower's repayment obligations with respect to the Funding Amount will be evidenced and governed by the Notes, which will govern in the event of any conflicting provision in this Agreement.

3.1 Maturity Dates.

(a) Acquisition Amount. Borrower will repay all amounts owing under the Acquisition Note on the date that is the earlier of (i) Borrower's closing of construction financing for the Project, or (ii) the Outside Construction Commencement Date (the "Acquisition Maturity Date").

(b) Predevelopment Amount. Borrower will repay all amounts owing under the Predevelopment Note on the date that is the later of (a) the fifty-seventh (57th) anniversary of the date the Deed of Trust is recorded in the Official Records or (b) the fifty-fifth (55th) anniversary of the Conversion Date (the "Predevelopment Maturity Date"); provided, however,

subject to **Section 3.8**, if Borrower fails to commence construction of the Project on or before December 31, 2028 (the "Outside Construction Commencement Date"), the Predevelopment Maturity Date will be the Outside Construction Commencement Date. The City may agree to extend the Outside Construction Commencement Date in its sole and absolute discretion and agrees to reasonably consider any requests by Borrower to so extend.

3.2 Compliance Term; Declaration of Restrictions. Borrower will comply with all provisions of the City Documents relating to the use of the Site and the Project as set forth in the Declaration of Restrictions to be recorded in the Official Records, for the period commencing on the date the Deed of Trust is recorded in the Official Records and continuing for the Life of the Project (the "Compliance Term"), even if the Loan is repaid or otherwise satisfied or the Deed of Trust is reconveyed before the end of the Compliance Term.

3.3 Interest. Except as provided in **Section 3.4**, no interest will be charged on the Acquisition Amount. The outstanding principal balance of the Predevelopment Amount will bear simple interest at a rate of three percent (3%) per annum, as provided in the Predevelopment Note.

3.4 Default Interest Rate. Upon the occurrence of an Event of Default under any City Document, the principal balance of the Loan will bear interest at the default interest rate set forth in the Note, with such default interest rate commencing as of the date an Event of Default occurs and continuing until such Event of Default is fully cured. In addition, the default interest rate will apply to any amounts to be reimbursed to the City under any City Document if not paid when due or as otherwise provided in any City Document.

3.5 Repayment of Principal and Interest. Except as set forth in Sections 3.5.1, the outstanding principal balance of the Acquisition Amount, together with all accrued and unpaid interest, if any, will be due and payable on the Acquisition Maturity Date according to the terms set forth in full in the Acquisition Note. The outstanding principal balance of the Predevelopment Amount, together with all accrued and unpaid interest, if any, will be due and payable on the Predevelopment Maturity Date according to the terms set forth in full in the Predevelopment Note. Except as set forth in the Acquisition Note and Predevelopment Note, no prepayment of the Loan will be permitted without the prior written consent of the City in its sole and absolute discretion.

3.5.1 Notification and Repayment of Excess Proceeds. Borrower will notify the City in writing within thirty (30) days after the later of the date on which Borrower receives its Form 8609 from the California Tax Credit Allocation Committee or the date on which Borrower receives Excess Proceeds from its Limited Partner or other financing sources. Borrower will repay all Excess Proceeds to the City no later than sixty (60) days after receipt of such notification, unless the City has elected to waive such payment. The City will use such Excess Proceeds to reduce the balance of the Loan.

3.6 Changes in Funding Streams. The City's agreement to make the Loan on the terms set forth in this Agreement and the Note is based in part on Borrower's projected sources and uses of all funds for the Project, as set forth in the Table of Sources and Uses. Borrower

covenants to give written notice to the City within thirty (30) days of any significant changes in budgeted funding or income set forth in documents previously provided to the City. Examples of significant changes include loss or adjustments (other than regular annual adjustments) in funding under Continuum of Care, Section 8 or similar programs.

3.7 Additional City Approvals. Borrower understands and agrees that City is entering into this Agreement in its proprietary capacity and not as a regulatory agency with certain police powers. Borrower understands and agrees that neither entry by City into this Agreement nor any approvals given by City under this Agreement will be deemed to imply that Borrower will obtain any required approvals from City departments, boards or commissions which have jurisdiction over the Property. By entering into this Agreement, City is in no way modifying or limiting the obligations of Borrower to develop the Property in accordance with all local laws. Borrower understands that any development of the Property will require approvals, authorizations and permits from governmental agencies with jurisdiction over the Property, which may include, without limitation, the San Francisco City Planning Commission and the San Francisco Board of Supervisors. Notwithstanding anything to the contrary in this Agreement, no party is in any way limiting its discretion or the discretion of any department, board or commission with jurisdiction over the Project, including but not limited to a party hereto, from exercising any discretion available to such department, board or commission with respect thereto, including but not limited to the discretion to (i) make such modifications deemed necessary to mitigate significant environmental impacts, (ii) select other feasible alternatives to avoid such impacts, including the "No Project" alternative; (iii) balance the benefits against unavoidable significant impacts prior to taking final action if such significant impacts cannot otherwise be avoided, or (iv) determine not to proceed with the proposed Project.

3.8 Land Banking Provisions.

(a) Borrower acknowledges that the City's willingness to provide financing is contingent upon the City's approval of the proposed Project, including Borrower's identification of sources of funding acceptable to the City sufficient to complete the Project. In the event the City determines in its sole discretion by the Outside Construction Commencement Date that the Project is unlikely to be developed within a reasonable time period for any reason, including Borrower's inability to obtain necessary financing for the Project, upon thirty (30) days' prior written notice to Borrower, the City may require Borrower to transfer the fee title to the Site to either: (i) another nonprofit corporation, limited partnership or limited liability company designated by the City with the intention that the transferee develop the Site as affordable housing under a new loan agreement acceptable to the City; or (ii) to the City for an amount equal to the outstanding principal balance of the Loan, plus accrued and unpaid interest, and City will cancel and return the Note to the Borrower.

(b) In the event Borrower realizes income from the use of the Site before the initiation of the construction or sale, the income will be used solely for costs associated with maintenance of the Site, with any excess placed in an interest-bearing account to be applied towards Project costs or to be turned over to the City with the proceeds of sale. Borrower will obtain the City's prior written approval to use the Site for any purpose other than the Project at any time during the Compliance Term.

3.9 Failure to Provide Budgeted Supportive Services. If Borrower fails to provide Supportive Services in the amount shown in the approved 20-Year Cash Flow Proforma, Borrower will provide notice to the City within ten (10) business days of the date the Supportive Services were terminated, which notice will include, at a minimum, a proposed plan to restore the Supportive Services within a reasonable period of time. If at the time such notice is provided, Borrower is unable to propose a feasible plan for restoring the Supportive Service, Borrower will include in the notice a detailed explanation as to the cause of the termination of Supportive Services and the reasons why it would not be feasible to restore the Supportive Services within a reasonable period of time.

ARTICLE 4 CLOSING; DISBURSEMENTS.

4.1 Generally. Subject to the terms of this Agreement, the City will make Disbursements in an aggregate sum not to exceed the Funding Amount to or for the account of Borrower in accordance with this Agreement and the approved line item budget contained in the Table of Sources and Uses.

4.2 Closing. Unless otherwise agreed by the City and Borrower in writing, Borrower will establish an escrow account with the title company issuing the Title Policy, or any other escrow agent Borrower chooses, subject to the City's approval (the "Escrow Agent"). The parties will execute and deliver to the Escrow Agent written instructions consistent with the terms of this Agreement. In the event the escrow does not close on or before the expiration date of escrow instructions signed by the City, or any other mutually agreed date, the City may declare this Agreement to be null and void.

4.3 Conditions Precedent to Closing. The City will authorize the close of the Loan only upon satisfaction of all conditions precedent in this Section as follows:

(a) Borrower will have delivered to the City fully executed (and for documents to be recorded, acknowledged) originals of the following documents, in form and substance satisfactory to the City: (i) the Predevelopment Note; (ii) the Acquisition Note; (iii) this Agreement (in duplicate); (iv) the Deed of Trust; (v) the Declaration of Restrictions; (vi) the Authorizing Resolutions; (vii) subordination, nondisturbance and attornment agreements from each commercial tenant in possession, or holding any right of possession, of any portion of the Site; and (viii) any other City Documents reasonably requested by the City.

(b) Borrower will have delivered to the City: (i) Borrower's Charter Documents; The Charter Documents will be delivered to the City in their original form and as amended from time to time and be accompanied by a certificate of good standing for Borrower issued by the California Secretary of State and, if Borrower is organized under the laws of a state other than California, a certificate of good standing issued by the Secretary of State of the state of organization, issued no more than ninety (90) days before the Agreement Date.

(c) Borrower will have delivered to the City evidence of all insurance policies and endorsements required under **Exhibit L** of this Agreement and, if requested by the City, copies of such policies.

(d) Borrower will have delivered to the City a preliminary report on title for the Site dated no earlier than thirty (30) days before the Agreement Date.

(e) Borrower will have delivered to the City a "Phase I" environmental report for the Site, or any other report reasonably requested by the City, prepared by a professional hazardous materials consultant acceptable to the City.

(f) The Escrow Agent will have received and is prepared to record the Declaration of Restrictions and Deed of Trust as valid liens in the Official Records, subject only to the Permitted Exceptions.

(g) The Escrow Agent will have committed to provide to the City the Title Policy in form and substance satisfactory to the City.

(h) Borrower will obtain the City's prior written approval of Borrower's predevelopment expenses that will be reimbursed through a disbursement of Funds in escrow.

(i) Borrower will have completed the following:

(1) submitted a detailed community engagement plan before the end of 2023 and update quarterly;

(2) determined if relocation costs are eligible for basis, provided that the City acknowledges that Borrower has determined relocation costs are not eligible for basis;

(3) Provide a detailed interim use budget;

(4) provide evidence of insurance quote in order to forecast operating expenses in the future;

(5) evidence of Proposition I signage posting;

(6) evidence of Limited Partnership formation;

(7) evidence that Developer Fee will be evenly split between RCDC and YCD;

(8) closing statement from Escrow Agent showing the acquisition closing costs and predevelopment expenses; and

(9) updated budget for both predevelopment and final development that complies with MOHCD underwriting guidelines.

4.4 Disbursement of Funds. Following satisfaction of the conditions in **Section 4.3**, the City will authorize the Escrow Agent to disburse Funds as provided in the City's escrow instructions and the title company's closing statement. The Borrower shall be responsible for providing a copy of the closing statement to the City for approval prior to the Escrow Agent disbursing the Funds. All prior predevelopment expenses being reimbursed with the Funds are subject to the City's approval prior to the City disbursing the Funds to escrow.

4.5 Disbursements. The City's obligation to approve any expenditure of Funds after Loan closing is subject to Borrower's satisfaction of the conditions precedent under this Section as follows:

(a) Borrower will have delivered to the City an Expenditure Request in form and substance satisfactory to the City, together with: (i) copies of invoices, contracts or other documents covering all amounts requested; (ii) a line item breakdown of costs to be covered by the Expenditure Request; and (iii) copies of checks issued to pay expenses covered in the previous Expenditure Request. The City may grant or withhold its approval of any line item contained in the Expenditure Request that, if funded, would cause it to exceed the budgeted line item as previously approved by the City. Additionally, Borrower will obtain the City's prior written approval for all requested reallocations of Funds for line items previously approved by the City.

(b) No Event of Default, or event that with notice or the passage of time or both could constitute an Event of Default, may have occurred that remains uncured as of the date of the Expenditure Request.

(c) With respect to any Expenditure Request that covers rehabilitation or construction costs, Borrower will have certified to the City that the Project complies with the labor standards set forth in **Section 5.1**, if applicable.

(d) With respect to any Expenditure Request that covers travel expenses, Borrower's travel expenses will be reasonable and will comply with the following:

(i) Lodging, meals and incidental expenses will not exceed the then-current per diem rates set forth by the United States General Services Administration for the County of San Francisco found at: <https://www.gsa.gov/portal/category/104711>.

(ii) Air transportation expenses will use fares for coach-class accommodations, provided that purchases for air travel will occur no less than one week before the travel day.

(iii) If ground transportation is required, the City urges the use of public transit or courtesy shuttles if provided by a lodging. If courtesy transportation is not provided by a lodging, ground transportation expenses for travel to or from regional airports will not exceed Fifty Dollars (\$50.00) each way. Other ground transportation expenses will not exceed then-current San Francisco taxi rates found at: <https://www.sfmta.com/getting->

around/taxi/taxi-rates. Ground transportation will not include any expenses for luxury transportation services, such as a limousine, or any expenses related to travel to or from Project site meetings by Borrower's employees.

(iv) Miscellaneous travel expenses will not exceed Fifty Dollars (\$50.00) without prior written approval of the City.

(v) Any Expenditure Request for travel expenses will include supporting documentation, including, without limitation, original itemized receipts showing rates and cost, air travel itinerary, proof of payment, and any written justification requested by the City.

For the purpose of this Section, the terms "lodging," "meals" and "incidental expenses" will have the same meanings defined in 41 CFR Part 300-3; the term "coach-class" will have the same meaning defined in 41 CFR Part 301-10.121(a); and the term "miscellaneous" means copying services, printing services, communication services, or other services reasonably related to travel for the Project and approved by the City.

4.6 Loan In Balance. From and after the closing date of Borrower's financing for construction or rehabilitation of the Project, the City may require Borrower to pay certain costs incurred in connection with the Project from sources of funds other than the Loan at any time the City determines that the Loan is Out of Balance. When the City is satisfied that the Loan is again In Balance, the City will recommence making Disbursements for Expenditure Requests meeting the conditions set forth above.

4.7 Retention. In addition to the other conditions to Disbursements, Borrower acknowledges that the amount of hard costs or tenant improvements costs included in any Expenditure Request associated with rehabilitation or construction, when added to previously approved costs, may not exceed ninety percent (90%) of the approved budgeted costs on a line item basis. The remaining ten percent (10%) of approved budgeted hard costs or tenant improvement costs associated with rehabilitation or construction will be held by the City and/or other Project lenders (the "**Retention**") and may be released only upon satisfaction of all requirements listed in the Construction Manager's Checklist for Release of Retention as follows:

(a) Early Retention Release. After fifty percent (50%) of the rehabilitation or construction of the Project is complete as determined by the City, Borrower may submit a written request to the City to release up to fifty percent (50%) of the Retention, provided that the following prerequisites have been met: (i) all work required to be performed by all parties for whom the City agrees to release the Retention (the "**Early Retention Release Contractors**") has been completed in conformance with the terms of the applicable contract documents, the plans and specifications approved by the City and all applicable Laws; (ii) the applicable Early Retention Release Contractors have filed unconditional lien waivers satisfactory to the City; (iii) no liens or stop notices have been filed against the Project and no claims are pending; (iv) the City determines that the contingency is in balance and adequate to complete the Project;

(v) the Project is on schedule, and (vi) Expenditure Requests will not exceed 95% of the approved budgeted costs on a line item basis.

(b) Retention Release After Project Completion. Borrower may request disbursement of the remaining percentage amount of the Retention only upon the satisfaction of each of the following conditions, unless otherwise approved in writing by the City: (i) completion of rehabilitation or construction of the Project in accordance with the plans and specifications approved by the City, as evidenced by a certificate of occupancy or equivalent certification provided by the City's Department of Building Inspection, and an architect's or engineer's certificate of completion; (ii) timely recordation of a notice of completion; and (iii) either expiration of the lien period and the absence of any unreleased mechanics' liens or stop notices or recordation of the lien releases of all contractors, subcontractors and suppliers who provided labor or materials for the Project.

4.8 Limitations on Approved Expenditures. The City may refuse to approve any expenditure: (a) during any period in which an event that, with notice or the passage of time or both, would constitute an Event of Default remains uncured, or during the pendency of an uncured Event of Default; or (b) for disapproved, unauthorized or improperly documented expenses. The City is not obligated to approve expenditure of the full Funding Amount unless approved Expenditure Requests support disbursement of the full Funding Amount, and in no event may the aggregate amount of all Funds disbursed to Borrower under this Agreement exceed the Funding Amount.

ARTICLE 5 DEMOLITION, REHABILITATION OR CONSTRUCTION.

5.1 Labor Requirements. Borrower's procurement procedures, contracts, and subcontracts will comply, and where applicable, require its contractors and subcontractors to comply, with the applicable labor requirements under **Exhibit E** of this Agreement, including, but not limited to, the selection of all contractors and professional consultants for the Project and payment of prevailing wage.

5.2 Plans and Specifications. Before starting any demolition, rehabilitation or construction on the Site, Borrower will deliver to the City, and the City will have reviewed and approved, plans and specifications and the construction contract for the Project entered into between Borrower and Borrower's general contractor and approved by the City (the "**Construction Contract**"). The plans approved by the City will also be approved by the City and County of San Francisco's Department of Building Inspection (the "**Department of Building Inspection**") (collectively, the "Approved Plans") prior to the start of any demolition, rehabilitation or construction on the Site. The Approved Plans will be explicitly identified in the Construction Contract. The specifications approved by the City, including the funder requirements and the technical specifications (the "Approved Specifications") will also be explicitly identified in the Construction Contract. The Construction Contract may include funder requirements not otherwise addressed in the Approved Specifications. After completion of the Project, Borrower will retain the Approved Plans as well as "as-built" plans for the Project, the

Approved Specifications and the Construction Contract, all of which Borrower will make available to the City upon request.

5.3 Change Orders. Borrower may not approve or permit any change orders to the plans and specifications approved by the City without the City's prior written consent. Borrower will provide adequate and complete justification for analysis of any change order request to the City. The City will provide any questions, comments or requests for additional information to Borrower within five (5) business days of receipt of a change order request. City will review and approve or disapprove of a change order request within ten (10) business days of a complete submission by Borrower. In the event the City fails to approve or disapprove the change order request within such ten (10) business day period, the change order will be deemed approved. Borrower acknowledges that the City's approval of any change order will not constitute an agreement to amend the Table of Sources and Uses or to provide additional Funds for the Project, unless the City agrees in its sole discretion to amend the Table of Sources and Uses or provide additional Funds for that purpose.

5.4 Insurance, Bonds and Security. Before starting any demolition, rehabilitation or construction on the Site, Borrower will deliver to the City insurance endorsements and bonds as described in **Exhibit L**. At all times, Borrower will take prudent measures to ensure the security of the Site.

5.5 Notice to Proceed. No demolition, rehabilitation or construction may commence until Borrower has issued a written notice to proceed with the City's approval.

5.6 Commencement and Completion of Project. Unless otherwise extended in writing by the City, Borrower will: (a) commence demolition and construction by a date no later than December 31, 2026; (b) complete demolition and construction by a date no later than December 31, 2028, in accordance with the plans and specifications approved by the City, as evidenced by a certificate of occupancy or equivalent certification provided by the City's Department of Building Inspection, and an architect's or engineer's certificate of completion (the "Completion Date"); and (c) achieve occupancy of ninety-five percent (95%) of the Units by a date no later than July 1, 2029.

5.7 Rehabilitation/Construction Standards. All rehabilitation or construction will be performed in a first class manner, substantially in accordance with final plans and specifications approved by the City and in accordance with all applicable codes.

ARTICLE 6 MARKETING.

6.1 Marketing and Tenant Selection Plan. No later than six (6) months before the Completion Date, Borrower will deliver to the City for the City's review and approval an affirmative plan for initial and ongoing marketing of the Units and a written Tenant selection procedure for initial and ongoing renting of the Units based on MOHCD's then-current form of marketing and tenant selection plan (the "Marketing and Tenant Selection Plan"), all in compliance with the restrictions set forth in **Exhibit A** and in form and substance acceptable to the City. Borrower will obtain the City's approval of reasonable alterations to the Marketing and

Tenant Selection Plan. Borrower will market and rent the Units in the manner set forth in the Marketing and Tenant Selection Plan, as approved by the City. Borrower will provide initial draft marketing plan at 50% construction completion, outlining the affirmative steps they will take to market the Project to the City's preference program participants, including COP Holders, Displaced Tenants, and Neighborhood Residents, as well as how the marketing is consistent with the Mayor's Racial Equity statement and promotion of positive outcomes for African American San Franciscans.

6.2 Affirmative Marketing and Tenant Selection Plan Requirements. Borrower's Marketing and Tenant Selection Plan will address how Borrower intends to market vacant Units and any opportunity for placement on the Waiting List, as defined in 6.5. The Marketing and Tenant Selection Plan will include as many of the following elements as are appropriate to the Project, as determined by the City:

(a) A reasonable accommodations policy that indicates how Borrower intends to market Units to disabled individuals, including an indication of the types of accessible Units in the Project, the procedure for applying, and a policy giving disabled individuals a priority in the occupancy of accessible Units.

(b) A plan that satisfies the requirement to give preference in occupying units in accordance with the Preferences and Lottery Manual and the Preferences Ordinance.

(c) Advertising in local neighborhood newspapers, community-oriented radio stations, on the internet and in other media that are likely to reach low-income households. All advertising will display the Equal Housing Opportunity logo.

(d) Notices to neighborhood-based, nonprofit housing corporations and other low-income housing advocacy organizations that maintain waiting lists or make referrals for below-market-rate housing.

(e) Notices to SFHA.

(f) Notices to MOHCD

(g) To the extent practicable, without holding Units off the market, the community outreach efforts listed above will take place before advertising vacant Units or open spots on the Waiting List to the general public.

(h) An acknowledgement that, with respect to vacant Units, the marketing elements listed above will only be implemented if there are no qualified applicants interested or available from the Waiting List.

(hi) Borrower will use access points and accept referrals from HSH or its successor agencies.

6.3 Marketing and Tenant Selection Plan & Tenant Screening Criteria Requirements:

(a) Borrower's Marketing and Tenant Selection Plan will comply with the requirements of the Tenant Selection Plan Policy as set forth in the attached Exhibit H. The Marketing and Tenant Selection Plan will be kept on file at the Project at all times.

(b) Borrower's tenant screening criteria will comply with the Tenant Screening Criteria Policy set forth in the attached Exhibit I.

6.4 Marketing Records. Borrower will keep records of: (a) activities implementing the Marketing and Tenant Selection Plan; (b) advertisements; and (c) other community outreach efforts.

6.5 Waiting List. Borrower's Marketing and Tenant Selection Plan will contain, at a minimum, policies and criteria that provide for the selection of tenants from a written waiting list that complies with the Marketing and Tenant Selection Plan (the "Waiting List"). The Marketing and Tenant Selection Plan may allow an applicant to refuse an available Unit for good cause without losing standing on the Waiting List but will limit the number of refusals without cause as approved by the City. Borrower will at all times maintain the Waiting List. Upon the vacancy of any Unit, Borrower will first attempt to select the new Tenant for such Unit from the Waiting List, and will only market the Unit to the general public after determining that no applicants from the Waiting List qualify for such Unit. The Waiting List will be kept on file at the Project at all times.

ARTICLE 7 AFFORDABILITY AND OTHER LEASING RESTRICTIONS.

7.1 Term of Leasing Restrictions. Borrower acknowledges and agrees that the covenants and other leasing restrictions set forth in this Article will remain in full force and effect : (a) for the Compliance Term and survive the prior repayment or other satisfaction of the Loan, termination of this Agreement or reconveyance of the Deed of Trust; (b) for any Unit that has been subject to a regulatory agreement with TCAC, for a period ending three (3) years after the date of any transfer of the Project by foreclosure or deed-in-lieu of foreclosure; and (c) with respect to any Unit occupied by a Qualified Tenant at expiration of either the Compliance Term or the 3-year period referred to in **Subsection (b)** above, until the Qualified Tenant voluntarily vacates his/her Unit or is evicted lawfully for just cause. The requirements to comply with the provisions of Internal Revenue Code Section 42, including Section 42(h)(6)(E)(ii), are hereby acknowledged.

7.2 Borrower's Covenant.

(a) Borrower covenants to rent all Units (except one Unit reserved for the manager of the Project) at all times to households certified as Qualified Tenants at initial occupancy, as set forth in **Exhibit A**. In addition, twenty four (24) Units will be rented to chronically Homeless Households or those at-risk of homelessness during the period in which

the City's Local Operating Subsidy Program is in operation and the City provides the Local Operating Subsidy to the Project

(b) A Tenant who is a Qualified Tenant at initial occupancy will not be required to vacate the Unit due to subsequent rises in household income, except as provided in **Section 7.3**. After the over-income Tenant vacates the Unit, the vacant Unit will be rented only to Qualified Tenants as provided in this **Article 7**.

7.3 Rent Restrictions.

(a) Rent charged to each Qualified Tenant may not exceed the amounts set forth in **Exhibit A**, *provided that* Rents may be adjusted annually, subject to the limitations below.

(b) Subject to the Hold Harmless Policy, rents for all Units may be increased once annually up to the maximum monthly rent by unit type as published by MOHCD.

(c) With the City's prior written approval, Rent increases for Units exceeding the amounts permitted under **Section 7.3(b)** may be permitted once annually in order to recover increases in approved Project Expenses, provided that: (i) in no event may single or aggregate increases exceed ten percent (10%) per year unless such an increase is contemplated in a City-approved temporary relocation plan or is necessary due to the expiration of Section 8 or other rental subsidies; and (ii) Rents for each Unit may in no event exceed the maximum Rent permitted under **Section 7.3(a)**. City approval for such Rent increases that are necessary to meet all approved Project Expenses will not be unreasonably withheld.

(d) For any Qualified Tenant participating in a Rent or operating subsidy program where the Rent charged is calculated as a percentage of household income, adjustments to Rent charged may be made according to the rules of the relevant subsidy program. There is no limit on the increase/decrease in Rent charged under this provision, as long as it does not exceed the maximum Rent permitted under **Section 7.3(a)**. There is no limit on the number of Rent adjustments that can be made in a year under this provision.

(e) For any Qualified Tenant that becomes ineligible to continue participating in a rent or operating subsidy program, there is no limit on the increase in Rent charged as long as it does not exceed the maximum Rent permitted under **Section 7.3(a)**.

(f) Unless prohibited under any applicable Laws, including without limitation Section 42 of the Internal Revenue Code of 1986, as amended, if the household income of a Qualified Tenant exceeds the maximum permissible income during occupancy of a Unit, then, upon no less than thirty (30) days' prior written notice to the Tenant or as otherwise required under the Tenant's lease or occupancy agreement, Borrower may adjust the charges for Rent for the previously Qualified Tenant to be equal to thirty percent (30%) of the Tenant's adjusted household income. Rents charged under this provision may exceed the Maximum Rent permitted under **Section 7.3(a)**.

7.4 Certification.

(a) As a condition to initial occupancy, each person who desires to be a Qualified Tenant in the Project will be required to sign and deliver to Borrower a certification in the form shown in **Exhibit C** in which the prospective Qualified Tenant certifies that he/she or his/her household qualifies as a Qualified Tenant. In addition, each person will be required to provide any other information, documents or certifications deemed necessary by the City to substantiate the prospective Tenant's income. Certifications provided to and accepted by the SFHA will satisfy this requirement.

(b) Borrower will require each Qualified Tenant in the Project to recertify to Borrower on an annual basis the Qualified Tenant's household income and in accordance with applicable tax credit requirements.

(c) Income certifications with respect to each Qualified Tenant who resides in a Unit or resided therein during the immediately preceding calendar year will be maintained on file at Borrower's principal office, and Borrower will file or cause to be filed copies thereof with the City promptly upon request by the City.

7.5 Form of Lease. The form of lease for Tenants will provide for termination of the lease and consent to immediate eviction for failure to: (i) qualify as a Qualified Tenant if the Tenant has made any material misrepresentation in the initial income certification, or (ii) submit to Borrower an annual recertification of income. The initial term of the lease will be for a period of not less than one (1) year. Borrower will not terminate the tenancy or refuse to renew any lease of a Unit except for serious or repeated violation of the terms and conditions of the lease, for violation of applicable Laws or other good cause. Any termination or refusal to renew the lease for a Unit will be preceded by not less than thirty (30) days' written notice to the Tenant specifying the grounds for the action.

7.6 Nondiscrimination. Borrower agrees not to discriminate against or permit discrimination against any person or group of persons because of race, color, creed, national origin, ancestry, age, sex, sexual orientation, disability, gender identity, height, weight, source of income or acquired immune deficiency syndrome (AIDS) or AIDS related condition (ARC) in the operation and use of the Project except to the extent permitted by law or required by any other funding source for the Project. Borrower agrees not to discriminate against or permit discrimination against Tenants using Section 8 certificates or vouchers or assistance through other rental subsidy programs.

7.7 Security Deposits. Security deposits may be required of Tenants only in accordance with applicable state law and this Agreement. Borrower will segregate any security deposits collected from all other funds of the Project in an Account held in trust for the benefit of the Tenants and disbursed in accordance with California law. The balance in the trust Account will at all times equal or exceed the aggregate of all security deposits collected plus accrued interest thereon, less any security deposits returned to Tenants.

7.8 Commercial Space. At least sixty (60) days prior to the date that build-out of the Commercial Space begins, Borrower will obtain MOHCD's review and approval of proposed leases and development plans for the Commercial Space. All leases of Commercial Space will be to bona fide third party tenants capable of performing their financial obligations under their leases, which will reflect arms'-length transactions at the then-current market rental rate for comparable space, *provided that*, leases for Public Benefit Purposes may be at below-market rates so long as the sum of Project Income and Commercial Income meets approved cash flow requirements for the Project. Allowed uses of Commercial Space will be consistent with all applicable local planning and building codes and be reasonably compatible with the design and purpose of the Project. Each lease of Commercial Space will restrict its use to Public Benefit Purposes or Community Serving Purposes or all Surplus Cash generated as a result of a market-rate lease of the Commercial Space will be directed toward repayment of the Loan or used for a Public Benefit Purpose. All surplus cash will be subject to the MOHCD Policy on the Use of Residual Receipts. Each lease of Commercial Space will comply with the MOHCD Commercial Underwriting Guidelines as set forth in **Exhibit O** herein.

ARTICLE 8 MAINTENANCE AND MANAGEMENT OF THE PROJECT.

8.1 Borrower's Responsibilities.

(a) Subject to the rights set forth in **Section 8.2**, Borrower will be specifically and solely responsible for causing all maintenance, repair and management functions performed in connection with the Project, including selection of tenants, recertification of income and household size, evictions, collection of rents, routine and extraordinary repairs and replacement of capital items. Borrower will maintain or cause to be maintained the Project, including the Units and common areas, in a safe and sanitary manner in accordance with local health, building and housing codes, California Health and Safety Code 17920.10 and the applicable provisions of 24 CFR Part 35.

(b) Borrower will take prudent measures to ensure the security of the Site. Measures may include erecting a fence; covering and securing all openings in any vacant building and hiring security guards, as appropriate for the circumstances.

8.2 Contracting With Management Agent.

(a) Borrower may contract or permit contracting with a management agent for the performance of the services or duties required in **Section 8.1(a)**, subject to the City's prior written approval of both the management agent and, at the City's discretion, the management contract between Borrower and the management agent, *provided, however*, that the arrangement will not relieve Borrower of responsibility for performance of those duties. Any management contract will contain a provision allowing Borrower to terminate the contract without penalty upon no more than thirty (30) days' notice.

(b) The City will provide written notice to Borrower of any determination that the contractor performing the functions required in **Section 8.1(a)** has failed to operate and manage the Project in accordance with this Agreement. If the contractor has not cured the failure

within a reasonable time period, as determined by the City, Borrower will exercise its right of termination immediately and make immediate arrangements for continuous and continuing performance of the functions required in **Section 8.1(a)**, subject to the City's approval.

8.3 Borrower Management. Borrower may manage the Project itself only with the City's prior written approval. The City will provide written notice to Borrower of any determination that Borrower has failed to operate and manage the Project in accordance with this Agreement, in which case, the City may require Borrower to contract or cause contracting with a management agent to operate the Project, or to make other arrangements the City deems necessary to ensure performance of the functions required in **Section 8.1(a)**.

ARTICLE 9 GOVERNMENTAL APPROVALS AND REQUIREMENTS.

9.1 Approvals. Borrower covenants that it has obtained or will obtain in a timely manner and comply with all federal, state and local governmental approvals required by Law to be obtained for the Project. Subject to **Section 17.2**, this Section does not prohibit Borrower from contesting any interpretation or application of Laws in good faith and by appropriate proceedings.

9.2 Borrower Compliance. Borrower will comply, and where applicable, require its contractors to comply, with all applicable Laws governing the use of Funds for the construction, rehabilitation and/or operation of the Project, including those set forth in **Exhibit E** and **Exhibit L**. Borrower acknowledges that its failure to comply with any of these requirements will constitute an Event of Default under this Agreement. Subject to **Section 17.2**, this Section does not prohibit Borrower from contesting any interpretation or application of Laws in good faith and by appropriate proceedings. Construction-related requirements will not apply until Borrower has commenced construction of the Project; *provided that*, construction-related requirements will apply to the Project whether or not the City approves and provides additional financing for the Project.

ARTICLE 10 PROJECT MONITORING, REPORTS, BOOKS AND RECORDS.

10.1 Generally.

(a) Borrower understands and agrees that it will be monitored by the City from time to time to assure compliance with all terms and conditions in this Agreement and all Laws. Borrower acknowledges that the City may also conduct periodic on-site inspections of the Project. Borrower will cooperate with the monitoring by the City and ensure full access to the Project and all information related to the Project as reasonably required by the City.

(b) Borrower will keep and maintain books, records and other documents relating to the receipt and use of all Funds, including all documents evidencing any Project Income and Project Expenses. Borrower will maintain records of all income, expenditures, assets, liabilities, contracts, operations, tenant eligibility and condition of the Project. All

financial reports will be prepared and maintained in accordance with GAAP as in effect at the time of performance.

(c) Borrower will provide written notice of the replacement of its executive director, director of housing development, director of property management and/or any equivalent position within thirty (30) days after the effective date of such replacement.

10.2 Monthly Reporting. Borrower will submit monthly reports (the "MOHCD Monthly Project Update") describing progress toward developing the Project with respect to obtaining necessary approvals from other City departments, procuring architects, consultants and contractors, changes in scope, cost or schedule and significant milestones achieved in the past month and expected to be achieved in the coming month. The MOHCD Monthly Project Update will be submitted by email in substantially the form requested by MOHCD until such time as the Project Completion Report is submitted to the City pursuant to **Section 10.5** below.

10.3 Annual Reporting. From and after the Completion Date, Borrower will file with the City annual report forms (the "Annual Monitoring Report") that include audited financial statements with an income and expense statement for the Project covering the applicable reporting period, a statement of balances, deposits and withdrawals from all Accounts, line item statements of Project Expenses, Project Income, Partnership Fees (if any), Residual Receipts and any Distributions made, evidence of required insurance, a description of marketing activities and a rent roll, no later than one hundred fifty (150) days after the end of Borrower's fiscal year. The Annual Monitoring Report will be in substantially the form attached as **Exhibit G** or as later modified during the Compliance Term.

10.4 Capital Needs Assessment. In accordance with the CNA Policy, Borrower will deliver to MOHCD an updated CNA every five (5) years after the Completion Date for approval.

10.5 Project Completion Report. Within the specific time periods set forth below after the completion of rehabilitation or construction, the lease-up and/or permanent financing of the Project, as applicable, Borrower will provide to the City the reports listed below certified by Borrower to be complete and accurate. Subsequent to the required submission of the reports listed below, Borrower will provide to the City information or documents reasonably requested by the City to assist in the City's review and analysis of the submitted reports:

(a) within ninety (90) days after the Completion Date, a draft cost certification (or other similar project audit performed by an independent certified public accountant) identifying the sources and uses of all Project funds including the Funds;

(b) within one hundred-eighty (180) days after the Completion Date, a report on compliance with the applicable requirements under **Section 5.1** of this Agreement, including the type of work and the dollar value of such work; and

(c) within ninety (90) days after the Completion Date, a report demonstrating compliance with all requirements regarding relocation, including the names of all individuals or

businesses occupying the Site on the date of the submission of the application for Funds, those moving in after that date, and those occupying the Site upon completion of the Project.

10.6 Response to Inquiries. At the request of the City, its agents, employees or attorneys, Borrower will respond promptly and specifically to questions relating to the income, expenditures, assets, liabilities, contracts, operations and condition of the Project, the status of any mortgage encumbering the Project and any other requested information with respect to Borrower or the Project.

10.7 Delivery of Records. At the request of the City, made through its agents, employees, officers or attorneys, Borrower will provide the City with copies of each of the following documents, certified in writing by Borrower to be complete and accurate:

(a) all tax returns filed with the United States Internal Revenue Service, the California Franchise Tax Board and/or the California State Board of Equalization on behalf of Borrower and any general partner or manager of Borrower;

(b) all certified financial statements of Borrower and, if applicable, its general partner or manager, the accuracy of which will be certified by an auditor satisfactory to the City; and

(c) any other records related to Borrower's ownership structure and the use and occupancy of the Site.

10.8 Access to the Project and Other Project Books and Records. In addition to Borrower's obligations under **Sections 2.4, 10.1, 10.2, 10.3, 10.4, 10.5, 10.6** and **10.7** and any other obligations to provide reports or maintain records in any City Document, Borrower agrees that duly authorized representatives of the City will have: (a) access to the Project throughout the Compliance Term to monitor the progress of work on the Project and compliance by Borrower with the terms of this Agreement; and (b) access to and the right to inspect, copy, audit and examine all books, records and other documents Borrower is required to keep at all reasonable times, following reasonable notice, for the retention period required under **Section 10.9.**

10.9 Records Retention. Borrower will retain all records required for the periods required under applicable Laws.

ARTICLE 11 USE OF INCOME FROM OPERATIONS.

11.1 Project Operating Account.

(a) Borrower will deposit all Project Income promptly after receipt into a segregated depository account (the "Project Operating Account") established exclusively for the Project. Withdrawals from the Project Operating Account may be made only in accordance with the provisions of this Agreement and the approved Annual Operating Budget, as it may be revised from time to time with the City's approval. Borrower may make withdrawals from the Project

Operating Account solely for the payment of Project Expenses and Partnership Fees. Withdrawals from the Project Operating Account (including accrued interest) for other purposes may be made only with the City's express prior written approval.

(b) Borrower will keep accurate records indicating the amount of Project Income deposited into and withdrawn from the Project Operating Account and the use of Project Income. Borrower will provide copies of the records to the City upon request.

ARTICLE 12 REQUIRED RESERVES.

12.1 Replacement Reserve Account.

(a) Commencing no later than sixty (60) days after the Completion Date, or any other date the City designates in writing, Borrower will establish or cause to be established a segregated interest-bearing replacement reserve depository account (the "Replacement Reserve Account"). On or before the 15th day of each month following establishment of the Replacement Reserve Account, Borrower will make monthly deposits from Project Income into the Replacement Reserve Account in the amount necessary to meet the requirements of this Section. The City may review the adequacy of deposits to the Replacement Reserve Account periodically and require adjustments as it deems necessary.

(b) Monthly deposits will equal the lesser of: (i) 1/12th of 0.6% of Replacement Cost; or (ii) 1/12th of the following amount: \$47,500.00.

After the Project's first five (5) years of operation, Borrower may request adjustments every five (5) years based on its most recently approved CNA.

If the Project is unable to make a required replacement reserve deposit due to unavailable cash flow, Borrower will submit a plan for review and approval to MOHCD that addresses the cash flow shortfall.

(c) Borrower may withdraw funds from the Replacement Reserve Account solely to fund capital improvements for the Project, such as replacing or repairing structural elements, furniture, fixtures or equipment of the Project that are reasonably required to preserve the Project. Borrower may not withdraw funds (including any accrued interest) from the Replacement Reserve Account for any other purpose without the City's prior written approval.

12.2 Operating Reserve Account.

(a) Commencing no later than sixty (60) days after the Completion Date, or any other date the City designates in writing, Borrower will establish or cause to be established a segregated interest-bearing operating reserve depository account (the "Operating Reserve Account") by depositing funds in an amount equal to twenty-five percent (25%) of the approved budget for Project Expenses for the first full year of operation of the Project. The City may review the adequacy of deposits to the Operating Reserve Account periodically and require adjustments as it deems necessary.

(b) No less than annually after establishing the Operating Reserve Account and continuing until the Compliance Term has expired, Borrower will make additional deposits, if necessary, to bring the balance in the Operating Reserve Account to an amount equal to twenty-five percent (25%) of the prior year's actual Project Expenses.

(c) Borrower may withdraw funds from the Operating Reserve Account solely to alleviate cash shortages resulting from unanticipated and unusually high maintenance expenses, seasonal fluctuations in utility costs, abnormally high vacancies and other expenses that vary seasonally or from month to month in the Project. Borrower may not withdraw funds (including any accrued interest) from the Operating Reserve Account for any other purpose without the City's prior written approval.

ARTICLE 13 DISTRIBUTIONS.

13.1 Definition. "Distributions" refers to cash or other benefits received as Project Income from the operation of the Project and available to be distributed to Borrower or any party having a beneficial interest in the Project, but does not include reasonable payments for property management, asset management and approved deferred Developer Fees or other services performed in connection with the Project.

13.2 Conditions to Distributions. The 20-Year Cash Flow Proforma attached hereto as Exhibit B-2 includes projections of annual Distributions. Exhibit B-2 is not intended to impose limits on the amounts to be annually distributed. Distributions for a particular fiscal year may be made only following: (a) City approval of the Annual Monitoring Report submitted for that year; (b) the City's determination that Borrower is not in default under this Agreement or any other agreement entered into with the City and County of San Francisco or the City for the Project; and (c) the City's determination that the amount of the proposed Distribution satisfies the conditions of this Agreement. The City will be deemed to have approved Borrower's written request for approval of a proposed Distribution unless the City delivers its disapproval or request for more information to Borrower within thirty (30) business days after the City's receipt of the request for approval.

13.3 Prohibited Distributions. No Distribution may be made in the following circumstances:

(a) when a written notice of default has been issued by any entity with an equitable or beneficial interest in the Project and the default is not cured within the applicable cure periods; or

(b) when the City determines that Borrower or Borrower's management agent has failed to comply with this Agreement; or

(c) if required debt service on all loans secured by the Project and all operating expenses have not been paid current; or

(d) if the Replacement Reserve Account, Operating Reserve Account or any other reserve account required for the Project is not fully funded under this Agreement; or

(e) if the Loan is to be repaid from Residual Receipts, Borrower failed to make a payment when due on a Payment Date and the sum remains unpaid; or

(f) during the pendency of an uncured Event of Default (including Borrower's failure to provide its own funds at any time from and after the closing date of Borrower's financing for construction of the Project that the City determines the Loan is out of balance) under any City Document.

13.4 Borrower's Use of Residual Receipts for Development. To the extent that making a Distribution is not inconsistent with any other financing agreement for the Project, and subject to the limitations in this Article, with the City's prior written approval Borrower may retain a portion of Residual Receipts in lieu of using them to repay the Loan in an amount consistent with the Residual Receipts Policy attached hereto as **Exhibit P**. Borrower acknowledges that the City may withhold its consent to a Distribution in any year in which Residual Receipts are insufficient to meet Borrower's payment obligations under the Note.

ARTICLE 14 SYNDICATION PROCEEDS.

14.1 Distribution and Use. If Borrower is a limited partnership or limited liability company, and unless otherwise approved by the City in writing, Borrower will allocate, distribute and pay or cause to be allocated, distributed and paid all net syndication proceeds and all loan and grant funds as specified in the Table. Borrower will notify the City of the receipt and disposition of any net syndication proceeds received by Borrower during the term of this Agreement.

ARTICLE 15 DEVELOPER FEES.

15.1 Amount. The City has approved the payment of development fees from the Loan in an amount not to exceed Five Hundred Fifty Thousand and No/100 Dollars (\$550,000.00) for predevelopment of the Project prior to the closing date of Borrower's financing for construction or rehabilitation of the Project and may be entitled to receive additional fees for developing the Project (collectively, "Developer Fees"), subject to the Developer Fee Policy. Borrower agrees that any additional predevelopment loans secured for the Project will not be used for payment of fees paid to the Developer related to predevelopment activities, unless approved in writing by the City in its sole and absolute discretion. Borrower agrees to limit the Developer's use of Developer Fee to pay only for eligible activities including, but not limited to, the follows:

(a) Developer's organizational capacity building and maintenance programs; working capital; housing development production and related programs; physical improvements to existing housing owned or sponsored by Developer; increasing housing operations and asset management activities; improving tenant improvements or commercial space in existing housing owned or sponsored by Developer; funding community facilities associated with existing housing owned or sponsored by Developer providing supplemental tenant rental assistance for

existing housing owned or sponsored by Developer; or programs supporting the welfare of residents residing in existing housing owned or sponsored by Developer; and

(b) Predevelopment, preconstruction and construction costs, including reasonable administrative expenses, of future affordable housing development sponsored by Developer in San Francisco.

15.2 Fee Payment Schedule. Developer will receive payment of the Developer Fees pursuant to the below payout schedule:

Event	Amount	Percent of Total Fee
Acquisition/Predevelopment Closing	\$165,000	15%
Entitlement Approval	\$165,000	15%
Submission of HCD Finding Application	\$110,000	10%
Submission of CDLAC and TCAC Application	\$110,000	10%
Total	\$550,000	

ARTICLE 16 TRANSFERS.

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

ARTICLE 17 INSURANCE AND BONDS; INDEMNITY.

17.1 Borrower's Insurance. Subject to approval by the City's Risk Manager of the insurers and policy forms, Borrower will procure and keep in effect, and cause its contractors

and subcontractors to obtain and maintain at all times during any work or construction activities on the Property, the insurance and bonds as set forth in **Exhibit L** from the date the Deed of Trust is recorded in the Official Records until the expiration of the Compliance Term at no expense to the City.

17.2 Borrower will indemnify, protect, defend and hold harmless each of the Indemnitees from and against any and all Losses arising out of: (a) any default by Borrower in the observance or performance of any of Borrower's obligations under the City Documents (including those covenants set forth in **Article 18** below); (b) any failure of any representation by Borrower to be correct in all respects when made; (c) injury or death to persons or damage to property or other loss occurring on or in connection with the Site or the Project, whether caused by the negligence or any other act or omission of Borrower or any other person or by negligent, faulty, inadequate or defective design, building, construction, rehabilitation or maintenance or any other condition or otherwise; (d) any claim of any surety in connection with any bond relating to the construction or rehabilitation of any improvements or offsite improvements; (e) any claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or asserted against any Indemnitee that relates to or arises out of the City Documents, the Loan, the Site or the Project or any transaction contemplated by, or the relationship between Borrower and the City or any action or inaction by the City under, the City Documents; (f) the occurrence, until the expiration of the Compliance Term, of any Environmental Activity or any failure of Borrower or any other person to comply with all applicable Environmental Laws relating to the Project or the Site; (g) the occurrence, after the Compliance Term, of any Environmental Activity resulting directly or indirectly from any Environmental Activity occurring before the expiration of the Compliance Term; (h) any liability of any nature arising from Borrower's contest of or relating to the application of any Law, including any contest permitted under **Sections 9.1, 9.2 and 18.2**; or (i) any claim, demand or cause of action, or any investigation, inquiry, order, hearing, action or other proceeding by or before any Governmental Agency, whether meritorious or not, that directly or indirectly relates to, arises from or is based on the occurrence or allegation of any of the matters described in clauses (a) through (h) above, *provided that* no Indemnitee will be entitled to indemnification under this Section for matters caused solely by its own gross negligence or willful misconduct.

17.3 Duty to Defend. Borrower acknowledges and agrees that its obligation to defend the Indemnitees under **Section 17.2**: (a) is an immediate obligation, independent of its other obligations hereunder; (b) applies to any Loss which actually or potentially falls within the scope of **Section 17.2**, regardless of whether the allegations asserted in connection with such Loss are or may be groundless, false or fraudulent; and (c) arises at the time the Loss is tendered to Borrower by the Indemnitee and continues at all times thereafter. In the event any action or proceeding is brought against an Indemnitee by reason of a claim arising out of any Loss for which Borrower has indemnified the Indemnitees, upon written notice, Borrower will answer and otherwise defend the action or proceeding using counsel approved in writing by the Indemnitee at Borrower's sole expense. Each Indemnitee will have the right, exercised in its sole discretion, but without being required to do so, to defend, adjust, settle or compromise any claim, obligation, debt, demand, suit or judgment against the Indemnitee in connection with the matters covered by this Agreement. The Indemnitee will give Borrower prompt notice of any Loss and Borrower has the right to defend, settle and compromise any such Loss; provided, however, that

the Indemnitee has the right to retain its own counsel at the expense of Borrower if representation of such Indemnitee by the counsel retained by Borrower would be inappropriate due to conflicts of interest between such Indemnitee and Borrower. An Indemnitee's failure to notify Borrower promptly of any Loss does not relieve Borrower of any liability to such Indemnity under **Section 17.2**, unless such failure materially impairs Borrower's ability to defend such Loss. Borrower will seek the Indemnified Party's prior written consent to settle or compromise any Loss if Borrower contends that such Indemnitee shares in liability with respect thereto.

17.4 No Limitation. Borrower's obligations under **Section 17.2** are not limited by the insurance requirements under this Agreement.

17.5 Survival. The provisions of this Section will survive the repayment of the Loan and/or termination of this Agreement.

ARTICLE 18 HAZARDOUS SUBSTANCES.

18.1 Borrower's Representations. Borrower represents and warrants to the City that, to the best of Borrower's actual knowledge, without independent investigation or inquiry as of the Agreement Date, the following statements are true and correct except as disclosed in the Phase I Environmental Site Assessment and the Subsurface Investigation Report conducted by AEI Consultants or otherwise in writing: (a) the Site is not in violation of any Environmental Laws; (b) the Site is not now, nor has it been, used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Substances, except in limited quantities customarily used in commercial enterprises, including car repair, residences and offices and in compliance with Environmental Laws; (c) the Site does not consist of any landfill or contain any underground storage tanks; (d) the improvements on the Site do not consist of any asbestos-containing materials or building materials that contain any other Hazardous Substances; (e) no release of any Hazardous Substances in the improvements on the Site has occurred or in, on, under or about the Site; and (f) the Site is not subject to any claim by any Governmental Agency or third party related to any Environmental Activity or any inquiry by any Governmental Agency (including the California Department of Toxic Substances Control and the Regional Water Quality Control Board) with respect to the presence of Hazardous Substances in the improvements on the Site or in, on, under or about the Site, or the migration of Hazardous Substances from or to other real property.

18.2 Covenant. Unless the City otherwise consents in writing, at all times from and after the date of this Agreement, at its sole expense, Borrower will: (a) comply with all applicable Environmental Laws relating to the Site and the Project, and not engage in or otherwise permit the occurrence of any Environmental Activity in violation of any applicable Environmental Laws or that is not customary and incidental to the intended use of the Site, *provided that* nothing contained in this Section will prevent Borrower from contesting, in good faith and by appropriate proceedings, any interpretation or application of Environmental Laws; and (b) deliver to the City notice of the discovery by Borrower of any event rendering any representation contained in this Section incorrect in any respect promptly following Borrower's discovery.

18.3 Survival . Borrower and City agree that this Article 18 is intended as City's written request for information (and Borrower's response) concerning the environmental condition of the Site as security as required by California Code of Civil Procedure § 726.5; and each provision in this Article (together with any indemnity applicable to a breach of any such provision) with respect to the environmental condition of the Site as security is intended by City and Borrower to be an "environmental provision" for purposes of California Code of Civil Procedure § 736, and as such it is expressly understood that Borrower's duty to indemnify City hereunder will survive: (a) any judicial or non-judicial foreclosure under the Deed of Trust, or transfer of the Property in lieu thereof, (b) the release and reconveyance or cancellation of the Deed of Trust; and (c) the satisfaction of all of Borrower's obligation under the City Documents.

ARTICLE 19 DEFAULT.

19.1 Event of Default. Any material breach by Borrower of any covenant, agreement, provision or warranty contained in this Agreement or in any of the City Documents that remains uncured upon the expiration of any applicable notice and cure periods contained in any City Document will constitute an "Event of Default," including the following:

(a) Borrower fails to make any payment required under this Agreement within ten (10) days after the date when due; or

(b) Any lien is recorded against all or any part of the Site or the Project without the City's prior written consent, whether prior or subordinate to the lien of the Deed of Trust or Declaration of Restrictions, and the lien is not removed from title or otherwise remedied to the City's satisfaction within thirty (30) days after Borrower's receipt of written notice from the City to cure the default, or, if the default cannot be cured within a 30-day period, Borrower will have sixty (60) days to cure the default, or any longer period of time deemed necessary by the City, *provided that* Borrower commences to cure the default within the 30-day period and diligently pursues the cure to completion; or

(c) Borrower fails to perform or observe any other term, covenant or agreement contained in any City Document, and the failure continues for thirty (30) days after Borrower's receipt of written notice from the City to cure the default, or, if the default cannot be cured within a 30-day period, Borrower will have sixty (60) days to cure the default, or any longer period of time deemed necessary by the City, *provided that* Borrower commences to cure the default within the 30-day period and diligently pursues the cure to completion; or

(d) Any representation or warranty made by Borrower in any City Document proves to have been incorrect in any material respect when made; or

(e) [Intentionally Deleted]; or

(f) Borrower is dissolved or liquidated or merged with or into any other entity; or, if Borrower is a corporation, partnership, limited liability company or trust, Borrower ceases to exist in its present form and (where applicable) in good standing and duly qualified

under the laws of the jurisdiction of formation and California for any period of more than ten (10) days; or, if Borrower is an individual, Borrower dies or becomes incapacitated; or all or substantially all of the assets of Borrower are sold or otherwise transferred except as permitted under **Section 16.1**; or

(g) Without the City's prior written consent, Borrower assigns or attempts to assign any rights or interest under any City Document, whether voluntarily or involuntarily, except as permitted under **Section 16.1**; or

(h) Without the City's prior written consent, Borrower voluntarily or involuntarily assigns or attempts to sell, lease, assign, encumber or otherwise transfer all or any portion of the ownership interests in Borrower or of its right, title or interest in the Project or the Site except as permitted under **Article 16**; or

(i) Without the City's prior written consent, Borrower transfers, or authorizes the transfer of, funds in any Account required or authorized under this Agreement; or

(j) Either the Deed of Trust or the Declaration of Restrictions ceases to constitute a valid and indefeasible perfected lien on the Site and improvements, subject only to Permitted Exceptions; or

(k) Borrower is subject to an order for relief by the bankruptcy court, or is unable or admits in writing its inability to pay its debts as they mature or makes an assignment for the benefit of creditors; or Borrower applies for or consents to the appointment of any receiver, trustee or similar official for Borrower or for all or any part of its property (or an appointment is made without its consent and the appointment continues undischarged and unstayed for sixty (60) days); or Borrower institutes or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, rehabilitation or similar proceeding relating to Borrower or to all or any part of its property under the laws of any jurisdiction (or a proceeding is instituted without its consent and continues undismissed and unstayed for more than sixty (60) days); or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against the Site, the improvements or any other property of Borrower and is not released, vacated or fully bonded within sixty (60) days after its issue or levy; or

(l) Any material adverse change occurs in the financial condition or operations of Borrower, such as a loss of services funding or rental subsidies, that has a material adverse impact on the Project; or

(m) From and after the closing date of Borrower's financing for construction of the Project, Borrower fails to make any payments or disbursements required to bring the Loan in balance after the City determines that the Loan is out of balance; or

(n) From and after the closing date of Borrower's financing for construction of the Project, but before a certificate of occupancy or equivalent certification is issued for the

Project, Borrower ceases rehabilitation or construction of the Project for a period of twenty five (25) consecutive calendar days, and the cessation is not excused under **Section 19.3**; or

(o) Borrower is in default of its obligations with respect to the Ground Lease (but only after the ground lease has been executed) or any funding obligation (other than the Loan) for the Project, and the default remains uncured following the expiration of any applicable cure periods; or

(p) Borrower is in default of its obligations under any other agreement entered into with the City and County of San Francisco related to the Project, and the default remains uncured following the expiration of any applicable cure periods.

19.2 Remedies. During the pendency of an uncured Event of Default, the City may exercise any right or remedy available under this Agreement or any other City Document or at law or in equity. All of the City's rights and remedies following an Event of Default are cumulative, including:

(a) The City at its option may declare the unpaid principal balance of the Note, together with default interest as provided in the Note and any other charges due under the Note and the other City Documents, immediately due and payable without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which Borrower expressly waives.

(b) The City at its option may terminate all commitments to make Disbursements or to release the Site from the Deed of Trust or Declaration of Restrictions, or, without waiving the Event of Default, the City may determine to make further Disbursements or to release all or any part of the Site from the Deed of Trust or Declaration of Restrictions upon terms and conditions satisfactory to the City in its sole discretion.

(c) The City may perform any of Borrower's obligations in any manner, in the City's reasonable discretion.

(d) The City, either directly or through an agent or court-appointed receiver, may take possession of the Project and enter into contracts and take any other action the City deems appropriate to complete or construct all or any part of the improvements, subject to modifications and changes in the Project the City deems appropriate.

(e) The City may apply to any court of competent jurisdiction for specific performance, or an injunction against any violation, of this Agreement or for any other remedies or actions necessary or desirable to correct Borrower's noncompliance with this Agreement.

(f) Upon the occurrence of an Event of Default described in **Section 19.1(k)**, the unpaid principal balance of the Note, together with default interest as provided in the Note and any other charges due under the Note and the other City Documents, will become due and payable automatically.

(g) All costs, expenses, charges and advances of the City in exercising its remedies or to protect the Project will be deemed to constitute a portion of the principal balance of the Note, even if it causes the principal balance to exceed the face amount of the Note, unless Borrower reimburses the City within ten (10) days of the City's demand for reimbursement.

19.3 Force Majeure. The occurrence of any of the following events will excuse performance of any obligations of the City or Borrower rendered impossible to perform while the event continues: strikes; lockouts; labor disputes; acts of God; inability to obtain labor, materials or reasonable substitutes for either; governmental restrictions, regulations or controls, including, but not limited to, government health orders related to a pandemic or epidemic; judicial orders; enemy or hostile governmental actions; civil commotion; fire or other casualty and other causes beyond the control of the party obligated to perform. The occurrence of a force majeure event will excuse Borrower's performance only in the event that Borrower has provided notice to the City within thirty (30) days after the occurrence or commencement of the event or events, and Borrower's performance will be excused for a period ending thirty (30) days after the termination of the event giving rise to the delay.

19.4 City's Recourse. The City's recourse against Borrower following an Event of Default is limited as set forth more specifically in the Note.

ARTICLE 20 REPRESENTATIONS AND WARRANTIES.

20.1 Borrower Representations and Warranties. As a further inducement for the City to enter into this Agreement, Borrower represents and warrants as follows:

(a) The execution, delivery and performance of the City Documents will not contravene or constitute a default under or result in a lien upon assets of Borrower under any applicable Law, any Charter Document of Borrower or any instrument binding upon or affecting Borrower, or any contract, agreement, judgment, order, decree or other instrument binding upon or affecting Borrower.

(b) When duly executed, the City Documents will constitute the legal, valid and binding obligations of Borrower. Borrower hereby waives any defense to the enforcement of the City Documents related to alleged invalidity of the City Documents.

(c) To the best of Borrower's knowledge, no action, suit or proceeding is pending or threatened that might affect Borrower or the Project adversely in any material respect.

(d) Borrower is not in default under any agreement to which it is a party, including any lease of real property.

(e) None of Borrower, Borrower's principals or Borrower's general contractor, if applicable, has been suspended or debarred by the City, the Department of Industrial Relations, or any Governmental Agency, nor has Borrower, any of its principals or its general contractor, if applicable, been suspended, disciplined or prohibited from contracting with the City or any Governmental Agency. Further, Borrower certifies that neither it nor any of its

principals is listed by the General Services Administration as debarred, suspended, ineligible or voluntarily excluded from receiving the Funds on the Agreement Date. In addition, Borrower will review the list to ensure that any contractor or subcontractor who bids for a contract in excess of \$100,000 is not debarred, suspended, ineligible or voluntarily excluded from participating in federal programs and activities in addition to obtaining the certification of each contractor or subcontractor whose bid is accepted.

(f) All statements and representations made by Borrower in connection with the Loan remain true and correct as of the date of this Agreement.

(g) The Borrower is duly organized and in good standing under applicable laws of the State of California and is qualified to do business in the City and County of San Francisco.

ARTICLE 21 NOTICES.

21.1 Written Notice. All notices required by this Agreement will be made in writing and may be communicated by personal delivery, by a nationally recognized courier that obtains receipts, facsimile (if followed within one (1) business day by first class mail) or by United States certified mail, postage prepaid, return receipt requested. Delivery will be deemed complete as of the earlier of actual receipt (or refusal to accept proper delivery) or five (5) days after mailing, *provided that* any notice that is received after 5 p.m. on any day or on any weekend or holiday will be deemed to have been received on the next succeeding business day. Notices will be addressed as follows:

To the City: City and County of San Francisco
 Mayor's Office of Housing and Community Development
 1 South Van Ness Avenue, 5th Floor
 San Francisco, CA 94103
 Attn: Director

To Borrower: Grove Street Development, LP

c/o Jonathan Rose Companies
551 Fifth Avenue, 23rd Floor
New York, NY 10176
Attention: Nathan D. Taft

Email: ntaft@rosecompanies.com

c/o Young Community Developers
1715 Yosemite Avenue
San Francisco, California 94124

Attention: Divali Ramkalawan
Email: dramkalawan@ycdjobs.org

or any other address a party designates from time to time by written notice sent to the other party in manner set forth in this Section.

21.2 Required Notices. Borrower agrees to provide notice to the City in accordance with **Section 21.1** of the occurrence of any change or circumstance that: (a) will have an adverse effect on the physical condition or intended use of the Project; (b) from and after the closing date of Borrower's financing for construction or rehabilitation of the Project, causes the Loan to be Out of Balance; or (c) will have a material adverse effect on Borrower's operation of the Property or ability to repay the Loan.

ARTICLE 22 GENERAL PROVISIONS.

22.1 Subordination. The Deed of Trust may be subordinated to other financing secured by and used for development of the Project (in each case, a "**Senior Lien**"), but only if MOHCD determines in its sole discretion that subordination is necessary to secure adequate acquisition, construction, rehabilitation and/or permanent financing to ensure the viability of the Project. Following review and approval by MOHCD and approval as to form by the City Attorney's Office, the Director of MOHCD or his/her successor or designee will be authorized to execute any approved subordination agreement without the necessity of any further action or approval. The Declaration of Restrictions will not be subordinated to any financing secured by and used for the Project.

22.2 No Third Party Beneficiaries. Nothing contained in this Agreement, nor any act of the City, may be interpreted or construed as creating the relationship of third party beneficiary, limited or general partnership, joint venture, employer and employee, or principal and agent between the City and Borrower or Borrower's agents, employees or contractors.

22.3 No Claims by Third Parties. Nothing contained in this Agreement creates or justifies any claim against the City by any person or entity with respect to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the Project. Borrower will include this requirement as a provision in any contracts for the development of the Project.

22.4 Entire Agreement. This Agreement and its Exhibits incorporate the terms of all agreements made by the City and Borrower with regard to the subject matter of this Agreement.

No alteration or variation of the terms of this Agreement will be valid unless made in writing and signed by the parties hereto. No oral understandings or agreements not incorporated herein will be binding on the City or Borrower.

22.5 City Obligations. The City's sole obligation under this Agreement is limited to providing the Funds as described in this Agreement, up to the Funding Amount. Under no circumstances, including breach of this Agreement, will the City be liable to Borrower for any special or consequential damages arising out of actions or failure to act by the City in connection with any of the City Documents.

22.6 Borrower Solely Responsible. Borrower is an independent contractor with the right to exercise full control of employment, direction, compensation and discharge of all persons assisting in the performance contemplated under this Agreement. Borrower is solely responsible for: (a) its own acts and those of its agents, employees and contractors and all matters relating to their performance, including compliance with Social Security, withholding and all other Laws governing these matters and requiring that contractors include in each contract that they will be solely responsible for similar matters relating to their employees; (b) any losses or damages incurred by Borrower, any of its contractors or subcontractors and the City and its officers, representatives, agents and employees on account of any act, error or omission of Borrower in the performance of this Agreement or any other City Document and the development and operation of the Project; and (c) all costs and expenses relating to Borrower's performance of obligations under the City Documents, the delivery to the City of documents, information or items under or in connection with any of the City Documents and taxes, fees, costs or other charges payable in connection with the execution, delivery, filing and/or recording of any City Document or document required under any City Document.

22.7 No Inconsistent Agreements. Borrower warrants that it has not executed and will not execute any other agreement(s) with provisions materially contradictory or in opposition to the provisions of this Agreement.

22.8 Inconsistencies in City Documents. In the event of any conflict between the terms of this Agreement and any other City Document, the terms of this Agreement control unless otherwise stated; *provided, however*, that any provision in this Agreement in conflict with any Law will be interpreted subject to that Law.

22.9 Governing Law; Venue. This Agreement is governed by California law and the City's Charter and Municipal Code without regard to its choice of law rules. Any legal suit, action, or proceeding arising out of or relating to this Agreement shall be instituted in the Superior Court for the City and County of San Francisco, and each party agrees to the exclusive jurisdiction of such court in any such suit, action, or proceeding (excluding bankruptcy matters). The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action, or proceeding in such court and irrevocably waive and agree not to plead or claim that any suit, action, or proceeding brought in San Francisco Superior Court relating to this Agreement has been brought in an inconvenient forum. The Parties also unconditionally and irrevocably waive any right to remove any such suit, action, or proceeding to Federal Court.

22.10 Joint and Several Liability. If Borrower consists of more than one person or entity, each is jointly and severally liable to the City for the faithful performance of this Agreement.

22.11 Successors. Except as otherwise limited herein, the provisions of this Agreement bind and inure to the benefit of the undersigned parties and their heirs, executors, administrators, legal representatives, successors and assigns. This provision does not relieve Borrower of its obligation under the City Documents to obtain the City's prior written consent to any assignment or other transfer of Borrower's interests in the Loan, the Site or the ownership interests in Borrower.

22.12 Reserved.

22.13 Severability. The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

22.14 Time. Time is of the essence in this Agreement. Whenever the date on which an action will be performed falls on a Saturday, Sunday or federal holiday, the date for performance will be deemed to be the next succeeding business day.

22.15 Further Assurances. Borrower agrees to: (a) pursue in an effective and continuous manner; (b) use best efforts to achieve; and (c) take all actions reasonably required by the City from time to time to confirm or otherwise carry out the purpose of this Agreement.

22.16 Binding Covenants. The provisions of the City Documents constitute covenants running with the land and will be binding upon Borrower and Borrower's successors and assigns, and all parties having or acquiring any right, title or interest in whatever form, including leasehold interests (other than Tenants and approved commercial tenants), in or to any part of the Property, except that the same will terminate and become void automatically at the expiration of the Compliance Term of this Agreement. Any attempt to transfer any right, title or interest in the Property in violation of these covenants will be void.

22.17 Consent. Except as expressly provided otherwise, whenever consent or approval of a party is required in any City Document, that party agrees not to withhold or delay its consent or approval unreasonably.

22.18 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute but one agreement.

22.19 Borrower's Personnel. The Project will be implemented only by competent personnel under the direction and supervision of Borrower.

22.20 Borrower's Board of Directors. Borrower, or Borrower's manager or general partner, as applicable, will at all times be governed by a legally constituted and fiscally responsible board of directors. Such board of directors will meet regularly and maintain appropriate membership, as established in the bylaws and other governing documents of

Borrower, Borrower's manager or Borrower's general partner, as applicable, and will adhere to applicable provisions of federal, state and local laws governing nonprofit corporations. Such board of directors will exercise such oversight responsibility with regard to this Agreement as is necessary to ensure full and prompt performance by Borrower of its obligations under this Agreement.

22.21 Ownership of Results. Any interest of Borrower or any sub-borrower, in drawings, plans, specifications, studies, reports, memoranda, computation sheets, the contents of computer diskettes, or other documents or Publications prepared by or on behalf of Borrower or any sub-borrower in connection with this Agreement, the implementation of the Project, the services to be performed under this Agreement, or acquired through the use of any Loan proceeds ("Work Product"), is hereby pledged to City as security for Borrower's obligations under this Agreement and the Note, and upon an Event of Default, subject to applicable notice and cure periods, will become the property of and be promptly transmitted by Borrower to the City. Notwithstanding the foregoing, Borrower may retain and use copies for reference and as documentation of its experience and capabilities.

This Agreement constitutes a security agreement under the California Uniform Commercial Code, as it may be amended from time to time, and Borrower authorizes City to file any financing statements City elects and deems necessary to perfect its security interest in the Work Product.

22.22 Works for Hire. If, in connection with this Agreement or the implementation of the Project, Borrower or any sub-borrower creates artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, source codes or any other original works of authorship or Publications, such creations will be works for hire as defined under Title 17 of the United States Code, and all copyrights in such creations will be the property of the City. If it is ever determined that any such creations are not works for hire under applicable law, Borrower hereby assigns all copyrights thereto to the City, and agrees to provide any material, execute such documents and take such other actions as may be necessary or desirable to effect such assignment. With the prior written approval of the City, Borrower may retain and use copies of such creations for reference and as documentation of its experience and capabilities. Borrower will obtain all releases, assignments or other agreements from sub-borrowers or other persons or entities implementing the Project to ensure that the City obtains the rights set forth in this Section.

22.23 Exhibits. The following exhibits are attached to this Agreement and incorporated by reference:

EXHIBITS

- A Schedules of Income and Rent Restrictions
- B-1 Table of Sources and Uses of Funds
- B-2 Annual Operating Budget
- B-3 20-Year Cash Flow Proforma
- C Form of Tenant Income Certification

D	First Source Hiring Requirements and Numerical Goals
E	Governmental Requirements
F	Lobbying/Debarment Certification Form
G	Form of Annual Monitoring Report
H	Tenant Selection Plan Policy
I	MOHCD Tenant Screening Criteria Policy
J	Developer Fee Policy
K	Hold Harmless Policy
L	Insurance Requirements
M	Reserved
N	Reserved
O	MOHCD Commercial Underwriting Guidelines
P	MOHCD Residual Receipts Policy

IN WITNESS WHEREOF, the parties hereto have executed this Agreement at San Francisco, California as of the date first written above.

THE CITY:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____
London N. Breed
Mayor

By: _____
Eric D. Shaw
Director, Mayor’s Office of Housing and Community Development

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By: _____
Deputy City Attorney

BORROWER:

GROVE STREET DEVELOPMENT, LP,
a California limited partnership

By: GROVE ST YCD MGP, LLC,
a California limited liability company,
its Managing General Partner

By: Young Community Developers,
a California nonprofit corporation
its Sole Member

By: _____
Name: Dion-Jay Brookter
Title: Chief Executive Officer

By: RCH GROVE ST GP, LLC,
a Delaware limited liability company,
its Administrative General Partner

By: Rose GP Investors, LLC,
a Delaware limited liability company,
its Managing Member

By: Rose Companies Holdings, LLC,
a Delaware limited liability company,
its Sole Member

By: _____
Name: Nathan D. Taft
Title: Authorized Signatory

EXHIBIT A
Schedules of Income and Rent Restrictions

1. **Income and Rent Restrictions.** Maximum rent is 30% of maximum income level. As used in this Agreement, the term "Qualified Tenant" includes each category of Tenant included below:

Unit Size	No. of Units	MOHCD AMI
Studio – LOSP	7	30%
1 BR – LOSP	7	30%
2-BR -LOSP	6	30%
3 - BR - LOSP	4	30%
Studio	6	30%
Studio	3	65%
1 BR	5	65%
2 BR	4	65%
3 BR	7	65%
Studio	9	75%
1 BR	5	75%
2 BR	14	80%
3 BR	17	80%

Twenty Four (24) Units will be made available to Homeless Households or those at risk of homelessness during the period in which the City’s Local Operating Subsidy program is in operation and the City provides such subsidy to the Project under the LOSP Agreement.

If the LOSP is terminated, discontinued or reduced at no fault of Borrower with respect to the Project, then the rent restrictions above may be altered but only to the extent necessary for the Project to remain financially feasible, as determined in City’s reasonable discretion; provided that:

- (a) Borrower diligently pursues an additional or alternative source of income or subsidy acceptable to the City to replace the rental subsidies.
- (b) One hundred percent (100%) of the Units formerly under LOSP will at all times be occupied by Qualified Tenants whose Adjusted Income does not exceed fifty percent (50%) of Median Income and the monthly rent paid by the Qualified Tenants may not exceed (a) thirty percent (30%) of fifty percent (50%) of Median Income, (b) less utility allowance. The maximum initial occupancy income level restrictions when averaged for all Residential Units in the Project may not exceed sixty percent (60%) of Median Income, subject to any applicable regulatory agreement, restrictive covenant, or other encumbrance. To the extent financially

feasible, as mutually determined by the Parties, any such rent increase will be limited to (or will be first implemented with) any vacant units.

In such event, the City will use good faith efforts to meet with Borrower within fifteen (15) days after Borrower's request to meet. The relief provided by the foregoing will not be construed as authorizing Borrower to exceed any income or rent restriction imposed on the Project by CDLAC, CTCAC, or under any other agreement. Borrower covenants and warrants that it will obtain all necessary approvals or relief from any other applicable income or rent limitations before implementing the relief provided in this paragraph.

2. Rent and Utilities. The total amount for rent and utilities (with the maximum allowance for utilities determined by the San Francisco Housing Authority) charged to a Qualified Tenant may not exceed the greater of:

(i) thirty percent (30%) of the applicable maximum income level, adjusted for household size; or

(ii) the tenant paid portion of the contract rent as determined by the San Francisco Housing Authority for Qualified Tenants holding Section 8 vouchers or certificates.

Rents may be increased as permitted pursuant to Section 7.3 of the Agreement.

EXHIBIT B-1
Table of Sources and Uses of Funds

EXHIBIT B-2
Annual Operating Budget

EXHIBIT B-3
20-Year Cash Flow Proforma

EXHIBIT C
Tenant Income Certification Form

EXHIBIT D

First Source Hiring Requirements and Numerical Goals

Borrower's use of Funds triggers the following hiring requirements imposed by the City's First Source Hiring Ordinance (San Francisco Administrative Code Chapter 83).

Borrower will, or will require its general contractor to, separately execute a First Source Hiring Agreement with the City as set forth below, although the lack of such a separate execution will not affect the requirements of Chapter 83 as incorporated herein.

A. Incorporation of Administrative Code Provisions by Reference. The provisions of Chapter 83 of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Contractor will comply fully with, and be bound by, all of the provisions that apply to this Agreement under such Chapter, including but not limited to the remedies provided therein. Capitalized terms used in this Section and not defined in this Agreement have the meanings assigned to such terms in Chapter 83.

B. First Source Hiring Agreement. On or before the effective date of the Ground Lease, Borrower will, or will require its general contractor to, enter into a first source hiring agreement ("FSH Agreement") with the City, that will include the terms as set forth in Section 83.9(b). Borrower also enter into a FSH Agreement with the City for any other work that it performs in the City.

C. Hiring Decisions. Borrower or its general contractor will make the final determination of whether an Economically Disadvantaged Individual referred by the System is "qualified" for the position.

D. Exceptions. Upon application by Contractor, the First Source Hiring Administration may grant an exception to any or all of the requirements of Chapter 83 in any situation where it concludes that compliance with this Chapter would cause economic hardship.

E. Liquidated Damages. Borrower agrees:

1. To be liable to the City for liquidated damages as provided in this Section;
2. To be subject to the procedures governing enforcement of breaches of contracts based on violations of contract provisions required by this Chapter as set forth in this Section;
3. That the Borrower's commitment to comply with this Chapter is a material element of the City's consideration for this contract; that the failure of the contractor to comply with the contract provisions required by this Chapter will cause harm to the City and the public which is significant and substantial but extremely difficult to quantify; that the harm to the City includes not only the financial cost of funding public assistance programs but also the insidious but

impossible to quantify harm that this community and its families suffer as a result of unemployment; and that the assessment of liquidated damages of up to \$5,000 for every notice of a new hire for an entry level position improperly withheld by the contractor from the first source hiring process, as determined by the FSHA during its first investigation of a contractor, does not exceed a fair estimate of the financial and other damages that the City suffers as a result of the contractor's failure to comply with its first source referral contractual obligations.

4. That the continued failure by a contractor to comply with its first source referral contractual obligations will cause further significant and substantial harm to the City and the public, and that a second assessment of liquidated damages of up to \$10,000 for each entry level position improperly withheld from the FSHA, from the time of the conclusion of the first investigation forward, does not exceed the financial and other damages that the City suffers as a result of the contractor's continued failure to comply with its first source referral contractual obligations;

5. That in addition to the cost of investigating alleged violations under this Section, the computation of liquidated damages for purposes of this Section is based on the following data:

a. The average length of stay on public assistance in San Francisco's County Adult Assistance Program is approximately 41 months at an average monthly grant of \$348 per month, totaling approximately \$14,379; and

b. In 2004, the retention rate of adults placed in employment programs funded under the Workforce Investment Act for at least the first six months of employment was 84.4%. Since qualified individuals under the First Source program face far fewer barriers to employment than their counterparts in programs funded by the Workforce Investment Act, it is reasonable to conclude that the average length of employment for an individual whom the First Source Program refers to a contractor and who is hired in an entry level position is at least one year; therefore, liquidated damages that total \$5,000 for first violations and \$10,000 for subsequent violations as determined by FSHA constitute a fair, reasonable, and conservative attempt to quantify the harm caused to the City by the failure of a contractor to comply with its first source referral contractual obligations.

6. That the failure of contractors to comply with this Chapter, except property contractors, may be subject to the debarment and monetary penalties set forth in Sections 6.80 et seq. of the San Francisco Administrative Code, as well as any other remedies available under the contract or at law; and

7. That in the event the City is the prevailing party in a civil action to recover liquidated damages for breach of a contract provision required by this Chapter, the contractor will be liable for the City's costs and reasonable attorney's fees.

Violation of the requirements of Chapter 83 is subject to an assessment of liquidated damages in the amount of \$5,000 for every new hire for an Entry Level Position improperly withheld from the first source hiring process. The assessment of liquidated damages and the evaluation of any defenses or mitigating factors will be made by the FSHA.

F. Subcontracts. Any subcontract entered into by Borrower or its general contractor will require the subcontractor to comply with the requirements of Chapter 83 and will contain contractual obligations substantially the same as those set forth in this Section.

EXHIBIT E
Governmental Requirements

1. Prevailing Wages and Working Conditions. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 6.1. Every contract for the rehabilitation or construction of housing assisted with Funds must comply with Chapter I (commencing with Section 1720) of Part 7 of the California Labor Code (pertaining to the payment of prevailing wages and administered by the California Department of Industrial Relations) and contain a provision requiring: (1) the payment of not less than the Prevailing Rate of Wage to all laborers and mechanics employed in the development of any part of the housing, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with state law and San Francisco Administrative Code Section 6.22(n), (collectively, “Prevailing Wage Requirements”). The Prevailing Wage Requirements of this Section apply to all laborers and mechanics employed in the development of the Project, including portions other than the assisted Units. Borrower agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements. If applicable, Borrower must include, and require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Chapter 6.

2. Environmental Review. The Project will meet the requirements of the California Environmental Quality Act (Cal. Pub. Res. Code §§ 2100 *et seq.*) and implementing regulations.

3. Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no employee, agent, consultant, officer or official of Borrower or the City who exercises or has exercised any function or responsibilities with respect to activities assisted by Funds, in whole or in part, or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in or benefit from the activities assisted under this Agreement, or have an interest, direct or indirect, in any contract, subcontract or agreement with respect thereto, or in the proceeds thereunder either for himself/herself or for those with whom he/she has family or business ties, during his/her tenure and for one year thereafter. In order to carry out the purpose of this Section, Borrower will incorporate, or cause to be incorporated, in all contracts, subcontracts and agreements relating to activities assisted under the Agreement, a provision similar to that of this Section. Borrower will be responsible for obtaining compliance with conflict of interest provisions by the parties with whom it contracts and, in the event of a breach, Borrower will take prompt and diligent action to cause the breach to be remedied and compliance to be restored.

(b) Borrower represents that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of the San Francisco Campaign and Governmental Conduct Code, and Sections 1090 through 1097 and 87100 *et seq.* of the California Government Code, all of which relate to prohibited conflicts of interest in connection with government contracts. Borrower certifies that it knows of no facts that constitute a violation of any of these provisions and agrees to notify the City immediately if Borrower at any time obtains knowledge of facts constituting a violation.

(c) In the event of any violation of the conflict of interest prohibitions, Borrower agrees that the City may refuse to consider any future application for funding from Borrower or any entity related to Borrower until the violation has been corrected to the City's satisfaction, in the City's sole discretion.

4. Disability Access. Borrower will comply with all applicable disability access Laws, including the Americans With Disabilities Act (42 U.S.C. §§ 1201 *et seq.*), Section 504 of the Rehabilitation Act (29 U.S.C. § 794) and the Fair Housing Amendments Act (42 U.S.C. §§ 3601 *et seq.*). Borrower is responsible for determining which disability access Laws apply to the Project, including those applicable due to the use of Funds. In addition, before occupancy of the Project, Borrower will provide to the City a written reasonable accommodations policy that indicates how Borrower will respond to requests by disabled individuals for accommodations in Units and common areas of the Project.

5. Lead-Based Paint. Borrower will satisfy the requirements of Chapter 36 of the San Francisco Building Code ("Work Practices for Exterior Lead-Based Paint") and the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§ 4821 *et seq.*) and implementing regulations at 24 CFR part 35. Borrower will also comply with the provisions contained in 17 CCR 350000 *et seq.*, and 8 CCR 1532.1 and all other applicable Laws governing lead-based hazards.

6. Relocation. Borrower will comply with any applicable requirements of the California Relocation Assistance Act (Cal. Gov. Code §§ 7260 *et seq.*) and implementing regulations in Title 25, Chapter 6 of the California Administrative Code and similar Laws.

7. Low-Income Hiring Requirements. The use of Funds triggers compliance with certain hiring requirements imposed by the City's First Source Hiring Ordinance (S.F. Admin. Code Chapter 83). To ensure compliance with those requirements, Borrower must include the provisions attached as **Exhibit D** in its contract with the general contractor for the Project. Borrower will be responsible to the City for ensuring compliance with the requirements listed on **Exhibit D**.

8. Non-Discrimination in City Contracts and Benefits Ordinance.

(a) Borrower Will Not Discriminate. In the performance of this Agreement, Borrower agrees not to discriminate against any employee, City and County employee working with Borrower or any subcontractor, applicant for employment with Borrower or any subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services or membership in all business, social or other establishments or organizations operated by Borrower on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, height, weight, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts. Borrower will incorporate by reference in all subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code. Borrower's failure to comply with the obligations in this subsection will constitute a material breach of this Agreement.

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

(d) Condition to Contract. As a condition to this Agreement, Borrower will execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the executed form by the San Francisco Contract Monitoring Division.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B ("Nondiscrimination in Contracts") and 12C ("Nondiscrimination in Property Contracts") of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Borrower will comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters of the Administrative Code, including the remedies provided in such Chapters. Without limiting the foregoing, Borrower understands that pursuant to Sections 12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this

Agreement may be assessed against Borrower and/or deducted from any payments due Borrower.

9. MacBride Principles. Pursuant to San Francisco Administrative Code Section 12F.5, City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Borrower acknowledges and agrees that he or she has read and understood this Section.

10. Tropical Hardwood & Virgin Redwood Ban. Pursuant to § 804(b) of the San Francisco Environment Code, City urges all grantees and borrowers not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

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

12. Submitting False Claims; Monetary Penalties. Any borrower, grantee, contractor, subcontractor or consultant who submits a false claim will be liable to the City for the statutory penalties set forth in that section. A borrower, grantee, contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the borrower, grantee, contractor, subcontractor or consultant:

- (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval;
- (b) knowingly makes, uses or causes to be made or used a false record or statement to get a false claim paid or approved by the City;
- (c) conspires to defraud the City by getting a false claim allowed or paid by the City;

(d) knowingly makes, uses or causes to be made or used a false record or statement to conceal, avoid or decrease an obligation to pay or transmit money or property to the City; or

(e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

13. Sunshine Ordinance.

(a) Borrower acknowledges and agrees that this Agreement and the Application Documents are subject to Section 67.24(e) of the San Francisco Administrative Code, which provides that contracts, including this Agreement, grantee's bids, responses to Requests for Proposals (RFPs) and all other records of communications between City and persons or entities seeking contracts, will be open to inspection immediately after a contract has been awarded. Nothing in such Section 67.24(e) (as it exists on the date hereof) requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. All information provided by Borrower that is covered by such Section 67.24(e) (as it may be amended from time to time) will be made available to the public upon request. Further, Borrower specifically agrees to conduct any meeting of its governing board that addresses any matter relating to the Project or to Borrower's performance under this Agreement as a passive meeting. Further, Borrower specifically agrees that any meeting of the governing body of its Limited Partner that addresses any matter relating to the Project or to Borrower's performance under this Agreement will be conducted as a passive meeting.

(b) By executing this Agreement, Borrower agrees to comply with the provisions of Chapter 12L of the San Francisco Administrative Code to the extent applicable.

(c) In accordance with the Citizen's Right to Know Act of 1998 (S. F. Admin. Code Chapter 79), no officer, department, board or commission of the City may approve a City Project, as defined in Chapter 79, unless a sign has been posted on the applicable property at least fifteen (15) days before approval. A City Project is a project that involves new construction, a change in use or a significant expansion of an existing use where the City funding for the project is \$50,000 or more. If the Loan will be used for a City Project, this Agreement will not become effective until fifteen (15) days following the posting of the requisite sign, or, in the alternative, thirty (30) days following the delivery of written notices to residents and owners within 300 feet of the Site, and the City will have the right to nullify or revoke this Agreement without cost or liability of any sort whatsoever at any time before that date. If Borrower believes that this Agreement relates to a City Project and that the requisite sign has not been posted,

Borrower will notify the City so that the City may determine the applicability of Chapter 79, and, if necessary, post the requisite sign.

14. Prohibition on Use of Public Funds for Political Activities. Borrower will comply with San Francisco Administrative Code Chapter 12G, which prohibits funds appropriated by the City for this Agreement from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. Borrower is subject to the enforcement and penalty provisions in Chapter 12G.

15. Nondisclosure of Private Information. Borrower has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information", and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Borrower agrees that any failure of Borrower to comply with the requirements of Section 12M.2 of this Chapter will be a material breach of the Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Agreement, bring a false claim action against Borrower pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar Borrower.

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

(a) Borrower will remove all graffiti from any real property owned or leased by Borrower in the City and County of San Francisco within forty eight (48) hours of the earlier of Borrower's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a Borrower to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" will not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et

seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

(b) Any failure of Borrower to comply with this section of this Agreement will constitute an Event of Default of this Agreement.

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

18. Consideration of Criminal History in Hiring and Employment Decisions.

(a) Borrower agrees to comply fully with and be bound by all of the provisions of Chapter 12T “City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions,” of the San Francisco Administrative Code (Chapter 12T), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Chapter 12T are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the Chapter 12T is available on the web at www.sfgov.org/olse/fco. A partial listing of some of Borrower’s obligations under Chapter 12T is set forth in this Section. Borrower is required to comply with all of the applicable provisions of 12T, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Agreement will have the meanings assigned to such terms in Chapter 12T.

(b) The requirements of Chapter 12T will only apply to a Borrower’s or Subcontractor’s operations to the extent those operations are in furtherance of the performance of this Agreement, will apply only to applicants and employees who would be or are performing work in furtherance of this Agreement, will apply only when the physical location of the employment or prospective employment of an individual is wholly or substantially within the City of San Francisco, and will not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

(c) Borrower will incorporate by reference in all subcontracts the provisions of Chapter 12T, and will require all subcontractors to comply with such provisions. Borrower’s failure to comply with the obligations in this subsection will constitute a material breach of this Agreement.

(d) Borrower or Subcontractor will not inquire about, require disclosure of, or if such information is received base an Adverse Action on an applicant’s or potential applicant for employment, or employee’s: (1) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication

in the juvenile justice system; (5) a Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(e) Borrower or Subcontractor will not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in subsection 16.16(d), above. Borrower or Subcontractor will not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(f) Borrower or Subcontractor will state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment to be performed under this Agreement, that the Borrower or Subcontractor will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(g) Borrower and Subcontractors will post the notice prepared by the Office of Labor Standards Enforcement (OLSE), available on OLSE's website, in a conspicuous place at every workplace, job site, or other location under the Borrower or Subcontractor's control at which work is being done or will be done in furtherance of the performance of this Agreement. The notice will be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the workplace, job site, or other location at which it is posted.

(h) Borrower understands and agrees that if it fails to comply with the requirements of Chapter 12T, the City will have the right to pursue any rights or remedies available under Chapter 12T, including but not limited to, a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Agreement.

19. Food Service Waste Reduction Requirements. Borrower agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, Borrower agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Borrower agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made.

Such amount will not be considered a penalty, but rather agreed monetary damages sustained by City because of Borrower's failure to comply with this provision.

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

21. Public Power. From and after the effective date of the Ground Lease, Borrower will procure water and sewer service from the City and electricity, telephone, natural gas, and any other utility service from the City or utility companies providing such services, and will pay all connection and use charges imposed in connection with such services. From and after the effective date of the Ground Lease, as between the City and Borrower, Borrower will be responsible for the installation and maintenance of all facilities required in connection with such utility services to the extent not installed or maintained by the City or the utility providing such service. All electricity necessary for operations on the Site will be purchased from the San Francisco Public Utilities Commission ("PUC"), at PUC's standard rates charged to third parties, unless PUC determines, in its sole judgment, that it is not feasible to provide such service to the Premises. PUC is the provider of electric services to City property, and the Interconnection Services Department of SFPUC's Power Enterprise coordinates with Pacific Gas and Electric Company and others to implement this service. To arrange for electric service to the Site, Borrower will contact the Interconnection Services Department in the Power Enterprise of the SFPUC.

22. Local Business Enterprise and Non-Discrimination in Contracting Ordinance. Borrower will comply with the applicable requirements of the Local Business Enterprise Utilization and Non-Discrimination in Contracting Ordinance under Administrative Code Chapter 14B ("LBE Ordinance") and will incorporate such requirements in contracts with any Contractors and Subcontractors.

EXHIBIT F
Lobbying/Debarment Certification Form

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan or cooperative agreement.
2. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress or an employee of a member of Congress in connection with this federal contract, grant, loan or cooperative agreement, the undersigned will complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.

This lobbying certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed under Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification will be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for such failure.

3. Neither the undersigned nor its principals is listed by the General Services Administration as debarred, suspended, ineligible or voluntarily excluded from receiving the Funds on the Agreement Date. The undersigned will review the list to ensure that any contractor or subcontractor who bids for a contract in excess of \$100,000 is not debarred, suspended, ineligible or voluntarily excluded from participating in federal programs and activities and will obtain the certification of each contractor or subcontractor whose bid is accepted that such contractor or subcontractor is not debarred, suspended, ineligible or voluntarily excluded from participating in federal programs and activities.

Grove Street Development, LP:

BY: _____

NAME: _____

TITLE: _____

DATE: _____

Exhibit F

EXHIBIT G
Form of Annual Monitoring Report

Exhibit G

EXHIBIT H
Tenant Selection Plan Policy

This policy is in addition to the obligations to comply with applicable federal, state and local civil rights laws, including laws pertaining to reasonable accommodation and limited English proficiency (LEP),¹ **and the applicable provision of the Violence Against Women Act, Pub. Law 109-62 (January 5, 2006), as amended.**

Application Process

- **Application Materials.** MOHCD will provide an application to be used prior to the housing lottery. The housing provider agrees to use this application to determine lottery eligibility. The housing provider's written and/or electronic application materials should:
 - outline the screening criteria that the housing provider will use;
 - be in compliance with San Francisco Police Code Article 49 or the Fair Chance Ordinance,
 - outline how an applicant may request a modification of the admission process and/or a change in admission policies or practices as a reasonable accommodation;
 - be written in language that is clear and readily understandable,
- **First Interview.** In accordance with the housing provider policies, an initial interview is required to assess each applicant's minimum eligibility requirements for housing units. All applicants will be offered the opportunity for an interview in lottery rank order.
- **Second Interview.** Before issuing a denial, the housing provider should consider offering a second interview to resolve issues and inconsistencies, gather additional information, and assist as much as possible with a determination to admit the applicant.
- **Confidentiality.** All information provided will be kept confidential and be used only by the housing provider, the referring agency and the funding agency for the purpose of assisting and evaluating the applicant in the admission process. All applicant information will be retained for 12 months after the final applicant interview.
- **Delays in the Process.** If delays have occurred or are likely to occur in the application and screening process or the process exceeds the housing provider's normal timeline for application and screening, the housing provider will immediately inform the referring agency and the funding agency, of the status of the application, the reason for the delay and the anticipated time it will take to complete the application process.

¹See for e.g., Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), 42 U.S.C. §§ 3601, et seq.; 24 C.F.R. Part 100; Title VI of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000d-2000d-7; Executive Order 13,166, Improving Access to Services for Persons with Limited English Proficiency (August 11, 2000); Department of Housing and Urban Development Limited English Proficiency Guidance, 72 Fed. Reg. 2732 (Jan. 22, 2007); Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794; 24 C.F.R. Parts 8 and 9; Title II of the Americans with Disabilities Act of 1990, as amended; California Fair Employment and Housing Act, Gov't Code §§ **12,955-12,956.2**; **Unruh Civil Rights Act, Civil Code § 51**; **California Disabled Persons Act, Civil Code § 51.4**; Dymally-Alatorre Bilingual Services Act, Gov't Code §**7290-7299.8**; **San Francisco Language Access Ordinance, No. 202-09 (April 14, 2009)**

- **Problems with the Referring Agency.** If at any point the housing provider has difficulty reaching or getting a response from the applicant and referring agency, the housing provider will immediately contact the referring agency, if possible, and the funding agency, DPH or HSA.
- **Limited English Proficiency Policy.** Throughout the application process, the housing provider will comply with City policy for language access requirements for applicants with limited English proficiency.

Reasonable Accommodation and Modification Policy

Reasonable Accommodation: The application process should provide information about how an applicant may make a reasonable accommodation request. At any stage in the admission process, an applicant may request a reasonable accommodation, if the applicant has a disability and as a result of the disability needs a modification of the provider’s rules, policies or practices, including a change in the way that the housing provider communicates with or provides information to the applicant that would give the applicant an equal chance to be selected by the housing provider to live in the unit.

Reasonable Modification: Applicant may request a reasonable modification if he or she has a disability and as a result of the disability needs:

- a physical change to the room or housing unit that would give the applicant an equal chance to live at the development and use the housing facilities or take part in programs on site;
- a physical change in some other part of the housing site that would give the applicant an equal chance to live at the development and use the housing facilities or take part in programs on site.

Response to Request: The housing provider will respond to a request for reasonable accommodation or modification within ten (10) business days. The response may be to grant, deny, or modify the request, or seek additional information in writing or by a meeting with the applicant. The housing provider will work with the applicant and referring agency to determine if there are ways to accommodate the applicant.

The housing provider will grant the request if the provider determines that:

- the applicant has a disability;
- reasonable accommodation or modification is necessary because of the disability; and
- the request is reasonable (i.e., does not impose an undue financial or administrative burden or fundamentally alter the nature of the housing program.)

If the reasonable accommodation request is denied, the rejection will explain the reasons in writing. If the denial of the reasonable accommodation request results in the applicant being denied admission to the unit, the provisions of the section on Notice of Denial and Appeal Process apply.

Notice of Denial and Appeal Process

- The housing provider will:
 - Hold a comparable unit for the household during the entire appeal process.
 - promptly send a written and electronic notice (to the addresses provided) to each applicant denied admission with a written and/or electronic copy to the referring agency and the funding agency. The notice should:
 - list all the reasons for the rejection, including the particular conviction or convictions that led to the decision in cases where past criminal offenses were a reason for rejection;
 - explain how the applicant can request an in person appeal to contest the decision;
 - state that an applicant with a disability is entitled to request a reasonable accommodation to participate in the appeal;
 - inform the applicant that he or she is entitled to bring an advocate or attorney to the in person appeal;
 - provide referral information for local legal services and housing rights organizations;
 - describe the evidence that the applicant can present at the appeal;
 - give applicants denied admission a date within which to file the appeal, which will be at least ten (10) business days from the date of the notice;
 - unless an extension is agreed to by the applicant and the housing provider, hold the appeal within ten (10) business days of the request for the appeal;
 - confine the subject of the appeal to the reason for denial listed in the notice;
 - give the applicant a chance to present documents and/or witnesses showing that he or she will be a suitable tenant;
 - have an impartial supervisor or manager from the housing provider, but who is not the person who made the initial decision or a subordinate of the person who made the initial decision, conduct the appeal;
 - within 5 business days of the in person appeal, provide the applicant with a written decision that states the reason for the decision and the evidence relied upon. A copy of the written decision will be sent (electronically or otherwise) to the referring agency and the funding agency.
- If the rejection is based on a criminal background check obtained from a tenant screening agency, the Fair Chance Ordinance imposes additional notice requirements.

EXHIBIT I
Tenant Screening Criteria Policy

The screening criteria and considerations outlined below encourage providers to “screen in” rather than “screen out” applicants. These requirements are also designed to satisfy the requirements of San Francisco Police Code Article 49, Sections 4901-4920 or the Fair Chance Ordinance. This policy describes a minimum level of leniency; providers are encouraged to adopt less restrictive policies and processes whenever appropriate. For example, providers may opt not to review or consider applicant criminal records at all.

Screening Criteria

- Housing providers will not automatically bar applicants who have a criminal record² in recognition of the fact that past offenses do not necessarily predict future behavior, and many applicants with a criminal record are unlikely to re-offend.
- Housing providers will not consider:
 - arrests that did not result in convictions, except for an open arrest warrant;
 - convictions that have been expunged or dismissed under Cal. Penal Code § 1203.4 or 1203.4a;³
 - juvenile adjudications.
- Housing providers will consider:
 - the individual circumstances of each applicant; and
 - the relationship between the offense, and
 - (1) the safety and security of other tenants, staff and/or the property; and
 - (2) mitigating circumstances such as those listed below.
 - only those offenses that occurred in the prior 7 years, except in exceptional situations, which will be documented and justified, such as where the housing provider staff is aware that the applicant engaged in violent criminal activity against staff, residents or community members and/or that the applicant intentionally submitted an application with materially false information regarding criminal activity.
 - mitigating factors, including, but not limited to:
 - (1) the seriousness of the offense;
 - (2) the age and/or circumstances of the applicant at the time of the offense;
 - (3) evidence of rehabilitation, such as employment, participation in a job training program, continuing education, participation in a drug or alcohol treatment program, or letters of support from a parole or probation officer, employer, teacher, social worker, medical professional, or community leader;

² The policy recognizes that some housing may be subject to mandatory laws that require the exclusion of an applicant based upon certain types of criminal activity.

³ The purpose of the statute is allow a petitioner to request a dismissal of the criminal accusations, a change in plea or setting aside of a verdict and to seek to have certain criminal records sealed or expunged and a release “from all penalties and disabilities resulting from the offense.”

- (4) if the offense is related to acts of domestic violence committed against the applicant;
- (5) if the offense was related to a person's disability.

Exhibit I

EXHIBIT J

Developer Fee Policy

Exhibit J

EXHIBIT K

Hold Harmless Policy

EXHIBIT L
Insurance Requirements

Subject to approval by the City's Risk Manager of the insurers and policy forms Borrower will obtain and maintain, or caused to be maintained, the insurance and bonds as set forth below from the date of this Agreement or other applicable date set forth below throughout the Compliance Term at no expense to the City:

1. **Liability Insurance.** Borrower will obtain and maintain, or cause its contractors, subcontractors, property managers and/or agents, as appropriate for each, to obtain and maintain, insurance and bonds as follows:

(a) to the extent Borrower or its contractors and subcontractors have "employees" as defined in the California Labor Code, workers' compensation insurance with employer's liability limits not less than One Million Dollars (\$1,000,000) each accident, injury or illness;

(b) commercial general liability insurance, with limits no less than Two Million Dollars (\$2,000,000) combined single limit per occurrence and Four Million Dollars (\$4,000,000) annual aggregate limit for bodily injury and property damage, including coverage for contractual liability; personal injury; fire damage legal liability; advertisers' liability; owners' and contractors' protective liability; products and completed operations; broad form property damage; and explosion, collapse and underground (XCU) coverage during any period in which Borrower is conducting any activity on, alteration or improvement to the Site with risk of explosions, collapse, or underground hazards. Borrower may obtain Umbrella/Excess Liability insurance to meet these coverages.

(c) business automobile liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable;

(d) professional liability insurance of no less than Two Million Dollars (\$2,000,000) per claim and Four Million Dollars (\$4,000,000) annual aggregate limit covering all negligent acts, errors and omissions of Borrower's architects, engineers and surveyors. If the professional liability insurance provided by the architects, engineers, or surveyors is "Claims made" coverage, Borrower will assure that these minimum limits are maintained for no less than three (3) years beyond completion of the constructions or remodeling. Any deductible over Fifty Thousand Dollars (\$50,000) each claim will be reviewed by Risk Management; and

(e) a crime policy or fidelity bond covering Borrower's officers and employees against dishonesty with respect to the Funds of no less than Seventy Five Thousand Dollars (\$75,000) each loss, with any deductible not to exceed Five Thousand Dollars (\$5,000) each loss, including the City as additional obligee or loss payee;

(f) as applicable, pollution liability and/or asbestos pollution liability covering the work being performed with a limit no less than Two Million Dollars (\$2,000,000)

Exhibit L

per claim or occurrence and Two Million Dollars (\$2,000,000) annual aggregate per policy. This coverage will be endorsed to include Non-Owned Disposal Site coverage. This policy may be provided by the Borrower's contractor, provided that the policy will be "claims made" coverage and Borrower will require Borrower's contractor to maintain these minimum limits for no less than three (3) years beyond completion of the construction or remodeling.

2. Property Insurance. Borrower will maintain, or cause its contractors and property managers, as appropriate for each, to maintain, insurance and bonds as follows:

(a) Prior to construction:

(i) Property insurance, excluding earthquake and flood, in the amount no less than One Hundred Percent (100%) of the replacement value of all improvements prior to commencement of construction and City property in the care, custody and control of the Borrower or its contractor, including coverage in transit and storage off-site; the cost of debris removal and demolition as may be made reasonably necessary by such perils, resulting damage and any applicable law, ordinance or regulation; start up, testing and machinery breakdown including electrical arcing; and with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the City and all subcontractors as loss payees.

(b) During the course of construction:

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

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

(c) Upon completion of construction:

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

(ii) Boiler and machinery insurance, comprehensive form, covering damage to, loss or destruction of machinery and equipment located on the Site that is used by Borrower for heating, ventilating, air-conditioning, power generation and similar purposes, in an

Exhibit L

amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the City as loss payee.

The following notice is provided in accordance with the provisions of California Civil Code Section 2955.5: Under California law, no lender will require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.

3. Commercial Space. Borrower will require that all nonresidential tenants' liability insurance policies include Borrower and the City as additional insureds, as their respective interests may appear. Throughout the term of any lease of Commercial Space in the Project, Borrower will require commercial tenants to maintain insurance as follows:

(a) to the extent the tenant has "employees" as defined in the California Labor Code, workers' compensation insurance with employer's liability limits not less than One Million Dollars (\$1,000,000) each accident;

(b) commercial general liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including coverage for contractual liability; personal injury; advertisers' liability; including coverage for loss of income due to an insured peril for twelve (12) months; owners' and contractors' protective; broadform property damage; explosion, collapse and underground (XCU); products and completed operations coverage;

(c) business automobile liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable;

(d) with respect to any tenant who has (or is required by Law to have) a liquor license and who is selling or distributing alcoholic beverages and/or food products on the leased premises, to maintain liquor and/or food products liability coverage with limits not less than One Million Dollars (\$1,000,000), as appropriate;

(e) special form coverage insurance, including vandalism and malicious mischief, in the amount of 100% of the full replacement cost thereof, covering all furnishings, fixtures, equipment, leasehold improvements, alterations and property of every kind of the tenant and of persons claiming through the tenant; and

(f) full coverage plate glass insurance covering any plate glass on the commercial space.

Exhibit L

4. General Requirements.

(a) Required Endorsements. Borrower's insurance policies will include the following endorsements:

(i) Commercial General Liability and Commercial Automobile Liability Insurance policies will be endorsed to name as "Additional Insured" the City and County of San Francisco, its officers, agents, and employees.

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

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

(iv) All policies will be endorsed to provide thirty (30) days' advance written notice to the City of cancellation for any reason, intended non-renewal, or reduction in coverages. Notices will be sent to the City address set forth in **Section 21.1** of the Agreement.

Borrower will provide the City with copies of endorsements for each required insurance policy and make each policy available for inspection and copying promptly upon request.

(b) Certificates of Insurance. By no later than Loan closing and annually thereafter, Borrower will furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above. Approval of the insurance by City shall not relieve or decrease Borrower's liability under this Agreement.

(c) Waiver of Subrogation – Property Insurance. With respect to any property insurance, Borrower hereby waives all rights of subrogation against the City to the extent of any loss covered by Borrower's insurance, except to the extent subrogation would affect the scope or validity of insurance.

(d) Claims Based Policies. All claims based on acts, omissions, injury or damage occurring or arising in whole or in part during the policy period must be covered. If any required insurance is provided under a claims-made form, Borrower will maintain coverage as follows:

(i) for builder's risk, continuously for a period ending no less than three (3) years after recordation of a notice of completion without lapse, to the effect that, if any

occurrences give rise to claims made after completion of the Project, then those claims will be covered by the claims-made policies; or

(ii) for all other insurance under this Exhibit L, continuously through the Compliance Term and, without lapse, for a period of no less than three (3) years beyond the expiration of the Compliance Term, to the effect that, if any occurrences during the Compliance Term give rise to claims made after expiration of the Agreement, then those claims will be covered by the claims-made policies.

(e) Additional Requirements.

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

(ii) Any and all insurance policies required under this Exhibit L will contain a clause providing that the City and its officers, agents and employees will not be liable for any required premium.

(iii) On City's request, Borrower and City will periodically review the limits and types of insurance carried under this Exhibit L. If the general commercial practice in the City and County of San Francisco is to carry liability insurance in an amount or coverage materially greater than the amount or coverage then being carried by Borrower for risks comparable to those associated with the Permit Area, then City in its sole discretion may require Permittee to increase the amounts or coverage carried by Borrower to conform to the general commercial practice, unless Borrower demonstrates to the City's satisfaction that the increased coverage is commercially unreasonable and unavailable to Borrower.

(iv) Borrower's compliance with the insurance requirements under this Exhibit L will in no way relieve or decrease Borrower's indemnification obligations under this Agreement or any of Borrower's other obligations under this Agreement.

[IF THE ENVIRONMENTAL REPORTS SHOW THE PRESENCE OF, OR ACTIVITIES MAY CAUSE EXPOSURE TO, HAZARDOUS MATERIALS, SPECIAL COVERAGE WILL BE REQUIRED. CHECK WITH RISK MANAGER.]

Exhibit M
Reserved

Exhibit M

EXHIBIT N
Reserved

Exhibit O

EXHIBIT O
Commercial Underwriting Guidelines

Exhibit O

EXHIBIT P
Residual Receipts Policy

Exhibit P

Free Recording Requested Pursuant to
Government Code Section 27383

Recording requested by and
when recorded mail to:
City and County of San Francisco
Mayor's Office of Housing
and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attn: Assistant Housing Loan Administrator

Block 1202 Lots 002B

Address: 650 Divisadero Street, San Francisco, CA 94117

-----Space Above This Line for Recorder's Use-----

**DECLARATION OF RESTRICTIONS AND
AFFORDABLE HOUSING COVENANTS**

650 Divisadero St

**THIS DECLARATION OF RESTRICTIONS AND AFFORDABLE HOUSING
COVENANTS** (this "Declaration") is made as of _____, 2024, by **Grove
Street Development, LP, a California limited partnership** ("Borrower"), in favor of
the **CITY AND COUNTY OF SAN FRANCISCO**, represented by the Mayor, acting by
and through the Mayor's Office of Housing and Community Development (the "City").

RECITALS

A. The City is making a loan (the "Loan") to Borrower of Van Ness-Market
Housing Funds, Market Octavia Housing Funds, and Certificates of Participation Funds
to finance costs associated with the development of the real property described in
Exhibit A attached hereto and incorporated herein by reference (the "Property") as low-
income affordable housing (the "Project"). The Loan is evidenced by, among other
documents, a Loan Agreement between the City and Borrower dated as of the date of this
Declaration, as it may be amended from time to time (the "Agreement"). The Agreement
is incorporated by reference in this Declaration as though fully set forth in this
Declaration. Definitions and rules of interpretation set forth in the Agreement apply to
this Declaration.

B. Pursuant to the Agreement, Borrower has agreed to comply with certain
affordability covenants and other use and occupancy restrictions set forth in the
Agreement (collectively, the "Regulatory Obligations"), commencing on the date the
Deed of Trust is recorded in the Official Records of San Francisco County and continuing
for the Life of the Project (the "Compliance Term"), even if the Loan is repaid or
otherwise satisfied or the Deed of Trust is reconveyed.

AGREEMENT

Now, therefore, in consideration of the City providing the Loan in accordance with the City Documents, Borrower agrees as follows:

1. Borrower will comply with the Regulatory Obligations and this Declaration through the expiration of the Compliance Term, regardless of any reconveyance of the Deed of Trust. Specifically, Borrower agrees as follows, subject to additional terms as set forth in the Agreement:

1.1 With the exception of one Unit reserved for the manager of the Project, Units in the Project will at all times be rented only to tenants who qualify as Qualified Tenants at initial occupancy, specifically:

Maximum Income Level (MOHCD Income Level)						
Unit Size	25%	30%	50%	60%	Mgr Units	Total
Studio	6	7	3	9		25
1 BR	-	7	5	5		17
2 BR	-	6	4	14	1	25
3 BR	-	4	7	17		28
Total	6	24	19	45	1	95

24 Units must be made available to the chronically homeless or those at risk of homelessness during the period in which the City’s Local Operating Subsidy program is in operation and the City provides such subsidy to the Project under the LOSP Agreement.

If the LOSP is terminated, discontinued or reduced at no fault of Borrower with respect to the Project, then the rent restrictions above may be altered but only to the extent necessary for the Project to remain financially feasible, as determined in City’s reasonable discretion; provided that:

- (a) Borrower diligently pursues an additional or alternative source of income or subsidy acceptable to the City to replace the rental subsidies.
- (b) One hundred percent (100%) of the Units formerly under LOSP will at all times be occupied by Qualified Tenants whose Adjusted Income does not exceed fifty percent (50%) of Median Income and the monthly rent paid by the Qualified Tenants may not exceed (a) thirty percent (30%) of fifty percent (50%) of Median Income, (b) less utility allowance. The maximum initial occupancy income level restrictions when averaged for all Residential Units in the Project may not exceed sixty percent (60%) of Median Income, subject to any applicable regulatory agreement, restrictive covenant, or other encumbrance. To the extent financially

feasible, as mutually determined by the Parties, any such rent increase will be limited to (or will be first implemented with) any vacant units.

In such event, the City will use good faith efforts to meet with Borrower within fifteen (15) days after Borrower's request to meet. The relief provided by the foregoing will not be construed as authorizing Borrower to exceed any income or rent restriction imposed on the Project by CDLAC, CTCAC, or under any other agreement. Borrower covenants and warrants that it will obtain all necessary approvals or relief from any other applicable income or rent limitations before implementing the relief provided in this paragraph.

1.2 The total amount for rent and utilities (with the maximum allowance for utilities determined by the San Francisco Housing Authority) charged to a Qualified Tenant may not exceed:

(i) thirty percent (30%) of the applicable maximum income level, adjusted for household size; or

(ii) the tenant paid portion of the contract rent as determined by the San Francisco Housing Authority for Qualified Tenants holding Section 8 vouchers or certificates.

1.3 For the avoidance of any doubt, notwithstanding any repayment of the Loan or otherwise satisfied or if the Deed of Trust is reconveyed, Borrower will comply with the applicable terms of the Agreement as if fully set forth herein, including, without limitation, Article 6 (Marketing), Article 7 (Affordability and Other Leasing Restrictions), Article 8 (Maintenance and Management of the Project), Article 9 (Governmental Approvals and Requirements), Article 10 (Project Monitoring, Reports, Books and Records), Article 11 (Use of Income From Operations), Article 12 (Required Reserves), Article 16 (Transfers), Article 17 (Insurance and Bonds; Indemnity), Article 18 (Hazardous Substances), and Article 19 (Default).

1.4 Notwithstanding anything to the contrary herein, Borrower may use the Property for interim uses approved by MOHCD prior to the closing of construction financing for the Project. Borrower will ensure that any interim use does not interfere with or delay any due diligence, investigation, or any other predevelopment work necessary for obtaining financing and commencing construction of the Project.

2. Borrower hereby subjects the Property to the covenants, reservations and restrictions set forth in this Declaration and the Agreement. This Declaration and the Regulatory Obligations constitute covenants running with the land and bind successors and assigns of Borrower and any non-borrower of the Property and will pass to and be binding upon Borrower's successors in title to the Property. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof will conclusively be held to have been executed, delivered and accepted subject to the covenants, reservations and restrictions in this Declaration, regardless of

whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

3. If Borrower fails to (i) comply with the Regulatory Obligations and this Declaration to the City's satisfaction, in its sole discretion, and (ii) cure such default as set forth in **Section 19.1(c)** of the Agreement, the City will have the right to pursue any available remedy at equity or in law, including as set forth in **Section 19.2** of the Agreement, to enforce this Declaration. During the Compliance Term, the City may rely on the Deed of Trust and/or this Declaration, in the City's discretion, to enforce any of the City's rights under the City Documents. Borrower will pay the City's reasonable costs in connection with the City's enforcement of the terms of this Declaration and Regulatory Obligations, including, without limitation, the City's attorneys' fees and costs.

Borrower has executed this Declaration as of the date first written above.

"BORROWER"

GROVE STREET DEVELOPMENT, LP,
a California limited partnership

By: GROVE ST YCD MGP, LLC,
a California limited liability company,
its Managing General Partner

By: Young Community Developers,
a California nonprofit corporation
its Sole Member

By: _____
Name: Dion-Jay Brookter
Title: Chief Executive Officer

By: RCH GROVE ST GP, LLC,
a Delaware limited liability company,
its Administrative General Partner

By: Rose GP Investors, LLC,
a Delaware limited liability company,
its Managing Member

By: Rose Companies Holdings, LLC,
a Delaware limited liability company,
its Sole Member

By: _____
Name: Nathan D. Taft
Title: Authorized Signatory

[ALL SIGNATURES MUST BE NOTARIZED.]

EXHIBIT A

(Legal Description of the Property)

THE FOLLOWING LAND SITUATED IN THE CITY OF SAN FRANCISCO,
COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS
FOLLOWS:

Beginning at the point of intersection of the Southerly line of Grove Street and Easterly line of Divisadero Street; running thence Southerly along said line of Divisadero Street 100 feet; thence at a right angle Easterly 125 feet; thence at a right angle Northerly 100 feet to Southerly line of Grove Street, thence at a right angle Westerly along the last named line 125 feet to the point of beginning.

Being a portion of Western Addition

Block No. 447. Assessor's Lot 002B; Block 1202

SECURED PROMISSORY NOTE

(Acquisition Amount)
(Van-Ness Market Housing Funds; Market-Octavia Housing Funds;
2023 Certificates of Participation)

Principal Amount: \$ 12,775,000

San Francisco, CA

Date:

FOR VALUE RECEIVED, the undersigned, Grove Street Development, LP, a California Limited Partnership ("Maker"), hereby promises to pay to the order of the **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation, or holder (as the case may be, "Holder"), the principal sum of Twelve Million Seven Hundred Seventy Five Thousand and No/100 Dollars (\$12,775,000.00) (the "Acquisition Amount"), or so much of the Acquisition Amount as may be disbursed from time to time pursuant to the Agreement described in **Section 1** below, as provided in this Note.

1. Agreement. This Secured Promissory Note ("Note") is given under the terms of a Loan Agreement by and between Maker and Holder (the "Agreement") dated as of the date set forth above, which Agreement is incorporated herein by reference. Maker's obligations under this Note and the Agreement are secured by that certain Deed Of Trust, Assignment Of Rents, Security Agreement And Fixture Filing dated as of the date of this Note, made by Maker for the benefit of Holder, and a pledge of Work Product contained in the Agreement. Definitions and rules of interpretation set forth in the Agreement apply to this Note. In the event of any inconsistency between the Agreement and this Note, this Note will control.

2. Interest. Except as provided in **Section 3**, no interest will accrue on the Acquisition Amount.

3. Default Interest Rate. Upon the occurrence of an Event of Default under any City Document, interest will be deemed to have accrued on the outstanding principal balance of the Loan at a compounded annual rate equal to the lesser of: (a) ten percent (10%); or (b) the maximum lawful rate of interest, commencing on the date of the Event of Default through the earlier of: (x) the date on which the Event of Default is cured; or (y) the date on which all amounts due under the City Documents are paid to Holder. Maker acknowledges and agrees that the default interest that must be paid in the event of an Event of Default pursuant to this Section represents a reasonable sum considering all the circumstances existing on the date of this Note and represents a fair and reasonable estimate of the costs that will be sustained by Holder if Maker defaults. Maker further agrees that proof of actual damages would be costly and inconvenient and that default interest will be paid without prejudice to Holder's right to collect any other amounts to be paid or to exercise any of its other rights or remedies under any City Document.

4. Repayment of Acquisition Amount. The entire principal balance of the Loan, together with all accrued and unpaid default interest (if any) and other unpaid fees and costs incurred (all together, the "Payment"), will be due and payable on the date that is the earlier of (a) Maker's closing of construction financing for the Projector (b) Outside Construction Commencement Date (the "Maturity Date"), which the City may agree to extend in its sole and absolute discretion and agrees to reasonably consider any requests by Borrower to so extend. If the Maturity Date falls on a weekend or holiday, it will be deemed to fall on the next succeeding business day. This Note will be deemed repaid upon Maker's transfer of the Site to the City on or before the closing of construction financing for the Project, or a transfer of the Site under Section 3.8 of the Agreement.

5. Security. Maker's obligations under this Note are secured by the Deed of Trust and the pledge of Work Product.

6. Terms of Payment.

6.1 All Payments must be made in currency of the United States of America then lawful for payment of public and private debts.

6.2 All Payments must be made payable to Holder and mailed or delivered in person to Holder's office at One South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, or to any other place Holder from time to time designates.

6.3 In no event will Maker be obligated under the terms of this Note to pay interest exceeding the lawful rate. Accordingly, if the payment of any sum by Maker pursuant to the terms of this Note would result in the payment of interest exceeding the amount that Holder may charge legally under applicable state and/or federal law, the amount by which the payment exceeds the amount payable at the lawful interest rate will be deducted automatically from the principal balance owing under this Note.

6.4 Maker waives the right to designate how Payments will be applied pursuant to California Civil Code Sections 1479 and 2822. Holder will have the right in its sole discretion to determine the order and method of application of Payments to obligations under this Note.

6.5 Except as otherwise set forth herein or in the Agreement, no prepayment of this Note will be permitted without Holder's prior written consent.

7. Default.

7.1 Any of the following will constitute an Event of Default under this Note:

(a) Maker fails to make any Payment required under this Note within ten (10) days of the date it is due; or

(b) the occurrence of any other Event of Default under the Agreement or other instrument securing the obligations of Maker under this Note or under any other agreement between Maker and Holder with respect to the Project.

7.2 Upon the occurrence of any Event of Default, without notice to or demand upon Maker, which are expressly waived by Maker (except for notices or demands otherwise required by applicable laws to the extent not effectively waived by Maker and any notices or demands specified in the City Documents), Holder may exercise all rights and remedies available under this Note, the Agreement or otherwise available to Holder at law or in equity. Maker acknowledges and agrees that Holder's remedies include the right to accelerate the Maturity Date by declaring the outstanding principal balance of the Loan, together with all accrued and unpaid interest and unpaid fees and costs incurred, due and payable immediately, in which case, the Maturity Date will be superseded and replaced by the date established by Holder.

7.3 Subject to this Section, Holder will not seek or obtain judgment against Maker for the payment of any amounts due under this Note following a judicial or nonjudicial foreclosure of the Deed of Trust, and Holder's sole recourse against Maker for any default under this Note will be limited to the collateral for the Loan, *provided, however*, that this Section will be deemed void and of no effect if Maker challenges Holder's right to foreclose following an Event of Default in any legal proceeding on the grounds that the City Documents are not valid and enforceable under California law. This provision does not limit in any way Holder's right to recover sums arising under any obligation of Maker to indemnify Holder of sums incurred by Holder as a result of Maker's fraud, willful misrepresentation, misapplication of funds (including Loan Funds and Rents (as defined in the Deed of Trust)), waste or negligent or intentional damage to the collateral for the Loan.

8. Waivers.

8.1 Maker expressly agrees that the term of this Note or the date of any payment due hereunder may be extended from time to time with Holder's consent, and that Holder may accept further security or release any security for this Note, all without in any way affecting the liability of Maker.

8.2 No extension of time for any Payment made by agreement by Holder with any person now or hereafter liable for the payment of this Note will operate to release, discharge, modify, change or affect the original liability of Maker under this Note, either in whole or in part.

8.3 The obligations of Maker under this Note are absolute, and Maker waives any and all rights to offset, deduct or withhold any Payments or charges due under this Note for any reason whatsoever.

9. Miscellaneous Provisions.

9.1 All notices to Holder or Maker must be given in the manner and at the addresses set forth in the Agreement, or to the addresses Holder and/or Maker hereafter designate in accordance with the Agreement.

9.2 In the event of any legal proceedings arising from the enforcement of or a default under this Note or in any bankruptcy proceeding of Maker, the non-prevailing party promises to pay all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the proceeding, as provided in the Agreement.

9.3 This Note may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

9.4 This Note is governed by and must be construed in accordance with the laws of the State of California, without regard to the choice of law rules of the State.

9.5 Time is of the essence in the performance of any obligations hereunder.

"MAKER"

GROVE STREET DEVELOPMENT, LP,
a California limited partnership

By: GROVE ST YCD MGP, LLC,
a California limited liability company,
its Managing General Partner

By: Young Community Developers,
a California nonprofit corporation
its Sole Member

By: _____
Name: Dion-Jay Brookter
Title: Chief Executive Officer

By: RCH GROVE ST GP, LLC,
a Delaware limited liability company,
its Administrative General Partner

By: Rose GP Investors, LLC,
a Delaware limited liability company,
its Managing Member

By: Rose Companies Holdings, LLC,
a Delaware limited liability company,
its Sole Member

By: _____
Name: Nathan D. Taft
Title: Authorized Signatory

SECURED PROMISSORY NOTE

(Van Ness-Market Housing Funds; Market-Octavia Housing Funds;
2023 Certificates of Participation)

Principal Amount: \$ 2,225,000

San Francisco, CA

Date:

FOR VALUE RECEIVED, the undersigned, Grove Street Development, LP a California Limited Partnership ("Maker"), hereby promises to pay to the order of the **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation, or holder (as the case may be, "Holder"), the principal sum of Two Million Two Hundred Twenty Five Thousand and No/100 Dollars (\$2,225,000.00) (the "Funding Amount"), or so much of the Funding Amount as may be disbursed from time to time pursuant to the Agreement described in **Section 1** below, together with interest thereon, as provided in this Note.

1. Agreement. This Secured Promissory Note ("Note") is given under the terms of a Loan Agreement by and between Maker and Holder (the "Agreement") dated as of the date set forth above, which Agreement is incorporated herein by reference. Maker's obligations under this Note and the Agreement are secured by that certain Deed Of Trust, Assignment Of Rents, Security Agreement And Fixture Filing dated as of the date of this Note, made by Maker for the benefit of Holder, and by the pledge of Work Product contained in the Agreement. Definitions and rules of interpretation set forth in the Agreement apply to this Note. In the event of any inconsistency between the Agreement and this Note, this Note will control.

2. Interest. Interest will accrue on the principal balance outstanding under this Note from time to time at the rate of three percent (3.0%) per annum, simple interest, from the date of the close of escrow disbursement of funds by Holder through the date of full payment of all amounts owing under the City Documents. Interest will be calculated on the basis of actual days elapsed and a 360-day year, which will result in higher interest charges than if a 365-day year were used.

3. Default Interest Rate. Upon the occurrence of an Event of Default under any City Document, interest will be deemed to have accrued on the outstanding principal balance of the Loan at a compounded annual rate equal to the lesser of: (a) ten percent (10%); or (b) the maximum lawful rate of interest, commencing on the date of the Event of Default through the earlier of: (x) the date on which the Event of Default is cured; or (y) the date on which all amounts due under the City Documents are paid to Holder. Maker acknowledges and agrees that the default interest that must be paid in the event of an Event of Default pursuant to this Section represents a reasonable sum considering all the circumstances existing on the date of this Note and represents a fair and reasonable estimate of the costs that will be sustained by Holder if Maker defaults. Maker further agrees that proof of actual damages would be costly and inconvenient and that default interest will be paid without prejudice to Holder's right to collect any other amounts to be paid or to exercise any of its other rights or remedies under any City Document.

4. Repayment of Funding Amount.

4.1 Subject to Section 13.4 of the Agreement, Maker will make annual payments of principal and interest (each, a "Payment") in an amount equal to the Residual Receipts, if any, attributable to the prior calendar year, beginning on the first June 30th after the end of the calendar year of the Completion Date, and continuing each June 30th thereafter up to and including the Maturity Date, as defined below (each, a "Payment Date"). All Payments will be applied to the following in the following order: (a) costs and fees incurred and unpaid; (b) accrued and unpaid interest; and (c) reduction of the principal balance of the Loan. The unpaid principal balance of the Loan, together with all accrued and unpaid interest and unpaid costs and fees incurred, will be due and payable on the date that is the later of (a) the fifty-seventh (57th) anniversary of the date the Deed of Trust is recorded in the Official Records or (b) the fifty-fifth (55th) anniversary of the Conversion Date (the "Maturity Date"), provided however that if Maker fails to commence construction of the Projection or before December 31, 2028 (the "Outside Construction Commencement Date"), the Maturity Date will be the Outside Construction Commencement Date. The City may agree to extend the Outside Construction Commencement Date in its sole and absolute discretion, and agrees to reasonably consider any requests by Borrower to so extend. Notwithstanding the foregoing, if Maker's failure to commence construction of the Project by the Outside Construction Commencement Date is not caused by Maker's acts or omissions, whether direct or indirect, and if Maker has acted in good faith and no event has occurred and is continuing that constitutes an Event of Default or, with the passage of time would become an Event of Default under any of the City Documents, then in such an event, Maker will comply with Section 3.8 of the Agreement and deliver to City all of the Work Product, the Note will be deemed satisfied in full and Maker will be deemed to be released from all obligation or liability with respect to this Agreement and the Loan. Any Payment Date, including any Excess Proceeds Payment Date and the Maturity Date, that falls on a weekend or holiday will be deemed to fall on the next succeeding business day.

4.2 Subject to Section 13.4 of the Agreement, Maker will make payments of principal and interest (each, an "Excess Proceeds Payment") in an amount equal to the Excess Proceeds, if any, on the date that is thirty (30) days after the later of the date on which Maker receives its Form 8609 from the California Tax Credit Allocation Committee or the date on which Maker receives Excess Proceeds from its limited partner or other financing sources (the "Excess Proceeds Payment Date"). All Excess Proceeds Payments will be applied to the following in the following order: (a) costs and fees incurred and unpaid; (b) accrued and unpaid interest; and (c) reduction of the principal balance of the Loan.

5. Security. Maker's obligations under this Note are secured by the Deed of Trust and the pledge of Work Product.

6. Terms of Payment.

6.1 All Payments must be made in currency of the United States of America then lawful for payment of public and private debts.

6.2 All Payments must be made payable to Holder and mailed or delivered in person to Holder's office at One South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, or to any other place Holder from time to time designates.

6.3 In no event will Maker be obligated under the terms of this Note to pay interest exceeding the lawful rate. Accordingly, if the payment of any sum by Maker pursuant to the terms of this Note would result in the payment of interest exceeding the amount that Holder may charge legally under applicable state and/or federal law, the amount by which the payment

exceeds the amount payable at the lawful interest rate will be deducted automatically from the principal balance owing under this Note.

6.4 Maker waives the right to designate how Payments will be applied pursuant to California Civil Code Sections 1479 and 2822. Holder will have the right in its sole discretion to determine the order and method of application of Payments to obligations under this Note.

6.5 Except as otherwise set forth herein or in the Agreement, no prepayment of this Note will be permitted without Holder's prior written consent.

7. Default.

7.1 Any of the following will constitute an Event of Default under this Note:

(a) Maker fails to make any Payment required under this Note within ten (10) days of the date it is due; or

(b) the occurrence of any other Event of Default under the Agreement or other instrument securing the obligations of Maker under this Note or under any other agreement between Maker and Holder with respect to the Project.

7.2 Upon the occurrence of any Event of Default, without notice to or demand upon Maker, which are expressly waived by Maker (except for notices or demands otherwise required by applicable laws to the extent not effectively waived by Maker and any notices or demands specified in the City Documents), Holder may exercise all rights and remedies available under this Note, the Agreement or otherwise available to Holder at law or in equity. Maker acknowledges and agrees that Holder's remedies include the right to accelerate the Maturity Date by declaring the outstanding principal balance of the Loan, together with all accrued and unpaid interest and unpaid fees and costs incurred, due and payable immediately, in which case, the Maturity Date will be superseded and replaced by the date established by Holder.

7.3 Subject to this Section, Holder will not seek or obtain judgment against Maker for the payment of any amounts due under this Note following a judicial or nonjudicial foreclosure of the Deed of Trust, and Holder's sole recourse against Maker for any default under this Note will be limited to the collateral for the Loan, *provided, however*, that this Section will be deemed void and of no effect if Maker challenges Holder's right to foreclose following an Event of Default in any legal proceeding on the grounds that the City Documents are not valid and enforceable under California law. This provision does not limit in any way Holder's right to recover sums arising under any obligation of Maker to indemnify Holder of sums incurred by Holder as a result of Maker's fraud, willful misrepresentation, misapplication of funds (including Loan Funds and Rents (as defined in the Deed of Trust)), waste or negligent or intentional damage to the collateral for the Loan.

8. Waivers.

8.1 Maker expressly agrees that the term of this Note or the date of any payment due hereunder may be extended from time to time with Holder's consent, and that Holder may accept further security or release any security for this Note, all without in any way affecting the liability of Maker.

8.2 No extension of time for any Payment made by agreement by Holder with any person now or hereafter liable for the payment of this Note will operate to release, discharge, modify, change or affect the original liability of Maker under this Note, either in whole or in part.

8.3 The obligations of Maker under this Note are absolute, and Maker waives any and all rights to offset, deduct or withhold any Payments or charges due under this Note for any reason whatsoever.

9. Miscellaneous Provisions.

9.1 All notices to Holder or Maker must be given in the manner and at the addresses set forth in the Agreement, or to the addresses Holder and/or Maker hereafter designate in accordance with the Agreement.

9.2 In the event of any legal proceedings arising from the enforcement of or a default under this Note or in any bankruptcy proceeding of Maker, the non-prevailing party promises to pay all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the proceeding, as provided in the Agreement.

9.3 This Note may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

9.4 This Note is governed by and must be construed in accordance with the laws of the State of California, without regard to the choice of law rules of the State.

9.5 Time is of the essence in the performance of any obligations hereunder.

[SIGNATURES ON THE NEXT PAGE]

"MAKER"

GROVE STREET DEVELOPMENT, LP,
a California limited partnership

By: GROVE ST YCD MGP, LLC,
a California limited liability company,
its Managing General Partner

By: Young Community Developers,
a California nonprofit corporation
its Sole Member

By: _____
Name: Dion-Jay Brookter
Title: Chief Executive Officer

By: RCH GROVE ST GP, LLC,
a Delaware limited liability company,
its Administrative General Partner

By: Rose GP Investors, LLC,
a Delaware limited liability company,
its Managing Member

By: Rose Companies Holdings, LLC,
a Delaware limited liability company,
its Sole Member

By: _____
Name: Nathan D. Taft
Title: Authorized Signatory

Free Recording Requested Pursuant to
Government Code Section 27383 and 27388.1

Recording requested by and when recorded, mail to:
City and County of San Francisco
Mayor's Office of Housing and Community Development

1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attn: Housing Loan Administrator
Block/Lot: 1202/002B
Address: 650 Divisadero, San Francisco, CA 94117

-----Space Above This Line for Recorder's Use-----

**DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**
650 Divisadero Street

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made as of _____, ____ by **GROVE STREET DEVELOPMENT, LP**, a California Limited Partnership ("Trustor"), whose address is 551 Fifth Ave 23rd Fl, New York, NY 10176, to **[NAME OF TITLE INSURANCE COMPANY]**, a _____ ("Trustee"), whose address is _____, San Francisco, California, for the benefit of the **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation, represented by the Mayor, acting through the Mayor's Office of Housing and Community Development ("Beneficiary"). This Deed of Trust is executed pursuant to a Loan Agreement by and between Trustor and Beneficiary dated as of _____, 20__ as it may be amended from time to time (the "Agreement"), the provisions of which are incorporated herein by reference. Definitions and rules of interpretation set forth in the Agreement apply to this Deed of Trust.

1. Grant in Trust. For valuable consideration, Trustor hereby grants, transfers and assigns to Trustee, in trust, with power of sale, for the benefit of Beneficiary, all right, title and interest Trustor now has or may have in the future in the following (all or any part of the following, or any interest in all or any part of it, as the context requires, the "Property"):

(a) that real property situated in the City and County of San Francisco, State of California, described in **Exhibit A** attached hereto and incorporated herein by reference (the "Land"), on which Trustor intends to construct a 95-unit multifamily residential housing project affordable to low-income and/or formerly homeless families, including the shell of a community serving commercial space (the "Project"); and

(b) all buildings, structures and other improvements now or in the future located or to be constructed on the Land (the "Improvements"); and

(c) all existing and future leases, subleases, tenancies, subtenancies, licenses, occupancy agreements and concessions, and any guarantees thereof ("Leases") relating to the use and enjoyment of all or any part of the Land and Improvements, and any and all guaranties and other agreements relating to or made in connection with any of the Leases; and

(d) except for personal property and removable fixtures installed by tenants or subtenants, all goods, materials, supplies, chattels, furniture, fixtures, equipment and machinery now or later to be attached to, placed in or on, or used in connection with the use, enjoyment, occupancy or operation of all or any part of the Land and Improvements, whether stored on the Land or elsewhere, including all pumping plants, engines, pipes, ditches and flumes, and also all gas, electric, cooking, heating, cooling, air conditioning, lighting, refrigeration and plumbing fixtures and equipment, all of which will be considered to the fullest extent of the law to be real property for purposes of this Deed of Trust; and

(e) all building materials, equipment, work in process or other personal property of any kind, whether stored on the Land or elsewhere, that have been or later will be acquired for the purpose of being delivered to, incorporated into or installed in or about the Land or Improvements; and

(f) all Loan funds, whether disbursed or not, and all funds now or in the future on deposit in the Replacement Reserve Account, the Operating Reserve Account and any other account required or authorized for the Project; and

(g) all proceeds, including proceeds of all present and future fire, hazard or casualty insurance policies and all condemnation awards or payments now or later to be made by any public body or decree by any court of competent jurisdiction for any taking or in connection with any condemnation or eminent domain proceeding, and all causes of action and their proceeds for any damage or injury to the Land, Improvements or the other property described above or any part of them, or breach of warranty in connection with the construction of the Improvements; and

(h) all books and records pertaining to any and all of the property described above, including records relating to tenants under any Leases, the qualifications of any tenants and any certificates, vouchers and other documents in any way related thereto and records relating to the application and allocation of any federal, state or local tax credits or benefits; and

(i) all rents, revenues, issues, royalties, proceeds, profits, income, reimbursements, royalties, receipts and similar items, including prepaid rent and security deposits, in whatever form (including, but not limited to, cash, checks, money orders, credit

card receipts or other instruments for the payment of money) paid or payable in connection with the Property ("Rents"), from the Land and the Improvements, subject to: (i) Trustor's right to collect and retain the same as they become due and payable; and (ii) Beneficiary's rights under **Section 3 below**; and

(j) all intangible personal property and rights relating to the Property or its operation or used in connection with it, including, without limitation, permits, licenses, plans, specifications, construction contracts, subcontracts, bids, soils reports, engineering reports, land planning maps, drawings, construction contracts, notes, drafts, documents, engineering and architectural drawings, deposits for utility services, installations, refunds due Trustor, trade names, trademarks, and service marks; and

(k) all proceeds of, interest accrued on, additions and accretions to, substitutions and replacements for, and changes in any of the property described above.

2. Obligations Secured. This Deed of Trust is given for the purpose of securing the following (collectively, the "Secured Obligations"):

(a) performance of all present and future obligations of Trustor set forth in the Agreement, specifically compliance with certain restrictions on the use of the Property recited in that certain Declaration of Restrictions executed by Trustor, dated as of the date of and being recorded concurrently with this Deed of Trust, as it may be amended from time to time, the Secured Promissory Note (Predevelopment Amount) dated the date of this Deed of Trust (as it may be amended from time to time, the "Predevelopment Note"), and the Secured Promissory Note dated the date of this Deed of Trust (, made by Trustor to the order of Beneficiary (as it may be amended from time to time, the "Acquisition Note," and together with the Predevelopment Note, collectively, the "Notes") and performance of each agreement incorporated by reference, contained therein, or entered into in connection with the Agreement;

(b) payment of the indebtedness evidenced by the Agreement and the Predevelopment Note in the original principal amount of Two Million Two Hundred and Twenty-Five Thousand Dollars and No/100 Dollars (\$2,225,000.00), according to the terms of the Agreement and the Note; and

(c) payment of the indebtedness evidenced by the Agreement and the Acquisition Note in the original principal amount of Twelve Million Seven Hundred and Seventy-Five Thousand and No/100 Dollars (\$12,775,000.00), with interest (if applicable), according to the terms of the Agreement and the Acquisition Note; and

(d) payment of any additional sums Trustor may borrow or receive from Beneficiary, when evidenced by another note (or any other instrument) reciting that payment is secured by this Deed of Trust.

3. Assignment of Rents.

(a) Assignment as Additional Security. Trustor hereby irrevocably grants, transfers, and assigns to Beneficiary all of its right, title, and interest in and to the Rents as additional security for the Secured Obligations. Subject to the provisions of subsection 3(d) below, Beneficiary hereby confers upon Trustor a license ("License") to collect and retain the Rents as they become due and payable, so long as no Event of Default exists and is continuing. If an Event of Default has occurred and is continuing, Beneficiary shall have the right, which it may choose to exercise in its sole discretion, to terminate this License without notice to or demand upon Trustor, and without regard to the adequacy of Beneficiary's security under this Deed of Trust.

(b) Collection and Application of Rents. Subject to the License granted to Trustor under subsection 3(a) above, Beneficiary has the right, power, and authority to collect any and all Rents. Subject to the License granted to Trustor under subsection 3(a) above, Trustor hereby appoints Beneficiary its attorney-in-fact to perform any and all of the following acts, if and at the times when Beneficiary in its sole discretion may so choose:

1. Demand, receive, and enforce payment of any and all Rents; or
2. Give receipts, releases, and satisfactions for any and all Rents; or
3. Sue either in the name of Trustor or in the name of Beneficiary for any and all Rents.

Beneficiary's right to the Rents does not depend on whether or not Beneficiary takes possession of the Property. In Beneficiary's sole discretion, it may choose to collect Rents either with or without taking possession of the Property. Beneficiary shall apply all Rents collected by it in the manner provided under this Deed of Trust. If an Event of Default occurs while Beneficiary is in possession of all or part of the Property and is collecting and applying Rents as permitted under this Deed of Trust, Beneficiary, Trustee and any receiver shall nevertheless be entitled to exercise and invoke every right and remedy afforded any of them under this Deed of Trust and at law or in equity, including the right to exercise the power of sale granted hereunder.

(c) Beneficiary Not Responsible. Under no circumstances shall Beneficiary have any duty to produce Rents from the Property. Regardless of whether or not Beneficiary, in person or by agent, takes actual possession of the Real Property and Improvements, Beneficiary is not and shall not be deemed to be:

1. A "mortgagee in possession" for any purpose; or
2. Responsible for performing any of the obligations of the lessor under any lease; or
3. Responsible for any waste committed by lessees or any other parties, any dangerous or defective condition of the Property, or any negligence in the management, upkeep, repair, or control of the Property; or
4. Liable in any manner for the Property or the use, occupancy, enjoyment or operation of all or any part of it.

(d) Election by Beneficiary. Upon the occurrence and during the continuance of an Event of Default, Beneficiary, at its option, may exercise its s rights under this Section or otherwise provided under applicable law (including, but not limited to, under Section 2938 of the California Civil Code).

4. Trustor's Covenants. To protect the security of this Deed of Trust, Trustor agrees as follows:

(a) to perform the Secured Obligations in accordance with their respective terms;

(b) to keep the Land and the Improvements in good condition and repair, normal wear and tear and acts of God excepted; not to remove or demolish any Improvements without Beneficiary's prior written consent; to complete or restore promptly and in good and workmanlike manner any Improvement constructed, damaged or destroyed on the Land; to pay when due all claims for labor performed and materials furnished therefor, subject to Trustor's right to contest any claim in good faith; to comply with all laws affecting the Project, subject to Trustor's right to contest any claim in good faith; not to commit or permit waste with respect to the Land or the Improvements; not to commit, suffer or permit any act upon the Land or the Improvements in violation of law, including Environmental Laws; and to do all other acts made reasonably necessary by the character or use of the Land and the Improvements;

(c) to provide, maintain and deliver to Beneficiary property and liability insurance as required under the Agreement and apply any insurance proceeds as provided below;

(d) to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees and costs incurred in any such action or proceeding in which Beneficiary or Trustee may appear and in any suit brought by Beneficiary to foreclose this Deed of Trust following an Event of Default;

(e) to pay in accordance with the Agreement, but in each case prior to delinquency: (i) all taxes and assessments affecting the Property, including assessments on appurtenant water stock; and (ii) all encumbrances, charges and liens, with interest, on the Property or any part thereof that appear to be prior or superior hereto;

(f) should Trustor fail to make any payment or to do any act as herein provided, then, without: (i) obligation to do so; (ii) notice to or demand upon Trustor; or (iii) releasing Trustor from any obligation hereof, Beneficiary or Trustee may: (A) make or do the same in any manner and to the extent as it deems necessary to protect the security hereof; (B) appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; (C) pay, purchase, contest or compromise any encumbrance, charge or lien that in its judgment appears to be prior or superior hereto; and

(D) in exercising these powers, pay necessary expenses, employ counsel and pay reasonable attorneys' fees and costs, and Trustor consents to Beneficiary's and/or Trustee's entry upon the Land and Improvements for any purpose set forth in this Subsection, including Beneficiary's exercise of its rights under California Code of Civil Procedure Section 564(c); and

(g) to reimburse within five (5) days of demand all sums expended by Beneficiary or Trustee pursuant to this Deed of Trust, with interest at an annual rate of interest equal to the lesser of: (i) ten percent (10%); or (ii) the maximum lawful rate from date of expenditure to the date of payment.

5. Security Agreement and Fixture Filing.

(a) Grant of Security Interest. Without limiting any of the other provisions of this Deed of Trust, to secure the payment, performance and observance of the Secured Obligations, Trustor, as debtor (referred to in this Section 5 as "Debtor"), expressly grants to Beneficiary, as secured party (referred to in this Section 5 as "Secured Party"), a continuing security interest in all the Property (including now and hereafter existing) to the full extent that any portion of the Property may be subject to the Uniform Commercial Code. For purposes of this Section 5, "Collateral" means the personal property (tangible or intangible) and fixtures included in the Property.

(b) Debtor's Covenants, Representations, and Warranties.

(i) Debtor covenants and agrees with Secured Party that:

(1) In addition to any other remedies granted in this Deed of Trust to Secured Party or Trustee (including specifically, but not limited to, the right to proceed against the Property in accordance with the rights and remedies in respect of the Property that is real property under the Uniform Commercial Code), Secured Party may, if an Event of Defaults occurs and is continuing, proceed under the Uniform Commercial Code as to all or any part of the Collateral, and shall have and may exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Uniform Commercial Code.

(2) Without limiting the foregoing, Secured Party shall have the right upon any public sale or sales, and, to the extent permitted by law, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in Debtor. Debtor further agrees to allow Secured Party to use or occupy the Property, without charge, for the purpose of effecting any of Secured Party's remedies in respect of the Collateral.

(3) To the extent permitted by applicable law, Debtor waives all claims, damages, and demands against Secured Party arising out of the repossession, retention, or sale of the Collateral, except for claims, damages, and demands due to the active gross negligence or willful misconduct of Secured Party in dealing with such Collateral. Trustor agrees that Secured Party need not give more than five (5) days' notice of the time and place of any public sale or of the time at which a private sale will take place and that such notice is reasonable notification of such matters. Secured Party may disclaim any warranties that might arise in connection with the sale, lease, license, or other disposition of

the Collateral and have no obligation to provide any warranties at such time. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(4) To the extent permitted by law, Debtor hereby specifically waives all rights of redemption, stay, or appraisal which it has or may have under any law now existing or hereafter enacted.

(ii) Debtor hereby authorizes Secured Party to file financing and continuation statements with respect to the Collateral as Secured Party may reasonably require.

(iii) Debtor hereby represents and warrants that no financing statement is on file in any public office except as authorized by Secured Party. Debtor will at its own cost and expense, upon demand, furnish to Secured Party such further information and will execute and deliver to Secured Party financing statements and other documents in form reasonably satisfactory to Secured Party and will do all such acts that Secured Party may at any time or from time to time reasonably require to establish and maintain a perfected security interest in the Collateral as security for the Secured Obligations, subject only to liens or encumbrances approved by or benefiting Secured Party. Debtor will pay the actual expense of filing or recording such financing statements or other documents, and this instrument, as and where reasonably required by Secured Party.

(iv) To the extent permitted by applicable law, the security interest created hereby is specifically intended to cover all rents, royalties, issues and profits, and all inventory accounts, accounts receivable and other revenues of the Property.

(c) Fixture Filing. Certain of the Collateral is or will become "fixtures" (as that term is defined in the Uniform Commercial Code). This Deed of Trust, upon being filed for record in the real estate records of San Francisco County, shall operate also as a financing statement and fixture filing upon such of the Collateral that is or may become fixtures under the Uniform Commercial Code. Debtor's name and type and jurisdiction of entity are set forth in the introductory paragraph hereof. Debtor's address is set forth above. Debtor's EIN Number is ___[TBD]___. Secured Party's name and mailing address are set above.

6. Insurance and Condemnation Proceeds.

(a) Trustor hereby assigns to Beneficiary any award of damages arising from the condemnation of all or any part of the Property for public use and any insurance proceeds arising from injury to all or any part of the Property or the Project.

(b) Any condemnation award or insurance proceeds must be paid to Beneficiary or, if Beneficiary has consented to subordinate the lien of this Deed of Trust to

the lien of another lender for the Project, according to the provisions in the senior lender's loan documents.

(c) If a condemnation award or insurance proceeds are paid to Beneficiary, Beneficiary will release or authorize the release of funds to Trustor, provided that the funds will be used for the reconstruction of the Project in accordance with: (i) projections demonstrating that reconstruction is economically feasible; and (ii) Trustor's construction budget, each of which must be satisfactory to Beneficiary in its reasonable discretion. In all other cases, Beneficiary may choose in its discretion to apply funds to Trustor's obligations under the Notes and the Agreement or to any senior obligations, in accordance with the respective priorities of the approved lienholders as their interests may appear of record, with the remaining funds, if any, released to Trustor.

(d) Trustor agrees that Beneficiary's application or release of funds pursuant to this Section will not cure or waive any default or Notice of Default (as defined below) or invalidate any act by Beneficiary performed following a default pursuant to any City Document unless the default has been cured by the application or release of funds.

7. Further Agreements. Trustor further acknowledges and agrees as follows:

(a) Beneficiary does not waive its right either to require prompt payment when due of all other sums secured by this Deed of Trust or to declare Trustor in default for failure to pay timely by accepting payment of any sum secured hereby after its due date.

(b) Trustee may reconvey any part of the Property at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Notes for endorsement without affecting the liability of any entity or person for payment of the indebtedness secured hereby.

(c) Upon: (i) written request of Beneficiary stating that all obligations secured hereby have been paid or performed; (ii) Beneficiary's surrender of this Deed of Trust and the Notes to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose; and (iii) payment of its fees, if any, Trustee shall reconvey the Property then held hereunder without covenant or warranty.

(d) Any voluntary or involuntary conveyance, sale, encumbrance, pledge or other transfer of all or any interest in the Property or in Trustor, including a security interest, in violation of the Agreement will constitute an Event of Default (as defined below) giving Beneficiary the right to exercise its remedies at law or in equity.

(e) For the purposes of this Deed of Trust, Beneficiary from time to time may substitute a successor or successors to Trustee named herein or acting hereunder by instrument in writing executed by Beneficiary and duly acknowledged and recorded in the office of the recorder of San Francisco County, which instrument shall be conclusive proof of

proper substitution of a successor trustee or trustees. Without conveyance from Trustee, any successor or substitute trustee will succeed to all title, estate, rights, powers, and duties of Trustee. The instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the recording information for this Deed of Trust and the name and address of the new Trustee.

(f) This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns, provided that this subsection does not constitute Beneficiary's consent to any transfer in violation of this Deed of Trust. The term Beneficiary shall mean the holder of the Note, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or the neuter, and the singular number includes the plural.

(g) Trustee accepts this Trust when this duly executed and acknowledged Deed of Trust is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

8. Beneficiary's Rights Following Default. Upon any default by Trustor in performance of the Secured Obligations following expiration of any applicable notice and cure periods ("Event of Default"):

(a) Trustor's license to collect and retain Rents will terminate automatically.

(b) Trustor consents to Beneficiary's entry upon and taking possession of the Property or any part thereof, at any time after the occurrence of an Event of Default without notice, either in person, by agent or by a receiver to be appointed by a court without regard to the adequacy of any security for the indebtedness hereby secured to sue for or otherwise collect and apply Rents, less costs and expenses of operation and collection, including those of the Property, in its own name or in the name of Trustor. Beneficiary's collection and application of Rents shall not cure or waive any Event of Default or Notice of Default or invalidate any act done pursuant to any notice.

(c) Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold the Property ("Notice of Default"), and:

i. Trustee shall cause the Notice of Default to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Notes and all documents evidencing expenditures secured hereby.

ii. After the lapse of time then required by law following the recordation of a Notice of Default, and notice of sale ("Notice of Sale") having been given as then required by law, Trustee without demand on Trustor may sell the Property at the time and place fixed in the Notice of Sale either as a whole or in separate parcels in any order at public auction to the highest bidder for cash in lawful money of the United States payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at the time and place of sale and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to any purchaser a trustee's deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the trustee's deed of any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale.

iii. After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: (A) all sums expended under the terms of this Deed of Trust not then repaid, with accrued interest at the highest rate allowed by law in effect at the date hereof; (B) all other sums then secured hereby; and (C) the remainder, if any, to the person or persons legally entitled thereto.

9. Notice of Default to Trustor. The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to it at its address set forth above or any succeeding address given by notice in accordance with the Agreement.

Remainder of Page Intentionally Left Blank; Signatures Appear On Following Page

"TRUSTOR:"

GROVE STREET DEVELOPMENT, LP,
a California limited partnership

By: GROVE ST YCD MGP, LLC,
a California limited liability company,
its Managing General Partner

By: Young Community Developers,
a California nonprofit corporation
its Sole Member

By: _____
Name: Dion-Jay Brookter
Title: Chief Executive Officer

By: RCH GROVE ST GP, LLC,
a Delaware limited liability company,
its Administrative General Partner

By: Rose GP Investors, LLC,
a Delaware limited liability company,
its Managing Member

By: Rose Companies Holdings, LLC,
a Delaware limited liability company,
its Sole Member

By: _____
Name: Nathan D. Taft
Title: Authorized Signatory

[ALL SIGNATURES MUST BE NOTARIZED.]

EXHIBIT A

Legal Description of the Land

THE FOLLOWING LAND SITUATED IN THE CITY OF SAN FRANCISCO, COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

Beginning at the point of intersection of the Southerly line of Grove Street and Easterly line of Divisadero Street; running thence Southerly along said line of Divisadero Street 100 feet; thence at a right angle Easterly 125 feet; thence at a right angle Northerly 100 feet to Southerly line of Grove Street, thence at a right angle Westerly along the last named line 125 feet to the point of beginning.

Being a portion of Western Addition

Block No. 447. Assessor's Lot 002B; Block 1202

EXHIBIT A



NOTICE OF FUNDING AVAILABILITY

Site Acquisition and Predevelopment Financing for NEW AFFORDABLE RENTAL HOUSING

Issue Date: January 27, 2023
Application Due Date: April 7, 2023

*Issued by the Mayor's Office of Housing and Community Development
of the City and County of San Francisco (City)*

Available Funds: up to **\$40,000,000** for site acquisition and predevelopment for new construction projects serving low-income households, including homeless households

TABLE OF CONTENTS

I.	INTRODUCTION	3
II.	IMPORTANT DATES AND SUBMISSION PROCESS	4
	A. IMPORTANT DATES	4
	B. PRE-SUBMISSION MEETING.....	4
	C. REGISTRATION FOR RFQ REQUIRED.....	4
	D. QUESTIONS AND REQUESTS FOR INFORMATION	5
	E. CONTACT PERSON, SUBMISSION DEADLINE AND PLACE	5
	F. FINAL REVIEW AND COMMITMENT OF FUNDS	
III.	PROJECT EXPECTATIONS	5
	A. RACIAL EQUITY GOALS	5
	B. ALIGNMENT WITH MOHCD AND HSH GOALS.....	6
	1. MAYOR’S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT	6
	2. DEPARTMENT OF HOMELESSNESS AND SUPPORTIVE HOUSING	7
	C. DEVELOPMENT GOALS	8
	D. ELIGIBLE USE OF FUNDS.....	9
IV.	SELECTION PROCESS, MINIMUM REQUIREMENTS, SELECTION CRITERIA AND SCORING, AND SUBMITTAL REQUIREMENTS OVERVIEW	9
	A. SELECTION PROCESS	9
	B. MINIMUM EXPERIENCE AND CAPACITY REQUIREMENTS	10
	C. MINIMUM PROPOSAL REQUIREMENTS.....	13
	D. FINANCING PLAN AND AFFORDABILITY RESTRICTIONS.....	15
	E. DESIGN REQUIREMENTS.....	16
	F. SUPPORTIVE SERVICES REQUIREMENTS.....	16
	G. SELECTION AND SCORING CRITERIA.....	17
	H. SUBMITTAL REQUIREMENTS OVERVIEW	24
V.	TERMS AND CONDITIONS OF NOFA	27
	A. DEVELOPER RESPONSIBILITIES.....	27
	B. ERRORS AND OMISSIONS IN NOFA	28
	C. ADDENDA TO NOFA.....	29
	D. OBJECTIONS	29
	E. CLAIMS AGAINST MOHCD.....	30
	F. SUNSHINE ORDINANCE	30
	G. RESERVATIONS OF RIGHTS BY THE CITY	30
VI.	LIST OF ATTACHMENTS	32

I. INTRODUCTION

In order to promote the development of permanent affordable housing for residents in San Francisco, including families, homeless households, veterans, and seniors—communities that have traditionally been underserved by new housing production—the Mayor's Office of Housing and Community Development (MOHCD) announces the availability of predevelopment and acquisition funding for sites suitable for the development of new, permanent affordable housing.

The approved FY22-23 City Budget includes \$112 million for new housing and community development programs, including \$40 million for site acquisitions to be sourced by the issuance of Certificates of Participation (COPs) through the Controller's Office of Public Finance.

This Notice of Funding Availability (NOFA) will help build the City pipeline of affordable housing, which is especially important at this time given the ambitious production goals of the General Plan's Housing Element. For sites acquired under this NOFA, MOHCD will make predevelopment loans in 2023, with target construction start dates in 2026 and lease up complete in 2028. Additional development funds will need to be identified in FY2025 to construct the projects.

MOHCD will select proposals that meet the following eight outcomes.

1. MOHCD will prioritize affordable housing projects best positioned to secure funding from the CA Debt Limit Allocation Committee (see: [CDLAC Procedures and Application Instructions](#)) by falling into one of three (3) priority funding categories.
 - Site development will produce at least 25% 2-bedroom and 25% 3-bedroom units, so that development will qualify as [High/Highest Resource](#) family development.
 - Site development will include at least 45% units set aside for referrals of homeless households from HSH's Coordinated Entry System, so that development will qualify as Homeless.
 - Site will be developed by a team that qualifies for the CDLAC BIPOC funding pool.
2. The proposed project must maximize density and unit count that may be built "as of right" using all available tools.
 - Use streamlined ministerial approval processes and maximize density per as-of-right zoning. For example, SB35 may be used in conjunction with the Affordable Housing Density Program or the State Density Bonus Program.
 - Adjust unit sizes to serve the proposed target populations.
 - Note: The City may determine, at its sole discretion, whether any projects with an existing entitlement meets this requirement.
3. The proposal must implement an interim use plan for the site that outlines contingencies for construction start delays of up to three years that includes:

- Retention, where possible, of existing active uses.
 - Active site management to prevent unsafe conditions.
 - Any proposed interim uses that will activate the site. Note that costs to sustain any interim uses are not eligible uses for funding from this NOFA.
4. The proposal must maximize the benefit of the City's subsidy dollars through demonstrated **Cost-Effectiveness**, whether via low-to-no land costs, use of efficient construction techniques and/or materials, or other identified cost-saving measures.
 - The site's development plan must accommodate funding constraints, namely, a maximum \$350,000 of City subsidy per unit, including land.
 - The proposal must secure construction and permanent financing that minimizes and leverages City resources to the greatest extent possible, e.g. a State of California, Housing & Community Development (HCD) loan and/or philanthropic contribution
 5. The proposal must designate a minimum of 25% of units for **Households Experiencing Homelessness**, subsidized by the City's Local Operating Subsidy Program.
 6. The proposal must align with the implementation of **City policies** on anti-displacement, racially inclusive communities, and creating stable housing for vulnerable populations, as described below in Section III.
 7. The proposal must create opportunities for the growth of **Emerging Developers** in primary development roles, as members of the development team, or as key members of selected development teams.
 8. Serve at least 30% Extremely Low Income (ELI) households, eg \$29,100 for a single person household, or \$41,550 for a family of four.
 - This may be homeless households referred through the Coordinated Entry System or income restricted units that are subject to the Chapter 47 Preferences.
 - Maximize the number of target population placements into the Project (COP holders, etc.).

Funds issued under this NOFA will be available in late Summer 2023. MOHCD reserves the right to select any number of Projects it determines appropriate, given available resources for housing development and in order to fulfill the express goals of the NOFA.

**** Note: the availability of funds may be subject to the Board of Supervisors' approval of the bond issuance.***

II. IMPORTANT DATES AND SUBMISSION PROCESS

A. IMPORTANT DATES

NOFA Issued	JANUARY 27, 2023
Pre-submission conference via Zoom or MS Teams	FEBRUARY 9, 2023
Deadline for questions and requests for additional information	MARCH 17, 2023
Proposal Submissions Due	APRIL 7, 2023
Notification to Project teams who met submission requirements	APRIL 28, 2023
Project team interviews, if necessary	EARLY MAY 2023
Announcement of selection of projects	MID-MAY 2023
Deadline for Objections	LATE MAY 2023
Loan Committee	LATE SUMMER 2023
Execute Loans	LATE FALL 2023*
Estimated Site Entitlement	No later than December 31, 2024

* Note: the availability of funds may be subject to the Board of Supervisors approval of the bond issuance.

B. PRE-SUBMISSION MEETING

MOHCD will hold a pre-submission conference via ZOOM or Microsoft Teams on **February 9 at 2:00 p.m.** The purpose of the meeting is to ensure that interested developers understand the minimum qualifications requirements and the selection process.

Questions raised at the conference may be answered verbally at that time. If any substantive new information is provided in response to questions raised at the pre-submission conference, MOHCD will issue a written addendum to the NOFA (in the form of a Question and Answers document) with this information to all parties that have registered for the NOFA. No questions or requests for interpretation will be accepted after March 17, 2023. Attendance at the pre-submission conference is highly recommended but not mandatory. Please see **Attachment C – NOFA Registration Form** for information on registering for the pre-submission conference.

C. REGISTRATION FOR NOFA REQUIRED

To receive MOHCD's responses to requests for additional information and to questions about this NOFA, and to submit a proposal, all interested parties must submit a completed NOFA Registration Form to MOHCD by March 3, 2022. All addenda, responses and instructions for electronic submission will be distributed to all parties who have submitted a registration form in accordance with Section IIB above. MOHCD reserves the sole right to determine the timing and content of the response, if any, to all questions and requests for additional information. Questions and information requests should be submitted to the contact person identified in Section IIE below.

D. QUESTIONS AND REQUESTS FOR INFORMATION

All questions and requests for additional information regarding this NOFA must be submitted by e-mail to mohcdHFOpps@sfgov.org. Questions received after the deadline may not be answered. All addenda, responses, and additional information will be distributed to all parties who have submitted a registration form in accordance with Section IIB.

E. CONTACT PERSON, SUBMISSION DEADLINE AND PLACE

All communications about this NOFA should be directed to Mara Blitzer, Director of Special Projects at MOHCD, at mohcdHFOpps@sfgov.org.

Respondents to this NOFA must submit one (1) electronic copy of each of their proposals to MOHCD no later than 4:00 PM, April 7, 2023. **Proposals are to be delivered by email at mohcdHFOpps@sfgov.org by providing a DropBox link. Respondents who submit registration forms will be advised of any information necessary for the electronic submittal process.**

F. FINAL REVIEW AND COMMITMENT OF FUNDS

Selected applications will be scheduled for review and funding commitment by the Citywide Affordable Housing Loan Committee. All commitments recommended by the Loan Committee are subject to final approval by the Mayor. Commitments may be conditional; actual closings and disbursements of funds may be contingent on applicants' achievement of certain development benchmarks or performance goals. The availability of Certificates of Participation bond funds is subject to the approval of the Board of Supervisors.

The City reserves the right to commit funds to a successful applicant in an amount that differs from the originally requested amount. The City also reserves the right to award an aggregate amount that exceeds the amount identified as available under this NOFA if necessary to fully fund a selected project.

III. PROJECT EXPECTATIONS

In addition to the requirements listed above under Section I, projects are expected to meet the following goals.

A. **ALIGNMENT WITH CITY RACIAL EQUITY GOALS**

The City is required to affirmatively further fair housing as established by the State of California and the US Department of Housing and Urban Development.

Pursuant to San Francisco Administrative Code Chapter 47, MOHCD has adopted explicit policies in its Certificate of Preference (“COP”), Displaced Tenant, and Neighborhood Resident Preference Programs which provide historically displaced and vulnerable populations who reside within the community preference in obtaining access to quality affordable housing. In an effort to redress past and present inequities, the selection process for this NOFA will favor applicants with direct experience working with COP holders, or populations who share characteristics with the COP population.

Additional expectations for any proposed Project related to Racial Equity include:

- Maximize the number of priority placements (COP holders, etc.)
- Maximize (meet or exceed) the City’s requirements for promotion of SBE/LBE organizations with contracts and local hiring with construction labor
- Create opportunities for growth of Emerging Developers (smaller organizations) in a development role or as a member of development team
- Provide initial draft marketing plans within 18 months of anticipated Temporary Certificate of Occupancy (“TCO”), outlining the affirmative steps Respondents will take to market each Project to the City’s preference program participants including Certificate of Preference (COP) Holders, Displaced Tenants, and Neighborhood Residents, as well as how the marketing is consistent with the Mayor’s Racial Equity statement.
- Submit responses to requests for demographic data regarding the Boards of Directors of member organizations of the Development Team’s and of the staff of the Respondents that are selected. This data will not be evaluated or scored.
- Split any Developer Fee per MOHCD Underwriting Guidelines, linked here: [Multi-family housing forms, documents, policies and guidelines | San Francisco \(sf.gov\)](#).

B. **ALIGNMENT WITH MOHCD DEPARTMENT GOALS**

1. Respondents should align their development approach with the key findings in MOHCD’s Theories of Change (as described in the 2020- 2024 Consolidated Plan at [this link](#)). MOHCD is addressing the City’s priority needs via five interconnected, multidisciplinary objectives that cross program areas and leverage strategies both internally and across multiple city departments. These five objectives are:

Objective 1: Families and individuals are stably housed

Objective 2: Families and individuals are resilient and economically self-sufficient

Objective 3: Communities have healthy physical, social, and business infrastructure

Objective 4: Communities at risk of displacement are stabilized

Objective 5: The City works to eliminate the causes of racial disparities

MOHCD has also identified five target populations based on the findings from the Consolidated Plan community engagement process. These are:

- Households experiencing a legacy of exclusion
 - Households destabilized by system trauma
 - Households with barriers to access to opportunities
 - Extremely and very low-income households
 - Households at risk of displacement
2. MOHCD aims to deploy at least 25% and up to 50% of its resources to sites/programs located in Well-Resourced Neighborhoods, and deploy remaining resources to support Priority Equity Geographies as defined in the Housing Element (2023 draft). See: [CTCAC Tax Credit Programs](#) and Figure 19 here: [Housing Element 2022 Update 12.16.22 Clean.pdf \(sfhousingelement.org\)](#).

C. ALIGNMENT WITH DEPARTMENT OF HOMELESSNESS AND SUPPORTIVE HOUSING (HSH) DEPARTMENT GOALS

Sites and projects proposed under this NOFA must designate a minimum of 25% of units for households experiencing homelessness, subsidized by the City's Local Operating Subsidy Program.

All homeless households will be referred by the Department of Homelessness and Supportive Housing (HSH) through Coordinated Entry, and/or other initiatives serving high priority individuals in coordination with Coordinated Entry, such as high users of multiple systems of care, individuals being discharged from hospitals, or persons with behavioral health conditions. Coordinated Entry organizes the City's Homelessness Response System with a common, population-specific assessment, centralized data system, and prioritization method, and identifies households with acute needs for Supportive Housing.

Respondents who propose units serving homeless households, a population in which Black, Brown, Indigenous, and other people of color are disproportionately represented, should be committed to the following:

- The capacity and expertise to lead with a Housing First philosophy, which includes principles of harm reduction and low barriers to entry;
- A racial equity-based, culturally responsive, and trauma-informed approach to setting up programs and process;
- An ability to collaborate with tenants, providers, and the community with the goal of stabilizing households in housing;
- An ability to conduct equity-focused data analyses and use feedback from the served population to enhance the project.

Housing First principles are found in the California Welfare and Institutions Code Section 8255. Under Housing First, tenant screening and selection practices must promote accepting applicants regardless of their sobriety or use of substances, completion of treatment, or participation in services. Tenant applicants must not be rejected based on poor credit or financial history, poor or lack of rental history, criminal convictions unrelated to tenancy, or behaviors that indicate a lack of “housing readiness.”

D. ELIGIBLE USES OF FUNDS

Funding awarded through this NOFA may be used to support a variety of pre-construction housing development activities for the production of new affordable rental housing, including but not limited to the following.

- Property acquisition and holding costs, with the exception of interim uses (which are not eligible uses)
- Architectural and engineering expenses
- Environmental assessments
- Appraisals
- Legal costs
- Project management

Costs associated with the acquisition or design of commercial, office, or community spaces may also be eligible uses of City funds, depending on how the use of these spaces relates to the proposed housing and the extent to which other potential resources for developing these spaces are utilized. Hard and soft costs associated with tenant improvement for potential interim uses of such spaces are not eligible for support with these funds.

Projects currently under development that have existing capital funding commitments from MOHCD, HSH or the Mayor’s Office of Community Infrastructure and Investment (OCII) are not eligible for funding under this NOFA.

E. SUMMARY OF FUNDING TERMS

Soft Debt Loan Terms Include:

- Maximum City Subsidy: \$350,000 per unit for buildings, to include land
- 3% annual simple interest
- 55-year term
- Repayment due to the extent that residual cash flow is available and at expiration of the loan term
- Rents restricted at an average of 60% MOHCD AMI for the life of the project
- Restrictions must be recorded in first position on title
- Eventual opportunity for City to own the land as ground lessor under some other

land dedication/ subdivision mechanism that will insure long-term affordable housing as the primary use of the land

Please see:

- MOHCD's Underwriting Guidelines (link here: [Multi-family housing forms, documents, policies and guidelines | San Francisco \(sf.gov\)](#)) for complete terms and conditions.
- LOSP Policies and Procedures Manual (same link as above)
- LOSP Term Sheet (coming soon – same link as above)
- SOS Term Sheet (coming soon – same link as above)

IV. SELECTION PROCESS, MINIMUM CAPACITY AND EXPERIENCE REQUIREMENTS, SELECTION CRITERIA AND SCORING, AND SUBMITTAL REQUIREMENTS OVERVIEW

A. SELECTION PROCESS

MOHCD staff will review all submittals for completeness and satisfaction of minimum experience and capacity requirements (see Section B below). If a submittal does not meet minimum experience and capacity requirements, the respondent may submit an appeal to MOHCD staff on technical grounds only.

A Selection Panel will be appointed by the Director of MOHCD composed of persons with expertise in the areas of development, affordable housing finance, affordable housing construction management, community development, commercial space development, housing access/marketing, housing and services for homeless households, and public design/arts commission, as well as community representatives.

The Selection Panel will review all qualified responses (see Section C below) and may interview top-scoring applicants, at which time applicants will be asked to present and explain the major characteristics of their submittal, particularly as they relate to the Scoring Criteria, and respond to questions from the Selection Panel.

After interviews have been completed, the Selection Panel will determine the final ranking of all responses and present this ranking to the Director. The Selection Panel's scoring of each proposal will be done by consensus and will be final.

The Director will then select Project(s) for this funding pool and advise the Mayor of these selections. MOHCD and the selected applicants will enter into acquisition and predevelopment loan agreements with milestone requirements established in accordance with the terms of this NOFA. If MOHCD staff cannot enter into a loan agreement with a selected applicant that is in the best interest of the City, the MOHCD Director may terminate negotiations in his sole discretion. If the MOHCD Director terminates negotiations with a selected applicant, the MOHCD Director reserves the right, in his sole discretion, to (1) negotiate with the next highest ranked Respondent, or (2) reject any and all other proposals, in whole or in part, prior to award, and (3) may re-advertise the NOFA for the full or partial funding amount under such terms the MOHCD

Director deems to be in the City’s best interest. MOHCD reserves the right to appoint additional parties to the selected applicant team should it be determined that the team lacks representation necessary to the achievement of the goals of the NOFA.

B. MINIMUM CAPACITY AND EXPERIENCE REQUIREMENTS

1. Minimum Development Team Characteristics

The proposed applicant team must include the following.

- A nonprofit developer (or developers) with experience developing permanent affordable housing for low-income households or a for-profit developer working in partnership with a nonprofit developer, of which one of the joint venture partners must have experience developing affordable housing (the “Developer”); the development team must have demonstrated experience conducting effective community outreach and engagement.
- A property owner entity with experience owning housing for low-income communities.
- A property management entity with experience managing housing for formerly homeless families with Housing First principles.
- A community-based, service-providing entity with experience providing culturally competent, and trauma-informed, services appropriate for formerly homeless households in a supportive housing context.

2. Minimum Development Team Experience

Minimum experience must be demonstrated by identifying specific **Qualifying Projects** in which team members have participated, as further described below. The proposed Development Team must submit **Form 5 - Qualifying Project Form**, to document how the Qualifying Project characteristics meet each of the experience categories below (developer, owner, property manager, service provider.)

To demonstrate the minimum required development team experience, each team should submit one project for each experience category. When appropriate, teams may submit the same project as evidence of experience across multiple experience categories, or may use different projects to demonstrate experience across categories. In all cases, no more than four (4) total Qualifying Projects should be submitted. Qualifying Projects will not be scored; they are used to determine if the proposed Development Team meets the minimum development team experience required to develop the Site.

For Developer and Owner, a **Qualifying Project** must have all of the following characteristics.

- The project must be new construction (not a requirement for Minimum Service Provision Experience) in a construction type appropriate for the proposed site development (not a requirement for Minimum Property Manager and Service Provision Experience).

- The project must include units for households experiencing homelessness.
- The project must be financed in part with Low-Income Housing Tax Credits.

3. Minimum Developer And Owner Capacity Requirements

Minimum Developer Experience: The proposed Developer must have completed within the past ten years at least **one** Qualifying Project. The definition of “completed” is having received Temporary Certificate of Occupancy by the date of the issuance of the NOFA. For joint-venture Development partners, the experience of either entity may suffice for the joint-venture partnership. A Memorandum of Understanding between joint-venture Development partners must be submitted with the application.

Furthermore, a Respondent can qualify for development experience by contracting with a development consultant for comprehensive project management services. Project management services should include financial packaging, selection of other consultants, selection of construction contractor and property management agent, oversight of architectural design, construction management, and consultation on major aspects of the development process. The contract for development services must be submitted with the NOFA response and must be acceptable to MOHCD.

Minimum Ownership Experience: The proposed site owner must have owned at least **one** Qualifying Project for at least five (5) years prior to the submittal deadline of this NOFA. For purposes of this requirement, the managing general partner of the tax credit partnership intended to take ownership of the completed Project and to provide asset management for the Project is the proposed “Owner”.

In addition, each proposed Owner must provide evidence of experience with owning housing financed with Low Income Housing Tax credits. This experience does not have to be on the same project that satisfies the 5-year ownership requirement. If the Selected Developer entity is not the same entity as the proposed Owner, MOHCD reserves the right to require that certain members of the Selected Developer remain active in the ownership for whatever length of time MOHCD deems necessary to ensure operating and financial stability.

Minimum Property Manager Experience: The proposed property manager for the Project must have managed at least two Qualifying Projects, each for at least 36 months. In addition, the Property Manager must provide evidence of experience managing housing financed with Low Income Housing Tax credits and operating projects with a Housing First approach. The Property Manager must demonstrate effective strategies for working with service providers to collaborate on housing stability of residents.

Minimum Service Provision Requirements: The proposed service provider(s) must have at least 36 months’ experience providing supportive services within a Qualifying Project, including case management and comprehensive services for homeless households in a residential setting. The proposed service provider(s) must demonstrate effective strategies for collaborating with property management on housing stability for residents. The proposed service provider(s) must have the infrastructure to supervise and train

onsite staff and their supervisors.

Other Consultants: For any applicant team, the experience of key staff members or “other consultants” may be substituted for the experience of the organization as a whole as long as the staff member’s or consultant’s experience in other firms was substantive and involved responsibilities similar to what they are anticipated to perform as a member of the Respondent’s team.

Note Regarding Experience: For any applicant team member, the experience of key staff members may be substituted for the experience of the organization as a whole as long as the staff members’ experience in other firms was substantive and involved responsibilities similar to those that they are anticipated to perform during the proposed development of the Site. Any substitution should be clearly identified in Attachment E, Qualifying Project Form.

The proposed Developer and Owner must demonstrate the financial and staffing capacity to successfully complete the project and manage the asset in the long-term, as further described below.

- Financial Capacity: The proposed Developer (or Guarantor where another entity is providing required guarantees) must demonstrate its ability to obtain competitive financing, as evidenced by submitting the latest (2) years of either signed federal income tax returns (including schedules or attachments, if any); or audited financial statements (with management letters, if any). The proposed Developer must also submit **Attachment F – Financing Terms for Developer’s Qualifying Project** documenting the equity pricing and debt terms for the Qualifying Project submitted under Minimum Developer Experience.
- Staffing Capacity: The proposed Developer must document its capacity to successfully plan, design, and develop the Project, throughout the period of development, either through staff with appropriate experience and capacity, contracted services, or collaboration with other organizations. To document this, the proposed Developer must submit a written narrative **no more than one page** (in Times New Roman font, 12 font size, and 1-inch margins) to document the experience and capacity of key staff, their workloads, and the organizational structure for supporting staff. The proposed Developer must also submit **Attachment G – Projected Staffing Workload Form** to document the work assignments (existing or contemplated) associated with each staff person expected to work on the Project for Developer.
- Asset Management Capacity: The proposed Owner must document its capacity to successfully manage real estate assets in compliance with City regulatory agreements and restrictions. To document this, the proposed Owner must submit a recent Real Estate Owned (REO) schedule, stating the number of projects and average number of units/project currently in Owner’s asset management portfolio, proposed Owner’s current asset management staffing (noting job titles), FTEs, and status of each position (filled/vacant), and proposed Owner’s organizational chart.

C. MINIMUM PROPOSAL REQUIREMENTS

Eligible Proposals:

1. Must demonstrate *site control by applicant* as evidenced by appropriate documentation (Deed of Trust, Purchase Agreement, Option to Purchase Agreement.) The proposed purchase price must be reasonable in comparison to other sites in the neighborhood, and in comparison to other affordable housing sites in the City, and must be supported by an appraisal as part of the application package.
2. Must include a description of proposed interim uses for the Site during the extended predevelopment period through 2026. This should include a description of current structures and uses; what if any structures or amenities will be preserved; and the timeline, budget, and scope of planned interim uses. The budget should include a description of how security and other holding costs have been calculated.
3. Must include a description of site context: parcel history; current zoning; parcel configuration, including the need for potential parcel mergers; potential historic resources on the site or adjacent to it; and prior uses at the site that may have left environmental impacts. Applicant must include a map of neighboring amenities.
4. Must demonstrate ability for the project to make use of streamlined entitlements through SB 35 or another streamlining initiative.
5. Must include the opportunity for the City to eventually own the land as ground lessor under a long-term ground lease structure or some other land dedication/subdivision mechanism that will insure long-term affordable housing as the primary use of the land.
6. Must demonstrate overall financial feasibility through inclusion of a Financing Plan. The financing plan must include a detailed Sources and Uses Budget that includes the following and uses the most current version of the MOHCD Underwriting Guidelines, available on the MOHCD website (<https://sfmohcd.org/housing-development-forms-documents>.) The project must be financially feasible, including realistic development and operating budget projections that conform to industry standards, including TCAC minimum standards. Each proposed financing source must be realistic, compatible with MOHCD and all other committed or proposed funding sources, and appropriate for the proposed housing. Applicant must demonstrate that there is a reasonable likelihood that all identified development sources will be secured in a timely manner.
 - a. Primary capital funding sources can include 4% low income housing tax credit equity with tax exempt bonds, City subsidy, and Federal Home Loan Bank Affordable Housing Program funds, and that may include any other funding sources developers deem applicable, such as State of California

Department of Housing and Community Development (HCD) (for example, MHP and IIG) or CalHFA funds. Do not assume use of No Place Like Home funds. Do not assume access to Section 8 (Housing Choice Vouchers, Project Based Section 8, or Continuum of Care, for example.)

- b. Rents set at affordability levels appropriate for the target population.
 - i. For the LOSP units serving formerly homeless households, applicants should include a projected rent subsidy amount necessary to ensure affordability and to meet the building's operations and maintenance needs, including adequate reserve deposits, asset management and partnership management fees, mandatory hard debt payments to HCD, if any, and a minimum of 5 years of deferred developer fee, as applicable. For purposes of this projection, developers should assume that the actual tenant-paid portion of rental income is **\$250** per unit per month for formerly homeless households. *Future projections may differ given the proposed tenant population and subsidy program available.*

While a commitment of capital funding does not guarantee an award of local operating subsidies, the City will work with the selected developer to leverage the most appropriate subsidies to serve the target population. An application submitted under this NOFA is also considered an application for local operating subsidies should those subsidies be made available and are necessary.

- ii. For the non LOSP units serving low income households, sponsors may propose rents up to the maximum tax credit eligible rent under the HUD Unadjusted Metro Fair Market Rent Area that contains San Francisco, as published annually by MOHCD ("MOHCD AMI"). For the LOSP units, sponsors should assume an ongoing rental subsidy sufficient to cover difference between \$250/month tenant payment and 60% MOHCD AMI rent levels.
 - iii. For units serving seniors age 62+ intending to use the SOS Program subsidy, assume that 40% of the senior units will have an SOS contract. Rents to be set at 15% AMI and 25% AMI, with contract growing at 4% annually.
- 7. Must demonstrate – through provision of specific examples of inputs used for estimating – that the project's total development budget, as well as its specific line items, are comparable to recent and similar projects, to industry standards and are compliant with funding source regulations, MOHCD policy and most recent underwriting guidelines. Cost per unit, per square foot (land area and building space), per bed or bedroom will be examined relative to total development cost, City subsidy, and construction cost.
- 8. Must propose the maximum use of available, non-local funds to achieve the highest reasonable financial leveraging of capital resources for the

predevelopment, construction and permanent phase. The amount of City funds requested per unit and the actual or proposed level of funds to be leveraged from other sources will be examined.

9. Must demonstrate competitiveness for State bond and tax credit funds administered by the California Debt Limit Allocation Committee.
10. Proposals that include any displacement/relocation of residential and/or commercial tenants must include a full relocation plan and budget. Displacement or relocation that is required as a condition of site control is highly discouraged, though in some cases may be justified.
11. Must budget for a supportive services and housing stabilization component that is appropriate for the needs of the anticipated tenant population, including households who have experienced homelessness, and within either HSH's or MOHCD's funding guidelines for the services contract.
12. Must include a community engagement plan that demonstrates the capacity to generate necessary neighborhood support for the proposed development. Include any evidence of support expressed to date for the project, as well as plans for community engagement going forward. This also needs to cover the entire development period, including interim use and construction work.
13. Must include an operating budget that includes all expenses necessary to properly operate and maintain the building. This budget should include a service coordinator/connector staff position(s), at 1:100, to assist the non-homeless households. A separate budget should be attached for services that will support the households who were formerly homeless, for which the City will provide funding.
14. Must provide a construction cost estimate that reflects current construction costs and show escalation assumptions as a separate line item.
15. Must include a Services Plan and Budget that complies with MOHCD underwriting requirements. The awarded development team will apply for services funding separately at the appropriate time. However, HSH, MOHCD, and OCII, where applicable, collaborate closely on funding decisions in order to maximize the use of City resources. Capital funding decisions under this NOFA will include review and approval by representatives of these agencies. Successful applicants under this NOFA will receive priority for funding from HSH and MOHCD for services and operating subsidies.
 - Operating budgets should include up no (and no more than) 1:100 staffing for the non-homeless residents.

- For the units occupied by formerly homeless residents: assume that services for homeless families will be funded separately by HSH through direct contracts with the Projects' social services providers.
- For the purposes of this NOFA only, respondents should budget \$1,000 per unit per month in services funding for the formerly homeless units. This amount may change during underwriting and services negotiations. Assume 1:20 case management staffing ratios for these units.
- Services funding will be conditioned on continuous compliance with the terms of the Respondent's Local Operating Subsidies Program ("LOSP") agreements with MOHCD as well as the support services agreement held by HSH.

16. Must provide concept-level drawings and/or diagrams that indicate the Project approximate height, bulk, site layout, unit count, and commercial/common space use, which can be printed on 8.5" x 11" paper, no more than two (2) pages. The purpose of these diagrams will be to confirm the anticipated unit yield at the site, and its conformance to existing zoning restrictions including any available density bonuses. Note: This information does not constitute a formal design submission. There is no reimbursement for costs related to this requirement.

D. SELECTION CRITERIA AND SCORING

Responsive submittals include all the required information listed above, and a background and a vision statement articulating the application of best practices for the successful development of affordable housing and the achievement of desired outcomes and goals.

All applications that meet the Minimum Experience and Capacity Requirements listed in Section IV.B and IV.C will be scored and ranked according to the extent to which their Experience and Vision meets the following selection criteria:

	Category	Points
A.	EXPERIENCE:	40
i.	<p>Developer (12 pts)</p> <ul style="list-style-type: none"> ▶ Experience with the following: <ul style="list-style-type: none"> ○ Completing projects on time and on budget ○ Obtaining competitive financing terms ○ Developing proposed type of construction ○ Developing housing for low-income households, including those experiencing homelessness, as applicable ▶ Building community support through outreach ▶ Current staff capacity and experience to take on this 	

	project type	
ii.	<p>Owner (4 pts)</p> <ul style="list-style-type: none"> ▶ Track record successfully owning housing financed with Low-Income Housing Tax Credits ▶ Experience owning affordable housing for low-income households, including those experiencing homelessness, if applicable ▶ Effectiveness of current asset management structure and staffing, given portfolio size ▶ Capacity for assuming asset management of an expanded portfolio once the development is complete 	
iii.	<p>Property Manager (8 pts)</p> <ul style="list-style-type: none"> ▶ Experience managing property for low-income households, including those experiencing homelessness, if applicable ▶ Experience achieving high rates of housing retention ▶ Implements low barrier tenant selection policies consistent with Housing First principles and the HSH Documentation Policy ▶ Contributes to long-term sustainability of the development ▶ Achieves cost efficiencies in operations 	
iv.	<p>Service Providers (8 pts)</p> <ul style="list-style-type: none"> ▶ Experience providing access and delivering services to low-income households, including those experiencing homelessness, if applicable ▶ Experience linking residents to the City’s safety net of services ▶ Works with property management to achieve high rates of housing retention ▶ Supports positive outcomes for residents around health and economic mobility ▶ If applicable, provides explanation for service contracts terminated prematurely within the last 5 years ▶ Capacity to attract and retain adequate staffing to take on this project 	

v.	<p>Racial Equity (8 pts)</p> <ul style="list-style-type: none"> ▶ Experience providing housing to COP holders and neighborhood preference holders ▶ Uses innovative approaches to engagement with COP and neighborhood preference holders ▶ Demonstrates commitment to racially diverse project development teams ▶ Demonstrates experience with serving historically excluded communities of color ▶ Describes experience providing access and implementing effective service delivery strategies to historically excluded communities of color 	
----	--	--

B.	VISION:	60
i.	<p>Site and Project Concept (15 pts)</p> <ul style="list-style-type: none"> ▶ Proposes site whose location, size, configuration, and zoning support the development of affordable and permanent supportive housing, including ability to maximize unit yield in a cost-effective construction type and make use of entitlement expediting such as SB 35. ▶ Describes vision for a development program at this site, while best achieving the project goals, and includes: <ul style="list-style-type: none"> ○ A residential program and other envisioned uses; ○ Indicates how the proposed uses and amenities will enhance the lives of the proposed target population and the surrounding neighborhood. ▶ Indicates populations served by the programs and spaces (families, families experiencing homelessness, young adults, children etc.). ▶ Describes the interim use strategy, including contingencies for construction start delays of up to three (3) years 	

<p>ii.</p>	<p>Community Engagement Strategy (10 pts)</p> <ul style="list-style-type: none"> ▶ Describes community engagement strategy and includes: <ul style="list-style-type: none"> ○ The team’s philosophy on community engagement ○ Process for establishing and/or building positive relationships with surrounding neighbors and the larger community ○ Efforts designed to engage all interested community members—particularly BIPOC members of the target populations—and including monolingual non-English speaking community members; ○ How the Development Team intends to comply with the City’s Language Access Ordinance ▶ Describes the Team’s approach to achieving entitlements for the project expeditiously and the approach to maintaining and building community relationships after entitlements have been achieved and the development is in operations. ▶ Indicates how particular community engagement strategy will address the historical exclusion of communities of color from quality housing, including but not limited to marketing to attract target populations. 	
------------	--	--

<p>iii.</p>	<p>Services Delivery Strategy (10 pts)</p> <ul style="list-style-type: none"> ▶ Describes the Development Team’s services delivery strategy and includes: <ul style="list-style-type: none"> ○ The overall service philosophy; ○ Model for providing services to formerly homeless residents (including case management ratio and provision of amenities such as front desk clerks, if applicable); ○ The services goals of the proposed vision. ▶ A brief description of the desired outcome of the services to be provided and innovative approaches to services provision, including the strategy of engaging residents and encouraging access to services. ▶ Describes how services for residents will be coordinated with the existing network of services in the neighborhood and community. ▶ Describes strategies used to help BIPOC tenants overcome barriers to accessing supportive services and income that mitigate the effects of poverty and lead to improved self-sufficiency. 	
<p>iv.</p>	<p>Finance & Cost Containment Approach (15 pts)</p> <ul style="list-style-type: none"> ▶ Describes the Development Team’s financing approach to the project. ▶ Describes how project is strategically positioned to successfully compete for State funding resources, including funding from the CA Debt Limit Allocation Committee and Department of Housing and Community Development ▶ Includes the Team’s process for structuring the project and controlling development costs. ▶ Includes innovative strategies intended to minimize MOHCD’s projected capital gap financing. ▶ Describes any innovative (i.e. non-standard, routine or commonly used) direct or indirect cost-cutting strategies relevant to overall development, construction or operating expenses. ▶ Includes proforma financials. ▶ Includes project design concept to fact check the financials 	

v.	<p>Racial Equity Strategy (10 pts)</p> <ul style="list-style-type: none"> ▶ Explains how vision aligns with the primary goals of this NOFA set forth in the Introduction and Project Expectations. ▶ Proposes a substantive partnership that increases opportunity/capacity for growth of Emerging Developers (smaller organizations). 	
TOTAL POSSIBLE POINTS		100

Projects must receive at least 70 points to proceed through the selection process.

E. SUBMITTAL REQUIREMENTS OVERVIEW

Using **Attachment B – Submittal Checklist**, check boxes of all items that will be submitted. Complete and submit **Attachment C - NOFA Registration Form**. All addenda, responses and additional information will be distributed to all parties who have submitted a registration form in accordance with Section IIB above.

1. Minimum Development Team Characteristics

Submit **Attachment D - Respondent Description** to document the name of each organization, names of the organization’s Director (or equivalent position) and primary contact persons, and phone numbers and email addresses for each of the following:

- Lead Developer and Co-Developers (if applicable)
- Development Consultant (if applicable)
- Owner(s)
- Property Manager(s)
- Service Provider(s)

For each Lead Developer and/or Co-Developer, submit a current copy of the following documents:

- a. **Certificate of Good Standing** from the California Secretary of State
- b. **Certification of 501(c)(3) status** (for nonprofit corporations) from the Internal Revenue Service.

2. Minimum Development Team Experience

Submit **Attachment E - Qualifying Project Form**, to document how the Qualifying Project characteristics meet each of the experience categories below (developer, owner, property manager, service provider.) The Development Team may submit more than one (1) Qualifying Project for each of the experience categories:

- a. Minimum Development Experience

- b. Minimum Ownership Experience
- c. Minimum Property Management Experience
- d. Minimum Service Provision Experience
- e. Minimum experience in incorporating principles of racial equity into development, management and service experience

To demonstrate the minimum required development team experience, each team should submit one project for each experience category. When appropriate, teams may submit the same project as evidence of experience across multiple experience categories, or may use different projects to demonstrate experience across categories. In all cases, no more than five (5) total Qualifying Projects should be submitted. **Qualifying Projects will not be scored, but are used to identify if the proposed Development Team meets the minimum development team experience required to develop the Site.**

3. Minimum Developer and Owner Capacity Requirements

Financial Capacity

- Latest two (2) years of either signed federal income tax returns (including schedules or attachments, if any); or audited financial statements (with management letters, if any).
- **Attachment F – Financing Terms for Developer’s Qualifying Project** to document the equity pricing and debt terms for the Qualifying Project submitted under Minimum Developer Experience.

Staffing Capacity

- Description of Key Staff Experience – Provide written narrative of **no more than one page** (in Times New Roman font, 12 font size, and 1-inch margins) to document the experience and capacity of key staff, their workloads, and the organizational structure for supporting staff.
- **Attachment G – Projected Staffing Workload Form**, documenting the work assignments (existing or contemplated) associated with each staff person expected to work on the Project for Developer.

Asset Management Capacity

- Proposed Owner’s recent **Real Estate Owned (REO) schedule**, documenting the number of projects and average number of units/project currently in Owner’s asset management portfolio.
- Proposed Owner’s current **asset management staffing**, noting job titles, FTEs, and status of each position (filled/vacant).
- Proposed Owner’s **organizational chart**.

Racial Equity Capacity

- Demonstrate how developer has met the City’s minimum compliance standards for Equal Employment Opportunities on the **Qualifying Project**.

4. Selection Criteria and Scoring

- i. **Experience:** Provide written narrative of **no more than five pages** (in Times New Roman font, 12 font size, and 1-inch margins).
- ii. **Vision:** Provide written narrative of **no more than seven pages** (in Times New Roman font, 12 font size, and 1-inch margins).

Additional documents submitted in this section will not be allowed, except as identified on the **Attachment B: Submittal Checklist**.

F. Scoring for EXPERIENCE

In **no more than five pages** of written narrative (in Times New Roman font, 12 font size, 1-inch margins), describe how each member of the Proposed Development Team has the most relevant experience for the successful development of the project.

Describe how the Development Team has implemented lessons learned from past affordable housing experience. Please note that Respondents are not limited to discussing the Qualifying Project(s).

Developer: Describe the Developer's track record successfully developing high-quality affordable housing, including supportive housing. In particular, discuss the Developer's experience completing housing development projects on time and on budget, obtaining competitive financing terms, developing type V/I or III/I construction, developing for low-income families and those experiencing homelessness and building community support for mixed use projects (affordable residential with ground floor commercial) through outreach for similar projects. Describe the experience and capacity of current staff to take on a project of this type.

Owner: Describe the Owner's track record successfully owning housing financed with Low-Income Housing Tax Credits. In particular, discuss the Owner's experience owning affordable housing for low-income families and those experiencing homelessness and describe the Owner's current asset management structure, staffing and portfolio, and its capacity for assuming asset management of an expanded portfolio once the development is complete. For purposes of this requirement, the managing general partner of the tax credit partnership intended to take ownership of the completed project and to provide asset management for the project is the proposed "Owner".

Property Manager: Describe the Property Manager's track record successfully managing high-quality affordable housing communities. In particular, discuss the Property Manager's experience providing management services for low-income families and those experiencing homelessness, including communities of color; experience achieving high rates of housing retention, implementing low barrier tenant selection policies, contributing to the long-term sustainability of the development, experience administering subsidies such as LOSP; and achieving cost efficiencies in operations.

Services Provider(s): Describe the Services Provider(s)' track record delivering highly impactful services to residents in affordable and/or supportive housing developments. In particular, discuss the Services Provider(s)' experience delivering services to low-income families and those experiencing homeless, including communities of color; linking residents to the City's safety net of services; working with property management to achieve high rates of housing retention; and supporting positive outcomes for residents around health, economic mobility, and housing stability. If the Service Provider(s) have had any services contracts prematurely terminated in the last five years, include an explanation for each termination. Discuss strategies for eliminating

barriers that prevent communities of color from accessing quality health care services, employment and educational opportunities.

Racial Equity Strategy: MOHCD recognizes the oppressive history of racial injustice, especially in housing and community services, the structural inequities that remain today, and the trauma those inequities perpetuate. Please describe the Developer team's level of racial equity awareness using the guidelines below:

- Understands and communicates that reducing racial inequities is mission critical
- Routinely collects, disaggregates, and analyzes data by race/ethnicity in programmatic and operational work
- Views diversity as a value-added feature of organizations, and enquires about the cultural competence of staff and grantees to work with diverse groups
- Has mechanisms for management accountability for equity, diversity, and inclusion
- Has mechanisms for staff accountability for equity, diversity, and inclusion
- Describes Development Team's present and future practices to meet MOHCD's racial equity goals as articulated in the racial equity goals of this NOFA
- Describes the Developer's experience with serving historically excluded communities of color
- Has experience providing access and implementing service delivery strategies to historically excluded communities of color
- Describes the demonstrated commitment to racially diverse project development and service teams.

G. Scoring for VISION

In **no more than seven pages** of written narrative (in Times New Roman font, 12 font size, 1-inch margins), describe the Proposed Development Team's vision for the successful development of the project:

Program concept: Describe how the Development Team's proposed Project will maximize unit yield in a cost-effective construction type and make use of SB35's expedited permitting. Describe the Development Team's vision for a development program while best achieving MOHCD's project expectations and goals. Indicate how the proposed uses and amenities will enhance the lives of the future residents and the surrounding neighborhood. Indicate particular groups served by the programs and spaces (tots, children, teens, young adults, adults, formerly homeless, etc.). Describe how the program will contribute to lowering barriers to persons of color seeking and retaining housing. Applicants should provide concept-level drawings and/or diagrams that indicate the Project approximate height, bulk, site layout, unit count, and commercial/common space use to print on 8.5" x 11" paper, no more than two pages. The purpose of these diagrams will be to confirm the anticipated unit yield at the site, and its conformance to existing zoning restrictions including any available density bonuses. This information does not constitute a formal design submission.

Community engagement strategy: Describe the Development Team's community

engagement strategy, including the team’s philosophy on community engagement and process for establishing and/or building positive relationships with surrounding neighbors and the larger community. Describe the Team’s approach to achieving entitlements for the project expeditiously and the Team’s approach to maintaining and building community relationships after entitlements have been achieved and the development is in operations. The strategy should include efforts designed to engage all interested community members, particularly BIPOC members of the target population, and including monolingual non-English speaking members of the community. The strategy should also make clear how the Development Team intends to comply with the City’s Language Access Ordinance. Finally, address how the community engagement strategy will address the historical exclusion of communities of color from quality housing.

Services delivery strategy: Describe the Development Team’s services delivery strategy, including the overall philosophy and model for providing services to targeted low-income and formerly homeless populations (including case management ratio and provision of amenities such as front desk clerks), the services goals of the proposed vision, a brief description of the desired outcomes of the services to be provided and innovative approaches to services provision, including the strategy for engaging residents and encouraging access to services, and how services for residents will be coordinated with the existing network of services in the neighborhood and community.

Financing and cost containment approach: Describe the Development Team’s financing approach to the project, including the Team’s process for structuring the project and controlling development costs. Describe any innovative strategies intended to minimize MOHCD’s projected capital gap financing. Also, describe any innovative (i.e., non-standard, routine or commonly used) direct or indirect cost-cutting strategies relevant to overall development, construction or operating expenses. Do not submit a development budget or pro forma. Scored responses must be in narrative form only.

Racial Equity Strategy: Please submit an overall statement regarding how the Development Team will incorporate the principles of racial equity in the development of the program concept, the community engagement strategy, services delivery strategy and marketing approach. Explain how the strategy aligns with the goals of this NOFA set forth in the Introduction and Project Expectations. Describe any substantive partnership that is part of the NOFA response that increases opportunity/capacity for growth of Emerging Developers (smaller organizations) in development roles. Explain how the Development Team’s model removes barriers to intergenerational wealth, self-sufficiency and resiliency for persons of color, particularly COP holders, African American households and/or households in historically African American neighborhoods.

In this section, include the following attachments:

- Evidence of Site Control
- Appraisal
- Map of Neighborhood Amenities
- MOHCD Application Proforma
- **Attachment I – CDLAC Self Score Worksheet**

5. Evidence of Authority

Provide a certified corporate resolution of the applicant or, in the case of a partnership, the applicant's general partner, expressly authorizing the applicant to provide a response to this NOFA and, if selected by the City, to enter into negotiations with the City for the acquisition of the site.

6. Disclosure Form

Submit a completed and signed copy of **Attachment H – Disclosures**, which requires any respondent to this NOFA to disclose defaults, lawsuits, legal proceedings, bankruptcy filings or financial interests affiliated with MOHCD staff or Citywide Affordable Housing Loan Committee members. The individual who signs the form must be authorized to enter into legal agreements on behalf of the Respondent.

Note Regarding Submittals: Applicants may amend their response prior to the submission deadline. However, after the submission deadline, corrections are only allowed if immaterial and at the sole discretion of MOHCD.

V. TERMS AND CONDITIONS OF NOFA

A. DEVELOPER RESPONSIBILITIES

The selected applicant will be responsible for all aspects of development of the site, including but not limited to the following:

- Involving local community stakeholders in the program setting and initial design of the Project.
- Marketing the development to intended target audiences consistent with the goals of this NOFA, most notably outreach to Black communities historically excluded from quality housing or displaced from their neighborhoods.
- Conducting all appropriate due diligence, investigating and determining conditions of the site and the suitability of the site for the proposed Development.
- Securing all required development approvals, including but not limited to any necessary permits or approvals from the City's Planning Department and Department of Building Inspection, and from Federal and State agencies associated with environmental and historic preservation reviews (including Certificates of Appropriateness) as applicable.
- Obtaining adequate financing for all aspects of the proposed Development, including predevelopment, construction and operation.
- Designing and building the Development in a manner that produces a high-quality, enduring living environment.
- Owning, managing, and operating the Development in a manner that ensures its long-term financial viability and the ongoing satisfaction of residents.
- Complying with the requirements of any financing for the Development,

including but not limited to:

- a. **Equal Employment Opportunities:** The Selected Developer will be required to comply with local and federal procurement requirements, including the provision of equal employment opportunities for disadvantaged business consultants, architects, contractors, and other potential development team members to participate in the Development. To ensure that equal opportunity plans are consistent with City and Federal procurement requirements, sponsors should meet with MOHCD and San Francisco Contract Monitoring Division (CMD) staff prior to hiring their development team to develop a plan for such compliance. Although the City's Contract Monitoring Division (CMD) does not require prior approval or monitoring of procedures for selecting the architect for purposes of responding to this NOFA, the architect's Small Business Enterprise (SBE) status will be counted toward the overall Development's procurement goals which will be set at a later date.
- b. **Environmental Review:** Depending on conditions at the Development Site and on Development plans, the proposed Development will be subject to review under the California Environmental Quality Act (CEQA), the National Environmental Policy Act (NEPA), the National Historic Preservation Act (NHPA) and specifically the Section 106 historical resources preservation review. Department of City Planning design review may also be required.
- c. **Accessibility Requirements:** Development sponsors will be responsible for meeting all applicable accessibility standards related to publicly funded multifamily housing under Section 504 of the Rehabilitation Act of 1973, the Architectural Barriers Act, the Americans with Disabilities Act, and certain statutes and regulations of the City and County of San Francisco. Units must meet TCAC accessibility requirements, which at the time of RFQ drafting require at least 50% of all units to be adaptable and a minimum of 15% of the units to be accessible, including units for the visually and hearing impaired, consistent with TCAC requirements.
- d. **Prevailing Wages:** This Development will be subject to applicable local, state or federal requirements with regard to labor standards. Developers should take prevailing wage requirements and labor standards into account when seeking estimates for contracted work, especially the cost of construction, and other work to which the requirements apply, and when preparing development budgets overall.
- e. **Employment and Training:** The Selected Developer will be required to work with the CityBuild initiative of the Office of Economic and Workforce Development to comply with local and federal requirements regarding the provision of employment opportunities for local and low-income residents and small businesses during both the development and operation of the Development, including complying with the City's First Source Hiring requirements.
- f. **Sustainable Design:** The Mayor's Office of Housing and Community Development seeks to maximize the overall sustainability of financed projects. The selected development team will be required to pursue any funding that may become available to help pay for the cost of planning and implementing green building components.

- g. Public Art Requirement: Projects with funding from MOHCD must comply with the Charter requirement to include public art as part of project design. Please see the Underwriting Guidelines for more information.
- h. Minimum Insurance Requirements: see Appendix A – Minimum Insurance Requirements.

B. ERRORS AND OMISSIONS IN NOFA

Applicants are responsible for reviewing all portions of this NOFA. Applicants are to promptly notify MOHCD, in writing, if the respondent discovers any ambiguity, discrepancy, omission, or other error in the NOFA. Any such notification should be directed to MOHCD promptly after discovery, but in no event later than five (5) working days prior to the date for receipt of proposals. Modifications and clarifications will be made by addenda as provided below.

C. ADDENDA TO NOFA

MOHCD may modify the NOFA, prior to the response due date, by issuing written addenda. Addenda will be sent via email to the last known address of each person or firm listed with MOHCD as having received a copy of the NOFA for proposal purposes. MOHCD will make reasonable efforts to notify Respondents in a timely manner of modifications to the NOFA. Notwithstanding this provision, the Respondent shall be responsible for ensuring that its proposal reflects any and all addenda issued by MOHCD prior to the proposal due date regardless of when the proposal is submitted.

D. OBJECTIONS

NOFA Terms. If any interested party objects to any provision or legal requirement in this NOFA, such party must provide written notice to MOHCD at mohcdHFOpps@sfgov.org setting forth with specificity the grounds for the objection no later than seven (7) calendar days of the date for submitting qualifications (See Section III(A)). Failure to object in the manner and within the time set forth in this paragraph will constitute a complete and irrevocable waiver of any objection to this NOFA.

Notice of Non-Responsiveness. A Respondent may object to a determination that its submission of qualifications is non-responsive to this NOFA by delivering written notice to MOHCD setting forth with specificity the grounds for the objection no later than seven (7) calendar days after the date of the written notice to Respondent of MOHCD's determination of non-responsiveness. Failure to object in the manner and within the time set forth in this paragraph will constitute a complete and irrevocable waiver of any objection.

Selection of Development Teams for Exclusive Negotiations. A Respondent may object to a selected Development Team and MOHCD Director's authorization to proceed with exclusive negotiations with such Development Team by delivering written notice to MOHCD setting forth with specificity the grounds for the objection by no later than seven (7) calendar days after the selected Development Team has been

announced and made public by MOHCD. If a Respondent files a timely objection, the MOHCD Director will review such objection and respond in a timely manner, and MOHCD's authorization to enter into exclusive negotiations with the selected Development Team will not be binding until the MOHCD Director denies the objection. Failure to object in the manner and within the time set forth in this paragraph will constitute a complete and irrevocable waiver of any objection.

Delivery of Objections. Respondents must submit objections in writing, addressed to the person identified in this NOFA, and delivered to the MOHCD via email at mohcdHFOpps@sfgov.org by the dates specified above in order to be considered. Written objections must be transmitted by email and that will provide written confirmation of the date MOHCD received the objections. If a written objection is delivered by US mail, the Respondent bears the risk of non-delivery by the deadlines specified above.

E. CLAIMS AGAINST MOHCD

No Respondent will obtain by its response to this NOFA, and separately by its response waives, any claim against MOHCD by reason of any or all of the following: any aspect of this NOFA, any part of the selection process, any informalities or defects in the selection process, the rejection of any or all proposals, the acceptance of any proposal, entering into exclusive negotiations, conditioning exclusive negotiations, terminating exclusive negotiations, approval or disapproval of plans or drawings, entering into any transaction documents, the failure to enter into a lease or lease disposition and development agreement, any statements, representations, acts, or omissions of MOHCD, the exercise of any discretion set forth in or concerning any of the above, and any other matters arising out of all or any of the above.

F. SUNSHINE ORDINANCE

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

G. RESERVATIONS OF RIGHTS BY THE CITY

1. The issuance of this NOFA and the selection of developers for funding pursuant to this NOFA are in no way a limitation of the discretion of any City board, commission, department, employee or official with respect to any review or approval required in connection with the proposed development. The City's

selection of developers is in no way deemed to be the final approval of any development proposed by the developer.

2. The information in this NOFA is provided solely for the convenience of respondents.
3. The City expressly reserves the right at any time to do waive or correct any defect or technical error in any response or procedure, as part of the NOFA or any subsequent negotiation process; reject any or all responses, without indicating the reasons for such rejection; cancel this NOFA at any time prior to award and reissue NOFA for the full or partial funding amount; modify or suspend any and all aspects of the selection procedure, the scope of the proposed development or the required responses, or the processes indicated in this NOFA; request that respondents clarify, supplement or modify the information submitted; extend deadlines for accepting responses, or request amendments to responses after expiration of deadlines; negotiate with any, all or none of the respondents to this NOFA; make selections based directly on the proposals, or negotiate further with one or more of the respondents; during negotiation, expand or contract the scope of the proposed development, or otherwise alter the development concept in order to respond to new information, community or environmental issues; if at any time prior to the execution of binding agreements with the selected Development Team, MOHCD, in its sole discretion, determines that the selected Development Team will be unable to proceed with a timely and feasible Development in accordance with this NOFA or will not serve in the City's best interest, MOHCD may terminate negotiations with any selected Development Team and begin negotiations with the next highest ranked Respondent; MOHCD and HSH may require substitution of members of the Respondent team; or determine that no development will be pursued.
4. The issuance of this NOFA does not obligate the City to pay any costs incurred by any respondent, including but not limited to costs incurred in connection with the preparation or presentation of responses or negotiations with the City. Developer teams responding to this NOFA do so at their own expense.
5. The issuance of this NOFA is only an invitation to submit qualifications and does not constitute an agreement by the City that a loan agreement will actually be entered into by the City. This NOFA does not in any way limit the discretion of any City board, commission, employee or official with respect to any review or approval of any aspect of a proposed development.
6. The City will not approve any ground lease for any sites until there has been compliance with the California Environmental Quality Act (CEQA), and, as applicable, the National Environmental Protection Act (NEPA). If any proposed development is found to cause significant adverse impacts, the City reserves absolute discretion to require additional environmental analysis, and to: (a) modify the development to mitigate significant adverse environmental impacts; (b) select feasible alternatives which avoid significant adverse impacts of the proposed development; or (c) reject or proceed with the development as

proposed, depending upon a finding of whether or not the economic and social benefits of the development outweigh otherwise unavoidable significant adverse impacts of the development.

7. The City reserves the right to disqualify any respondent to this NOFA based on any real or apparent conflict of interest that is disclosed by the responses submitted or on the basis of other information available to the City. The City may exercise this right in its sole discretion.

Attachment A: Minimum Insurance Requirements

See attached document.

Attachment B: NOFA Submittal Checklist

See attached spreadsheet.

Attachment C: NOFA Registration Form

See attached. Submit one per organization.

Attachment D: Respondent Description

See attached document.

Attachment E: Qualifying Project Form

See attached document.

Attachment F: Financing Terms for Developer's Qualifying Project

See attached document.

Attachment G: Projected Staffing Workload Form

See attached spreadsheet.

Attachment H: Disclosures

See attached document

Attachment I: CDLAC Self-Score Worksheet

See attached document

Mayor's Office of Housing and Community Development
City and County of San Francisco



London N. Breed
Mayor

Eric D. Shaw
Director

May 30, 2023

Memorandum To: All Potential Applicants

From: Lydia Ely, Deputy Director of Housing
Mayor's Office of Housing and Community Development

Subject: Amendment to Notice of Funding Availability for Site Acquisition and Predevelopment Financing for New Affordable Rental Housing (Issued 1/27/2023) ("NOFA")

Please be advised that additional funds have been identified for availability under the NOFA. Accordingly, the NOFA has been amended as follows:

1. Page 1 is amended as follows:

Available Funds: up to ~~\$40,000,000~~ \$66,500,000 for site acquisition and predevelopment for new construction projects serving low-income households, including homeless households

2. Page 2 is amended as follows:

The approved FY22-23 City Budget includes \$112 million for new housing and community development programs, including \$40 million for site acquisitions to be sourced by the issuance of Certificates of Participation (COPs) through the Controller's Office of Public Finance. An additional \$26,500,000 will be available from MOHCD's other sources of funds, for a total amount of \$66,500,000 available under this NOFA.

There are no further changes to the NOFA.

Due to the above amendment, **MOHCD will receive any new applications by Wednesday, June 7, 2023, at noon.** Applications previously submitted do not need to be re-submitted. Any applicant who has previously submitted an application by the original deadline may not submit the same application again if such application has been deemed Non-Responsive.



GENERAL PLAN REFERRAL

November 6, 2023

Case No.: 2023-010232GPR
Block/Lot Nos.: 1202/002B
Project Sponsor: Mayor's Office of Housing and Community Development
Applicant: Sarah White, Rose Community Development Company, LLC
swhite@rosecompanies.com
551 5th Avenue, Suite 23
NY, NY, 10176
Staff Contact: Sarah Richardson – 628-652-7450
Sarah.Richardson.sfgov.org
Recommended By: 
Joshua Switzky, Acting Director of Citywide Policy for
Rich Hillis, Director of Planning

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

Project Description

The project proposes the demolition of the existing one-story building and the construction of an approximately 85-foot tall, nine-story building containing approximately ninety-five (95) affordable rental dwelling units for low-, very low- and extremely low-income households, approximately ninety-five (95) bicycle parking spaces, and resident amenity spaces. Dwelling units would include studio, one-bedroom, two-bedroom, and three-bedroom apartments and the building would potentially include ground-floor commercial or community space.

Environmental Review

The project is considered ministerial and is not subject to CEQA pursuant to California Senate Bill 35.

General Plan Compliance and Basis for Recommendation

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

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

HOUSING ELEMENT

OBJECTIVE 3.B

CREATE A SENSE OF BELONGING FOR ALL COMMUNITIES OF COLOR WITHIN WELL-RESOURCED NEIGHBORHOODS THROUGH EXPANDED HOUSING CHOICE.

OBJECTIVE 4.A

SUBSTANTIALLY EXPAND THE AMOUNT OF PERMANENTLY AFFORDABLE HOUSING FOR EXTREMELY LOW- TO MODERATE-INCOME HOUSEHOLDS.

OBJECTIVE 4.B

DIVERSIFY HOUSING TYPES FOR ALL CULTURES, FAMILY STRUCTURES, AND ABILITIES.

POLICY 19

Enable low- and moderate-income households, particularly American Indian, Black, and other people of color, to live and prosper in Well-resourced Neighborhoods by increasing the number of permanently affordable housing units in those neighborhoods.

POLICY 33

Prevent the outmigration of families with children and support the needs of families to grow.

The Project is located in a well-resourced neighborhood. It would provide affordable dwelling units for households with low, very low, and extremely low incomes and would include studio, one-bedroom, two-bedroom, and three-bedroom dwelling units which would be suitable for households with diverse family structures including families with children.

Planning Code Section 101 Findings

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

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

The Project would not have an adverse effect on neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses. The existing building at the Project site is occupied by an

establishment specializing in seismic retrofitting. The Project may include ground floor commercial or community space along Divisadero Street.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;
The Project would preserve neighborhood character and enhance the economic and cultural diversity of the neighborhood by providing housing affordable to a households who might otherwise be unable to remain in the City.
3. That the City's supply of affordable housing be preserved and enhanced;
The Project would add to the supply of affordable housing within the City, with affordability restrictions that will be for a minimum of 55 years from the date of certificate of occupancy.
4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;
The Project would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking in San Francisco.
5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;
The Project would not include commercial office development, and would not cause displacement of the industrial or service sectors due to office development.
6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;
The Project would be designed to current building codes which address safety in the event of seismic events.
7. That the landmarks and historic buildings be preserved;
The Project would not have an adverse effect on the City's landmarks and historic buildings.
8. That our parks and open space and their access to sunlight and vistas be protected from development;
The Project would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.

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



San Francisco Ethics Commission

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

Phone: 415.252.3100 . Fax: 415.252.3112

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

Received On:

File #: 231199

Bid/RFP #:

Notification of Contract Approval

SFEC Form 126(f)4

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

A Public Document

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

1. FILING INFORMATION

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

2. CITY ELECTIVE OFFICE OR BOARD

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

3. FILER'S CONTACT

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

4. CONTRACTING DEPARTMENT CONTACT

NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Matt Graves	628-652-5855
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
MYR Mayor's Office of Housing & Comm Dev	matthew.graves@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR Grove Street Development, L.P.	TELEPHONE NUMBER 510-726-2072
STREET ADDRESS (including City, State and Zip Code) 1111 Broadway, Suite 300 Oakland, CA 94607	EMAIL swhite@rosecompanies.com

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 231199
DESCRIPTION OF AMOUNT OF CONTRACT \$15,000,000		
NATURE OF THE CONTRACT (Please describe) Total Loan of \$15,000,000 (\$12,775,000 Acquisition Loan and \$2,225,000 Predevelopment Loan) for the development of 95 units of affordable housing at 650 Divisadero. Contractor is a Limited Partnership between the Jonathan Rose Companies (JRC) and Young Community Developers (YCD).		

7. COMMENTS

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

9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Rose	Jonathan (JRC)	CEO
2	Taft	Nathan (JRC)	CFO
3	Vary	Caroline (JRC)	COO
4	Au	Carolyn (JRC)	COO
5	Edwards	Chris (JRC)	Other Principal Officer
6	Brookter	Dion-Jay (YCD)	CEO
7	Jordan	Rashieda (YCD)	CFO
8	Blackwell	Aisha (YCD)	COO
9	Newton	Laila (YCD)	Other Principal Officer
10	Ramkalawan	Divali (YCD)	Other Principal Officer
11	Spencer	Sedrick (YCD)	Other Principal Officer
12	Parikh	Mitesh (YCD)	Other Principal Officer
13	Anderson	Nadia (YCD)	Other Principal Officer
14	Doyle	Brittany (YCD)	Other Principal Officer
15	Smith	Cherly (YCD)	Other Principal Officer
16	Andrew	Rhonda (YCD)	Other Principal Officer
17	Moses	Toye (YCD)	Other Principal Officer
18	Everhart	Claude (YCD)	Other Principal Officer
19	Tatum	Carol (YCD)	Other Principal Officer

9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
20	Flores	Emmaune1 (YCD)	Other Principal officer
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			

9. AFFILIATES AND SUBCONTRACTORS

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

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

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

10. VERIFICATION

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

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

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

From: [Paulino, Tom \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Nickolopoulos, Sheila \(MYR\)](#)
Subject: Mayor -- Resolution -- 650 Divisadero
Date: Tuesday, November 14, 2023 2:15:46 PM
Attachments: [650 Divisadero Predev Acq Funding.zip](#)

Hello Clerks,

Attached for introduction to the Board of Supervisors is a Resolution approving and authorizing the Mayor and the Director of the Mayor's Office of Housing and Community Development to execute loan documents relating to a loan to provide financing for the acquisition of real property located at 650 Divisadero Street (the "Property"), and predevelopment activities for a 100% affordable multifamily rental building, in an aggregate amount not to exceed \$15,000,000; approving the form of the loan agreement and ancillary documents; ratifying and approving any action heretofore taken in connection with the property; granting general authority to City officials to take actions necessary to implement this Resolution; and finding that the loan is consistent the City's General Plan and the priority policies of Planning Code Section 101.1.

Cheers,

Tom Paulino

He/Him

Liaison to the Board of Supervisors

Office of the Mayor

City and County of San Francisco