File No. 141022

Committee Item No. ______
Board Item No. 25

COMMITTEE/BOARD OF SUPERVISORS

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Completed by: John Carroll **Date** October 23, 2014
Completed by: ______ **Date** ______

FILE NO. 141022 RESOLUTION NO.

[Consent to Provisions of a Variation Decision - On-Site Affordable Housing Requirement - 181 Fremont Street - Transbay Redevelopment Project Area]

Resolution of the Board of Supervisors, acting in its capacity as the legislative body to the Successor Agency to the former Redevelopment Agency of the City and County of San Francisco, approving provisions of a variation decision by the Commission on Community Investment and Infrastructure, modifying the on-site affordable housing requirement for 181 Fremont Street in the Transbay Redevelopment Project Area.

WHEREAS, State law dissolved redevelopment agencies and designated successor agencies, as separate entities from cities or counties, to assume the remaining obligations of the former redevelopment agencies, California Health and Safety Code, Sections 34170 et seq. (the "Redevelopment Dissolution Law"); and

WHEREAS, To implement the Redevelopment Dissolution Law, the Board of Supervisors initially adopted Resolution No. 11-12 (Jan. 26, 2012) and subsequently adopted Ordinance No. 215-12 (Oct. 4, 2012), which established a Successor Agency Commission and delegated to the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure) (the "Successor Agency" or "OCII") the authority, among others, to implement, modify, enforce and complete the surviving redevelopment projects, including certain Major Approved Development Projects, Retained Housing Obligations, and all other enforceable obligations except for actions decreasing property tax revenue for affordable housing and material changes to affordable housing obligations, which must be approved by the Board of Supervisors; and

WHEREAS, California Public Resources Code, Section 5027.1 requires that 25% of the residential units developed in the Transbay Redevelopment Project Area ("Project Area") shall be available to low income households and that an additional 10% shall be available to moderate income households (the "Transbay Affordable Housing Obligation"), which obligation has been incorporated into the Redevelopment Plan for the Transbay Redevelopment Project, approved by Ordinance No. 124-05 (June 21, 2005) and by Ordinance No. 99-06 (May 9, 2006), and in the Implementation Agreement, dated as of January 20, 2005, between the former Redevelopment Agency of the City and County of San Francisco and the Transbay Joint Powers Authority and has been finally and conclusively determined by the California Department of Finance to be an enforceable obligation under Redevelopment Dissolution Law; and

WHEREAS, To fulfill the Transbay Affordable Housing Obligation, both the Redevelopment Plan and the Planning Code require that all housing developments within the Project Area contain a minimum of 15% on-site affordable housing (the "On-Site Requirement"); and

WHEREAS, Neither the Redevelopment Plan nor the Planning Code authorize off-site affordable housing construction or an "in-lieu" fee payment as an alternative to the On-Site Requirement in the Project Area; and

WHEREAS, The Redevelopment Plan provides a procedure and standards by which certain of its requirements and the provisions of the Planning Code may be waived or modified; and

WHEREAS, On June 5, 2014, OCII received a request from the developer of 181 Fremont Street ("Developer") for a variation from the On-Site Requirement; and

WHEREAS, The Developer proposed removing the affordability restrictions from the approximately 11 affordable units on-site and converting them to market rate units (the "Variation Request"); and

WHEREAS, The Variation Request proposes that the Successor Agency grant a variation on the condition that the Developer contribute $13,850,000 toward the development of affordable housing in the Project Area, which is significantly higher than the amount of the affordable housing fee that would be permitted under the City's Inclusionary Affordable Housing Program if this Project were located outside of the Project Area; and

WHEREAS, Payment of this fee would ensure that the conversion of the approximately 11 inclusionary units to market rate units does not adversely affect the Successor Agency's compliance with the Transbay Affordable Housing Obligation; and

WHEREAS, OCII estimates that the Affordable Housing Fee may subsidize approximately 69 affordable housing units on publicly owned parcels in the Project Area in contrast to the up to 11 units that would be produced under the On-Site Requirement and accordingly the Affordable Housing Fee will allow OCII to better fulfill the requirements of the Transbay Affordable Housing Obligation; and

WHEREAS, In addition, the 69 affordable housing units would provide deeper affordability levels (50% of AMI) compared to the levels (100% of AMI) that would be achieved through the application of the On-Site Requirement for up to 11 units; and

WHEREAS, On October 14, 2014, after holding a duly notice public hearing and consistent with its authority under Redevelopment Dissolution Law and Ordinance 215-12, the Successor Agency Commission conditionally approved, by Resolution No. 80-2014, a variation to the Transbay Redevelopment Plan's On-Site Affordable Housing Requirement as it applies the mixed use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for the Successor Agency (the "Variation Approval"); OCII Resolution No. 80-2014 is on file with the Clerk of the Board of Supervisors in File No. 141022, and incorporated in this Resolution by reference; and

WHEREAS, The San Francisco Planning Commission and Board of Supervisors will consider approving a development agreement with the Developer that would be consistent with the Variation Approval and this Resolution, by providing relief from the on-site affordable housing requirement in Planning Code, Section 249.28, and would require the Developer to pay an affordable housing fee of $13,850,000 to the City for payment to the Successor Agency for its use in fulfilling the Transbay Affordable Housing Obligation; and

WHEREAS, The Variation Approval's change to the On-Site Requirement complies with, and facilitates OCII's fulfillment of, the Transbay Affordable Housing Obligations by significantly increasing the amount of affordable housing that would otherwise be available at the Project under the On-Site Requirement; and

WHEREAS, Consent to the modification of the On-Site Requirement by the Board of Supervisors does not compel any direct or indirect physical changes in the Project that the Planning Commission previously approved; rather, this approval merely authorizes the Commission on Community Investment and Infrastructure, Planning Commission and Board of Supervisors to remove the On-Site Requirement from the Project and to accept affordable housing funding; thus, this approval does not constitute a project under the California Environmental Quality Act ("CEQA"), CEQA Guidelines Section 15378 (b)(4) because it merely creates a government funding mechanism that does not involve any commitment to a specific project; now, therefore, be it

RESOLVED, By this Board of Supervisors of the City and County of San Francisco, acting in its capacity as the legislative body of the Successor Agency, that the change to the On-Site Requirement in the Variation Approval is hereby approved.

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122-0262014-002

Agenda Item No. 4 (a)
Meeting of October 10, 2014

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Conditionally approving a variation to the Transbay Redevelopment Plan's on-site affordable housing requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors of the City and County of San Francisco in its capacity as legislative body for the Successor Agency to the San Francisco Redevelopment Agency, and authorizing the acceptance of a future payment of $13.85 million to the Successor Agency for use in fulfilling its affordable housing obligations in the Project Area; Transbay Redevelopment Project Area

EXECUTIVE SUMMARY

181 Fremont is a mixed-use, high-rise development project (the "Project") located in Zone Two of the Transbay Redevelopment Project Area ("Project Area") that is being developed by Jay Paul Company (the "Developer"). The Project's 74 residential units are located on the upper 15 floors of the 52-story tower, which is approximately 700 feet in height. The Developer estimates that the homeowner association ("HOA") fees for these units will likely exceed $2000 per month upon initial sales.

At its meeting on September 12, 2014, the Commission continued its consideration of the resolution of a variation to the Transbay Redevelopment Plan's on-site affordable housing requirement relative to the Project (the "Variation Request"); the resolution includes a condition that the Developer contributes $13.85 million toward the development of affordable housing in the Project Area. As more fully explained in the Commission Memorandum for the September 12, 2014 meeting attached to this memorandum as Exhibit A, the primary basis for the variation request was that the on-site requirement would create difficulties for maintaining the affordability of the Project's 11 on-site, below-market-rate ("BMR") units because the HOA fees, already high in such developments, will likely increase over time such that the original homebuyers would not be able to afford the payments.

In considering the resolution, the Commission expressed concerns about not giving BMR homebuyers the opportunity to purchase units in the Project despite the high HOA fees, setting a precedent for other housing projects, and the timing of the market analysis undertaken by The Concord Group ("TCG") to calculate the $13.85 million contribution from the Developer. To that end, staff worked with Mayor's Office of Housing and Community Development ("MOHCD") and TCG to obtain additional information for the Commission's consideration. In sum, this information shows that: 1) the high HOA fees detract from many of the benefits of homeownership and put both the BMR homebuyers and units at risk; 2) approval of the variation and acceptance of the Developer's contribution is consistent with MOHCD's city-wide practice of allowing for either an in-lieu payment or construction of off-site BMR units, instead of on-site BMR units, except that in this case the payment is significantly higher than the standard in-lieu payment and it must be used in the Project Area; (3) the variation is based on unique characteristics of the Project and will not set a precedent; and (4) TCG's analysis is still valid because there does not appear to have been as much movement in the high end of the real estate market (where the Project is valued), any potential increases in the value of the market-rate units could potentially be mitigated by increases in the BMR units resulting from rising median incomes, and while it is impossible to know what the exact sales prices will be at the time the units will be sold, TCG's analysis is a reasonable estimate of the opportunity cost between the market rate and BMR units.

Staff recommends conditionally approving a variation to the Redevelopment Plan's on-site affordable housing requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for OCII, and authorizing the acceptance of a future payment of $13.85 million to OCII for use in fulfilling its affordable housing obligations in the Project Area.

DISCUSSION

Impact of High HOA Fees on BMR Buyers and Units

At the hearing of September 12, 2014, the Commission expressed concerns about not giving BMR homeowners the opportunity to purchase a unit in the Project, even with HOA fees that are expected to be in excess of $2,000 per month. In response, staff conferred with the MOHCD on its policies and practices relative to BMR units and whether, given the unique characteristics of the Project, MOHCD would recommend that the BMR units remain on-site. Because the Project is located in Zone 2, MOHCD is the public agency responsible for application of the City's Inclusionary Affordable Housing Program to the Project and enforcement of the long-term affordability of the BMR units in the Project. As further detailed in an email dated September 23, 2014 from Maria Benjamin, Director of Homeownership and Below Market Rate Programs for MOHCD (attached as Exhibit B), MOHCD is in support of the Variation Request because of the impacts that the high HOA fees would likely have on the BMR homebuyers and the units themselves, including:

- The HOA fees would be a disproportionately large portion of a homebuyer's monthly housing cost (approximately 84%), and would severely limit the size of a mortgage the homebuyer could carry and the mortgage interest tax deduction, which is a significant benefit of homeownership;
- With HOA fees as a disproportionately large amount of their housing costs, an inclusionary BMR homeowner is at increased risk. HOA fees have historically increased more than inflation. Wealthier market-rate homebuyers, assuming they carry a mortgage, are impacted proportionally less by increasing HOA fees, and may have less incentive to control higher HOA fees;
- BMR unit sales prices would be artificially low (well below $100,000) due to the extremely high HOA fees, resulting in a small first mortgage for the BMR homebuyer and creating a risk to the BMR homebuyer that a predatory lender would attempt to

make a second mortgage after the initial sale, since the low first mortgage creates the erroneous appearance that the BMR homebuyer has significant equity available to be captured through an infeasible second mortgage or home equity line of credit. This would increase the risk of foreclosure on the BMR unit;

- A very low first mortgage on the BMR unit severely limits the homebuyer's future ability to recoup at sale the money paid down on housing costs over time. Instead, the majority will have been paid toward HOA fees; and
- The BMR homeowner's higher risk also translates to the unit itself. If the unit falls into foreclosure, it has the potential to be lost from MOHCD's affordable portfolio.

<u>Precedence Set by Variation and Impact of Affordable Housing Payment</u>

At the hearing, the Commission also expressed concerns about setting a precedent for other housing projects. The on-site requirement is unique to the Project Area, and was put into place in order to comply with the requirement under Section 5027.1 of the California Public Resources Code (Assembly Bill 812) that 35% of the residential units in the Project Area be available to low and moderate income households (the "Transbay Affordable Housing Obligation"), which was finally and conclusively determined by the Department of Finance to be an enforceable obligation. It was also incorporated into the Redevelopment Plan and the Implementation Agreement. It is highly unlikely likely that approval of the Variation Request would set a precedent in the Project Area given the unique aspects of the Project, namely that: (1) it is the only approved or proposed mixed-use office and housing development within the Project Area; (2) it has the smallest number of residential units of any high rise development in the Project Area; and (3) its residential units are located on the upper 15 floors of the 52-story tower.

In this particular instance, approval of the Variation Request and acceptance of the Developer's contribution would subsidize many more units than would have been delivered on site. Initially staff estimated that up to 55 stand-alone affordable housing units on publicly-owned parcels in the Project Area could be funded. This was based on an assumption of $250,000 per unit in OCII subsidy. However, based on a review of stand-alone affordable projects underway in the Project Area, the majority of which are rental, the OCII subsidy could be reduced to $200,000 for a rental project. For example, the project sponsor for Transbay Block 8 (Related California and Tenderloin Neighborhood Development Corporation) is required to develop a stand-alone affordable housing project that requires no more than $200,000 per unit in OCII subsidy. Therefore if OCII were to use the $13.85 million payment in a project with subsidy cap such as Block 8, the payment could subsidize over 69 affordable units, a net increase of 58 over the 11 units that would be generated by the Project on site, which would significantly assist OCII in fulfilling the Transbay Affordable Housing Obligation.

The Commission's approval of the Variation Request and acceptance of the Developer's contribution would also be consistent with City's Inclusionary Affordable Housing Program that allows developers to fulfill BMR obligations off-site or pay an in-lieu housing fee, in place of including BMR units on site. However under the City's policy, the in-lieu housing fee is calculated on the difference between the estimated cost to construct a similarly sized unit and the maximum BMR purchase price. If the Project were subject to the City's policy, the Developer would pay approximately $5.5 million to the City, which would be used by MOHCD to fund affordable housing elsewhere in the City. Under the proposed Variation Request and $13.85

million payment, the payment of $13.85 million is based on the Developer's own opportunity cost to build those units on site, resulting in a payment that is over two and a half times the City's in-lieu fee amount.

Timing of TCG Market Analysis

The Commission also inquired about whether the $13.85 million contribution from the Developer is reflective of today's real estate values, given the price increases that have occurred since the TCG analysis was completed in November 2013. Tim Cornwell of TCG explained that it is difficult to say how much real variation there would be in the values since the analysis was completed, for a number of reasons:

- The Project is unique, and there is a very limited set of comparable properties. While there has been evidence of significant activity and price increases in the middle of the market, there has been less evidence at the high end of the market. It is therefore difficult to say how much, if any, the values for this Project increased over the last year;
- The value of the BMR units may change in the near future, as median incomes are expected to rise. Such increases in value could mitigate any increases in value for the market-rate units; and
- The analysis is based on a development that doesn't yet exist, at a certain fixed point in time. It is not possible to know exactly what the market dynamics will be at the point the units in the Project are sold.

Mr. Cornwell concluded that, given the above consideration, TCG's analysis is still valid.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

The Commission's approval of the Variation Request does not compel any changes in the Project that the Planning Commission previously approved. Rather, approval of the Variation Request merely authorizes Planning Commission and Board of Supervisors to consider a future action that would remove the On-Site Requirement from the Project. Thus, approval of the Variation Request and authorizing the future acceptance of $13.85 million for the Transbay Affordable Housing Obligation does not constitute a project under the California Environmental Quality Act ("CEQA"), CEQA Guidelines (California Code of Regulations Title 14) Section 15378 (b)(4) because it merely creates a government funding mechanism that does not involve any commitment to a specific project.

STAFF RECOMMENDATION

Staff recommends conditionally approving a variation to the Redevelopment Plan's On-Site Requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for OCII, and authorizing the acceptance of a future payment of $13.85 million to OCII for use in fulfilling the Transbay Affordable Housing Obligation.

(Originated by Christine Maher, Senior Development Specialist, and Courtney Pash, Acting Transbay Project Manager)

Tiffany Bohee
Executive Director

Exhibit A: Commission Memorandum of September 12, 2014
Exhibit B: Email from Maria Benjamin, Director of Homeownership and Below Market Rate Programs for MOHCD, dated September 23, 2014

122-0242014-002

Agenda Item No. 5 (g)
Meeting of September 12, 2014

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Conditionally approving a variation to the Transbay Redevelopment Plan's on-site affordable housing requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors of the City and County of San Francisco in its capacity as legislative body for the Successor Agency to the San Francisco Redevelopment Agency, and authorizing the acceptance of a future payment of $13.85 million to the Successor Agency for use in fulfilling its affordable housing obligations in the Project Area; Transbay Redevelopment Project Area

EXECUTIVE SUMMARY

Assembly Bill 812 requires that a total of 35% of the residential units in the Transbay Redevelopment Project Area ("Project Area") be available to low- and moderate-income households. The Redevelopment Plan for the Project Area ("Redevelopment Plan") and several enforceable obligations would fulfill this requirement through the combination of stand-alone and inclusionary housing in the Project Area. Both the Redevelopment Plan and the Planning Code require that all housing developments within the Project Area contain a minimum of 15% on-site affordable housing. Approval of projects on designated development blocks located in Zone One of the Project Area are under the purview of OCII; approval of projects in Zone Two are under the purview of the Planning Department, pursuant to the San Francisco Planning Code.

181 Fremont is a mixed-use, high-rise development project (the "Project") located in Zone Two of the Project Area that is being developed by Jay Paul Company (the "Developer"). The Project, which is currently under construction, was approved by the Planning Commission on December 6, 2012. The Project is unique in that: (1) it is the only approved or proposed mixed-use office and housing development within the Project Area; (2) it has the smallest number of residential units of any high rise development in the Project Area; and (3) its residential units are located on the upper 15 floors of the 52-story tower, which is approximately 700 feet in height. The Developer maintains that given these unique characteristics, the requirement to include the affordable units on-site will create practical difficulties for maintaining the affordability of the units because the homeowners association fees, already high in such developments, will likely increase over time such that the original residents would not be able to afford the payments and thus create an undue hardship for both the Developer and the future owners of the affordable units. The Developer estimates that the homeowner association fees will likely exceed $2000 per month.

The Developer has therefore asked the Office of Community Investment and Infrastructure ("OCII"), as the successor agency to the San Francisco Redevelopment Agency, to grant a variation from the Redevelopment Plan requirement for on-site affordable housing that would allow the Planning Commission to consider the conversion of the 11 on-site affordable units to market-rate units, on the condition that the Developer contributes \$13.85 million toward the development of affordable housing in the Project Area.

The Redevelopment Plan gives the Commission the ability to grant a variation from this requirement if: (1) enforcement otherwise result in practical difficulties for development creating undue hardship for the property owner; (2) enforcement would constitute an unreasonable limitation beyond the intent of the Plan, the Design for Development or the Development Controls and Design Guidelines; and (3) there are unique physical constraints or other extraordinary circumstances applicable to the property. The Redevelopment Plan also gives the Commission the authority to condition its approval of a variation as necessary to secure the goals of the Redevelopment Plan and related documents.

Staff has analyzed the Developer's request, and made findings as required by the Redevelopment Plan that: (1) enforcement of the on-site housing requirement creates practical difficulties for maintaining the affordability of the units, thereby creating undue hardship for the Developer, the future homeowners, and the Mayor's of Housing Community Development; (2) this hardship constitutes an unreasonable limitation beyond the intent of the Redevelopment Plan to create affordable housing for the longest feasible time, as required under the Community Redevelopment Law; and (3) extraordinary circumstances, in particular the small number of for-sale units at the top of the high-rise tower, apply to the Project. Additionally, the \$13.85 million affordable housing fee, which was determined based on a market analysis by a real estate economics firm retained by OCII, can be used to subsidize the equivalent of up to 55 stand-alone affordable housing units on publicly-owned parcels in the Project Area and thus significantly assist OCII in fulfilling the 35% affordable housing requirement.

As required by Board of Supervisors Ordinance No. 215-12, the Commission's approval of the Variation Request would be subject to approval by the Board of Supervisors of the City and County of San Francisco ("Board of Supervisors"), in its capacity as legislative body for OCII, because it constitutes a material change to OCII's affordable housing program. Additionally, because the Project is located in Zone Two of the Project Area, the Planning Commission and Board of Supervisors will consider approving a development agreement with the Developer that is consistent with this action.

Staff recommends conditionally approving a variation to the Redevelopment Plan's on-site affordable housing requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for OCII, and authorizing the acceptance of a future payment of \$13.85 million to OCII for use in fulfilling its affordable housing obligations in the Project Area.

BACKGROUND

Transbay Affordable Housing Obligation

Assembly Bill 812, enacted by the California Legislature in 2003 and codified at California Public Resources Code §5027.1, mandates that a total of 25% of the residential units in the Project Area be available to low income households, and an additional 10% be available to moderate income households (the "Transbay Affordable Housing Obligation"), for a total of 35% affordable housing units. This Transbay Affordable Housing Obligation is expected to generate approximately 1,200 affordable units through a combination of units within market rate buildings, or inclusionary units, and stand-alone 100% affordable projects to be built on publicly owned properties.

In order to comply with the Transbay Affordable Housing Obligation, the Redevelopment Plan, at Section 4.9.3, and the San Francisco Planning Code, at Section 249.28(b)(6), require that all housing developments within the Project Area contain a minimum of 15% on-site affordable housing (the "On-Site Requirement"). Neither the Redevelopment Plan nor the Planning Code authorizes off-site affordable housing construction or an "in-lieu" fee payment as an alternative to the On-Site Requirement in the Project Area.

Variation Requirements

The Redevelopment Plan provides a procedure and standards by which certain of its requirements, including the On-Site Requirement, may be waived or modified. Section 3.5.5 of of the Redevelopment Plan gives the Commission the ability to grant a variation from the Redevelopment Plan, the Development Controls and Design Guidelines, or the Planning Code where enforcement would otherwise result in practical difficulties for development creating undue hardship for the property owner and constitute an unreasonable limitation beyond the intent of the Plan, the Design for Development or the Development Controls and Design Guidelines. Section 3.5.5 also states that variations can only be granted by the Commission because of unique physical constraints or other extraordinary circumstances applicable to the property, and that the Commission shall condition the variation as necessary to secure the goals of the Redevelopment Plan, the Design for Development and the Development Controls and Design Guidelines.

181 Fremont Mixed-Use Project

On December 6, 2012, the Planning Commission issued approvals for the Project at 181 Fremont Street in Zone 2 of the Project Area. The Project is a 52-story (approximately 700 feet tall), containing approximately 404,000 square feet of office uses, approximately 74 for-sale units on the highest 15 floors of the tower, approximately 2,000 square feet of retail space, and approximately 68,000 square feet of subterranean area with off-street parking. In compliance with the On-Site Requirement of the Redevelopment Plan and Planning Code, the Project approvals require that 11 of the 74 units be available to moderate income households earning 100% of area median income. The Project's developer estimates that the homeowners association fees for the residential units will exceed $2,000 per month.

DISCUSSION

Variation Request

The Developer of the Project has requested a variation from the On-Site Requirement that would allow for the conversion of the 11 on-site affordable units to market-rate units (see Exhibit A, the "Variation Request). In the Variation Request, the Developer explained that the Project was unique in that (1) it is the only approved or proposed mixed-use office and housing development within the Project Area, (2) it has the smallest number of residential units of any high rise development in the Project Area, and (3) its 74 residential units are located on the upper 15 floors of an approximately 52-story tower. The Variation Request concludes that the application of the On-Site Requirement to the Project creates "practical difficulties for maintaining the affordability of the units because homeowners association ("HOA") fees, already high in such developments, will likely increase such that the original residents would not be able to afford the payments" and thus "creates an undue hardship for both the Project Sponsor and the owners of the inclusionary housing units." Finally, the Variation Request proposes that OCII grant a variation on the condition that the Developer contributes $13.85 million toward the development of affordable housing in the Project Area, in order to ensure that the conversion of the 11 inclusionary units to market-rate units does not adversely affect OCII's compliance with the Transbay Affordable Housing Obligation.

Analysis of the Variation Request

As noted above, the Commission can authorize a variation from the On-Site Requirement if the following findings can be made: (1) enforcement of the Off-Site Requirement would result in practical difficulties for development creating undue hardship for the property owner; (2) enforcement of the Off-Site Requirement would constitute an unreasonable limitation beyond the intent of the Plan, the Design for Development or the Development Controls and Design Guidelines; and (3) there are unique physical constraints or other extraordinary circumstances applicable to the property.

Practical Difficulties/Undue Hardship

Given the unique nature of the Project, in particular the affordable units at the top of a high-rise tower, the On-Site Requirement creates practical difficulties for the Project, as well as undue hardships for the future owners of the inclusionary below-market-rate units ("BMR Owners") and the Mayor's Office of Housing and Community Development ("MOHCD"), as the housing successor responsible for enforcing the long-term affordability restrictions on the units, as follows:

1) HOA fees pay for the costs of operating and maintaining the common areas and facilities of a condominium project and, per state law, generally must be allocated equally among all of the units subject to the assessment (Cal. Code Reg., title 10, § 2792.16 (a)). HOA fees may not be adjusted based on the below-market-rate ("BMR") status of the unit or the income level of the homeowner. If HOA fees increase, BMR owners will generally be required to pay the same amount of increases as other owners;

2) OCII's Limited Equity Homeownership Program ("LEHP") ensures that income-eligible households are able to afford, at initial occupancy, all of the housing costs, but does not cover increases in HOA dues that occur over time. Initially, the LEHP will decrease the cost of the BMR unit itself to ensure that income-eligible applicants are able to meet all of the monthly costs, including HOA fees. Neither OCII nor MOHCD has a program, however, for assisting owners in BMR units when increases in regular monthly HOA fees occur;

3) HOA members may approve increases in HOA fees without the support of the BMR Owners because BMR owners, particularly in a development with inclusionary units, typically constitute a small minority of the total HOA membership. Increases less than 20% of the regular assessment may occur without a vote of the HOA; increases exceeding 20% require a majority vote of members in favor. (Cal. Civil Code § 1366 (b)) To date, state legislation to provide protections to low- and moderate-income households in inclusionary BMR units of a market-rate building when HOA fees increase has been unsuccessful; and

4) When HOA fees increase or special assessments are imposed, BMR owners whose incomes have not increased comparably may have difficulty making the higher monthly payments for HOA fees. The result is that housing costs may become unaffordable and some BMR owners will face the hardship of having to sell their unit at the reduced prices required under the limited equity programs of OCII and/or MOHCD. If a BMR owner is forced to sell the inclusionary unit because of the high HOA fees, the cost of the restricted affordable unit, which will now include the high HOA fees, will be assumed by either the subsequent income-eligible buyer or by MOHCD. In either case, the high HOA dues will have caused an additional hardship.

Unreasonable Limitation

The hardship imposed by the On-Site Requirement, as described above, constitutes an unreasonable limitation beyond the intent of the Redevelopment Plan to create affordable housing for the longest feasible time, as required under the Community Redevelopment Law, Cal. Health & Safety Code § 33334.3 (f) (1).

Extraordinary Circumstances

There are several extraordinary circumstances applicable to the Project. The Project is unique in that it is a mixed-use, high-rise development with a very small number of for-sale, on-site inclusionary affordable housing units at the top of the tower. Of high-rise development recently approved or proposed in the Project Area, the Project is the only mixed-use development with commercial office and residential uses and has the smallest number of residential units. As previously noted, the construction of affordable housing units at the top of a high-rise creates practical difficulties for maintaining the affordability of the units.

Additionally, the Developer has offered to contribute $13.85 million toward the development of affordable housing in the Project Area, which constitutes approximately 2.5 times the amount of the affordable housing fee that would be permitted under the City's Inclusionary Affordable Housing Program if this Project were located outside of the Project Area, which is approximately

$5.5 million. The amount of the affordable housing fee was determined based on a market analysis by a real estate economics firm retained by OCII, The Concord Group ("TCG"). TCG calculated the net additional revenue that would accrue to the Developer if the 11 on-site affordable housing units were converted to market-rate units and concluded that the Developer would accrue an additional $13.85 million (see Exhibit B). The analysis took into consideration the exact location of the 11 on-site affordable units within the Project in order to determine a value consistent with other comparable high-rise sales prices. Staff estimates that OCII could provide the local share of subsidy for approximately 55 stand-alone affordable housing units on publicly-owned parcels in the Project Area with the $13.85 million based on projected construction and subsidy costs.

Compliance with the Transbay Affordable Housing Obligation

As previously mentioned, the Transbay Affordable Housing Obligation is an enforceable obligation under Redevelopment Dissolution Law and requires that 35% (approximately 1,200 units) of the residential units in the Project Area shall be developed for low and moderate income households. OCII is on track to meet the Transbay Affordable Housing Obligation (which has been finally and conclusively determined to be an enforceable obligation by the State Department of Finance) through a combination of stand-alone and inclusionary housing on the OCII assisted parcels in Zone One of the Project Area as well as inclusionary units on privately developed projects in Zone Two. To date in Zone 1, OCII has completed 120 very-low income units on Block 11 and provided funding for 70 affordable units currently under construction on Block 6. OCII has provided predevelopment funding for 85 affordable units on Block 7, and construction will commence in 2015. Another 286 affordable units are currently in predevelopment in Blocks 8 and 9. Over the next several years, OCII will facilitate the development of approximately 600 additional units of affordable housing in Zone 1 on Blocks 1, 2, 4, and 12. In Zone 2, there are an additional 49 affordable inclusionary units currently approved in at 41 Tehama Street. Cumulatively, the affordable units in these projects total approximately 1,200 units, which will achieve the 35% Transbay Affordable Housing Obligation. Please see Exhibit C for a map of the Transbay Project Area for further reference.

The payment of $13.85 million as a condition of granting the Variation Request ensures that the variation will not be materially detrimental to the public welfare. OCII will use the payment to fulfill the Transbay Affordable Housing Obligation. Specifically, OCII will use the $13.85 million payment to not only fund the 11 units that would have otherwise been provided in the Project on an OCII assisted site, but also to fund an additional 44 units on future OCII assisted Transbay projects. Staff is currently programming the majority of the $13.85 million payment for Transbay Block 8, a mixed-income project that will include approximately 177 affordable units.

NEXT STEPS

As required by Board of Supervisors Ordinance No. 215-12, the Commission's approval of the Variation Request would be subject to approval by the Board of Supervisors, in its capacity as legislative body for OCII, because it constitutes a material change to OCII's affordable housing program. Additionally, the Planning Commission and Board of Supervisors will consider approving a development agreement with the developer that would be consistent with this action, would provide relief from the on-site affordable housing requirement in Section 249.28 of the Planning Code, and would require the developer to pay an affordable housing fee of $13.85 million to OCII for its use in fulfilling the Transbay Affordable Housing Obligation.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Approval of the Variation Request does not compel any changes in the Project that the Planning Commission previously approved. Rather, approval of the Variation Request merely authorizes the Planning Commission and Board of Supervisors to consider a future action that would remove the On-Site Requirement from the Project. Thus, OCII's approval of the Variation Request is statutorily exempt from the California Environmental Quality Act ("CEQA") as a feasibility and planning study under CEQA Guidelines Section 16262.

Approval of the Variation Request will not result in a physical change to the Project that was approved by the Planning Commission on December 6, 2012. In approving the Project, the Planning Commission found that because the Project was consistent with the adopted zoning controls in the Transit Center District Plan and was encompassed within the analysis contained in the Transit Center District Plan Final EIR, it did not require further environmental review under Section 15183 of the CEQA Guidelines and Public Resources Code Section 21083.3.

Finally, the payment of $13.85 million as a condition of granting the Variation Request will be used by OCII to fund the 55 units that would have otherwise been in the Project Area and that were previously analyzed in the Environmental Impact Statement/Environmental Impact Report for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project, which was certified in 2004. Any development project on the OCII assisted Transbay projects would require its own CEQA determination prior to project approval. Authorizing the future acceptance of $13.85 million for the Transbay Affordable Housing Obligation thus does not constitute a project under CEQA Guidelines Section 15378(b)(4) because it merely creates a government funding mechanism that does not involve any commitment to a specific project.

STAFF RECOMMENDATION

Staff recommends conditionally approving a variation to the Redevelopment Plan's On-Site Requirement as it applies to the mixed-use project at 181 Fremont Street, subject to approval by the Board of Supervisors in its capacity as legislative body for OCII, and authorizing the acceptance of a future payment of $13.85 million to OCII for use in fulfilling the Transbay Affordable Housing Obligation.

(Originated by Christine Maher, Senior Development Specialist, and Courtney Pash, Acting Transbay Project Manager)

Tiffany Bohee
Executive Director

Exhibit A:	Variation Request
Exhibit B:	Market Analysis by The Concord Group
Exhibit C:	Map of the Transbay Redevelopment Project Area

Exhibit A

JAY PAUL
COMPANY

June 5, 2014

Office of Community Investment and Infrastructure
Attn: Mike Grisso, Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Re: Request for Variation 181 Fremont Street
San Francisco, CA Block 3719/Lots 10 & 11
Case No. 2007.0456EBKXV

Dear Mr. Grisso:

Pursuant to section 3.5.5 of the Redevelopment Plan for the Transbay Redevelopment Project Area (the "Plan"), 181 Fremont Street LLC, (the "Project Sponsor") hereby requests a variation from the requirements of section 4.9.3 of the Plan and section 415.6 of the San Francisco Planning Code in exchange for the payment of $13.85 million dollars to the Office of Community Investment and Infrastructure ("OCII) for the provision of affordable housing within the Transbay Redevelopment Project Area (the "Project Area").

181 Fremont is a unique mixed-use high-rise development project (the "Project"). The Project contains office space and for-sale residential units, including 11 inclusionary affordable ownership units at the top of the tower. The construction of for-sale, on-site affordable housing units at the top of a high-rise creates practical difficulties for maintaining the affordability of the units because homeowners association ("HOA") fees, already high in such developments, will likely increase such that the original residents would not be able to afford the payments.

The burden placed on the Project Sponsor to maintain the affordability of the units creates an undue hardship for both the Project Sponsor and the owners of the inclusionary housing units. A variation allowing the Project Sponsor to pay an affordable housing fee to OCII will increase OCII's ability to delivery affordable housing units within the Project Area, a primary goal of the Plan, create deeper affordable levels, produce more net affordable units, and maintain land values necessary for the Transbay Joint Powers Authority's financing assumptions.

The Plan and Planning Code

Pursuant to section 3.5.5 of the Plan, OCII, in its sole discretion, may grant a variation from the Plan, the Development Controls and Design Guidelines, or the Planning Code, if enforcement would result in practical difficulties for development creating an undue hardship for the property owner and constitute an unreasonable limitation beyond the intent of the Plan. OCII may grant variations only if there are unique physical constraints or other extraordinary circumstances applicable to the property. Any variation granted must be in harmony with the Plan and not materially detrimental to the public welfare or neighboring property or improvements.

Section 2.1G of the Plan states that it is both the purpose of California Redevelopment Law and a major objective of the Plan to strengthen the community by supplying affordable housing with the deepest affordability levels economically feasible. The Plan requires that 35% of all new housing units in the Project Area be affordable. Both Planning Code section 415.6 and section 4.9.3 of the Plan require that at least 15% of all new housing development units must be on-site, affordable housing units. To achieve this requirement, the Redevelopment Plan must utilize both inclusionary units and stand-alone affordable housing developments. The Plan's 2005 report set a goal of 388 inclusionary units and approximately 795 stand-alone affordable housing units.

The Project and the Project Area

The Project is currently the only approved or proposed mixed-use office and housing development within the Plan Area. The Project's tower contains 54 floors comprised of approximately 400,000 sq. sf. of office and retail space, and 74 residential units, the smallest number of residential units of any high-rise development in the Project Area. Office and retail uses occupy the lower 38 floors and residential units, including 11 inclusionary units, occupy the upper 15 floors.

The Plan Area covers 40 acres and includes blocks programmed for: (i) stand-alone affordable housing developments; (ii) all or a majority of office space; and (iii) a combination of market and affordable housing. The Transbay Joint Powers Authority ("TJPA") established specific land value goals for each block in its funding plan for the Transbay Transit Center ("TTC"). There are a limited number of publicly-owned blocks remaining upon which affordable housing may be built to meet the Plan's 35% affordability requirement.

Affordability Challenges

Due to the unique nature of the Property, maintaining the affordability of the affordable units in harmony with the Plan is problematic. The residential units within the Project are for-sale and include high HOA fees, in excess of $2,000 per month. Although the initial price of the affordable for-sale units would be adjusted to reflect the cost of the HOA fees, after completion of the project the HOA may raise fees at any time regardless of the effect on the affordable units. Because the HOA, in its sole discretion, may increase HOA fees, once affordable units may quickly become unaffordable. The potential increase in turn-over of the units will de-stabilize the affordable community within the Project and create an undue hardship for both the Project owner and future owners of the affordable units. The granting of a variation will increase the number of affordable units with the Project Area and allow the production of units with deeper affordability levels.

Affordable Housing Fee

The Project Sponsor proposes to pay an affordable fee in the amount of $13.85 million dollars to OCII to subsidize the equivalent an estimated 55 stand-alone affordable housing units on publicly owned parcels in the Project Area.

The fee is above and beyond that required pursuant to section 415.5 of the Planning Code. The amount of the fee was determined by The Concord Group ("TCG"), a real estate economics firm engaged by OCII. TCG calculated the net additional revenue that would accrue to the Project Sponsor if the 11 on-site affordable units were converted to market-rate units.

In summary, a variation from the on-site affordable housing requirements under the Plan and Planning Code would (i) result in the payment of $13.85 million dollars to OCII in consideration of the elimination of the on-site requirement; (ii) provide OCII the ability to subsidize up to approximately 55 affordably housing units, with a net gain of 22 affordable units; (iii) prevent undue hardship to the Project Sponsor and future affordable housing unit owners; (iv) maintain of land values necessary for the TJPA's financing assumptions; and (v) remain in harmony with the intent of the Plan to produce affordable housing at the deepest affordability levels.

The Project Sponsor is prepared to enter into an agreement with OCII confirming such obligation to make the affordable housing fee payment in exchange for the requested variation. Please contact me at the e-mail or telephone number shown above if you have any questions.

Best regards,

181 FREMONT STREET LLC, a
Delaware limited liability company

By: ______________________

Name: Jay Paul

Its: President

Exhibit B

THE CONCORD GROUP

251 KEARNY STREET, 6TH FLOOR
SAN FRANCISCO, CALIFORNIA 94108
PHONE 415.397.5490 FAX 415.397.5496

1442

VALUE OF INCLUSIONARY HOUSING EXEMPTION TO 181 FREMONT STREET, A DEVELOPMENT SITE IN THE TRANSBAY NEIGHBORHOOD OF SAN FRANCISCO

WORKING SESSION
OCTOBER 2013

PREPARED FOR:
TRANSBAY JOINT POWERS AUTHORITY

List of Exhibits

II. Competitive Set

1. For-Sale Inventory
2. Comparable For-Sale Community Locations
3. Select Condominium Resales
4. Floor Premium Analysis

III. Site-Specific Analysis

1. Local Setting
2. Site Plan and Floor Plate
3. Product Program Positioning
4. Program and Positioning Rationale
5. Product Program Positioning Including Premiums
6. High Rise Condominium Sales and Listings by Floor

I. Market Opportunity Analysis

EXHIBIT I-1

REGIONAL LOCATION
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

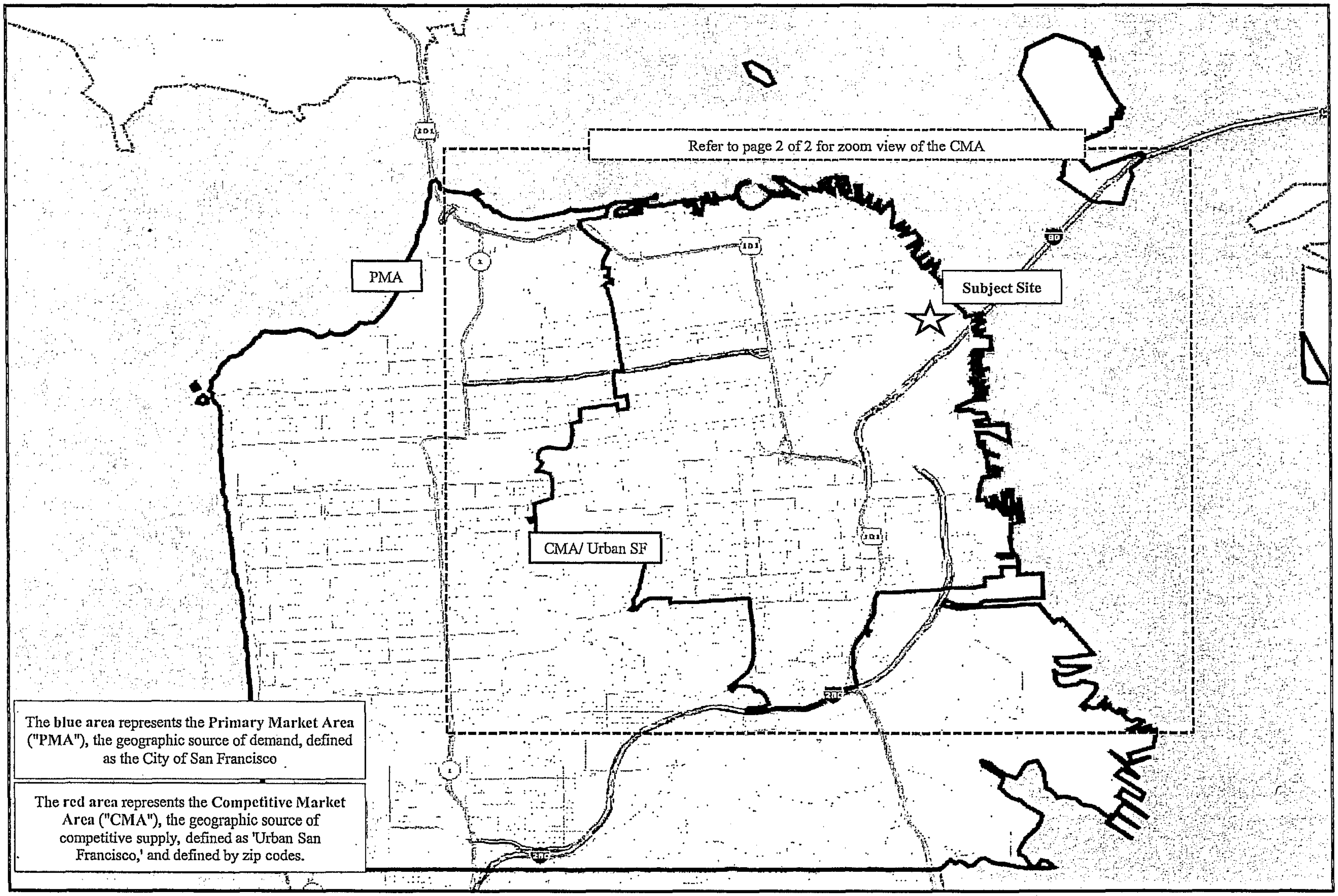

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EXHIBIT I-1

REGIONAL LOCATION
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

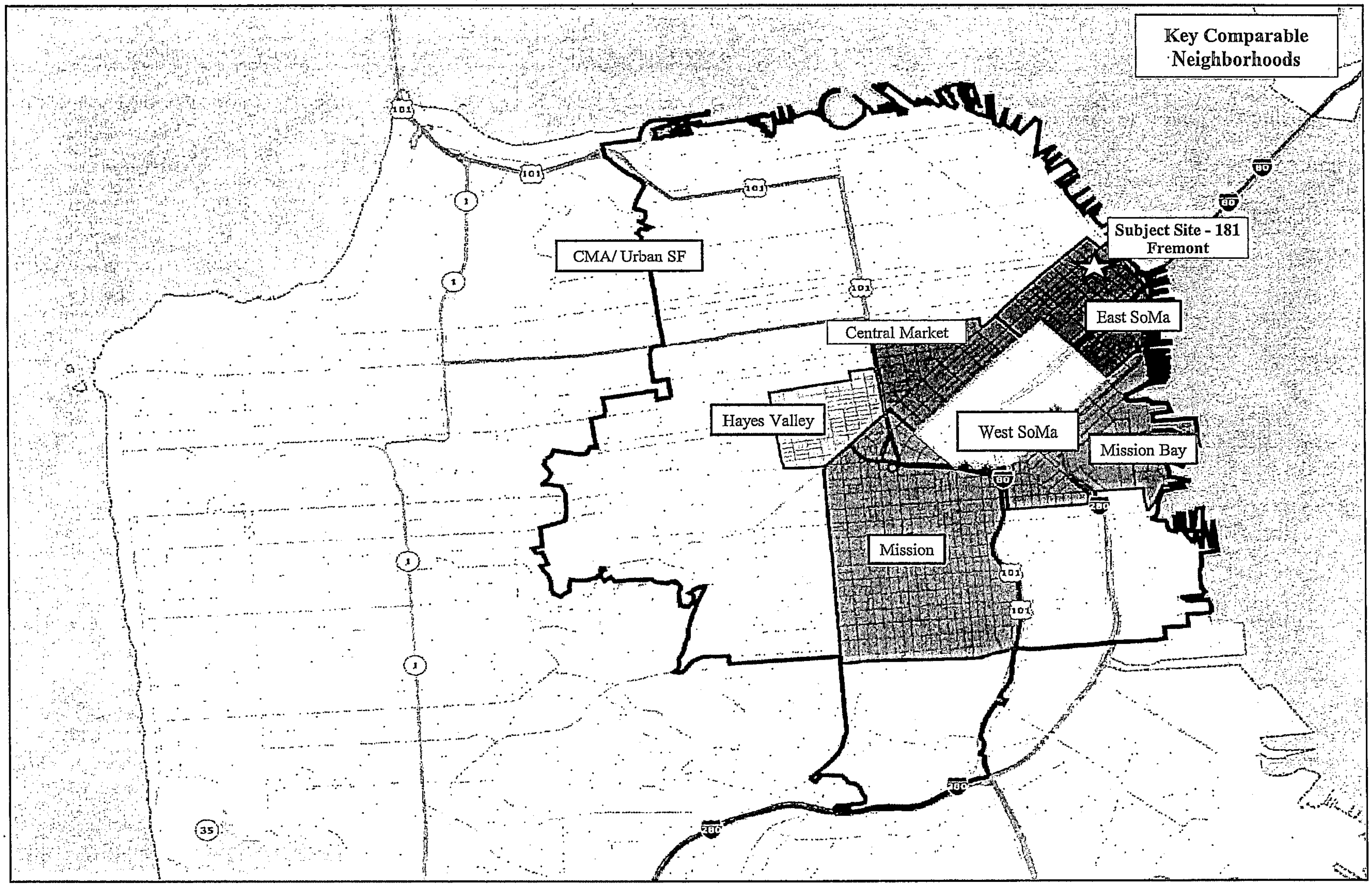

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EXHIBIT I-2

DEMOGRAPHIC SUMMARY
PRIMARY MARKET AREA; SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

	Radius	Primary Market Area						CMA		Bay Area (2)
Geography	1-Mile	East SoMa	Mission	Mission Bay	Hayes Valley	West SoMa	Central Market	CMA (1)	PMA (1)	Bay Area (2)
General Information										
Population ('13)	60,854	12,932	58,648	10,423	13,679	12,929	27,146	403,298	825,538	7,352,834
Households ('13)	34,322	7,603	24,091	4,892	7,318	6,225	14,275	206,089	355,873	2,684,502
% PMA	9.6%	2.1%	6.8%	1.4%	2.1%	1.7%	4.0%	57.9%	100.0%	754.3%
Annual Growth (#, '13-'18)	532	226	266	158	80	109	238	2,287	3,423	26,347
% PMA	15.6%	6.6%	7.8%	4.6%	2.3%	3.2%	6.9%	66.8%	100.0%	769.7%
Over $100k HH Growth	406	191	235	126	65	99	55	2,105	3,409	24,613
Under $100k HH Growth	126	35	31	32	16	9	182	182	14	1,734
Annual Growth (%, '13-'18)	1.5%	2.8%	1.1%	3.0%	1.1%	1.7%	1.6%	1.1%	0.9%	1.0%
Household Size ('13)	1.68	1.62	2.36	1.91	1.82	1.68	1.68	1.88	2.25	2.68
Household Breakdown ('13)										
1 Person	56%	52%	37%	41%	51%	54%	65%	48%	39%	26%
2 Person	31%	38%	30%	40%	31%	33%	19%	32%	31%	30%
3+ Person	14%	10%	33%	19%	18%	12%	16%	20%	30%	43%
Age Breakdown - HHs ('13)										
Median Age (Pop)	43.1	36.7	36.4	33.8	36.5	42.7	43.9	39.0	39.8	38.5
Under 25	4%	4%	3%	4%	3%	2%	4%	3%	3%	3%
25-34	$\boxed{46\%}$ 23%	$\boxed{38\%}$ 35%	$\boxed{54\%}$ 26%	$\boxed{70\%}$ 40%	$\boxed{38\%}$ 31%	$\boxed{47\%}$ 23%	$\boxed{65\%}$ 17%	$\boxed{50\%}$ 25%	$\boxed{44\%}$ 21%	$\boxed{37\%}$ 15%
35-44	18%	26%	25%	27%	23%	22%	17%	22%	20%	20%
45-54	16%	16%	18%	13%	18%	13%	22%	17%	18%	22%
55-64	15%	11%	13%	8%	13%	11%	20%	14%	16%	19%
65-74	11%	5%	8%	6%	7%	10%	11%	10%	11%	12%
75+	13%	2%	6%	3%	4%	19%	9%	9%	10%	10%
Income Breakdown ('13)										
Average Income	$94,249	$167,878	$98,770	$145,565	$94,512	$116,027	$37,750	$109,062	$108,274	$107,479
Median Income	$43,734	$116,029	$66,317	$110,601	$61,905	$71,642	$18,830	$69,301	$72,656	$74,423
vs. PMA	-40%	60%	-9%	52%	-15%	-1%	-74%	-5%	0%	2%
Under $50K	53%	23%	41%	26%	43%	43%	77%	40%	38%	34%
$50-$75K	9%	9%	14%	11%	15%	8%	9%	13%	14%	16%
$75-$100K	7%	10%	12%	10%	12%	7%	6%	11%	12%	12%
$100-$150K	$\boxed{29\%}$ 13%	$\boxed{68\%}$ 21%	$\boxed{45\%}$ 15%	$\boxed{63\%}$ 20%	$\boxed{42\%}$ 14%	$\boxed{49\%}$ 19%	$\boxed{14\%}$ 5%	$\boxed{47\%}$ 15%	$\boxed{49\%}$ 16%	$\boxed{50\%}$ 17%
$150-$200K	6%	13%	9%	13%	7%	8%	1%	9%	9%	9%
$200K+	11%	25%	10%	20%	9%	15%	2%	13%	12%	11%
Rental Housing ('11) (3)										
% Owner	36%	42%	26%	33%	17%	29%	4%	26%	37%	57%
Owner HHs ('13)	12,376	3,203	6,223	1,590	1,236	1,783	564	52,688	131,995	1,538,360
% PMA	9.4%	2.4%	4.7%	1.2%	0.9%	1.4%	0.4%	39.9%	100.0%	1165.5%
Annual New Owner HHs ('13-'18)	192	95	69	51	14	31	9	585	1,270	15,098

(1) The CMA is defined by zip code and identified as 'Urban San Francisco', while the PMA is defined as San Francisco City/County. Refer to Exhibit I-1 for details.
(2) The 9-County Bay Area is defined by the following counties: San Francisco, Marin, San Mateo, Santa Clara, Alameda, Contra Costa, Napa, Solano and Sonoma.
(3) 2011 American Community Survey 5-year estimates used. 1-mile radius census data based on closest available census tracts

Sources: Claritas, U.S. Census 2011

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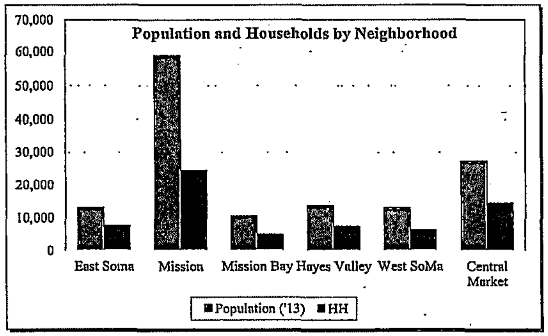
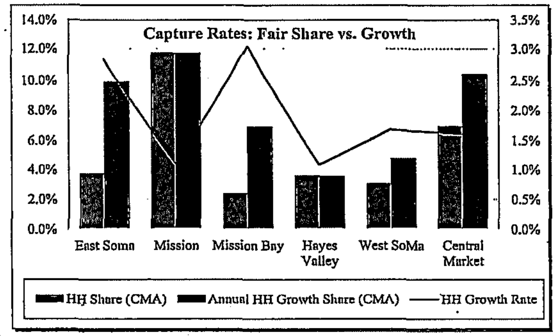
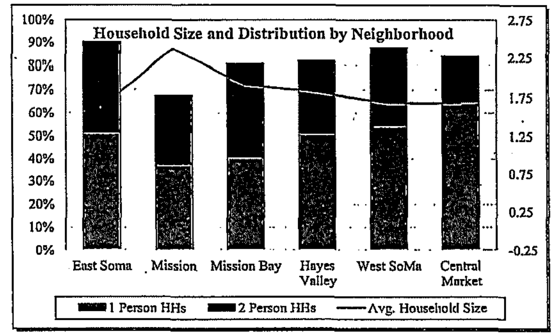
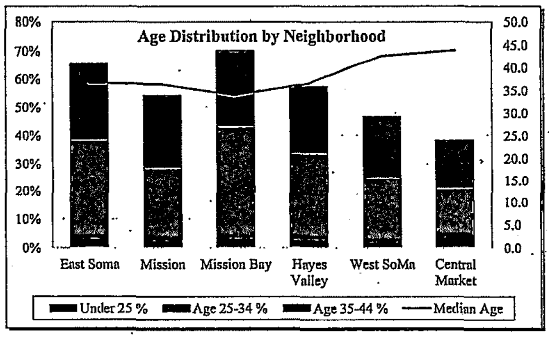
EXHIBIT I-2

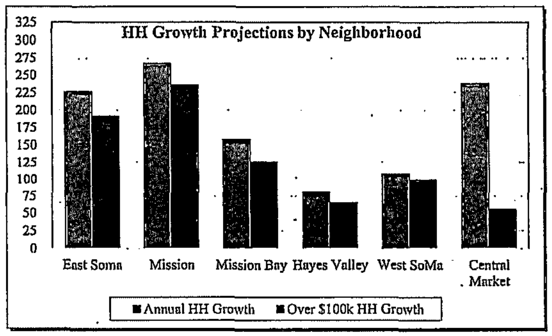
DEMOGRAPHIC COMPARISON - NEIGHBORHOOD COMPARISON
PRIMARY MARKET AREA; SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

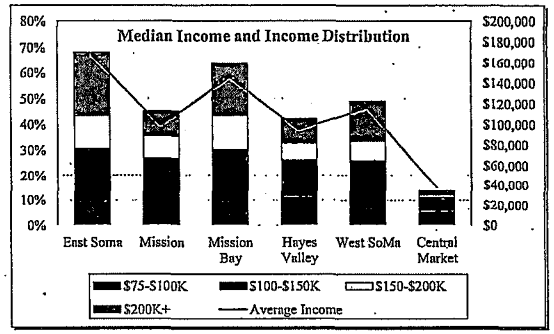












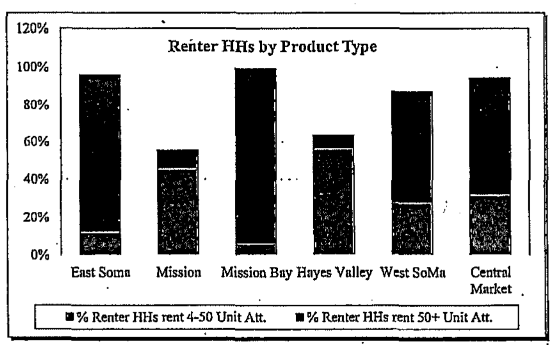
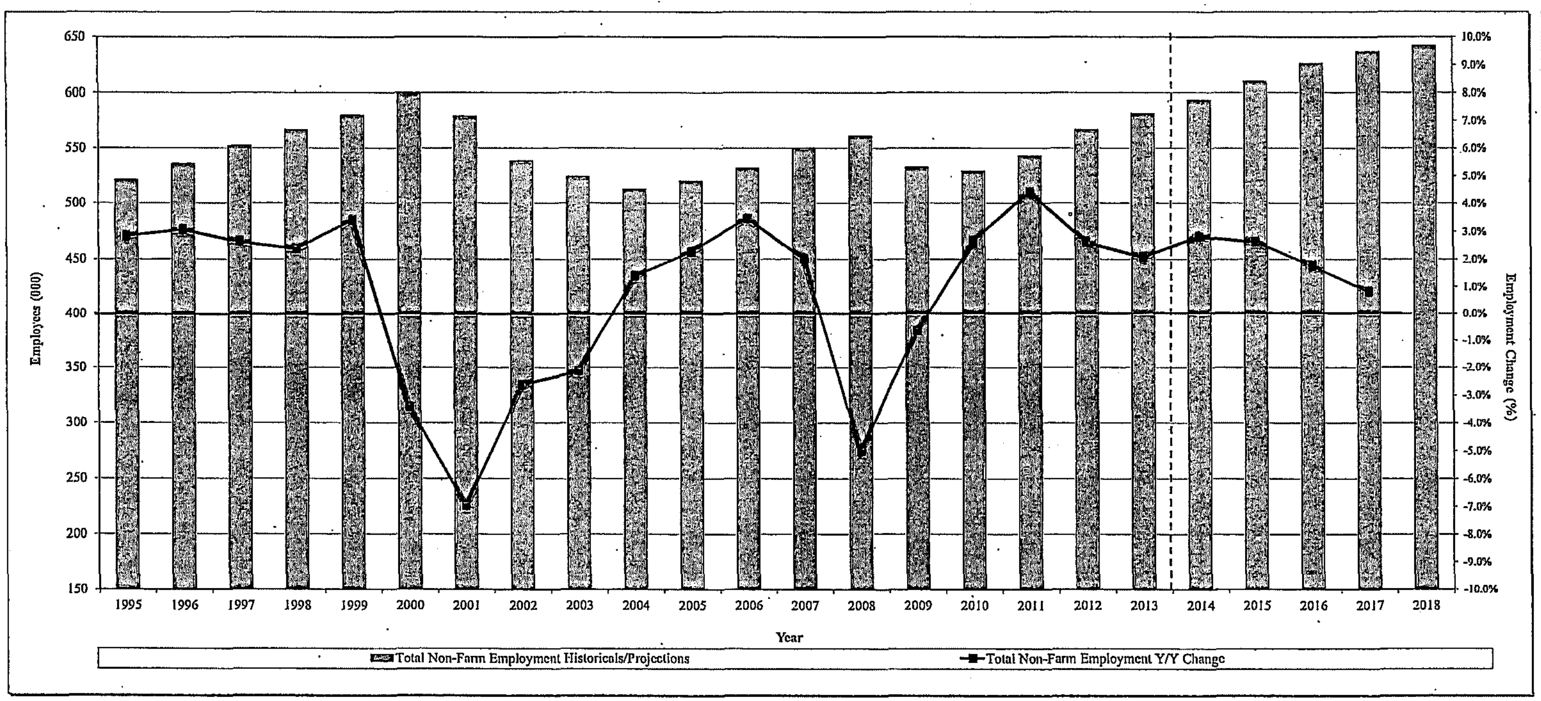


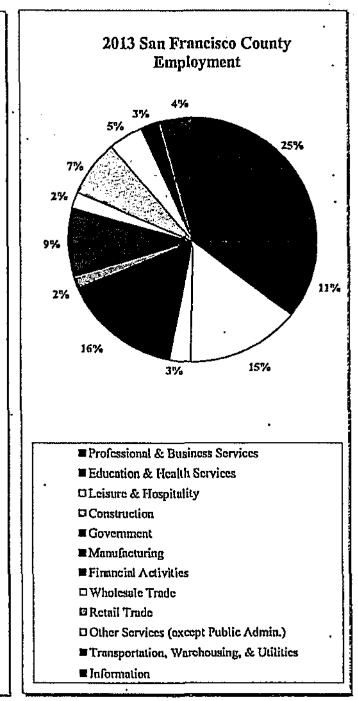
EXHIBIT I-3

HISTORICAL EMPLOYMENT TRENDS
SAN FRANCISCO COUNTY
1995 THROUGH 2018

Employment Industry	Annual Employment (000s) 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
San Francisco County														
Professional & Business Services	106.6	113.5	117.6	121.7	125.5	132.7	125.7	111.2	104.6	101.2	106.8	113.7	121.1	125.1
Education & Health Services	48.9	49.1	51.5	55.7	56.8	53.3	52.4	52.0	52.4	53.4	54.4	55.3	56.5	57.8
Leisure & Hospitality	60.8	63.3	66.9	69.3	71.4	73.3	72.7	69.4	69.8	70.8	72.0	74.0	76.4	79.1
Construction	12.6	13.5	15.6	17.1	18.7	19.5	19.7	18.0	17.7	16.5	16.3	17.3	18.7	19.0
Government	84.5	84.1	83.3	81.6	83.7	87.9	86.6	88.2	88.6	88.0	89.6	91.0	92.3	94.2
Manufacturing	27.9	27.7	27.4	26.6	24.7	22.2	17.9	15.0	13.4	12.3	11.7	11.2	10.9	10.6
Financial Activities	60.1	61.7	60.8	62.6	64.1	66.1	69.3	63.2	59.7	57.0	57.3	57.8	58.5	58.1
Wholesale Trade	15.4	15.7	15.5	15.3	15.0	14.6	13.9	12.8	12.7	12.2	11.9	11.8	12.2	12.3
Retail Trade	39.1	40.9	43.0	44.1	45.2	47.4	46.0	43.5	43.3	42.8	43.2	43.1	44.1	44.3
Other Services (except Public Admin.)	22.6	22.8	24.7	25.4	25.4	25.4	25.5	23.8	23.4	23.0	23.2	23.4	24.2	25.5
Transportation, Warehousing, & Utilities	23.4	23.5	23.9	22.9	20.6	20.1	19.3	17.6	17.6	16.2	16.2	15.8	15.4	15.5
Information	19.2	19.7	21.7	23.8	28.3	36.7	29.6	23.4	20.7	19.2	17.0	17.2	19.5	19.5
Natural Resources & Mining	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3Q 2013 Total Non-Farm (000)	521.0	535.6	551.9	566.4	579.7	599.3	578.6	538.2	523.9	512.7	519.8	531.5	549.8	560.8
Y/Y Change (000)		14.6	16.3	14.4	13.3	19.6	-20.6	-40.4	-14.3	-11.3	7.1	11.7	18.3	11.0
% Change		2.8%	3.0%	2.6%	2.3%	3.4%	-3.4%	-7.0%	-2.6%	-2.1%	1.4%	2.3%	3.4%	2.0%
Cumulative Loss:						15.0%				-14.4%				9.4%
4Q 2012 Total Non-Farm (000)	521	535.6	551.9	566.4	579.7	599.3	578.6	538.2	523.9	512.7	519.8	531.5	549.8	561.0
% Change														

Employment Industry	2009	2010	2011	2012	2013	Forecast *2014*	*2015*	*2016*	*2017*	*2018*	Ann. Growth '08-'13	13-'18 %	13-'18 #	% County Employment 2013	2018	Shift Share Nominal	Shift Share %
San Francisco County																	
Professional & Business Services	118.7	119.0	128.0	138.5	*144.1*	*148.2*	*154.2*	*160.1*	*164.5*	*166.7*	2.9%	*3.0%*	*22.6*	25%	26%	1.2%	4.8%
Education & Health Services	57.8	58.1	58.6	60.8	*61.9*	*63.5*	*65.7*	*67.8*	*69.4*	*70.3*	1.4%	*2.6%*	*8.5*	11%	11%	0.3%	3.0%
Leisure & Hospitality	75.7	76.6	79.2	82.8	*86.4*	*88.7*	*91.3*	*94.1*	*96.3*	*97.7*	1.8%	*2.5%*	*11.3*	15%	15%	0.4%	2.5%
Construction	15.3	14.1	13.4	14.6	*15.8*	*16.8*	*17.9*	*18.8*	*19.3*	*19.3*	-3.6%	*4.1%*	*3.5*	3%	3%	0.3%	10.7%
Government	92.4	92.8	92.7	91.7	*91.3*	*91.8*	*93.8*	*95.1*	*95.6*	*95.9*	-0.6%	*1.0%*	*4.5*	16%	15%	-0.8%	-5.0%
Manufacturing	9.2	8.6	8.5	9.2	*9.1*	*9.1*	*9.2*	*9.2*	*9.2*	*9.0*	-2.9%	*-0.2%*	*-0.1*	2%	1%	-0.2%	-10.3%
Financial Activities	52.8	51.2	50.2	51.2	*52.2*	*53.0*	*54.0*	*55.3*	*56.5*	*57.1*	-2.1%	*1.8%*	*4.9*	9%	9%	-0.1%	-0.9%
Wholesale Trade	10.8	10.3	10.8	11.9	*12.3*	*12.4*	*12.6*	*12.6*	*12.6*	*12.5*	-0.1%	*0.3%*	*0.2*	2%	2%	-0.2%	-8.0%
Retail Trade	41.2	40.0	40.8	42.3	*42.9*	*43.3*	*43.6*	*43.8*	*43.8*	*43.7*	-0.6%	*0.3%*	*0.8*	7%	7%	-0.6%	-7.9%
Other Services (except Public Admin.)	24.9	24.8	25.3	26.2	*26.4*	*26.8*	*27.2*	*27.8*	*28.1*	*28.0*	0.7%	*1.2%*	*1.7*	5%	4%	-0.2%	-3.7%
Transportation, Warehousing, & Utilities	14.6	14.1	13.9	14.1	*14.7*	*14.8*	*15.1*	*15.5*	*15.7*	*15.7*	-1.0%	*1.3%*	*1.0*	3%	2%	-0.1%	-3.4%
Information	19.2	19.3	21.4	23.5	*24.4*	*24.9*	*25.3*	*25.7*	*26.0*	*26.1*	4.6%	*1.3%*	*1.7*	4%	4%	-0.1%	-3.2%
Natural Resources & Mining	0.0	0.0	0.0	0.0	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	-16.4%	*-1.5%*	*0.0*	0%	0%	0.0%	-16.2%
3Q 2013 Total Non-Farm (000)	532.6	528.9	542.9	566.7	*581.4*	*593.4*	*609.9*	*625.9*	*636.9*	*642.0*	0.7%	*2.0%*	*60.6*	100%	100%		
Y/Y Change (000)	-28.3	-3.6	13.9	23.8	14.7	12.0	16.6	15.9	11.0	5.2							
% Change	-5.0%	-0.7%	2.6%	4.4%	2.6%	2.1%	2.8%	2.6%	1.8%	0.8%							
Cumulative Loss:		-5.7%								18.3%							
4Q 2012 Total Non-Farm (000)	532.0	526.6	536.2	553.6	565.5	579.5	597.9	614.5	623.3								
% Change					11.9	14.0	18.5	16.6	8.8								
					2.2%	2.5%	3.2%	2.8%	1.4%								
4Q 2012 vs. 3Q 2013 Projection Change:					2.8%	2.4%	2.0%	1.9%	2.2%								





Note: All employment figures represent year end
Sources: Moody's Economy.com last updated September 25, 2013
07316.17 Employment Trends.xlsmExhibit - Oct

THE CONCORD GROUP

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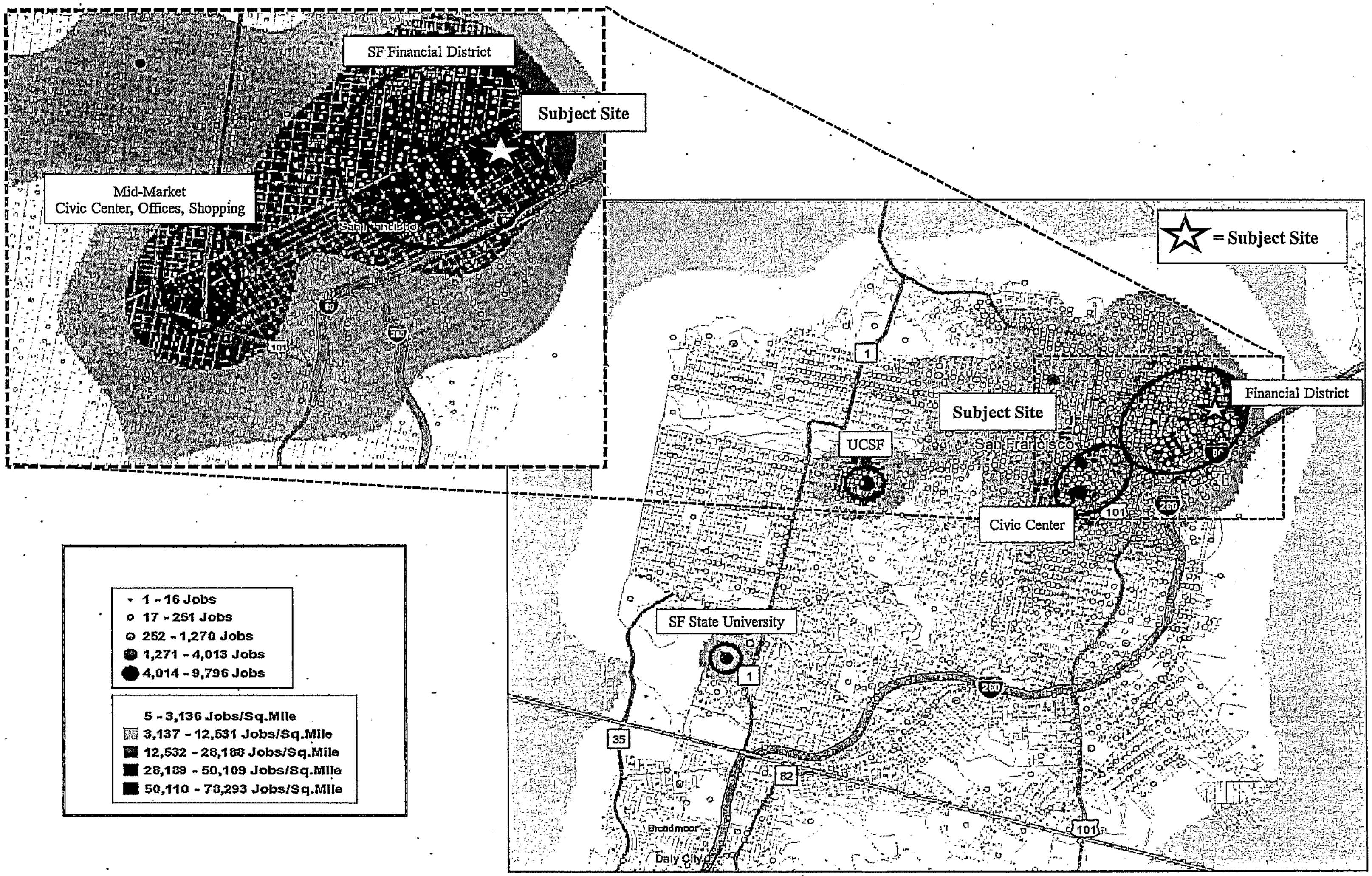
EXHIBIT I-4

EMPLOYMENT NODES
PRIMARY MARKET AREA
2011

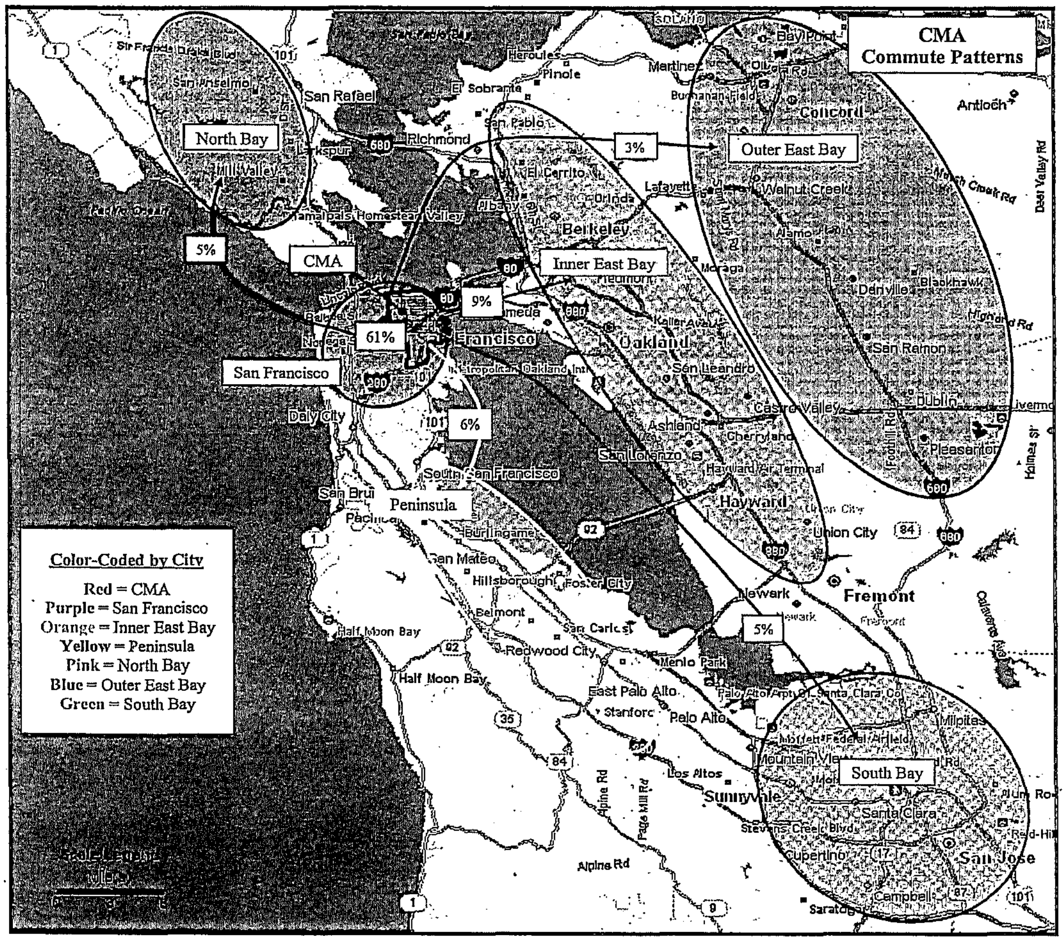


Source: Longitudinal Employer-Household Dynamics, U.S. Census Bureau, 2010

1452

EXHIBIT I-5

COMMUTING PATTERNS AND SUBMARKET CHARACTERISTICS
COMPETITIVE MARKET AREA (1)
2011



CMA Commute Patterns

CMA Employment Base (Employees):

Commute from:	% Δ	2011 Share	2011 Number	2010 Share	2010 Number
San Francisco	7%	39%	170,470	40%	159,911
Inner East Bay	5%	14%	63,447	15%	60,654
Peninsula	8%	11%	49,671	11%	46,026
North Bay	15%	7%	30,047	6%	26,111
Outer East Bay	6%	6%	27,248	6%	25,675
South Bay	14%	4%	17,323	4%	15,191
Sacramento Area	39%	2%	6,916	1%	4,982
Other	20%	17%	77,071	16%	64,123
Total:	10%	100%	442,193	100%	402,673

CMA Employed Population (Residents):

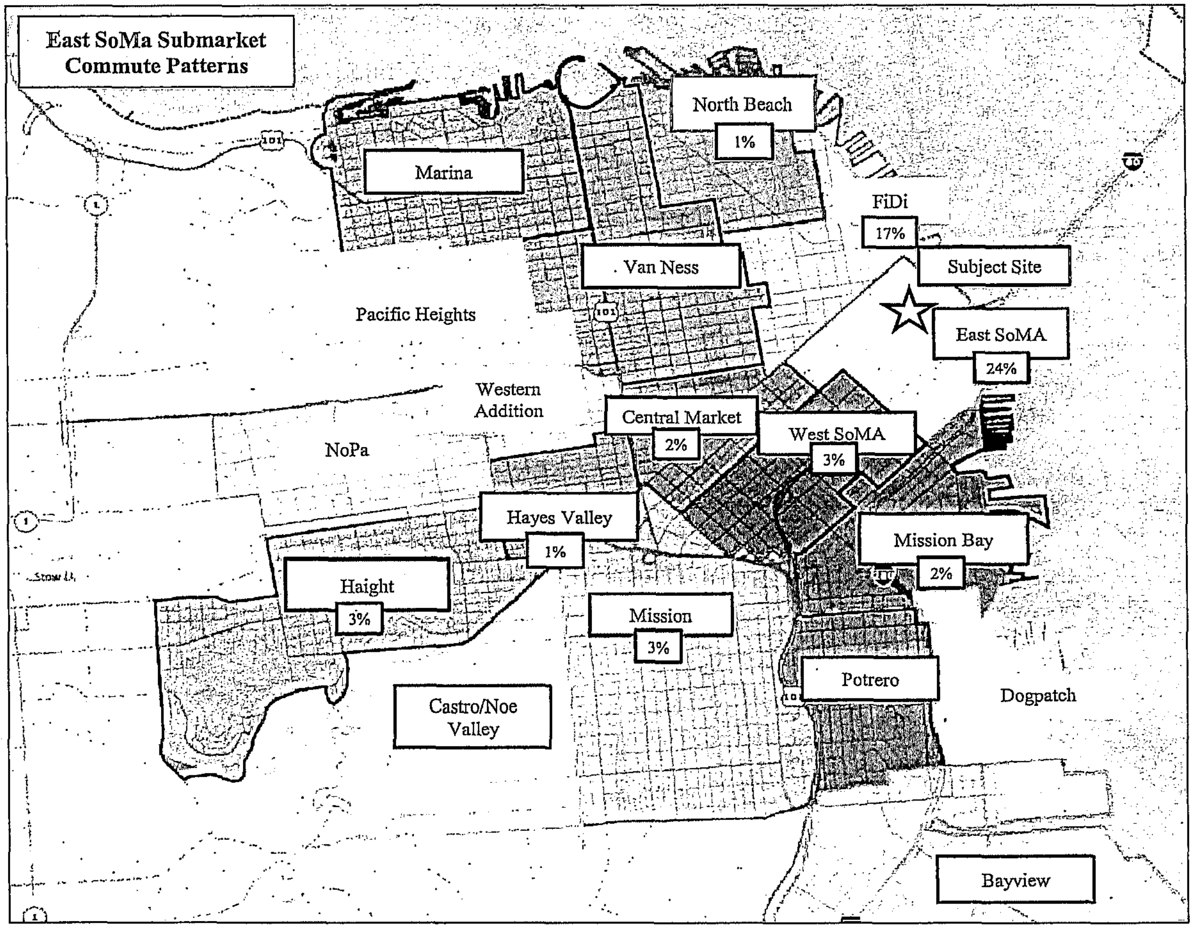
Commute to:	% Δ	2011 Share	2011 Number	2010 Share	2010 Number
San Francisco	8%	61%	108,474	61%	100,034
Inner East Bay	7%	9%	16,144	9%	15,030
Peninsula	10%	6%	10,590	6%	9,603
North Bay	-3%	5%	9,475	6%	9,786
Outer East Bay	8%	3%	5,847	3%	5,392
South Bay	9%	5%	8,497	5%	7,816
Sacramento Area	27%	1%	2,013	1%	1,588
Other	31%	10%	18,189	9%	13,871
Total:	10%	100%	179,229	100%	163,120

(1) CMA defined as 'Urban San Francisco, and comprised of zip codes. See Exhibit I-1 for market area delineation map.
Source: Longitudinal Employer-Household Dynamics, U.S. Census Bureau

1453

EXHIBIT I-5

COMMUTING PATTERNS AND SUBMARKET CHARACTERISTICS
EAST SOMA; SAN FRANCISCO, CALIFORNIA
2011



Note: Star indicates Subject Site Location
Source: Longitudinal Employer-Household Dynamics, U.S. Census Bureau

2011 East SoMa Commute Patterns

East SoMa Employed Population:

Commute to:	Share	Number
San Francisco	**59%**	**2,822**
Central Market	2%	86
FiDi	17%	809
East SoMa	24%	1,159
Mission	3%	149
West SoMa	3%	137
Haight	3%	121
North Beach	1%	62
Hayes Valley	1%	44
Mission Bay	2%	113
Other SF	3%	142
Outside SF	**41%**	**1,943**
Total:	**100%**	**4,765**

2011 East SoMa Commute Patterns

East SoMa Employment Base:

Commute from:	Share	Number
San Francisco	**29%**	**25,406**
Van Ness	4%	3,133
Mission	2%	2,001
Haight	2%	1,630
Castro	2%	1,595
Pac Heights	2%	1,526
Marina	2%	1,578
NoPa	1%	1,132
North Beach	1%	919
East SoMa	1%	1,159
Other SF	12%	10,733
Outside SF	**71%**	**63,080**
Total:	**100%**	**88,486**

EXHIBIT I-5

COMMUTING PATTERNS - KEY SUBMARKETS
COMPETITIVE MARKET AREA
2011

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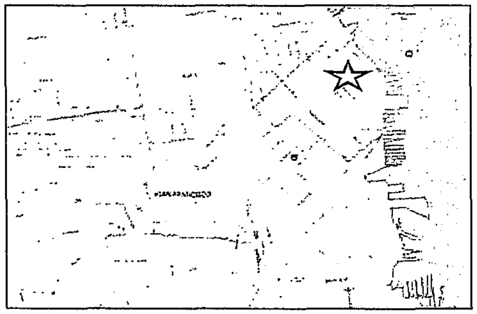
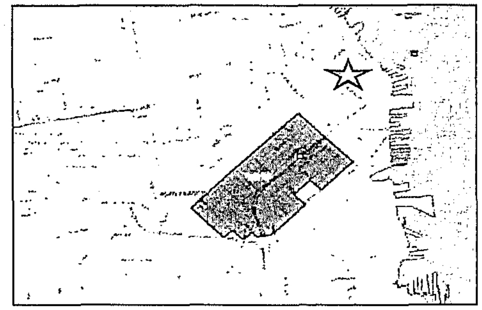
East SoMa Submarket



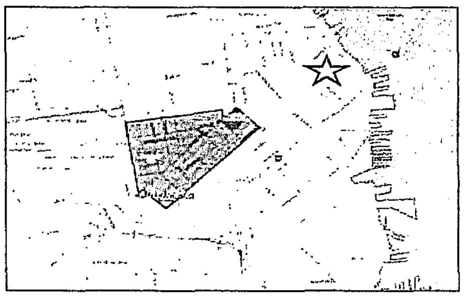
Commute to:	#	%
San Francisco	3,123	66%
Oakland	232	5%
Palo Alto	128	3%
San Jose	99	2%
South San Francisco	98	2%
Emeryville	68	1%
Redwood City	55	1%
Santa Clara	53	1%
Mountain View	52	1%
Burlingame	51	1%
Other	806	17%
Total:	**4,765**	**100%**

West SoMa Submarket



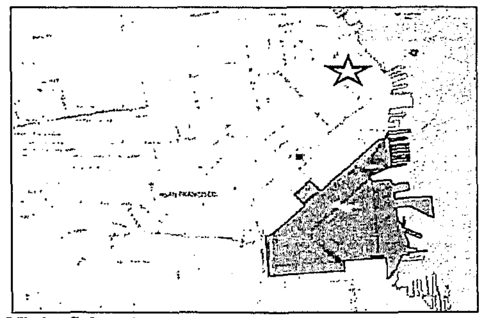
Commute to:	#	%
San Francisco	4,477	48%
Los Angeles	338	4%
Oakland	287	3%
Sacramento	169	2%
San Jose	169	2%
Palo Alto	167	2%
South San Francisco	131	1%
San Diego	112	1%
Redwood City	87	1%
Santa Rosa	78	1%
Other	3,248	35%
Total:	**9,263**	**100%**

Central Market Submarket



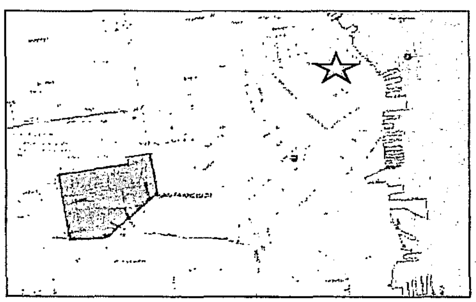
Commute to:	#	%
San Francisco	4,566	49%
Oakland	284	3%
Los Angeles	238	3%
Palo Alto	218	2%
San Jose	212	2%
Sacramento	173	2%
Redwood City	125	1%
South San Francisco	111	1%
Burlingame	107	1%
San Mateo	104	1%
Other	3,216	34%
Total:	**9,354**	**100%**

Mission Bay Submarket



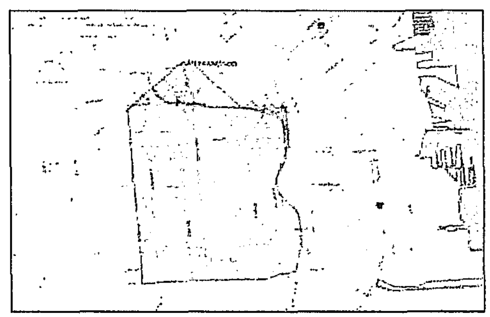
Commute to:	#	%
San Francisco	2,269	66%
Oakland	142	4%
South San Francisco	96	3%
San Jose	85	2%
Palo Alto	80	2%
Mountain View	49	1%
San Mateo	43	1%
Menlo Park	39	1%
Redwood City	34	1%
Berkeley	31	1%
Other	594	17%
Total:	**3,462**	**100%**

Hayes Valley Submarket



Commute to:	#	%
San Francisco	4,536	71%
Oakland	281	4%
Palo Alto	113	2%
South San Francisco	107	2%
San Jose	98	2%
Emeryville	68	1%
San Mateo	68	1%
Berkeley	64	1%
Daly City	62	1%
Burlingame	58	1%
Other	923	14%
Total:	**6,378**	**100%**

Mission Submarket



Commute to:	#	%
San Francisco	15,246	59%
Oakland	1,094	4%
Los Angeles	477	2%
Palo Alto	461	2%
San Jose	457	2%
South San Francisco	423	2%
Redwood City	267	1%
Berkeley	261	1%
Sacramento	225	1%
Mountain View	222	1%
All Other Locations	6,815	26%
Total:	**25,948**	**100%**

Source: On the Map Census Data

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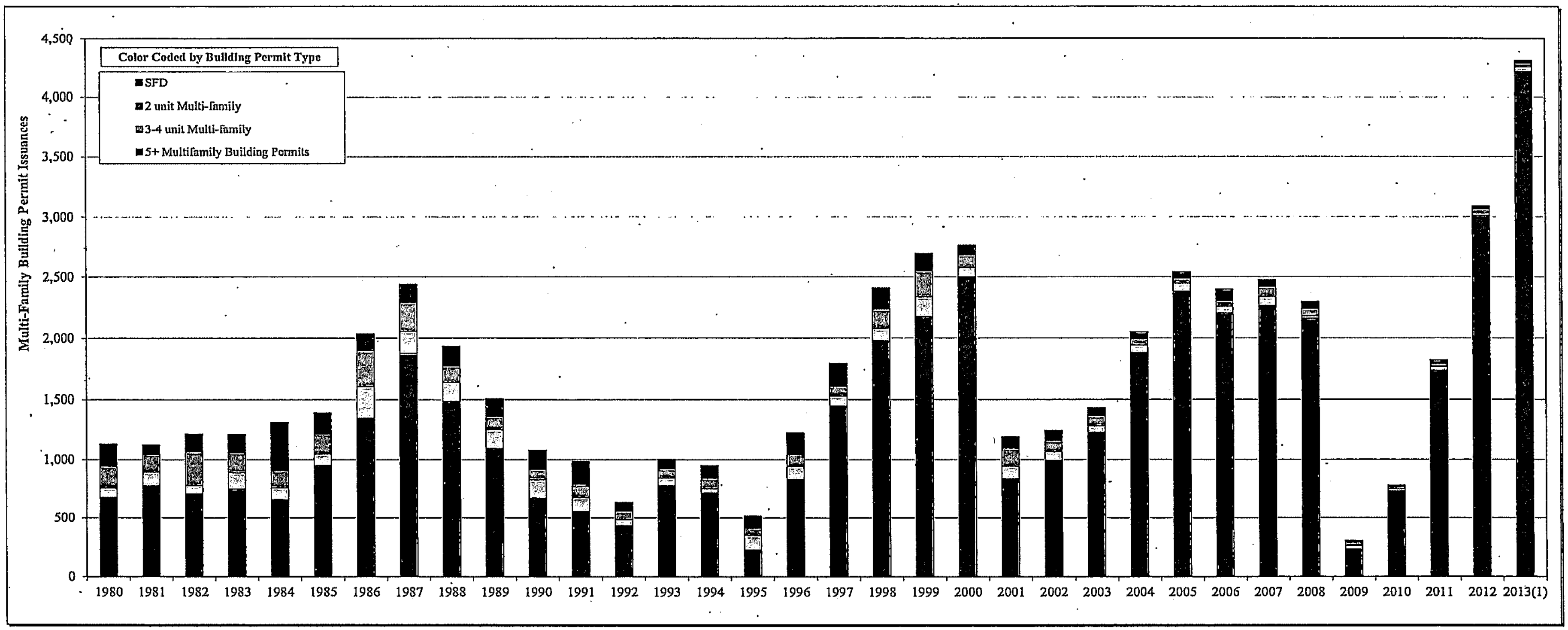
EXHIBIT I-6

RESIDENTIAL BUILDING PERMIT ISSUANCES
PRIMARY MARKET AREA; SAN FRANCISCO, CALIFORNIA
1980 THROUGH 2013

																								Annual Average	
Product Type	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013(1)**	**10-Yr**	**20-Yr**
Building Permit Issuances by Product Type																										
SFD	161	195	70	82	107	106	183	189	178	146	81	94	82	63	58	51	95	55	57	17	22	31	22	24	53	88
2 unit Multi-family	88	118	74	76	90	64	104	76	152	214	106	156	96	84	52	38	50	86	60	30	10	20	34	33	53	82
3-4 unit Multi-family	158	119	52	67	38	121	109	80	102	162	81	105	74	52	61	68	51	72	19	25	14	31	19	38	47	69
5+ unit Multi-family	670	555	433	776	713	224	830	1,447	1,979	2,172	2,498	836	991	1,231	1,880	2,381	2,202	2,262	2,159	228	733	1,736	3,014	4,214	1,580	1,386
Total Permits	**1,077**	**987**	**629**	**1,001**	**948**	**515**	**1,226**	**1,792**	**2,411**	**2,694**	**2,766**	**1,191**	**1,243**	**1,430**	**2,051**	**2,538**	**2,398**	**2,475**	**2,295**	**300**	**779**	**1,818**	**3,089**	**4,308**	**2,222**	**1,964**
5+ Change (#)		*-115*	*-122*	*343*	*-63*	*-489*	*606*	*617*	*532*	*193*	*326*	*-1,662*	*155*	*240*	*649*	*501*	*-179*	*60*	*-103*	*-1,931*	*505*	*1,003*	*1,278*			
5+ Change (%)		*-17%*	*-22%*	*79%*	*-8%*	*-69%*	*271%*	*74%*	*37%*	*10%*	*15%*	*-67%*	*19%*	*24%*	*53%*	*27%*	*-8%*	*3%*	*-5%*	*-89%*	*221%*	*137%*	*74%*			
5+ % of Total	*62%*	*56%*	*69%*	*78%*	*75%*	*43%*	*68%*	*81%*	*82%*	*81%*	*90%*	*70%*	*80%*	*86%*	*92%*	*94%*	*92%*	*91%*	*94%*	*76%*	*94%*	*95%*	*98%*	*98%*	*71%*	*71%*



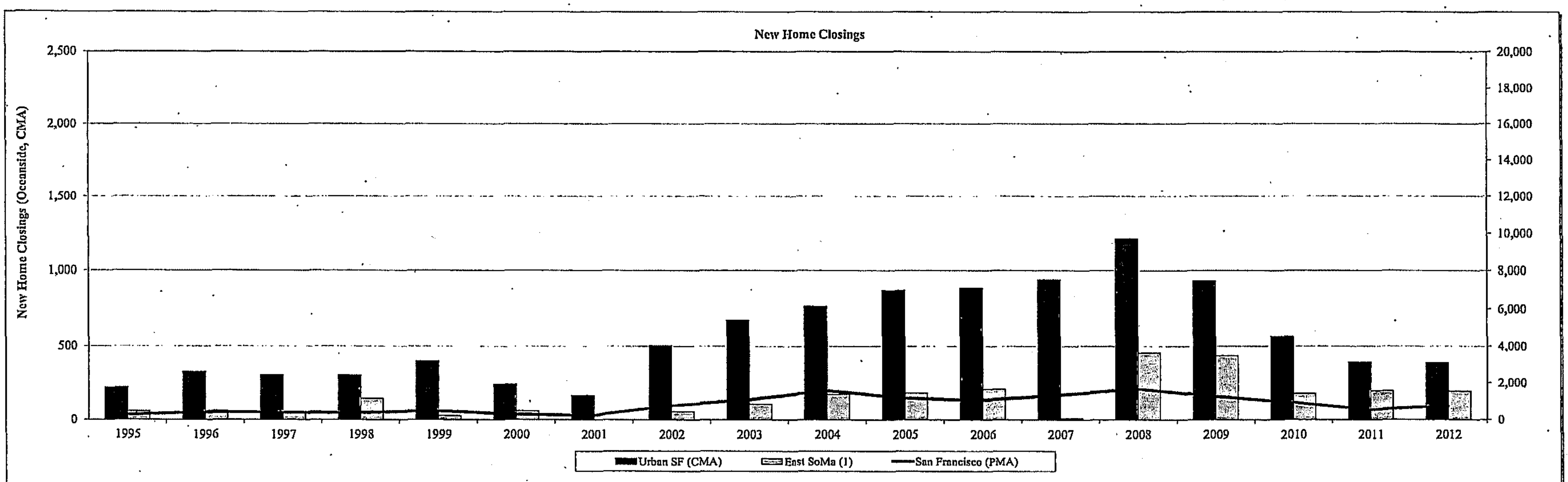
(1) YTD issuances annualized through September 2013

Source: U.S. Department of Housing and Urban Development

EXHIBIT I-7

HISTORICAL HOME SALES AND PRICE TRENDS
PRIMARY MARKET AREA
1995 THROUGH 2Q 2013

Period:	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Average 10-Yr	3Q12	4Q12	1Q13	2Q13	L4Q Total
	Annual																							
New Home Closings																								
East SoMa (1)	58	61	48	142	28	59	1	54	107	171	179	204	10	456	436	176	194	192	213	43	32	18	9	102
Growth (%)		*5%*	*-21%*	*196%*	*-80%*	*111%*	*-98%*	*5300%*	*98%*	*60%*	*5%*	*14%*	*-95%*	*4460%*	*-4%*	*-60%*	*10%*	*-1%*		*-39%*	*-26%*	*-58%*	*-72%*	
% New of Total Sales	*74%*	*66%*	*50%*	*69%*	*25%*	*50%*	*2%*	*35%*	*53%*	*64%*	*65%*	*62%*	*7%*	*81%*	*79%*	*55%*	*54%*	*41%*	*61%*	*36%*	*30%*	*22%*	*10%*	*26%*
% of Urban SF (CMA)	*27%*	*19%*	*16%*	*47%*	*7%*	*25%*	*1%*	*11%*	*16%*	*23%*	*21%*	*23%*	*1%*	*38%*	*47%*	*31%*	*49%*	*50%*	*28%*	*43%*	*63%*	*51%*	*32%*	*47%*
Urban SF (CMA)	216	323	303	301	396	239	161	503	672	766	872	887	941	1,209	930	563	392	385	762	101	51	35	28	215
Growth (%)		*50%*	*-6%*	*-1%*	*32%*	*-40%*	*-33%*	*212%*	*34%*	*14%*	*14%*	*2%*	*6%*	*28%*	*-23%*	*-39%*	*-30%*	*-2%*		*-33%*	*-50%*	*-65%*	*-45%*	
% New of Total Sales	*13%*	*14%*	*12%*	*12%*	*15%*	*11%*	*9%*	*18%*	*21%*	*22%*	*25%*	*28%*	*29%*	*39%*	*33%*	*20%*	*14%*	*11%*	*24%*	*11%*	*6%*	*6%*	*3%*	*6%*
% of San Francisco (PMA)	*88%*	*79%*	*74%*	*84%*	*82%*	*77%*	*67%*	*66%*	*62%*	*49%*	*74%*	*84%*	*71%*	*73%*	*74%*	*60%*	*74%*	*52%*	*67%*	*37%*	*25%*	*43%*	*65%*	*36%*
San Francisco (PMA)	245	409	411	358	481	309	239	764	1,082	1,573	1,174	1,052	1,327	1,656	1,259	942	527	747	1,134	270	204	81	43	598
Growth (%)		*67%*	*0%*	*-13%*	*34%*	*-36%*	*-23%*	*220%*	*42%*	*45%*	*-25%*	*-10%*	*26%*	*25%*	*-24%*	*-25%*	*-44%*	*43%*		*62%*	*-24%*	*-70%*	*-79%*	
% New of Total Sales	*6%*	*8%*	*7%*	*6%*	*7%*	*5%*	*5%*	*12%*	*15%*	*19%*	*16%*	*16%*	*20%*	*28%*	*22%*	*17%*	*10%*	*11%*	*17%*	*15%*	*11%*	*6%*	*2%*	*9%*
Resale Closings																								
East SoMa (1)	20	31	48	64	84	59	49	101	88	98	98	127	128	109	115	146	168	274	135	75	74	64	84	297
Growth (%)		*55%*	*55%*	*33%*	*31%*	*-30%*	*-17%*	*106%*	*-13%*	*11%*	*0%*	*30%*	*1%*	*-15%*	*6%*	*27%*	*15%*	*63%*		*-10%*	*-1%*	*-15%*	*14%*	
% of Urban SF (CMA)	*1%*	*2%*	*2%*	*3%*	*4%*	*3%*	*3%*	*5%*	*4%*	*4%*	*4%*	*6%*	*5%*	*6%*	*6%*	*7%*	*7%*	*9%*	*6%*	*10%*	*9%*	*11%*	*9%*	*10%*
Urban SF (CMA)	1,493	1,908	2,275	2,308	2,272	1,963	1,642	2,219	2,500	2,732	2,629	2,279	2,345	1,924	1,874	2,189	2,356	2,970	2,380	788	804	574	929	3,095
Growth (%)		*28%*	*19%*	*1%*	*-2%*	*-14%*	*-16%*	*35%*	*13%*	*9%*	*-4%*	*-13%*	*3%*	*-18%*	*-3%*	*17%*	*8%*	*26%*		*-6%*	*2%*	*-27%*	*16%*	
% of San Francisco (PMA)	*36%*	*38%*	*40%*	*38%*	*37%*	*37%*	*37%*	*40%*	*40%*	*40%*	*42%*	*42%*	*44%*	*45%*	*43%*	*47%*	*47%*	*50%*	*44%*	*51%*	*51%*	*49%*	*53%*	*51%*
San Francisco (PMA)	4,127	5,018	5,725	6,045	6,217	5,343	4,436	5,606	6,200	6,835	6,332	5,377	5,283	4,322	4,373	4,667	4,964	5,918	5,427	1,531	1,591	1,182	1,750	6,054
Growth (%)		*22%*	*14%*	*6%*	*3%*	*-14%*	*-17%*	*26%*	*11%*	*10%*	*-7%*	*-15%*	*-2%*	*-18%*	*1%*	*7%*	*6%*	*19%*		*-7%*	*4%*	*-23%*	*10%*	



Note: Includes detached and attached product types
Source: DataQuick (1) Mission Bay district approxmated by zip codes 94107

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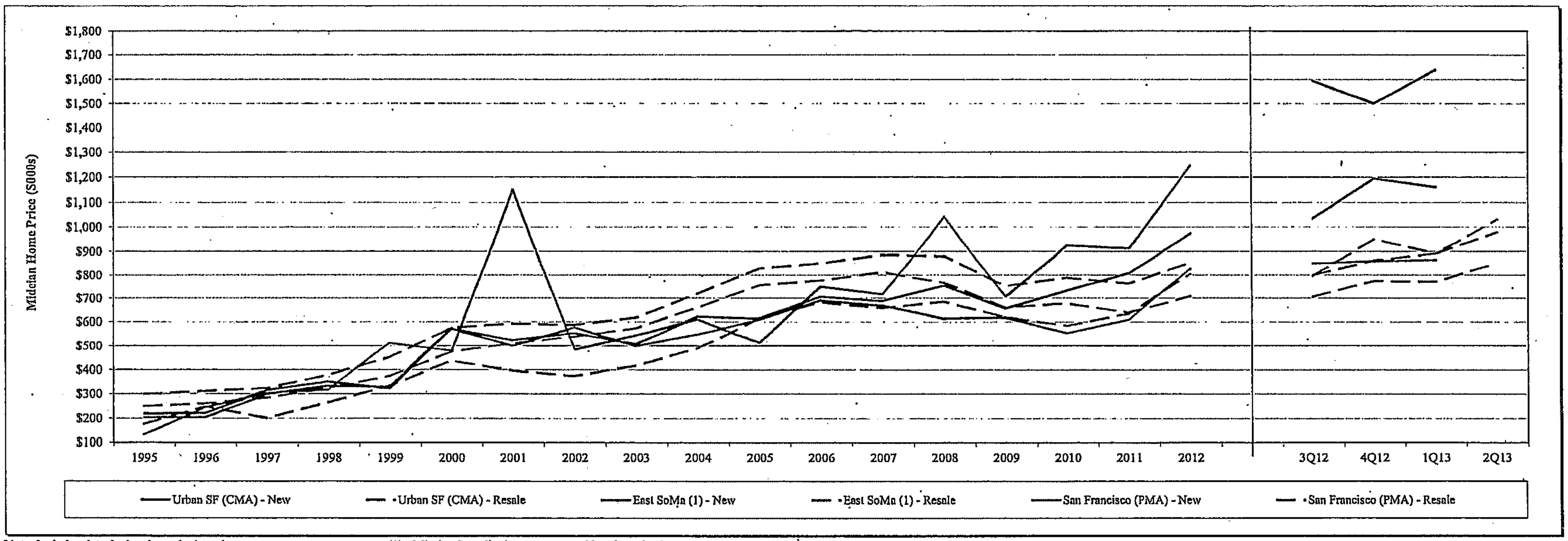
EXHIBIT I-7

HISTORICAL HOME SALES AND PRICE TRENDS
PRIMARY MARKET AREA
1995 THROUGH 2Q 2013

Period:	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Wtd Avg. 10-Yr	3Q12	4Q12	1Q13	2Q13	L4Q Total
	Annual																							
Median New Home Price ($000s)																								
East SoMa (1)	$132	$246	$304	$319	$512	$479	$1,150	$484	$545	$610	$513	$749	$717	$1,041	$706	$925	$913	$1,244	$836	$1,595	$1,501	$1,638	na	$1,571
Growth (%)		*87%*	*24%*	*5%*	*61%*	*-7%*	*140%*	*-58%*	*13%*	*12%*	*-16%*	*46%*	*-4%*	*45%*	*-32%*	*31%*	*29%*	*34%*		*36%*	*-6%*	*3%*	*N/A*	
vs. Urban SF (CMA)	*60%*	*111%*	*96%*	*91%*	*158%*	*83%*	*220%*	*87%*	*108%*	*98%*	*84%*	*106%*	*104%*	*138%*	*108%*	*126%*	*113%*	*128%*	*121%*	*154%*	*126%*	*141%*	*N/A*	*142%*
Urban SF (CMA)	$218	$221	$316	$351	$324	$574	$524	$554	$507	$622	$614	$707	$688	$753	$656	$732	$806	$974	$689	$1,036	$1,195	$1,161	na	$1,103
Growth (%)		*1%*	*43%*	*11%*	*-8%*	*77%*	*-9%*	*6%*	*-9%*	*23%*	*-1%*	*15%*	*-3%*	*9%*	*-13%*	*12%*	*23%*	*33%*		*7%*	*15%*	*12%*	*N/A*	
vs. San Francisco (PMA)	*107%*	*108%*	*106%*	*105%*	*98%*	*100%*	*105%*	*96%*	*102%*	*113%*	*101%*	*102%*	*103%*	*123%*	*106%*	*132%*	*132%*	*118%*	*112%*	*122%*	*139%*	*134%*	*N/A*	*139%*
San Francisco (PMA)	$204	$205	$299	$335	$330	$575	$500	$579	$499	$550	$609	$691	$668	$613	$618	$554	$608	$825	$616	$849	$859	$864	na	$793
Growth (%)		*0%*	*46%*	*12%*	*-1%*	*74%*	*-13%*	*16%*	*-14%*	*10%*	*11%*	*13%*	*-3%*	*-8%*	*1%*	*-10%*	*-1%*	*49%*		*2%*	*1%*	*2%*	*N/A*	
Median Resale Price ($000s)																								
East SoMa (1)	$177	$249	$202	$266	$334	$437	$397	$375	$417	$490	$615	$682	$658	$684	$619	$584	$634	$804	$647	$799	$863	$891	$1,030	$900
Growth (%)		*41%*	*-19%*	*32%*	*26%*	*31%*	*-9%*	*-6%*	*11%*	*17%*	*26%*	*11%*	*-4%*	*4%*	*-10%*	*-6%*	*3%*	*38%*		*-4%*	*8%*	*12%*	*19%*	
vs. Urban SF (CMA)	*59%*	*80%*	*62%*	*70%*	*74%*	*76%*	*67%*	*64%*	*68%*	*68%*	*74%*	*80%*	*74%*	*78%*	*82%*	*74%*	*83%*	*94%*	*82%*	*100%*	*91%*	*100%*	*105%*	*99%*
Urban SF (CMA)	$297	$311	$323	$378	$452	$576	$593	$588	$616	$719	$827	$851	$885	$880	$751	$788	$762	$852	$792	$797	$952	$891	$980	$910
Growth (%)		*4%*	*4%*	*17%*	*20%*	*27%*	*3%*	*-1%*	*5%*	*17%*	*15%*	*3%*	*4%*	*-1%*	*-15%*	*5%*	*2%*	*8%*		*-7%*	*20%*	*12%*	*3%*	
vs. San Francisco (PMA)	*119%*	*119%*	*113%*	*116%*	*120%*	*121%*	*116%*	*109%*	*107%*	*109%*	*110%*	*110%*	*109%*	*115%*	*114%*	*116%*	*120%*	*120%*	*113%*	*113%*	*123%*	*116%*	*115%*	*117%*
San Francisco (PMA)	$250	$261	$285	$325	$375	$475	$510	$540	$575	$660	$755	$776	$811	$765	$660	$678	$638	$708	$701	$706	$774	$770	$850	$778
Growth (%)		*4%*	*9%*	*14%*	*15%*	*27%*	*7%*	*6%*	*6%*	*15%*	*14%*	*3%*	*5%*	*-6%*	*-14%*	*3%*	*-3%*	*-4%*		*0%*	*10%*	*9%*	*10%*	*7%*

1457



Note: Includes detached and attached product types
Source: DataQuick

(1) Mission Bay district approxmated by zip codes 94107

EXHIBIT I-8A

PLANNED AND PROPOSED FOR-SALE DEVELOPMENT
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

I. Overview by Submarket - Market Rate Units Planned

	Urban SF Neighborhoods											
Status (1)	Mission Bay	Dogpatch	East SoMa	West SoMa	Central Market	Hayes Valley	Mission	Other CMA	CMA Total	Remainder SF	Large-Scale SF	PMA Total
Future (Non-Subject Site)												
Under Construction	300	16	975	0	0	49	147	124	1,611	746	0	2,357
Approved	350	60	811	0	33	71	102	242	1,669	138	0	1,807
Pending	0	0	520	0	0	236	175	751	1,683	0	0	1,683
Conceptual	0	103	624	147	140	0	53	202	1,269	124	9,619	11,012
Inactive	140	0	301	31	47	0	0	287	806	0	1,590	2,396
Total Supply	790	179	3,231	178	220	356	477	1,606	7,037	1,008	11,224	19,269

Note: Totals include Long Term Projects (Treasure Island, Hunter's Point, Park Merced, Sunnydale)

II. Urban SF For-Sale Delivery Projection

		Near Term Planned and Proposed Delivery Projection					
Status	Delivery Likelihood	2013	2014	2015	2016	2017	2018
Under Construction	100%	2%	79%	19%	0%	0%	0%
Approved	93%	0%	19%	52%	6%	5%	18%
Pending	73%	0%	8%	35%	19%	12%	25%
Conceptual	55%	0%	0%	14%	11%	42%	34%
Inactive	35%	0%	0%	21%	0%	25%	54%

Status	Projected Units Completed	2013	2014	2015	2016	2017	2018
Under Construction	1,611	36	1,275	300	0	0	0
Approved	1,547	0	295	798	95	76	283
Pending	1,230	0	102	435	238	148	306
Conceptual	696	0	0	98	75	289	234
Inactive	284	0	0	60	0	71	153
Urban SF Total:	5,367	36	1,672	1,690	409	584	977

5-Year Near Term Deliveries: *5,367*

III. East SoMa New Home Delivery Projection

Status	Projected Units Completed	2013	2014	2015	2016	2017	2018
Under Construction	100%	0%	100%	0%	0%	0%	0%
Approved	95%	0%	9%	50%	9%	0%	32%
Pending	80%	0%	12%	36%	22%	31%	0%
Conceptual	60%	0%	0%	0%	0%	64%	36%
Inactive	35%	0%	0%	0%	0%	21%	79%

Status	Projected Units Completed	2013	2014	2015	2016	2017	2018
Under Construction	975	0	975	0	0	0	0
Approved	770	0	70	389	68	0	243
Pending	416	0	50	148	91	128	0
Conceptual	374	0	0	0	0	240	134
Inactive	105	0	0	0	0	22	83
Central Market Total:	2,641	0	1,095	537	159	390	461

5-Year Near Term Deliveries: *2,641*

1459

EXHIBIT I-8B

PLANNED AND PROPOSED FOR-SALE RESIDENTIAL PROJECT LOCATIONS
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

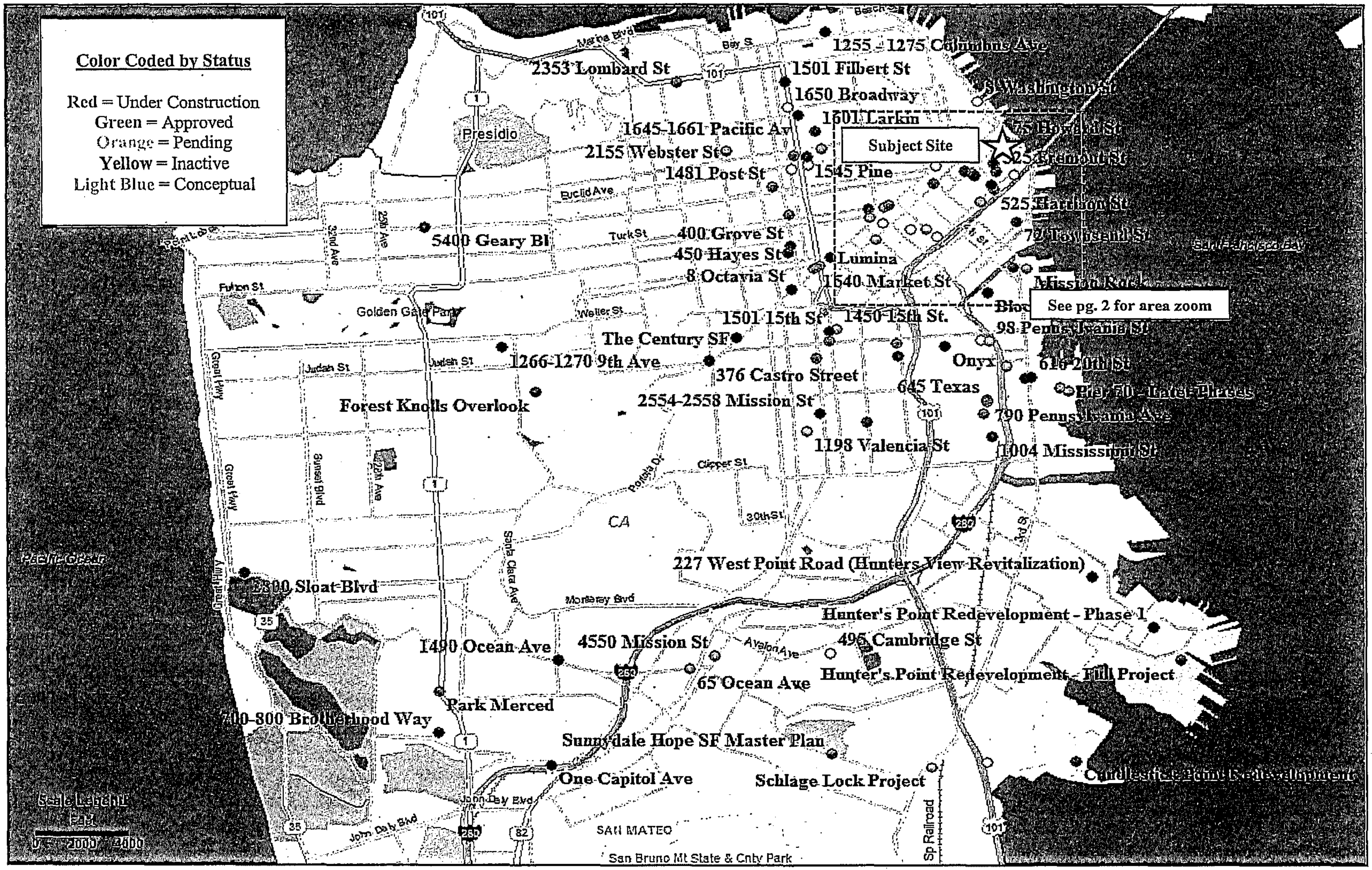


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EXHIBIT I-8B

PLANNED AND PROPOSED FOR-SALE RESIDENTIAL PROJECT LOCATIONS
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

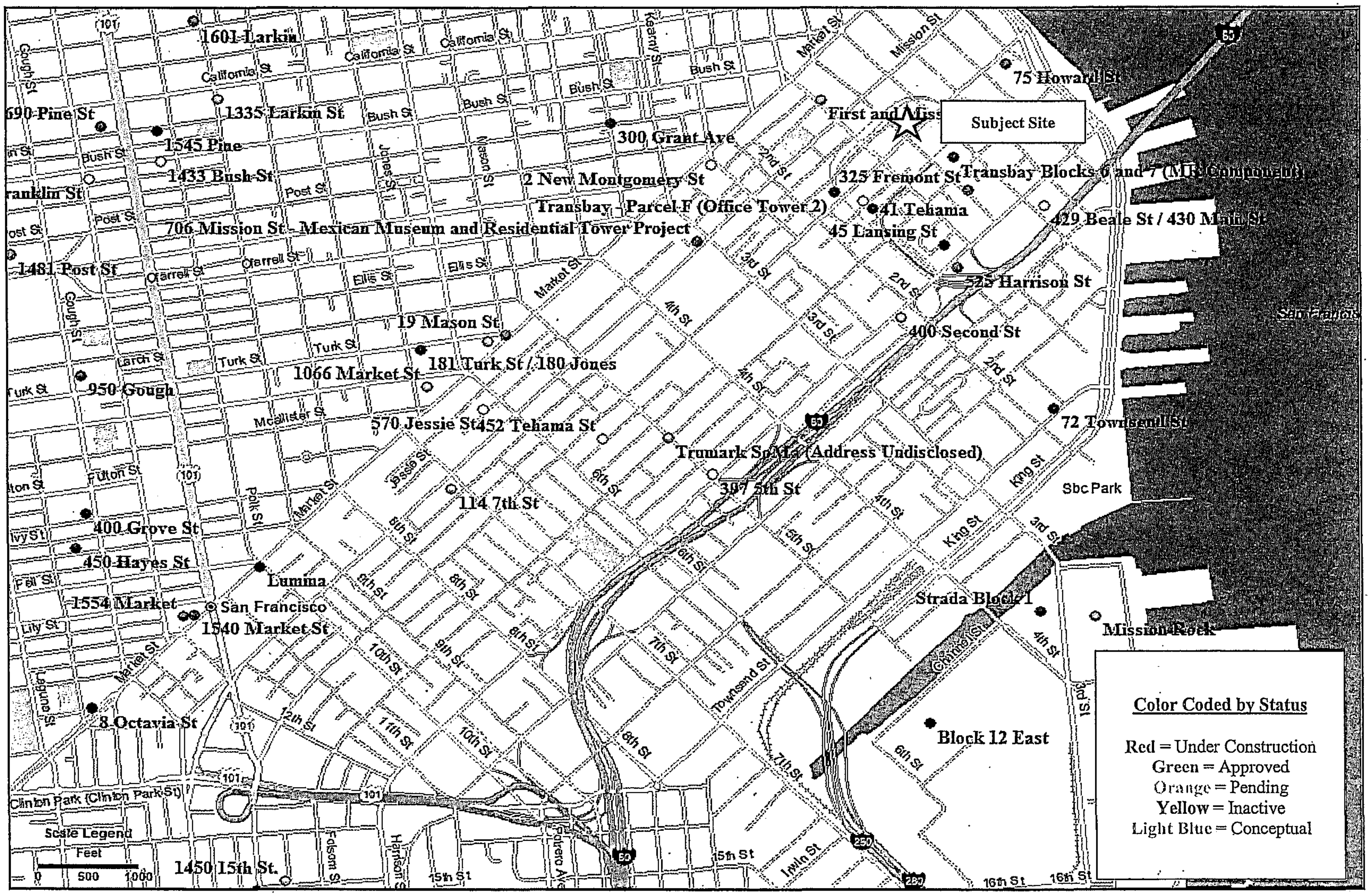

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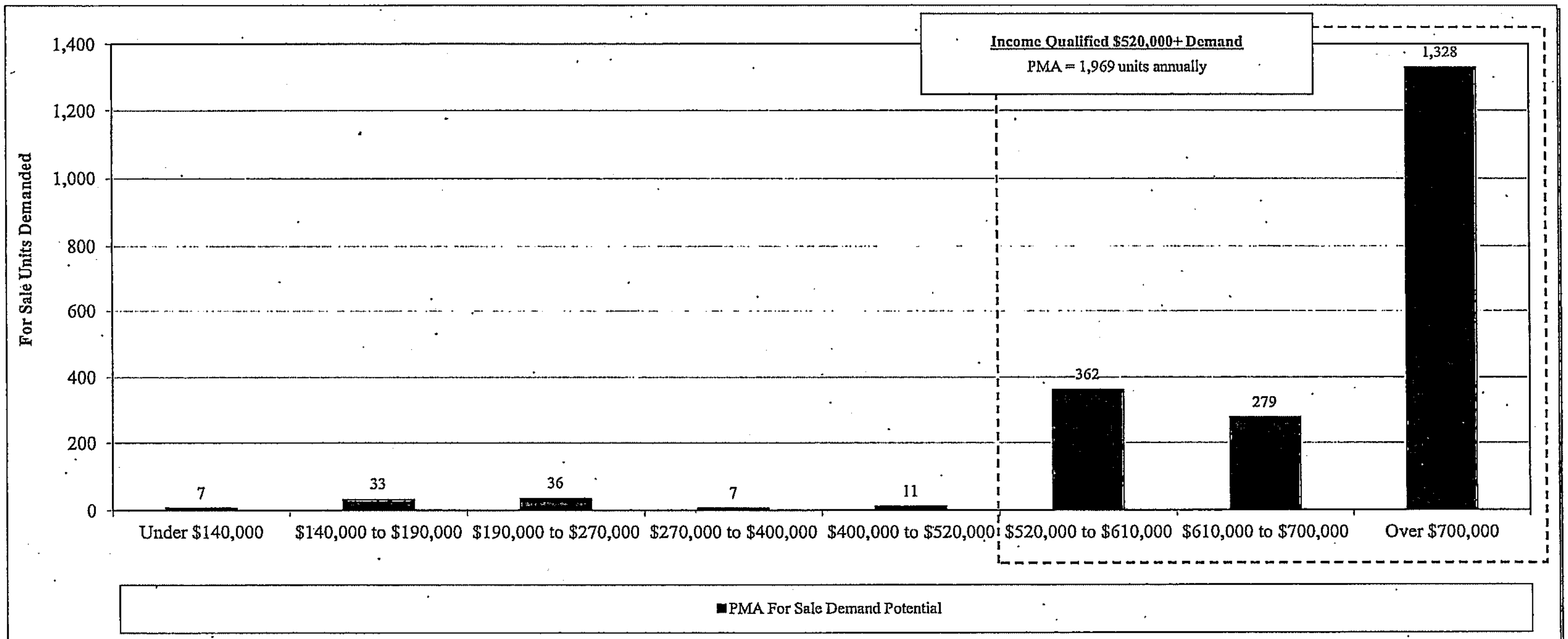
EXHIBIT I-9

PROJECTED FOR-SALE DEMAND
PRIMARY MARKET AREA
2013 THROUGH 2018

Household Income Range	Income to Housing	Affordable Home Price	Total Households 2013 (2)	Total Households 2018	Percent Buy	Buyer Households	Annual Turnover of Existing Buyer HHs	Annual Pool from Turnover	Annual Effective New HHs	Annual CMA Demand All Homes (3)	Annual CMA Demand New Homes (3)
$0 - $25,000	60%	$0 - $140,000	75,370	75,370	15%	11,306	12%	1,357	0	1,357	7
25,000 - 35,000	50%	140,000 - 190,000	25,146	25,902	20%	5,029	10%	503	151	533	33
35,000 - 50,000	45%	190,000 - 270,000	32,256	32,895	25%	8,064	10%	806	128	838	36
50,000 - 75,000	40%	270,000 - 400,000	48,309	48,309	30%	14,493	9%	1,304	0	1,304	7
75,000 - 100,000	36%	400,000 - 520,000	41,507	41,574	35%	14,527	9%	1,307	13	1,312	11
100,000 - 150,000	27%	520,000 - 610,000	58,268	62,679	40%	23,307	8%	1,865	882	2,217	362
150,000 - 200,000	23%	610,000 - 700,000	31,553	34,030	55%	17,354	7%	1,215	495	1,487	279
200,000 +	20%	700,000 +	42,074	52,230	65%	27,348	6%	1,641	2,031	2,961	1,328
Subtotal/Wtd. Avg.:	**39%**		**354,483**	**372,989**	**34%**	**121,428**	**8%**	**9,998**	**3,701**	**12,011**	**2,063**
Income Qualified ($520,000+):			**131,895**	**148,939**	**52%**	**68,009**	**7%**	**4,720**	**3,409**	**6,666**	**1,969**



(1) For full demand model, see Appendix D

(2) Effective existing HHs - current household base less projected loss

(3) All homes include all owner HHs looking for a home in any given year; New Homes reflects demand for additional for sale units in market, including demand from new HHs and obsolescence rate of 0.5% per year.

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EXHIBIT I-10

SUBMARKET DEMAND CAPTURE SCENARIOS
PRIMARY MARKET AREA: SAN FRANCISCO, CALIFORNIA
2013 THROUGH 2018

Inputs and Assumptions:

- Annual I. Q. New Home Demand Potential over Next Five Years = **1,969 units**

Capture Metrics	PMA (1)	East SoMa	Mission	Mission Bay	Hayes Valley	West SoMa	Central Market	Other CMA	Remaining PMA
Current Households (2013)	355,873	7,603	24,091	4,892	7,318	6,225	14,275	149,288	142,181
Share of PMA	100%	2%	7%	1%	2%	2%	4%	42%	40%
Projected HH Growth (2013-2018)	17,116	1,129	1,331	788	402	543	1,188	7,184	4,551
Share of PMA	100%	7%	8%	5%	2%	3%	7%	42%	27%
1 and 2 Person Households (2013)	249,417	6,843	16,257	3,942	5,983	5,448	11,964	115,075	83,905
Share of PMA	100%	3%	7%	2%	2%	2%	5%	46%	34%
Current Owner Households	131,995	3,203	6,223	1,590	1,236	1,783	564	38,089	79,307
Share of PMA	100%	2%	5%	1%	1%	1%	0%	29%	60%
2000-2013 Housing Unit Growth	26,174	4,094	2,439	4,652	638	2,616	3,305	2,116	6,314
Share of PMA	100%	16%	9%	18%	2%	10%	13%	8%	24%
2011 Employment	537,861	92,648	56,337	13,887	15,295	23,235	26,192	214,599	95,668
Share of PMA	100%	17%	10%	3%	3%	4%	5%	40%	18%
Pipeline For Sale Units	8,045	3,231	477	790	356	178	220	1,785	1,008
Share of PMA	100%	40%	6%	10%	4%	2%	3%	22%	13%
Near-Term Pipeline Deliveries	6,306 (2)	2,641	383	664	278	86	132	1,184	939
Share of PMA	100%	42%	6%	11%	4%	1%	2%	19%	15%
Affluent Young Households	90,709	3,573	7,135	2,381	2,141	1,993	1,122	41,296	31,068
Share of PMA	100%	4%	8%	3%	2%	2%	1%	46%	34%
Key Owner PRIZM Types (Currently Live)	282,056	7,581	16,793	4,887	2,740	4,454	1,508	106,554	137,539
Share of PMA	100%	3%	6%	2%	1%	2%	1%	38%	49%
Key Owner PRIZM Types (Currently Work)	404,630	57,150	25,760	6,506	4,889	17,296	23,817	161,695	107,517
Share of PMA	100%	14%	6%	2%	1%	4%	6%	40%	27%
Imputed Capture									
Minimum Implied		2%	5%	1%	1%	1%	0%	8%	13%
Maximum Implied		42%	10%	18%	4%	10%	13%	46%	60%
Average		14%	7%	5%	2%	3%	4%	34%	31%
TCG Concluded Submarket Capture:		35%	5%	10%	4%	2%	4%	20%	20%
Units Demanded:		689	98	197	79	39	79	394	394

TCG Concluded CMA Total Capture:	80%
CMA Units Demanded:	1,575

(1) See Exhibit I-1 for map of market area definitions

(2) Does not include units currently for sale or in Large-Scale Projects category, see exhibit 1-4A for details

EXHIBIT I-10

RENTAL DEMAND CAPTURE SCENARIOS
PRIMARY MARKET AREA: SAN FRANCISCO, CALIFORNIA
2013 THROUGH 2018

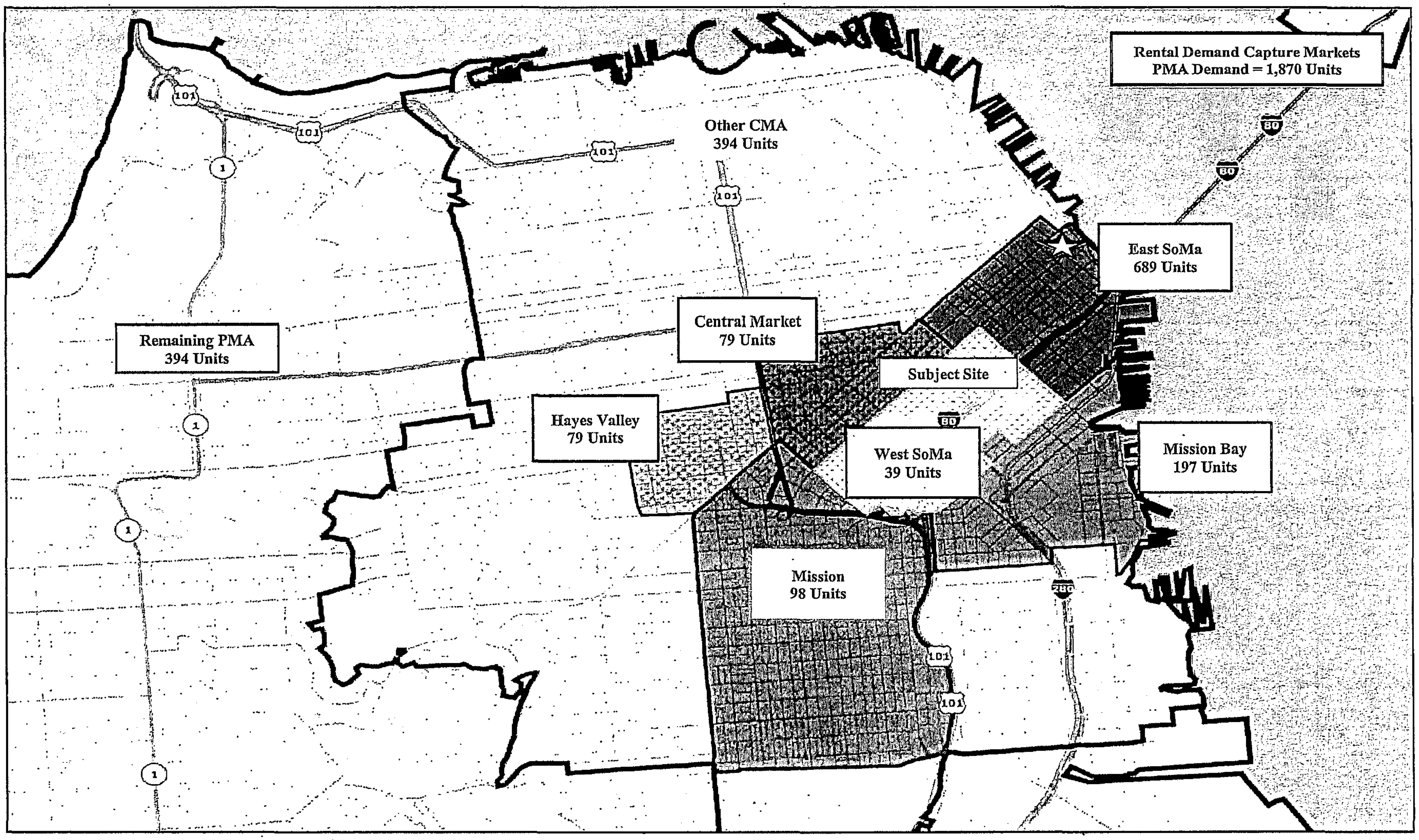

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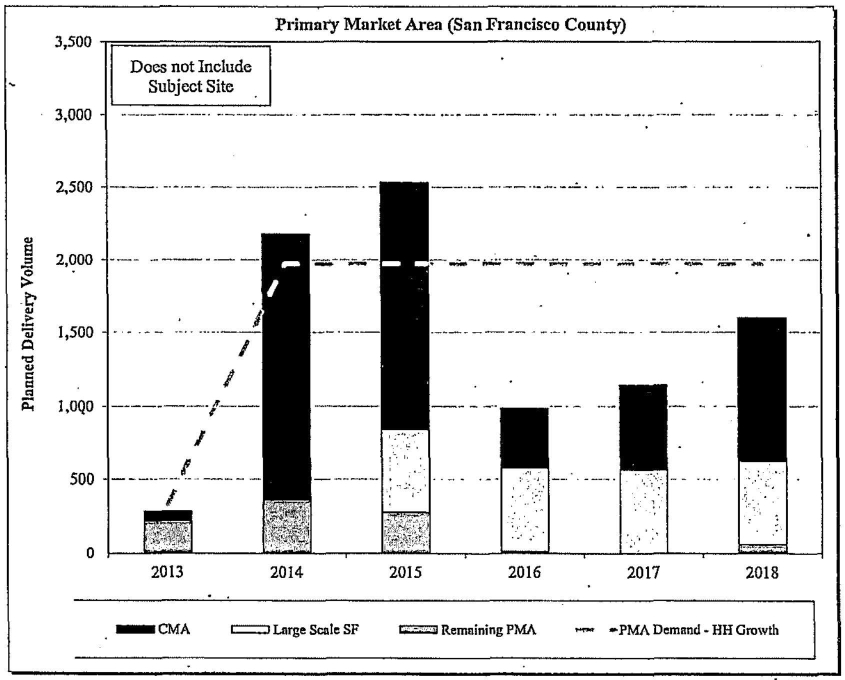
EXHIBIT I-11

PROJECTED FOR-SALE HOUSING: SUPPLY VERSUS POTENTIAL DEMAND
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

	PMA 2013	PMA 2014	PMA 2015	PMA 2016	PMA 2017	PMA 2018	PMA Total
Unit Deliveries by Geography							
CMA :	65	1,818	1,690	409	584	977	5,543
Remaining PMA :	221	362	280	14	0	62	939
Large Scale SF :	0	0	561	561	561	561	2,245
	Assumes Large-Scale Projects Begin Delivering 5% of Total Units in 2015						
Projected Deliveries :	**286**	**2,180**	**2,532**	**985**	**1,145**	**1,600**	**8,727**
Demand							
HH Growth Model	**328**	**1,969**	**1,969**	**1,969**	**1,969**	**1,969**	**10,174**
Under/Oversupply :	**42**	**(211)**	**(562)**	**985**	**824**	**369**	**1,447**

	CMA 2013	CMA 2014	CMA 2015	CMA 2016	CMA 2017	CMA 2018	CMA Total
East SoMa :	0	1,095	537	159	390	461	2,641
West SoMa :	0	0	60	14	0	12	86
Mission Bay :	0	0	615	0	49	0	664
Central Market :	0	31	0	0	0	100	132
Hayes Valley :	0	49	114	115	0	0	278
Dogpatch :	0	73	0	62	0	0	135
Mission :	0	216	50	0	110	8	383
Other CMA :	36	208	315	60	35	396	1,049
	36	**1,672**	**1,690**	**409**	**584**	**977**	**5,367**
Current Inventory :	**29**	**147**	**0**	**0**	**0**	**0**	**176**
HH Growth Model	**263**	**1,575**	**1,575**	**1,575**	**1,575**	**1,575**	**8,139**
Under/Oversupply :	**197**	**(243)**	**(115)**	**1,166**	**992**	**599**	**2,596**



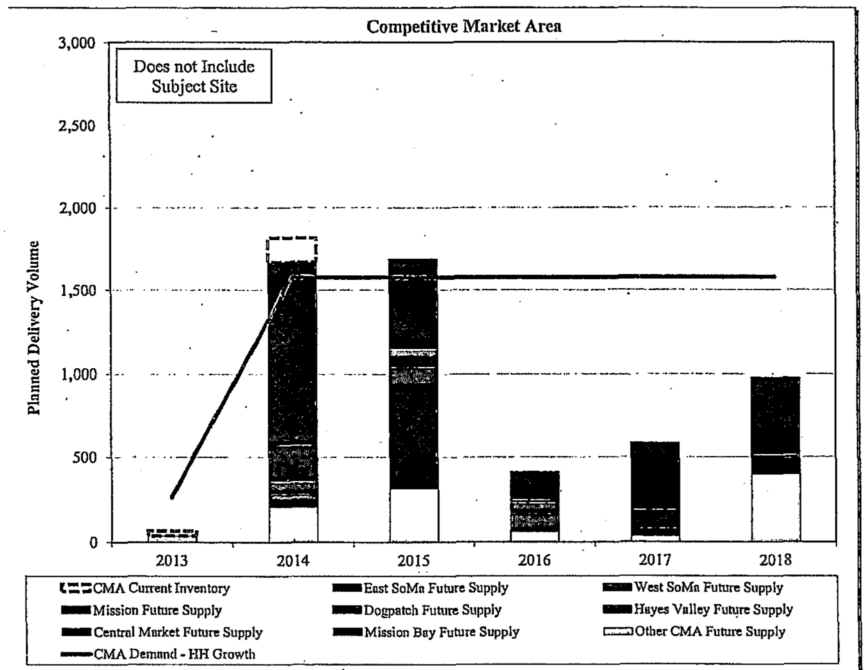


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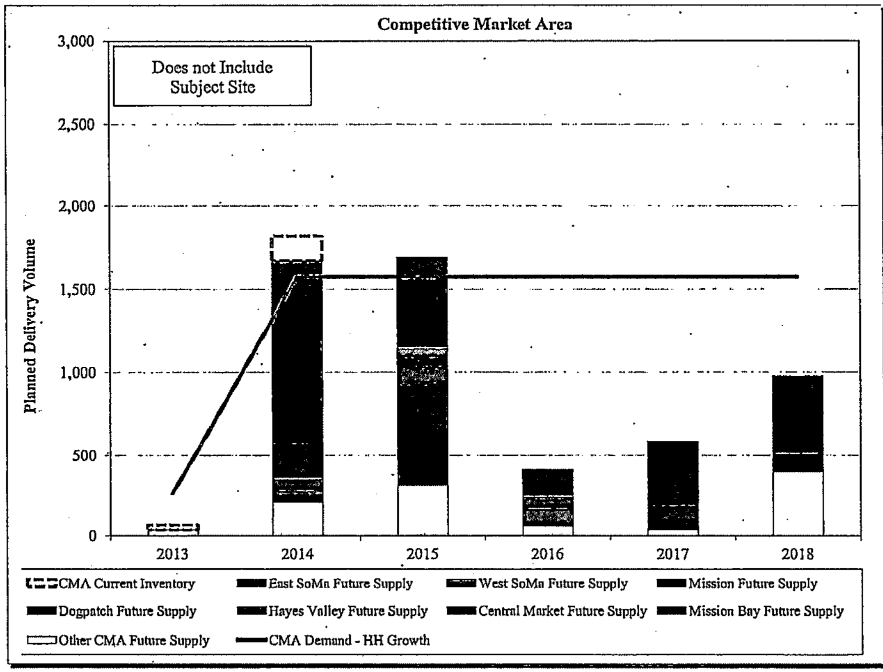
EXHIBIT I-11

PROJECTED FOR-SALE HOUSING: SUPPLY VERSUS POTENTIAL DEMAND
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

	CMA 2013	CMA 2014	CMA 2015	CMA 2016	CMA 2017	CMA 2018	CMA Total
Unit Deliveries by Geography							
East SoMa :	0	1,095	537	159	390	461	2,641
West SoMa :	0	0	60	14	0	12	86
Mission Bay :	0	0	615	0	49	0	664
Central Market :	0	31	0	0	0	100	132
Hayes Valley :	0	49	114	115	0	0	278
Dogpatch :	0	73	0	62	0	0	135
Mission :	0	216	50	0	110	8	383
Other CMA :	36	208	315	60	35	396	1,049
Projected Deliveries :	36	1,672	1,690	409	584	977	5,367
Current Inventory :	29	147	0	0	0	0	176
HH Growth Model	263	1,575	1,575	1,575	1,575	1,575	8,139
Under/Oversupply :	197	(243)	(115)	1,166	992	599	2,596

	East SoMa 2013	East SoMa 2014	East SoMa 2015	East SoMa 2016	East SoMa 2017	East SoMa 2018	E. SoMa Total
East SoMa :	0	1,095	537	159	390	461	2,641
	0	1,095	537	159	390	461	2,641
Current Inventory :	1	0	0	0	0	0	1
HH Growth Model	115	689	689	689	689	689	3,561
Under/Oversupply :	114	(406)	153	530	299	229	919



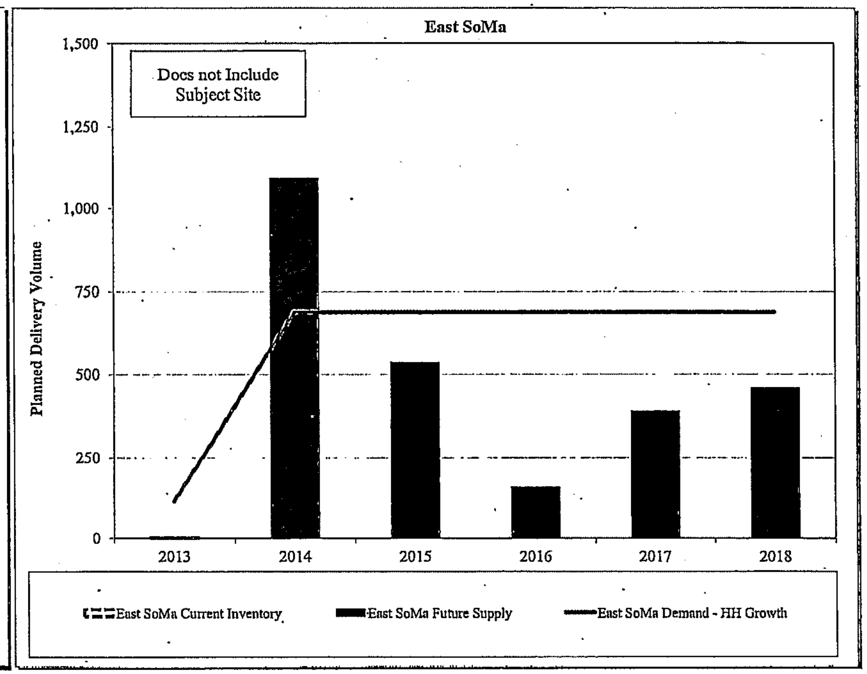
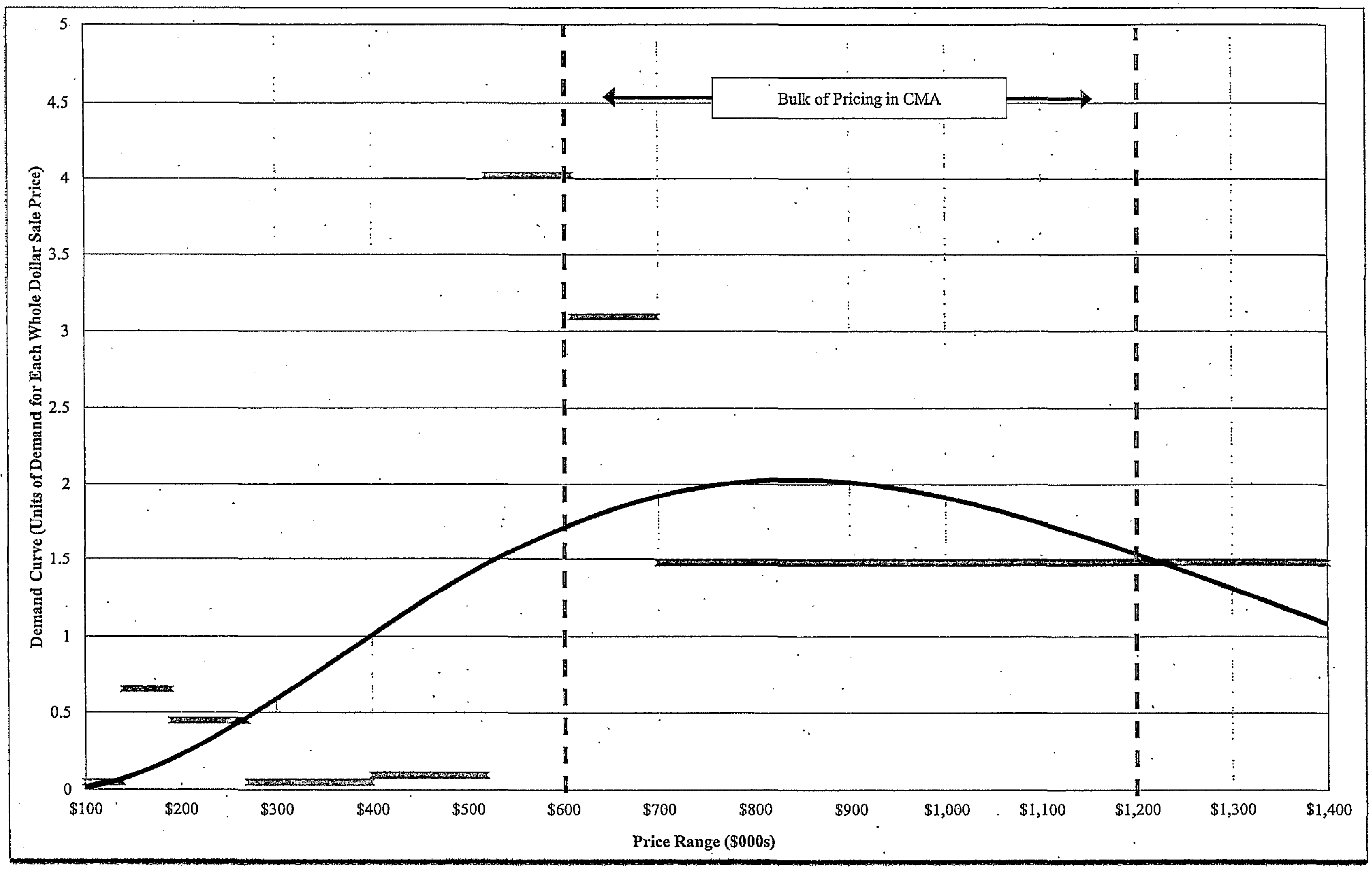


EXHIBIT I-12

ELASTICITY OF DEMAND
PRIMARY MARKET AREA
2013 THROUGH 2018



1466

II. Competitive Set

1468

EXHIBIT II-1

NEW CONSTRUCTION FOR SALE INVENTORY
COMPETITIVE MARKET AREA
OCTOBER 2013

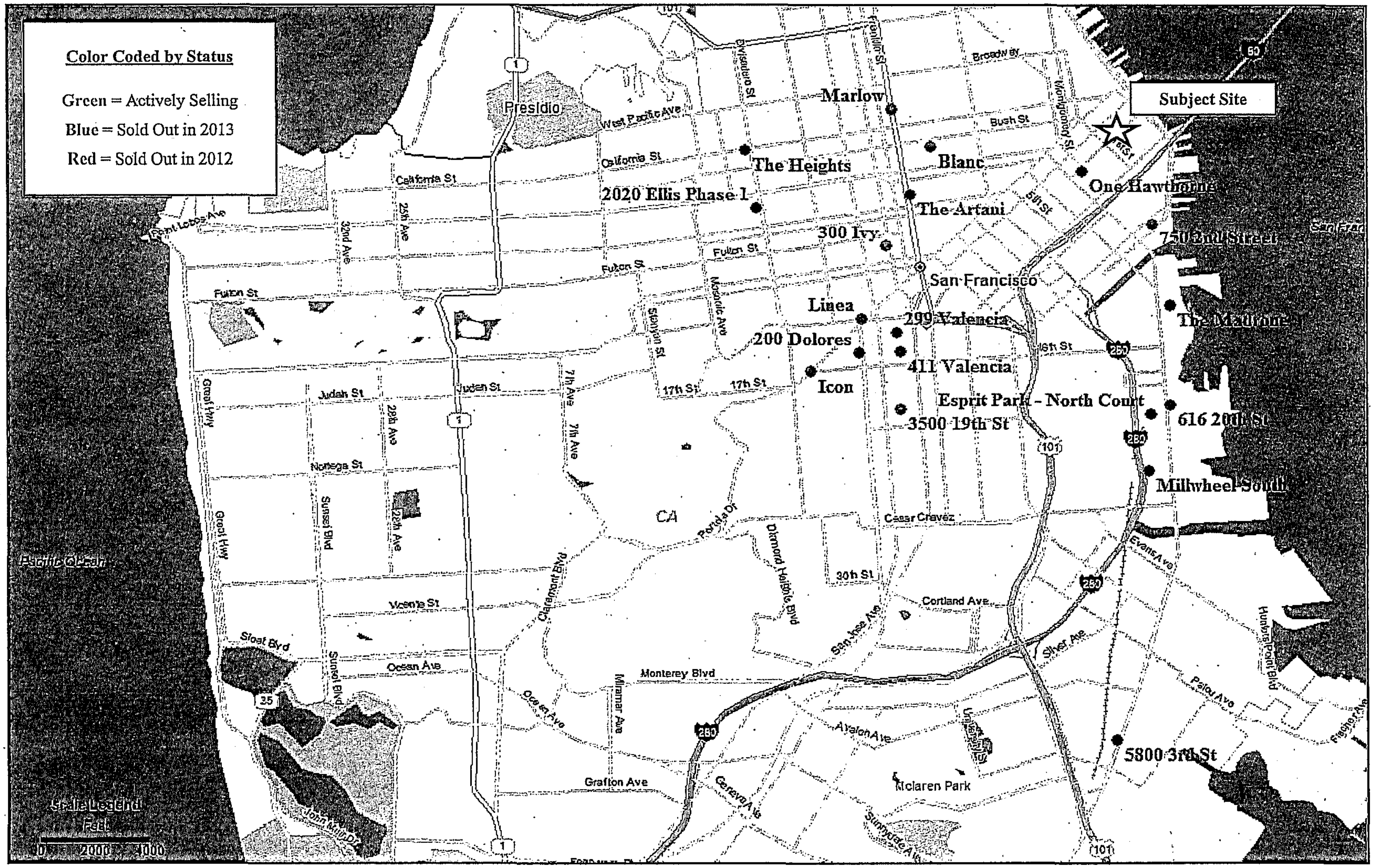
							Units				Price				Absorption	
											Base		Net			
Community Name	Address	Builder	City	Product/ Height	Open Date	Sold Out	Total	Sold	Rem.	Unit Size	$	PSF	$	PSF	L3M	Life
CMA - Actively Selling																
750 2nd Street	750 2nd St	Morgan Creek Ventures	San Francisco	9s	Nov-12	--	14	13	1	1,591	$1,950,000	1,226	$1,950,000	1,226	0.7	1.1
3500 19th St	3500 19th St	Sternberg/Benjamin (design/arch)	San Francisco	5s	Oct-13	--	17	0	17	1,488	1,749,000	1,175	1,749,000	1,175	--	--
Marlow	1788 Clay St	Oyster Development	San Francisco	8s	Apr-13	--	83	58	25	1,128	1,238,211	1,097	1,238,211	1,097	5.0	9.5
Linea	8 Buchanan Street	Paragon Real Estate	San Francisco	9s	Jul-13	--	115	29	86	778	845,400	1,086	845,400	1,086	9.7	11.5
Icon	2299 Market St	Paragon Real Estate	San Francisco	4s	Jun-13	--	18	10	8	1,193	1,146,333	961	1,146,333	961	3.3	2.6
300 Ivy	401 Grove St	Pocket Development	San Francisco	5s	May-13	--	63	62	1	1,210	1,150,000	950	1,150,000	950	15.0	12.0
616 20th St	616 20th St	Natoma Architects, Inc.	San Francisco	5s	Oct-13	--	16	0	16	770	697,000	905	697,000	905	--	--
Blanc	1080 Sutter St	JS Sullivan	San Francisco	11s	Aug-13	--	35	15	20	1,291	1,088,833	844	1,088,833	844	5.0	7.5
CMA - Actively Selling Total/Weighted Average:							361	187	174	982	$1,026,391	$1,045	$1,026,391	$1,045	7.79	9.98
PMA - Actively Selling																
Candlestick Cove	101 Executive Park Blvd	Signature Properties	San Francisco	2s	Oct-07	--	150	148	2	1,450	$730,900	504	$730,900	504	2.0	2.1
PMA - Actively Selling Total/Weighted Average:							150	148	2	1,450	$730,900	$504	$730,900	$504	2.00	2.08
San Fancisco - Sold Out 2013 (1)																
One Hawthorne	1 Hawthorne Ave.	Jackson Pacific Ventures	San Francisco	Condo	Apr-10	Jul-12	165	165	0	1,368	$1,510,000	1,104	$1,510,000	1,104	--	6.1
The Heights	2829 California Street	Ray Steffen / Charles Castro	San Francisco	Condo	Jan-13	May-13	13	13	0	1,627	1,616,667	994	1,616,667	994	--	3.4
411 Valencia	411 Valencia Street	411 Valencia Street, LLC	San Francisco	Condo	Oct-12	Feb-13	14	14	0	650	600,000	923	600,000	923	--	3.5
2020 Ellis Phase 1	2020 Ellis Street	John McInerney	San Francisco	Condo	Aug-12	Feb-13	12	12	0	650	549,000	845	549,000	845	--	1.8
The Madrone	420 Mission Bay Blvd.	Bosa Development	San Francisco	Condo	Jun-11	Jan-13	329	329	0	1,243	1,024,600	824	1,024,600	824	--	16.6
200 Dolores	200 Dolores St	NA	San Francisco	Condo	Jul-13	Sep-13	13	13	0	1,600	1,298,333	811	1,298,333	811	4.3	8.4
San Fancisco - Sold Out 2013 (1) Total/Weighted Average:							546	546	0	1,270	$1,170,561	$922	$1,170,561	$922	4.33	12.26
San Fancisco - Sold Out 2012 (1)																
The Artani	818 Van Ness Ave	George McNabb et al	San Francisco	Condo	Jan-12	Dec-12	53	53	0	812	$619,000	762	$619,000	762	--	4.8
299 Valencia	299 Valencia St	J.S. Sullivan	San Francisco	Condo	Mar-12	Jun-12	36	36	0	814	618,500	760	618,500	760	--	10.3
Millwheel South	1301 Indiana Street	Raymond Lyons	San Francisco	Condo	Apr-12	Jul-12	32	32	0	1,131	689,200	609	689,200	609	--	10.2
Esprit Park - North Court	850 Minnesota St.	Macquarie Holdings	San Francisco	Condo	Nov-11	Jul-12	67	67	0	1,318	756,750	574	734,048	557	--	7.9
5800 3rd St	5800 3rd Street	Holliday Development	San Francisco	Condo	Sep-10	Jan-13	137	137	0	1,041	450,000	432	450,000	432	--	4.8
Total/Weighted Average:							325	325	0	1,044	$583,014	$558	$578,334	$554	0.00	6.58

Note: Averages for actively selling communities weighted by units remaining; sold out communities weighted by total units
(1) Price from last remaining units at time of sell out

1469

EXHIBIT II-2

COMPARABLE FOR SALE COMMUNITY LOCATIONS
COMPETITIVE MARKET AREA
OCTOBER 2013



07316.17 FS Comp Map.xlsx:Comp Map

THE CONCORD GROUP

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EXHIBIT II-3

RECENTLY BUILT CONDO COMMUNITY RESALES
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

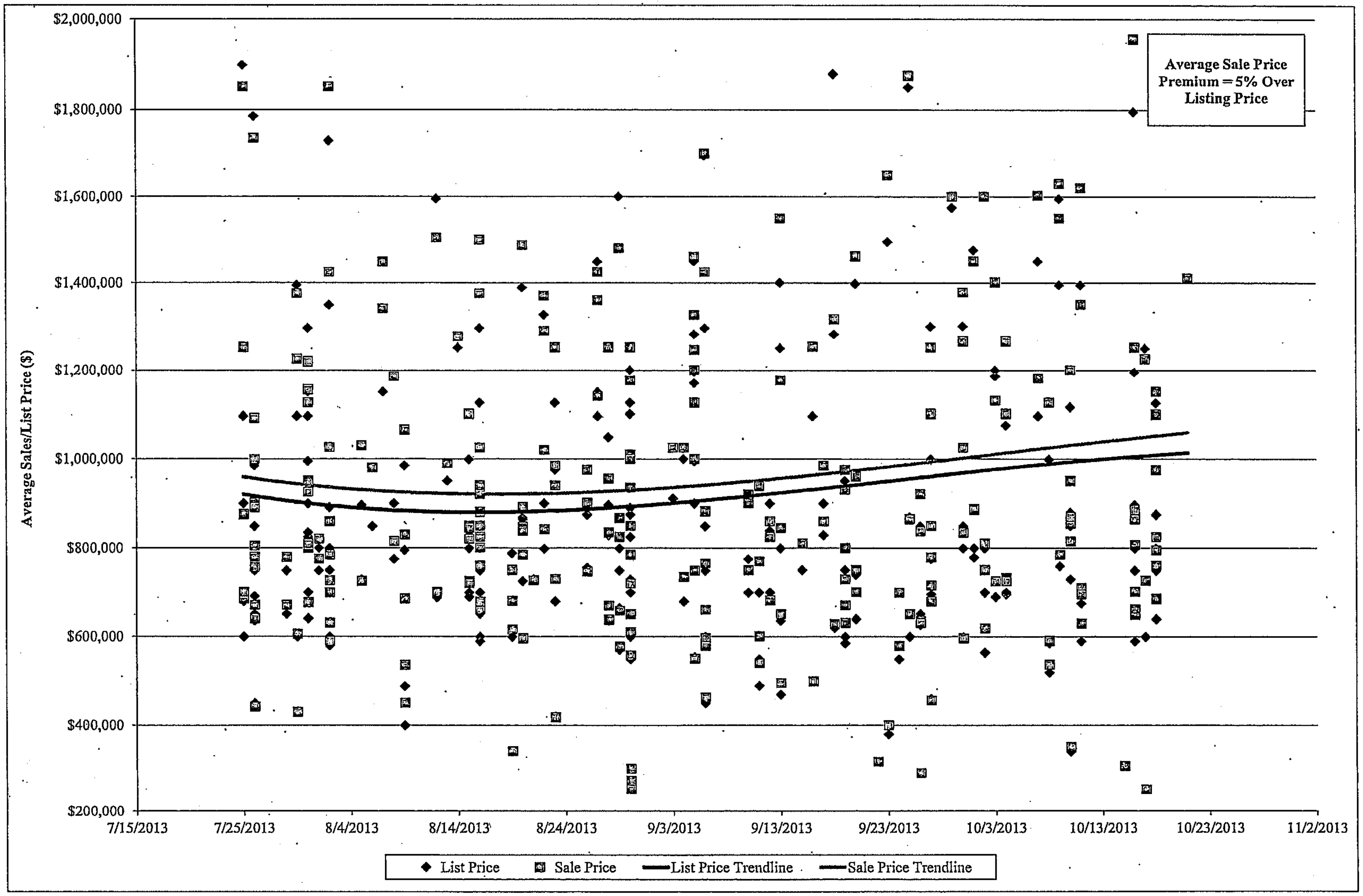
				Recently Sold								Active MLS Listings					
	Total	Year	#	L3M Sales		Home	Average List		Average Sale		Sale v.	Listings		Home	Average List		
Project Name	Units	Built	Stories	#	% Total	Size	$	PSF	$	PSF	List	#	% Total	Size	$	PSF	DOM
50+ Unit Condo Buildings Built Post-2000																	
St. Regis Residences	100	2005	40	1	1%	1,527	$2,400,000	$1,572	$2,400,000	$1,572	0%	0	0%	—	—	—	—
Radiance	99	2008	15	1	1%	1,814	1,595,000	879	1,550,000	854	-3%	0	0%	—	—	—	—
235 Berry ST	99	2007	6	1	1%	1,700	1,398,000	822	1,462,000	860	5%	0	0%	—	—	—	—
200 Dolores	13	2013	4	9	69%	1,297	1,382,778	1,066	1,421,667	1,096	3%	0	0%	—	—	—	—
Infinity Tower	650	2008	42	9	1%	1,187	1,247,222	1,051	1,253,222	1,056	0%	6	1%	1,389	$2,024,667	$1,457	49
The Brannan	390	2000	17	5	1%	1,198	1,224,600	1,022	1,225,400	1,023	0%	3	1%	1,395	1,845,296	1,323	50
One Hawthorne	165	2010	24	2	1%	915	1,172,500	1,281	1,170,000	1,279	0%	1	1%		1,950,000	—	40
Millenium Tower	425	2009	58	1	0%	1,027	1,150,000	1,120	1,220,000	1,188	6%	2	0%	2,318	3,972,500	1,714	19
Pacific Place	152	2001	9	1	1%	1,109	1,095,000	987	1,180,000	1,064	8%	1	1%	789	759,000	962	19
200 Brannan	191	2004	5	5	3%	1,430	1,057,978	740	1,119,333	783	6%	4	2%	1,311	1,174,000	895	55
The Lansing	82	2006	6	4	5%	1,174	1,020,750	869	1,068,750	910	5%	2	2%	1,282	1,045,000	815	15
Yerba Buena Lofts	200	2001	5	1	1%	1,288	998,500	775	1,002,000	778	0%	0	0%	—	—	—	—
246 2nd St	94	2000	17	2	2%	1,038	987,000	951	987,500	951	0%	0	0%	—	—	—	—
One Rincon	374	2008	60	9	2%	912	939,100	1,030	935,333	1,026	0%	9	2%	1,130	1,513,111	1,339	42
829 Folsom	69	2010	10	5	7%	960	874,200	911	912,000	950	4%	1	1%	1,462	1,450,000	992	22
SOMA Grand	246	2008	22	7	3%	982	865,143	881	886,857	903	3%	4	2%	761	809,000	1,063	52
The Hayes	128	2008	8	9	7%	984	842,322	856	901,667	916	7%	0	0%	—	—	—	—
The BridgeView	248	2001	26	6	2%	1,005	839,333	835	850,333	846	1%	5	2%	1,076	1,000,039	930	27
The Metropolitan	342	2004	26	8	2%	815	837,625	1,028	843,625	1,035	1%	3	1%	795	759,000	955	10
The Palms	300	2007	7	7	2%	820	728,643	888	722,429	881	-1%	4	1%	801	709,250	886	29
199 New Montgomery	168	2004	16	3	2%	765	684,667	895	712,117	930	4%	0	0%	—	—	—	—
The Beacon	595	2004	15	13	2%	1,015	667,161	657	667,141	657	0%	8	1%	916	881,125	962	72
2020 Ellis	21	2013	4	6	29%	652	653,333	1,003	653,333	1,003	0%	0	0%	—	—	—	—
The Village At Petrini Plac	134	2002	3	3	2%	637	652,667	1,025	666,667	1,047	2%	5	4%	751	590,400	786	53
Harrison Court	46	2000	2	0	0%	977	609,000	624	686,500	703	13%	0	0%	—	—	—	—
140 South Van Ness	212	2002	11	5	2%	843	604,200	717	628,800	746	4%	2	1%	690	387,652	562	10
1325 Indiana	48	2002	4	1	2%	948	599,000	632	726,000	766	21%	0	0%	—	—	—	—
Symphony Towers	130	2008	13	4	3%	744	524,000	705	530,500	714	1%	4	3%	712	605,000	850	39
170 Off Third	198	2007	8	2	1%	—	510,425	—	498,925	—	-2%	0	0%	—	—	—	—
888 7th St	224	2007	5	0	0%	516	351,894	683	377,394	732	7%	0	0%	—	—	—	—
Cubix	98	2008	8	2	2%	244	339,000	1,392	345,000	1,417	2%	0	0%	—	—	—	—
Total:	6,241			132	2%							64	1%				
Straight Average:	**201**	**2006**	**16**			**1,017**	**$930,679**	**$915**	**$954,984**	**$939**	**3%**			**1,099**	**$1,263,238**	**$1,150**	**35**

Source: RedFin

1471

EXHIBIT II-3

RECENTLY BUILT CONDO COMMUNITY RESALES
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013



Source: RedFin

1472

EXHIBIT II-4

FLOOR PREMIUM ANALYSIS
SELECT COMPARABLE PROPERTIES
OCTOBER 2013

Case Study:	Millenium Tower	**City:**	San Francisco
Tenure:	For-Sale	**Developer:**	Millenium Partners
Study Period:	Apr '09 - Sep '11	**Units:**	419 units
Floors:	3-58; (58s total)	**Notes:**	150 closings during study period

Floor	Total SF Closed	Total Revenue	Rev/SF	% Prem over Floor	% Prem over Base
3	7,425	$6,247,500	$841	--	--
4	5,471	4,348,000	795	-5.5%	-5.5%
5	1,441	1,135,000	788	-0.9%	-6.4%
6	2,851	2,332,000	818	3.8%	-2.8%
7	3,286	2,559,000	779	-4.8%	-7.4%
8	2,769	2,181,000	788	1.1%	-6.4%
9	5,935	5,112,000	861	9.4%	2.4%
10	7,529	6,196,500	823	-4.4%	-2.2%
11	6,851	5,651,500	825	0.2%	-2.0%
12	4,930	4,332,000	879	6.5%	4.4%
14	2,252	1,905,000	846	-3.7%	0.5%
15	2,041	2,003,000	981	16.0%	16.6%
16	1,501	1,473,000	981	0.0%	16.6%
17	4,221	3,981,500	943	-3.9%	12.1%
18	5,433	5,190,500	955	1.3%	13.5%
19	4,420	4,324,000	978	2.4%	16.3%
41	1,952	2,750,000	1,409	12.2%	67.4%
42	3,666	4,933,500	1,346	-4.5%	59.9%
45	3,733	4,522,500	1,211	-10.0%	44.0%
47	4,122	5,580,000	1,354	11.7%	60.9%
48	9,089	12,205,500	1,343	-0.8%	59.6%
49	2,230	3,000,000	1,345	0.2%	59.9%
50	2,230	3,005,000	1,348	0.2%	60.2%
51	2,230	3,025,000	1,357	0.7%	61.2%
52	6,021	7,925,000	1,316	-3.0%	56.4%
53	5,545	8,100,000	1,461	11.0%	73.6%
54	3,315	5,083,000	1,533	5.0%	82.2%
55	2,819	4,326,500	1,535	0.1%	82.4%
56	5,525	7,650,000	1,385	-9.8%	64.6%
57	6,134	9,674,500	1,577	13.9%	87.4%
PH	1,633	2,400,000	1,470	-6.8%	74.7%
55 Floors		Chng in PSF:	$628	1.5%	1.7%

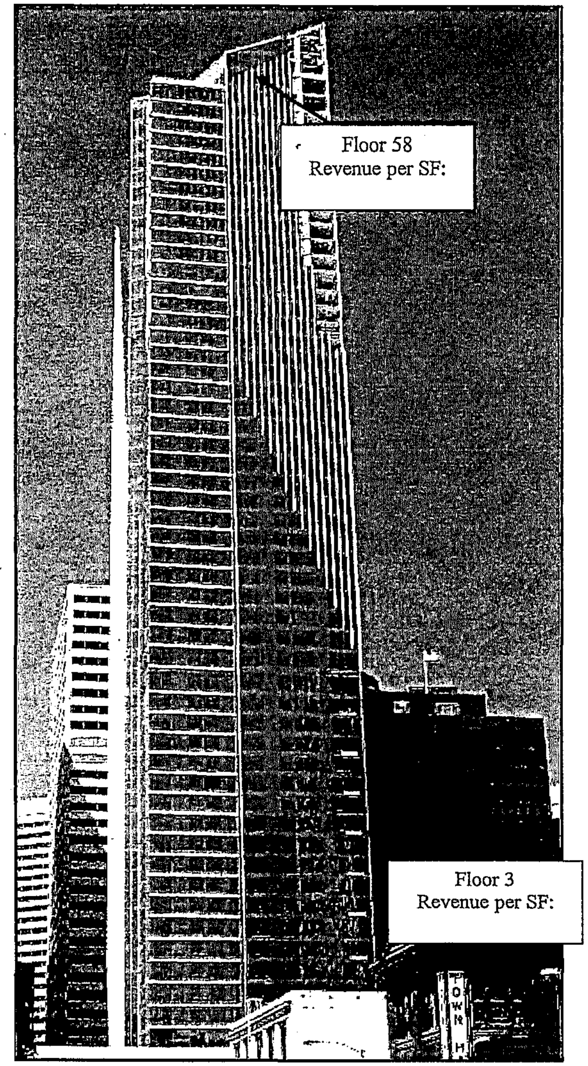


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EXHIBIT II-4

FLOOR PREMIUM ANALYSIS
SELECT COMPARABLE PROPERTIES
OCTOBER 2013

Case Study:	One Rincon Hill	**City:**	San Francisco
Tenure:	For-Sale	**Developer:**	Urban West Associates
Study Period:	Feb to June 2008	**Units:**	410 units
Floors:	8-42; (60s total)	**Notes:**	156 closings during study period (26/mo)

Floor	Total SF Closed	Total Revenue	Rev/SF	% Prem over Floor	% Prem over Base
8	6,714	$5,368,587	$800	--	--
9	5,476	4,594,590	839	4.9%	4.9%
10	5,004	4,070,792	814	-3.0%	1.7%
11	5,004	4,271,375	854	4.9%	6.8%
12	7,551	6,326,475	838	-1.8%	4.8%
13	5,405	4,671,544	864	3.2%	8.1%
14	6,714	5,501,167	819	-5.2%	2.5%
15	6,732	5,547,572	824	0.6%	3.1%
16	5,487	4,542,724	828	0.5%	3.5%
17	7,551	6,539,591	866	4.6%	8.3%
18	5,476	4,782,601	873	0.8%	9.2%
19	5,708	4,946,126	867	-0.8%	8.4%
20	7,551	6,625,713	877	1.3%	9.7%
21	7,551	6,808,878	902	2.8%	12.8%
22	6,313	5,623,457	891	-1.2%	11.4%
23	6,714	6,092,674	907	1.9%	13.5%
24	6,242	5,675,261	909	0.2%	13.7%
25	3,152	2,749,982	872	-4.0%	9.1%
26	5,035	4,595,658	913	4.6%	14.1%
27	4,871	4,395,596	902	-1.1%	12.9%
28	6,285	5,770,737	918	1.7%	14.8%
31	1,449	1,260,000	870	-5.3%	8.7%
32	3,675	3,630,709	988	13.6%	23.6%
33	4,254	4,440,006	1,044	5.6%	30.5%
34	5,372	5,417,621	1,008	-3.4%	26.1%
35	1,278	1,289,900	1,009	0.1%	26.2%
36	1,309	1,291,734	987	-2.2%	23.4%
37	1,238	1,315,273	1,062	7.7%	32.9%
39	2,064	2,398,177	1,162	9.4%	45.3%
42	819	984,846	1,202	3.5%	50.4%
34 Floors		**Chng in PSF:**	**$403**	**1.5%**	**1.7%**

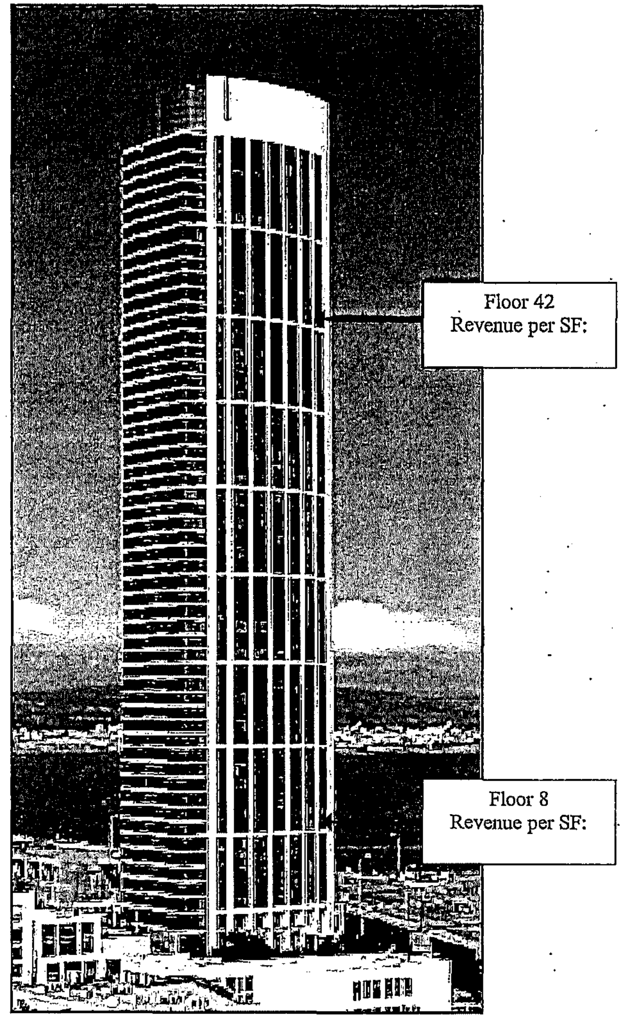
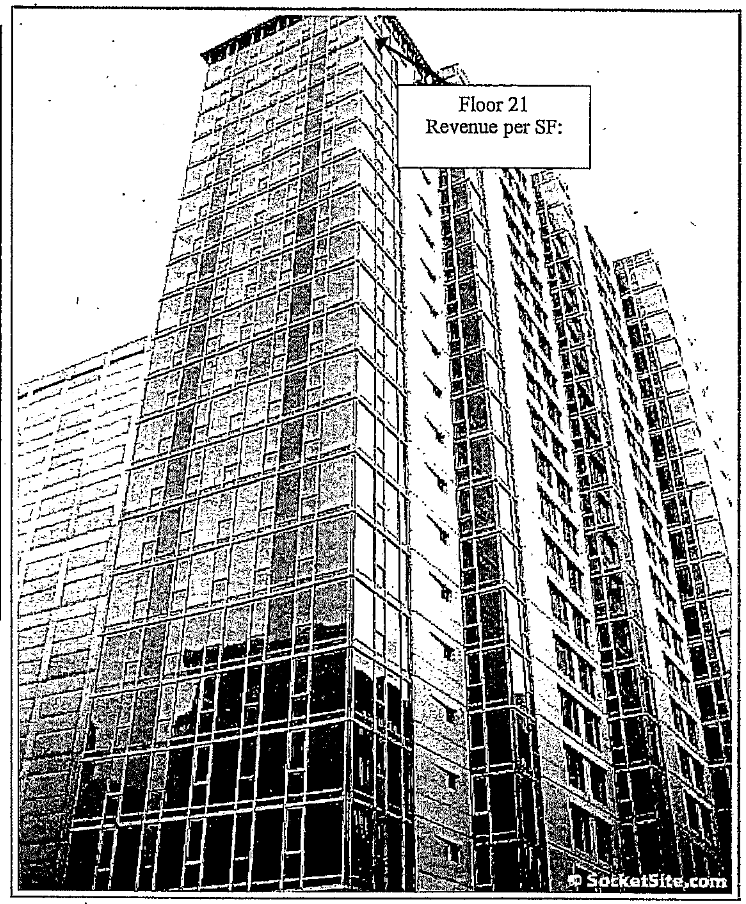


EXHIBIT II-4

FLOOR PREMIUM ANALYSIS
SELECT COMPARABLE PROPERTIES
OCTOBER 2013

Case Study:	Blu	**City:**	San Francisco
Tenure:	For-Sale	**Developer:**	Lennar
Study Period:	May '09 - Sep '11	**Units:**	114 units
Floors:	2-21; (21s total)	**Notes:**	

Floor	Total SF Closed	Total Revenue	Rev/SF	% Prem over Floor	% Prem over Base
3	6,664	$3,795,000	$569	--	--
4	6,664	$4,433,225	$665	16.8%	16.8%
5	6,614	$3,920,612	$593	-10.9%	4.1%
6	6,614	$4,050,000	$612	3.3%	7.5%
7	5,546	$3,456,600	$623	1.8%	9.4%
8	6,664	$4,114,000	$617	-0.9%	8.4%
9	6,614	$4,313,000	$652	5.6%	14.5%
10	6,664	$4,498,000	$675	3.5%	18.5%
11	6,614	$4,599,000	$695	3.0%	22.1%
12	6,614	$4,879,000	$738	6.1%	29.5%
14	6,614	$5,031,500	$761	3.1%	33.6%
15	6,664	$5,028,000	$755	-0.8%	32.5%
16	5,733	$4,615,000	$805	6.7%	41.4%
17	6,614	$5,415,000	$819	1.7%	43.8%
18	6,614	$5,560,000	$841	2.7%	47.6%
19	6,614	$5,785,000	$875	4.0%	53.6%
20	6,654	$5,970,000	$897	2.6%	57.5%
PH	9,816	$10,186,308	$1,038	15.7%	82.2%
21 Floors		Chng in PSF:	$468	3.8%	4.8%



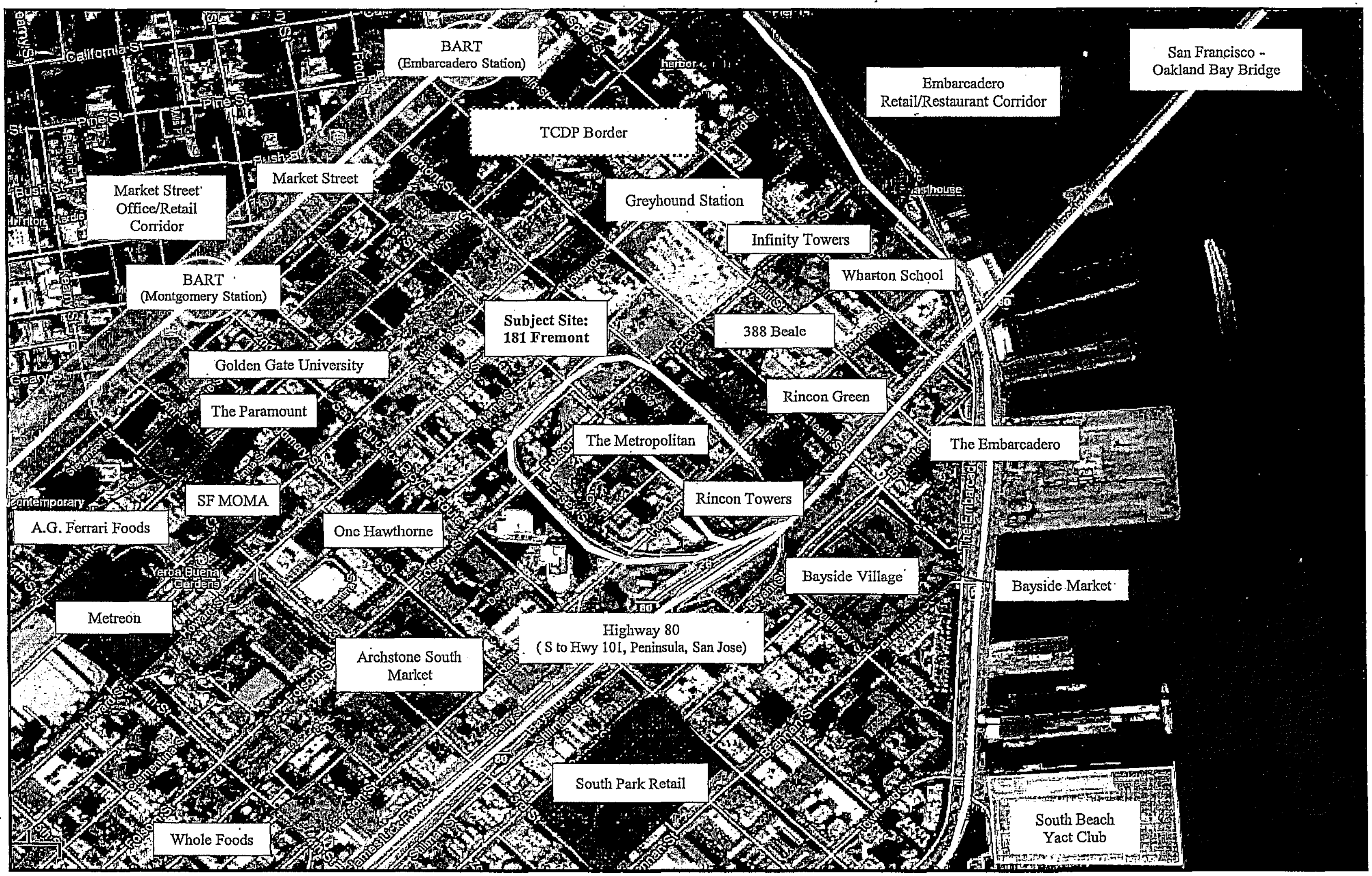
1474

III. Site Specific Analysis and Recommendations

1476

EXHIBIT III-1

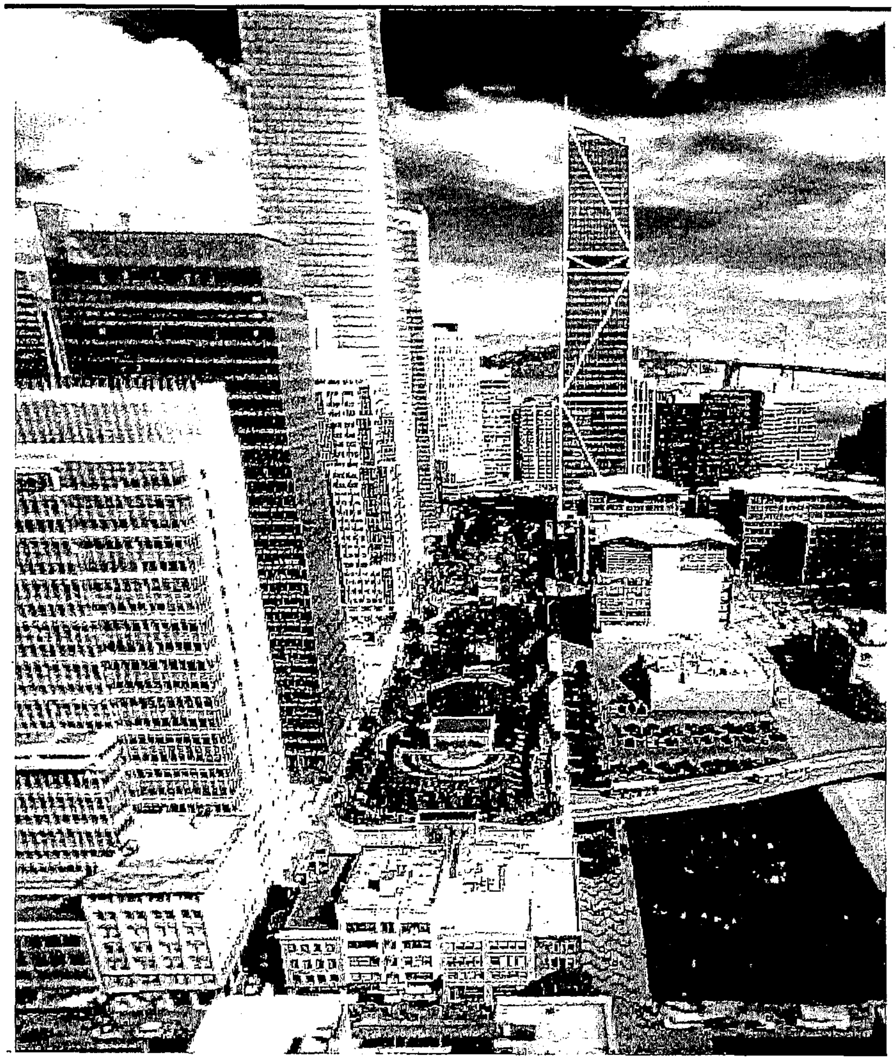
LOCAL SETTING
181 FREMONT STREET; SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

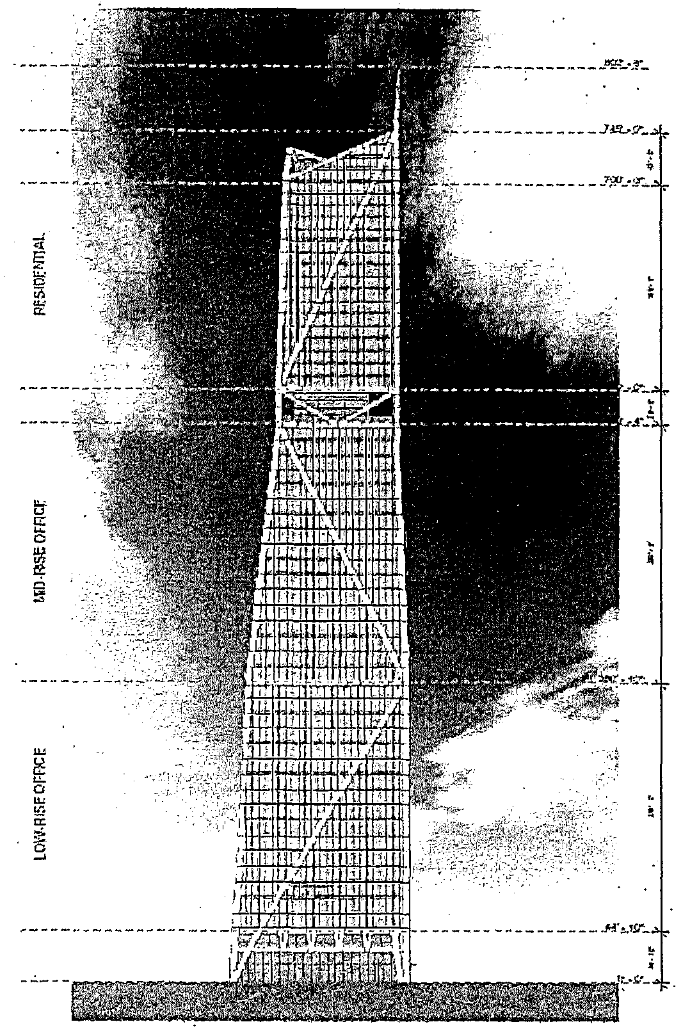


1477

EXHIBIT III-2

SITE PLAN
181 FREMONT STREET, SAN FRANCISCO, CALIFORNIA





07316.17 Site Plan.xlsm: Site Plan

THE CONCORD GROUP

EXHIBIT III-2

SITE PLAN
181 FREMONT STREET, SAN FRANCISCO, CALIFORNIA

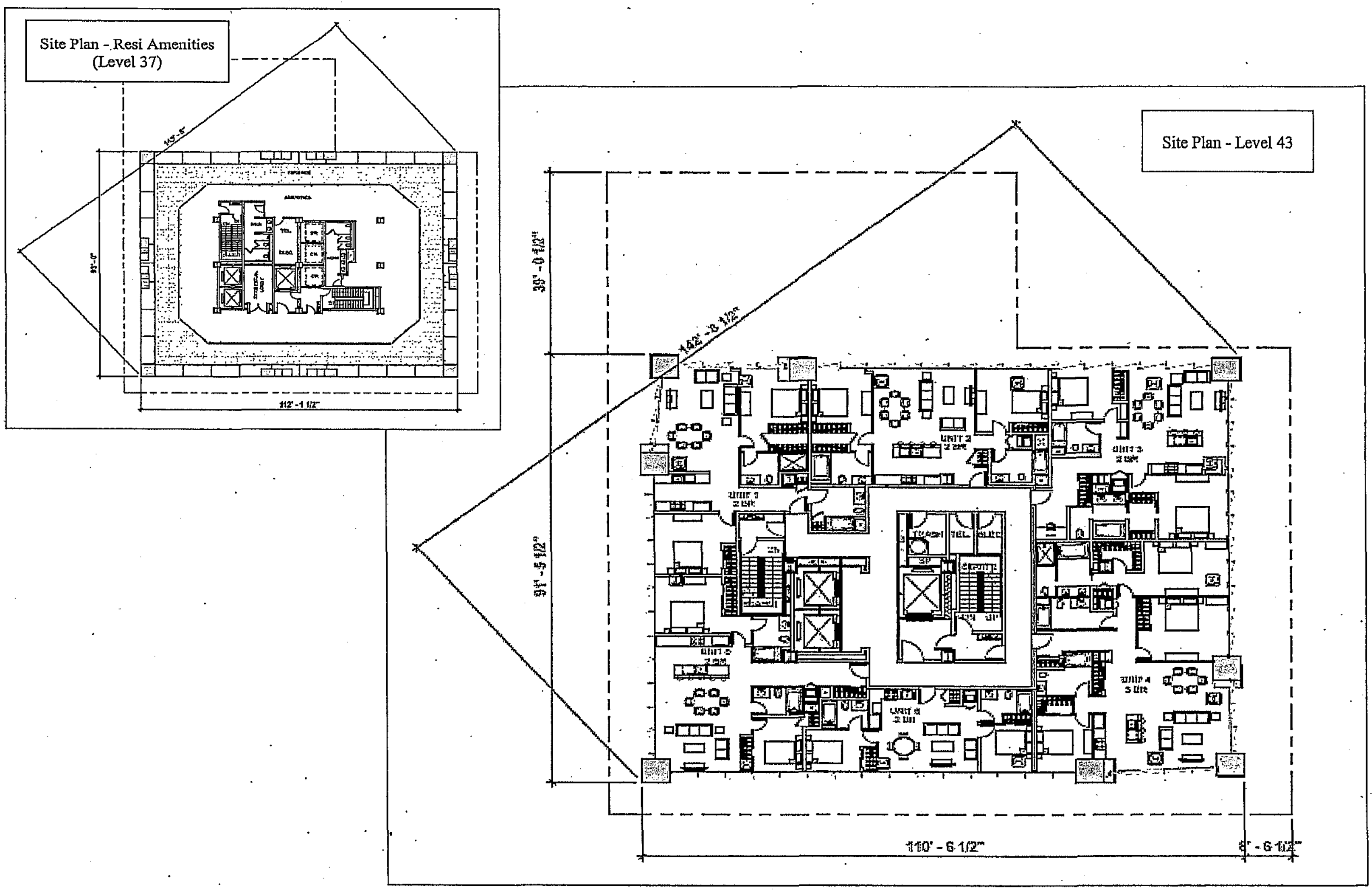


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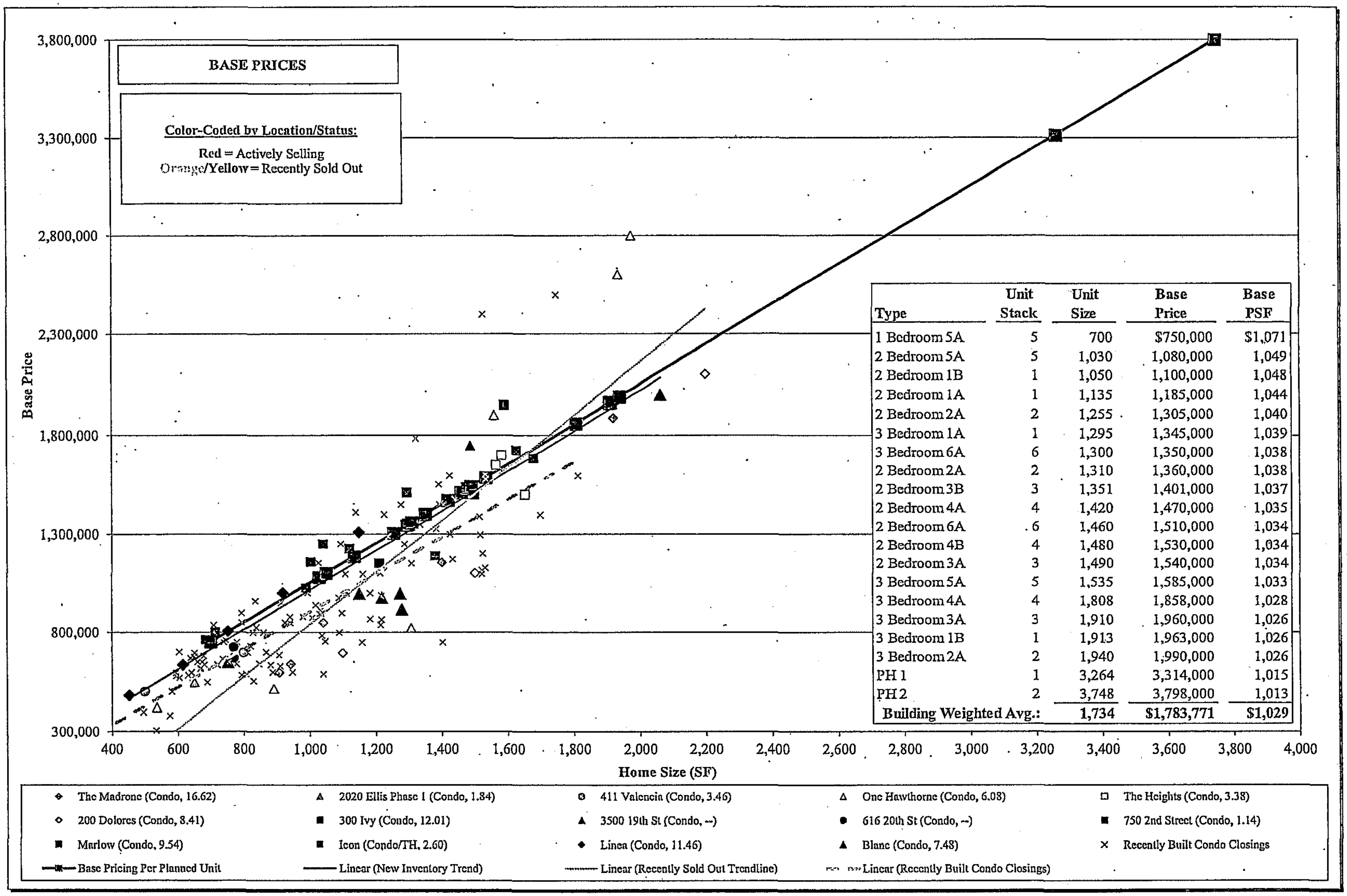
EXHIBIT III-3

FOR-SALE PRODUCT PROGRAM POSITIONING
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013



Type	Unit Stack	Unit Size	Base Price	Base PSF
1 Bedroom 5A	5	700	$750,000	$1,071
2 Bedroom 5A	5	1,030	1,080,000	1,049
2 Bedroom 1B	1	1,050	1,100,000	1,048
2 Bedroom 1A	1	1,135	1,185,000	1,044
2 Bedroom 2A	2	1,255	1,305,000	1,040
3 Bedroom 1A	1	1,295	1,345,000	1,039
3 Bedroom 6A	6	1,300	1,350,000	1,038
2 Bedroom 2A	2	1,310	1,360,000	1,038
2 Bedroom 3B	3	1,351	1,401,000	1,037
2 Bedroom 4A	4	1,420	1,470,000	1,035
2 Bedroom 6A	6	1,460	1,510,000	1,034
2 Bedroom 4B	4	1,480	1,530,000	1,034
2 Bedroom 3A	3	1,490	1,540,000	1,034
3 Bedroom 5A	5	1,535	1,585,000	1,033
3 Bedroom 4A	4	1,808	1,858,000	1,028
3 Bedroom 3A	3	1,910	1,960,000	1,026
3 Bedroom 1B	1	1,913	1,963,000	1,026
3 Bedroom 2A	2	1,940	1,990,000	1,026
PH 1	1	3,264	3,314,000	1,015
PH 2	2	3,748	3,798,000	1,013
Building Weighted Avg.:		**1,734**	**$1,783,771**	**$1,029**

Note: The numbers in parenthesees represent lot size and absorption, respectively.

EXHIBIT III-4

PROGRAM AND PRICING RATIONALE
181 FREMONT STREET; SAN FRANCISCO, CALIFORNIA
OCTOBER 2013

I. Building Pricing Matrix (Market Rate Unit Values: 74 Total Units)

	Unit One						Unit Two					
Floor	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF
54	PH	3,264	$3,314,000	39.8%	$4,631,315	$1,419	PH	3,748	$3,798,000	39.8%	$5,307,705	$1,416
53	PH	3,264	3,314,000	39.0%	4,606,460	1,411	PH	3,748	3,798,000	39.0%	5,279,220	1,409
52	3BR	1,913	1,963,000	38.3%	2,713,848	1,419	3BR	1,940	1,990,000	38.3%	2,751,175	1,418
51	3BR	1,913	1,963,000	37.5%	2,699,125	1,411	3BR	1,940	1,990,000	37.5%	2,736,250	1,410
50	3BR	1,913	1,963,000	36.8%	2,684,403	1,403	3BR	1,940	1,990,000	36.8%	2,721,325	1,403
49	2BR	1,050	1,100,000	36.0%	1,496,000	1,425	2BR	1,310	1,360,000	36.0%	1,849,600	1,412
48	2BR	1,050	1,100,000	35.3%	1,487,750	1,417	2BR	1,310	1,360,000	35.3%	1,839,400	1,404
47	2BR	1,050	1,100,000	34.5%	1,479,500	1,409	2BR	1,310	1,360,000	34.5%	1,829,200	1,396
46	2BR BMR	1,050	1,100,000	33.8%	1,471,250	1,401	2BR	1,310	1,360,000	33.8%	1,819,000	1,389
45	2BR BMR	1,050	1,100,000	33.0%	1,463,000	1,393	2BR	1,310	1,360,000	33.0%	1,808,800	1,381
44	2BR BMR	1,050	1,100,000	32.3%	1,454,750	1,385	2BR	1,310	1,360,000	32.3%	1,798,600	1,373
43	2BR BMR	1,050	1,100,000	31.5%	1,446,500	1,378	2BR	1,310	1,360,000	31.5%	1,788,400	1,365
42	2BR BMR	1,050	1,100,000	30.8%	1,438,250	1,370	2BR	1,310	1,360,000	30.8%	1,778,200	1,357
41	3BR BMR	1,295	1,345,000	30.0%	1,748,500	1,350	2BR	1,255	1,305,000	30.0%	1,696,500	1,352
40	2BR	1,135	1,185,000	29.3%	1,531,613	1,349	2BR	1,255	1,305,000	29.3%	1,686,713	1,344
39	2BR	1,135	1,185,000	28.5%	1,522,725	1,342	2BR	1,255	1,305,000	28.5%	1,676,925	1,336
38		—		27.8%	—	—		—		27.8%	—	—
37		—		27.0%	—	—		—		27.0%	—	—
36		—		26.3%	—	—		—		26.3%	—	—
35		—		25.5%	—	—		—		25.5%	—	—
34		—		24.8%	—	—		—		24.8%	—	—
33		—		24.0%	—	—		—		24.0%	—	—
32		—		23.3%	—	—		—		23.3%	—	—
31		—		22.5%	—	—		—		22.5%	—	—
30		—		21.8%	—	—		—		21.8%	—	—
29		—		21.0%	—	—		—		21.0%	—	—
28		—		20.3%	—	—		—		20.3%	—	—
27		—		19.5%	—	—		—		19.5%	—	—
26		—		18.8%	—	—		—		18.8%	—	—
25		—		18.0%	—	—		—		18.0%	—	—
24		—		17.3%	—	—		—		17.3%	—	—
23	**Office**			16.5%	—	—	**Office**			16.5%	—	—
22				15.8%	—	—				15.8%	—	—
21		—		15.0%	—	—		—		15.0%	—	—
20		—		14.3%	—	—		—		14.3%	—	—
19		—		13.5%	—	—		—		13.5%	—	—
18		—		12.8%	—	—		—		12.8%	—	—
17		—		12.0%	—	—		—		12.0%	—	—
16		—		11.3%	—	—		—		11.3%	—	—
15		—		10.5%	—	—		—		10.5%	—	—
14		—		9.8%	—	—		—		9.8%	—	—
13		—		9.0%	—	—		—		9.0%	—	—
12		—		8.3%	—	—		—		8.3%	—	—
11		—		7.5%	—	—		—		7.5%	—	—
10		—		6.8%	—	—		—		6.8%	—	—
9		—		6.0%	—	—		—		6.0%	—	—
8		—		5.3%	—	—		—		5.3%	—	—
7		—		4.5%	—	—		—		4.5%	—	—
6		—		3.8%	—	—		—		3.8%	—	—
5		—		3.0%	—	—		—		3.0%	—	—
4		—		2.3%	—	—		—		2.3%	—	—
3		—		1.5%	—	—		—		1.5%	—	—
2		—		0.8%	—	—		—		0.8%	—	—
1		—		0.0%	—	—		—		0.0%	—	—

	Unit Three						Unit Four					
Floor	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF
54	—	—	—	—	—	—	—	—	—	—	—	—
53	—	—	—	—	—	—	—	—	—	—	—	—
52	2BR	1,351	$1,401,000	38.3%	$1,936,883	$1,434	3BR	1,808	$1,858,000	38.3%	$2,568,685	$1,421
51	2BR	1,351	1,401,000	37.5%	1,926,375	1,426	3BR	1,808	1,858,000	37.5%	2,554,750	1,413
50	2BR	1,351	1,401,000	36.8%	1,915,868	1,418	3BR	1,808	1,858,000	36.8%	2,540,815	1,405
49	3BR	1,910	1,960,000	36.0%	2,665,600	1,396	2BR	1,480	1,530,000	36.0%	2,080,800	1,406
48	3BR	1,910	1,960,000	35.3%	2,650,900	1,388	2BR	1,480	1,530,000	35.3%	2,069,325	1,398
47	3BR	1,910	1,960,000	34.5%	2,636,200	1,380	2BR	1,480	1,530,000	34.5%	2,057,850	1,390
46	3BR	1,910	1,960,000	33.8%	2,621,500	1,373	2BR	1,480	1,530,000	33.8%	2,046,375	1,383
45	3BR	1,910	1,960,000	33.0%	2,606,800	1,365	2BR	1,480	1,530,000	33.0%	2,034,900	1,375
44	3BR	1,910	1,960,000	32.3%	2,592,100	1,357	2BR	1,480	1,530,000	32.3%	2,023,425	1,367
43	3BR	1,910	1,960,000	31.5%	2,577,400	1,349	2BR	1,480	1,530,000	31.5%	2,011,950	1,359
42	3BR	1,910	1,960,000	30.8%	2,562,700	1,342	2BR	1,480	1,530,000	30.8%	2,000,475	1,352
41	2BR	1,490	1,540,000	30.0%	2,002,000	1,344	2BR	1,420	1,470,000	30.0%	1,911,000	1,346
40	2BR	1,490	1,540,000	29.3%	1,990,450	1,336	2BR	1,420	1,470,000	29.3%	1,899,975	1,338
39	2BR	1,490	1,540,000	28.5%	1,978,900	1,328	2BR	1,420	1,470,000	28.5%	1,888,950	1,330
38		—		27.8%	—	—		—		27.8%	—	—
37		—		27.0%	—	—		—		27.0%	—	—
36		—		26.3%	—	—		—		26.3%	—	—
35		—		25.5%	—	—		—		25.5%	—	—
34		—		24.8%	—	—		—		24.8%	—	—
33		—		24.0%	—	—		—		24.0%	—	—
32		—		23.3%	—	—		—		23.3%	—	—
31		—		22.5%	—	—		—		22.5%	—	—
30		—		21.8%	—	—		—		21.8%	—	—
29		—		21.0%	—	—		—		21.0%	—	—
28		—		20.3%	—	—		—		20.3%	—	—
27		—		19.5%	—	—		—		19.5%	—	—
26		—		18.8%	—	—		—		18.8%	—	—
25		—		18.0%	—	—		—		18.0%	—	—
24		—		17.3%	—	—		—		17.3%	—	—
23	**Office**			16.5%	—	—	**Office**			16.5%	—	—
22				15.8%	—	—				15.8%	—	—
21		—		15.0%	—	—		—		15.0%	—	—
20		—		14.3%	—	—		—		14.3%	—	—
19		—		13.5%	—	—		—		13.5%	—	—
18		—		12.8%	—	—		—		12.8%	—	—
17		—		12.0%	—	—		—		12.0%	—	—
16		—		11.3%	—	—		—		11.3%	—	—
15		—		10.5%	—	—		—		10.5%	—	—
14		—		9.8%	—	—		—		9.8%	—	—
13		—		9.0%	—	—		—		9.0%	—	—
12		—		8.3%	—	—		—		8.3%	—	—
11		—		7.5%	—	—		—		7.5%	—	—
10		—		6.8%	—	—		—		6.8%	—	—
9		—		6.0%	—	—		—		6.0%	—	—
8		—		5.3%	—	—		—		5.3%	—	—
7		—		4.5%	—	—		—		4.5%	—	—
6		—		3.8%	—	—		—		3.8%	—	—
5		—		3.0%	—	—		—		3.0%	—	—
4		—		2.3%	—	—		—		2.3%	—	—
3		—		1.5%	—	—		—		1.5%	—	—
2		—		0.8%	—	—		—		0.8%	—	—
1		—		0.0%	—	—		—		0.0%	—	—

	Unit Five						Unit Six					
Floor	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF	Unit Type	Unit Size	Unit Base Price	Cumulative Prem	Unit Total Price	PSF
54	—	—	—	—	—	—	—	—	—	—	—	—
53	—	—	—	—	—	—	—	—	—	—	—	—
52	—	—	—	—	—	—	—	—	—	—	—	—
51	—	—	—	—	—	—	—	—	—	—	—	—
50	—	—	—	—	—	—	—	—	—	—	—	—
49	2BR	1,535	$1,585,000	36.0%	$2,155,600	$1,404	—	—	—	—	—	—
48	2BR	1,535	1,585,000	35.3%	2,143,713	1,397	—	—	—	—	—	—
47	2BR	1,535	1,585,000	34.5%	2,131,825	1,389	—	—	—	—	—	—
46	2BR	1,535	1,585,000	33.8%	2,119,938	1,381	—	—	—	—	—	—
45	2BR	1,535	1,585,000	33.0%	2,108,050	1,373	—	—	—	—	—	—
44	2BR	1,535	1,585,000	32.3%	2,096,163	1,366	—	—	—	—	—	—
43	2BR	1,535	1,585,000	31.5%	2,084,275	1,358	—	—	—	—	—	—
42	2BR	1,535	1,585,000	30.8%	2,072,388	1,350	—	—	—	—	—	—
41	1BR BMR	700	750,000	30.0%	975,000	1,393	2BR	1,460	$1,510,000	30.0%	$1,963,000	$1,34
40	2BR BMR	1,030	1,080,000	29.3%	1,395,900	1,355	3BR BMR	1,300	1,350,000	29.3%	1,744,875	1,34
39	2BR BMR	1,030	1,080,000	28.5%	1,387,800	1,347	3BR BMR	1,300	1,350,000	28.5%	1,734,750	1,33
38		—		27.8%	—	—		—		27.8%	—	—
37		—		27.0%	—	—		—		27.0%	—	—
36		—		26.3%	—	—		—		26.3%	—	—
35		—		25.5%	—	—		—		25.5%	—	—
34		—		24.8%	—	—		—		24.8%	—	—
33		—		24.0%	—	—		—		24.0%	—	—
32		—		23.3%	—	—		—		23.3%	—	—
31		—		22.5%	—	—		—		22.5%	—	—
30		—		21.8%	—	—		—		21.8%	—	—
29		—		21.0%	—	—		—		21.0%	—	—
28		—		20.3%	—	—		—		20.3%	—	—
27		—		19.5%	—	—		—		19.5%	—	—
26		—		18.8%	—	—		—		18.8%	—	—
25		—		18.0%	—	—		—		18.0%	—	—
24		—		17.3%	—	—		—		17.3%	—	—
23	**Office**			16.5%	—	—	**Office**			16.5%	—	—
22				15.8%	—	—				15.8%	—	—
21		—		15.0%	—	—		—		15.0%	—	—
20		—		14.3%	—	—		—		14.3%	—	—
19		—		13.5%	—	—		—		13.5%	—	—
18		—		12.8%	—	—		—		12.8%	—	—
17		—		12.0%	—	—		—		12.0%	—	—
16		—		11.3%	—	—		—		11.3%	—	—
15		—		10.5%	—	—		—		10.5%	—	—
14		—		9.8%	—	—		—		9.8%	—	—
13		—		9.0%	—	—		—		9.0%	—	—
12		—		8.3%	—	—		—		8.3%	—	—
11		—		7.5%	—	—		—		7.5%	—	—
10		—		6.8%	—	—		—		6.8%	—	—
9		—		6.0%	—	—		—		6.0%	—	—
8		—		5.3%	—	—		—		5.3%	—	—
7		—		4.5%	—	—		—		4.5%	—	—
6		—		3.8%	—	—		—		3.8%	—	—
5		—		3.0%	—	—		—		3.0%	—	—
4		—		2.3%	—	—		—		2.3%	—	—
3		—		1.5%	—	—		—		1.5%	—	—
2		—		0.8%	—	—		—		0.8%	—	—
1		—		0.0%	—	—		—		0.0%	—	—

II. BMR Prices (11 Units Total)

HUD Table Assumptions

Unit Type	Median Income	Available for Housing	Annual Condo Fee	Taxes 1.17%	Available for P&I	Mortgage 5.44%	10% Down Payment	BMR Price
1BR BMR	$72,850	$24,041	$5,040	$3,059	$15,941	$235,523	$26,169	$261,692
2BR BMR	82,000	27,060	5,520	3,468	18,072	267,002	29,667	296,669
3BR BMR	91,100	30,063	6,000	3,875	20,188	298,276	33,142	331,418

Adjusted BMR Pricing (Per Developer, Condo Fee in Excess of $1,000 per month)

Unit Type	Median Income	Available for Housing	Annual Condo Fee	Taxes 1.17%	Available for P&I	Mortgage 5.44%	10% Down Payment	[illegible]
1BR BMR	$72,850	$24,041	$12,000	$1,939	$10,102	$149,250	$16,583	$165,833
2BR BMR	82,000	27,060	$12,000	2,425	12,635	186,678	20,742	207,420
3BR BMR	91,100	30,063	$12,000	2,908	15,155	223,902	24,878	248,780

III. Impact Calculations

Floor	Unit Type	Unit Size	Market Rate Total Price	Adjusted BMR Price	Revenue Difference
46	2BR BMR	1,050	$1,471,250	$207,420	$1,263,830
45	2BR BMR	1,050	1,463,000	207,420	1,255,580
44	2BR BMR	1,050	1,454,750	207,420	1,247,330
43	2BR BMR	1,050	1,446,500	207,420	1,239,080
42	2BR BMR	1,050	1,438,250	207,420	1,230,830
41	3BR BMR	1,295	1,748,500	248,780	1,499,720
40	-	-	-	-	-
39	-	-	-	-	-
Totals:			$9,022,250	$1,285,881	[illegible]

Unit Type	Unit Size	Market Rate Total Price	Adjusted BMR Price	Revenue Difference	Unit Type	Unit Size	Market Rate Total Price	Adjusted BMR Price	Revenue Difference	Unit Type	Unit Size	Market Rate Total Price	Adjusted BMR Price	Revenue Difference
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals:		$0	$0	[illegible]	Totals:		$0	$0	[illegible]	Totals:		$0	$0	[illegible]

Unit Type	Unit Size	Market Rate Total Price	Adjusted BMR Price	Revenue Difference	Unit Type	Unit Size	Market Rate Total Price	Adjusted BMR Price	Revenue Difference
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1BR BMR	700	$975,000	$165,833	$809,167	-	-	-	-	-
2BR BMR	1,030	1,395,900	207,420	1,188,480	3BR BMR	1,300	$1,744,875	$248,780	$1,496,095
2BR BMR	1,030	1,387,800	248,780	1,139,020	3BR BMR	1,300	1,734,750	248,780	1,485,970
Totals:		$3,758,700	$622,033	[illegible]	Totals:		$3,479,625	$497,560	[illegible]

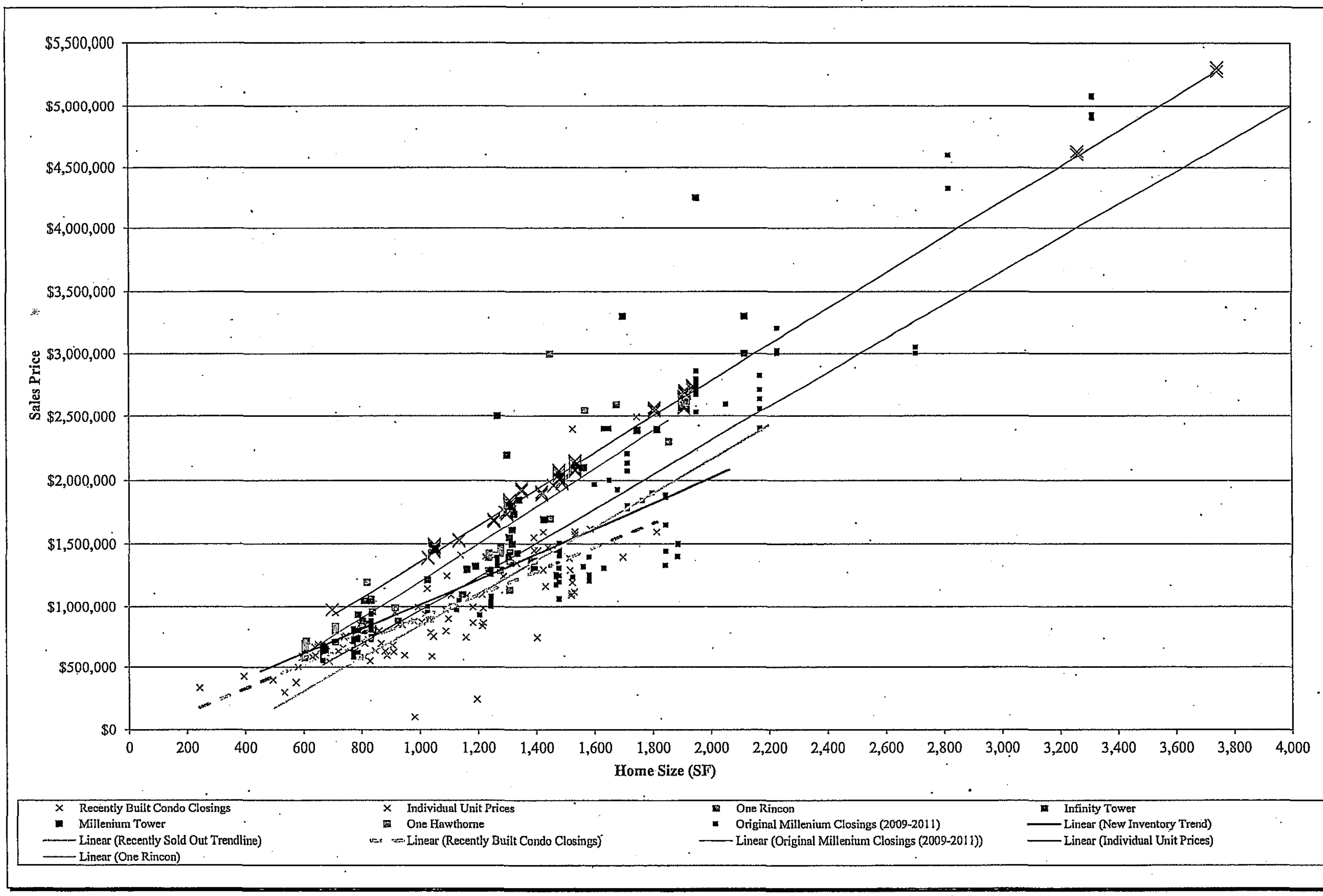
Total Revenue Difference: $13,855,101
Difference Unit: $1,259,555

Note: Below Market Rate Units Indicated by Green Text

1480

EXHIBIT III-5

FOR-SALE PRODUCT PROGRAM POSITIONING INCLUDING PREMIUMS
SAN FRANCISCO, CALIFORNIA
OCTOBER 2013



1481

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THE CONCORD GROUP

EXHIBIT III-6

HIGH RISE CONDOMINIUM SALES AND LISTINGS BY FLOOR
SAN FRANCISCO, CALIFORNIA
LAST SIX MONTHS

	181 Fremont Recommendations				Millenium Tower				Infinity Tower			
Floor	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF
54	2	3,506	4,969,510	$1,417	–	–	–	–	–	–	–	–
53	2	3,506	4,942,840	1,410	–	–	–	–	–	–	–	–
52	4	1,753	2,492,648	1,422	–	–	–	–	–	–	–	–
51	4	1,753	2,479,125	1,414	–	–	–	–	–	–	–	–
50	4	1,753	2,465,603	1,407	–	–	–	–	–	–	–	–
49	5	1,457	2,049,520	1,407	1	2,819	$5,550,000	$1,969	–	–	–	–
48	5	1,457	2,038,218	1,399	–	–	–	–	–	–	–	–
47	5	1,457	2,026,915	1,391	–	–	–	–	–	–	–	–
46	5	1,457	2,015,613	1,383	–	–	–	–	–	–	–	–
45	5	1,457	2,004,310	1,376	–	–	–	–	–	–	–	–
44	5	1,457	1,993,008	1,368	–	–	–	–	–	–	–	–
43	5	1,457	1,981,705	1,360	1	1,952	4,250,000	2,177	–	–	–	–
42	5	1,457	1,970,403	1,352	–	–	–	–	2	2,117	$3,147,500	$1,487
41	6	1,270	1,716,000	1,351	–	–	–	–	–	–	–	–
40	6	1,272	1,708,254	1,343	–	–	–	–	–	–	–	–
39	6	1,272	1,698,342	1,336	–	–	–	–	1	1,300	2,200,000	1,692
38	–	–	–	–	–	–	–	–	–	–	–	–
37	–	–	–	–	–	–	–	–	–	–	–	–
36	–	–	–	–	–	–	–	–	1	1,700	3,295,000	1,938
35	–	–	–	–	–	–	–	–	2	1,332	1,792,500	1,346
34	–	–	–	–	–	–	–	–	–	–	–	–
33	–	–	–	–	–	–	–	–	1	1,268	2,500,000	1,972
32	–	–	–	–	–	–	–	–	1	1,563	2,100,000	1,344
31	–	–	–	–	–	–	–	–	1	1,563	2,100,000	1,344
30	–	–	–	–	–	–	–	–	1	804	880,000	1,095
29	–	–	–	–	–	–	–	–	–	–	–	–
28	–	–	–	–	–	–	–	–	1	1,748	2,388,000	1,366
27	–	–	–	–	–	–	–	–	–	–	–	–
26	–	–	–	–	–	–	–	–	2	1,058	1,299,500	1,228
25	–	–	–	–	–	–	–	–	1	1,193	1,323,000	1,109
24	–	–	–	–	1	789	935,000	1,185	–	–	–	–
23	–	–	–	–	–	–	–	–	–	–	–	–
22	–	–	–	–	–	–	–	–	1	1,163	1,300,000	1,118
21	–	–	–	–	–	–	–	–	–	–	–	–
20	–	–	–	–	1	1,027	1,220,000	1,188	1	1,307	1,400,000	1,071
20+ Avg:	74	1,734	$2,409,501	$1,390	4	1,647	$2,988,750	$1,815	16	1,394	$1,978,885	$1,420
19	–	–	–	–	–	–	–	–	–	–	–	–
18	–	–	–	–	–	–	–	–	1	1,317	1,499,000	1,138
17	–	–	–	–	–	–	–	–	1	1,307	1,365,000	1,044
16	–	–	–	–	1	833	1,070,000	1,285	–	–	–	–
15	–	–	–	–	–	–	–	–	1	1,317	1,610,000	1,222
14	–	–	–	–	–	–	–	–	–	–	–	–
13	–	–	–	–	–	–	–	–	–	–	–	–
12	–	–	–	–	–	–	–	–	–	–	–	–
11	–	–	–	–	–	–	–	–	–	–	–	–
10	–	–	–	–	–	–	–	–	2	973	962,500	989
9	–	–	–	–	–	–	–	–	–	–	–	–
8	–	–	–	–	–	–	–	–	3	1,381	1,321,667	957
7	–	–	–	–	–	–	–	–	1	1,113	999,000	898
6	–	–	–	–	1	833	1,050,000	1,261	–	–	–	–
5	–	–	–	–	–	–	–	–	1	1,394	1,365,000	979
4	–	–	–	–	–	–	–	–	3	1,020	971,667	953
3	–	–	–	–	1	1,816	2,395,000	1,319	4	990	965,250	975
2	–	–	–	–	–	–	–	–	–	–	–	–
1	–	–	–	–	–	–	–	–	–	–	–	–
Below 20 Avg:	0	–	–	–	3	1,161	$1,505,000	$1,297	17	1,201	$1,228,787	$1,023

	One Rincon				St. Regis Residences				The Metropolitan			
Floor	#	Size	Price	PSF	#	Size	Price	PSF	#	Size	Price	PSF
54	1	1,449	$2,999,000	$2,070	–	–	–	–	–	–	–	–
53	–	–	–	–	–	–	–	–	–	–	–	–
52	–	–	–	–	–	–	–	–	–	–	–	–
51	–	–	–	–	–	–	–	–	–	–	–	–
50	–	–	–	–	–	–	–	–	–	–	–	–
49	1	610	718,000	1,177	–	–	–	–	–	–	–	–
48	–	–	–	–	–	–	–	–	–	–	–	–
47	1	819	1,200,000	1,465	–	–	–	–	–	–	–	–
46	1	1,278	1,469,000	1,149	–	–	–	–	–	–	–	–
45	–	–	–	–	–	–	–	–	–	–	–	–
44	–	–	–	–	–	–	–	–	–	–	–	–
43	1	605	699,000	1,155	–	–	–	–	–	–	–	–
42	1	710	838,000	1,180	–	–	–	–	–	–	–	–
41	1	710	810,000	1,141	–	–	–	–	–	–	–	–
40	2	721	820,500	1,138	–	–	–	–	–	–	–	–
39	2	658	767,000	1,167	–	–	–	–	–	–	–	–
38	–	–	–	–	–	–	–	–	–	–	–	–
37	–	–	–	–	–	–	–	–	–	–	–	–
36	1	1,278	1,425,000	1,115	–	–	–	–	–	–	–	–
35	–	–	–	–	–	–	–	–	–	–	–	–
34	–	–	–	–	–	–	–	–	–	–	–	–
33	1	1,309	1,435,000	1,096	–	–	–	–	–	–	–	–
32	–	–	–	–	–	–	–	–	–	–	–	–
31	–	–	–	–	1	1,731	$1,699,000	$982	–	–	–	–
30	1	1,856	2,300,000	1,239	–	–	–	–	–	–	–	–
29	–	–	–	–	–	–	–	–	–	–	–	–
28	2	1,355	1,557,500	1,149	–	–	–	–	–	–	–	–
27	1	1,238	1,430,000	1,155	1	1,767	2,250,000	1,273	–	–	–	–
26	1	710	710,000	1,000	1	1,527	2,400,000	1,572	–	–	–	–
25	–	–	–	–	–	–	–	–	–	–	–	–
24	–	–	–	–	–	–	–	–	–	–	–	–
23	1	1,238	1,395,000	1,127	–	–	–	–	–	–	–	–
22	–	–	–	–	1	1,147	1,250,000	1,090	–	–	–	–
21	–	–	–	–	–	–	–	–	–	–	–	–
20	–	–	–	–	–	–	–	–	2	981	$1,112,500	$1,135
20+ Avg:	19	1,034	$1,285,813	$1,244	4	1,543	$1,899,750	$1,231	2	981	$1,112,500	$1,135
19	–	–	–	–	–	–	–	–	1	795	859,000	1,081
18	–	–	–	–	–	–	–	–	1	795	860,000	1,082
17	–	–	–	–	–	–	–	–	2	599	683,000	1,141
16	1	605	650,000	1,074	–	–	–	–	1	506	588,000	1,162
15	–	–	–	–	–	–	–	–	–	–	–	–
14	3	887	929,667	1,048	–	–	–	–	–	–	–	–
13	1	1,278	1,295,000	1,013	–	–	–	–	–	–	–	–
12	1	1,238	1,288,000	1,040	–	–	–	–	–	–	–	–
11	–	–	–	–	–	–	–	–	1	995	1,025,000	1,030
10	–	–	–	–	–	–	–	–	1	675	678,000	1,004
9	1	1,309	1,140,000	871	–	–	–	–	1	506	495,000	978
8	1	605	577,000	954	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–
6	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–
3	–	–	–	–	–	–	–	–	–	–	–	–
2	–	–	–	–	–	–	–	–	1	963	930,000	966
1	–	–	–	–	–	–	–	–	–	–	–	–
Below 20 Avg:	8	987	$979,944	$993	0	–	–	–	9	729	$764,750	$1,049

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EXHIBIT III-6

HIGH RISE CONDOMINIUM SALES AND LISTINGS BY FLOOR
SAN FRANCISCO, CALIFORNIA
LAST SIX MONTHS

Floor	181 Fremont Recommendations #	Size	Price	PSF	SoMa Grand #	Size	Price	PSF	The Beacon #	Size	Price	PSF
54	2	3,506	4,969,510	$1,417	–	–	–	–	–	–	–	–
53	2	3,506	4,942,840	1,410	–	–	–	–	–	–	–	–
52	4	1,753	2,492,648	1,422	–	–	–	–	–	–	–	–
51	4	1,753	2,479,125	1,414	–	–	–	–	–	–	–	–
50	4	1,753	2,465,603	1,407	–	–	–	–	–	–	–	–
49	5	1,457	2,049,520	1,407	–	–	–	–	–	–	–	–
48	5	1,457	2,038,218	1,399	–	–	–	–	–	–	–	–
47	5	1,457	2,026,915	1,391	–	–	–	–	–	–	–	–
46	5	1,457	2,015,613	1,383	–	–	–	–	–	–	–	–
45	5	1,457	2,004,310	1,376	–	–	–	–	–	–	–	–
44	5	1,457	1,993,008	1,368	–	–	–	–	–	–	–	–
43	5	1,457	1,981,705	1,360	–	–	–	–	–	–	–	–
42	5	1,457	1,970,403	1,352	–	–	–	–	–	–	–	–
41	6	1,270	1,716,000	1,351	–	–	–	–	–	–	–	–
40	6	1,272	1,708,254	1,343	–	–	–	–	–	–	–	–
39	6	1,272	1,698,342	1,336	–	–	–	–	–	–	–	–
38	–	–	–	–	–	–	–	–	–	–	–	–
37	–	–	–	–	–	–	–	–	–	–	–	–
36	–	–	–	–	–	–	–	–	–	–	–	–
35	–	–	–	–	–	–	–	–	–	–	–	–
34	–	–	–	–	–	–	–	–	–	–	–	–
33	–	–	–	–	–	–	–	–	–	–	–	–
32	–	–	–	–	–	–	–	–	–	–	–	–
31	–	–	–	–	–	–	–	–	–	–	–	–
30	–	–	–	–	–	–	–	–	–	–	–	–
29	–	–	–	–	–	–	–	–	–	–	–	–
28	–	–	–	–	–	–	–	–	–	–	–	–
27	–	–	–	–	–	–	–	–	–	–	–	–
26	–	–	–	–	–	–	–	–	–	–	–	–
25	–	–	–	–	–	–	–	–	–	–	–	–
24	–	–	–	–	–	–	–	–	–	–	–	–
23	–	–	–	–	–	–	–	–	–	–	–	–
22	–	–	–	–	1	764	825,000	1,080	–	–	–	–
21	–	–	–	–	–	–	–	–	–	–	–	–
20	–	–	–	–	–	–	–	–	–	–	–	–
20+ Avg:	74	1,734	$2,409,501	$1,390	1	764	$825,000	$1,080	0	–	–	–
19	–	–	–	–	1	756	755,000	999	–	–	–	–
18	–	–	–	–	1	1,146	1,289,000	1,125	–	–	–	–
17	–	–	–	–	1	1,201	1,245,000	1,037	–	–	–	–
16	–	–	–	–	1	664	596,000	898	1	822	725,000	882
15	–	–	–	–	–	–	–	–	–	–	–	–
14	–	–	–	–	1	756	670,000	886	1	982	104,077	106
13	–	–	–	–	–	–	–	–	2	943	819,000	869
12	–	–	–	–	2	765	794,500	1,039	1	868	729,000	840
11	–	–	–	–	1	765	649,000	848	1	1,286	1,050,000	816
10	–	–	–	–	2	761	650,000	855	1	868	699,000	805
9	–	–	–	–	2	1,184	974,000	823	1	862	699,000	811
8	–	–	–	–	3	850	786,333	925	2	1,215	1,066,000	878
7	–	–	–	–	–	–	–	–	2	839	633,500	756
6	–	–	–	–	–	–	–	–	4	985	724,000	735
5	–	–	–	–	–	–	–	–	4	1,135	662,753	584
4	–	–	–	–	–	–	–	–	1	1,518	1,218,750	803
3	–	–	–	–	–	–	–	–	–	–	–	–
2	–	–	–	–	–	–	–	–	1	592	489,000	826
1	–	–	–	–	–	–	–	–	–	–	–	–
Below 20 Avg:	0	–	–	–	15	885	$840,883	$950	22	993	$739,929	$745

Floor	The Watermark #	Size	Price	PSF	The Brannan #	Size	Price	PSF	The Bridgeview #	Size	Price	PSF	One Hawthorne #	Size	Price	PSF
54	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
53	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
52	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
51	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
50	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
49	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
48	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
47	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
46	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
45	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
44	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
43	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
42	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
41	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
40	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
39	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
38	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
37	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
36	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
35	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
34	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
33	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
32	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
31	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
30	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
29	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
28	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
27	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
26	–	–	–	–	–	–	–	–	1	2,106	$2,750,000	$1,306	–	–	–	–
25	–	–	–	–	–	–	–	–	1	832	775,000	931	–	–	–	–
24	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
23	–	–	–	–	–	–	–	–	–	–	–	–	1	–	1,950,000	–
22	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
21	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20	1	1,259	$1,695,000	$1,346	–	–	–	–	–	–	–	–	–	–	–	–
20+ Avg:	1	1,259	$1,695,000	$1,346	0	–	–	–	2	1,469	$1,762,500	$1,200	1	–	$1,950,000	–
19	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18	–	–	–	–	1	1,321	1,690,888	1,280	1	1,215	1,099,000	905	–	–	–	–
17	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16	–	–	–	–	2	1,244	1,852,500	1,489	–	–	–	–	–	–	–	–
15	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14	–	–	–	–	–	–	–	–	1	1,102	969,888	880	1	1,313	1,350,000	1,028
13	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	–	–	–	–	1	1,425	1,505,000	1,056	2	1,052	914,000	869	–	–	–	–
11	–	–	–	–	–	–	–	–	1	669	620,000	927	1	915	990,000	1,083
10	–	–	–	–	–	–	–	–	1	669	615,000	919	–	–	–	–
9	–	–	–	–	1	1,516	1,487,000	981	–	–	–	–	–	–	–	–
8	–	–	–	–	1	1,516	1,550,000	1,022	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	1	675	334,411	495	–	–	–	–
6	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	1	1,019	1,010,000	991	1	981	870,000	887	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	1	826	325,897	395	–	–	–	–
3	–	–	–	–	1	927	855,000	922	1	1,038	785,000	756	–	–	–	–
2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1	1	831	699,000	841	–	–	–	–	–	–	–	–	–	–	–	–
Below 20 Avg:	2	925	$854,500	$924	8	1,276	$1,401,484	$1,099	9	906	$707,900	$782	2	1,114	$1,170,000	$1,050

Exhibit C

TRANSBAY REDEVELOPMENT PROJECT AREA

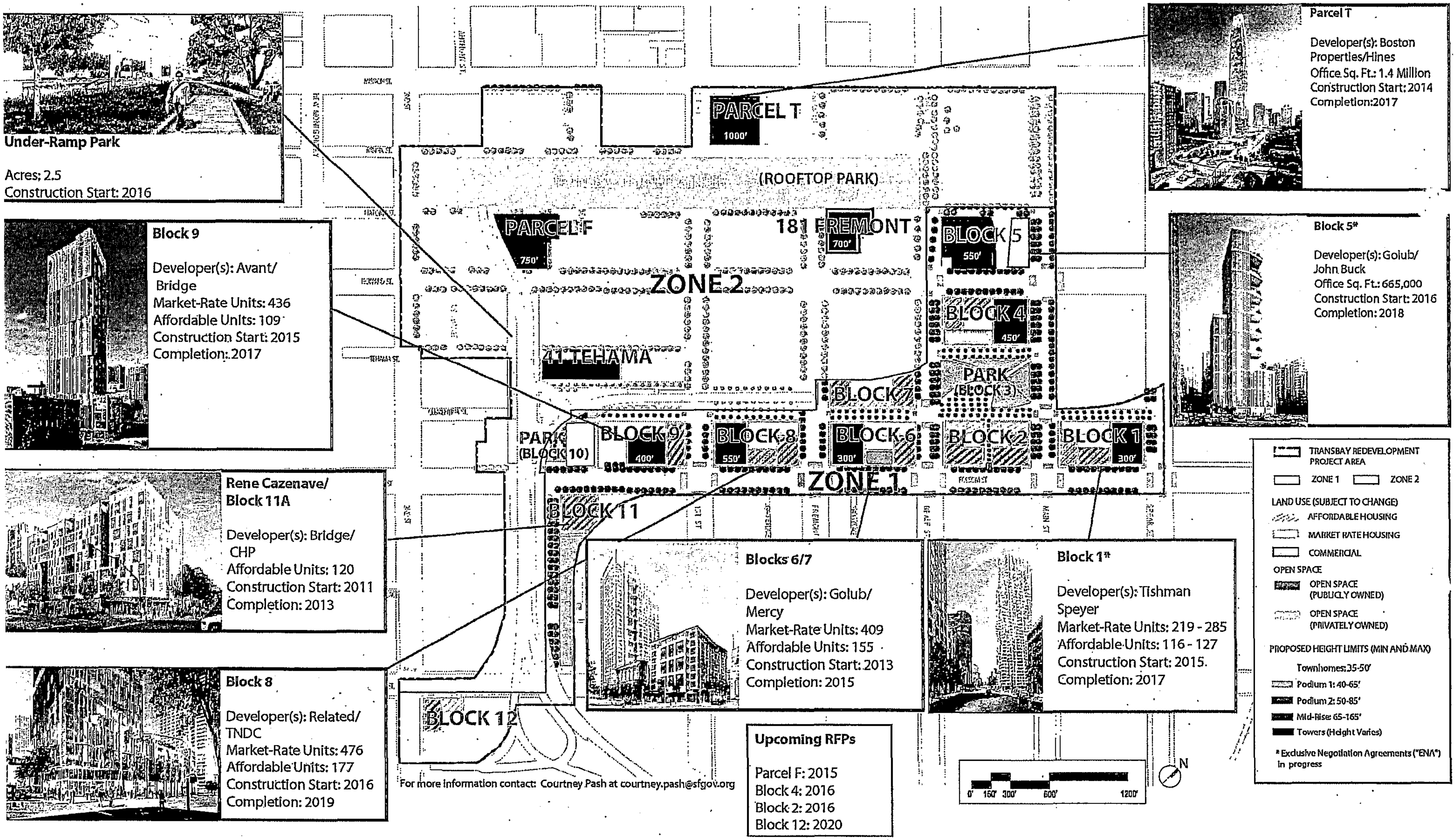

Exhibit B

From: Benjamin, Maria (MYR)
Sent: Tuesday, September 23, 2014 2:33 PM
To: White, Jeffrey (CII)
Cc: Hartley, Kate (MYR)
Subject: RE: 181 Fremont, proposal re: inclusionary BMRs
Attachments: 181 Fremont MOHCD BMR Pricing Baseline and with proposed HOAs.pdf

Hi Jeff. Thanks for sharing the discussion that the OCII Commission is having about 181 Fremont offering onsite inclusionary units. As you know, while many developers opt for the in lieu fee, MOHCD policy historically has allowed developers citywide to provide inclusionary BMR obligation off-site. We have found that the off-site units avoid affordability obstacles that occur when they are included a luxury building. In today's market, accepting the 181 Fremont in-lieu fee isn't unusual or an isolated circumstance.

MOHCD supports accepting $13.85 million in lieu of 11 units at 181 Fremont as is consistent with MOHCD policy and practice:

- HOA fees at $2,000 per month (wow!) would be a disproportionately large portion of a homebuyer's monthly housing cost at approximately 84% of total housing cost. This severely limits the size of a mortgage the homebuyer could carry, and limits the mortgage interest tax deduction, which is a significant benefit of homeownership.
- Unit sales prices would be well below $100,000 artificially low/distorted due to extremely high HOA dues. This would result in a small first mortgage for the initial BMR homebuyer. A very low first mortgage on the BMR unit, severely limits the homebuyer's future ability to recoup at sale the money paid down on a mortgage over time – instead the majority will have been paid toward HOA dues. In a typical case, an owner will purchase a unit for $300,000 and pay a monthly $400 HOA fee. If the unit resells for, say, $320,000 the owner recoups the money paid down on the mortgage minus interest. If an owner buys a unit for $60,000 and sells the unit for $65,000 in 5 years, the owner has no chance of recouping the bulk of the payments that have been made over time, therefore losing one of the main benefits of ownership. A BMR buyer in this situation resembles a renter not an owner.
- BMR units at 181 Fremont would start in MOHCD's portfolio, not OCII-Limited Equity Program. MOHCD calculates the initial sales price with the HOA dues in. However, upon resale the HOA dues are not calculated in. This way, the seller can sell the unit based on increases in AMI without taking into consideration the HOA dues. Great for the seller however, the new buyer now has to pay the affordable sales price plus the monthly HOA dues. It makes it harder for the new buyer to be able to afford the AMI priced home without down payment assistance. Thanks to the Housing Trust Fund and a state grant, we have been able to provide downpayment assistance so that our new buyers can still afford our BMR's. While we acknowledge that this is a band-aid approach because we cannot indefinitely rely on DALP to cover rising HOA dues, we have been able to ensure that new buyer of resale units are able to afford their units. Having said that, we've never had HOA dues in excess of $1000. I'm not sure that even our DALP could bridge an affordability gap that large.
- With HOAs as a disproportionately large amount of their housing costs, a BMR homeowner is at increased risk because HOAs have historically increased more than inflation. Wealthier market-rate homebuyers, assuming they carry a mortgage, are impacted proportionally less by increasing HOAs and may have less incentive to control higher HOAs. For example, if $500 HOA monthly dues increase 10% = $50, but if $2,000 HOA monthly dues increase 10% = $200, making it more difficult for the BMR homeowner to absorb increases.
- MOHCD's stewardship obligation is both to the buyer and to the unit. An artificially low first mortgage will surely attract predatory lenders who see an opportunity to offer high interest second mortgages and lines of credit to our unassuming first time homebuyers leaving them vulnerable to foreclosure.

Instead of adding 11 BMR units at 181 Fremont, the $13.85 million in-lieu fee would leverage other funds and could create approximately 55 affordable units elsewhere in Transbay. A net increase of 44 affordable units. Great deal!!

Attached is a spreadsheet comparing "baseline" BMR pricing to pricing with the high HOAs at 181 Fremont.

Maria Benjamin
Director of Homeownership & Below Market Rate Programs
Mayor's Office of Housing & Community Development
City and County of San Francisco
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
415-701-5500
415-701-5511 direct

MOHCD is experiencing a high volume of applications for all DALP programs. Please allow 20 days review and process time of all loan packages.

141022 &
141023

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 80-2014
Adopted October 10, 2014

CONDITIONALLY APPROVING A VARIATION TO THE TRANSBAY REDEVELOPMENT PLAN'S ON-SITE AFFORDABLE HOUSING REQUIREMENT AS IT APPLIES TO THE MIXED-USE PROJECT AT 181 FREMONT STREET, SUBJECT TO APPROVAL BY THE BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO IN ITS CAPACITY AS LEGISLATIVE BODY FOR THE SUCCESSOR AGENCY TO THE SAN FRANCISCO REDEVELOPMENT AGENCY, AND AUTHORIZING THE ACCEPTANCE OF A FUTURE PAYMENT OF $13.85 MILLION TO THE SUCCESSOR AGENCY FOR USE IN FULFILLING ITS AFFORDABLE HOUSING OBLIGATIONS IN THE PROJECT AREA; TRANSBAY REDEVELOPMENT PROJECT AREA

WHEREAS, The California Legislature in 2003 enacted Assembly Bill 812 ("AB 812") authorizing the demolition of the historic Transbay Terminal building and the construction of the new Transbay Transit Center (the "TTC") (Stat. 2003, Chapter 99, codified at § 5027.1 of the Cal. Public Resources Code). AB 812 also mandated that 25 percent of the residential units developed in the area around the TTC "shall be available to" low income households, and an additional 10 percent "shall be available to" moderate income households if the City and County of San Francisco ("City") adopted a redevelopment plan providing for the financing of the TTC (the "Transbay Affordable Housing Obligation"); and,

WHEREAS, The Board of Supervisors of the City and County of San Francisco ("Board of Supervisors") approved a Redevelopment Plan for the Transbay Redevelopment Project Area ("Project Area") by Ordinance No. 124-05, adopted on June 21, 2005 and by Ordinance No. 99-06, adopted on May 9, 2006 ("Redevelopment Plan"). The Redevelopment Plan established a program for the Redevelopment Agency of the City and County of San Francisco ("Former Agency") to redevelop and revitalize the blighted Project Area; it also provided for the financing of the TTC and thus triggered the Transbay Affordable Housing Obligation; and

WHEREAS, The 2005 Report to the Board of Supervisors on the Redevelopment Plan ("Report") estimated that the Transbay Affordable Housing Obligation would require the development of 1200 affordable units. Report at p. VI-14 (Jan. 2005). The Report also stated: "The affordable housing in the Project Area will include approximately 388 inclusionary units, or units built within market-rate housing projects... The affordable housing will also include approximately 795 units in stand-alone, 100 percent affordable projects." Report at page VIII-7; and

WHEREAS, The Project Area is 40 acres in size and there are a limited number of publicly-owned properties ("Blocks") remaining on which to build affordable housing to meet the Transbay Affordable Housing Requirement. All of the remaining Blocks are already programmed for stand-alone, 100 percent affordable housing (e.g., Blocks 2 and 12), for commercial office space (e.g., Block 5 and Parcel F), or for a combination of market-rate and affordable housing, with specific land value goals that the Transbay Joint Powers Authority ("TJPA") has used in its funding plan for the TTC. Nonetheless, with an additional public subsidy, units may be added to proposed stand-alone affordable housing developments on one or more of the Blocks; and,

WHEREAS, The Redevelopment Plan established, under Cal. Health and Safety Code § 33333, the land use controls for the Project Area, required development to conform to those land use controls, and divided the Project Area into two land use zones: Zone One and Zone Two. The Redevelopment Plan required the Former Agency to exercise land use authority in Zone One and authorized it to delegate to the San Francisco Planning Department ("Planning Department") the land use controls of the San Francisco Planning Code ("Planning Code"), as amended from time to time, in Zone Two; and

WHEREAS, On May 3, 2005, the Former Agency and the Planning Department entered into a Delegation Agreement whereby the Planning Department assumed land use authority in Zone Two of the Project Area subject to certain conditions and procedures, including the requirement that the Planning Department's approval of projects shall be consistent with the Redevelopment Plan ("Delegation Agreement"); and,

WHEREAS, To fulfill the Transbay Affordable Housing Obligation, both the Redevelopment Plan and the Planning Code require that all housing developments within the Project Area contain a minimum of 15 percent on-site affordable housing. Redevelopment Plan, § 4.9.3; Planning Code, § 249.28 (b) (6) (the "On-Site Requirement"). Neither the Redevelopment Plan nor the Planning Code authorize off-site affordable housing construction or an "in-lieu" fee payment as an alternative to the On-Site Requirement in the Project Area; and,

WHEREAS The Redevelopment Plan provides a procedure and standards by which certain of its requirements and the provisions of the Planning Code may be waived or modified. Section 3.5.5 of the Redevelopment Plan states: "The Agency Commission, in its sole discretion, may grant a variation from the Plan, the Development Controls and Design Guidelines, or the Planning Code where enforcement would otherwise result in practical difficulties for development creating undue hardship for the property owner and constitute an unreasonable limitation beyond the intent of the Plan, the Design for Development or the Development Controls and Design Guidelines... Variations to the Plan or the Development Controls and Design Guidelines shall only be granted because of unique physical constraints or other extraordinary circumstances applicable to the property. The granting [of] a variation must be in harmony with the Plan, the Design for Development and the Development Controls and Design Guidelines and shall not be materially detrimental to the public welfare or materially injurious to neighboring property or improvements in the vicinity... In granting any variation, the Agency Commission shall specify the character and extent thereof, and shall also prescribe any such conditions as are necessary to secure the goals of the Plan, the Design for Development and the Development Controls and Design Guidelines;" and,

WHEREAS, On February 1, 2012, the Former Agency was dissolved pursuant to the provisions of California State Assembly Bill No. 1X 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26") and the decision by the California Supreme Court in California Redevelopment Assoc. v. Matosantos, 53 Cal.4th 231 (2011). On June 27, 2012, AB 26 was amended in part by California State Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"). (AB 26 and AB 1484 are codified in sections 33500 et seq. of the California Health and Safety Code, which sections, as amended from time to time, are referred to as the "Redevelopment Dissolution Law."); and,

WHEREAS, Under the Redevelopment Dissolution Law, all of the Former Agency's assets (other than certain housing assets) and obligations were transferred to the Successor Agency to the Former Agency, also known as the Office of Community Investment and Infrastructure ("Successor Agency" or "OCII"). Some of the Former Agency's housing assets were transferred to the Mayor's Office of Housing and Community Development ("MOHCD"), acting as the housing successor; and,

WHEREAS, To implement the Redevelopment Dissolution Law, the Board of Supervisors adopted Resolution No. 11-12 (Jan. 26, 2012) and Ordinance No. 215-12 (Oct. 4, 2012), which granted land use authority over the Former Agency's Major Approved Development Projects, including the Transbay Redevelopment Project, to the Successor Agency and its Commission. The Delegation Agreement, however, remains in effect and the Planning Department continues to exercise land use authority over development in Zone Two; and,

WHEREAS, On April 15, 2013, the California Department of Finance ("DOF") determined finally and conclusively that the Successor Agency has enforceable obligations under Redevelopment Dissolution Law to complete certain development in the Project Area, including the Transbay Affordable Housing Obligation; Letter, S. Szalay, DOF Local Government Consultant, to T. Bohee, Successor Agency Executive Director (April 15, 2012 [sic]); and

WHEREAS, On December 6, 2012, the Planning Commission approved Motions 18763, 18764, 18765 and the Zoning Administrator issued a variance decision (later revised on March 15, 2013) (collectively, the "Approvals") for a project at 181 Fremont Street in Zone 2 of the Project Area. The Approvals authorized the demolition of an existing three-story building and an existing two-story building, and the construction of a 52-story building reaching a roof height of approximately 700 feet with a decorative screen reaching a maximum height of approximately 745 feet and a spire reaching a maximum height of approximately 800 feet, containing approximately 404,000 square feet of office uses, approximately 74 dwelling units, approximately 2,000 square feet of retail space, and approximately 68,000 square feet of subterranean area with off-street parking, loading, and mechanical space (the "Project"). The Project also includes a bridge to the future elevated City Park situated on top of the Transit Center; and

WHEREAS, To comply with the On-Site Requirement, the Approvals require the Project to include approximately 11 inclusionary below-market-rate units that are affordable to income-eligible households. All of the Project's approximately 74 residential units are located on the highest 15 floors of the approximately 52-story building. The residential units will be for-sale units with home owners association (HOA) assessments that the Project's developer estimates will exceed $2000 per month; and

WHEREAS, On June 5, 2014, OCII received a request from the developer of 181 Fremont Street ("Developer") for a variation from the On-Site Requirement. The Developer proposed removing the affordability restrictions from the approximately 11 affordable units on-site and converting them to market rate units. Letter, J. Paul, 181 Fremont Street, LLC, to M. Grisso, OCII (June 5, 2014) ("Variation Request"), attached as Exhibit A to the Commission Memorandum related to this Resolution; and,

WHEREAS, In the Variation Request, the Developer explained that the Project was unique in that it is the only approved or proposed mixed-use office and housing development within the Project Area, it has the smallest number of residential units of any high rise development in the Project Area, its residential units are located on the upper 15 floors of an approximately 52-story tower, and its HOA dues will be in excess of $2000 per month. The Variation Request concludes that the application of the On-Site Requirement to the Project creates "practical difficulties for maintaining the affordability of the units because homeowners association ("HOA") fees, already high in such developments, will likely increase such that the original residents would not be able to afford the payments" and thus "creates an undue hardship for both the Project Sponsor and the owners of the inclusionary housing units;" and

WHEREAS, The Variation Request proposes that the Successor Agency grant a variation on the condition that the Developer contribute $13.85 million toward the development of affordable housing in the Project Area. Payment of this fee would ensure that the conversion of the approximately 11 inclusionary units to market rate units does not adversely affect the Successor Agency's compliance with the Transbay Affordable Housing Obligation; and

WHEREAS, The following facts support a finding that the On-Site Requirement imposes practical difficulties for the Project creating undue hardships for the owners of the inclusionary below-market-rate units ("BMR Owners") and MOHCD, as the public agency that would be responsible for enforcing the long-term affordability restrictions on the on-site units:

1) HOA fees pay for the costs of operating and maintaining the common areas and facilities of a condominium project and generally must be allocated equally among all of the units subject to the assessment, Cal. Code Reg., title 10, § 2792.16 (a). HOA fees may not be adjusted based on the below-market-rate ("BMR") status of the unit or the income level of the homeowner. If HOA fees increase, BMR Owners will generally be required to pay the same amount of increases in regular assessments and of special assessments as other owners.

2) The City's Inclusionary Affordable Housing Program ensures that income-eligible households are able to afford, at initial occupancy, all of the housing costs, but does not cover increases in HOA dues that occur over time. Initially, the LEHP will decrease the cost of the BMR unit itself to ensure that income-eligible applicants are able to meet all of the monthly costs, including HOA fees. Neither the Successor Agency nor MOHCD has a program, however, for assisting owners in BMR units when increases in regular monthly HOA fees occur.

3) Members of homeowner associations may approve increases in HOA fees without the support of the BMR Owners because BMR Owners, particularly in a development with inclusionary units, typically constitute a small minority of the total HOA membership. Increases less than 20 percent of the regular assessment may occur without a vote of the HOA; increases exceeding 20 percent require a majority vote of members in favor. Cal. Civil Code § 5605 (b). In addition, a homeowner association may impose special assessments to cover the costs of capital expenditures for repairs and other purposes. *Id.*

4) State legislation to provide protections to low- and moderate-income households in inclusionary BMR units of a market-rate building when HOA fees increase has been unsuccessful to date, *see e.g.* Assembly Bill No. 952, vetoed by Governor, Sep. 27, 2008 (2007-08 Reg. Sess.).

5) When HOA fees increase or special assessments are imposed, BMR Owners whose incomes have not increased comparably may have difficulty making the higher monthly payments for HOA fees. The result is that housing costs may become unaffordable and some BMR Owners will face the hardship of having to sell their unit at the reduced prices required under the limited equity programs of the Successor Agency and MOHCD. A recent nation-wide review and analysis of inclusionary housing programs concluded: "Condominium fees can increase substantially over time, making the overall costs of homeownership unsustainable for low- and moderate-income households. Rising condominium fees are a growing problem for many municipalities...Program administrators can set the initial affordable home price low enough to offset high initial condominium fees but, increases in these fees over time for new amenities or building repairs, can in some cases rival mortgage payments on below-market-rate units, leading to high overall housing costs, potential default, or homeowners being forced to sell their units." R. Hickey, et al, *Achieving Lasting Affordability through Inclusionary Housing* at page 33, Lincoln Institute of Land Policy (2014), *available at* http://www.lincolninst.edu/pubs/2428_Achieving-Lasting-Affordability-through-Inclusionary-Housing. *See also* Carol Lloyd, *Owners' Dues Keep Going Up*, S.F.

Chronicle, Aug. 5, 2007, *available at* http://www.sfgate.com/default/article/Owners-dues-keep-going-up-2526988.php; Robert Hickey, *After the Downturn: New Challenges and Opportunities for Inclusionary Housing*, Center for Housing Policy at page 10 (Feb. 2013), *available at* http://www.nhc.org/media/files/InclusionaryReport201302.pdf ("Multiple jurisdictions have had problems with HOA fees in [high-amenity, luxury developments] and other properties rising beyond what owners of inclusionary units can afford.").

6) If the BMR Owner is forced to sell the inclusionary unit because of the high HOA fees, the cost of the restricted affordable unit, which will now include the high HOA fees, will be assumed by either the subsequent income-eligible buyer or by MOHCD. In either case, the high HOA dues will have caused an additional hardship. *See* Robert Hickey, *After the Downturn: New Challenges and Opportunities for Inclusionary Housing*, Center for Housing Policy, page 10 (Feb. 2013), *available at* http://www.nhc.org/media/files/InclusionaryReport201302.pdf ("Rising fees and special assessments undercut the affordability of inclusionary units for both existing owners and future homebuyers. Jurisdictions struggle to prevent or even just stay apprised of these cost increases. And for jurisdictions committed to maintaining the affordability of their inclusionary housing stock--ownership as well as rental--the cost of offsetting higher fees can be exorbitant, compromising a municipality's ability to promote affordability elsewhere in its jurisdiction."); and

WHEREAS, MOHCD supports the finding that the On-Site Requirement creates undue hardships for the BMR Owners and MOHCD because the high HOA fees, which would be a disproportionately large portion of a BMR Owner's monthly housing costs, would detract from many of the traditional benefits associated with homeownership, such as the mortgage interest tax deduction, and put both the BMR Owners and the BMR units at risk. (See email dated September 23, 2014 from Maria Benjamin, Director of Homeownership and Below Market Rate Programs for MOHCD, attached as Exhibit B to the Commission Memorandum related to this Resolution.)

WHEREAS, The hardship imposed by the On-Site Requirement constitutes an unreasonable limitation beyond the intent of the Redevelopment Plan to create affordable housing for the longest feasible time, as required under the Community Redevelopment Law, Cal. Health & Safety Code § 33334.3 (f) (1); and

WHEREAS, The following facts support a finding that extraordinary circumstances apply to the Project:

1) The Project is unique in that it is a mixed-use, high-rise development with a very small number of for-sale, on-site inclusionary affordable housing units at the top of the tower. Of high-rise development recently approved or proposed in the Project Area, the Project is the only mixed-use development with commercial office and residential uses and has the smallest number of residential units. As

noted above, the construction of affordable housing units at the top of a high-rise creates practical difficulties for maintaining the affordability of the units.

2) The Developer has offered to contribute toward the Transbay Inclusionary Housing Obligation $13.85 million, which constitutes approximately 2.5 times the amount of the affordable housing fee that would be permitted under the City's Inclusionary Affordable Housing Program if this Project were located outside of the Project Area. *See* San Francisco Planning Code, §§ 415.1 et seq. The Successor Agency can use those funds to subsidize the equivalent of up to 69 stand-alone affordable housing units on publicly-owned parcels in the Project Area and thus significantly increase the number of affordable units that would be produced under the On-Site Requirement. The amount of the affordable housing fee was determined based on a market analysis by a real estate economics firm retained by the Successor Agency, The Concord Group ("TCG"). As shown in Exhibit A to the Commission Memorandum related to this Resolution, TCG calculated the net additional revenue that would accrue to the developer if 11 on-site affordable housing units were converted to market-rate units and concluded that the developer would accrue an additional $13.85 million.

WHEREAS, The payment of $13.85 million as a condition of granting the Variation Request ensures that the variation will not be materially detrimental to the public welfare and is necessary to secure the goals of the Redevelopment Plan to fulfill the Transbay Affordable Housing Obligation; and

WHEREAS Approval of the Variation Request would be subject to approval by the Board of Supervisors , in its capacity as legislative body for the Successor Agency, because it constitutes a material change to a Successor Agency affordable housing program, Ordinance No. 215-12, § 6 (a) (providing that "the Successor Agency Commission shall not modify the Major Approved Development Projects or the Retained Housing Obligations in any manner that would . . . materially change the obligations to provide affordable housing without obtaining the approval of the Board of Supervisors…."); and

WHEREAS, The San Francisco Planning Commission and Board of Supervisors will consider approving a development agreement with the Developer that would be consistent with this Resolution, would provide relief from the on-site affordable housing requirement in Section 249.28 of the Planning Code, and would require the Developer to pay an affordable housing fee of $13.85 million to the Successor Agency for its use in fulfilling the Transbay Affordable Housing Obligation. The form of the proposed development agreement is attached to this resolution as Exhibit A; and

WHEREAS, Approval of the Variation Request does not compel any changes in the Project that the Planning Commission previously approved. Rather, approval of the Variation Request merely authorizes Planning Commission and Board of Supervisors to consider a future action that would remove the On-Site Requirement from the Project. Thus, approval of the Variation Request and authorizing the future acceptance of $13.85 million for the Transbay Affordable

Housing Obligation does not constitute a project under the California Environmental Quality Act ("CEQA"), CEQA Guidelines (California Code of Regulations Title 14) Section 15378 (b)(4) because it merely creates a government funding mechanism that does not involve any commitment to a specific project; now, therefore, be it

RESOLVED, The Commission on Community Investment and Infrastructure, as Successor Agency, hereby approves a variation to the Redevelopment Plan's On-Site Requirement at 181 Fremont Street consistent with the Variation Request, subject to approval by the Board of Supervisors, acting in its capacity as the legislative body for the Successor Agency, on the condition that the Developer pay $13.85 million to the Successor Agency for use in fulfilling the Transbay Affordable Housing Obligation; and, be it further

RESOLVED, The Commission on Community Investment and Infrastructure authorizes the Executive Director to take appropriate and necessary actions to effectuate the purpose of this resolution.

Exhibit A: Development Agreement

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of October 10, 2014.

Lucinda Nguyen
Commission Secretary

RECORDING REQUESTED BY
CLERK OF THE BOARD OF SUPERVISORS
OF THE CITY AND COUNTY OF SAN FRANCISCO

(Exempt from Recording Fees
Pursuant to Government Code
Section 27383)

AND WHEN RECORDED MAIL TO:

Angela Calvillo, Clerk of the Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

**DEVELOPMENT AGREEMENT
BY AND BETWEEN
THE CITY AND COUNTY OF SAN FRANCISCO
AND 181 FREMONT STREET LLC,
RELATIVE TO THE DEVELOPMENT KNOWN AS
181 FREMONT DEVELOPMENT PROJECT**

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**DEVELOPMENT AGREEMENT
BY AND BETWEEN
THE CITY AND COUNTY OF SAN FRANCISCO
AND 181 FREMONT STREET LLC, A DELAWARE LIMITED LIABILITY
COMPANY, RELATIVE TO THE DEVELOPMENT KNOWN AS
THE 181 FREMONT DEVELOPMENT PROJECT**

THIS DEVELOPMENT AGREEMENT (this "**Agreement**") dated for reference purposes only as of this _____ day of ___________, 2014, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a political subdivision and municipal corporation of the State of California (the "**City**"), acting by and through its Planning Department, and 181 Fremont Street LLC, a Delaware limited liability company, its permitted successors and assigns (the "**Developer**"), pursuant to the authority of Section 65864 *et seq.* of the California Government Code.

RECITALS

This Agreement is made with reference to the following facts:

A. Developer is the owner of that certain property known as 181 Fremont Street (the "**Project Site**") which is an irregularly shaped property formed by two parcels measuring a total of 15,313 square feet, located on the east side of Fremont Street, between Mission and Howard Streets. The Project Site is within the C-3-0 (SD) District, the 700-S-2 Height and Bulk District, the Transit Center C-3-0 (SD) Commercial Special Use District, the Transbay C-3 Special Use District, the Transit Center District Plan area (the "**TCDP**") and in Zone 2 of the Transbay Redevelopment Project Area (the "**Project Area**").

B. The Redevelopment Plan for the Project Area ("Plan") establishes land use controls and imposes other requirements on development within the Project Area. Notably, the Plan incorporates, in section 4.9.2, state law requirements that 25 percent of the residential units developed in the Project Area "shall be available to" low income households, and an additional 10 percent "shall be available to" moderate income households. Cal. Public Resources Code § 5027.1 (the "Transbay Affordable Housing Obligation"). To fulfill the Transbay Affordable Housing Obligation, both the Plan and the San Francisco Planning Code ("Planning Code") require that all housing developments within the Project Area contain a minimum of 15 percent on-site affordable housing. Redevelopment Plan, § 4.9.3; Planning Code, § 249.28 (b) (6) (the "On-Site Requirement"). Neither the Redevelopment Plan nor the Planning Code authorize off-site affordable housing construction or an "in-lieu" fee payment as an alternative to the On-Site Requirement in the Project Area.

C. The Plan provides that the land use controls for Zone 2 of the Project Area shall be the Planning Code, as amended from time to time, so long as any amendments to the Planning Code are consistent with the Plan. Through a Delegation Agreement, the former Redevelopment Agency of the City and County of San Francisco (the "Former Agency") delegated jurisdiction for permitting of projects in Zone 2 (including the Project Site) to the

Planning Department, with the Planning Code governing development, except for certain projects that require Redevelopment Agency action.

D. However, pursuant to Section 3.5.5 of the **Plan**, the Commission on Community Investment and Infrastructure (**"CCII"**) (as the Commission to the Successor Agency to the Former Agency, a public body organized and existing under the laws of the State of California, also known as the Office of Community Investment and Infrastructure (**"Successor Agency"** or **"OCII"**)), has the authority to grant a variation from the Plan and the associated Transbay Development Controls and Design Guidelines, or the Planning Code where the enforcement of these controls would otherwise result in practical difficulties for development creating undue hardship for the property owner and constitute an unreasonable limitation beyond the intent of the Plan, the Transbay Design for Development or the Transbay Development Controls and Design Guidelines.

E. Where a variation or other action of the Successor Agency materially changes the Successor Agency's obligations to provide affordable housing, the Board of Supervisors ("Board") must approve that action. San Francisco Ordinance No. 215-12, § 6 (a) (Oct. 4, 2012).

F. On December 6, 2012, the Planning Commission approved Motions 18763, 18764, 18765 and the Zoning Administrator issued a variance decision (later revised on March 15, 2013) (collectively, the **"Approvals"**). The Approvals approved a project on the Project Site (the **"Project"**) that would demolish an existing three-story building and an existing two-story building, and construct a 52-story building reaching a roof height of approximately 700 feet with a decorative screen reaching a maximum height of approximately 745 feet and a spire reaching a maximum height of approximately 800 feet, containing approximately 404,000 square feet of office uses, approximately 74 dwelling units, approximately 2,000 square feet of retail space, and approximately 68,000 square feet of subterranean area with off-street parking, loading, and mechanical space. The Project also includes a bridge to the future elevated City Park situated on top of the Transbay Transit Center.

G. As part of the Project approval on December 6, 2012, the Planning Commission found that the Project was consistent with the objectives, policies, general land uses and programs specified in the General Plan, as amended, and the Planning Principles set forth in Section 101.1 of the Planning Code (together, the **"General Plan Consistency Findings"**).

H. As part of the Project approval on December 6, 2012, Conditions of Approval were placed on the Project including the On-Site Requirement that pursuant to Planning Code Sections 249.28(b)(6) and 415.6 and Plan Section 4.9.3, the Project is required to provide 15% of the proposed dwelling units as affordable to qualifying households.

I. Developer has commenced construction of the Project in accordance with the provisions of the Plan, the Planning Code and the Approvals applicable thereto, including the On-Site Requirement (the **"Existing Requirements"**).

J. In order to strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development, the Legislature of the State of California adopted Government Code Section 65864 et seq. (the **"Development**

Agreement Statute"), which authorizes the City to enter into a development agreement with any person having a legal or equitable interest in real property related to the development of such property. Pursuant to the Development Agreement Statute, the City adopted Chapter 56 (**"Chapter 56"**) of the San Francisco Administrative Code establishing procedures and requirements for entering into a development agreement. The Parties are entering into this Agreement in accordance with the Development Agreement Statute and Chapter 56.

K. Approval of this Agreement does not compel any changes in the Project that the Planning Commission previously approved. Rather, approval of this Agreement merely authorizes the Commission on Community Investment and Infrastructure, Planning Commission and Board of Supervisors to remove the On-Site Requirement from the Project. Thus, approval of this Agreement and authorizing the future acceptance of $13.85 million for the Transbay Affordable Housing Obligation does not constitute a project under the California Environmental Quality Act ("CEQA"), CEQA Guidelines Section 15378 (b)(4) because it merely creates a government funding mechanism that does not involve any commitment to a specific project..

L. On June 5, 2014, OCII received a request from the Developer for a variation from the On-Site Requirement. The Developer proposed removing the affordability restrictions from the 11 affordable units on-site and converting them to market rate units. Letter, J. Paul, 181 Fremont Street, LLC, to M. Grisso, OCII (June 5, 2014) ("Variation Request"), attached as Exhibit A.

M. The Developer's Variation Request explained that the Project was unique in that it is the only approved or proposed mixed-use office and housing development within the Project Area, it has the smallest number of residential units of any high rise development in the Project Area, its residential units are located on the upper 15 floors of a 52 story tower, and its HOA dues will be in excess of $2000 per month. The Variation Request concludes that the application of the On-Site Requirement to the Project will create practical difficulties for maintaining the affordability of the units because homeowners association ("HOA") fees, which are already high in such developments, will likely increase such that the original residents would not be able to afford the payments and thus an undue hardship can be created for both the Project Sponsor and the owners of the inclusionary housing units.

N. The Variation Request proposes that the Successor Agency grant a variation on the condition that the Developer contribute $13.85 million toward the development of affordable housing in the Project Area (the "Affordable Housing Fee"). Payment of this fee would ensure that the conversion of the 11 inclusionary units to market rate units does not adversely affect the Successor Agency's compliance with the Transbay Affordable Housing Obligation

O. On _________, 2014, CCII, pursuant to Resolution No. _______, approved a variation pursuant to Section 3.5.5 of the Plan, allowing the Project to pay the Affordable Housing Fee in lieu of satisfying the On-Site Requirement (the **"OCII Variation"**), attached as Exhibit B.

P. The Board, in its capacity as the governing body of OCII, has reviewed the OCII Variation under the authority that it reserved to itself in Ordinance No. 215-12 to approve material changes to the Successor Agency's affordable housing program and has approved, by Board of Supervisors Resolution No. ____, the actions of OCII in granting the OCII Variation.

Q. The City has determined that as a result of the development of the Project in accordance with this Agreement additional, clear benefits to the public will accrue that could not be obtained through application of existing City ordinances, regulations, and policies because the payment of the Affordable Housing Fee and use thereof in accordance with this Agreement rather than compliance with the On-Site Requirements will result in more affordable housing units within the Project Area at deeper affordability levels while maintaining land values necessary for the financing assumptions of the Transbay Joint Powers Authority (the "**TJPA**"). The basis for this determination is the following:

- To achieve the overall goal of at least 35% of all new housing development units within the Project Area, there must be both inclusionary units and stand-alone affordable housing developments in the Project Area.
- The Plan's 2005 report set a goal of 388 inclusionary units and approximately 795 stand-alone affordable housing units but at the time of the Plan's adoption, mixed-use, high-rise developments were not contemplated within the Project Area.
- The Project Area covers 40 acres and includes blocks programmed for: (i) stand-alone affordable housing developments; (ii) all or a majority of office space; and (iii) a combination of market and affordable housing.
- The TJPA established specific land value goals for each block in its funding plan for the Transbay Transit Center (the "**TTC**") and there are a limited number of publicly-owned blocks remaining upon which affordable housing may be built to meet the Plan's 35% affordability requirement.
- Adding affordable housing to blocks that must be sold to finance the TTC is not feasible without significantly reducing the land value and thereby creating shortfalls in the TTC funding.
- Due to zoning restrictions, the addition of affordable units to a block will result in a decrease of the number of market-rate units that may be built on that block. However, each block contains both market-rate and stand-alone affordable parcels and it is possible to add stand-alone affordable housing units to one or more of the stand-alone affordable parcels on a particular block while reducing the number of inclusionary units on the market rate parcel. This would result in the increase of the total amount of affordable housing, but would require additional public subsidy to fund the bonus stand-alone units.
- The Affordable Housing Fee is estimated to be capable of subsidizing the equivalent of approximately 69 stand-alone affordable housing units on publicly owned parcels in the Project Area in contrast to the up to 11 units that would be produced under the On-Site Requirement and accordingly the Affordable Housing Fee will allow OCII to better fulfill the requirements of the Transbay Affordable Housing Obligation (as

defined in Recital B above). In addition, the 69 stand-alone affordable housing units would provide deeper affordability levels (50% of AMI) compared to the levels (100% of AMI) that would be achieved through the application of the On-Site Requirement for up to 11 units.

- In addition, due to the unique nature of the Property, any affordable units created under the On-Site Requirement would have challenges associated with maintaining their affordability in so much as the residential units within the Project are for-sale and include high homeowners fees, in excess of $2,000 per month. Although the initial price of the affordable for-sale units would be adjusted to reflect the cost of these fees, after completion of the Project such fees may rise from time-to-time in a manner that might cause the once affordable units to become unaffordable.

- The City and OCII determined the amount of the Affordable Housing Fee following review of an analysis and determination by The Concord Group ("**TCG**"), a real estate economics firm (see report, Exhibit C). TCG calculated the net additional revenue that would accrue to the Developer if the 11 on-site affordable units were converted to market-rate units.

R. It is the intent of the Parties that all acts referred to in this Agreement shall be accomplished in a way as to fully comply with CEQA, the CEQA Guidelines, Chapters 31 and 56 of the San Francisco Administrative Code, the Development Agreement Statute, the Enacting Ordinance and all other applicable laws as of the Effective Date. This Agreement does not limit the City's obligation to comply with applicable environmental laws, including CEQA, before taking any discretionary action regarding the Project, or Developer's obligation to comply with all applicable laws in connection with the development of the Project.

S. On _________, the Planning Commission held a public hearing and approved Motion ___, conditionally amending the Conditions of Approval applicable to the Project related to the On-Site Requirement, which Conditions of Approval are attached to this Agreement as Exhibit D.

T. On _________, the Planning Commission held a public hearing on this Agreement, duly noticed and conducted under the Development Agreement Statute and Chapter 56. Following the public hearing, the Planning Commission made General Plan Consistency Findings with respect to this Agreement and recommended adoption of an ordinance approving this Agreement.

U. On _________, the Board, having received the Planning Commission's recommendations, held a public hearing on this Agreement pursuant to the Development Agreement Statute and Chapter 56. Following the public hearing, the Board approved the actions of OCII in granting the OCII Variation pursuant to Resolution No. ______ and adopted Ordinance No. _____, approving this Agreement, incorporating by reference the General Plan Consistency Findings, and authorizing the Planning Director to execute this Agreement on behalf of the City (the "**Enacting Ordinance**"). The Enacting Ordinance took effect on ____, 2014.

Now therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. GENERAL PROVISIONS

1.1 Incorporation of Preamble, Recitals and Exhibits. The preamble paragraph, Recitals, and Exhibits, and all defined terms contained therein, are hereby incorporated into this Agreement as if set **forth in full.**

1.2 Definitions. In addition to the definitions set forth in the above preamble paragraph, Recitals and elsewhere in this Agreement, the following definitions shall apply to this Agreement:

1.2.1 "**Administrative Code**" shall mean the San Francisco Administrative Code.

1.2.2 "Affordable Housing Fee" shall mean the payment, pursuant to Section 2.1 of this Agreement, from the Developer to the City in the amount of thirteen million eight hundred fifty thousand dollars ($13,850,000) for fulfillment of the Transbay Affordable Housing Obligation.

1.2.3 "**Board of Supervisors**" or "**Board**" shall mean the Board of Supervisors of the City and County of San Francisco.

1.2.4 "**CCII**" shall mean the Commission on Community Investment and Infrastructure.

1.2.5 "**City**" shall have the meaning set forth in the preamble paragraph. Unless the context or text specifically provides otherwise, references to the City shall mean the City acting by and through the Planning Director or, as necessary, the Planning Commission or the Board of Supervisors. The City's approval of this Agreement will be evidenced by the signatures of the Planning Director and the Clerk of the Board of Supervisors [need to confirm if the Clerk needs to sign].

1.2.6 "**City Agency**" or "**City Agencies**" shall mean, where appropriate, all City departments, agencies, boards, commissions, and bureaus that execute or consent to this Agreement and that have subdivision or other permit, entitlement or approval authority or jurisdiction over the Project or the Project Site, together with any successor City agency, department, board, or commission.

1.2.7 "**City Attorney's Office**" shall mean the Office of the City Attorney of the City and County of San Francisco.

1.2.8 "**Director**" or "**Planning Director**" shall mean the Director of Planning of the City and County of San Francisco.

1.2.9 "**Indemnify**" shall mean to indemnify, defend, reimburse, and hold harmless.

1.2.10 "**OCII**" shall mean Office of Community Investment and Infrastructure.

1.2.11 "**Official Records**" shall mean the official real estate records of the City and County of San Francisco, as maintained by the City's Recorder's Office.
1.2.12 "On-Site Requirement" is defined in Recital B.

1.2.13 "**Party**" means, individually or collectively as the context requires, the City and Developer (and, as Developer, any Transferee that is made a Party to this Agreement under the terms of an Assignment and Assumption Agreement). "**Parties**" shall have a correlative meaning.

1.2.14 "**Plan**" shall mean the Transbay Project Area Redevelopment Plan, Approved by Ordinance No. 124-05, Adopted by the Board of Supervisors on June 21, 2005 and Ordinance No. 99-06 adopted by the Board of Supervisors May 9, 2006, as amended from time to time.

1.2.15 "**Planning Code**" shall mean the San Francisco Planning Code.

1.2.16 "**Planning Commission**" or "**Commission**" shall mean the Planning Commission of the City and County of San Francisco.

1.2.17 "**Planning Department**" shall mean the Planning Department of the City and County of San Francisco.

1.3 Effective Date. This Agreement shall take effect upon the later of (i) the full execution of this Agreement by the Parties and (ii) the effective date of the Enacting Ordinance ("**Effective Date**"). The Effective Date is __________.

1.4 Term. The term of this Agreement shall commence upon the Effective Date and shall continue in full force and effect for the earlier of (i) Project completion (as evidenced by issuance of the Temporary Certificate of Occupancy) or (ii) ten (10) years after the effective date., unless extended or earlier terminated as provided herein ("**Term**"). Following expiration of the Term, this Agreement shall be deemed terminated and of no further force and effect except for any provisions which, by their express terms, survive the expiration or termination of this Agreement.

2. PROJECT CONTROLS AND VESTING

2.1 Project Controls; Affordable Housing Fee. During the term of this Agreement, Developer shall have the vested right to develop the Project Site in accordance with the Existing Requirements, provided (i) within 30 days following the Effective Date, Developer shall pay to the City the Affordable Housing Fee, and (ii) upon the City's receipt of the Affordable Housing Fee, the On-Site Requirement shall not apply to the Project. Upon receipt, the City shall transfer the Affordable Housing Fee to OCII to be used by OCII to fulfill the Transbay Affordable

Housing Obligation. The City agrees to work collaboratively with OCII to seek to maximize the number of affordable units that can be built with the Affordable Housing Fee. OCII shall have the right, in its sole discretion, to determine how and where to apply the Affordable Housing Fee, with the only restriction being that OCII use the Affordable Housing Fee for predevelopment and development expenses and administrative costs associated with the acquisition, construction or rehabilitation of affordable housing in the Project Area. Developer shall have no right to challenge the appropriateness or the amount of any expenditure, so long as it is used for affordable housing in the Project Area.

2.2 Vested Rights. The City, by entering into this Agreement, is limiting its future discretion with respect to Project approvals that are consistent with this Agreement during the Term. Consequently, the City shall not use its discretionary authority in considering any application to change the policy decisions reflected by the Agreement or otherwise to prevent or to delay development of the Project as set forth in the Agreement. Instead, implementing approvals that substantially conform to or implement the Agreement shall be issued by the City so long as they substantially comply with and conform to this Agreement. The City shall not use its discretionary authority to change the policy decisions reflected by this Agreement or otherwise to prevent or to delay development of the Project as contemplated in this Agreement. The City shall take no action under this Agreement nor impose any condition on the Project that would conflict with this Agreement.

2.3 Changes in Federal or State Laws. If Federal or State Laws issued, enacted, promulgated, adopted, passed, approved, made, implemented, amended, or interpreted after the Effective Date have gone into effect and (i) preclude or prevent compliance with one or more provisions of the this Agreement, or (ii) materially and adversely affect Developer's or the City's rights, benefits or obligations, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such Federal or State Law. In such event, this Agreement shall be modified only to the extent necessary or required to comply with such Law. If any such changes in Federal or State Laws would materially and adversely affect the construction, development, use, operation or occupancy of the Project such that the Development becomes economically infeasible, then Developer shall notify the City and propose amendments or solutions that would maintain the benefit of the bargain (that is this Agreement) for both Parties.

2.4 Changes to Development Agreement Statute. This Agreement has been entered into in reliance upon the provisions of the Development Agreement Statute. No amendment of or addition to the Development Agreement Statute which would affect the interpretation or enforceability of this Agreement or increase the obligations or diminish the development rights of Developer hereunder, or increase the obligations or diminish the benefits to the City hereunder shall be applicable to this Agreement unless such amendment or addition is specifically required by Law or is mandated by a court of competent jurisdiction. If such amendment or change is permissive rather than mandatory, this Agreement shall not be affected.

2.5 Taxes. Nothing in this Agreement limits the City's ability to impose new or increased taxes or special assessments, or any equivalent or substitute tax or assessment.

3. DEVELOPER REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Interest of Developer; Due Organization and Standing. Developer represents that it is the legal owner of the Project Site, and that all other persons with an ownership or security interest in the Project Site have consented to this Agreement. Developer is a Delaware limited liability company. Developer has all requisite power to own its property and authority to conduct its business as presently conducted. Developer has made all required state filings required to conduct business in the State of California and is in good standing in the State of California.

3.2 No Conflict with Other Agreements; No Further Approvals; No Suits. Developer warrants and represents that it is not a party to any other agreement that would conflict with Developer's obligations under this Agreement. Neither Developer's articles of organization, bylaws, or operating agreement, as applicable, nor any other agreement or law in any way prohibits, limits or otherwise affects the right or power of Developer to enter into and perform all of the terms and covenants of this Agreement. No consent, authorization or approval of, or other action by, and no notice to or filing with, any governmental authority, regulatory body or any other person is required for the due execution, delivery and performance by Developer of this Agreement or any of the terms and covenants contained in this Agreement. To Developer's knowledge, there are no pending or threatened suits or proceedings or undischarged judgments affecting Developer or any of its members before any court, governmental agency, or arbitrator which might materially adversely affect Developer's business, operations, or assets or Developer's ability to perform under this Agreement.

3.3 No Inability to Perform; Valid Execution. Developer warrants and represents that it has no knowledge of any inability to perform its obligations under this Agreement. The execution and delivery of this Agreement and the agreements contemplated hereby by Developer have been duly and validly authorized by all necessary action. This Agreement will be a legal, valid and binding obligation of Developer, enforceable against Developer in accordance with its terms.

3.4 Conflict of Interest. Through its execution of this Agreement, Developer acknowledges that it is familiar with the provisions of Section 15.103 of the City's Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the California Government Code, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the Term.

3.5 Notification of Limitations on Contributions. Through execution of this Agreement, Developer acknowledges that it is familiar with Section 1.126 of City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City, whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for a contract as defined under Section 1.126 of the Campaign and Governmental Conduct Code until six (6) months after the date the contract is approved by the City elective officer or the board on which that City elective officer serves. San Francisco Ethics Commission Regulation 1.126-1 provides that negotiations are commenced when a prospective contractor first communicates with a City officer or employee about the possibility of obtaining a specific contract. This communication may occur in person, by telephone or in writing, and may be initiated by the prospective contractor or a City officer or employee. Negotiations are completed when a contract is finalized and signed by the City and the contractor. Negotiations are terminated when the City and/or the prospective contractor end the negotiation process before a final decision is made to award the contract.

3.6 Other Documents. No document furnished or to be furnished by Developer to the City in connection with this Agreement contains or will contain to Developer's knowledge any untrue statement of material fact or omits or will omit a material fact necessary to make the statements contained therein not misleading under the circumstances under which any such statement shall have been made.

3.7 No Suspension or Debarment. Neither Developer, nor any of its officers, have been suspended, disciplined or debarred by, or prohibited from contracting with, the U.S. General Services Administration or any federal, state or local governmental agency.

3.8 No Bankruptcy. Developer represents and warrants to City that Developer has neither filed nor is the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Developer's knowledge, no such filing is threatened.

3.9 Taxes. Without waiving any of its rights to seek administrative or judicial relief from such charges and levies, Developer shall pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property before the date on which penalties attach thereto, and all lawful claims which, if unpaid, would become a lien upon the Project Site.

3.10 Notification. Developer shall promptly notify City in writing of the occurrence of any event which might materially and adversely affect Developer or Developer's business, or that would make any of the representations and warranties herein untrue, or that would, with the giving of notice or passage of time over the Term, constitute a default under this Agreement.

3.11 Nexus/Reasonable Relationship Waiver. Developer consents to, and waives any rights it may have now or in the future, to challenge with respect to the Project, the legal validity of, the conditions, requirements, policies, or programs required by this Agreement, including, without limitation, any claim that they constitute an abuse of police power, violate substantive due process, deny equal protection of the laws, effect a taking of property without payment of just compensation, or impose an unlawful tax.

3.12 Indemnification of City. Developer shall Indemnify the City and OCII (each an "Indemnified Party") and the Indemnified Party's officers, agents and employees from and, if requested, shall defend them against any and all loss, cost, damage, injury, liability, and claims (**"Losses"**) arising or resulting directly or indirectly from this Agreement and Developer's performance (or nonperformance) of this Agreement, regardless of the negligence of and regardless of whether liability without fault is imposed or sought to be imposed an Indemnified Party, except to the extent that such Indemnity is void or otherwise unenforceable under applicable law, and except to the extent such Loss is the result of the active negligence or willful misconduct of an Indemnified Party. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs, and the Indemnified Party's cost of investigating any claims against the Indemnified Party. All Indemnifications set forth in this Agreement shall survive the expiration or termination of this Agreement.

3.13 Payment of Fees and Costs.

3.13.1. Developer shall pay to the City all City Costs during the Term within thirty (30) days following receipt of a written invoice from the City. Each City Agency shall submit to the Planning Department or another City agency as designated by the Planning Department monthly or quarterly invoices for all City Costs incurred by the City Agency for reimbursement under this Agreement, and the Planning Department or its designee shall gather all such invoices so as to submit one City bill to Developer each month or quarter. To the extent that a City Agency fails to submit such invoices, then the Planning Department or its designee shall request and gather such billing information, and any City Cost that is not invoiced to Developer within twelve (12) months from the date the City Cost was incurred shall not be recoverable.

3.13.2. The City shall not be required to process any requests for approval or take other actions under this Agreement during any period in which payments from Developer are past due. If such failure to make payment continues for a period of more than sixty (60) days following notice, it shall be a Default for which the City shall have all rights and remedies as set forth in Section 7.4..

3.14 Mello-Roos Community Facilities District. The Project shall be subject to the provisions of the proposed City and County of San Francisco Transbay Center District Plan [Mello-Roos] Community Facilities District No. 2014-1 (Transbay Transit Center) ("**CFD**"), once established, to help pay the costs of constructing the new Transbay Transit Center, the Downtown Rail Extension ("DTX"), and other improvements in the Transit Center District Plan area. The special tax rate has not been established, but will be equal to or less than those set forth in the CFD Rate and Method of Apportionment ("RMA") attached hereto as Exhibit ______.

i. If the Project is not subject to a CFD that will help pay the costs of constructing the new Transbay Transit Center, the DTX, and other improvements in the Transit Center District Plan area on the date that a Final C of O is issued to the Developer, then the Developer will be required to pay to the City for transmittal to the TJPA, and retention by the City as applicable, of the estimated CFD taxes amount that would otherwise be due to the San Francisco Office of the Assessor-Recorder ("**Assessor-Recorder**") if the CFD had been established in accordance with the rates established in the RMA.

ii. The "amount that would otherwise be due" under 3.14(i) above shall be based on the RMA attached hereto as Exhibit ___, calculated as if the Project were subject to the RMA from the date of issuance of the Final C of O until the Project is subject to the CFD.

iii. If the City proposes a CFD covering the Site, Developer agrees to cast its vote in favor of the CFD, provided that the tax rates are not greater than the Base Special Tax rates in the RMA attached as **Exhibit __** to this Agreement.

4. MUTUAL OBLIGATIONS

4.1 Notice of Completion or Revocation. Upon the Parties' completion of performance or revocation of this Agreement, a written statement acknowledging such completion or revocation, signed by the appropriate agents of City and Developer, shall be recorded in the Official Records.

4.2 Estoppel Certificate. Developer may, at any time, and from time to time, deliver written notice to the Planning Director requesting that the Planning Director certify in writing that to the best of his or her knowledge: (i) this Agreement is in full force and effect and a binding obligation of the Parties; (ii) this Agreement has not been amended or modified either orally or in writing, and if so amended or modified, identifying the amendments or modifications and stating their date and nature; (iii) Developer is not in default in the performance of its obligations under this Agreement, or if in default, describing therein the nature and amount of any such defaults; and (iv) the findings of the City with respect to the most recent annual review performed pursuant to Section 9.2 below. The Planning Director shall execute and return such certificate within forty-five (45) days following receipt of the request. Each Party acknowledges that any mortgagee with a mortgage on all or part of the Project Site, acting in good faith, may rely upon such a certificate. A certificate provided by the City establishing the status of this Agreement with respect to any lot or parcel shall be in recordable form and may be recorded with respect to the affected lot or parcel at the expense of the recording party.

4.3 Cooperation in the Event of Third-Party Challenge.

4.3.1 In the event any legal action or proceeding is instituted challenging the validity of any provision of this Agreement, the Parties shall cooperate in defending against such challenge. The City shall promptly notify Developer of any Third-Party Challenge instituted against the City.

4.3.2 Developer shall assist and cooperate with the City at its own expense in connection with any Third-Party Challenge. The City Attorney's Office may use its own legal staff or outside counsel in connection with defense of the Third-Party Challenge, at the City Attorney's sole discretion. Developer shall reimburse the City for its actual costs in defense of the action or proceeding, including but not limited to the time and expenses of the City Attorney's Office and any consultants; *provided, however*) Developer shall have the right to receive monthly invoices for all such costs. Developer shall Indemnify the City from any other liability incurred by the City, its officers, and its employees as the result of any Third-Party Challenge, including any award to opposing counsel of attorneys' fees or costs, except where such award is the result of the willful misconduct of the City or its officers or employees. This section shall survive any judgment invalidating all or any part of this Agreement.

4.3.3 Affordable Housing Fee Challenge. The Parties agree that if a Third_Party Challenge is initiated regarding the validity or enforceability of this Agreement or, specifically of the Affordable Housing Fee, Developer shall not sell [or lease?] the residential units designated for and required to complete the On-Site Requirements until the validity and enforceability of this Agreement, including payment of the Affordable Housing Fee, has been finally determined and upheld. If this Agreement or the Affordable Housing Fee is not upheld (on any final appeal), then Developer will satisfy the On-Site Requirements with the designated residential units.

4.4 Good Faith and Fair Dealing. The Parties shall cooperate with each other and act in good faith in complying with the provisions of this Agreement. In their course of performance under this Agreement, the Parties shall cooperate and shall undertake such actions as may be reasonably necessary to implement the Project as contemplated by this Agreement.

4.5 Agreement to Cooperate; Other Necessary Acts. The Parties agree to cooperate with one another to expeditiously implement the Project in accordance with this Agreement, and to undertake and complete all actions or proceedings reasonably necessary or appropriate to ensure that the objectives of the Agreement are fulfilled during the Term. Each Party shall use good faith efforts to take such further actions as may be reasonably necessary to carry out this Agreement, in accordance with the terms of this Agreement (and subject to all applicable laws) in order to provide and secure to each Party the full and complete enjoyment of its rights and privileges hereunder.

5. PERIODIC REVIEW OF DEVELOPER'S COMPLIANCE

5.1 Annual Review. Pursuant to Section 65865.1 of the Development Agreement Statute, at the beginning of the second week of each January following final adoption of this Agreement and for so long as the Agreement is in effect (the "**Annual Review Date**"), the Planning Director shall commence a review to ascertain whether Developer has, in good faith, complied with the Agreement. The failure to commence such review in January shall not waive the Planning Director's right to do so later in the calendar year; *provided, however,* that such review shall be deferred to the following January if not commenced on or before May 31st.

5.2 Review Procedure. In conducting the required initial and annual reviews of Developer's compliance with this Agreement, the Planning Director shall follow the process set forth in this Section.

5.2.1 Required Information from Developer. Upon request by the Planning Director but not more than sixty (60) days and not less than forty-five (45) days before the Annual Review Date, Developer shall provide a letter to the Planning Director confirming Developer's compliance with this Agreement.

5.2.2 City Compliance Review. If the Planning Director finds Developer is not in compliance with this Agreement, the Planning Director shall issue a Certificate of Non-Compliance. The City's failure to timely complete the annual review is not deemed to be a waiver of the right to do so at a later date within a given year, so long as the annual review is commenced on or before May 31st, as contemplated in Section 5.1.

6. AMENDMENT; TERMINATION; EXTENSION OF TERM

6.1 Amendment or Termination. Except as provided in Section XX (Changes in State and Federal Rules and Regulations) and Section XXX (Remedies), this Agreement may only be amended or terminated with the mutual written consent of the Parties. Except as provided in this Agreement to the contrary, the amendment or termination, and any required notice thereof, shall be accomplished in the manner provided in the Development Agreement Statute and Chapter 56.

6.2 Extension Due to Legal Action, Referendum, or Excusable Delay.

6.2.1 If any litigation is filed challenging this Agreement or the validity of this Agreement or any of its provisions, then the Term shall be extended for the number of days equal to the period starting from the commencement of the litigation or the suspension to the end of such litigation or suspension.

6.2.2 In the event of changes in state or federal laws or regulations, inclement weather, delays due to strikes, inability to obtain materials, civil commotion, war, acts of terrorism, fire, acts of God, litigation, lack of availability of commercially-reasonable project financing (as a general matter and not specifically tied to Developer), or other circumstances beyond the control of Developer and not proximately caused by the acts or omissions of Developer that substantially interfere with carrying out the obligations under this Agreement ("**Excusable Delay**"), the Parties agree to extend the time periods for performance, as such time periods have been agreed to by Developer, of Developer's obligations impacted by the Excusable Delay. In the event that an Excusable Delay occurs, Developer shall notify the City in writing of such occurrence and the manner in which such occurrence substantially interferes with the ability of Developer to perform under this Agreement. In the event of the occurrence of any such Excusable Delay, the time or times for performance of the obligations of Developer, will be extended for the period of the Excusable Delay if Developer cannot, through commercially reasonable and diligent efforts, make up for the Excusable Delay within the time period remaining before the applicable completion date; *provided, however*, within thirty (30) days after the beginning of any such Excusable Delay, Developer shall have first notified City of the cause or causes of such Excusable Delay and claimed an extension for the reasonably estimated period of the Excusable Delay. In the event that Developer stops any work as a result of an Excusable Delay, Developer must take commercially reasonable measures to ensure that the affected real property is returned to a safe condition and remains in a safe condition for the duration of the Excusable Delay.

6.2.3 The foregoing Section XXXX notwithstanding, Developer may not seek to delay the payment of the Affordable Housing Fee as a result of an Excusable Delay related to the lack of availability of commercially reasonable project financing.

7. ENFORCEMENT OF AGREEMENT; REMEDIES FOR DEFAULT; DISPUTE RESOLUTION

7.1 Enforcement. The only Parties to this Agreement are the City and Developer. This Agreement is not intended, and shall not be construed, to benefit or be enforceable by any other person or entity whatsoever.

7.2 Default. For purposes of this Agreement, the following shall constitute an event of default (an "**Event of Default**") under this Agreement: (i) except as otherwise specified in this Agreement, the failure to make any payment within ninety (90) calendar days of when due; and (ii) the failure to perform or fulfill any other material term, provision, obligation, or covenant hereunder, including complying with all terms of the Conditions of Approval, attached hereto as Exhibit D, and the continuation of such failure for a period of thirty (30) calendar days following a written notice of default and demand for compliance (a "**Notice of Default**"); *provided, however*, if a cure cannot reasonably be completed within thirty (30) days, then it shall not be considered a default if a cure is commenced within said 30-day period and diligently prosecuted to completion thereafter.

7.3 Notice of Default. Prior to the initiation of any action for relief specified in Section XX below, the Party claiming default shall deliver to the other Party a Notice of Default. The Notice of Default shall specify the reasons for the allegation of default with reasonable specificity. If the alleged defaulting Party disputes the allegations in the Notice of Default, then that Party, within twenty-one (21) calendar days of receipt of the Notice of Default, shall deliver to the other Party a notice of non-default which sets forth with specificity the reasons that a default has not occurred. The Parties shall meet to discuss resolution of the alleged default within thirty (30) calendar days of the delivery of the notice of non-default. If, after good faith negotiation, the Parties fail to resolve the alleged default within thirty (30) calendar days, then the Party alleging a default may (i) institute legal proceedings pursuant to Section XX to enforce the terms of this Agreement or (ii) send a written notice to terminate this Agreement pursuant to Section XX. The Parties may mutually agree in writing to extend the time periods set forth in this Section.

7.4 Remedies.

7.4.1 Specific Performance; Termination. In the event of an Event of Default under this Agreement, the remedies available to a Party shall include specific performance of the Agreement in addition to any other remedy available at law or in equity (subject to the limitation on damages set forth in Section XX below). In the event of an Event of Default under this Agreement, and following a public hearing at the Board of Supervisors regarding such Event of Default and proposed termination, the non-defaulting Party may terminate this Agreement by sending a notice of termination to the other Party setting forth the basis for the termination. The Party alleging a material breach shall provide a notice of termination to the breaching Party, which notice of termination shall state the material breach. The Agreement will be considered terminated effective upon the date set forth in the notice of termination, which shall in no event be earlier than ninety (90) days following delivery of the notice. The Party receiving the notice of termination may take legal action available at law or in equity if it believes the other Party's decision to terminate was not legally supportable.

7.4.2 Actual Damages. Developer agrees that the City shall not be liable to Developer for damages under this Agreement, and the City agrees that Developer shall not be liable to the City for damages under this Agreement, and each covenants not to sue the other for or claim any damages under this Agreement and expressly waives its right to recover damages under this Agreement, except as follows: (1) the City shall have the right to recover actual damages only (and not consequential, punitive or special damages, each of which is hereby expressly waived) for (a) Developer's failure to pay sums to the City as and when due under this Agreement, but subject to any express conditions for such payment set forth in this Agreement, and (b) Developer's failure to make payment due under any Indemnity in this Agreement, and (2) either Party shall have the right to recover attorneys' fees and costs as set forth in Section XX, when awarded by an arbitrator or a court with jurisdiction. For purposes of the foregoing, "actual damages" shall mean the actual amount of the sum due and owing under this Agreement, with interest as provided by law, together with such judgment collection activities as may be ordered by the judgment, and no additional sums.

7.5 Dispute Resolution. The Parties recognize that disputes may arise from time to time regarding application to the Project. Accordingly, in addition and not by way of limitation to all other remedies available to the Parties under the terms of this Agreement, including legal action, the Parties agree to follow the dispute resolution procedure in Section XX that is designed to expedite the resolution of such disputes. If, from time to time, a dispute arises between the Parties relating to application to the Project the dispute shall initially be presented by Planning Department staff to the Planning Director, for resolution. If the Planning Director decides the dispute to Developer's satisfaction, such decision shall be deemed to have resolved the matter. Nothing in this section shall limit the rights of the Parties to seek judicial relief in the event that they cannot resolve disputes through the above process.

7.6 Dispute Resolution Related to Changes in State and Federal Rules and Regulations. The Parties agree to the follow the dispute resolution procedure in this Section XX for disputes regarding the effect of changes to State and federal rules and regulations to the Project pursuant to Section XX.

7.6.1 Good Faith Meet and Confer Requirement. The Parties shall make a good faith effort to resolve the dispute before non-binding arbitration. Within five (5) business days after a request to confer regarding an identified matter, representatives of the Parties who are vested with decision-making authority shall meet to resolve the dispute. If the Parties are unable to resolve the dispute at the meeting, the matter shall immediately be submitted to the arbitration process set forth in Section XX.

7.6.2 Non-Binding Arbitration. The Parties shall mutually agree on the selection of an arbiter at JAMS in San Francisco or other mutually agreed to Arbiter to serve for the purposes of this dispute. The arbiter appointed must meet the Arbiters' Qualifications. The "**Arbiters' Qualifications**" shall be defined as at least ten (10) years of experience in a real property professional capacity, such as a real estate appraiser, broker, real estate economist, or attorney, in the Bay Area. The disputing Party(ies) shall, within ten (10) business days after submittal of the dispute to non-binding arbitration, submit a brief with all supporting evidence to the arbiter with copies to all Parties. Evidence may include, but is not limited to, expert or consultant opinions, any form of graphic evidence, including photos, maps or graphs and any other evidence the Parties may choose to submit in their discretion to assist the arbiter in resolving the dispute. In either case, any interested Party may submit an additional brief within ten (10) business days after distribution of the initial brief. The arbiter thereafter shall hold a telephonic hearing and issue a decision in the matter promptly, but in any event within five (5) business days after the submittal of the last brief, unless the arbiter determines that further briefing is necessary, in which case the additional brief(s) addressing only those items or issues identified by the arbiter shall be submitted to the arbiter (with copies to all Parties) within five (5) business days after the arbiter's request, and thereafter the arbiter shall hold a telephonic hearing and issue a decision promptly but in any event not sooner than two (2) business days after submission of such additional briefs, and no later than thirty-two (32) business days after initiation of the non-binding arbitration. Each Party will give due consideration to the arbiter's decision before pursuing further legal action, which decision to pursue further legal action shall be made in each Party's sole and absolute discretion.

7.7 Attorneys' Fees. Should legal action be brought by either Party against the other for an Event of Default under this Agreement or to enforce any provision herein, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees and costs. For purposes of this Agreement, "reasonable attorneys' fees and costs" shall mean the fees and expenses of counsel to the Party, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, librarians and others not admitted to the bar but performing services under the supervision of an attorney. The term "reasonable attorneys' fees and costs" shall also include, without limitation, all such fees and expenses incurred with respect to appeals, mediation, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees and costs were incurred. For the purposes of this Agreement, the reasonable fees of attorneys of City Attorney's Office shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's Office's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the City Attorney's Office.

7.8 No Waiver. Failure or delay in giving a Notice of Default shall not constitute a waiver of such Event of Default, nor shall it change the time of such Event of Default. Except as otherwise expressly provided in this Agreement, any failure or delay by a Party in asserting any of its rights or remedies as to any Event of Default shall not operate as a waiver of any Event of Default or of any such rights or remedies, nor shall it deprive any such Party of its right to institute and maintain any actions or proceedings that it may deem necessary to protect, assert, or enforce any such rights or remedies.

7.9 Future Changes to Existing Standards. Pursuant to Section 65865.4 of the Development Agreement Statute, unless this Agreement is terminated by mutual agreement of the Parties or terminated for default as set forth in Section XX, either Party may enforce this Agreement notwithstanding any change in any applicable general or specific plan, zoning, subdivision, or building regulation adopted by the City or the voters by initiative or referendum (excluding any initiative or referendum that successfully defeats the enforceability or effectiveness of this Agreement itself).

7.10 Joint and Several Liability. If Developer consists of more than one person or entity with respect to any real property within the Project Site or any obligation under this Agreement, then the obligations of each such person and/or entity shall be joint and several.

8. MISCELLANEOUS PROVISIONS

8.1 Entire Agreement. This Agreement, including the preamble paragraph, Recitals and Exhibits, constitute the entire understanding and agreement between the Parties with respect to the subject matter contained herein.

8.2 Binding Covenants; Run With the Land. Pursuant to Section 65868 of the Development Agreement Statute, from and after recordation of this Agreement, all of the provisions, agreements, rights, powers, standards, terms, covenants and obligations contained in this Agreement shall be binding upon the Parties and, subject to Article XX above, their respective heirs, successors (by merger, consolidation, or otherwise) and assigns, and all persons or entities acquiring the Project Site, or any portion thereof, or any interest therein, whether by sale, operation of law, or in any manner whatsoever, and shall inure to the benefit of the Parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns. All provisions of this Agreement shall be enforceable during the Term as equitable servitudes and constitute covenants and benefits running with the land pursuant to applicable law, including but not limited to California Civil Code section 1468.

8.3 Applicable Law and Venue. This Agreement has been executed and delivered in and shall be interpreted, construed, and enforced in accordance with the laws of the State of California. All rights and obligations of the Parties under this Agreement are to be performed in the City and County of San Francisco, and such City and County shall be the venue for any legal action or proceeding that may be brought, or arise out of, in connection with or by reason of this Agreement.

8.4 Construction of Agreement. The Parties have mutually negotiated the terms and conditions of this Agreement and its terms and provisions have been reviewed and revised by legal counsel for both the City and Developer. Accordingly, no presumption or rule that ambiguities shall be construed against the drafting Party shall apply to the interpretation or enforcement of this Agreement. Language in this Agreement shall be construed as a whole and in accordance with its true meaning. The captions of the paragraphs and subparagraphs of this Agreement are for convenience only and shall not be considered or referred to in resolving questions of construction. Each reference in this Agreement or to this Agreement shall be deemed to refer to the Agreement as amended from time to time pursuant to the provisions of the Agreement, whether or not the particular reference refers to such possible amendment.

8.5 Project Is a Private Undertaking; No Joint Venture or Partnership.

8.5.1 The Agreement is to be undertaken by Developer the Project is a private development and no portion shall be deemed a public work. The City has no interest in, responsibility for, or duty to third persons concerning the Project. Developer shall exercise full dominion and control over the Project Site, subject only to the limitations and obligations of Developer contained in this Agreement.

8.5.2 Nothing contained in this Agreement, or in any document executed in connection with this Agreement, shall be construed as creating a joint venture or partnership between the City and Developer. Neither Party is acting as the agent of the other Party in any respect hereunder. Developer is not a state or governmental actor with respect to any activity conducted by Developer hereunder.

8.6 Recordation. Pursuant to Section 65868.5 of the Development Agreement Statute, the clerk of the Board shall cause a copy of this Agreement or any amendment thereto to be recorded in the Official Records within ten (10) business days after the Effective Date of this Agreement or any amendment thereto, as applicable, with costs to be borne by Developer.

8.7 Obligations Not Dischargeable in Bankruptcy. Developer's obligations under this Agreement are not dischargeable in bankruptcy.

8.8 Signature in Counterparts. This Agreement may be executed in duplicate counterpart originals, each of which is deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

8.9 Time of the Essence. Time is of the essence in the performance of each and every covenant and obligation to be performed by the Parties under this Agreement.

8.10 Notices. Any notice or communication required or authorized by this Agreement shall be in writing and may be delivered personally or by registered mail, return receipt requested. Notice, whether given by personal delivery or registered mail, shall be deemed to have been given and received upon the actual receipt by any of the addressees designated below as the person to whom notices are to be sent. Either Party to this Agreement may at any time, upon written notice to the other Party, designate any other person or address in substitution of the person and address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

To City:

John Rahaim
Director of Planning
San Francisco Planning Department
1650 Mission Street, Suite 400
San Francisco, California 94102

with a copy to:

Dennis J. Herrera, Esq.
City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

To Developer:

XXXXXX
XXXXXX

with a copy to:

Rachel B. Horsch
Pillsbury Winthrop Shaw Pittman LLP
4 Embarcadero Center, 22nd Floor
San Francisco, California, 94111

8.11 Limitations on Actions. Pursuant to Section 56.19 of the Administrative Code, any decision of the Board of Supervisors made pursuant to Chapter 56 shall be final. Any court action or proceeding to attack, review, set aside, void, or annul any final decision or determination by the Board shall be commenced within ninety (90) days after such decision or determination is final and effective. Any court action or proceeding to attack, review, set aside, void or annul any final decision by (i) the Planning Director made pursuant to Administrative Code Section 56.15(d)(3) or (ii) the Planning Commission pursuant to Administrative Code Section 56.17(e) shall be commenced within ninety (90) days after said decision is final.

8.12 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, or if any such term, provision, covenant, or condition does not become effective until the approval of any Non-City Responsible Agency, the remaining provisions of this Agreement shall continue in full force and effect unless enforcement of the remaining portions of the Agreement would be unreasonable or grossly inequitable under all the circumstances or would frustrate the purposes of this Agreement. Notwithstanding the foregoing, the Developer and the City agree that the Agreement will terminate and be on no force or effect if Section 2.1 herein is found invalid, void or unenforceable.

8.13 Sunshine. Developer understands and agrees that under the City's Sunshine Ordinance (Administrative Code, Chapter 67) and the California Public Records Act (California Government Code section 6250 *et seq.*), this Agreement and any and all records, information, and materials submitted to the City hereunder are public records subject to public disclosure. To the extent that Developer in good faith believes that any financial materials reasonably requested by the City constitutes a trade secret or confidential proprietary information protected from disclosure under the Sunshine Ordinance and other applicable laws, Developer shall mark any such materials as such, . When a City official or employee receives a request for information that has been so marked or designated, the City may request further evidence or explanation from Developer. If the City determines that the information does not constitute a trade secret or proprietary information protected from disclosure, the City shall notify Developer of that conclusion and that the information will be released by a specified date in order to provide Developer an opportunity to obtain a court order prohibiting disclosure.

[Remainder of Page Intentionally Blank;

Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first above written.

CITY

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By:______________________________
John Rahaim
Director of Planning

Approved as to form:
Dennis J. Herrera, City Attorney

By:______________________________
Heidi Gewertz
Deputy City Attorney

Approved on _______
Board of Supervisors Ordinance No. _____

DEVELOPER

181 FREMONT STREET LLC, a Delaware limited liability company

By: ____________________________

Name: ____________________________

Title: ____________________________

DRAFT FOR NEGOTIATION PURPOSES ONLY – SUBJECT TO CHANGE

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Regina Dick-Endrizzi, Director
Small Business Commission, City Hall, Room 448

FROM: Andrea Ausberry, Assistant Clerk, Land Use and Economic Development Committee, Board of Supervisors

DATE: October 9, 2014

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Land Use and Economic Development Committee

The Board of Supervisors' Land Use and Economic Development Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 141023

Ordinance approving a Development Agreement between the City and County of San Francisco and 181 Fremont Street, LLC, for certain real property, known as 181 Fremont Street, located in the Transbay Redevelopment Project Area, consisting of two parcels located on the east side of Fremont Street, between Mission and Howard Streets; making findings of conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b); and waiving certain provisions of Administrative Code, Chapter 56, and Planning Code, Section 249.28.

File No. 141022

Resolution of the Board of Supervisors, acting in its capacity as the legislative body to the Successor Agency to the former Redevelopment Agency of the City and County of San Francisco, approving provisions of a variation decision by the Commission on Community Investment and Infrastructure, modifying the on-site affordable housing requirement for 181 Fremont Street in the Transbay Redevelopment Project Area.

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

****

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: ________________

____ No Comment

____ Recommendation Attached

____
Chairperson, Small Business Commission

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: John Rahaim, Director, Planning Department
Tiffany Bohee, Executive Director, Office of Community Investment and Infrastructure
John Updike, Director, Real Estate
Olson Lee, Director, Mayor's Office of Housing Community Development

FROM: Andrea Ausberry, Assistant Clerk, Land Use and Economic Development Committee, Board of Supervisors

DATE: October 9, 2014

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed legislation, introduced by Mayor Lee on September 30, 2014:

File No. 141023

Ordinance approving a Development Agreement between the City and County of San Francisco and 181 Fremont Street, LLC, for certain real property, known as 181 Fremont Street, located in the Transbay Redevelopment Project Area, consisting of two parcels located on the east side of Fremont Street, between Mission and Howard Streets; making findings of conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b); and waiving certain provisions of Administrative Code, Chapter 56, and Planning Code, Section 249.28.

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed legislation, introduced by Supervisor Kim on September 30, 2014:

File No. 141022

Resolution of the Board of Supervisors, acting in its capacity as the legislative body to the Successor Agency to the former Redevelopment Agency of the City and County of San Francisco, approving provisions of a variation decision by the Commission on Community Investment and Infrastructure, modifying the on-site affordable housing requirement for 181 Fremont Street in the Transbay Redevelopment Project Area.

If you have any additional comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Scott Sanchez, Zoning Administrator
Sarah Jones, Acting Environmental Review Officer,

Viktoriya Wise, Deputy Environmental Review Officer
AnMarie Rodgers, Senior Policy Advisor
Aaron Starr, Acting Manager of Legislative Affairs
Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning
Natasha Jones, OCII Commission Secretary
Eugene Flannery, Secretary
Sophie Hayward, Director, of Policy and Legislative Affairs

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

☒ 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)

☐ 2. Request for next printed agenda Without Reference to Committee.

☐ 3. Request for hearing on a subject matter at Committee.

☐ 4. Request for letter beginning "Supervisor [ ] inquires"

☐ 5. City Attorney request.

☐ 6. Call File No. [ ] from Committee.

☐ 7. Budget Analyst request (attach written motion).

☐ 8. Substitute Legislation File No. [ ]

☐ 9. Reactivate File No. [ ]

☐ 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Supervisor Kim

Subject:

Consent to Provisions of a Variation Decision - 181 Fremont Street - Transbay Redevelopment Area - CCII Variation to On-Site Affordable Housing Requirement

The text is listed below or attached:

See attached.

Signature of Sponsoring Supervisor: [signature]

For Clerk's Use Only:

141022