

BOARD of SUPERVISORS



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## MEMORANDUM

### BUDGET AND FINANCE COMMITTEE

### SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Malia Cohen, Chair  
Budget and Finance Committee

FROM: Victor Young, Assistant Clerk

DATE: December 4, 2017

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**  
Tuesday, December 5, 2017

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, December 5, 2017, at 2:00 p.m. This item was acted upon at the Committee Meeting on Thursday, November 30, 2017, at 10:00 a.m., by the votes indicated.

**Item No. 35**                      **File No. 171197**

Resolution approving and authorizing the execution and performance of an Agreement of Purchase and Sale of Real Estate in connection with the acquisition of the parcel located at 1491 Sunnydale Avenue Street (Assessor's Parcel Block No. 6356, Lot No. 61-68) ("the Property"), for \$3,000,000 and a long term, 75 years with a 24 year extension option, Ground Lease of the Property for \$15,000 annual base rent, with Sunnydale Parcel Q Housing Partners, L.P., to construct a 100% affordable, 55-unit multifamily rental housing development for low-income households; adopting findings that the conveyance is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and authorizing and directing the execution of any documents necessary to implement this Resolution, as defined herein.

#### **RECOMMENDED AS A COMMITTEE REPORT**

Vote: Supervisor Malia Cohen - Aye  
Supervisor Norman Yee - Aye  
Supervisor Katy Tang - Aye

c: Board of Supervisors  
Angela Calvillo, Clerk of the Board  
Jon Givner, Deputy City Attorney  
Alisa Somera, Legislative Deputy Director



File No. 171197

Committee Item No. 17  
Board Item No. 35

**COMMITTEE/BOARD OF SUPERVISORS**  
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date November 30, 2017

Board of Supervisors Meeting

Date 12/5/17

**Cmte Board**

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

**OTHER (Use back side if additional space is needed)**

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Planning Commission Motion</u> |
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Completed by: Linda Wong Date November 14, 2017  
Completed by: Linda Wong Date \_\_\_\_\_

1 [Agreements - Sunnydale Parcel Q Housing Partners, L.P. - 1491 Sunnydale Avenue -  
2 Purchase and Sale for Real Estate and Ground Lease - \$3,000,000 and \$15,000  
3 Respectively]

4 **Resolution approving and authorizing the execution and performance of an Agreement**  
5 **of Purchase and Sale of Real Estate in connection with the acquisition of the parcel**  
6 **located at 1491 Sunnydale Avenue Street (Assessor's Parcel Block No. 6356, Lot No.**  
7 **61-68) ("the Property"), for \$3,000,000 and a long term, 75 years with a 24 year**  
8 **extension option, Ground Lease of the Property for \$15,000 annual base rent, with**  
9 **Sunnydale Parcel Q Housing Partners, L.P., to construct a 100% affordable, 55-unit**  
10 **multifamily rental housing development for low-income households; adopting findings**  
11 **that the conveyance is consistent with the General Plan, and the eight priority policies**  
12 **of Planning Code, Section 101.1; and authorizing and directing the execution of any**  
13 **documents necessary to implement this Resolution, as defined herein.**

14  
15 WHEREAS, In August 2007, the San Francisco Board of Supervisors established the  
16 HOPE SF program to fund revitalization of San Francisco's most distressed public housing  
17 (Ordinance No. 180-07 and 556-07); and

18 WHEREAS, In October 2007, the Housing Authority of San Francisco ("SFHA") issued  
19 a Request for Qualifications to Redevelop Authority Property for seven sites including  
20 Sunnydale and Velasco ("Sunnydale"); and

21 WHEREAS, In March 2008, the SFHA Board of Commissioners selected Mercy  
22 Housing California and The Related Companies of California as co-developers ("Developer")  
23 for the revitalization of Sunnydale through HOPE SF, the City and County of San Francisco's  
24 ("City") initiative to transform severely distressed public housing into thriving mixed-income  
25



1 neighborhoods with targeted strategies to improve the educational, economic and health  
2 outcomes for existing public housing residents; and

3 WHEREAS, In April 2008, the Mayor's Office of Housing and Community Development  
4 ("MOHCD") issued a Notice of Funding Availability for development of the Sunnydale Master  
5 Plan ("Master Plan"), and the Developer was the selected recipient of such funding; and

6 WHEREAS, Sunnydale Development Co., LLC, a California limited liability company  
7 ("Master Developer"), a subsidiary of the Developer, created the Sunnydale HOPE SF Master  
8 Plan ("Master Plan") for the revitalization of Sunnydale, which includes a maximum of 1,770  
9 new units, including 969-994 affordable units, of which 775 are replacement units for existing  
10 Sunnydale public housing residents and approximately 600 units as market rate  
11 homeownership, all new streets and utility infrastructure, 4.6 acres of new open spaces, and  
12 approximately 60,000 square feet of new neighborhood serving spaces; and

13 WHEREAS, In order to start demolition and construction of new housing units at  
14 Sunnydale, the Master Developer was required to purchase the Property, which is adjacent to  
15 Sunnydale, for the purpose of relocating some residents from Sunnydale; and

16 WHEREAS, Sunnydale Parcel Q Housing Partners, L.P. ("Seller/Lessee"), a subsidiary  
17 of the Master Developer, acquired the Property in 2016 for \$3,000,000 using a \$5,000,000  
18 acquisition and predevelopment loan from MOHCD (the "MOHCD Loan"); and

19 WHEREAS, The City desires to acquire the Property, under the jurisdiction of  
20 MOHCD, from Seller/Lessee pursuant to an Agreement of Purchase and Sale for Real  
21 Estate ("PSA") in substantially the form approved by the Director of Property and the  
22 Acting Director of MOHCD on file with the Clerk of the Board of Supervisors in File No.  
23 171197, incorporated herein by reference; and

24 WHEREAS, In consideration of the Seller/Lessee's agreement to convey the  
25 Property to MOHCD, MOHCD shall apply a credit of \$3,000,000 to the outstanding

1 balance and accrued interest of the MOHCD Loan and reconvey the related Deed of  
2 Trust subject to the conditions described in the PSA; and

3 WHEREAS, MOHCD is also providing the Seller/Lessee with new financial assistance  
4 to leverage equity from an allocation of low-income housing tax credits and other funding  
5 sources in order to construct on the Property a 100% affordable, 55-unit multifamily rental  
6 housing development for low-income households; of which 41 units will be set aside for the  
7 relocation of some Sunnydale residents; and

8 WHEREAS, Seller/Lessee has obtained all entitlements and is ready to begin  
9 construction of the Project; and

10 WHEREAS, An appraisal dated November 1, 2017, valued the Property at  
11 \$5,950,000 with entitlements; and

12 WHEREAS, MOHCD desires to lease back the Property to the Seller/Lessee for  
13 \$15,000 per year Base Rent, in exchange for the Seller/Lessee's agreement, among other  
14 things, to develop and operate the Project with rent levels affordable to households up to 60%  
15 Area Median Income (AMI), pursuant to a Ground Lease between the City and Seller/Lessee  
16 substantially in the form approved by the Director of Property and MOHCD on file with the  
17 Clerk of the Board of Supervisors in File No. 171197, incorporated herein by reference; and,

18 WHEREAS, The Ground Lease provides, among other conditions, for a term of 75  
19 years and one 24 year option to extend; and,

20 WHEREAS, On July 9, 2015, by Motion No. 19409, the Planning Commission certified  
21 the Final Environmental Impact Report ("FEIR") for the Sunnydale HOPE SF Master Plan  
22 (Planning Case No. 2010.0305E) as accurate, complete and in compliance with the California  
23 Environmental Quality Act (California Public Resources Code, Sections 21000 et seq.) and  
24  
25

1 Administrative Code, Chapter 31; said Motion is on file with the Clerk of the Board of  
2 Supervisors in File No. 161309 and is incorporated herein by reference; and

3 WHEREAS, On June 16, 2016, the Planning Department issued an Addendum to the  
4 FEIR, that included the addition of Parcel Q to the original Sunnydale HOPE SF  
5 Description; the Planning Department determined that no additional environmental impacts,  
6 or impacts of greater severity would occur, and that the analysis and conclusions from the  
7 FEIR remained valid; and

8 WHEREAS, On November 17, 2016, by Motion No. 19784, the Planning Commission by  
9 Motion No. 20018 approved CEQA Findings, including adoption of a Mitigation Monitoring and  
10 Reporting Program (MMRP), under Case No. 2010.0305ENV, for approval of the Sunnydale  
11 HOPE SF Project; said Motion is on file with the Clerk of the Board of Supervisors in File No.  
12 161309 and is incorporated herein by reference; and

13 WHEREAS, On November 17, 2016, by Motion No. 19785, the Planning Commission  
14 adopted findings establishing the Sunnydale HOPE SF Project, on balance, consistent with  
15 the General Plan, and Planning Code, Section 101.1; said Motion is on file with the Clerk of  
16 the Board of Supervisors in File No. 171197 and is incorporated herein by reference; and

17 WHEREAS, On November 17, 2016, by adopting Resolution Nos. 19786, 19787,  
18 19788 and 19789, the Planning Commission recommended to the Board of Supervisors that  
19 the Board approve General Plan Amendments, Planning Code Text Amendments, Planning  
20 Code Map Amendments, and a Development Agreement between the City, the Housing  
21 Authority and Sunnydale Development Co., LLC, respectively; said Resolutions are on file  
22 with the Clerk of the Board of Supervisors in File No. 161309 and is incorporated herein by  
23 reference; and.

24 WHEREAS, On January 31, 2017, the Board of Supervisors adopted Ordinance Nos.  
25 20-17, 16-17, 17-17, 18-17( File Nos. 161356, 161309, 161162, 161163, and 161164)

1 approving General Plan Amendments, Planning Code Text Amendments, Planning Code Map  
2 Amendments, and the Development Agreement respectively.

3 WHEREAS, The Planning Department found that the PSA and Ground Lease  
4 are consistent with the General Plan, and with the eight priority policies under Planning  
5 Code, Section 101.1 for the reasons set forth in the letter of the Planning Department  
6 dated October 5, 2017, which is on file with the Clerk of the Board in File No. 2017-  
7 012081GPR; now, therefore, be it

8 RESOLVED, That the Board of Supervisors hereby finds that the PSA and  
9 Ground Lease are consistent with the General Plan, and with the eight priority policies  
10 under Planning Code, Section 101.1 for the same reasons set forth in the letter of the  
11 Planning Department dated October 5, 2017, and hereby incorporates such findings by  
12 reference as though fully set forth in this Resolution; and, be it

13 FURTHER RESOLVED, That in accordance with the recommendations of the  
14 Director of Property and the Acting Director of MOHCD, the Board of Supervisors  
15 hereby approves the conveyances of the Property, under the jurisdiction of MOHCD,  
16 the PSA and the Ground Lease, and authorizes the Director of Property (or designee)  
17 and the Acting Director of MOHCD (or designee) to execute and deliver the PSA and  
18 the Ground Lease substantially in the form presented to the Board and any such other  
19 documents that are necessary or advisable to complete the transaction contemplated  
20 by the PSA and the Ground Lease, and to effectuate the purpose and intent of this  
21 Resolution; and, be it

22 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director  
23 of Property (or designee) and the Acting Director of MOHCD (or designee), in  
24 consultation with the City Attorney, to enter into any additions, amendments or other  
25 modifications to the PSA and the Ground Lease (including in each instance, without

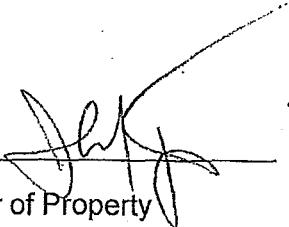
1 limitation, the attachment of exhibits), that the Director of Property and the Acting  
2 Director of MOHCD determine are in the best interests of the City, do not materially  
3 decrease the benefits to the City with respect to the Property, or otherwise materially  
4 increase the obligations or liabilities of the City, and are necessary or advisable to  
5 complete the transaction contemplated herein, effectuate the purpose and intent of this  
6 Resolution, and are in compliance with all applicable laws, including the City's Charter,  
7 provided that documents that include amendments from what was previously submitted  
8 to the Board shall be provided to the Clerk of the Board, as signed by the parties,  
9 together with a marked copy to show any changes, within 30 days of execution for  
10 inclusion in the official file; and, be it

11       FURTHER RESOLVED, That the Director of Property is hereby authorized, in the  
12 name and on behalf of the City and County of San Francisco, to accept the deed to the  
13 Property from the Seller/Lessee upon the closing in accordance with the terms and conditions  
14 of the PSA, to place the Property under the jurisdiction of MOHCD, and to take any and all  
15 steps as the Director of Property deems necessary or appropriate in order to consummate the  
16 conveyance of the Property pursuant to the PSA, or to otherwise effectuate the purpose and  
17 intent of this Resolution, such determination to be conclusively evidenced by the execution  
18 and delivery by the Director of Property of any such documents; and, be it

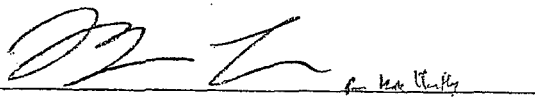
19       FURTHER RESOLVED, That all actions authorized and directed by this  
20 Resolution and heretofore taken are hereby ratified, approved and confirmed by this  
21 Board of Supervisors.  
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RECOMMENDED:



John Updike, Director of Property



Kate Hartley, Acting Director, Mayor's Office of Housing and Community  
Development

<b>Item 17</b> <b>File 17-1197</b>	<b>Department:</b> Mayor's Office
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<p>The proposed resolution would (1) authorize a purchase and sale agreement for the Mayor's Office of Housing and Community Development (MOHCD) to purchase Sunnydale Parcel Q from Sunnydale Parcel Q Housing Partners for \$3,000,000; (2) authorize a 75-year ground lease, with one 24-year option to extend, between the City as landlord and Sunnydale Parcel Q Housing Partners as tenant for \$15,000 annual base rent to construct affordable housing; and (3) adopt findings that the purchase, sale, and lease of the property are consistent with the General Plan and the eight policy priorities of Planning Code Section 101.1.</p>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• Sunnydale Parcel Q, which is adjacent to the San Francisco Housing Authority (SFHA) Sunnydale housing complex, is proposed for development of 55 units of multi-family rental housing for low-income households. Sunnydale Parcel Q Housing Partners (which is a limited partnership consisting of subsidiaries of Mercy Housing California and Related Companies of California) purchased Sunnydale Parcel Q from a private party in December 2016 for \$3,000,000, using an acquisition loan from MOHCD, with the understanding that MOHCD would subsequently purchase Sunnydale Parcel Q and enter into a long-term ground lease with Sunnydale Parcel Q Housing Partners to develop the affordable housing.</li> <li>• MOHCD's purchase price of \$3,000,000 for Sunnydale Parcel Q is less than the \$5,950,000 appraised value, based on an appraisal dated November 1, 2017.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>• For the purchase of Sunnydale Parcel Q from Sunnydale Parcel Q Housing Partners, MOHCD will apply a credit of \$3,000,000 to the outstanding balance of the acquisition loan. Total estimated costs to Sunnydale Parcel Q Housing Partners to develop affordable housing on Sunnydale Parcel Q are \$44.8 million; sources of financing include low-income housing tax credits, MOHCD gap financing, and other sources.</li> <li>• MOHCD will enter into a 75-year ground lease with Sunnydale Parcel Q Housing Partners, in which Sunnydale Parcel Q Housing Partners will pay base rent of \$15,000 per year, and residual rent up to \$580,000 per year to the extent that surplus cash is available.</li> </ul>	
<b>Policy Consideration</b>	
<ul style="list-style-type: none"> <li>• In accordance with City Administrative Code Section 23.3, an appraisal review is required for the purchase by the City of property exceeding \$200,000 in fair market value. According to MOHCD staff, although the appraisal review was not available for review by the Budget and Legislative Analyst, it will be presented to the Budget and Finance Committee by November 30, 2017.</li> </ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"> <li>• Approval of the proposed resolution is a policy matter for the Board of Supervisors.</li> </ul>	

## MANDATE STATEMENT

City Administrative Code Section 23.3 requires (1) Board of Supervisors approval of any purchase of real property by the City, and (2) an appraisal for the purchase of property exceeding \$10,000 in fair market value and an appraisal review for the purchase of property exceeding \$200,000 in fair market value.

## BACKGROUND

HOPE SF is a program between the City and the San Francisco Housing Authority (SFHA), in which the Mayor's Office of Housing and Community Development (MOHCD) is the lead agency in redeveloping five SFHA housing developments: Hunters View, Alice Griffith, Potrero Terrace and Annex, and Sunnydale.

In March 2008, following a competitive solicitation process, SFHA selected Mercy Housing California and Related Companies of California (Mercy/Related) as co-developers for the revitalization of Sunnydale through HOPE SF.

In April 2008, the MOHCD issued a Notice of Funding Availability for development of the Sunnydale Master Plan; and Mercy/Related were selected as the recipients of the funding.

The Sunnydale HOPE SF Master Plan includes the complete rebuilding of the existing SFHA Sunnydale housing development. The Master Plan consists of a maximum of 1,770 new units, including 969 to 994 affordable units, of which 775 are replacement units for existing Sunnydale public housing residents, and approximately 600 market rate units. The project also includes 4.6 acres of new open space and approximately 60,000 square feet of new neighborhood-serving retail and community spaces. The Board of Supervisors approved the Sunnydale HOPE SF Special Use District in January 2017.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

- (1) Authorize a purchase and sale agreement for the acquisition by the City, under the jurisdiction of MOHCD, of Sunnydale Parcel Q from Sunnydale Parcel Q Housing Partners for \$3,000,000;
- (2) Authorize a 75-year ground lease, with one 24-year option to extend, between the City as landlord and Sunnydale Parcel Q Housing Partners as tenant for \$15,000 annual base rent to construct a 100 percent affordable, 55-unit multifamily rental housing development for low-income households; and
- (3) Adopt findings that the purchase, sale, and lease of the property are consistent with the General Plan and the eight policy priorities of Planning Code Section 101.1.

### Purchase and Sale Agreement

The proposed resolution would authorize the City to purchase Sunnydale Parcel Q, which consists of 21,757 square feet of land located at 1491 Sunnydale Avenue, from Sunnydale Parcel Q Housing Partners, L.P., which consists of subsidiaries of both co-developers for



\$3,000,000. An appraisal dated November 1, 2017 valued the Sunnydale Parcel Q property at \$5,950,000 based on the City's approval of the redevelopment of the Sunnydale public housing complex, and the completion of entitlement work on Sunnydale Parcel Q.

In order to relocate residents currently on site to start demolition of the existing SFHA housing and subsequent construction of the new Sunnydale HOPE SF housing units, Sunnydale Parcel Q Housing Partners purchased Sunnydale Parcel Q, which is adjacent to the existing SFHA housing development at 1491 Sunnydale Avenue. Sunnydale Parcel Q Housing Partners acquired Sunnydale Parcel Q in 2016 for \$3,000,000 using a \$5,000,000 predevelopment and acquisition loan from MOHCD. According to the April 2016 MOHCD staff report to the HOPE SF Affordable Housing Loan Committee<sup>1</sup>, Sunnydale Parcel Q Housing Partners were to complete purchase of the site in December 2016, and then transfer the site to MOHCD at construction financing close. MOHCD would credit the acquisition loan to be shown paid in full at land transfer. According to the staff report, MOHCD would then ground lease the site to Sunnydale Parcel Q Housing Partners.

#### **Development of Sunnydale Parcel Q**

The proposed development of Sunnydale Parcel Q is a 55-unit multi-family rental housing development for low-income households. The housing is a mix of one-, two- and three-bedroom units for households with incomes up to 50 percent of the San Francisco Area Median Income (AMI)<sup>2</sup>. 75 percent of the housing units will be reserved for existing residents of SFHA's Sunnydale housing development.

Related will develop the property and Mercy will be the property manager. Financing for the project consists of federal Low Income Housing Tax Credits and gap financing to be provided by MOHCD, as discussed further below.

#### **Planning Department Findings**

The project was reviewed in accordance with the California Environmental Quality Act (CEQA) under the Addendum to the Environmental Impact Report – Sunnydale Velasco HOPE Master Plan, published on June 16, 2016. The Planning Department additionally determined that the proposed development of Sunnydale Parcel Q is consistent with the eight priority policies of the Planning Code and in conformity with the City's General Plan.

#### **FISCAL IMPACT**

For the purchase of Sunnydale Parcel Q from Sunnydale Parcel Q Housing Partners, MOHCD will apply a credit of \$3,000,000 to the outstanding balance of the \$5,000,000 predevelopment and acquisition loan to Sunnydale Parcel Q Housing Partners. MOHCD will also provide Sunnydale Parcel Q Housing Partners with additional financial assistance to leverage equity from an allocation of low-income housing tax credits and other funding sources. The sources and uses for the proposed development of Sunnydale Parcel Q are shown in Table 1 below.

<sup>1</sup> The HOPE SF Affordable Housing Loan Committee is made up of representatives from MOHCD, Human Services Agency, Department of Public Health, Office of Community Investment and Infrastructure, and San Francisco Housing Authority.

<sup>2</sup> \$57,650 in 2017 for a family of four

**Table 1: Sunnydale Parcel Q Development Sources and Uses of Funds**

Sources of Funds	Amount
MOHCD Gap Financing Permanent Loan to Sunnydale Parcel Q Housing Partners	\$7,466,847
MOHCD Predevelopment and Acquisition Loan <sup>a</sup>	2,000,000
Permanent Financing	11,617,000
Low-Income Housing Tax Credits	23,747,625
<b>Total Sources of Funds</b>	<b>\$44,831,472</b>
Uses of Funds	
Acquisition (Closing Costs)	\$62,500
Hard Costs (Construction)	31,599,341
Construction Contingency (10%)	3,159,934
Soft Costs (Design, Engineering, Financing, Legal)	6,593,989
Soft Cost Contingency (3.6%)	329,699
Reserves	911,009
Mercy/Related Developer Fee	2,175,000
<b>Total Uses of Funds</b>	<b>\$44,831,472</b>
<b>Cost Per Unit (55 units)</b>	<b>\$815,118</b>

<sup>a</sup> \$5,000,000 loan net of the \$3,000,000 credit for acquisition of Sunnydale Parcel Q.  
Source: MOHCD

According to Ms. Sara Amaral, MOHCD Project Manager, the total development cost per unit of \$815,118 is \$173,778, or 27 percent, higher than the average per unit cost of \$641,340 for multifamily affordable housing projects in MOHCD’s portfolio with a completion date after January 2015. The total development cost per bedroom of \$439,524 is \$73,106, or 20 percent, higher than the average per bedroom cost of \$366,418 for MOHCD’s multifamily affordable housing portfolio. According to Ms. Amaral, the high construction costs are due to (1) the construction of housing over a concrete parking podium, with concrete adding significantly to the cost of construction, (2) the high portion of two- and three-bedroom apartments, reducing the total number of units, and (3) the City’s competitive construction market.

Total City financing to the project (not including the purchase price of Sunnydale Parcel Q) of \$9,466,847 (\$2,000,000 in predevelopment and acquisition loan and \$7,466,847 in permanent financing) results in City financing costs of \$172,124 per unit for the 55 total units of housing, which is \$37,841 or 18 percent, lower than MOHCD’s average cost of financing per unit of \$209,965.

**Ground Lease**

After purchasing the property, MOHCD (landlord) would enter into a 75-year ground lease with Sunnydale Parcel Q Housing Partners (tenant) for the Sunnydale Parcel Q property. Key terms of the ground lease are shown in Table 2 below.

**Table 2: Key Lease Terms**

Lease Term	
Size of Property	21,757 SF
Lease Period	75 years (January 2018 to January 2093)
Options to extend the lease	One 24-year option to extend the lease through 2117 for a total lease term of 99 years
Base rent	\$15,000 per year
Adjustments to base rent	None
Residual rent	Up to \$580,000 per year
Adjustments to residual rent	10 percent of fair market value on the 15 <sup>th</sup> anniversary of the first rent payment and every 15 years thereafter
Taxes, Insurance, Maintenance, Utilities	Payable by Sunnydale Parcel Q Housing Partners

Sunnydale Parcel Q Housing Partners would pay base rent of \$15,000 per year to MOHCD in exchange for Sunnydale Parcel Q Housing Partners' agreement to develop and operate the affordable housing development with rent levels affordable to households with up to 50 percent of San Francisco AMI. According to Ms. Amaral, the \$15,000 base rent is the standard fee MOHCD charges affordable housing developers. The total amount of base rent to be paid by Sunnydale Parcel Q Housing Partners to MOHCD over the term of the 75-year lease would be \$1,125,000, as shown in Table 3 below.

**Table 3: Total Rent Paid by Related to MOHCD**

Annual Rent	Lease Term	Total Rent
\$15,000	75 years	\$1,125,000

If the project does not have sufficient income to pay base rent in any year, the unpaid amount will be deferred and accrue without interest until paid.

Residual rent, for repayment of the MOHCD loans, will be payable to the extent that surplus cash<sup>3</sup> is available. Residual rent will be up to \$580,000 for the first 15 years of the ground lease, and will reset to 10 percent of the new appraised fair market value of the Sunnydale Parcel Q project on the 15<sup>th</sup> anniversary of the first rent payment and every 15 years thereafter. Unpaid residual rent due to insufficient surplus cash in any year will not accrue and will not be payable from surplus cash in subsequent years. If surplus cash is insufficient to pay the full amount of residual rent, Sunnydale Parcel Q Housing Partners must certify in writing and provide supporting documentation to the City to verify the insufficiency.

### **POLICY CONSIDERATION**

In accordance with City Administrative Code Section 23.3, an appraisal review is required for the purchase by the City of property exceeding \$200,000 in fair market value, and according to the appraisal, the Sunnydale Parcel Q property has a fair market value of \$5,950,000. According to MOHCD staff, although the appraisal review was not available for review by the Budget and

<sup>3</sup> Project income remaining after payment of operating expenses and management fees

Legislative Analyst, it will be presented to the Budget and Finance Committee by November 30, 2017.

MOHCD staff note that there is currently legislation pending before the Board of Supervisors to amend Administrative Code Section 23.3 to waive the appraisal and appraisal review requirement for property that will be used for 100 percent affordable housing (File 17-1107). If the proposed legislation is approved by the Board of Supervisors, an appraisal review would not be required for the purchase of Sunnydale Parcel Q. Since this legislation has not yet been approved, the Budget and Legislative Analyst considers it a policy matter for the Board of Supervisors to approve the purchase of Sunnydale Parcel Q pending completion of an appraisal review.

#### **RECOMMENDATION**

Approval of the proposed resolution is a policy matter for the Board of Supervisors.



# SAN FRANCISCO PLANNING DEPARTMENT

## General Plan Referral

**Date:** October 5, 2017

**Case No.:** Case No. 2017-012081GPR  
Sunnydale Parcel Q-New 5 Story Type V-A over Type 1-A building to accommodate 55 units of affordable family apartments.

**Block/Lot No.:** 6365/061-068

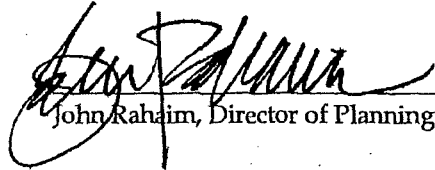
**Project Sponsor:** Sara Amaral  
Mayor's Office of Housing and Community Development  
44 Montgomery Street, Suite 1300  
San Francisco, CA 94104

**Applicant:** Same as Above

**Staff Contact:** Maggie Wenger – (415) 575-9126  
[maggie.wenger@sfgov.org](mailto:maggie.wenger@sfgov.org)

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

**Recommended  
By:**

  
John Rahaim, Director of Planning

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

Reception:  
415.558.6378

Fax:  
415.558.6409

Planning  
Information:  
415.558.6377

### PROJECT DESCRIPTION

The Project is the proposed development of 55 affordable apartments for families at Sunnydale Parcel Q by the Mayor's Office of Housing and Community Development (MOHCD). The submittal is for a General Plan Referral to recommend whether the Project is in conformity with the General Plan, pursuant to Section 4.105 of the Charter, and Section 2A.52 and 2A.53 of the Administrative Code.

**GENERAL PLAN REFERRAL**

**CASE NO. 2017-012081GPR  
SUNNYDALE PARCEL Q  
AFFORDABLE HOUSING DEVELOPMENT**

**ENVIRONMENTAL REVIEW**

The project was reviewed in accordance of the California Environmental Quality Act under the Addendum to Environmental Impact Report- Sunnydale Velasco HOPE Master Plan (2010.0305E) published June 16, 2016.

**GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION**

The Project is the proposed development of Sunnydale Parcel Q by the Mayor's Office of Housing and Community Development (MOHCD) for a 55 unit affordable housing building. The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, in-conformity with the following Objectives and Policies of the General Plan:

**HOUSING ELEMENT**

**OBJECTIVE 1**

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

**POLICY 1.3**

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

*The proposed project would add to the city's affordable housing stock and contribute to the HopeSF Sunnydale project.*

**POLICY 1.10**

**Support new housing projects, especially affordable housing, where households can easily rely on public transportation, walking and bicycling for the majority of daily trips.**

*The location of the proposed project is served by three bus routes including the SFMTA 8BX Bayshore Express. Housing in these areas will provide many opportunities for walking, biking and public transit for residents.*

**OBJECTIVE 4**

**FOSTER A HOUSING STOCK THAT MEETS THE NEEDS OF ALL RESIDENTS ACROSS LIFECYCLES.**

**POLICY 4.4**

**Encourage sufficient and suitable rental housing opportunities, emphasizing permanently affordable rental units wherever possible.**

*The proposed project would add to the city's permanent affordable housing stock and contribute to the HopeSF Sunnydale project.*

**GENERAL PLAN REFERRAL**

**CASE NO. 2017-012081GPR  
SUNNYDALE PARCEL Q  
AFFORDABLE HOUSING DEVELOPMENT**

**OBJECTIVE 8.**

**BUILD PUBLIC AND PRIVATE SECTOR CAPACITY TO SUPPORT, FACILITATE, PROVIDE AND MAINTAIN AFFORDABLE HOUSING.**

**POLICY 8.1**

**Support the production and management of permanently affordable housing.**

*The proposed project would add to the city's permanent affordable housing stock.*

**PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1**

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

**Eight Priority Policies Findings**

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

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

*The Project would have no adverse effect on existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses. The site is currently vacant.*

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

*The Project would have no adverse effect on the City's housing stock or on neighborhood character. The existing housing and neighborhood character will be not be negatively affected as the site is currently vacant.*

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

*The Project would add to the city's permanent affordable housing stock.*

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

*The Project would not result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking.*

GENERAL PLAN REFERRAL

CASE NO. 2017-012081GPR  
SUNNYDALE PARCEL Q  
AFFORDABLE HOUSING DEVELOPMENT

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

*The Project would not affect the existing economic base in this area.*

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

*The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake.*

7. That landmarks and historic buildings be preserved.

*The Project will have no effect on landmarks or historic buildings. No parcels proposed for transfer contain historic landmarks or buildings as the site is currently vacant.*

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

*The Project would have no adverse effect on parks and open space or their access to sunlight and vista.*

<b>RECOMMENDATION:</b> Finding the Project, on balance, in-conformity with the General Plan
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**OLD REPUBLIC**  
TITLE COMPANY

555 12th Street, Suite 2000  
Oakland, CA 94607  
(510) 272-1121 Fax: (510) 208-5045

**PRELIMINARY REPORT**

UPDATED #3

RELATED CALIFORNIA  
18201 Von Karman Avenue, Suite 900  
Irvine, CA 92612

Our Order Number 1117017658-JM

Attention: JONATHAN MARK

When Replying Please Contact:

Julie Massey  
JMassey@ortc.com  
(510) 272-1121

Property Address:

1477-1497 Sunnydale Avenue - Parcel, San Francisco, CA 94102

In response to the above referenced application for a policy of title insurance, OLD REPUBLIC TITLE COMPANY, as issuing Agent of Old Republic National Title Insurance Company, hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said Policy or Policies are set forth in Exhibit I attached. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the Homeowner's Policy of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit I. Copies of the Policy forms should be read. They are available from the office which issued this report.

**Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit I of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.**

**It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.**

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of October 12, 2017, at 7:30 AM

**OLD REPUBLIC TITLE COMPANY**  
For Exceptions Shown or Referred to, See Attached

Page 1 of 7 Pages

OLD REPUBLIC TITLE COMPANY  
ORDER NO. 1117017658-JM  
UPDATED #3

The form of policy of title insurance contemplated by this report is:

ALTA Loan Policy - 2006. A specific request should be made if another form or additional coverage is desired.

The estate or interest in the land hereinafter described or referred or covered by this Report is:

Fee

Title to said estate or interest at the date hereof is vested in:

SUNNYDALE PARCEL Q HOUSING PARTNERS L.P., a California limited partnership

The land referred to in this Report is situated in the County of San Francisco, City of San Francisco, State of California, and is described as follows:

Lots 61 through 68 inclusive, as shown on Map entitled, "Parcel Map being a Subdivision of Lot 57 shown upon that certain Map, recorded in Parcel Map Book 43, at Page 72 on May 13, 1997 also being a Subdivision of Lot 57, Assessor's Block No. 6356 San Francisco, California", filed March 07, 2003 in Book 45 of Parcel Maps, at Page 130, San Francisco County Records.

Assessor's Lots 061 through 068; Block 6356

At the date hereof exceptions to coverage in addition to the Exceptions and Exclusions in said policy form would be as follows:

1. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, as follows:

Assessor's Parcel No	:	LOT 061; BLOCK 6356	
Bill No.	:	175285	
Code No.	:	01-000	
1st Installment	:	\$1,869.16	NOT Marked Paid
2nd Installment	:	\$1,869.16	NOT Marked Paid
Land Value	:	\$288,598.00	

Said matters affect Lot 61

2. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, as follows:

Assessor's Parcel No	:	LOT 061; BLOCK 6356	
Bill No.	:	175286	
Code No.	:	01-000	
1st Installment	:	\$1,869.16	NOT Marked Paid
2nd Installment	:	\$1,869.16	Delinquent
Penalty	:	\$0.00	
Land Value	:	288598	

OLD REPUBLIC TITLE COMPANY  
ORDER NO. 1117017658-JM  
UPDATED #3

Said matters affect Lot 62

3. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, as follows:

Assessor's Parcel No	:	LOT 063; BLOCK 6356	
Bill No.	:	175287	
Code No.	:	01-000	
1st Installment	:	\$1,869.16	NOT Marked Paid
2nd Installment	:	\$1,869.16	NOT Marked Paid
Land Value	:	\$288,598.00	

Said matters affect Lot 63

4. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, as follows:

Assessor's Parcel No	:	LOT 064; BLOCK 6356	
Bill No.	:	175288	
Code No.	:	01-000	
1st Installment	:	\$1,869.16	NOT Marked Paid
2nd Installment	:	\$1,869.16	NOT Marked Paid
Land Value	:	\$288,598.00	

Said matters affect Lot 064

5. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, as follows:

Assessor's Parcel No	:	LOT 065; BLOCK 6356	
Bill No.	:	175289	
Code No.	:	01-000	
1st Installment	:	\$1,869.16	NOT Marked Paid
2nd Installment	:	\$1,869.16	NOT Marked Paid
Land Value	:	\$288,598.00	

Said matters affect Lot 65

OLD REPUBLIC TITLE COMPANY  
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6. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, as follows:

Assessor's Parcel No	:	LOT 066; BLOCK 6356	
Bill No.	:	175290	
Code No.	:	01-000	
1st Installment	:	\$1,869.16	NOT Marked Paid
2nd Installment	:	\$1,869.16	NOT Marked Paid
Land Value	:	\$288,598.00	

Said matters affect Lot 66

7. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, as follows:

Assessor's Parcel No	:	LOT 067; BLOCK 6356	
Bill No.	:	175291	
Code No.	:	01-000	
1st Installment	:	\$1,902.34	NOT Marked Paid
2nd Installment	:	\$1,902.34	NOT Marked Paid
Land Value	:	\$294,258.00	

Said matters affect Lot 67

8. Taxes and assessments, general and special, for the fiscal year 2017 - 2018, as follows:

Assessor's Parcel No	:	LOT 068; BLOCK 6356	
Bill No.	:	175292	
Code No.	:	01-000	
1st Installment	:	\$1,902.34	NOT Marked Paid
2nd Installment	:	\$1,902.34	NOT Marked Paid
Land Value	:	\$294,258.00	

Said matters affect Lot 68

9. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Section 75, et seq., of the Revenue and Taxation Code of the State of California.

10. Any supplemental taxes due to recent change of ownership.

The affirmative coverage set forth in the Covered Risks is not being provided by the policy.

OLD REPUBLIC TITLE COMPANY  
ORDER NO. 1117017658-JM  
UPDATED #3

11. Any special tax which is now a lien and that may be levied within the City of San Francisco Unified School District Community Facilities District No. 90-1, notice(s) for which having been recorded.

NOTE: Among other things, there are provisions in said notice(s) for a special tax to be levied annually, the amounts of which are to be added to and collected with the property taxes.

NOTE: The current annual amount levied against this land is \$79.00.

NOTE: Further information on said assessment or special tax can be obtained by contacting:

Name : San Francisco Unified School District  
Telephone No. : (415) 241-6480

(AS TO EACH LOT)

12. The herein described property lying within the proposed boundaries of the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing), as follows:

District No. : 2009-1  
For : San Francisco Sustainable Financing  
Disclosed by : Map filed December 7, 2009, in Book 1 of Maps of Assessment and Community Facilities Districts, Page 33.

13. Recitals as shown or noted on the filed map.

14. Terms and provisions as contained in an instrument,

Entitled : Development Agreement  
Executed By : The City and County of San Francisco, The Housing Authority of the City and County of San Francisco and Sunnydale Development Co., LLC  
Recorded : March 3, 2017 in Official Records under Recorder's Serial Number 2017-K416604

OLD REPUBLIC TITLE COMPANY  
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15. Any rights, interests or claims which may exist or arise by reason of the facts shown on a survey plat prepared by Martin M. Ron Associates, on November 30, 2016, designated Job No. S-9528, as follows:

A) The fact that fences do not track the property lines

B) The fact that a wall does not track the property lines

C) The fact that a building adjacent to the northeast boundary line encroaches onto said lands varying distances .014' to .11'

16. Any unrecorded and subsisting leases.

17. Terms and provisions as contained in an instrument,

Entitled : Declaration of Restrictions  
Executed By : Sunnydale Parcel Q Housing Partners, L.P., a California limited partnership, in favor of City and County of San Francisco  
Dated : November 2, 2016  
Recorded : December 19, 2016 in Official Records under Recorder's Serial Number 2016-K377174

18. Deed of Trust, Assignment of Rents, Security Agreement and Fixture filing, to secure the indebtedness shown below and any other amounts payable thereunder

Amount : \$5,000,000.00  
Trustor : Sunnydale Parcel Q Housing Partners, L.P., a California limited partnership  
Trustee : Old Republic Title Company  
Beneficiary : City and County of San Francisco, a municipal corporation  
Dated : November 2, 2016  
Recorded : December 19, 2016, Instrument No 2016-K377175

19. Agreement for : Development Agreement  
Executed By : The City and County of San Francisco  
and Between : the Housing Authority of the City and County of San Francisco and Sunnydale Development Co.,

On the terms, covenants and conditions contained therein,

Recorded : March 3, 2017 in Official Records under Recorder's Serial Number 2017-K416604

OLD REPUBLIC TITLE COMPANY  
ORDER NO. 1117017658-JM  
UPDATED #3

20. Any claim of lien for services, labor or material arising from an improvement or work under construction or completed at the date hereof.
21. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.

-----**Informational Notes**-----

- A. The applicable rate(s) for the policy(s) being offered by this report or commitment appears to be section(s) to be determined.
- B. NOTE: The last recorded transfer or agreement to transfer the land described herein is as follows:
- |            |   |  |
|------------|---|--|
| Instrument | : |  |
| Entitled   | : | Grant Deed   |
| By/From    | : | Emile Kishek, Trustee and Taghreed, Kishek, Trustee of the Kishek Family Trust and Alpha Restoration and Waterproofing, Inc., a California corporation |
| To         | : | SUNNYDALE PARCEL Q HOUSING PARTNERS L.P., a California limited partnership   |
| Recorded   | : | December 19, 2016 in Official Records under Recorder's Serial Number 2016-K377173  |
- C. All transactions that close on or after March 1, 2015 will include a \$20.00 minimum recording service fee, plus actual charges required by the County Recorder.

Exhibit I

**AMERICAN LAND TITLE ASSOCIATION  
LOAN POLICY OF TITLE INSURANCE - 2006  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations.This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
  - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
  - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
  - (c) resulting in no loss or damage to the Insured Claimant;
  - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
  - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
  - (a) a fraudulent conveyance or fraudulent transfer, or
  - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

**EXCEPTIONS FROM COVERAGE – SCHEDULE B, PART 1, SECTION ONE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.



**FACTS**
**WHAT DOES OLD REPUBLIC TITLE  
DO WITH YOUR PERSONAL INFORMATION?**

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Social Security number and employment information</li> <li>• Mortgage rates and payments and account balances</li> <li>• Checking account information and wire transfer instructions</li> </ul> <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p>
<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Old Republic Title chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Old Republic Title share?	Can you limit this sharing?
For our everyday business purposes — such as to process your transactions, maintain your account(s), or respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes — to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes — information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes — information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For non-affiliates to market to you	No	We don't share

Questions

 Go to [www.oldrepublictitle.com](http://www.oldrepublictitle.com) (Contact Us)

Who we are	
Who is providing this notice?	Companies with an Old Republic Title name and other affiliates. Please see below for a list of affiliates.

What we do	
How does Old Republic Title protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. For more information, visit <a href="http://www.OldRepublicTitle.com/newnational/Contact/privacy">http://www.OldRepublicTitle.com/newnational/Contact/privacy</a> .
How does Old Republic Title collect my personal information?	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> <li>• Give us your contact information or show your driver's license</li> <li>• Show your government-issued ID or provide your mortgage information</li> <li>• Make a wire transfer</li> </ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>• Sharing for affiliates' everyday business purposes - information about your creditworthiness</li> <li>• Affiliates from using your information to market to you</li> <li>• Sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing. See the "Other important information" section below for your rights under state law.</p>

Definitions	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>Our affiliates include companies with an Old Republic Title name, and financial companies such as Attorneys' Title Fund Services, LLC, Lex Terrae National Title Services, Inc., Mississippi Valley Title Services Company, and The Title Company of North Carolina.</i></li> </ul>
<b>Non-affiliates</b>	<p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> <li>• <i>Old Republic Title does not share with non-affiliates so they can market to you</i></li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between non-affiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• <i>Old Republic Title doesn't jointly market.</i></li> </ul>

**Other Important Information**

Oregon residents only: We are providing you this notice under state law. We may share your personal information (described on page one) obtained from you or others with non-affiliate service providers with whom we contract, such as notaries and delivery services, in order to process your transactions. You may see what personal information we have collected about you in connection with your transaction (other than personal information related to a claim or legal proceeding). To see your information, please click on "Contact Us" at [www.oldrepublictitle.com](http://www.oldrepublictitle.com) and submit your written request to the Legal Department. You may see and copy the information at our office or ask us to mail you a copy for a reasonable fee. If you think any information is wrong, you may submit a written request online to correct or delete it. We will let you know what actions we take. If you do not agree with our actions, you may send us a statement.

**Affiliates Who May be Delivering This Notice**

American First Abstract, LLC	American First Title & Trust Company	American Guaranty Title Insurance Company	Attorneys' Title Fund Services, LLC	Compass Abstract, Inc.
eRecording Partners Network, LLC	Genesis Abstract, LLC	Kansas City Management Group, LLC	L.T. Service Corp.	Lenders Inspection Company
Lex Terrae National Title Services, Inc.	Lex Terrae, Ltd.	Mara Escrow Company	Mississippi Valley Title Services Company	National Title Agent's Services Company
Old Republic Branch Information Services, Inc.	Old Republic Diversified Services, Inc.	Old Republic Exchange Company	Old Republic National Title Insurance Company	Old Republic Title and Escrow of Hawaii, Ltd.
Old Republic Title Co.	Old Republic Title Company of Conroe	Old Republic Title Company of Indiana	Old Republic Title Company of Nevada	Old Republic Title Company of Oklahoma
Old Republic Title Company of Oregon	Old Republic Title Company of St. Louis	Old Republic Title Company of Tennessee	Old Republic Title Information Concepts	Old Republic Title Insurance Agency, Inc.
Old Republic Title, Ltd.	Republic Abstract & Settlement, LLC	Sentry Abstract Company	The Title Company of North Carolina	Title Services, LLC
Trident Land Transfer Company, LLC				

6356

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CITY & COUNTY ASSESSOR 1995

lots 51 & 53 to 56 into lots 57 to 60 for 2001 roll  
lot 57 into lots 61 to 68, for 2004 roll

SUNNYVALE GARDEN  
SUN VALLEY SUB  
EXCELSIOR HD ASS'N  
BLK 78

REVISED '72  
" '73

Revised 2001  
Revised 2004



LOTS MERGED

LOTS	INTO LOT
2-3	Omitted "1947"
13	11-12 "1948"

SUNNYDALE AVE.

HAHN

SAWYER

25	25	25	25	25	27	33.50	70'	
61	62	63	64	65	58	67	59	33.50
92.104	92.104	92.104	92.104	92.104	67	33.50	70	33.50
25	25	25	25	33	25.104	27	70	25
25	66				2	90		25
25		133			3			25
25	67				4			25
25		133			5			25
25	68				6			25
25		133			7			25
25				50	8			25
25					9			25
25				49	10			25
25				48	11			25
25				47	12			25
25		133			13			25
25				46	14			25
25		110		110	15			25
25				45	16			25
25				44	17			25
25				43	18			25
25		110			19			25
25				42	20			25
25		133		23	21			25
25				41	22			25
25				40	23			25
25				39	24			25
25				38	25			25
25				37	26			25
25				36	27			25
25				35	28			25
25				34	29			25
25				33	30			25
25		133			31			25
25					32			25
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25					65			25
25					66			25
25					67			25
25					68			25

SUNRISE WAY

GROUND LEASE

This ground lease ("Ground Lease" or "Lease") is dated as of \_\_\_\_\_ 20 \_\_, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "City" or "Landlord"), represented by the Mayor, acting by and through the MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT ("MOHCD"), and SUNNYDALE PARCEL Q HOUSING PARTNERS, L.P., a California limited partnership, as tenant (the "Tenant").

RECITALS

A. The City is the fee owner of the land described in Attachment 1 attached hereto and the existing improvements located thereon ("Site").

B. On June 2, 2017 the Citywide HOPE SF Affordable Housing Loan Committee approved MOHCD's gap financing loan to Sunnydale Parcel Q Housing Partners, L.P., to develop the Site into 54 units of affordable housing and 1 manager's unit, including 41 Project Based Section 8 units reserved persons with preference for existing HOPE SF households (the "Project"), and the existing improvements located thereon ("Site").

C. On \_\_\_\_\_, the San Francisco Board of Supervisors and the Mayor approved Resolution No. \_\_\_\_\_, the City to purchase the Site from the Tenant pursuant to that certain Agreement of Purchase and Sale for Real Estate dated as of \_\_\_\_\_, 2018 (the "Purchase Agreement") and enter into this Ground Lease with the Tenant for the purpose of developing the Project.

D. The City believes that the fulfillment of the terms and conditions of this Ground

Lease are in the vital and best interests of the City and the health, safety, morals and welfare of its residents, and in full accord with the public purposes and provisions of applicable State and Federal laws and requirements.

**NOW THEREFORE**, in consideration of the mutual obligations of the parties hereto, the City hereby leases to Tenant, and Tenant hereby leases from the City, the Site, for the Term (as defined in Article 2), and subject to the terms, covenants, agreements and conditions hereinafter set forth, to each and all of which the City and Tenant hereby mutually agree.

**ARTICLE 1: DEFINITIONS**

Terms used herein have the meanings given them when first used or as set forth in this Article 1, unless the context clearly requires otherwise.

**1.1 Administrative General Partner** means Related/Parcel Q Development Co., LLC, a California limited liability company, its successors and assigns.

**1.2 Agreement Date** means the date first set forth above.

**1.3 Area Median Income** (or "AMI") means area median income as published annually by MOHCD, derived from the Income Limits determined by the United States Department of Housing and Urban Development for the San Francisco area, adjusted solely for household size, but not high housing cost area, also referred to as "Unadjusted Median Income."

**1.4 City Loan** means that certain loan to be made to the Tenant by the City for predevelopment and construction costs related to the Improvements in approximate original principal amount equal to \$\_\_\_\_\_.

**1.5 Effective Date** means the close of escrow date for all financing required to construct the Project, but in no event shall the date be prior to the approval of the Ground Lease by the City's Board of Supervisors and the Mayor.

**1.6 First Lease Payment Year** means the year in which construction activities are completed on the Project, as evidenced by a NOC (as defined in Section 10.14 of this Ground Lease), the year in which the Project receives a Certificate of Occupancy for all residential units

**1.7 First Mortgage Lender** means any lender and its successors, assigns and participants or other entity holding the first deed of trust on the Leasehold Estate.

**1.8 Ground Lease** means this Ground Lease of the Site to the Tenant from the City, as amended from time to time.

**1.9 HUD** means the U.S. Department of Housing and Urban Development.

**1.10 HUD PBV Units** means the 41 units that are receiving annual operating subsidy from HUD.

**1.11 Improvements** means all physical construction, including all structures, fixtures and other improvements, to be constructed or rehabilitated on the Site.

**1.12 Laws** means all statutes, laws, ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or governmental agency.

**1.13 Lease Year** means each calendar year during the term hereof, beginning on January 1 and ending on December 31, provided that the "First Lease Year" shall commence on the Effective Date and continue through December 31st of that same calendar year. Furthermore, the "Last Lease Year" shall end upon the expiration of the Term hereof.

**1.14 Leasehold Estate** means the estate held by the Tenant pursuant to and created by this Ground Lease.

**1.15 Leasehold Mortgage** means any mortgage, deed of trust, trust indenture, letter of credit or other security instrument, including but not limited to the deeds of trust securing any

Lender, and any assignment of the rents, issues and profits from the Site, or any portion thereof, which constitutes a lien on the Leasehold Estate created by this Ground Lease and is approved in writing by the City.

**1.16 Lender** means any entity holding a Leasehold Mortgage.

**1.17 Loan Documents** means those certain loan agreements, notes, deeds of trust and declarations and any other documents executed and delivered in connection with the predevelopment, construction and permanent financing for the Project.

**1.18 Managing General Partner** means Mercy Transformation LLC, a California limited liability company, its successors and assigns.

**1.19 MOHCD** means the Mayor's Office of Housing and Community Development for the City.

**1.20 Occupant** means any person or entity authorized by Tenant to occupy a residential unit on the Site, or any portion thereof.

**1.21 Partnership Agreement** means the Amended and Restated Agreement of Limited Partnership of Tenant, by and among the Administrative General Partner, Managing General Partner and Permitted Limited Partner.

**1.22 Permitted Limited Partner** means either or both of MUFU Union Bank, N.A., as investor limited partner, and as special limited partner and their successors and assigns as approved by City.

**1.23 Premises** means the Site together with any Improvements thereon.

**1.24 Project** means the leasehold interest in the Site and the fee interest in the Improvements on the Site.



**1.25 Project Expenses** means the following costs, which may be paid from Project Income to the extent of available Project Income: (a) all charges incurred in the operation of the Project for utilities, real estate and/or possessory interest taxes, assessments, and liability, fire and other hazard insurance premiums; (b) salaries, wages and other compensation due and payable to the employees or agents of Tenant who maintain, administer, operate or provide services in connection with the Project, including all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required for such employees; (c) payments of required interest, principal or annual servicing fees including annual monitoring fee, if any, on any construction or permanent financing secured by the Project; (d) all other expenses actually incurred by Tenant to cover routine operating and services provision costs of the Project, including maintenance and repair and the reasonable fee of any managing agent; (e) credit adjuster payments including interest, repayment of any loans from the Permitted Limited Partner and repayment of operating deficit loans from the Administrative General Partner; (e) annual Base Rent payments; (f) any extraordinary expenses as approved in advance by the City (other than any expenses paid from any reserve account); and (g) deposits to reserves accounts required to be established under the Loan Documents and the Partnership Agreement. Project Fees are not Project Expenses.

**1.26 Project Fees** means (i) a combined annual asset management and partnership management fee in the amount of [\$42,310], increasing by 3.5% annually, payable to the Tenant's general partners, (ii) an annual investor services fee in the amount of [\$5,000], increasing annually by 3.5%, payable to Tenant's limited partners, and (iii) deferred developer fees approved by the City, if any, provided that the sum of the cash developer fee actually paid

plus the deferred developer fee does not exceed the amount of developer fee permitted by the California Tax Credit Allocation Committee or MOHCD.

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

**1.28 Site** means the real property as more particularly described in the Site Legal Description, Attachment 1.

**1.29 Subsequent Owner** means any successor (including a Lender or an affiliate or assignee of a Lender as applicable) to the Tenant's interest in the Leasehold Estate and the Improvements who acquires such interest as a result of a foreclosure, deed in lieu of foreclosure, or transfer from a Lender, its affiliate, and any successors to any such person or entity.

**1.30 Surplus Cash** means all Project Income in any given Lease Year remaining after payment of Project Expenses and Project Fees. The amount of Surplus Cash will be based on figures contained in audited financial statements. All permitted uses and distributions of Surplus Cash shall be governed by Section 6.02(g) of this Ground Lease.

1.31 **Tenant** means Sunnydale Parcel Q Housing Partners, L.P., a California limited partnership and its successors and assigns (or a Subsequent Owner, where appropriate).

1.32 Whenever an Attachment is referenced, it means an attachment to this Ground Lease unless otherwise specifically identified. Whenever a section, article or paragraph is referenced, it is a reference to this Ground Lease unless otherwise specifically referenced.

## **ARTICLE 2: TERM**

(a) **Initial Term.** The term of this Ground Lease shall commence upon the Agreement Date (provided, however, the Tenant shall be entitled to possession of the Site as of the Effective Date) and shall end seventy-five (75) years from that date ("Term"), unless extended pursuant to section (b) below or earlier terminated pursuant to the terms hereof.

(b) **Option for Extension.** Provided that the Tenant is not in default under the terms of this Ground Lease and the Loan Documents, beyond any notice, grace or cure period, either at the time of giving of an Extension Notice (as defined below), as described in section (c) below, or on the last day of the Term (the "Termination Date"), the Term may be extended at the option of the Tenant for one twenty-four (24) year period as provided below. If the Term is extended pursuant to this section, all references in this Ground Lease to the "Term" shall mean the Term as extended by this extension period.

(c) **Notice of Extension.** Tenant shall have one (1) option to extend the term of this Ground Lease for a period of twenty-four (24) years from the Termination Date. Not later than one hundred eighty (180) days prior to the Termination Date, the Tenant may notify the City in writing that it wishes to exercise its option to extend the term of this Ground Lease (an "Extension Notice"). Upon Tenant's exercise of this option, the Initial Term shall be extended

for twenty-four (24) years from the Termination Date for a total Ground Lease term not to exceed ninety-nine (99) years.

(d) Rent During Extended Term. Rent for any extended term will be as set forth in Article 4.

(e) Holding Over. Any holding over after expiration of the Term or, if applicable, extended term without the City's written consent will constitute a default by Tenant and entitle the City to exercise any or all of its remedies as provided in this Ground Lease, even if the City elects to accept one or more payments of Annual Rent.

(f) Right of First Refusal. If during the Term or extended term of this Ground Lease, the City desire to sell its interest in the Site, the Tenant will have the right of first refusal to negotiate for the purchase of the Site as set forth in Section 14.02 provided that the Tenant agrees to maintain the Site as a low-income housing development for seventy five (75) years from the date of purchase.

### **ARTICLE 3: FINANCING**

Tenant shall submit to MOHCD in accordance with the dates specified in the Schedule of Performance, Attachment 2, for approval by MOHCD, evidence satisfactory to MOHCD that Tenant has sufficient equity capital and commitments for construction and permanent financing, and/or such other evidence of capacity to proceed with the construction of the Improvements in accordance with this Ground Lease, as acceptable to MOHCD. MOHCD acknowledges that as of the Effective Date, Tenant has satisfied this requirement.

### **ARTICLE 4: RENT**

#### **4.01 Annual Rent**

(a) Commencing with the First Lease Payment Year, Tenant shall pay to the

City up to Five Hundred Ninety Five Thousand Dollars (\$595,000) (the "Annual Rent") per year for each year of the Term of this Ground Lease. Annual Rent consists of Base Rent and Residual Rent, as defined in Section 4.02 below and subject to the provisions thereof, without offset of any kind (except as otherwise permitted by this Ground Lease) and without necessity of demand, notice or invoice. Annual Rent shall be re-determined on the fifteenth (15th) anniversary of the date of the first payment of Base Rent pursuant to Section 4.02(a) below and every fifteen (15) years thereafter, and shall be equal to ten percent (10%) of the appraised fair market value of the Site as determined by an MAI appraiser selected by and at the sole cost of the Tenant. Any such adjustment shall be made to the Residual Rent and not to the Base Rent.

(b) If the Tenant elects to extend the term of this Ground Lease pursuant to Article 2 above, Annual Rent (along with any potential future adjustments) during any such extended term shall be set by mutual agreement of the parties, taking into account the affordable housing restrictions contained in Section 9.02, project debt and the annual income expected to be generated by the Project. If the parties cannot agree on Annual Rent for the extended term, either party may invoke a neutral third-party process and shall agree on a neutral third-party appraiser to set the Annual Rent at fair market rent in accordance with the then-prevailing practice for resolving similar rent determination disputes in San Francisco taking into account the affordable housing restrictions contained in Section 9.02 or, in the event that there is no then-prevailing practice, in accordance with the rules of the American Arbitration Association. Notwithstanding the foregoing, after the neutral third party process, Tenant, in its sole discretion, may rescind the Extension Notice if it does not wish to extend the Term of this Ground Lease.

#### **4.02 Base Rent.**

(a) "Base Rent" means, in any given Lease Year, Fifteen Thousand Dollars

(\$15,000) per annum; provided, however, that in the event that the Tenant or any Subsequent Owner fails, after notice and opportunity to cure, to comply with the provisions of Section 9.02, Base Rent shall be increased to the full amount of Annual Rent until such time as the Project achieves compliance with the provisions of Section 9.02. Base Rent shall be due and payable in arrears on January 31st of each Lease Year; however, no Base Rent shall be due until after the earlier of (i) the date a certificate of occupancy for the Project is issued or (ii) the fifth anniversary of the Agreement Date. The first Base Rent payment shall be due on the January 31<sup>st</sup> of the calendar year following the First Lease Payment Year. Additionally, in the event that a Subsequent Owner elects pursuant to Section 26.06(ii) to operate the Project without being subject to Section 9.02 or any Subsequent Owner elects, pursuant to Section 26.06(ii), to operate the Project without compliance with such provisions, Annual Rent shall be adjusted as provided in Section 26.07.

(b) If the Project does not have sufficient Project Income to pay Base Rent in any given Lease Year after the payment of Project Expenses in items (a) through (d) in the definition of Project Expenses, above, and the City has received written notice from Tenant regarding its inability to pay Base Rent from Project Income no fewer than sixty (60) days prior to the Base Rent due date along with supporting documentation for Tenant's position that it is unable to pay Base Rent from Project Income, the unpaid amount shall be deferred and all such deferred amounts shall accrue without interest until paid ("**Base Rent Accrual**"). The Base Rent Accrual shall be due and payable each year from and to the extent available from Surplus Cash in accordance with Section 6.02(g). Any Base Rent Accrual shall be due and payable upon the earlier of (i) sale of the Project (but not a refinancing or foreclosure of the Project); or (ii) termination of this Ground Lease (unless a new lease is entered into with a mortgagee pursuant

to Section 26.09 below).

(c) If Tenant has not provided City with the required written notice and documentation under Section 4.02(b) in connection with its claim that it cannot pay Base Rent due to insufficient Project Income, and/or the City has reasonably determined that Tenant's claim that it is unable to pay Base Rent is not supported by such documentation, the City shall assess a late payment penalty of two percent (2%) for each month or any part thereof that any Base Rent payment is delinquent. This penalty shall not apply to Base Rent Accrual that has been previously approved by the City pursuant to Section 4.02(b). The Tenant may request in writing that the City waive such penalties by describing the reasons for Tenant's failure to pay Base Rent and Tenant's proposed actions to insure that Base Rent will be paid in the future. The City may, in its sole discretion, waive in writing all or a portion of such penalties if it finds that Tenant's failure to pay Base Rent was beyond Tenant's control and that Tenant is diligently pursuing reasonable solutions to such failure to pay.

#### **4.03 Residual Rent**

"Residual Rent" means, in any given Lease Year (commencing with the First Lease Payment Year), Five Hundred Eighty Thousand Dollars (\$580,000), subject to any periodic adjustments pursuant to Section 4.01(a). Residual Rent shall be due in arrears on May 15<sup>th</sup> following each Lease Year. Except as otherwise provided in Section 26.07(a), Residual Rent for any year shall be payable only to the extent of Surplus Cash for such year as provided in Section 6.02(g) below, and any unpaid Residual Rent due to insufficient Surplus Cash in any year shall not accrue, shall not be owed to Landlord, and shall not become payable from Surplus Cash in any subsequent years. In the event that in any year Surplus Cash is insufficient to pay the full amount of the Residual Rent, Tenant shall certify to the City in writing by May 15<sup>th</sup> that

available Surplus Cash is insufficient to pay Residual Rent and Tenant shall provide to City any supporting documentation reasonably requested by City to allow City to verify the insufficiency.

#### **4.04 Triple Net Lease**

This Ground Lease is a triple net lease and the Tenant shall be responsible to pay all costs, charges, taxes, impositions and other obligations related thereto accruing after the Agreement Date. If the City pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, the City will be entitled to be reimbursed by Tenant the full amount of such payments as additional rent within thirty (30) days of written demand by City. Failure to timely pay the additional rent shall be an event of default.

#### **ARTICLE 5: CITY COVENANTS**

The City is duly created, validly existing and in good standing under the Law, and has full right, power and authority to enter into and perform its obligations under this Ground Lease. City covenants and warrants that the Tenant and its tenants shall have, hold and enjoy, during the Term, peaceful, quiet and undisputed possession of the Site leased without hindrance or molestation by or from anyone so long as the Tenant is not in default under this Ground Lease. Landlord represents that it is the fee simple owner of the Site and all necessary actions by the City's Board of Supervisors, and any managers or other applicable persons necessary for the due authorization, execution, delivery and performance of this Ground Lease by the City have been duly taken.

#### **ARTICLE 6: TENANT COVENANTS**

Tenant covenants and agrees for itself and its successors and assigns to or of the Site, or any part thereof, that:

##### **6.01 Limited Partnership Authority**



Tenant is a California limited partnership and has full rights, power and authority to enter into and perform its obligations under this Ground Lease.

**6.02 Use of Site and Rents**

During the Term of this Ground Lease, Tenant and its successors and assigns shall comply with the following requirements:

**6.02(a) Permitted Uses**

Except as provided in Sections 26.06 and 26.07 of this Ground Lease, Tenant shall devote the Site to, exclusively and in accordance with, the uses specified in this Ground Lease, as specified in Article 9 hereof, which are the only uses permitted by this Ground Lease.

**6.02(b) Non-Discrimination**

Tenant shall not discriminate against or segregate any person or group of persons on account of race, color, creed, religion, ancestry, national origin, sex, gender identity, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status) in the sale, lease, rental, sublease, transfer, use, occupancy, tenure or enjoyment of the Site or the Improvements, or any part thereof, nor shall Tenant itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of Occupants, subtenants or vendees on the Site or Improvements, or any part thereof, except to the extent permitted by law or required by funding source. Tenant shall not discriminate against tenants with certificates or vouchers under the Section 8 program or any successor rent subsidy program.

**6.02(c) Non-Discriminatory Advertising**

All advertising (including signs) for sublease of the whole or any part of the Site shall include the legend "Equal Housing Opportunity" in type or lettering of easily legible size

and design, or as required by applicable law.

**6.02(d) Access for Disabled Persons**

Comply with all applicable laws providing for access for persons with disabilities, including, but not limited to, the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973.

**6.02(e) Equal Opportunity Marketing Plan**

Tenant shall submit a Fair Housing Marketing Plan to be approved by the City. Any Fair Housing Marketing Plan must follow the City's marketing requirements for such plans.

**6.02(f) Lead Based Paint**

Tenant agrees to comply with the regulations set forth in 24 CFR Part 35 and all applicable rules and orders issued thereunder which prohibit the use of lead-based paint in certain residential structures undergoing federally assisted construction and require the elimination of lead-based paint hazards.

**6.02(g) Permitted Uses of Surplus Cash**

All annual Project Income, prior to the calculation of Surplus Cash, shall be used to pay Project Expenses, including but not limited to Base Rent, and Project Fees. If the Tenant is in compliance with all applicable requirements and agreements under this Ground Lease, Tenant shall then use any Surplus Cash to make the following payments in the following order of priority:

- i. First to Base Rent Accrual payments, if any;
- ii. Second, to replenish the operating reserve account, if necessary, up to the amount required by Lenders;
- iii. Third, two thirds (2/3) of remaining Surplus Cash to the City. The City's

portion of Surplus Cash will be applied first to repayment of all the City Loan according to the terms of the City Loan documents, then to annual Residual Rent; and

- iv. Then, any remaining Surplus Cash may be used by Tenant for any purposes permitted under the limited partnership agreement of Tenant, as it may be amended from time to time.

Notwithstanding the foregoing, Tenant and City agree that the distribution of Surplus Cash may be modified based on the requirements of other Lenders.

Subject to the requirement for Tenant to pay Annual Rent to Landlord pursuant to the terms of this Lease and provided that all other payment obligations under this Lease have been met, Tenant shall have the exclusive right to deduct, claim, retain and enjoy any and all rental income appreciation gain, depreciation, amortization and tax credits for federal and state tax purposes relating to all Improvements and any and all additions thereto, substitutions therefor, fixtures therein and other property relating thereto and Landlord shall treat Tenant as the tax owner of all Improvements for federal income tax purposes and shall not file any tax returns inconsistent with this treatment.

#### **6.03 City Deemed Beneficiary of Covenants**

In amplification, and not in restriction, of the provisions of the preceding subsections, it is intended and agreed that the City shall be deemed beneficiary of the agreements and covenants provided in this Article 6 for and in its own right and also for the purposes of protecting the interests of the community and other parties, public or private, in whose favor or for whose benefit such agreements and covenants have been provided. Such agreements and covenants shall run in favor of the City for the entire period during which such agreements and covenants

shall be in force and effect, without regard to whether the City has at any time been, remains, or is an owner of any land or interest therein to, or in favor of, which such agreements and covenants relate. The City shall have the exclusive right, in the event of any breach of any such agreements or covenants, in each case, after notice and the expiration of cure periods, to exercise all the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach of covenants, to which it or any other beneficiaries of such agreements or covenants may be entitled.

**ARTICLE 7: ANNUAL INCOME COMPUTATION AND CERTIFICATION**

Forty-five (45) days after recordation of a NOC (as defined in Section 10.14) by the Tenant for the Improvements, Tenant will furnish to the City a list of the persons who are Occupants of the Improvements, the specific unit which each person occupies, the household income of the Occupants of each unit, the household size and the rent being charged to the Occupants of each unit, subject to all applicable local, state and federal laws limiting or restricting the disclosure of such information, along with an income certification, in the form set forth in Attachment 6, for each Occupant. In addition, each Occupant must be required to provide any information, documents or certifications deemed necessary by the City to substantiate the Occupant's income. If any state or federal agency requires an income certification for Occupants of the Improvements containing the above-referenced information, the City agrees to accept such certification in lieu of Attachment 6 as meeting the requirements of this Ground Lease. In addition to such initial and annual list and certification, Tenant agrees to provide the same information and certification to the City regarding each Occupant of the Improvements not later than twenty (20) business days after such Occupant commences occupancy.

**ARTICLE 8: CONDITION OF SITE - "AS IS"**

Neither the City, nor any employee, agent or representative of the City has made any representation, warranty or covenant, expressed or implied, with respect to the Site, its physical condition, the condition of any improvements, any environmental laws or regulations, or any other matter, affecting the use, value, occupancy or enjoyment of the Site other than as set forth explicitly in this Ground Lease, and the Tenant understands and agrees that the City is making no such representation, warranty or covenant, expressed or implied; it being expressly understood that the Site is being leased in an "AS IS" condition with respect to all matters.

**ARTICLE 9: IMPROVEMENTS AND PERMITTED USES**

**9.01 Schedule of Performance**

Tenant agrees to undertake and complete all physical construction on the Site, if any, as approved by the City, in accordance with the Schedule of Performance, Attachment 2, subject to force majeure.

**9.02 Permitted Uses and Occupancy Restrictions**

The permitted uses of the Project are limited to fifty four (54) units of affordable rental housing plus one manager's unit (collectively, the "Residential Units") and common areas. Upon the completion of construction, fourteen (14) Residential Units in the Project shall be occupied or held vacant and available for rental by Occupants earning no more than 50% AMI and forty one (41) of the Residential Units must be set aside as HOPE SF public housing replacement units in accordance with the Section 8 program administered by SFHA so long as the Section 8 subsidy or other similar subsidy is made available to the Project. One (1) of the Residential Units shall be unrestricted and made available as a manager's unit. Residential Units shall be occupied and rented in accordance with all applicable restrictions imposed on the Project

by this Ground Lease and by Lenders for so long as such restrictions are required by the applicable Lender.

**ARTICLE 10: CONSTRUCTION OF IMPROVEMENTS**

**10.01 General Requirements and Rights of City**

All construction documents, including but not limited to preliminary and final plans and specifications for the construction of the Improvements by Tenant (collectively the “Construction Documents”) shall be prepared by a person registered in and by the State of California to practice architecture and shall be in conformity with this Ground Lease, including any limitations established in the City’s reasonable approval of the schematic drawings, if any, preliminary construction documents, and final construction documents for the Premises, and all applicable Federal, State and local laws and regulations. The architect shall use, as necessary, members of associated design professions, including engineers and landscape architects.

**10.02 City Approvals and Limitation Thereof**

The Construction Documents must be approved by the City in the manner set forth below:

**10.02(a) Compliance with Ground Lease**

The City’s approval with respect to the Construction Documents is limited to determination of their compliance with this Ground Lease. The Construction Documents shall be subject to general architectural review and guidance by City as part of this review and approval process.

**10.02(b) MOHCD Does Not Approve Compliance with Construction Requirements**

The City’s approval is not directed to engineering or structural matters or

compliance with local building codes and regulations, the Americans with Disabilities Act, or any other applicable State or Federal law relating to construction standards or requirements.

**10.02(c) City Determination Final and Conclusive**

The City's determination respecting the compliance of the Construction Documents with this Ground Lease shall be final and conclusive (except that it makes no determination and has no responsibility for the matters set forth in Section 10.02(b), above).

**10.03 Construction to be in Compliance with Construction Documents and Law**

**10.03(a) Compliance with City Approved Documents**

The construction shall be in substantial compliance with the City-approved Construction Documents.

**10.03(b) Compliance with Local, State and Federal Law**

The construction shall be in strict compliance with all applicable local, State and Federal laws and regulations. Tenant understands and agrees that Tenant's use of the Premises and construction of the Improvements permitted hereunder will require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises, including, without limitation, City agencies.

**10.04 Approval of Construction Documents by City**

Tenant shall submit and MOHCD shall approve or disapprove the Construction Documents referred to in this Ground Lease within the times established in the Schedule of Performance. Failure by MOHCD either to approve or disapprove within the times established in the Schedule of Performance shall entitle Tenant to a day for day extension of time for completion of any activities delayed as a direct result of MOHCD's failure to timely approve or

disapprove the Construction Documents. MOHCD hereby acknowledges that as of the Effective Date, MOHCD has approved the Construction Documents.

**10.05 Disapproval of Construction Documents by City**

If the City disapproves the Construction Documents in whole or in part as not being in compliance with this Ground Lease, Tenant shall submit new or corrected plans which are in compliance within thirty (30) days after written notification to it of disapproval, and the provision of this section relating to approval, disapproval and re-submission of corrected Construction Documents shall continue to apply until the Construction Documents have been approved by the City; provided, however, that in any event Tenant must submit satisfactory Construction Documents (i.e., approved by City) no later than the date specified therefor in the Schedule of Performance.

**10.06 Reserved**

**10.07 Issuance of Building Permits**

Tenant shall have the sole responsibility for obtaining all necessary building permits and shall make application for such permits directly to the City's Department of Building Inspection. The City understands and agrees that Tenant may use the Fast Track method of permit approval for construction of the Improvements.

**10.08 Performance and Payment Bonds**

Prior to commencement of construction of the Improvements, Tenant shall deliver to City performance and payment bonds, each for the full value of the cost of construction of the Improvements, which bonds shall name the City as co-obligee, or such other completion security which is acceptable to the City. The payment and performance bonds may be obtained by Tenant's general contractor and name Tenant and City as co-obligees.



#### **10.09 City Approval of Changes after Commencement of Construction**

Once construction has commenced, the only Construction Document matters subject to further review by MOHCD will be requests for any material changes in the Construction Documents which affect matters previously approved by MOHCD. Permission to make such changes shall be requested by Tenant in writing and directed to MOHCD, Attention: Project Manager/Construction Supervisor or his or her designee. MOHCD shall reply in writing giving approval or disapproval to any requested change from Tenant within ten (10) business days after receiving such request. If the request is disapproved, the reply must specify the reasons for the disapproval. The failure of MOHCD to respond within the ten (10) day period shall be deemed approval by MOHCD.

#### **10.10 Times for Construction**

Tenant agrees for itself, and its successors and assigns to or of the Leasehold Estate or any part thereof, that Tenant and such successors and assigns shall promptly begin and diligently prosecute to completion the construction of the Improvements upon the Site, and that such construction shall in any event commence and thereafter diligently continue and shall be completed no later than the dates specified in the Schedule of Performance, subject to force majeure, unless such dates are extended by MOHCD, or MOHCD's default.

#### **10.11 Force Majeure**

For the purposes of any of the provisions of this Ground Lease, and notwithstanding anything to the contrary, neither the City nor Tenant, as the case may be, shall be considered in breach or default of its obligations, nor shall there be deemed a failure to satisfy any conditions with respect to the beginning and completion of construction of the Improvements, or progress in respect thereto, in the event of enforced delay in the performance of such obligations or

satisfaction of such conditions, due to unforeseeable causes beyond its control and without its fault or negligence, including, but not restricted to, acts of God, or of the public enemy, acts of the Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, general scarcity of materials and unusually severe weather or delays of subcontractors due to such causes; it being the purposes and intent of this provision that in the event of the occurrence of any such enforced delay, the time or times for the satisfaction of conditions to this Ground Lease including those with respect to construction of the Improvements, shall be extended for the period of the enforced delay; provided, however, that the party seeking the benefit of the provisions of this paragraph shall have notified the other party thereof in writing of the cause or causes thereof within thirty (30) days after the beginning of any such enforced delay and requested an extension for the period of the enforced delay; and, provided further, that this paragraph shall not apply to, and nothing contained in this paragraph shall extend or shall be construed to extend, the time of performance of any of Tenant's obligations to be performed prior to the commencement of construction, nor shall the failure to timely perform pre-commencement of construction obligations extend or be construed to extend Tenant's obligations to commence, prosecute and complete construction of the Improvements in the manner and at the times specified in this Ground Lease.

#### **10.12 Reports**

Commencing when construction of the Improvements commences and continuing until completion of construction of the Improvements, Tenant shall make a report in writing to the City every month, in such detail as may reasonably be required by the City, as to the actual progress of the Tenant with respect to such construction. The MOHCD Monthly Project Update required under the MOHCD Loan Documents shall satisfy this requirement.

### **10.13 Access to Site**

Commencing as of the Effective Date, Tenant shall permit access to the Site to the City whenever and to the extent necessary to carry out the purposes of the provisions of this Ground Lease, at reasonable times and upon reasonable advance notice of no less than forty eight (48) hours after Completion of construction, and subject to the rights of Occupants under any applicable leases, and on an emergency basis without notice whenever City believes that emergency access is required. At all times while the Landlord representative is present on the Site. The City and its representatives will exercise due care in entering upon and/or inspecting the Site, and will perform all entry and inspection in a professional manner and so as to preclude any damage to the Site or Improvements, or any disruption to the work of construction or operation of the Improvements. The City and its representatives will abide by any reasonable safety and security measures Tenant imposes.

### **10.14 Notice of Completion**

Promptly upon completion of the construction of the Improvements in accordance with the provisions of this Ground Lease, Tenant shall file a Notice of Completion ("NOC") and record such approved NOC in the San Francisco Recorder's Office. Tenant shall provide the City with a copy of the recorded NOC.

### **10.15 Completion of Improvements by New Developer**

In the event a Lender or a successor thereto forecloses, obtains a deed in lieu of foreclosure or otherwise realizes upon the Premises and undertakes construction of the Improvements ("New Developer") (A) such New Developer shall not be bound by the provisions of the Schedule of Performance with respect to any deadlines for the completion of the Improvements but shall only be required to complete the Improvements with due diligence and

in conformance with a new Schedule of Performance as agreed upon by the New Developer and the City, (B) such New Developer shall only be required to complete the Improvements in accordance with all applicable building codes and ordinances, and the approved Construction Documents with such changes that are mutually agreed upon by the City and the New Developer pursuant to Subsection (C) hereof; and (C) City and New Developer shall negotiate in good faith such reasonable amendments and reasonable modifications to Section 10 of this Ground Lease as the parties mutually determine to be reasonably necessary based upon the financial and construction conditions then existing.

**ARTICLE 11: RESEVERED**

**ARTICLE 12: CHANGES TO THE IMPROVEMENTS**

**12.01 Post Completion Changes**

The City has a particular interest in the Project and in the nature and extent of the permitted changes to the Improvements. Accordingly, it desires to and does hereby impose the following particular controls on the Site and on the Improvements: during the term of this Ground Lease, neither Tenant, nor any voluntary or involuntary successor or assign, shall make or permit any Change in the Improvements (as defined in Section 12.02), unless the express prior written consent for any change shall have been requested in writing from the City and obtained, and, if obtained, upon such terms and conditions as the City may reasonably require. The City agrees not to withhold or delay its response to such a request unreasonably.

**12.02 Definition of Change**

'Change' as used in this Article means any material alteration, modification, addition and/or substitution of or to the Site, the Improvements, and/or the density of development which differs materially from that which existed upon the completion of construction of the

Improvements in accordance with this Ground Lease, and shall include without limitation the exterior design and exterior materials and/or exterior color, and/or relocation or removal of either the control room, the transformer room, or both. For purposes of the foregoing, exterior shall mean and include the roof of the Improvements. Changes shall not include non-material repairs, maintenance and interior alterations in the normal course of operation of the Project, or as may be required in an emergency to protect the safety and well-being of the Project's Occupants.

Further, nothing in this Section 12.02 shall be construed to restrict the Tenant's and its subtenants right to (i) make non-material interior modifications, including, without limitation, modifications to and substitutions of interior décor, or repairs to or replacements of fixtures, appliances and other equipment relating to the Site or Improvements in the normal course of operation and maintenance of the Premises as long as such replacements are of similar quality and provide the same level of service, or (ii) make or perform any repairs or modifications in an emergency situation in which a delay in such repairs or modifications could pose a safety hazard to tenants, the public, or adjoining property owners.

### **12.03 Enforcement**

Subject to Article 19 hereof, City shall have any and all remedies in law or equity (including without limitation restraining orders, injunctions and/or specific performance), judicial or administrative, to enforce the provisions of this Article 12, including without limitation any threatened breach thereof or any actual breach or violation thereof.

### **ARTICLE 13: TITLE TO IMPROVEMENTS**

City acknowledges that fee title to the Improvements shall be vested in Tenant. It is the intent of the Parties that this Ground Lease and Memorandum of Lease shall create a constructive notice of severance of the Improvements from the Land without the necessity of a

deed from Lessor to Lessee. City and Tenant hereby agree that fee title to the Improvements shall remain vested in Tenant during the Term, subject to Section 14.01 below; provided, however, that, subject to the rights of any Lenders and as further consideration for the City entering into this Ground Lease, at the expiration or earlier termination of this Ground Lease, fee title to all the Improvements shall vest in the City without further action of any party, without any obligation by the City to pay any compensation therefor to Tenant, and without the necessity of a deed from Tenant to the City. Notwithstanding the foregoing, if requested by City, upon expiration or sooner termination of this Ground Lease, Tenant shall execute, acknowledge, and deliver to the City a good and sufficient grant deed conveying to City Tenant's fee interest in the Improvements.

**ARTICLE 14: ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE**

**14.01 Assignment, Sublease or Other Conveyance by Tenant**

Subject to Article 26, Tenant may not sell, assign, convey, sublease, or transfer in any other mode or form all or any part of its interest in this Ground Lease or in the Improvements or any portion thereof, other than to Lender(s) or affiliates of Lender(s), or allow any person or entity to occupy or use all or any part of the Site, other than leases to residential tenants in the ordinary course of business, nor may it contract or agree to do any of the same, without the prior written approval of the City, which approval shall not be unreasonably withheld or delayed.

**14.02 Assignment, Sublease or Other Conveyance by City**

The parties acknowledge that any sale, assignment, transfer or conveyance of all or any part of the City's interest in the Site, the Improvements, or this Ground Lease, is subject to this Ground Lease. The City will require that any purchaser, assignee or transferee expressly assume all of the obligations of the City under this Ground Lease by a written instrument recordable in

the Official Records of the City. This Ground Lease shall not be affected by any such sale, and Tenant shall attorn to any such purchaser or assignee. In the event that the City intends to sell all or any part of the Site, the City shall notify Tenant of the proposed terms of such sale not later than ninety (90) days before the anticipated close of escrow. Tenant shall have sixty (60) days from the giving of such notice to exercise a right of first refusal to purchase the Site on the same terms and conditions of such proposed sale, provided that any sale of City's interest in the Site shall be subject to the prior approval of the City's Board of Supervisors and Mayor.

**ARTICLE 15: TAXES**

Subject to any exemption available therefor, Tenant agrees to pay, or cause to be paid, prior to delinquency to the proper authority, any and all valid taxes, assessments and similar charges imposed on the Site during the term of this Ground Lease, including all taxes levied or assessed on the possession, use or occupancy, as distinguished from the ownership, of the Site, Tenant shall not permit any such taxes, charges or other assessments to become a defaulted lien on the Site or the Improvements thereon; provided, however, that in the event any such tax, assessment or similar charge is payable in installments, Tenant may make, or cause to be made, payment in installments; and, provided further, that Tenant may contest the legal validity or the amount of any tax, assessment or similar charge, through such proceedings as Tenant considers necessary or appropriate, and Tenant may defer the payment thereof so long as the validity or amount thereof shall be contested by Tenant in good faith and without expense to the City. In the event of any such contest, Tenant shall protect, defend and indemnify the City against all loss, cost, expense or damage resulting therefrom, and should Tenant be unsuccessful in any such contest, Tenant shall forthwith pay, discharge, or cause to be paid or discharged, such tax, assessment or other similar charge. The City shall furnish such information as Tenant shall

reasonably request in connection with any such contest provided that such information is in the City's possession or control or is otherwise available to the public. City hereby consents to and shall reasonably cooperate and assist with Tenant applying for and obtaining any applicable exemptions from taxes or assessments levied on the Site, the Improvements or on Tenant's interest therein. Tenant shall have no obligation under this Section prior to the Effective Date, including but not limited to any taxes, assessments or other charges levied against the Site which are incurred prior to the Effective Date.

**ARTICLE 16: UTILITIES**

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



**ARTICLE 17: MAINTENANCE**

Tenant, at all times during the term hereof, shall maintain or cause to be maintained the Premises in good condition and repair to the reasonable satisfaction of the City, including the exterior, interior, substructure and foundation of the Improvements and all fixtures, equipment and landscaping from time to time located on the Site or any part thereof. The City shall not be obligated to make any repairs, replacements or renewals of any kind, nature or description whatsoever to the Site or any buildings or improvements now or hereafter located thereon.

**ARTICLE 18: LIENS**

Tenant shall use its best efforts to keep the Site free from any liens arising out of any work performed or materials furnished by itself or its subtenants. In the event that Tenant shall not cause the same to be released of record or bonded around within twenty (20) days following written notice from the City of the imposition of any such lien, the City shall have, in addition to all other remedies provided herein and by law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All sums paid by the City for such purpose, and all reasonable expenses incurred by it in connection therewith, shall be payable to the City by Tenant on demand; provided, however, Tenant shall have the right, upon posting of an adequate bond or other security, to contest any such lien, and the City shall not seek to satisfy or discharge any such lien unless Tenant has failed so to do within ten (10) days after the final determination of the validity thereof. In the event of any such contest, Tenant shall protect, defend, and indemnify the City against all loss, cost, expense or damage resulting therefrom. The provisions of this Section shall not apply prior to the Effective Date or to any liens arising prior to the Effective Date.

**ARTICLE 19: GENERAL REMEDIES**

### **19.01 Application of Remedies**

The provisions of this Article 19 shall govern the parties' remedies for breach of this Ground Lease.

### **19.02 Notice and Cure Rights for Tenant and Permitted Limited Partner**

(a) The City may not exercise its remedies under this Ground Lease for a default by the Tenant unless and until: (i) the City has given written notice of any such default, in accordance with the notice provisions of Article 38, to Tenant and Permitted Limited Partners, who have requested notice as set forth below, and (ii) such default has not been cured within sixty (60) days or such longer period as may be set forth herein, following the giving of such notice or, if such default cannot be cured within such 60-day period, such longer period as is reasonably necessary to cure such default, provided that such cure has been commenced within such 60-day period and is being prosecuted diligently to completion. If a Permitted Limited Partner cannot cure a default due to an automatic stay in Bankruptcy court because the general partner of the Tenant is in bankruptcy, any cure period will be tolled during the pendency of such automatic stay.

(b) The City will not exercise its remedy to terminate this Ground Lease if a Permitted Limited Partner is attempting to cure the default and such cure requires removal of a general partner, so long as the Permitted Limited Partner is proceeding diligently to remove the defaulting general partner in order to effect a cure of such default.

(c) Unless otherwise provided for herein, any limited partner wishing to become a Permitted Limited Partner other than any Permitted Limited Partner identified in Section 38 must provide five (5) days written notice to the City in accordance with the notice provisions of this Ground Lease, setting forth a notice address and providing a copy of such notice to the Tenant

and all of the Tenant's partners. Such limited partner will become a Permitted Limited Partner upon the expiration of the five-day period. A limited partner will not be afforded the protections of this section with respect to any default occurring prior to the time such limited partner becomes a Permitted Limited Partner.

### **19.03 Breach by City**

If Tenant believes a material breach by the City of this Ground Lease has occurred, Tenant shall first notify the City in writing of the purported breach, giving the City sixty (60) days from receipt of such notice to cure such breach. In the event City does not then cure or, if the breach is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then Tenant shall be afforded all of its rights at law or in equity by taking any or all of the following remedies: (i) terminating in writing this entire Ground Lease with the written consent of each Lender; (ii) prosecuting an action for damages; (iii) seeking specific performance of this Ground Lease; or (iv) any other remedy available at law or equity.

### **19.04 Breach by Tenant**

#### **19.04(a) Default by Tenant**

Subject to the notice and cure rights under Section 19.04(b), the following events each constitute a basis for the City to take action against Tenant:

- (1) Tenant fails to comply with the Permitted Uses and Occupancy Restrictions set forth in Section 9.02;
- (2) Tenant voluntarily or involuntarily assigns, transfers or attempts to transfer or assign this Ground Lease or any rights in this Ground Lease, or in the Improvements, except as permitted by this Ground Lease or otherwise with the approval of the City;

(3) From and after the Effective Date, Tenant, or its successor in interest, shall fail to pay real estate taxes or assessments on the Premises or any part thereof prior to delinquency, or shall place thereon any encumbrance or lien unauthorized by this Ground Lease, or shall suffer any levy or attachment to be made, or any material supplier's or mechanic's lien or any other unauthorized encumbrance or lien to attach, and such taxes or assessments shall not have been paid, or the encumbrance or lien removed or discharged within the time period provided in Article 18; provided, however, that Tenant shall have the right to contest any tax or assessment pursuant to Article 15 and Article 18 and, upon the posting of an adequate bond or other security, to contest any such lien or encumbrance. In the event of any such contest, Tenant shall protect, indemnify and hold City harmless against all losses and damages, including reasonable attorneys' fees and costs resulting therefrom;

(4) Tenant shall be adjudicated bankrupt or insolvent or shall make a transfer in fraud of creditors, or make an assignment for the benefit of creditors, or bring or have brought against Tenant any action or proceeding of any kind under any provision of the Federal Bankruptcy Act or under any other insolvency, bankruptcy or reorganization act and, in the event such proceedings are involuntary, Tenant is not dismissed from the same within sixty (60) days thereafter; or, a receiver is appointed for a substantial part of the assets of Tenant and such receiver is not discharged within sixty (60) days;

(5) Tenant breaches any other material provision of this Ground Lease;

(6) Tenant fails to pay any portion of Annual Rent when due in accordance with the terms and provisions of this Ground Lease.

**19.04(b) Notification and City Remedies**

Upon the happening of any of the events described in Section 19.04(a) above, and

prior to exercising any remedies, the City shall notify Tenant, the Permitted Limited Partners, and each Lender in writing of the Tenant's purported breach, failure or act in accordance with the notice provisions of Article 38, giving Tenant sixty (60) days from receipt of such notice to cure such breach, failure or act. In the event Tenant does not cure or, if the breach, failure or act is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then, subject to the rights of any Lender and subject to Section 19.02 and Article 26, the City thereafter shall be afforded all of its rights at law or in equity, including without limitation any or all of the following remedies: (1) terminating in writing this Ground Lease; (2) prosecuting an action for damages; (3) seeking specific performance of this Ground Lease; or (4) in the case of default under Section 19.04(a)(1), increasing the Base Rent to the full amount of the Annual Rent.

Notwithstanding the foregoing, during the 15-year tax credit "compliance period" (as defined in Section 42 of the Internal Revenue Code, as amended) for the Project, City may only terminate this Ground Lease for a default by Tenant under Section 19.04(a)(6) above.

#### **ARTICLE 20: DAMAGE AND DESTRUCTION**

##### **20.01 Insured Casualty**

From and after the Effective Date, if the Improvements or any part thereof are damaged or destroyed by any cause covered by any policy of insurance required to be maintained by Tenant hereunder, Tenant shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to the condition thereof prior to such damage or destruction; provided, however, that if more than fifty percent (50%) of the Improvements are destroyed or are so damaged by fire or other casualty and if the insurance proceeds do not provide at least ninety percent (90%) of the funds necessary to accomplish the restoration,

Tenant, with the written consent of Lender, may terminate this Ground Lease within thirty (30) days after the later of (i) the date of such damage or destruction, or (ii) the date on which Tenant is notified of the amount of insurance proceeds available for restoration. In the event Tenant is required or elects to restore the Improvements, all proceeds of any policy of insurance required to be maintained by Tenant under this Ground Lease shall, subject to any applicable rights of Lenders, be used by Tenant for that purpose and Tenant shall make up from its own funds or obtain additional financing as reasonably approved by the City any deficiency between the amount of insurance proceeds available for the work of restoration and the actual cost thereof. In the event Tenant elects to terminate this Ground Lease pursuant to its right to do so under this Section 20.01, or elects not to restore the Improvements, the insurance proceeds shall be divided in the order set forth in Section 20.03. In the event Tenant is required or elects to restore the Improvements, the Tenant is hereby authorized and may enter into a settlement or consent to an adjustment of an insurance award, in its name, relating to such casualty, subject to any Lender's consent rights, if any.

#### **20.02 Uninsured Casualty**

From and after the Effective Date, if (i) more than fifty percent (50) of the Improvements are damaged or destroyed and ten percent (10%) or more of the cost of restoration is not within the scope of the insurance coverage; and (ii) in the reasonable opinion of Tenant, the undamaged portion of the Improvements cannot be completed or operated on an economically feasible basis; and (iii) there is not available to Tenant any feasible source of third party financing for restoration reasonably acceptable to Tenant; then Tenant may, with the written consent of each Lender, other than the City, terminate this Ground Lease upon ninety (90) days written notice to the City. If it appears that the provisions of this Section 20.02 may apply to a particular event of

damage or destruction, Tenant shall notify the City promptly and not consent to any settlement or adjustment of an insurance award without the City's written approval, which approval shall not be unreasonably withheld or delayed. In the event that Tenant terminates this Ground Lease pursuant to this Section 20.02, all insurance proceeds and damages payable by reason of the casualty shall be divided among City, Tenant and Lenders in accordance with the provisions of Section 20.03. If Tenant does not have the right, or elects not to exercise the right, to terminate this Ground Lease as a result of an uninsured casualty, Tenant shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to their condition prior to such damage or destruction in accordance with the provisions of Section 20.01 and shall, subject to any applicable rights of Lenders, if any, be entitled to all available insurance proceeds.

#### **20.03 Distribution of the Insurance Proceeds**

In the event of an election by Tenant to terminate and surrender as provided in either Sections 20.01 or 20.02, the priority and manner for distribution of the proceeds of any insurance policy required to be maintained by Tenant hereunder shall be as follows:

- (a) First to the Lenders, in order of their priority, to control, disburse or apply to any outstanding loan amounts in accordance with the terms their respective Leasehold Mortgages;
- (b) Second, to pay for the cost of removal of all debris from the Site or adjacent and underlying property, and for the cost of any work or service required by any statute, law, ordinance, rule, regulation or order of any federal, state or local government, or any agency or official thereof, for the protection of persons or property from any risk, or for the abatement of any nuisance, created by or arising from the casualty or the damage or destruction caused thereby;
- (c) Third, to compensate City for any diminution in the value (as of the date of the damage or destruction) of the Site as a raw development site caused by or arising from the

damage or destruction; and

(cd) The remainder to Tenant.

#### **20.04 Clean Up of Housing Site**

In the event the Tenant terminates this Ground Lease pursuant to the provisions of Sections 20.01 or 20.02 and the proceeds of any insurance policy are insufficient to pay the clean-up and other costs described in Article 20.03(b), Tenant shall have the obligation to pay the portion of such costs not covered by the insurance proceeds.

### **ARTICLE 21: DAMAGE TO PERSON OR PROPERTY; HAZARDOUS MATERIALS; INDEMNIFICATION**

#### **21.01 Damage to Person or Property - General Indemnification**

City shall not in any event whatsoever be liable for any injury or damage to any person happening on or about the Site, for any injury or damage to the Premises, or to any property of Tenant, or to any property of any other person, entity or association on or about the Site, unless arising from any gross negligence or willful misconduct of the City or any of its commissioners, officers, agents or employees. Tenant shall defend, hold harmless and indemnify the City including, but not limited to, its boards, commissions, commissioners, departments, agencies and other subdivisions, officers, agents, and employees (each, an "Indemnified Party" and collectively the "Indemnified Parties"), of and from all claims, loss, damage, injury, actions, causes of action and liability of every kind, nature and description (collectively, "Claims") incurred in connection with or directly or indirectly arising from its tenancy, its or their use of the Site, including adjoining sidewalks and streets, and any of its or their operations or activities thereon or connected thereto; all regardless of the active or passive negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on, the Indemnified Parties,



except to the extent that such Indemnity is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Ground Lease and further excepting only such Claims as are caused exclusively by the willful misconduct or gross negligence of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and City's costs of investigating any Claim. Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend the City from any claim which actually or potentially falls within any indemnity provision set forth in this Ground Lease even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Tenant by City and continues at all times thereafter. Tenant's obligations under this Article shall survive the termination or expiration of this Ground Lease.

**21.02 Hazardous Materials – Indemnification**

(a) Tenant shall indemnify, defend, and hold the Indemnified Parties harmless from and against any and all losses, costs, claims, damages, liabilities, and causes of action of any nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and engineering consultants) incurred by or asserted against any Indemnified Party in connection with, arising out of, in response to, or in any manner relating to violation of any Environmental Law, or any Release, threatened Release and any condition of pollution, contamination or Hazardous Substance-related nuisance on, under or from the Site.

(b) For purposes of this Section 21.02, the following definitions shall apply:

(i) "Hazardous Substance" shall have the meaning set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended as of the date of this Ground Lease, 42 U.S.C. 9601(14), and in addition shall include, without

limitation, petroleum (including crude oil or any fraction thereof) and petroleum products, asbestos, asbestos-containing materials, polychlorinated biphenyls ("PCBs"), PCB-containing materials, all hazardous substances identified in the California Health & Safety Code 25316 and 25281(d), all chemicals listed pursuant to the California Health & Safety Code 25249.8, and any substance deemed a hazardous substance, hazardous material, hazardous waste, or contaminant under Environmental Law. The foregoing definition shall not include substances which occur naturally on the Site or commercially reasonable amounts of hazardous materials used in the ordinary course of construction and operation of a residential development.

(ii) "Environmental Law" shall include all federal, state and local laws, regulations and ordinances governing hazardous waste, wastewater discharges, drinking water, air emissions, Hazardous Substance releases or reporting requirements, Hazardous Substance use or storage, and employee or community right-to-know requirements related to the work being performed under this Ground Lease.

(iii) "Release" shall mean any spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment, including the abandonment or discharging of barrels, containers, and other closed receptacles containing any Hazardous Substance.

## **ARTICLE 22: INSURANCE**

### **22.01 Insurance**

The Tenant shall maintain insurance meeting the requirements of this Article.

#### **22.01(a) Insurance Requirements for Tenant**

During the term of this Ground Lease, Tenant shall procure and maintain insurance against claims for injuries to persons or damage to property which may arise from or in

connection with the performance of any work hereunder by the Tenant, its agents, representatives, employees or subcontractors and the Tenant's use and occupancy of the Site and the Improvements.

**22.01(b) Minimum Scope of Insurance**

Coverage shall be at least as broad as:

(1) Insurance Services Office Commercial General Liability coverage (form CG 00 01 - "Occurrence") or other form approved by the City's Risk Manager.

(2) Insurance Services Office Automobile Liability coverage, code 1 (form CA 00 01 - "Any Auto") or other form approved by the City's Risk Manager.

(3) Workers' Compensation insurance as required by the State of California and Employer's Liability insurance.

(4) Professional Liability Insurance: Tenant shall require that all architects, engineers, and surveyors for the Project have liability insurance covering all negligent acts, errors and omissions. Tenant shall provide the City with copies of consultants' insurance certificates showing such coverage.

(5) Insurance Services Office Property Insurance coverage (form CP 10 30 60 95 - "Causes of Loss - Special Form") or other form approved by the City's Risk Manager.

(6) Crime Policy or Fidelity Bond covering the Tenant's officers and employees against dishonesty with respect to the use of City funds.

**22.01(c) Minimum Limits of Insurance**

Tenant shall maintain limits no less than:

(1) General Liability: Commercial General Liability insurance with no less than One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) annual aggregate limit for bodily injury and property damage, including

coverage for contractual liability; personal injury; fire damage legal liability; advertisers' liability; owners' and contractors' protective liability; products and completed operations; broad form property damage; and explosion, collapse and underground (XCU) coverage during any period in which Tenant is conducting any activity on, alteration or improvement to the Site with risk of explosion, collapse, or underground hazards.

(2) Automobile Liability: Business Automobile Liability insurance with no less than One Million Dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable.

(3) Workers' Compensation and Employers Liability: Workers' Compensation, in statutory amounts, with Employers' Liability limits not less than One Million Dollars (\$1,000,000) each accident, injury, or illness.

(4) Professional Liability: Professional Liability insurance of no less than One Million Dollars (\$1,000,000) per claim and Two Million Dollars (\$2,000,000) annual aggregate limit covering all negligent acts, errors and omissions of Tenant's architects, engineers and surveyors. If the Professional Liability Insurance provided by the architects, engineers, or surveyors is "claims made" coverage, Tenant shall assure that these minimum limits are maintained for no less than three (3) years beyond completion of the construction or remodeling.

(5) Crime Policy or Fidelity Bond: Crime Policy or Fidelity Bond of no less than Seventy-Five Thousand Dollars (\$75,000) each loss, with any deductible not to exceed Five Thousand Dollars (\$5,000) each loss.

(6) Pollution Liability and/or Asbestos Pollution Liability: Pollution Liability and/or Asbestos Pollution Liability applicable to the work being performed, with a limit no less than \$1,000,000 per claim or occurrence and \$2,000,000 aggregate per policy period of one year,

this coverage shall be endorsed to include Non-Owned Disposal Site coverage. This policy may be provided by the Tenant's contractor, provided that the policy must be "claims made" coverage and Tenant must require Tenant's contractor to maintain these minimum limits for no less than three (3) years beyond completion of the Project.

(7) Property Insurance:

(a) Prior to construction:

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

(b) During the course of construction:

(i) Builder's risk insurance, special form coverage, excluding earthquake and flood, for one hundred percent (100%) of the replacement value of all completed improvements and City property in the care, custody and control of the Tenant or its contractor, including coverage in transit and storage off-site; the cost of debris removal and demolition as may be made reasonably necessary by such covered perils, resulting damage and any applicable law, ordinance or regulation; start up, testing and machinery breakdown including electrical arcing, copy of the applicable endorsement to the Builder's Risk policy, if the Builder's Risk

policy is issued on a declared-project basis; and with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the City and all subcontractors as loss payees.

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

(c) Upon completion of construction:

(i) Property insurance, excluding earthquake and flood, in the amount no less than One Hundred Percent (100%) of the then-current replacement value of all improvements and City property in the care, custody and control of the Tenant or its contractor. For rehabilitation/construction projects that are unoccupied by residential or commercial tenants, Tenant must obtain Property Insurance by the date that the project receives a Certificate of Substantial Completion. (ii) Boiler and machinery insurance, comprehensive form, covering damage to, loss or destruction of machinery and equipment located on the Site that is used by Tenant for heating, ventilating, air-conditioning, power generation and similar purposes, in an amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment.

**22.01(d) Deductibles and Self-Insured Retentions**

Any deductibles or self-insured retentions in excess of \$25,000 must be declared to and approved by City's Risk Manager. At the option of City's Risk Manager, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to the City and County of San Francisco, and their respective commissioners, members, officers, agents, and employees; or the Tenant shall procure a financial guarantee satisfactory to the City's

Risk Manager guaranteeing payment of losses and related investigations, claim administration and defense expenses.

**22.01(e) Other Insurance Provisions**

The policies are to contain, or be endorsed to contain, the following provisions:

(1) General Liability and Automobile Liability Coverage: The “City and County of San Francisco and their respective commissioners, members, officers, agents, and employees” are to be covered as additional insured with respect to: liability arising out of activities performed by or on behalf of the Tenant related to the Project; products and completed operations of the Tenant, premises owned, occupied or used by the Tenant related to the Project; and automobiles owned, leased, hired or borrowed by the Tenant for the operations related to the Project. The coverage shall contain no special limitations on the scope of protection afforded to the City and its Commissioners, members, officers, agents or employees.

(2) Workers' Compensation and Property Insurance: The insured shall agree to waive all rights of subrogation against the “City and County of San Francisco, and their respective commissioners, members, officers, agents, and employees” for any losses in connection with this Project.

(3) Claims-made Coverage: Should any of the required insurance be provided under a claims-made form, Tenant shall maintain such coverage continuously throughout the term of this Ground Lease and, without lapse, for a period of three years beyond the expiration of this Ground Lease, to the effect that, should occurrences during the contract term give rise to claims made after expiration of the Ground Lease, such claims shall be covered by such claims-made policies.

(4) All Coverage: Each insurance policy required by this Article shall:

(a) Be endorsed to state that coverage shall not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice has been given to City, except in the event of suspension for nonpayment of premium, in which case ten (10) days' notice shall be given.

(b) Contain a clause providing that the City and its officers, agents and employees will not be liable for any required premium.

(c) For any claims related to this Ground Lease, the Tenant's insurance coverage shall be primary insurance with respect to the City and its commissioners, members, officers, agents, and employees. Any insurance or self-insurance maintained by the City or its commissioners, members, officers, agents, or employees shall be in excess of the Tenant's insurance and shall not contribute with it.

(d) The Tenant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(e) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City and its commissioners, members, officers, agents, or employees.

(f) Approval of Tenant's insurance by the City will not relieve or decrease the liability of Tenant under this Ground Lease.

(g) The City reserves the right to require an increase in insurance coverage in the event the City determines that conditions show cause for an increase, unless Tenant demonstrates to the City's satisfaction that the increased coverage is commercially unreasonable and unavailable to Tenant.



**22.01(f) Acceptability of Insurers**

Insurance is to be placed with insurers with a Best's rating of no less than A-VIII or as otherwise approved by the City's Risk Manager.

**22.01(g) Verification of Coverage**

Tenant shall furnish City with certificates of insurance and with original endorsements effecting coverage required by this clause at the commencement of this Ground Lease and annually thereafter. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. City reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by these specifications at any time.

**22.01(h) Contractor, Subcontractors and Consultants Insurance**

Tenant shall include all subcontractors and consultants as additional insureds under its policies or shall furnish separate certificates and endorsements for each. Tenant shall require the subcontractor(s) to provide all necessary insurance and to name the City and County of San Francisco, its officers, agents and employees and the Tenant as additional insureds. All coverage for subcontractors and consultants shall be subject to all of the requirements stated herein unless otherwise approved by the City's Risk Manager.

**ARTICLE 23: COMPLIANCE WITH SITE-RELATED AND LEGAL REQUIREMENTS**

**23.01 Compliance with Legal Requirements**

From and after the Effective Date, Tenant shall at its cost and expense, promptly comply with all applicable Laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, including without limitation the

requirements of the fire department or other similar body now or hereafter constituted and with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, insofar as any thereof relates to or affects the condition, use or occupancy of the Site. In the event Tenant contests any of the foregoing, Tenant shall not be obligated to comply therewith to the extent that the application of the contested law, statute, ordinance, rule, regulation or requirement is stayed by the operation of law or administrative or judicial order and Tenant indemnifies the Indemnified Parties against all loss, cost, expense or damage resulting from noncompliance.

#### **23.02 Regulatory Approvals**

Tenant understands and agrees that the City is entering into this Ground Lease in its capacity as a landowner with a proprietary interest in the Premises and not as a regulatory agency with certain police powers. Tenant understands and agrees that neither entry by the City into this Ground Lease nor any approvals given by the City under this Ground Lease will be deemed to imply that Tenant has thereby obtained any required approvals from City departments, boards or commissions that have jurisdiction over the Premises. By entering into this Ground Lease, the City is in no way modifying or limiting the obligations of Tenant to (i) develop the Project in accordance with all applicable Laws and as provided in this Ground Lease, and (ii) cause the Premises to be used and occupied in accordance with all applicable Laws.

Tenant understands that its construction of the Improvements on the Premises and development of the Project will require approval, authorization or permit by governmental agencies with jurisdiction, which may include the City's Planning Commission and/or Zoning Administrator and the Department of Building Inspection. Tenant must use good faith efforts to obtain and will be solely responsible for obtaining any such approvals required for the Project in

the manner set forth in this Section. Tenant will not seek any regulatory approval without first obtaining MOHCD's approval, which approval shall not be unreasonably withheld or delayed. Throughout the permit process for any regulatory approval, Tenant will consult and coordinate with MOHCD in Tenant's efforts to obtain permits. MOHCD will cooperate reasonably with Tenant in its efforts to obtain permits; provided, however, Tenant may not agree to the imposition of conditions or restrictions in connection with its efforts to obtain a permit from any other regulatory agency if the City is required to be a co-permittee under the permit or the conditions or restrictions could create any financial or other material obligations on the part of the City whether on or off of the Premises, unless in each instance MOHCD has approved the conditions previously in writing and in MOHCD's reasonable discretion. Tenant shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval; provided, however, any such condition that could affect use or occupancy of the Project or the City's interest must first be approved by MOHCD in its sole discretion. No approval by MOHCD will limit Tenant's obligation to pay all the costs of complying with conditions under this Section. Tenant must bear all costs associated with applying for and obtaining any necessary regulatory approval, as well as any fines, penalties or corrective actions imposed as a result of Tenant's failure to comply with the terms and conditions of any regulatory approval. Tenant shall immediately pay and discharge any such fines or penalties imposed on Tenant, and City shall have no liability, monetary or otherwise, for any such fines or penalties.

With MOHCD's prior written consent, Tenant will have the right to appeal or contest any condition in any manner permitted by law imposed upon any regulatory approval. In addition to any other indemnification provisions of this Ground Lease, Tenant shall indemnify, defend, and hold harmless the City and any other Indemnified Parties hereunder against all Claims (as such

terms are defined in Section 21.01 (Tenant's Indemnity) from and against any and all losses that may arise in connection with the failure by Tenant or its agents or invitees to obtain or comply with the terms and conditions of any regulatory approval or with the appeal or contest of any conditions of any regulatory approval, except to the extent damage arises out of the gross negligence or willful misconduct of the City or its agents.

**ARTICLE 24: ENTRY**

(a) During construction, MOHCD reserves for itself and its authorized representatives the right to enter the Site at all reasonable times during normal business hours. At Completion, MOHCD will provide a minimum of forty-eight (48) hours' written notice to Tenant (except in the event of an emergency) for access to the Site, and subject to the rights of the occupants, tenants and others lawfully permitted on the Site, for any of the following purposes:

(i) prior to issuance of the Certificate of Occupancy, to inspect the work being performed by Tenant in developing the Project.

(ii) to determine whether the Premises is in good condition and to inspect the Premises (including, but only prior to commencement of construction of the Improvements, soil borings or other Hazardous Material Investigations);

(iii) to determine whether Tenant is in compliance with its Ground Lease obligations and to cure or attempt to cure any Tenant default;

(iv) to serve, post or keep posted any notices required or allowed under any of the provisions of this Ground Lease;

(v) to do any maintenance or repairs to the Premises that the City has the right or the obligation, if any, to perform hereunder; and

(vi) to show the Premises to any prospective purchasers, brokers, Lenders or public officials, or, during the last year of the Term of this Lease, exhibit the Premises to prospective tenants or other occupants, and to post any reasonable "for sale" or "for lease" signs in connection therewith.

(b) In the event of any emergency which poses an immediate threat to the health and safety of the Occupants of the Improvements, as reasonably determined by the City, at its sole option and without notice, the City may enter the Premises and alter or remove any Improvements or Tenant's personal property on or about the Premises as reasonably necessary, given the nature of the emergency. The City will have the right to use any and all means the City considers appropriate to gain access to any portion of the Premises in an emergency, in which case, the City will not be responsible for any damage or injury to any property, nor for the replacement of any property, and no emergency entry may be deemed to be a forcible or unlawful entry onto or a detainer of the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof.

(c) The City will not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of the City's entry onto the Premises, except to the extent damage arises out of the gross negligence or willful misconduct of the City or its agents. The City will be responsible for any losses resulting from its gross negligence or willful misconduct and will repair any resulting damage promptly.

(d) Tenant will not be entitled to any abatement in Annual Rent if the City exercises any rights reserved in this Section, subject to subsection (c) above. The City will use its reasonable good faith efforts to conduct any activities on the Premises allowed under this Section in a manner that, to the extent practicable, will minimize any disruption to Tenant's use hereunder.

**ARTICLE 25: MORTGAGE FINANCING**

**25.01 No Encumbrances Except for Development Purposes**

Notwithstanding any other provision of this Ground Lease and subject to the prior written consent of the City in the form attached hereto as Attachment 3, which consent shall not be unreasonably withheld, conditioned or delayed, Leasehold Mortgages (and encumbrances related to such Leasehold Mortgages or required by Lenders, the Permitted Limited Partner or HUD, including, but not limited to, use agreements and regulatory agreements) are permitted to be placed upon the Leasehold Estate only for the purpose of securing loans of funds to be used for financing the acquisition of the Project; refinancing of financing used to acquire or rehabilitate the Project; design, construction, renovation or reconstruction of the Improvements; and any other expenditures reasonably necessary and appropriate to acquire, own, develop, construct, renovate, or reconstruct the Improvements under this Ground Lease and in connection with the operation of the Improvements; and costs and expenses incurred or to be incurred by Tenant in furtherance of the purposes of this Ground Lease. The City, acting solely in its capacity as landlord under this Ground Lease and not in its capacity as a Project Lender, hereby acknowledges and accepts MUFG Union Bank, N.A. and \_\_\_\_\_ as a Lender, and consents to the Leasehold Mortgage associated with Lender's construction and permanent loan to Tenant for the Project.

**25.02 Holder Not Obligated to Construct**

The holder of any mortgage, deed of trust or other security interest authorized by Section 25.01 ("Holder" or "Lender"), including the successors or assigns of such Holder, is not obligated to complete any construction of the Improvements or to guarantee such completion; nor shall any covenant or any other provision of this Ground Lease be construed so to obligate

such Holder. However, in the event the Holder does undertake to complete or guarantee the completion of the construction of the Improvements, subject to Section 26.06(ii), nothing in this Ground Lease shall be deemed or construed to permit or authorize any such Holder or its successors or assigns to devote the Site or any portion thereof to any uses, or to construct any Improvements thereon, other than those uses or Improvements authorized under Section 9.02 and any reasonable modifications in plans proposed by any Holder or its successors in interest proposed for the viability of the Project approved by the City in its reasonable discretion. Except as provided in Section 26.06(ii), to the extent any Holder or its successors in interest wish to change such uses or construct different improvements, Holder or its successors in interest must obtain the advance written consent of the City.

#### **25.03 Failure of Holder to Complete Construction**

In any case where six (6) months after assumption of obligations pursuant to Section 25.02 above, a Lender, having first exercised its option to complete the construction, has not proceeded diligently with completion of the construction, the City shall be afforded the rights against such Holder it would otherwise have against Tenant under this Ground Lease for events or failures occurring after such assumption; provided however, if Lender has proceeded diligently with construction, the Schedule of Performance shall not apply to Lender if such Schedule of Performance has been replaced by the new Schedule of Performance pursuant to Section 10.15 of this Ground Lease, which new Schedule of Performance will apply to the Lender.

#### **25.04 Default by Tenant and City's Rights**

**25.04(a) Right of City to Cure a Default or Breach by Tenant under a Leasehold Mortgage**

In the event of a default or breach by Tenant in or of its obligations under any Leasehold Mortgage, and Tenant's failure to timely commence or diligently prosecute cure of such default or breach in accordance with Section 19.04 or otherwise, the City may, at its option, cure such breach or default at any time prior to one hundred ten (110) days after the date on which the Lender files a notice of default. In such event, the City shall be entitled to reimbursement from Tenant of all costs and expenses reasonably incurred by the City in curing the default or breach. The City shall also be entitled to a lien upon the Leasehold Estate or any portion thereof to the extent such costs and disbursements are not reimbursed by Tenant. Any such lien shall be subject to the lien of any then existing Leasehold Mortgage authorized by this Ground Lease, including any lien contemplated because of advances yet to be made. After ninety (90) days following the date of Lender filing a notice of default and expiration of all applicable cure periods of Tenant under the terms of the applicable loan documents, the City shall also have the right to assign Tenant's interest in the Ground Lease to another entity, subject to such Lender's and Permitted Limited Partner's written consent, and which consent may be conditioned, among other things, upon the assumption by such other entity of all obligations of the Tenant under the Leasehold Mortgage.

**25.04(b) Notice of Default to City**

Tenant shall use its best efforts to require Lender to give the City prompt written notice of any such default or breach and each Leasehold Mortgage shall so provide and shall also contain the City's right to cure as above set forth.

**25.05 Cost of Mortgage Loans to be Paid by Tenant**

Tenant covenants and affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of any Leasehold Mortgage, (ii) the delivery of any



instruments and documents and their filing and recording, if required, and (iii) all taxes and charges payable in connection with any Leasehold Mortgage.

**ARTICLE 26: PROTECTION OF LENDER**

**26.01 Notification to City**

Promptly upon the creation of any Leasehold Mortgage and as a condition precedent to the existence of any of the rights set forth in this Article 26, each Lender shall give written notice to the City of the Lender's address and of the existence and nature of its Leasehold Mortgage. Execution of Attachment 3 shall constitute City's acknowledgement of Lender's having given such notice as is required to obtain the rights and protections of a Lender under this Ground Lease. The City hereby acknowledges that MUFG Union Bank, N.A. is deemed to have given such written Notice as First Mortgage Lender.

**26.02 Lender's Rights to Prevent Termination**

Each Lender shall have the right, but not the obligation, at any time prior to termination of this Ground Lease and without payment of any penalty other than the interest on unpaid rent, to pay all of the rents due hereunder, to effect any insurance, to pay any taxes and assessments, to make any repairs and improvements, to do any other act or thing required of Tenant hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof to prevent a termination of this Ground Lease to the same effect as if the same had been made, done and performed by Tenant instead of by Lender.

**26.03 Lender's Rights When Tenant Defaults**

Should any event of default under this Ground Lease occur and be continuing, and not be cured within the applicable cure period, the City shall not terminate this Ground Lease nor

exercise any other remedy hereunder unless it first gives written notice of such event of default to Lender and

(i) If such event of default is a failure to pay a monetary obligation of Tenant (not including obligations arising from indemnification obligations of Tenant ("Indemnification Obligations"), Lender shall have failed to cure such default within sixty (60) days from the date of written notice from the City to Lender; or

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

All rights of the City to terminate this Ground Lease as the result of the occurrence of any such event of default shall be subject to, and conditioned upon, the City having first given Lender written notice of such Event of Default and Lender having failed to remedy such default or acquire Tenant's Leasehold Estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof as set forth in and within the time specified by this Section 26.03, and upon the Permitted Limited Partners having failed to proceed as permitted under Sections 19.02(b) or 26.06(iv).

#### **26.04 Default Which Cannot be Remedied by Lender**

Any event of default under this Ground Lease which in the nature thereof cannot be remedied by Lender shall be deemed to be remedied as it pertains to Lender or any Subsequent

Owner if (i) within sixty (60) days after receiving notice from the City setting forth the nature of such event of default, or prior thereto, Lender shall have acquired Tenant's Leasehold Estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation (other than Indemnification Obligations) in accordance with Section 26.03, and (iv) after gaining possession of the Improvements, Lender shall diligently proceed to perform all other obligations of Tenant as and when the same are due in accordance with the terms of this Ground Lease.

**26.05 Court Action Preventing Lender's Action**

If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in Sections 26.03 and 26.04 above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition. If this Ground Lease is terminated or rejected by Tenant in bankruptcy, the City agrees to enter into a new ground lease with the Lender on the same terms set forth in this Ground Lease. For purposes of this Article, if there is more than one Lender, the City will offer the new lease to each Lender in order of priority until accepted.

**26.06 Lender's Rights to Record, Foreclose and Assign**

The City hereby agrees with respect to any Leasehold Mortgage, that:

- (i) The City's consent shall not be required for the exercise or enforcement by Lender of any of its rights or remedies under any Leasehold Mortgage, including, without

limitation, any foreclosure or similar proceeding or action against the Leasehold Estate. Lender or its assignee may acquire Tenant's interest in this Lease by foreclosure, deed in lieu of foreclosure or other appropriate proceedings in the nature thereof, or as a result of any other action or remedy provided for by any Leasehold Mortgage or by conveyance from Tenant. The Lender may cause same to be recorded and enforced, and upon foreclosure, sell and assign the Leasehold Estate created hereby to an assignee from whom it may accept a purchase price; provided however that: (a) Lender obtains prior written approval from the City with respect to the selection of the assignee, which approval shall not be unreasonably withheld or delayed; and (b) if the Subsequent Owner intends to elect to maintain the use restrictions of Article 9, unless California Revenue and Taxation Code Section 214 is modified to provide differently, said Subsequent Owner must be a limited partnership in which the managing general partner shall be controlled by a California nonprofit public benefit corporation exempt from tax under Section 501(c)(3) of the Internal Revenue Code such that the Premises would, if leased by such entity, receive an exemption from state property taxes as provided under Section 214 of the California Revenue and Taxation Code (to the extent such exemption is then generally available). Lender, furthermore, may acquire title to the Leasehold Estate in any lawful way, and if the Lender becomes the assignee, may sell and assign said Leasehold Estate subject to City approval as to the assignee or purchaser, which shall not be unreasonably withheld or delayed, and to the City's rights under Article 25.

(ii) each Subsequent Owner shall take said Leasehold Estate subject to all of the provisions of this Ground Lease, and shall, so long as and only so long as it shall be the owner of such estate, except as provided elsewhere in this Ground Lease, assume all of the obligations of Tenant under this Ground Lease; provided, however, that, subject to the rent provisions of

Section 26.07 below, the Subsequent Owner may operate and maintain the fifty five (55) residential units without any limitations on the rents charged or the income of the occupants thereof, subject to any applicable regulatory agreement, restrictive covenant or other encumbrance;

(iii) the City shall mail or deliver to any Lender which has an outstanding Leasehold Mortgage a duplicate copy of all notices which the City may from time to time give to Tenant pursuant to this Ground Lease; and

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

**26.07 Ground Lease Rent after Lender Foreclosure or Assignment**

From and after the time that the Subsequent Owner acquires title to the Leasehold Estate, Annual Rent shall be set as follows:

(a) Any accrued Annual Rent at the time of foreclosure shall be forgiven by the City, and shall not remain an obligation of the Lender, its assignee, or the Subsequent Owner.

Subsequent to foreclosure or assignment of the Leasehold Estate to the Lender in lieu of foreclosure, if the Lender continues to operate the Project subject to the use and occupancy restrictions of Section 9.02, then Annual Rent otherwise due may, at the option of the Lender, be deferred until the earlier of the date of the Lender's sale or assignment of the Project to a Subsequent Owner that does not agree to operate the Project subject to such restrictions or the date that is sixty (60) days after Lender ceases to operate the Project in accordance with such

restrictions. All deferred Annual Rent shall accrue, with simple interest at six percent (6%) per annum until paid.

(b) If the Subsequent Owner exercises its rights under Section 26.06(ii) to operate the Project without being subject to Section 9.02, Annual Rent shall be set at the then fair market rental value taking into account any affordability restrictions agreed to by the Subsequent Owner, if any, and the Base Rent shall be increased to the new fair market rent pursuant to this Section 26.07(b) and the provisions of Section 6.02(g) shall be suspended; provided, however, that the City shall be entitled to reduce Annual Rent by any dollar amount (but not below zero) in its sole discretion and, in such case, the Subsequent Owner will be required to reduce rent charged to tenants on a dollar for dollar basis, with respect to such aggregate units occupied by households earning no more than 50% AMI as the City and the Subsequent Owner shall agree. Lender or Subsequent Owner also has the option to voluntarily agree to affordability restrictions less strict than those set forth in Section 9.02, and in such event, the parties may mutually agree upon a modified Annual Rent, Base Rent and Residual Rent commiserate with the agreed upon affordability restrictions. The fair market rental value shall be determined by a jointly-commissioned appraisal (instructions prepared jointly by the Subsequent Owner and the City, with each party paying one half of the appraiser's fee) that will include a market land valuation, as well as a market land lease rent level. Absent a market land lease rent determination, the Annual Rent will be set at an amount equal to ten percent (10%) of the then appraised market land value. If the parties cannot agree on the joint appraisal instructions, either party may invoke a neutral third-party process to set the Annual Rent at fair market rent in accordance with the then-prevailing practice for resolving similar rent determination disputes in San Francisco or, in the event that there is no then-prevailing practice, in accordance with the rules of the American

Arbitration Association. Provided, however, that after the neutral third party process, the Lender, in its sole discretion may rescind its written notification of intent to not comply with Section 9.02 of this Ground Lease.

**26.08 Permitted Uses After Lender Foreclosure**

Notwithstanding the above, in the event of a foreclosure and transfer to a Subsequent Owner, the Premises shall be operated in accordance with the uses specified in the building permit with all addenda, as approved by the City's Department of Building Inspection.

**26.09 Preservation of Leasehold Benefits**

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

(a) That subject to Section 19.04(b) the City shall not voluntarily cancel or surrender this Ground Lease, or accept a voluntary cancellation or surrender of this Ground Lease by Tenant, or amend this Ground Lease to materially increase the obligations of the Tenant or the rights of the City thereunder, without the prior written consent of the Permitted Limited Partner and each Lender (excluding the City) (which will not be unreasonably withheld or delayed);

(b) That the City shall not enforce against a Lender any waiver or election made by the Tenant under this Ground Lease without the prior written consent of the Lender (which will not be unreasonably withheld or delayed);

(c) That, if a Lender makes written request for the same within fifteen (15) days after Lender receives written notice of termination of this Ground Lease, the City will enter a new lease with such Lender commencing on the date of termination of the Ground Lease and ending on the normal expiration date of the Ground Lease, on substantially the same terms and conditions as the Ground Lease, other than Indemnification Obligations, and subject to the rent

provisions set forth in Section 26.07, and with the same priority as against any subleases or other interests in the Premises; provided that such Lender cures all unpaid monetary defaults under the Ground Lease, through the date of such termination;

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

#### **26.10 No Merger**

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

#### **26.11 City Bankruptcy**

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

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

(c) If a bankruptcy proceeding is filed by or on behalf of the City, the City agrees as follows: (i) the Tenant shall be presumed to have objected to any attempt by the City to sell the fee interest free and clear of the leasehold under this Ground Lease; (ii) if Tenant does not so



object, each Lender shall have the right to so object on its own behalf or on behalf of the Tenant; and (iii) in connection with any such sale, the Tenant shall not be deemed to have received adequate protection under section 363(e) of the Bankruptcy Code, unless it shall have received and paid over to each Lender outstanding balance of the obligations under its respective loan.

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

#### **26.12 Amendment**

From the date of this Ground Lease through the 15 year tax credit compliance period, neither Article 19, nor Articles 20, 26.02, 26.03, or 26.06 shall be amended without the written consent of the Permitted Limited Partner.

### **ARTICLE 27: CONDEMNATION AND TAKINGS**

#### **27.01 Parties' Rights and Obligations to be Governed by Agreement**

If, during the term of this Ground Lease, there is any condemnation of all or any part of the Site or any interest in the Leasehold Estate is taken by condemnation, the rights and obligations of the parties shall be determined pursuant to this Article 27, subject to the rights of any Lender.

#### **27.02 Total Taking**

If the Site is totally taken by condemnation, this Ground Lease shall terminate on the date the condemnor has the right to possession of the Site.

#### **27.03 Partial Taking**

If any portion of the Site is taken by condemnation, this Ground Lease shall remain in effect, except that Tenant may, with Lender's written consent (to the extent required under the

applicable loan documents, and excluding the consent of the City in its capacity as Lender), which consent shall not be unreasonably withheld, conditioned or delayed, elect to terminate this Ground Lease if, in Tenant's reasonable judgment, the remaining portion of the Improvements is rendered unsuitable for Tenant's continued use of the Site. If Tenant elects to terminate this Ground Lease, Tenant must exercise its right to terminate pursuant to this paragraph by giving notice to the City within thirty (30) days after the City (or any other governmental agency) notifies Tenant of the nature and the extent of the taking. If Tenant elects to terminate this Ground Lease as provided in this Section 27.03, Tenant also shall notify the City of the date of termination, which date shall not be earlier than thirty (30) days nor later than six (6) months after Tenant has notified the City of its election to terminate; except that this Ground Lease shall terminate on the date the condemnor has the right to possession of the Site if such date falls on a date before the date of termination as designated by Tenant. If Tenant does not terminate this Ground Lease within such thirty (30) day notice period, this Ground Lease shall continue in full force and effect. MOHCD hereby waives any rights it may have to take the Premises via condemnation proceedings during the first fifteen (15) years of the Term.

#### **27.04 Effect on Rent**

If any portion of the Improvements is taken by condemnation and this Ground Lease remains in full force and effect, then on the date of taking the rent shall be reduced by an amount that is in the same ratio to the rent as the value of the area of the portion of the Improvements taken bears to the total value of the Improvements immediately before the date of the taking.

#### **27.05 Restoration of Improvements**

If there is a partial taking of the Improvements and this Ground Lease remains in full force and effect pursuant to Section 27.03, Tenant may, subject to the terms of each Leasehold

Mortgage, use the proceeds of the taking to accomplish all necessary restoration to the Improvements.

#### **27.06 Award and Distribution**

Any compensation awarded, paid or received on a total or partial condemnation of the Site or threat of condemnation of the Site shall belong to and be distributed in the following order:

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

(b) Second, to the Tenant in an amount equal to the fair market value of Tenant's interest in the Improvements and its leasehold interest in the Site (including, but not limited to, the value of Tenant's interest in all subleases to occupants of the Site), such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the Site; and;

(c) Third, to the Landlord.

#### **27.07 Payment to Lenders**

In the event the Improvements are subject to the lien of a Leasehold Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Tenant, such award shall be disposed of as provided in the Leasehold Mortgages.

#### **ARTICLE 28: ESTOPPEL CERTIFICATE**

The City or Tenant, as the case may be, shall execute, acknowledge and deliver to the other and/or any Lender or a Permitted Limited Partner, promptly (but not more than thirty (30)

days) upon request, its certificate certifying (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that this Ground Lease is in full force and effect, as modified, and stating the modifications), (b) an identifying the material terms of this lease and all documents evidencing and otherwise relating to this Lease, (c) the dates, if any, to which rent and all other amounts payable hereunder has been paid, (c) whether there are then existing any charges, offsets or defenses against the enforcement by the City or Tenant to be performed or observed and, if so, specifying the same, and (d) whether there are then existing any defaults by Tenant or the City in the performance or observance by Tenant or the City of any agreement, covenant or condition hereof on the part of Tenant or the City to be performed or observed and whether any notice has been given to Tenant or the City of any default which has not been cured and, if so, specifying the nature and extent thereof; and (f) such other information may be reasonably requested by Tenant or any Lender.

**ARTICLE 29: QUITCLAIM**

Upon expiration or sooner termination of this Ground Lease, Tenant shall surrender the Site to the City and, at the City's request, shall execute, acknowledge, and deliver to the City a good and sufficient quitclaim deed with respect to any interest of Tenant in the Site. Title to the Improvements shall be conveyed to the City as provided in Article 13 herein.

**ARTICLE 30: EQUAL OPPORTUNITY**

In the selection of all contractors and professional consultants for the Project, Tenant must comply with the City's procurement requirements and procedures as described in the Contracting Manual (2006 Amendment) for Federally Funded Construction Projects Financed by the Mayor's Office of Housing, issued by MOHCD on November 18, 2002, as amended on May 22, 2007, as the same may be further amended from time to time, and with the requirements of

the Small Business Enterprise Program (“SBE Program”) as set forth in that certain Small Business Enterprise Program manual dated July 1, 2015, as the same may be amended from time to time, according to the procedures established by the City's Contract Monitoring Division. The Project must comply with the training, hiring and contracting requirements of Section 3 of the Housing and Community Development Act of 1968 and of the San Francisco Section 3 program as administered by MOHCD. Federal Section 3 requirements state that contracts and opportunities for job training and employment be given, to the greatest extent feasible, to local low-income residents. Local residents for this project are San Francisco residents. In addition, this project will be required to comply with hiring requirements as incorporated into the local Section 3 program and in conjunction with the City’s low-income hiring requirements pursuant to San Francisco’s First Source Hiring Ordinance (San Francisco Administrative Code Chapter 83).

**ARTICLE 31: CITY PREFERENCE PROGRAMS**

To the extent permitted by applicable federal and state law, Tenant agrees to comply with the requirements of the City’s current housing preference programs, as amended from time to time; provided, however, that such requirements shall apply only to the extent permitted by the requirements of non-City funding approved by the City for the Project.

**ARTICLE 32: LABOR STANDARDS PROVISIONS**

Although the Parties acknowledge that the development of the Project is a private work of improvement, Tenant agrees that any person performing labor in the construction of the Project and any Change to the Premises, which Tenant provides under this Ground Lease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in

San Francisco, California. Tenant shall include in any contract for construction or demolition of the Project a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Tenant shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of the Project or any Change to the Premises.

**ARTICLE 33: CONFLICT OF INTEREST**

No commissioner, official, or employee of the City shall have any personal or financial interest, direct or indirect, in this Ground Lease, nor shall any such commissioner, official, or employee participate in any decision relating to this Ground Lease which affects his or her personal interests or the interests of any corporation, partnership, or association in which he or she is directly or indirectly interested.

**ARTICLE 34: NO PERSONAL LIABILITY**

No commissioner, official, or employee of the City shall be personally liable to Tenant or any successor in interest in the event of any default or breach by the City or for any amount which may become due to Tenant or its successors or on any obligations under the terms of this Ground Lease.

**ARTICLE 35: ENERGY CONSERVATION**

Tenant agrees that it will use its best efforts to maximize provision of, and incorporation of, both energy conservation techniques and systems and improved waste-handling methodology in the construction of the Improvements.

**ARTICLE 36: WAIVER**

The waiver by the City or Tenant of any term, covenant, agreement or condition herein

contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, agreement or condition herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be construed to waive or to lessen the right of the City or Tenant to insist upon the performance by the other in strict accordance with the said terms. The subsequent acceptance of rent or any other sum of money hereunder by the City shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant, agreement or condition of this Ground Lease, other than the failure of Tenant to pay the particular rent or other sum so accepted, regardless of the City's knowledge of such preceding breach at the time of acceptance of such rent or other sum.

**ARTICLE 37: TENANT RECORDS**

Upon reasonable notice during normal business hours, and as often as the City may deem necessary, there shall be made available to the City and its authorized representatives for examination all records, reports, data and information made or kept by Tenant regarding its activities or operations on the Site. Nothing contained herein shall entitle the City to inspect personal histories of residents or lists of donors or supporters. To the extent that it is permitted by law to do so, the City will respect the confidentiality requirements of Tenant in regard to the lists furnished by Tenant pursuant to Article 7 hereof, of the names of occupants of the Premises. The City's rights pursuant to this Section 37 shall be subject in all respects to applicable local, state and federal laws restricting disclosure of such information.

**ARTICLE 38: NOTICES AND CONSENTS**

All notices, demands, consents or approvals which may be or are required to be given by either party to the other hereunder shall be in writing and shall be deemed to have been fully given when delivered in person to such representatives of the Tenant and the City as shall from

time to time be designated by the parties for the receipt of notices, or when deposited in the United States mail, certified, postage prepaid, or by express delivery service with a delivery receipt and addressed

if to Tenant at: The Related Companies of California  
18201 Von Karman Avenue, Suite 900  
Irvine, CA 92612  
Attn: Frank Cardone

with a copy to: The Related Companies of California  
44 Montgomery Street, Suite 1050  
San Francisco, CA 94104  
Attn: Robin Zimble

With a copy to: Bocarsly Emden Cowan Esmail & Arndt LLP  
633 W. 5th Street, 64th Floor  
Los Angeles, CA 90071  
Attn: Lance Bocarsly, Esq.

With a copy to the  
Permitted Limited  
Partner at: MUFG Union Bank, N.A.  
200 Pringle Avenue, Suite 355  
Walnut Creek, CA 94596  
Attn: CDF Division Head

With a copy to: Community Development Finance  
MUFG Union Bank, NA.  
200 Pringle Avenue, Suite 355  
Walnut Creek, CA 94596

if to the City at: San Francisco Mayor's Office of Housing and Community  
Development  
One South Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, California 94103  
Attn.: Director

or to such other address with respect to either party as that party may from time to time designate by notice to the other given pursuant to the provisions of this Article 38. Any notice given pursuant to this Article 38 shall be effective on the date of delivery or the date delivery is refused as shown on the delivery receipt.



**ARTICLE 39: HEADINGS**

Any titles of the several parts and sections of this Ground Lease are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions. "Paragraph" and "section" may be used interchangeably.

**ARTICLE 40: SUCCESSORS AND ASSIGNS**

This Ground Lease shall be binding upon and inure to the benefit of the successors and assigns of the City and Tenant and where the term "Tenant" or "City" is used in this Ground Lease, it shall mean and include their respective successors and assigns; provided, however, that the City shall have no obligation under this Ground Lease to, nor shall any benefit of this Ground Lease accrue to, any unapproved successor or assign of Tenant where City approval of a successor or assign is required by this Ground Lease. At such time as City sells the Site to any third party, City shall require such third party to assume all of the City's obligations hereunder arising on and after the transfer in writing for the benefit Tenant and its successors and assigns.

**ARTICLE 41: TIME**

Time is of the essence in the enforcement of the terms and conditions of this Ground Lease.

**ARTICLE 42: PARTIAL INVALIDITY**

If any provisions of this Ground Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Ground Lease and all such other provisions shall remain in full force and effect.

**ARTICLE 43: APPLICABLE LAW; NO THIRD PARTY BENEFICIARY**

This Ground Lease shall be governed by and construed pursuant to the laws of the State of California. This Ground Lease is entered into solely among, between and for the benefit of,

and may be enforced only by, the parties hereto and does not create rights in any other third party other than any Lender.

**ARTICLE 44: ATTORNEYS' FEES**

If either of the parties hereto commences a lawsuit to enforce any of the terms of this Ground Lease, the prevailing party will have the right to recover its reasonable attorneys' fees and costs of suit, including fees and costs on appeal, from the other party.

**ARTICLE 45: EXECUTION IN COUNTERPARTS**

This Ground Lease and any memorandum hereof may be executed in counterparts, each of which shall be considered an original, and all of which shall constitute one and the same instrument.

**ARTICLE 46: RECORDATION OF MEMORANDUM OF GROUND LEASE**

This Ground Lease shall not be recorded, but a memorandum of this Ground Lease shall be recorded in the form attached hereto as Attachment 5 ("Memorandum of Ground Lease"). The parties shall execute the memorandum in form and substance as required by a title insurance company insuring Tenant's leasehold estate or the interest of any Leasehold Mortgagee, and sufficient to give constructive notice of the Ground Lease to subsequent purchasers and mortgagees.

**ARTICLE 47: TRANSFER OF PARTNERSHIP INTERESTS IN TENANT**

Tenant may not cause or permit any voluntary transfer, assignment or encumbrance of its interest in the Site or Project or of any ownership interests in Tenant, or lease or permit a sublease on all or any part of the Project, other than: (a) leases, subleases or occupancy agreements to Occupants; or (b) security interests for the benefit of lenders securing loans for the Project as approved by the City on terms and in amounts as approved by City in its reasonable

discretion, (c) transfers from Tenant to a limited partnership or limited liability company formed for the tax credit syndication of the Project, where Tenant or an affiliated nonprofit public benefit corporation is the sole general partner or manager of that entity; (d) transfers of the general partnership or manager's interest in Tenant to a nonprofit public benefit corporation approved in advance by the City; (e) transfers of any limited partnership or membership interest in Tenant to an investor pursuant to the tax credit syndication of the Project; or (f) the grant or exercise of an option agreement between Borrower and Borrower's general partner or manager or any of its affiliates in connection with the tax credit syndication of the Project where such agreement has been previously approved in writing by the City. And provided further, neither the transfer of any limited partner of Tenant interests in the Tenant or the admission of a successor limited partner or partners pursuant to the terms of the Tenant's partnership agreement shall constitute an event of default under the Ground Lease nor require the City's consent. The withdrawal or removal of a general partner of the Tenant pursuant to the terms of the Tenant's partnership agreement shall not require City consent, and shall not constitute a default under this Lease provided that any replacement general partner shall require the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed. Any other transfer, assignment, encumbrance or lease without the City's prior written consent will be voidable and, at the City's election, constitute an Event of Default under this Agreement. The City's consent to any specific assignment, encumbrance, lease or other transfer will not constitute its consent to any subsequent transfer or a waiver of any of the City's rights under this Ground Lease.

**ARTICLE 48: CITY PROVISIONS**

**48.1 Non-Discrimination**

(a) Covenant Not to Discriminate. In the performance of this Ground Lease, Tenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability, weight, height or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with Tenant, in any of Tenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Tenant.

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

(c) Non-Discrimination in Benefits. Tenant does not as of the date of this Ground Lease and will not during the Term, in any of its operations in San Francisco or with respect to its operations under this Ground Lease elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits (collectively "Core Benefits"), as well as any benefits other than Core Benefits,

between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

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

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by Parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Ground Lease as though fully set forth herein. Tenant shall comply fully with and be bound by all of the provisions that apply to this Ground Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Tenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Tenant and/or deducted from any payments due Tenant.

**48.2 MacBride Principles – Northern Ireland.** The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. The City and County of San Francisco

also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Tenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

**48.3 Conflicts of Interest.** Tenant states that it is familiar with the provisions of Section 15.103 of the San Francisco 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 Government Code of the State of California, certifies that it knows of no facts which would constitute a violation of such provisions and agrees that if Tenant becomes aware of any such fact during the term of this Lease Tenant shall immediately notify the City. Tenant further certifies that it has made a complete disclosure to the City of all facts bearing on any possible interests, direct or indirect, which Tenant believes any officer or employee of the City presently has or will have in this Lease or in the performance thereof or in any portion of the profits thereof. Willful failure by Tenant to make such disclosure, if any, shall constitute grounds for City's termination and cancellation of this Ground Lease.

**48.4 Charter Provisions.** This Ground Lease is governed by and subject to the provisions of the Charter of the City and County of San Francisco. Accordingly, Tenant acknowledges and agrees that no officer or employee of the City has authority to commit the City to this Ground Lease unless and until a resolution of the City's Board of Supervisors has been duly enacted approving this Ground Lease. Therefore, any obligations or liabilities of the City under this Ground Lease are contingent upon enactment of a resolution, and this Ground Lease will be null and void unless the City's Mayor and the Board of Supervisors approve this Ground Lease, in their respective sole and absolute discretion, and in accordance with all applicable Laws. Approval of this Ground Lease by any City department, commission or agency

may not be deemed to imply that a resolution will be enacted or create any binding obligations on the City.

**48.5 Tropical Hardwood/Virgin Redwood Ban.** Pursuant to Section 804(b) of the San Francisco Environment Code, the City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Tenant shall not use any items in the rehabilitation, development or operation of the Premises or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood or virgin redwood wood products.

**48.6 Tobacco Product Advertising Ban.** Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products may be allowed on the Premises. The foregoing prohibition will include the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product, or on any sign. The foregoing prohibition will not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

**48.7 Pesticide Ordinance.** Tenant shall comply with the provisions of Section 308 of Chapter 3 of the San Francisco Environment Code (the "Pesticide Ordinance") which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage, and (iii) require Tenant to submit to the City's Department of the Environment an integrated pest management ("IPM") plan that (A)

lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the Term of this Ground Lease, (b) describes the steps Tenant will take to meet the City's IPM Policy described in Section 39.1 of the Pesticide Ordinance, and (c) identifies, by name, title, address and telephone number, an individual to act as the Tenant's primary IPM contact person with City. In addition, Tenant shall comply with the requirements of Sections 303(a) and 303(b) of the Pesticide Ordinance. Nothing herein shall prevent Tenant, acting through the City, from seeking a determination from the City's Commission on the Environment that Tenant is exempt from complying with certain portions of the Pesticide Ordinance as provided in Section 307 thereof.

**48.8 Compliance with City's Sunshine Ordinance.** Tenant understands and agrees that under the City's Sunshine Ordinance (S.F. Admin. Code, Chapter 67) and the State Public Records Law (Cal. Gov. Code §§ 6250 et seq.), this Ground Lease and any and all records, information and materials submitted to the City hereunder are public records subject to public disclosure. Tenant hereby authorizes the City to disclose any records, information and materials submitted to the City in connection with this Ground Lease as required by Law. Further, Tenant specifically agrees to conduct any meeting of its governing board that addresses any matter relating to the Project or to Tenant's performance under this Ground Lease as a passive meeting.

**48.9 Notification of Limitations on Contributions.** Through its execution of this Ground Lease, Tenant acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing any land or building to or from 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 such contract until the termination of negotiations for such contract or three (3) months has elapsed from the date the contract is approved by the City elective officer, or the board on which that City elective officer serves.

**48.10 Requiring Health Benefits for Covered Employees.** Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (the "HCAO"), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated in this Ground Lease by reference and made a part of this Ground Lease as though fully set forth. The text of the HCAO is available on the web at [www.sfgov.org/oca/lwlh.htm](http://www.sfgov.org/oca/lwlh.htm). Capitalized terms used in this Section and not defined in this Lease have the meanings assigned to them in Chapter 12Q. Notwithstanding this requirement, City recognizes that the residential housing component of the Improvements is not subject to the HCAO.

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

(b) If Tenant is a small business as defined in Section 12Q.3(d) of the HCAO, Tenant will have no obligation to comply with Subsection (a) above.

(c) Tenant's failure to comply with the HCAO will constitute a material breach of this Lease. If Tenant fails to cure its breach within thirty (30) days after receiving the City's written notice of a breach of this Lease for violating the HCAO or, if the breach cannot reasonably be cured within the 30-day period, Tenant fails to commence efforts to cure within

the 30-day period, or thereafter fails diligently to pursue the cure to completion, the City will have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies will be exercisable individually or in combination with any other rights or remedies available to the City.

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

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

(f) Tenant must keep itself informed of the current requirements of the HCAO.

(g) Tenant must provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on subtenants, as applicable.

(h) Tenant must provide City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least five (5) business days to respond.

(i) The City may conduct random audits of Tenant to ascertain its compliance with HCAO. Tenant agrees to cooperate with the City when it conducts audits.

(j) If Tenant is exempt from the HCAO when this Lease is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Tenant later enters into an

agreement or agreements that cause Tenant's aggregate amount of all agreements with the City to reach \$75,000, all the agreements will be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Tenant and MOHCD to be equal to or greater than \$75,000 in the fiscal year.

**48.11 Public Access to Meetings and Records.** If Tenant receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Tenant shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Ground Lease, Tenant agrees to open its meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5 of the Administrative Code. Tenant further agrees to make good-faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. Tenant acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Ground Lease. Tenant further acknowledges that such material breach of the Lease shall be grounds for City to terminate and/or not renew this Ground Lease, partially or in its entirety.

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

**48.13 Drug Free Work Place.** Tenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Tenant agrees that any violation of this

prohibition by Tenant, its agents or assigns shall be deemed a material breach of this Ground Lease.

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

**48.15 Nondisclosure of Private Information.** Tenant agrees to comply fully with and be bound by all of the provisions of Chapter 12M of the San Francisco Administrative Code (the "Nondisclosure of Private Information Ordinance"), including the remedies provided. The provisions of the Nondisclosure of Private Information Ordinance are incorporated herein by reference and made a part of this Ground Lease as though fully set forth. Capitalized terms used in this section and not defined in this Ground Lease shall have the meanings assigned to such terms in the Nondisclosure of Private Information Ordinance. Consistent with the requirements of the Nondisclosure of Private Information Ordinance, Contractor agrees to all of the following:

(a) Neither Tenant nor any of its subcontractors shall disclose Private Information, unless one of the following is true:

(i) The disclosure is authorized by this Ground Lease;

(ii) Tenant received advance written approval from the Contracting Department to disclose the information; or

(iii) The disclosure is required by law or judicial order.

(b) Any disclosure or use of Private Information authorized by this Ground Lease shall be in accordance with any conditions or restrictions stated in this Ground Lease. Any disclosure or use of Private Information authorized by a Contracting Department shall be in accordance with any conditions or restrictions stated in the approval.

(c) Private Information shall mean any information that: (1) could be used to identify an individual, including without limitation, name, address, social security number, medical information, financial information, date and location of birth, and names of relatives; or (2) the law forbids any person from disclosing.

(d) Any failure of Tenant to comply with the Nondisclosure of Private Information Ordinance shall be a material breach of this Ground Lease. In such an event, in addition to any other remedies available to it under equity or law, City may terminate this Ground Lease, debar Tenant, or bring a false claim action against Tenant.

**48.16 Graffiti.** Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent

with City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti.

Tenant shall remove all graffiti from the Premises and any real property owned or leased by Tenant in the City and County of San Francisco within forty-eight (48) hours of the earlier of Tenant's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require Tenant to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction Premises, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.). Any failure of Tenant to comply with this section of this Ground Lease shall constitute an event of default of this Ground Lease.

**48.17 Incorporation.** Each and every provision of the San Francisco Administrative Code described or referenced in this Ground Lease is hereby incorporated by reference as though fully set forth herein. Failure of Tenant to comply with any provision of this Ground Lease relating to any such code provision shall be governed by Article 19 of this Ground Lease, unless (i) such failure is otherwise specifically addressed in this Ground Lease or (ii) such failure is specifically addressed by the applicable code section.

**48.18 Food Service Waste Reduction.** Tenant agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Ground Lease as though fully set forth herein. This provision is a material term of this Ground Lease. By entering into this Ground Lease, Tenant agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Tenant agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Ground Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Tenant's failure to comply with this provision.

**48.19 Local Hire Requirements.** Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section

23.62 (the "**Local Hiring Requirements**"). Tenant Improvements and Alterations (as defined in Section 7.1) are subject to the Local Hiring Requirements unless the cost for such work is (i) estimated to be less than \$750,000 per building permit or (ii) meets any of the other exemptions in the Local Hiring Requirements. Tenant agrees that it shall comply with the Local Hiring Requirements to the extent applicable. Before starting any Tenant Improvement Work or any Alteration, Tenant shall contact City's Office of Economic Workforce and Development ("**OEWD**") to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a "**Covered Project**").

Tenant shall include, and shall require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant shall cooperate, and require its subtenants to cooperate, with the City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A contractor's or subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party.

#### **48.20 Criminal History in Hiring and Employment Decisions**

(a) Unless exempt, Tenant agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "Chapter 12T"), which are hereby incorporated as may be amended



from time to time, with respect to applicants and employees of Tenant who would be or are performing work at the Site.

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

(c) Tenant and subtenants (if any) shall not inquire about, require disclosure of, or if such information is received base an Adverse Action (as defined in Chapter 12T) on an applicant's or potential applicant for employment, or employee's: (1) Arrest (as defined in Chapter 12T) not leading to a Conviction (as defined in Chapter 12T), unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication in the juvenile justice system; (5) a Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

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

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

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

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

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

#### **48.21 Prevailing Wages and Working Conditions**

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Tenant shall require its

Contractors and Subcontractors performing (i) labor in connection with a "public work" as defined under California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) or (ii) Covered Construction, at the Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "Prevailing Wage Requirements"). Tenant agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Tenant shall include, and shall require its subtenants, and Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party. For the current Prevailing Rate of Wages, contact the City's Office of Labor Standards Enforcement.

#### **48.22 Sugar-Sweetened Beverage Prohibition**

Tenant agrees that it will not sell, provide, or otherwise distribute Sugar-Sweetened Beverages, as defined by San Francisco Administrative Code Chapter 101, as part of its performance of this Ground Lease.

**48.23 Taxes, Assessments, Licenses, Permit Fees and Liens**

(a) Tenant recognizes and understands that this Ground Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest.

(b) Tenant agrees to pay taxes of any kind, including possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Tenant's usage of the Premises that may be imposed upon Tenant by law, all of which shall be paid when the same become due and payable and before delinquency.

(c) Tenant agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Tenant, if so desiring, may have reasonable opportunity to contest the validity of the same.

(d) San Francisco Administrative Code Sections 23.38 and 23.39 require that the City and County of San Francisco report certain information relating to this Lease, and any renewals thereof, to the County Assessor within sixty (60) days after any such transaction, and that Tenant report certain information relating to any assignment of or sublease under this Lease to the County Assessor within sixty (60) days after such assignment or sublease transaction. Tenant agrees to provide such information as may be requested by the City to enable the City to comply with this requirement.

#### **48.24 Vending Machines; Nutritional Standards**

Tenant shall not install or permit any vending machine on the Premises without the prior written consent of Landlord. Any permitted vending machine must comply with the food nutritional and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9-1(c), as may be amended from time to time (the "Nutritional Standards Requirements"). Tenant agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section 48.24 shall be deemed a material breach of this Lease. Without limiting Landlord's other rights and remedies under this Lease, Landlord shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements.

#### **48.25 All-Gender Toilet Facilities**

If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of any new building on City-owned land and within existing buildings leased by the City where extensive renovations are made. An "all-gender toilet facility" means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and "extensive renovations" means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this section. If Tenant has any question about applicability or compliance, Tenant should contact MOHCD for guidance.

#### **ARTICLE 49: COMPLETE AGREEMENT**

There are no oral agreements between Tenant and the City affecting this Ground Lease,

and this Ground Lease supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings between Tenant and the City with respect to the lease of the Site.

**ARTICLE 50: AMENDMENTS**

Neither this Ground Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Ground Lease, but each and every term, covenant and condition of this Ground Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Any amendments or modifications to this Ground Lease, including, without limitation, amendments to or modifications to the exhibits to this Ground Lease, shall be subject to the mutual written agreement of City and Tenant, and City's agreement may be made upon the sole approval of the City's Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Site, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Site from the use authorized under this Ground Lease, and (e) any other amendment or modification which materially increases the City's liabilities or financial obligations under this Lease shall additionally require the approval of the City's Board of Supervisors.

**ARTICLE 51: ATTACHMENTS**

The following are attached to this Ground Lease and by this reference made a part hereof:

1. Legal Description of Site
2. Schedule of Performance
3. City Consent of Leasehold Mortgage

4. Reserved
5. Memorandum of Ground Lease
6. Form of Income Certification Form
7. Reserved

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

IN WITNESS WHEREOF, the Tenant and the City have executed this Ground Lease as of the day and year first above written.

**TENANT:**

SUNNYDALE PARCEL Q HOUSING PARTNERS, L.P.,  
a California Limited Partnership

By: Mercy Transformation LLC,  
a California limited liability company  
Its: Managing General Partner

By: Mercy Housing Calwest,  
a California nonprofit  
public benefit corporation  
Its: Sole Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: Related/Parcel Q Development Co., LLC,  
a California limited liability company  
Its: Administrative General Partner

By: \_\_\_\_\_  
Name: Frank Cardone  
Title: President



**CITY AS LANDLORD:**

**CITY AND COUNTY OF SAN FRANCISCO,**  
a municipal corporation

By: \_\_\_\_\_  
John Updike  
Director of Property

By: \_\_\_\_\_  
Kate Hartley  
Acting Director, Mayor's Office of Housing and Community Development

**APPROVED AS TO FORM:**

**DENNIS J. HERRERA**  
City Attorney

By: \_\_\_\_\_  
Deputy City Attorney

**ATTACHMENT 1**  
**LEGAL DESCRIPTION OF THE SITE**

**ATTACHMENT 2**  
**SCHEDULE OF PERFORMANCE**

ATTACHMENT 3

**CITY CONSENT OF LEASEHOLD MORTGAGE**

Date:

Mayor's Office of Housing and Community Development of the  
City and County of San Francisco  
Attn: Director  
One South Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, CA 94103

RE: \_\_\_\_\_, San Francisco (LEASEHOLD MORTGAGE)

Dear Sir or Madam:

Pursuant to Section 25.01 of the \_\_\_\_\_ Ground Lease, dated \_\_\_\_\_, 20\_\_\_\_, between the City and County of San Francisco ("City") and Sunnydale Parcel Q Housing Partners, L.P., a California limited partnership, we are formally requesting the City's consent to our placing a leasehold mortgage upon the leasehold estate of the above referenced development. The following information is provided in order for the City to provide its consent:

Lender:  
Principal Amount:  
Interest:  
Term:

Attached hereto are unexecuted draft loan documents, including the loan agreement, promissory note, and all associated security agreements which we understand are subject to the review and approval by the City. Furthermore, we are willing to supply any additional documentation related to the leasehold mortgage which the City deems necessary.

Sincerely,

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
enc.

By signing this letter, the City consents to the leasehold mortgage, pursuant to the terms and conditions of Section 25.01 of the \_\_\_\_\_ Ground Lease, dated \_\_\_\_\_, 20\_\_\_\_.

Mayor's Office of Housing and Community Development

\_\_\_\_\_  
Kate Hartley, Director

**ATTACHMENT 4**

Reserved

**ATTACHMENT 5**  
**MEMORANDUM OF LEASE**

Free Recording Requested Pursuant to  
Government Code Section 27383

When recorded, mail to:  
Mayor's Office of Housing and Community  
Development  
of the City and County of San Francisco  
1 South Van Ness Avenue, Fifth Floor  
San Francisco, California 94103  
Attn: Director

**MEMORANDUM OF GROUND LEASE**

This Memorandum of Ground Lease ("Memorandum") is entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "City"), acting by and through the Mayor's Office Of Housing and Community Development ("City"), and SUNNYDALE PARCEL Q HOUSING PARTNERS, L.P., a California limited partnership ("Tenant"), with respect to that certain Ground Lease (the "Lease") dated \_\_\_\_\_, 20\_\_\_\_, between City and Tenant.

Pursuant to the Lease, City hereby leases to Tenant and Tenant leases from City the real property more particularly described in Exhibit A, attached hereto and incorporated herein by this reference (the "Property"). The Lease shall commence on the date set forth above and shall end on the date which is 75 years from the date set forth above, subject to a 24 year option to extend, unless terminated earlier or extended pursuant to the terms of the Lease.

It is the intent of the parties to the Lease that the Lease shall create a constructive notice of severance of the Improvements (as defined in the Lease), without the necessity of a deed from Lessor to Lessee, which Improvements are and shall remain real property.

This Memorandum shall incorporate herein all of the terms and provisions of the Lease as though fully set forth herein.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Lease, of which this is a memorandum.

This Memorandum may be signed by the parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts shall be deemed an original of this Memorandum.

Executed as of \_\_\_\_\_, 20\_\_ in San Francisco, California.

SUNNYDALE PARCEL Q HOUSING PARTNERS, L.P.,  
a California limited partnership

By: Mercy Transformation LLC,  
a California limited liability company

Its: Managing General Partner

By: Mercy Housing Calwest,  
a California nonprofit  
public benefit corporation

Its: Sole Member

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: Related/Parcel Q Development Co., LLC,  
a California limited liability company

Its: Administrative General Partner

By: \_\_\_\_\_

Name: Frank Cardone

Title: President



CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_

John Updike  
Director of Property

By: \_\_\_\_\_

Kate Hartley  
Director, Mayor's Office of Housing and Community Development

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: \_\_\_\_\_

Deputy City Attorney

**ATTACHMENT 6**  
**FORM OF TENANT INCOME CERTIFICATION**

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE

by and between

SUNNYDALE PARCEL Q HOUSING PARTNERS, L.P.,  
as Seller

and

CITY AND COUNTY OF SAN FRANCISCO,  
as Buyer

For the purchase and sale of

1477-1497 Sunnydale Ave,  
San Francisco, California

\_\_\_\_\_, 2017

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- EXHIBIT I – Designation Agreement
- EXHIBIT J – Memorandum of Agreement

**AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE**  
(1477-1497 Sunnydale Avenue, San Francisco)

THIS AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE (this "Agreement") dated for reference purposes only as of \_\_\_\_\_, 20\_\_ is by and between SUNNYDALE PARCEL Q HOUSING PARTNERS, L.P., a California Limited Partnership ("Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Buyer" or "City").

IN CONSIDERATION of the payments and the respective agreements contained herein below, Seller and City agree as follows:

**1. PURCHASE AND SALE**

**1.1 Property Included in Sale**

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

(a) the real property consisting of approximately twenty one thousand seven hundred fifty seven (21,757) square feet of land, located in the City and County of San Francisco, commonly known as 1477-1497 Sunnydale Avenue, San Francisco, California and more particularly described in Exhibit A attached h hereto (the "Land");

(b) all improvements and fixtures located on the Land (collectively, the "Improvements");

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

All of the items referred to in Subsections (a), (b), and (c) above are collectively referred to as the "Property."

**2. PURCHASE PRICE**

**2.1 Purchase Price**

The total consideration for the purchase of the Property is Three Million Dollars (\$3,000,000) (the "Purchase Price").

## **2.2 Payment**

On the Closing Date (as defined in Section 6.2), City shall pay the Purchase Price, adjusted pursuant to the provisions of Article 7, as a credit in the amount of Three Million Dollars (\$3,000,000), representing a credit in the outstanding on the City Loan.

Seller acknowledges and agrees that if Seller fails at Closing to deliver to City the documents required under Sections 6.3(a)-(g), City may be required to withhold a portion of the Purchase Price pursuant to Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "Federal Tax Code"), or Section 18662 of the California Revenue and Taxation Code (the "State Tax Code"). Any amount properly so withheld by City shall be deemed to have been paid by City as part of the Purchase Price, and Seller's obligation to consummate the transaction contemplated herein shall not be excused or otherwise affected thereby.

## **2.3 Funds**

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

## **3. TITLE TO THE PROPERTY**

### **3.1 Conveyance of Title to the Property**

At the Closing Seller shall convey to City, or its nominee, marketable and insurable fee simple title to the Land, the Improvements and the Appurtenances, by duly executed and acknowledged grant deed in the form attached hereto as Exhibit C (the "Deed"), subject to the Accepted Conditions of Title (as defined in Section 3.2 Title Insurance).

### **3.2 Title Insurance**

Delivery of title in accordance with the preceding Section shall be evidenced by the commitment of \_\_\_\_\_ (the "Title Company") to issue to City an ALTA extended coverage owner's policy of title insurance (Form ALTA 2006) (the "Title Policy") in the amount of the Purchase Price, insuring fee simple title to the Land, the Appurtenances and the Improvements in City free of the liens of any and all deeds of trust, mortgages, assignments of rents, financing statements, rights of tenants or other occupants, and all other exceptions, liens and encumbrances except solely for the Accepted Conditions of Title pursuant to Section 4.1(a) below. The Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Property and shall contain such special endorsements as City may reasonably request.

## **4. BUYER'S DUE DILIGENCE INVESTIGATIONS**

### **4.1 Due Diligence and Time for Satisfaction of Conditions**

City has been given or will be given before the end of the Due Diligence Period (as defined below), a full opportunity to investigate the Property, either independently or through agents of City's own choosing, including, without limitation, the opportunity to conduct such appraisals, inspections, tests, audits, verifications, inventories, investigations and other due diligence regarding the economic, physical, environmental, title and legal conditions of the Property as City deems fit, as well as the suitability of the Property for City's intended uses. City



and its Agents may commence due diligence investigations on the Property on or after the date this Agreement is executed by both parties hereto. The period for completion of all such investigations shall expire on November 1, 2017 (the "Due Diligence Period"), subject to the terms and conditions provided hereinbelow. Seller agrees to deliver to City all of the Documents and other items described in Sections 5.1(d), 5.1(e) and 5.1(f) within three (3) days after the date hereof, provided that if Seller fails to do so, then the expiration of the Due Diligence Period shall be extended by the number of days after the end of such 3-day delivery period that Seller delivers all such items to City.

#### **4.2 Energy Consumption**

City acknowledges and agrees that Seller delivered the Disclosure Summary Sheet, Statement of Energy Performance, Data Checklist, and Facility Summary (all as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Property, copies of which are attached as Schedule 1 to this Agreement, no less than 24 hours prior to City's execution of this Agreement.

#### **5. ENTRY**

During the Due Diligence Period and at all times prior to the Closing Date Seller shall afford City and its Agents reasonable access to the Property, and all books and records located therein, for the purposes of satisfying City with respect to the representations, warranties and covenants of Seller contained herein and the satisfaction of the Conditions Precedent including, without limitation, the drilling of test wells and the taking of soil borings. City hereby agrees to indemnify and hold Seller harmless from any damage or injury to persons or property caused by the active negligence or willful misconduct of City or its Agents during any such entries onto the Property prior to the Closing, except to the extent such damage or injury is caused by the acts or omissions of Seller or any of its Agents. The foregoing Indemnity shall not include any claims resulting from the discovery or disclosure of pre-existing environmental conditions or the non-negligent aggravation of pre-existing environmental conditions on, in, under or about the Property, including the Improvements. In the event this Agreement is terminated for any reason other than Seller's default hereunder, City shall restore the Property to substantially the condition it was found subject to applicable laws. This indemnity shall survive the termination of this Agreement or the Closing, as applicable, provided that Seller must give notice of any claim it may have against City under such indemnity (i) within six (6) months of such termination if the claim is brought by a third party against Seller or (ii) within three (3) months of such termination or the Closing Date, as applicable, if the claim involves damage to Seller's Property or any other claim not brought by a third party against the Seller.

#### **5.1 City's Conditions to Closing**

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

(a) City shall have reviewed and approved title to the Property, as follows:

(i) Within seven (7) days after the date City and Seller execute this Agreement, Seller shall deliver to City a current extended coverage preliminary report on the Real Property, issued by Title Company, accompanied by copies of all documents referred to in the report (collectively, the "Preliminary Report");

(ii) Within the period referred to in clause (i) above, Seller shall deliver to Buyer copies of any existing or proposed easements, covenants, restrictions, agreements or other documents that affect the Property, and are not disclosed by the Preliminary

Report, or, if Seller knows of no such documents, a written certification of Seller to that effect; and

(iii) City may at its option arrange for an "as-built" survey of the Real Property and Improvements prepared by a licensed surveyor (the "Survey"). Such survey shall be acceptable to, and certified to, City and Title Company and in sufficient detail to provide the basis for and the Title Policy without boundary, encroachment or survey exceptions.

City shall advise Seller, prior to the end of the Due Diligence period, what exceptions to title, if any, City is willing to accept (the "Accepted Conditions of Title"). City's failure to so advise Seller within such period shall be deemed disapproval of title. Seller shall have ten (10) days after receipt of City's notice of any objections to title to give City: (A) evidence satisfactory to City of the removal of all objectionable exceptions from title or that such exceptions will be removed or cured on or before the Closing; or (B) notice that Seller elects not to cause such exceptions to be removed. If Seller gives notice under clause (B), City shall have ten (10) business days to elect to proceed with the purchase or terminate this Agreement. If City shall fail to give Seller notice of its election within such ten (10) days, City shall be deemed to have elected to terminate this Agreement. If Seller gives notice pursuant to clause (A) and fails to remove any such objectionable exceptions from title prior to the Closing Date, and City is unwilling to take title subject thereto, Seller shall be in default hereunder and City shall have the rights and remedies provided herein or at law or in equity.

(b) City's review and approval, within the Due Diligence Period, of the physical and environmental conditions of the Property, including, without limitation, structural, mechanical, electrical and other physical conditions of the Property. Such review may include an examination for the presence or absence of any Hazardous Material (as defined in Section 8.1(j)).

(c) City's review and approval, within the Due Diligence Period, of the compliance of the Property with all applicable laws, regulations, permits and approvals.

(d) City's review and approval, within the Due Diligence Period, of (i) the following documents, all to the extent such documents exist and are either in the possession or control of Seller or may be obtained by Seller through the exercise of commercially reasonable efforts: structural calculations for the Improvements; site plans; certified copies of the as-built plans and specifications for the Improvements; recent inspection reports by Seller's engineers; service contracts; utility contracts; maintenance contracts; employment contracts, management contracts; brokerage and leasing commission agreements which may continue after Closing; certificates of occupancy; presently effective warranties or guaranties received by Seller from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repair or alteration of the Improvements or any tenant improvements; insurance policies, insurance certificates of tenants, and reports of insurance carriers insuring the Property and each portion thereof respecting the claims history of the Property; environmental reports, studies, surveys, tests and assessments; soils and geotechnical reports; and any other contracts or documents of significance to the Property (collectively, the "Documents"); and (ii) such other information relating to the Property that is specifically requested by City of Seller in writing during the Due Diligence Period (collectively, the "Other Information").

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

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

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

(h) The City's Mayor and the Board of Supervisors, in the respective sole discretion of each, shall have enacted a resolution approving, adopting and authorizing this Agreement and the transactions, on or before December 29, 2017.

(i) Seller shall have delivered the items described in Section 6.3 below on or before the Closing.

The Conditions Precedent contained in the foregoing Subsections (a) through (i) are solely for the benefit of City. If any Condition Precedent is not satisfied, City shall have the right in its sole discretion either to waive in writing the Condition Precedent in question and proceed with the purchase or, in the alternative, terminate this Agreement, provided that the Conditions Precedent described in items (h) above may not be waived. The waiver of any Condition Precedent shall not relieve Seller of any liability or obligation with respect to any representation, warranty, covenant or agreement of Seller. If City shall not have approved or waived in writing all of the Conditions Precedent in items (a) through (i) by the end of the Due Diligence Period, then this Agreement shall automatically terminate. In addition, the Closing Date may be extended, at City's option, for a reasonable period of time specified by City, to allow such Conditions Precedent to be satisfied, subject to City's further right to terminate this Agreement upon the expiration of the period of any such extension if all such Conditions Precedent have not been satisfied.

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

## 5.2 Cooperation with City

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

## 6. ESCROW AND CLOSING

### 6.1 Opening of Escrow

On or before the Effective Date (as defined in Article 11), the parties shall open escrow by depositing an executed counterpart of this Agreement with Title Company, and this Agreement shall serve as instructions to Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. Seller and City agree to execute such additional or supplementary instructions as may be appropriate to enable the escrow holder to comply with the terms of this Agreement and close the transaction; provided, however, that in the event of any conflict between the provisions of this Agreement and any additional supplementary instructions, the terms of this Agreement shall control.

### 6.2 Closing Date

The consummation of the purchase and sale contemplated hereby (the "Closing") shall be held and delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of Title Company located at \_\_\_\_\_, San Francisco, California \_\_\_\_\_, on \_\_\_\_\_, 20\_\_\_\_, or on such earlier date as City and Seller may mutually agree (the "Closing Date"), subject to the provisions of Article 5.

### 6.3 Seller's Delivery of Documents

At or before the Closing, Seller shall deliver to City, through escrow, the following:

- (a) a duly executed and acknowledged Deed;
- (b) originals of the Documents and any other items relating to the ownership or operation of the Property not previously delivered to City;
- (c) a properly executed affidavit pursuant to Section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit H, and on which City is entitled to rely, that Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code;
- (d) a properly executed California Franchise Tax Board Form 590 certifying that Seller is a California resident if Seller is an individual or Seller has a permanent place of business in California or is qualified to do business in California if Seller is a corporation or other evidence satisfactory to City that Seller is exempt from the withholding requirements of Section 18662 of the State Tax Code;
- (e) such resolutions, authorizations, or other partnership documents or agreements relating to Seller and its partners as City or the Title Company may reasonably require to demonstrate the authority of Seller to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of Seller to act for and bind Seller;
- (f) closing statement in form and content satisfactory to City and Seller; and
- (g) the duly executed certificate regarding the continued accuracy of Seller's representations and warranties as required by Section 5.1 hereof.

#### **6.4 City's Delivery of Documents and Funds**

At or before the Closing, City shall deliver to Seller through escrow the following:

- (a) an acceptance of the Deed executed by City's Director of Property;
- (b) a closing statement in form and content satisfactory to City and Seller; and
- (c) the Purchase Price, as provided in Article 2 hereof.

#### **6.5 Other Documents**

Seller and City shall each deposit such other instruments as are reasonably required by Title Company as escrow holder or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof, including, without limitation, an agreement (the "Designation Agreement") designating Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder, and executed by Seller, City and Title Company. The Designation Agreement shall be substantially in the form attached hereto as Exhibit I and, in any event, shall comply with the requirements of Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder.

### **7. EXPENSES AND TAXES**

#### **7.1 Apportionments**

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

- (a) **Utility Charges**

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

- (b) **Other Apportionments**

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

#### **7.2 Closing Costs**

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

### **7.3 Real Estate Taxes and Special Assessments**

General real estate taxes payable for the tax year prior to year of Closing and all prior years shall be paid by Seller at or before the Closing. General real estate taxes payable for the tax year of the Closing shall be prorated through escrow by Seller and City as of the Closing Date. At or before the Closing, Seller shall pay the full amount of any special assessments against the Property, including, without limitation, interest payable thereon, applicable to the period prior the Closing Date.

### **7.4 Post-Closing Reconciliation**

If any of the foregoing prorations cannot be calculated accurately on the Closing Date, then they shall be calculated as soon after the Closing Date as feasible. Either party owing the other party a sum of money based on such subsequent prorations shall promptly pay such sum to the other party.

### **7.5 Survival**

The provisions of this Section shall survive the Closing.

## **8. REPRESENTATIONS AND WARRANTIES**

### **8.1 Representations and Warranties of Seller**

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

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

(b) The Documents and Other Information furnished to City are all of the relevant documents and information pertaining to the condition and operation of the Property to the extent available to Seller, and are and at the time of Closing will be true, correct and complete copies of such documents.

(c) No document or instrument furnished or to be furnished by the Seller to the City in connection with this Agreement contains or will contain 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.

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

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

(f) There are no easements or rights of way which have been acquired by prescription or which are otherwise not of record with respect to the Property, and there are no

easements, rights of way, permits, licenses or other forms of agreement which afford third parties the right to traverse any portion of the Property to gain access to other real property. There are no disputes with regard to the location of any fence or other monument of the Property's boundary nor any claims or actions involving the location of any fence or boundary.

(g) There is no litigation pending or, after due and diligent inquiry, to the best of Seller's knowledge, threatened, against Seller or any basis therefor that arises out of the ownership of the Property or that might detrimentally affect the use or operation of the Property for its intended purpose or the value of the Property or the ability of Seller to perform its obligations under this Agreement.

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

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

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

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

(l) Seller hereby represents and warrants to and covenants with City that the following statements are true and correct and will be true and correct as of the Closing Date: (i) neither the Property nor to the best of Seller's knowledge any real estate in the vicinity of the Property is in violation of any Environmental Laws; (ii) the Property is not now, nor to the best of Seller's knowledge has it ever been, used in any manner for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, **except as described in Schedule 1 ("Seller's Environmental Disclosure")**; (iii) there has been no release and there is no threatened release of any Hazardous Material in, on, under or about the Property; (iv) there have not been and there are not now any underground storage tanks, septic tanks or wells or any aboveground storage tanks at any time used to store Hazardous Material located in, on or under the Property, or if there have been or are any such tanks or wells located on the Property, their location, type, age and content has been specifically identified in Seller's Environmental Disclosure, they have been properly registered with all appropriate authorities, they are in full compliance with all applicable statutes, ordinances and regulations, and they have not resulted in the release or threatened release of any Hazardous Material into the environment; (v) the Property does not consist of any landfill or of any building materials that contain Hazardous

Material; and (vi) the Property is not subject to any claim by any governmental regulatory agency or third party related to the release or threatened release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in, on, under or about the Property, or the migration of Hazardous Material from or to other property. As used herein, the following terms shall have the meanings below:

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

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

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

(m) **There are now, and at the time of Closing will be, no leases or other occupancy agreements affecting any of the Property.** At the time of Closing there will be no outstanding written or oral contracts made by Seller for any of the Improvements that have not been fully paid for and Seller shall cause to be discharged all mechanics' or materialmen's liens arising from any labor or materials furnished to the Property prior to the time of Closing. There are no obligations in connection with the Property which will be binding upon City after Closing **except for matters which are set forth in the Preliminary Report.**

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

## 8.2 Indemnity

Seller, on behalf of itself and its successors and assigns, hereby agrees to indemnify, defend and hold harmless City, its Agents and their respective successors and assigns, from and against any and all liabilities, claims, demands, damages, liens, costs, penalties, losses and expenses, including, without limitation, reasonable attorneys' and consultants' fees, resulting from any misrepresentation or breach of warranty or breach of covenant made by Seller in this Agreement or in any document, certificate, or exhibit given or delivered to City pursuant to or in



connection with this Agreement. The foregoing indemnity includes, without limitation, costs incurred in connection with the investigation of site conditions and all activities required to locate, assess, evaluate, remediate, cleanup, remove, contain, treat, stabilize, monitor or otherwise control any Hazardous Material. The indemnification provisions of this Section shall survive beyond the Closing, or, if title is not transferred pursuant to this Agreement, beyond any termination of this Agreement.

## 9. RISK OF LOSS AND POSSESSION

### 9.1 Risk of Loss

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

(a) If such damage or destruction is fully covered by Seller's insurance except for the deductible amount thereunder, and the insurer agrees to timely pay for the entire cost of such repair, and such damage or destruction would cost less than One Hundred Thousand and No/100 Dollars (\$100,000) (the "Threshold Damage Amount") to repair or restore, then this Agreement shall remain in full force and effect and City shall acquire the Property upon the terms and conditions set forth herein. In such event, City shall receive a credit against the Purchase Price equal to such deductible amount, and Seller shall assign to City at Closing all of Seller's right, title and interest in and to all proceeds of insurance on account of such damage or destruction pursuant to an instrument satisfactory to City.

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

(c) If the cost of such damage or destruction would equal or exceed the Threshold Damage Amount, or if condemnation proceedings are commenced against any of the Property, then, City shall have the right, at its election, either to terminate this Agreement in its entirety, or only as to that portion of the Property damaged or destroyed or subject to condemnation proceedings (in which case there shall be an equitable adjustment to the Purchase Price), or to not terminate this Agreement and purchase the Property (or the portion not damaged or affected by condemnation, as the case may be). City shall have thirty (30) days after Seller notifies City that an event described in this Subsection (c) has occurred to make such election by delivery to Seller of an election notice. City's failure to deliver such notice within such thirty (30)-day period shall be deemed City's election to terminate this Agreement in its entirety. If this Agreement is terminated in its entirety or in part pursuant to this Subsection (c) by City's delivery of notice of termination to Seller, then City and Seller shall each be released from all obligations hereunder pertaining to that portion of the Property affected by such termination. If City elects not to terminate this Agreement, Seller shall notify City of Seller's intention to repair such damage or destruction, in which case this Agreement shall remain in full force and effect, or notify City of Seller's intention to give City a credit against the Purchase Price at the Closing in the amount reasonably determined by City and Seller (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction and, in the event of a result of such condemnation proceeding, the value of any Property taken as a result of such proceeding, in which case this Agreement shall otherwise remain in full force and effect, and Seller shall be entitled to any proceeds of insurance or condemnation awards. Any repairs elected to be made by Seller pursuant to this Subsection shall be made within one hundred eighty (180) days.

following such damage or destruction and the Closing shall be extended until the repairs are substantially completed. As used in this Section, the cost to repair or restore shall include the cost of lost rental revenue, including additional rent and base rent.

## 9.2 Insurance

Through the Closing Date, Seller shall maintain or cause to be maintained, at Seller's sole cost and expense, a policy or policies of property insurance in amounts equal to the full replacement value of the Improvements, insuring against all insurable risks, including, without limitation, fire, vandalism, malicious mischief, lightning, windstorm, water, earthquake, flood and other perils customarily covered by casualty insurance and the costs of demolition and debris removal. Seller shall furnish City with evidence of such insurance upon request by City.

## 9.3 Possession

Possession of the Property shall be delivered to City on the Closing Date.

## 10. MAINTENANCE; CONSENT TO NEW CONTRACTS

### 10.1 Maintenance of the Property by Seller

Between the date of Seller's execution of this Agreement and the Closing, Seller shall maintain the Property in good order, condition and repair, reasonable wear and tear excepted, and shall make all repairs, maintenance and replacements of the Improvements and otherwise operate the Property in the same manner as before the making of this Agreement, as if Seller were retaining the Property.

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

After the [date the Director of Property submits legislation for approval by City's Board of Supervisors of this Agreement/the Effective Date], Seller shall not enter into any Lease or contract, or any amendment thereof, or permit any tenant of the Property to enter into any sublease, assignment or agreement pertaining to the Property, without in each instance obtaining City's prior written consent thereto.. City agrees that it shall not unreasonably withhold or delay any such consent.

## 11. GENERAL PROVISIONS

### 11.1 Notices

Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, against receipt, (ii) one (1) day after being deposited with a reliable overnight courier service, or (iii) two (2) days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

City:

Real Estate Division  
City and County of San Francisco  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102  
Attn: Director of Property  
Re: 1477 Sunnydale Ave

Facsimile No.: (415) 552-9216

with copy to:

Office of the City Attorney  
City Hall, Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4682  
Attn: Real Estate/Finance Team  
Re: 1477 Sunnydale Ave  
Facsimile No.: (415) 554-4757

Seller:

Related California  
18201 Von Karman Avenue, Suite 900  
Irvine, CA 92612  
Attn: Frank Cardone

with a copy to:

Related California  
44 Montgomery Street, Suite 1050  
San Francisco, CA 94104  
Attn: Robin Zimble

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

### **11.2 Brokers and Finders**

Neither party has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the purchase and sale contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his or her claim shall be responsible for such commission or fee and shall indemnify and hold harmless the other party from all claims, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the indemnified party in defending against the same. The provisions of this Section shall survive the Closing.

### **11.3 Successors and Assigns**

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, administrators and assigns. City shall have the right, upon notice to Seller, to assign its right, title and interest in and to this Agreement to the Nominee or one (1) or more assignees at any time before the Closing Date.

#### **11.4 Amendments**

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

#### **11.5 Continuation and Survival of Representations and Warranties**

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

#### **11.6 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

#### **11.7 Merger of Prior Agreements**

The parties intend that this Agreement (including all of the attached exhibits and schedules, which are incorporated into this Agreement by reference) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous oral or written agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including, without limitation, prior drafts or changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

#### **11.8 Parties and Their Agents; Approvals**

The term "Seller" as used herein shall include the plural as well as the singular. If there is more than one (1) Seller, then the obligations under this Agreement imposed on Seller shall be joint and several. As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through City's Director of Property unless otherwise provided herein, subject to applicable law.

#### **11.9 Interpretation of Agreement**

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

waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the parties and this Agreement.

#### **11.10 Attorneys' Fees**

In the event that either party hereto fails to perform any of its obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Agreement, reasonable attorneys' fees of the City's Office of the City Attorney 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 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 Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

#### **11.11 Sunshine Ordinance**

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

#### **11.12 Conflicts of Interest**

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

#### **11.13 Notification of Limitations on Contributions**

Through its execution of this Agreement, Seller acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Seller acknowledges that the foregoing restriction applies only if

the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Seller further acknowledges that the prohibition on contributions applies to each Seller; each member of Seller's board of directors, and Seller's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Seller; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Seller. Additionally, Seller acknowledges that Seller must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Seller further agrees to provide to City the names of each person, entity or committee described above.

#### **11.14 Non-Liability of City Officials, Employees and Agents**

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

#### **11.15 Counterparts**

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

#### **11.16 Effective Date**

As used herein, the term "Effective Date" shall mean the date on which the City's Board of Supervisors and Mayor enact a resolution approving and authorizing this Agreement and the transactions contemplated hereby, following execution of this Agreement by both parties.

#### **11.17 Severability**

If any provision of this Agreement or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law, except to the extent that enforcement of this Agreement without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Agreement.

#### **11.18 Acceptance of Agreement by Seller**

This Agreement shall be null and void unless Seller accepts it and returns to City four (4) fully executed counterparts hereof on or before 5:00 p.m. San Francisco Time on \_\_\_\_\_, 20\_\_.

#### **11.19 Cooperative Drafting.**

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

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

*SIGNATURES ON FOLLOWING PAGES*

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

SELLER:

SUNNYDALE PARCEL Q HOUSING  
PARTNERS, L.P.,  
a California Limited Partnership

By: Mercy Transformation LLC  
a California limited liability company  
Its: Managing General Partner

By: Mercy Housing Calwest,  
a California nonprofit  
public benefit corporation  
Its: Sole Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: Related/Parcel Q Development Co., LLC,  
a California limited liability company  
Its: Administrative General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
JOHN UPDIKE  
Director of Property

Date: \_\_\_\_\_

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: \_\_\_\_\_  
Deputy City Attorney



Title Company agrees to act as escrow holder in accordance with the terms of this Agreement and to execute the Designation Agreement (attached hereto as Exhibit J) and act as the Reporting Person (as such term is defined in the Designation Agreement). Title Company's failure to execute below shall not invalidate the Agreement between City and Seller.

TITLE COMPANY:

\_\_\_\_\_

TITLE INSURANCE COMPANY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**

**REAL PROPERTY DESCRIPTION**

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

**[LEGAL DESCRIPTION TO COME FROM PRELIMINARY REPORT]**

**EXHIBIT B**  
**RESERVED**

**EXHIBIT C**  
**GRANT DEED**

RECORDING REQUESTED BY AND  
WHEN RECORDED RETURN TO:

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

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

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

**GRANT DEED**

(Assessor's Parcel No. \_\_\_\_\_)

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

TOGETHER WITH any and all rights, privileges and easements incidental or  
appurtenant to the Property, **including, without limitation, any and all minerals, oil, gas and  
other hydrocarbon substances on and under the Property, as well as any and all  
development rights, air rights, water, water rights, riparian rights and water stock relating  
to the Property, and any and all easements, rights-of-way or other appurtenances used in  
connection with the beneficial use and enjoyment of the Land and all of Grantor's right,  
title and interest in and to any and all roads and alleys adjoining or servicing the Property.**

*SIGNATURES ON FOLLOWING PAGE*

Executed as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_, a \_\_\_\_\_

NAME

By: \_\_\_\_\_

Its: \_\_\_\_\_

NAME

By: \_\_\_\_\_

Its: \_\_\_\_\_

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

State of California            )  
  ) ss  
County of San Francisco    )

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

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

\_\_\_\_\_

CERTIFICATE OF ACCEPTANCE

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

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
John Updike  
Director of Property

**EXHIBIT D**

**RESERVED**



**EXHIBIT E**  
**RESERVED**

**EXHIBIT F**  
**RESERVED**

**EXHIBIT G**  
**RESERVED**

**EXHIBIT H**

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

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

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

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

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

3. Transferor's office address is \_\_\_\_\_  
\_\_\_\_\_

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

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

Dated: \_\_\_\_\_, 20\_\_.

On behalf of:

\_\_\_\_\_  
[NAME]

a \_\_\_\_\_

By: \_\_\_\_\_  
[NAME]

Its: \_\_\_\_\_

**EXHIBIT I**

**DESIGNATION AGREEMENT**

This DESIGNATION AGREEMENT (the "Agreement") dated as of \_\_\_\_\_, 20\_\_\_\_, is by and between \_\_\_\_\_, a \_\_\_\_\_ ("Seller"), the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), and \_\_\_\_\_ TITLE INSURANCE COMPANY ("Title Company").

A. Pursuant to that certain Purchase Agreement entered into by and between Seller and City, dated \_\_\_\_\_, 20\_\_\_\_ (the "Purchase Agreement"), Seller has agreed to sell to City, and City has agreed to purchase from Seller, certain real property located in City and County of San Francisco, California, more particularly described in Exhibit A attached hereto (the "Property"). The purchase and sale of the Property is sometimes hereinbelow referred to below as the "Transaction").

B. Section 6045(e) of the United States Internal Revenue Code of 1986 and the regulations promulgated thereunder (collectively, the "Reporting Requirements") require an information return to be made to the United States Internal Revenue Service, and a statement to be furnished to Seller, in connection with the Transaction.

C. Pursuant to Subsection 2(b)(i) of the Purchase Agreement, an escrow has been opened with Title Company, Escrow No. \_\_\_\_\_, through which the Transaction will be or is being accomplished. Title Company is either (i) the person responsible for closing the Transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the Transaction (as described in the Reporting Requirements).

D. Seller, City and Title Company desire to designate Title Company as the "Reporting Person" (as defined in the "Reporting Requirements") with respect to the Transactions.

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller, City and Title Company agree as follows:

1. Title Company is hereby designated as the Reporting Person for the Transaction. Title Company shall perform all duties that are required by the Reporting Requirements to be performed by the Reporting Person for the Transaction.

2. Seller and City shall furnish to Title Company, in a timely manner, any information requested by Title Company and necessary for Title Company to perform its duties as Reporting Person for the transaction.

3. Title Company hereby requests Seller to furnish to Title Company Seller's correct taxpayer identification number. Seller acknowledges that any failure by Seller to provide Title Company with Seller's correct taxpayer identification number may subject Seller to civil or criminal penalties imposed by law. Accordingly, Seller hereby certifies to Title Company, under penalties of perjury, that Seller's correct taxpayer identification number is \_\_\_\_\_.

4. The names and addresses of the parties hereto are as follows:

SELLER:

SUNNYDALE PARCEL Q HOUSING  
PARTNERS, L.P.,  
a California Limited Partnership

By: Mercy Transformation LLC  
a California limited liability company  
Its: Managing General Partner

By: Mercy Housing Calwest,  
a California nonprofit  
public benefit corporation  
Its: Sole Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY:

Director of Property  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102  
Facsimile No.: (415) 552-9216

TITLE COMPANY:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_  
Facsimile No.: ( ) \_\_\_\_\_

5. Each of the parties hereto shall retain this Agreement for a period of four (4) years following the calendar year during which the date of closing of the Transaction occurs.

*[SIGNATURES ON FOLLOWING PAGE]*

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date and year first above written.

SELLER:

SUNNYDALE PARCEL Q HOUSING  
PARTNERS, L.P.,  
a California Limited Partnership

By: Mercy Transformation LLC  
a California limited liability company  
Its: Managing General Partner

By: Mercy Housing Calwest,  
a California nonprofit  
public benefit corporation  
Its: Sole Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation.

By: \_\_\_\_\_  
JOHN UPDIKE  
Director of Property

Date: \_\_\_\_\_

Title Company:

\_\_\_\_\_

TITLE INSURANCE COMPANY

Date: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

EXHIBIT J

**MEMORANDUM OF AGREEMENT**

RECORDING REQUESTED BY,  
AND WHEN RECORDED RETURN TO:

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

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

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

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT dated as of \_\_\_\_\_, 20\_\_\_\_, is by and between SUNNYDALE PARCEL Q HOUSING PARTNERS, L.P., a California Limited Partnership ("Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City").

1. Seller is the owner of certain real property located in the City and County of San Francisco, California, commonly known as \_\_\_\_\_, more particularly described in Exhibit A attached to and incorporated by this reference in this Memorandum of Agreement (the "Real Property").
2. Seller and City have entered into that certain unrecorded Agreement for the Purchase and Sale of Real Estate dated as of \_\_\_\_\_, 20\_\_\_\_ incorporated by this reference into this Memorandum (the "Agreement"), pursuant to which Seller agreed to sell, and City agreed to purchase, the Real Property upon all the terms and conditions set forth in the Agreement.
3. The purpose of this Memorandum of Agreement is to give notice of the Agreement and the respective rights and obligations of the parties thereunder, and all of the terms and conditions of the Agreement are incorporated herein by reference as if they were fully set forth herein.
4. This Memorandum of Agreement shall not be deemed to modify, alter or amend in any way the provisions of the Agreement. In the event any conflict exists between the terms of the Agreement and this instrument, the terms of the Agreement shall govern and determine for all purposes the relationship between Seller and City and their respective rights and duties.
5. This Memorandum of Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective legal representatives, successors and assigns.



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

SELLER:

SUNNYDALE PARCEL Q HOUSING  
PARTNERS, L.P.,  
a California Limited Partnership

By: Mercy Transformation LLC  
a California limited liability company  
Its: Managing General Partner

By: Mercy Housing Calwest,  
a California nonprofit  
public benefit corporation  
Its: Sole Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
JOHN UPDIKE  
Director of Property

Date: \_\_\_\_\_

*[SIGNATURES ON FOLLOWING PAGE]*

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

State of California            )  
  ) ss  
County of San Francisco    )

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

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

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

State of California            )  
  ) ss  
County of San Francisco    )

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

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

**SCHEDULE 1**

**ENERGY DISCLOSURE DOCUMENTS**



## VACANT LAND

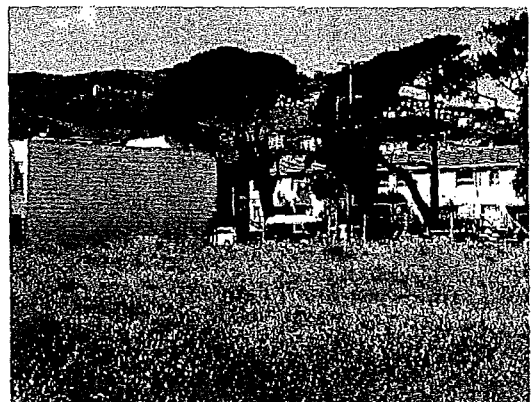
1477 Sunnydale Avenue  
San Francisco, California 94134

### APPRAISAL REPORT

Date of Report: November 1, 2017

Colliers File #: FCH170092

Client File #: Sunnydale Parcel Q



PREPARED FOR  
Robin Zimpler  
Related Companies of California  
18201 Von Karman Avenue Suite 900  
Irvine, CA 92612

PREPARED BY  
COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES

# LETTER OF TRANSMITTAL

**COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES**



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November 1, 2017

Robin Zimpler  
**Related Companies of California**  
18201 Von Karman Avenue  
Suite 900  
Irvine, CA 92612

**RE: Vacant Land**  
1477 Sunnydale Avenue  
San Francisco, California 94134

Colliers File #: FCH170092  
Client File #: Sunnydale Parcel Q

Ms. Zimpler:

Pursuant with our engagement, the above captioned property was appraised utilizing best practice appraisal principles for this property type. This appraisal report satisfies the scope of work and requirements agreed upon by Related Companies of California and Colliers International Valuation & Advisory Services.

The date of this report is November 1, 2017. At the request of the client, this appraisal is presented in an Appraisal Report format as defined by USPAP Standards Rule 2-2(a). My appraisal format provides a detailed description of the appraisal process, subject and market data and valuation analyses.

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

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value	Fee Simple	October 18, 2017	\$5,950,000

The subject is a 0.48-acre site at 1477 Sunnydale Avenue in San Francisco, California. The property consists of eight parcels (6356-61 through 68) that have been assembled into a mostly rectangular shaped lot at the southeast corner of Sunnydale Avenue and Hahn Street in San Francisco, California. The site is zoned RM-1 (Low Density Residential, Apartments and Houses) according to City of San Francisco Planning Department which allows a residential density of 1 unit per 800 SF of site area to 1 unit per 600 SF of site area.

## LETTER OF TRANSMITTAL

CONTINUED

FCH170092

The subject was originally listed in late 2015 at \$3,500,000, based on information provided by CoStar. Information provided by the San Francisco County Assessor indicates that the subject sold on December 19, 2016 for \$3,000,000. The subject was also appraised by Phil Sarazen of Colliers International Valuation and Advisory Services (CIVAS, Fresno Office) in a report dated February 19, 2016 (CIVAS Job #FAT160006). The subject was appraised by John Larson, MAI, JD, in a report dated May 11, 2017 (CIVAS Job # FCH170018) with an updated value conclusion of \$3,960,000. The most recent purchase price (\$3,000,000) and previous value estimates are below the As-Is Market Value conclusion in this report (\$5,950,000) based on the City of San Francisco's approval of the redevelopment of the Sunnydale public housing site, located across Sunnydale Avenue from the subject, which occurred on February 7, 2017, entitlement work completed on the subject, including upgrade to RM-1 zoning, as well as overall improvement in market conditions since the date of the previous sale and valuation dates.

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

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

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

### **EXTRAORDINARY ASSUMPTIONS**

The subject was most recently inspected on March 22, 2017. This appraisal assumes that the subject site has not changed materially since the date of the last inspection. This appraisal assumes a capacity to construct at least 35 residential units based on information provided by the San Francisco Planning Department and included in the Addenda of this report. Should the actual density/maximum units vary from this estimate, a new valuation may be necessary.

### **HYPOTHETICAL CONDITIONS**

No Hypothetical Conditions were made for this assignment.

## LETTER OF TRANSMITTAL

CONTINUED

FCH170092

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

Sincerely,

**COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES**



John E. Larson MAI, JD  
Senior Valuation Services Director  
Certified General Real Estate Appraiser  
State of California License #AG039174  
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john.larson@colliers.com



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## CERTIFICATION OF APPRAISAL

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Engagement Letter	
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Qualifications of Colliers International Valuation & Advisory Services	

# EXECUTIVE SUMMARY

FCH170092

## GENERAL INFORMATION

Property Name	Vacant Land
Property Type	Land - Retail Land
Address	1477 Sunnydale Avenue
City	San Francisco
State	California
Zip Code	94134
County	San Francisco
Core Based Statistical Area (CBSA)	San Francisco-Oakland-Fremont, CA
Market	San Francisco
Submarket	South of Market
Latitude	37.711867
Longitude	-122.415855
Number Of Parcels	8
Assessor Parcels	6356-061, 6356-062, 6356-063, 6356-064, 6356-065, 6356-
Total Assessed Value	\$2,325,764
Census Tract Number	264.04

## SITE INFORMATION

Land Area	Acres	Square Feet
Usable	0.48	20,845
Unusable	0.00	0
Excess	0.00	0
Surplus	0.00	0
Total	0.48	20,845
Topography	Level at street grade	
Shape	Generally Rectangular	
Access	Average	
Exposure	Average	
Current Zoning	Low Density Residential (Apartments and Houses) (RM-1)	
Flood Zone	(Not Mapped)	
Seismic Zone	Highest Risk	

## VALUATION SUMMARY

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	OCTOBER 18, 2017

## LAND VALUATION

LAND VALUE	\$5,950,000
Value/Unit	\$170,000.00

AERIAL PHOTOGRAPH

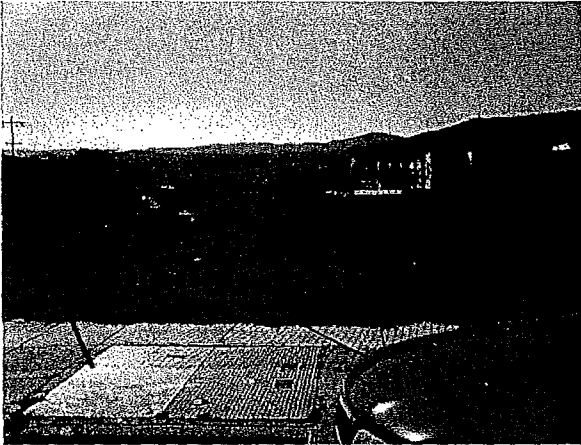
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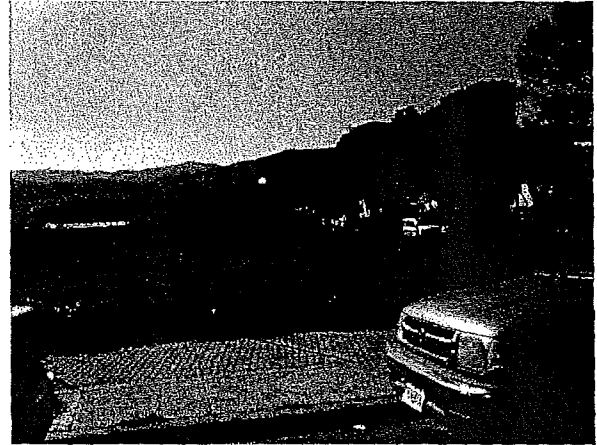
© 2017 Google Imagery · 2017 · DigitalGlobe, U.S. Geological Survey, USDA Farm Service Agency

**SUBJECT PROPERTY PHOTOGRAPHS**

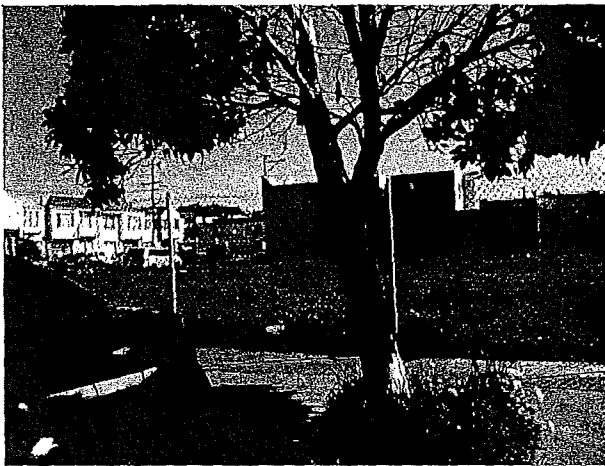
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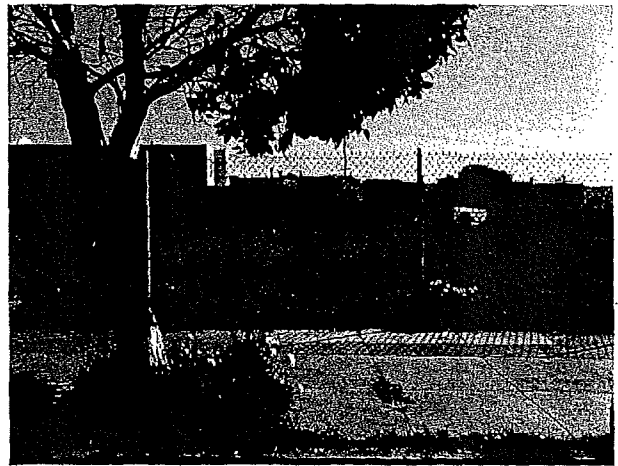
**FRONT VIEW LOOKING SOUTH**



**FRONT VIEW LOOKING SOUTHWEST**



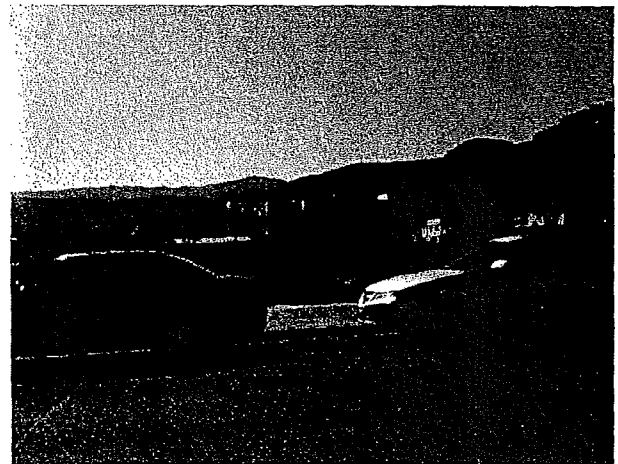
**SIDE VIEW LOOKING EAST**



**SIDE VIEW LOOKING EAST**



**FRONT VIEW LOOKING SOUTHEAST**

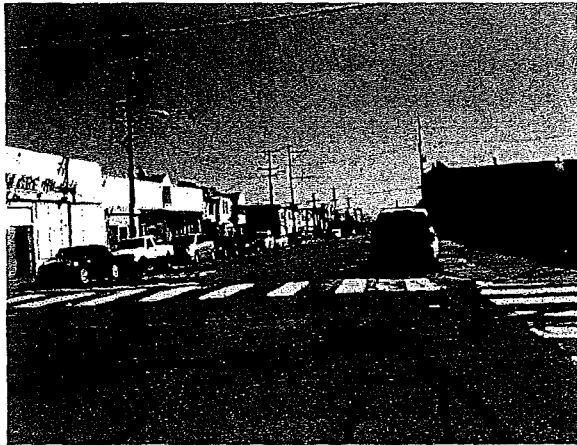


**FRONT VIEW LOOKING SOUTH**

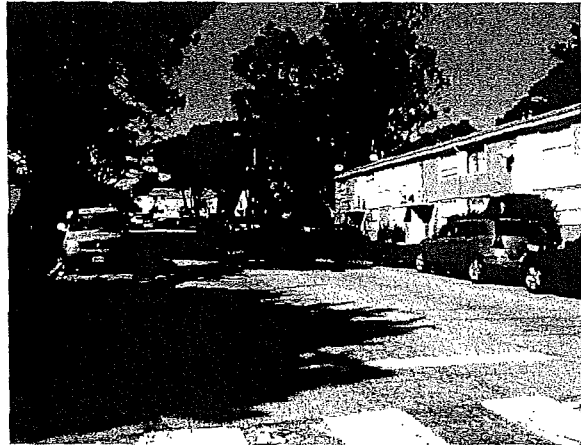
**SUBJECT PROPERTY PHOTOGRAPHS**

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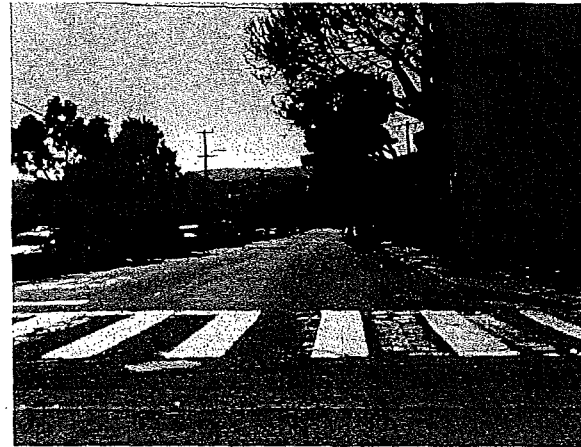
**SUNNYDALE AVENUE LOOKING EAST**



**SUNNYDALE AVENUE LOOKING WEST**



**HAHN STREET LOOKING NORTH**



**HAHN STREET LOOKING SOUTH**



**NORTH OF THE SUBJECT-RETAIL MARKET**



**SOUTH OF THE SUBJECT-RESIDENTIAL**

# IDENTIFICATION OF APPRAISAL ASSIGNMENT

FCH170092

## PROPERTY IDENTIFICATION

The subject a 0.48-acre site at 1477 Sunnydale Avenue in San Francisco, San Francisco County, California. The assessor's parcel numbers are: 6356-061, 6356-062, 6356-063, 6356-064, 6356-065, 6356-066, 6356-067, 6356-068.

The legal description of the subject property is as follows:

## CLIENT IDENTIFICATION

The client of this specific assignment is Related Companies of California.

## PURPOSE

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

## INTENDED USE

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

## INTENDED USERS

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

## ASSIGNMENT DATES

Date of Report	November 1, 2017
Date of Inspection	March 22, 2017
Valuation Date - As-Is	October 18, 2017

## PERSONAL INTANGIBLE PROPERTY

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

## PROPERTY AND SALES HISTORY

### Current Owner

The subject title is currently recorded in the name of Sunnydale Parcel Q Housing Partners LP, who acquired title to the property on December 19, 2016 for \$3,000,000, as recorded within a Corporation Grant Deed #k377173.

### Three-Year Sales History

The subject was originally listed in late 2015 at \$3,500,000, based on information provided by CoStar. Information provided by the San Francisco County Assessor indicates that the subject sold on December 19, 2016 for \$3,000,000. The subject was also appraised by Phil Sarazen of Colliers International Valuation and Advisory Services (CIVAS, Fresno Office) in a report dated February 19, 2016 (CIVAS Job #FAT160006). The subject was appraised by John Larson, MAI, JD, in a report dated May 11, 2017 (CIVAS Job # FCH170018) with an updated value conclusion of \$3,960,000. The most recent purchase price (\$3,000,000) and previous value estimates are below the As-Is Market Value conclusion in this report (\$5,950,000) based on the City of San Francisco's approval of the redevelopment of the Sunnydale public housing site, located across Sunnydale Avenue from the subject, which occurred on February 7, 2017, entitlement work completed on the subject, including upgrade to RM-1 zoning, as well as overall improvement in market conditions since the date of the previous sale and valuation dates.

## IDENTIFICATION OF APPRAISAL ASSIGNMENT

CONTINUED

FCH170092

### Subject Sale Status

The subject is not currently listed for sale.

### DEFINITIONS

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

### DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the following definition of value is applicable:

#### Market Value

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

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

### PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the fee simple interest.

#### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.<sup>2</sup>

### VALUE SCENARIOS

#### As-Is Value

The estimate of the value of real property in its current physical condition, use, and zoning as of the appraisal date.<sup>3</sup>

<sup>1</sup> Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.

<sup>2</sup> The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010

<sup>3</sup> The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010

**INTRODUCTION**

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

- The appraiser analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- The appraiser confirmed and analyzed legal and physical features of the subject property including sizes of the site, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site.
- The appraiser completed mixed-use market analysis that included market and sub-market overviews. The San Francisco market and South of Market sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- The appraiser conducted Highest and Best Use analysis and conclusions were drawn for the highest and best use of the subject property As-Vacant. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site.
- The appraiser confirmed and analyzed financial features of the subject property including potential entitlement issues, and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. This appraisal developed the Sales Comparison Approach to value, which was adjusted and reconciled as appropriate. The appraisal develops an opinion of the As-Is Market Value of the subject property's fee simple interest.
- Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are fully described within this document.
- I understand the Competency Rule of USPAP and the author of this report meets the standards.
- Marissa Nutter provided significant real property appraisal assistance to the appraiser signing the certification. Assistance included gathering, analyzing and reporting regional and local area information, confirming and analyzing the subject's zoning and tax information, and confirming some of the comparable data used for this analysis.

**SOURCES OF INFORMATION**

The following sources were contacted to obtain relevant information:



## SCOPE OF WORK

CONTINUED

FCH170092

### SOURCES OF INFORMATION

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

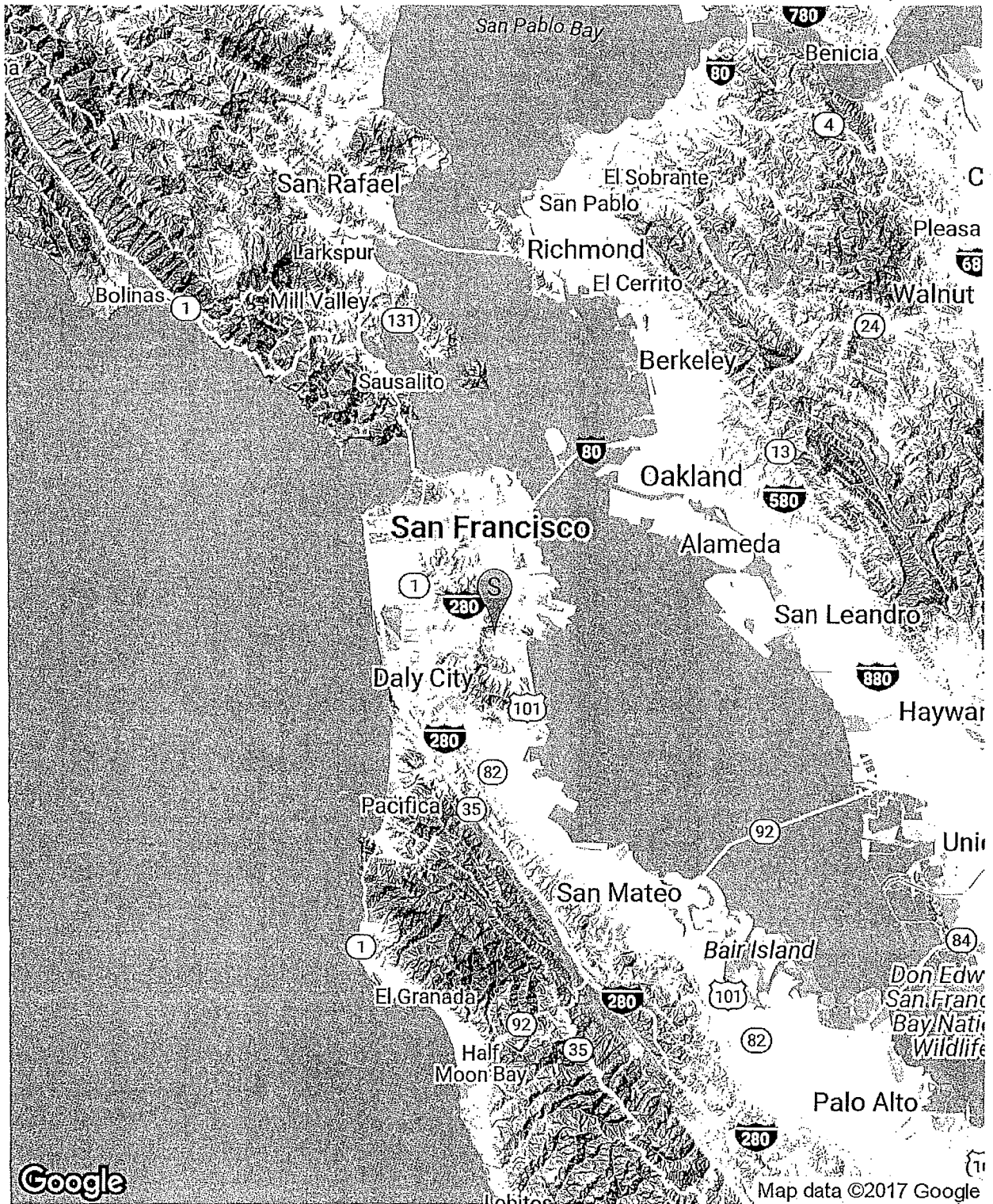
### SUBJECT PROPERTY INSPECTION

#### SUBJECT PROPERTY INSPECTION

APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
John E. Larson MAI, JD	Yes	Site Only	March 22, 2017

REGIONAL MAP

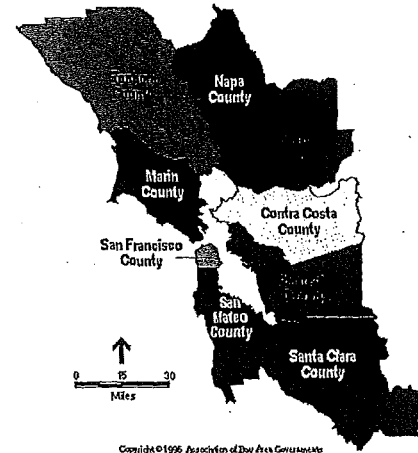
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**INTRODUCTION**

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

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



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

**DEMOGRAPHIC ANALYSIS**

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

**Transportation**

The San Francisco MSA has numerous freeways, which provide good access throughout the area and to neighboring regions. The Bay Bridge provides the main access to the East Bay counties and to Interstates 80, 580, 680, and Interstate 880. The Golden Gate Bridge provides access to the north to



Marin County. Highway 101 runs north and south through the city and Highway 280 provides additional access to the south bay markets. Public transportation systems in San Francisco are extensive and include BART, MUNI, CalTrain, AC Transit, SAMTRANS, and the Municipal railway, which provide access to all counties of the Bay Area. Bart is the Bay Area Rapid Transit system, which provides access to Contra Costa and Alameda Counties from San Francisco. MUNI, CalTrain, AC Transit, and SAMSTRANS provide bus service and train service to north and south bay markets.

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

**Climate**

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

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

**Topography/Geography & Service Infrastructure**

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

**Population**

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, San Francisco County had a 2016 total population of 877,491 and experienced an annual growth rate of 1.4%, which was higher than the California annual growth rate of 1.0%. The accounted for 2.2% of the total California population (39,501,314). Within the the population density was 18,526 people per square mile compared to the lower California population density of 250 people per square mile and the lower United States population density of 90 people per square mile.

POPULATION			
YEAR	US	CA	COUNTY
2010 Total Population	308,745,538	37,253,956	805,235
2016 Total Population	324,035,643	39,501,314	877,491
2021 Total Population	337,543,660	41,419,169	941,946
2010 - 2016 CAGR	0.8%	1.0%	1.4%
2016 - 2021 CAGR	0.8%	1.0%	1.4%

Source: Pitney Bowes/Gadberry Group - GroundView®

## REGIONAL ANALYSIS

CONTINUED

FCH170092

### POPULATION DENSITY

YEAR	US	CA	COUNTY
2016 Per Square Mile	90	250	18,526
2021 Per Square Mile	94	262	19,887

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2016 median age for the county was 38.60, which was 2.28% older than the United States median age of 37.72 for 2016. The median age in the county is anticipated to grow by 0.56% annually, increasing the median age to 39.68 by 2021.

### MEDIAN AGE

YEAR	US	CA	COUNTY
2016	37.72	35.99	38.60
2021	38.74	37.15	39.68
CAGR	0.54%	0.63%	0.56%

Source: Pitney Bowes/Gadberry Group - GroundView®

### Household Trends

The 2016 number of households in the county was 351,588. The number of households in the county is projected to grow by 0.3% annually, increasing the number of households to 357,378 by 2021. The 2016 average household size for the county was 2.43, which was -7.49% smaller than the United States average household size of 2.63 for 2016. The average household size in the county is anticipated to grow by 1.10% annually, raising the average household size to 2.57 by 2021.

### NUMBER OF HOUSEHOLDS

YEAR	US	CA	COUNTY
2016	120,355,207	12,948,716	351,588
2021	124,475,498	13,374,505	357,378
CAGR	0.7%	0.6%	0.3%

Source: Pitney Bowes/Gadberry Group - GroundView®

### AVERAGE HOUSEHOLD SIZE

YEAR	US	CA	COUNTY
2016	2.63	2.99	2.43
2021	2.65	3.03	2.57
CAGR	0.16%	0.31%	1.10%

Source: Pitney Bowes/Gadberry Group - GroundView®

San Francisco County had a 225,309 renter occupied units, compared to the higher 5,704,791 in California and the higher 41,906,547 in the United States.

### HOUSING UNITS

	US	CA	COUNTY
Owner Occupied	78,448,660	7,243,925	126,279
Renter Occupied	41,906,547	5,704,791	225,309

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2016 median household income for the county was \$86,446, which was 55.8% higher than the United States median household income of \$55,497. The median household income for the county is projected to grow by 1.5% annually, increasing the median household income to \$93,279 by 2021.

As is often the case when the median household income levels are higher than the national average, the cost of living index is also higher. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the San Francisco-Oakland-Fremont, CA MSA's cost of living is 164.7

# REGIONAL ANALYSIS

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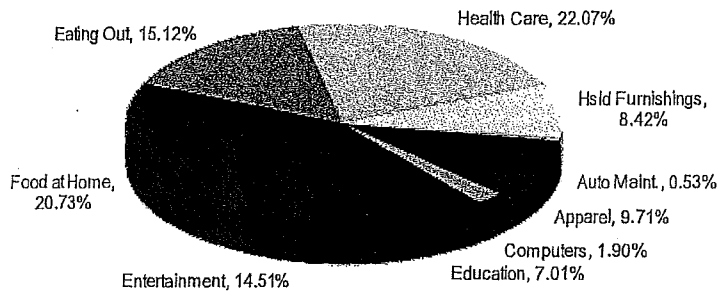
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compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

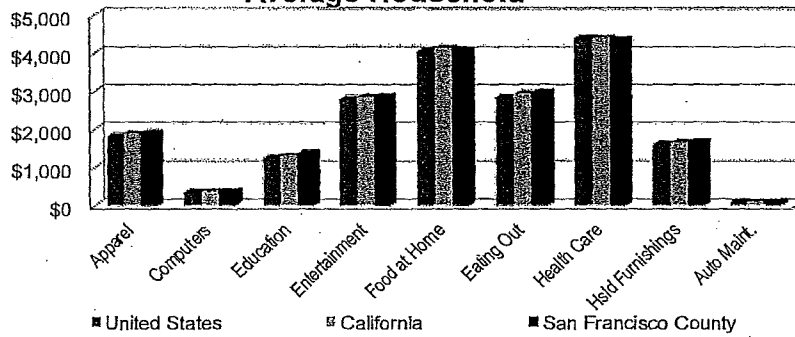
MEDIAN HOUSEHOLD INCOME			
YEAR	US	CA	COUNTY
2016	\$55,497	\$64,503	\$86,446
2021	\$59,208	\$69,335	\$93,279
CAGR	1.3%	1.5%	1.5%

Source: Pitney Bowes/Gadberry Group - GroundView®

### Consumer Spending San Francisco County



### Consumer Spending Comparison Average Household



## EMPLOYMENT

Total employment has increased annually over the past decade in the state of California by 0.7% and increased annually by 3.0% in the county. From 2015 to 2016 unemployment decreased in California by 0.8% and decreased by 0.3% in the county. In the state of California unemployment has decreased over the previous month by 0.0% and increased by 0.1% in the county.

# REGIONAL ANALYSIS

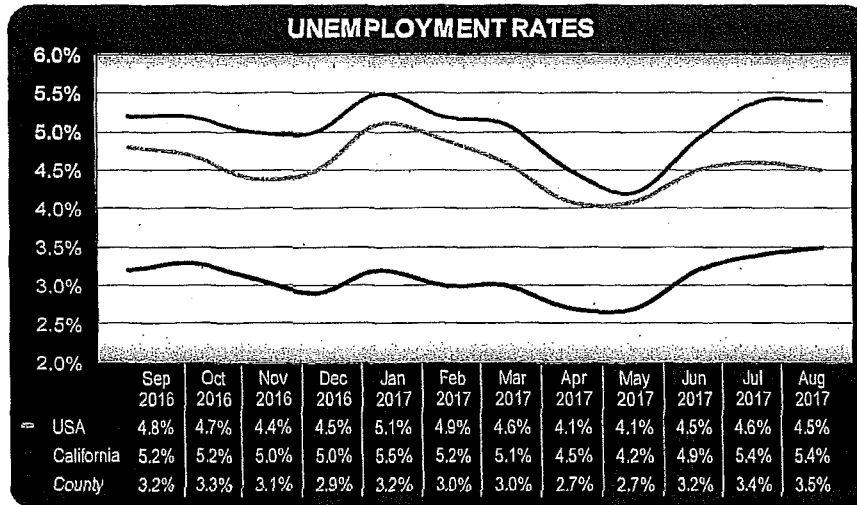
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## EMPLOYMENT & UNEMPLOYMENT STATISTICS 2007 - 2016

Year	TOTAL EMPLOYMENT				UNEMPLOYMENT RATE		
	California		San Francisco County/city, CA		United States*	California	San Francisco County/city, CA
	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2007	16,931,590	0.8%	414,199	4.0%	4.6%	5.4%	4.2%
2008	16,854,482	(0.5%)	432,981	4.5%	5.8%	7.3%	5.3%
2009	16,182,572	(4.0%)	419,546	(3.1%)	9.3%	11.2%	8.7%
2010	16,091,945	(0.6%)	442,695	5.5%	9.6%	12.2%	8.9%
2011	16,258,133	1.0%	454,861	2.7%	8.9%	11.7%	8.1%
2012	16,602,672	2.1%	474,933	4.4%	8.1%	10.4%	6.8%
2013	16,958,735	2.1%	488,155	2.8%	7.4%	8.9%	5.5%
2014	17,348,645	2.3%	506,460	3.7%	6.2%	7.5%	4.4%
2015	17,723,266	2.2%	525,993	3.9%	5.3%	6.2%	3.6%
2016	18,065,043	1.9%	541,582	3.0%	4.9%	5.4%	3.3%
<b>CAGR</b>	<b>0.7%</b>	-	<b>3.0%</b>	-	-	-	-

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



The unemployment rate in the San Francisco-Redwood City-South San Francisco MD was 3.3 percent in August 2017, unchanged from a revised 3.3 percent in July 2017, and unchanged from the year-ago estimate of 3.3 percent. This compares with an unadjusted unemployment rate of 5.4 percent for California and 4.5 percent for the nation during the same period. The unemployment rate was 3.5 percent in San Francisco County, and 3.2 percent in San Mateo County.

# REGIONAL ANALYSIS

CONTINUED

FCH170092

## Major Employers

The following chart lists major employers in San Francisco County.

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



REGIONAL AREA DEMOGRAPHICS							
YEAR	US	CA	COUNTY	YEAR	US	CA	COUNTY
<b>POPULATION</b>				<b>NUMBER OF HOUSEHOLDS</b>			
2010 Total Population	308,745,538	37,253,956	805,235	2016	120,355,207	12,948,716	351,588
2016 Total Population	324,035,643	39,501,314	877,491	2021	124,475,498	13,374,505	357,378
2021 Total Population	337,543,660	41,419,169	941,946	CAGR	0.7%	0.6%	0.3%
2010 - 2016 CAGR	0.8%	1.0%	1.4%	<b>AVERAGE HOUSEHOLD SIZE</b>			
2016 - 2021 CAGR	0.8%	1.0%	1.4%	2016	2.63	2.99	2.43
<b>POPULATION DENSITY</b>				2021	2.65	3.03	2.57
2016 Per Square Mile	90	250	18,526	CAGR	0.16%	0.31%	1.10%
2021 Per Square Mile	94	262	19,887	<b>HOUSING UNITS</b>			
<b>MEDIAN AGE</b>				Owner Occupied	78,448,660	7,243,925	126,279
2016	37.72	35.99	38.60	Renter Occupied	41,906,547	5,704,791	225,309
2021	38.74	37.15	39.68	<b>AVERAGE HOUSEHOLD INCOME</b>			
CAGR	0.54%	0.63%	0.56%	2016	\$78,307	\$92,467	\$119,532
<b>MEDIAN HOME VALUE</b>				2021	\$82,265	\$97,528	\$124,497
2016	\$175,546	\$369,040	\$764,716	CAGR	1.0%	1.1%	0.8%
<b>PER CAPITA INCOME</b>				<b>MEDIAN HOUSEHOLD INCOME</b>			
2016	\$29,828	\$30,954	\$49,216	2016	\$55,497	\$64,503	\$86,446
2021	\$31,085	\$32,140	\$48,529	2021	\$59,208	\$69,335	\$93,279
CAGR	0.8%	0.8%	(0.3%)	CAGR	1.3%	1.5%	1.5%

Source: Pitney Bowes/Gadberry Group - GroundView®

**Population**

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, San Francisco County had a 2016 total population of 877,491 and experienced an annual growth rate of 1.4%, which was higher than the California annual growth rate of 1.0%. The county accounted for 2.2% of the total California population (39,501,314). Within the county the population density was 18,526 people per square mile compared to the lower California population density of 250 people per square mile and the lower United States population density of 90 people per square mile.

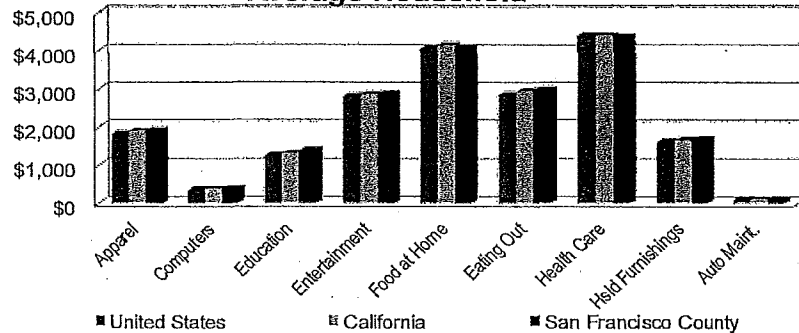
**Household Trends**

The 2016 number of households in the county was 351,588. The number of households in the county is projected to grow by 0.3% annually, increasing the number of households to 357,378 by 2021. The 2016 average household size for the county was 2.43, which was 7.49% smaller than the United States average household size of 2.63 for 2016. The average household size in the county is anticipated to grow by 1.10% annually, raising the average household size to 2.57 by 2021. San Francisco County had a 225,309 renter occupied units, compared to the higher 5,704,791 in California and the higher 41,906,547 in the United States.

**Income Trends**

The 2016 median household income for the county was \$86,446, which was 55.8% higher than the United States median household income of \$55,497. The median household income for the county is projected to grow by 1.5% annually, increasing the median household income to \$93,279 by 2021. As is often the case when the median household income levels are higher than the national average, the cost of living index is also higher. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the San Francisco-Oakland-Fremont, CA MSA's cost of living is 164.7 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

**Consumer Spending Comparison  
Average Household**



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

**AIRPORT STATISTICS**

The following chart summarizes the local airport statistics.

SAN FRANCISCO INTERNATIONAL AIRPORT (SFO)		
YEAR	ENPLANED PASSENGERS	% CHG
2005	16,070,133	-
2006	16,236,592	1.0%
2007	17,280,328	6.4%
2008	18,135,827	5.0%
2009	18,467,908	1.8%
2010	19,359,003	4.8%
2011	20,055,568	3.6%
2012	21,284,236	6.1%
2013	21,704,626	2.0%
2014	22,756,008	4.8%
2015	24,190,549	6.3%

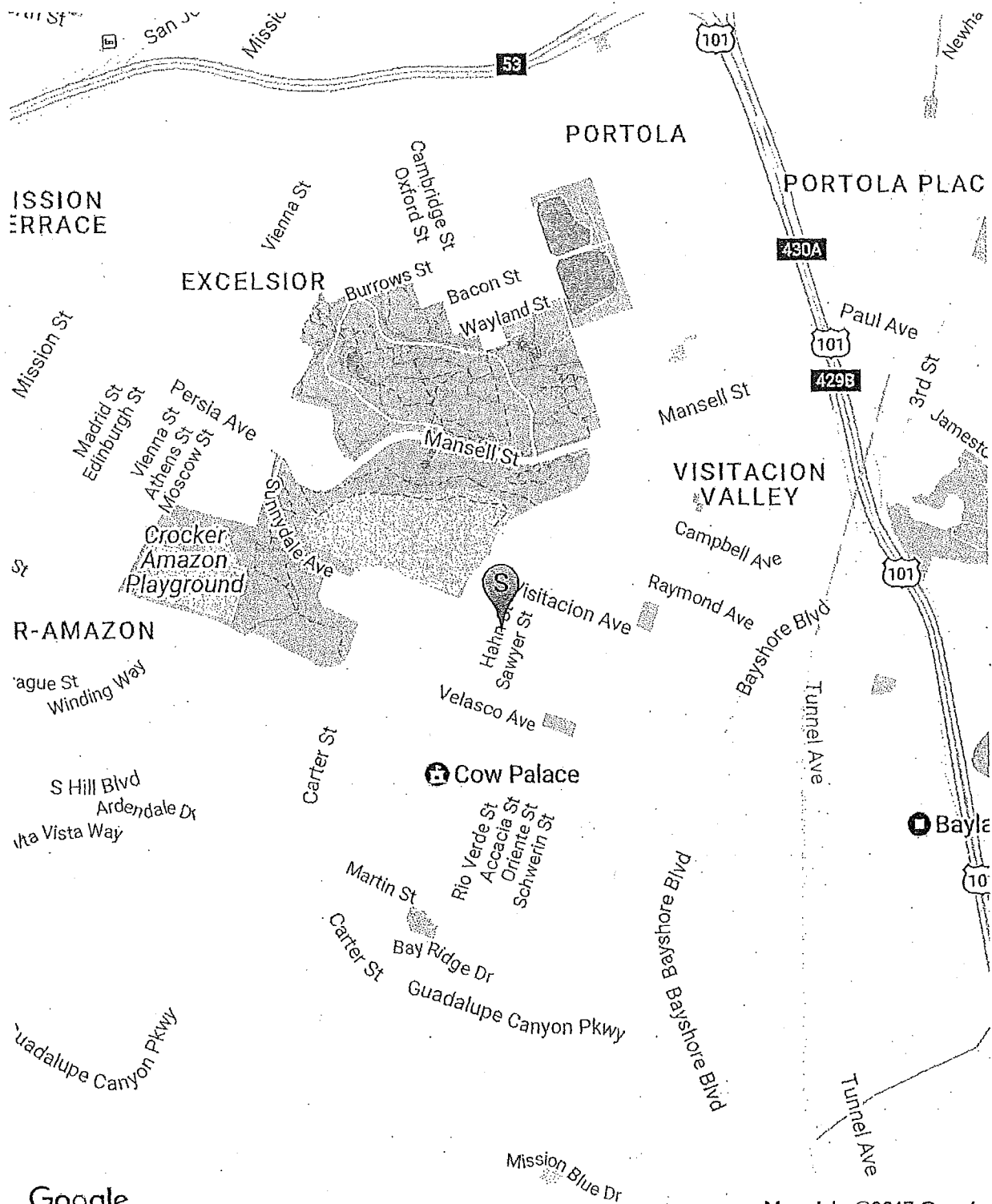
Source: U.S. Department of Transportation

**SUMMARY**

Overall the condition and appeal of the market area is generally considered average. Growth is not physically restricted because of the abundance of undeveloped sites. New projects may be accomplished by development of vacant and under-improved properties as the economy slowly improves. Demand stalled during 2014 but improved during 2015. As the real estate market continues to recover from the recession, property values are expected to appreciate.

LOCAL AREA MAP

FCH170092



Google

Map data ©2017 Google

# LOCAL AREA ANALYSIS

FCH170092

## INTRODUCTION

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

## LOCAL AREA PROFILE

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

## DEMOGRAPHIC PROFILE

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

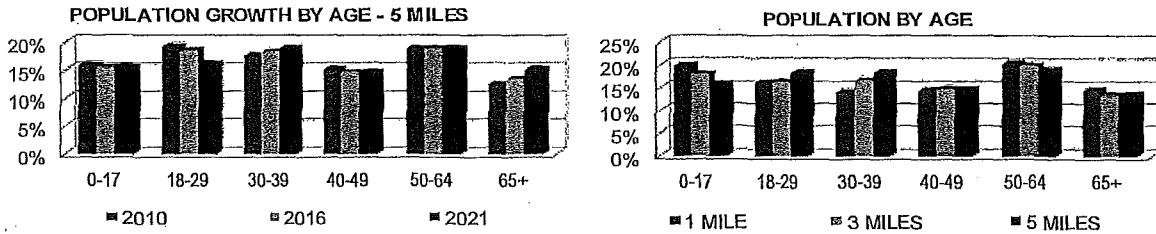
LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
<b>POPULATION</b>				<b>AVERAGE HOUSEHOLD INCOME</b>			
2000 Population	38,068	285,015	659,642	2016	\$89,131	\$115,943	\$117,832
2010 Population	40,276	290,563	685,314	2021	\$94,530	\$121,037	\$122,945
2016 Population	41,634	306,989	739,341	Change 2016-2021	6.06%	4.39%	4.34%
2021 Population	44,485	328,097	792,233	<b>MEDIAN HOUSEHOLD INCOME</b>			
Change 2000-2010	5.80%	1.95%	3.89%	2016	\$66,626	\$84,929	\$86,748
Change 2010-2016	3.37%	5.65%	7.88%	2021	\$72,438	\$91,316	\$93,313
Change 2016-2021	6.85%	6.88%	7.15%	Change 2016-2021	8.72%	7.52%	7.57%
<b>POPULATION 65+</b>				<b>PER CAPITA INCOME</b>			
2010 Population	5,399	36,396	86,459	2016	\$23,789	\$35,724	\$42,833
2016 Population	6,072	41,621	100,199	2021	\$24,043	\$35,493	\$42,543
2021 Population	7,358	50,235	120,713	Change 2016-2021	1.07%	(0.65%)	(0.68%)
Change 2010-2016	12.47%	14.36%	15.89%	<b>2016 HOUSEHOLDS BY INCOME</b>			
Change 2016-2021	21.18%	20.70%	20.47%	<\$15,000	11.8%	8.4%	10.3%
<b>NUMBER OF HOUSEHOLDS</b>				\$15,000-\$24,999	10.1%	6.7%	6.7%
2000 Households	10,172	89,769	241,590	\$25,000-\$34,999	6.2%	5.6%	5.3%
2010 Households	11,084	93,308	256,996	\$35,000-\$49,999	11.1%	9.7%	8.8%
2016 Households	11,040	93,665	261,708	\$50,000-\$74,999	16.4%	14.7%	13.4%
2021 Households	11,237	95,229	267,004	\$75,000-\$99,999	12.7%	12.5%	11.8%
Change 2000-2010	8.97%	3.94%	6.38%	\$100,000-\$149,999	17.8%	19.2%	19.3%
Change 2010-2016	(0.40%)	0.38%	1.83%	\$150,000-\$199,999	7.0%	9.7%	10.2%
Change 2016-2021	1.78%	1.67%	2.02%	\$200,000 or greater	6.8%	13.5%	14.3%
<b>HOUSING UNITS (2016)</b>				<b>MEDIAN HOME VALUE</b>			
Owner Occupied	6,856	53,472	117,072	\$543,006	\$629,908	\$672,928	
Renter Occupied	4,177	40,131	144,702	<b>AVERAGE HOME VALUE</b>			
<b>HOUSING UNITS BY YEAR BUILT</b>				\$554,169			
Built 2010 or later	60	609	1,403	<b>HOUSING UNITS BY UNITS IN STRUCTURE</b>			
Built 2000 to 2009	1,059	5,569	21,504	1, detached	5,082	37,240	79,574
Built 1990 to 1999	880	4,886	14,935	1, attached	3,351	23,084	38,763
Built 1980 to 1989	744	6,094	15,616	2	732	9,235	22,617
Built 1970 to 1979	899	8,123	24,738	3 or 4	412	8,178	26,197
Built 1960 to 1969	1,225	8,663	24,525	5 to 9	494	5,860	22,630
Built 1950 to 1959	1,880	11,855	34,785	10 to 19	369	3,773	17,534
Built 1940 to 1949	2,105	12,638	27,872	20 to 49	177	2,834	18,397
Built 1939 or earlier	2,190	35,228	96,329	50 or more	400	2,881	34,343
				Mobile home	15	502	1,264
				Boat, RV, van, etc.	0	15	455

Source: Pitney Bowes/Gadberry Group - GroundView®

# LOCAL AREA ANALYSIS

CONTINUED

FCH170092



As noted in the table above, population has increased by 5.65% since 2010 in the subject's market area (3-mile radius) and is expected to increase by 6.88% through 2021. Also, the subject's market area has a higher number of owner occupied homes (53,472) than renter occupied homes (40,131). The average and median household income levels in the subject's market area are \$115,943 and \$84,929, respectively.

### Residential Development

There is a moderate amount of residential development in the subject's market area. Zillow projects home values on a month-to-month basis. Zillow states that median home values are currently \$863,500. Home values in San Francisco have been increasing overall since November 2011. Multi-family developments within proximity to the subject include Heritage Homes, MG Properties, Pacific Place, Carter Terrace and Highpoint.

### Commercial Development

Some commercial development is located along Sunnydale Avenue and Hahn Street but most retail use is located east and south of the subject property. General commercial and residential uses within proximity to the subject include community markets, shopping centers, fast food restaurants, banks, gas stations, grocery stores, self-storage facilities, and auto related shops. Retailers in the subject's immediate are include: Little Village Market, Walgreens, McDonalds and KFC. There are a variety of other local tenants in the subject's area.

### Community Services/Transportation

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). Nearby schools include Visitacion Valley Elementary School, Our Lady of Visitacion School, John McLaren School, Visitacion Valley Middle School, all located within one mile of the subject. Public transportation is available throughout the area. Local bus stops are located along Sunnydale Avenue and Hahn Street. There are a number of parks, golf courses, and other recreational facilities in the area including Coffman Pool, Gleneagles Golf Course and John McLaren Park.

**SUBJECT PROPERTY ANALYSIS**

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



**Community Services**

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). The subject property is located in the San Francisco School District. GreatSchools.org is an on-line tool that rates every school district on a scale of one to ten based on test scores. The chart details the subject’s school district’s rating, test scores, and graduation rate. It also compares the subject’s rating to other area schools and the subject’s graduation rate to state and national averages.

**IMMEDIATE AREA PROFILE**

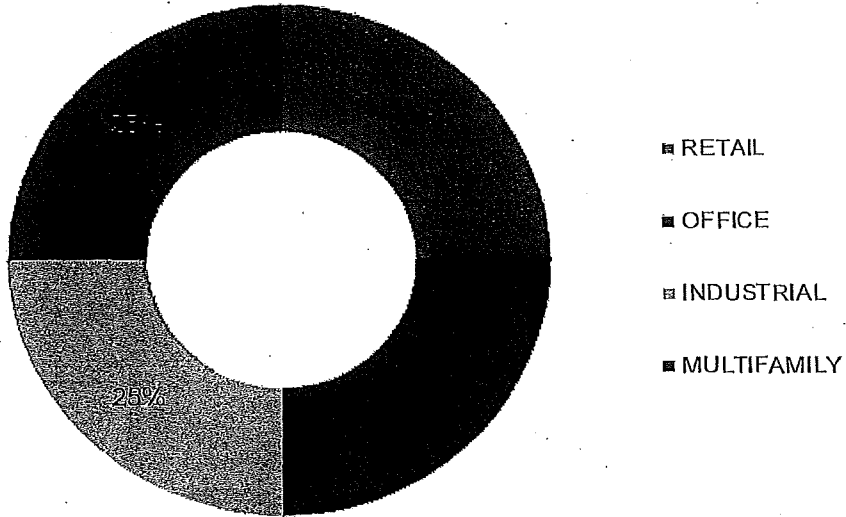
This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

**Predominant Land Uses**

Significant development in the immediate area consists of small retail, industrial, mixed-uses along major and minor arterials that are interspersed with multi-family complexes and single-family residential development

removed from arterials. The local area has a mix of commercial uses to the south. The composition of retail, office, and industrial is shown in the following graph.

COMMERCIAL AREA COMPOSITION



©CoStar

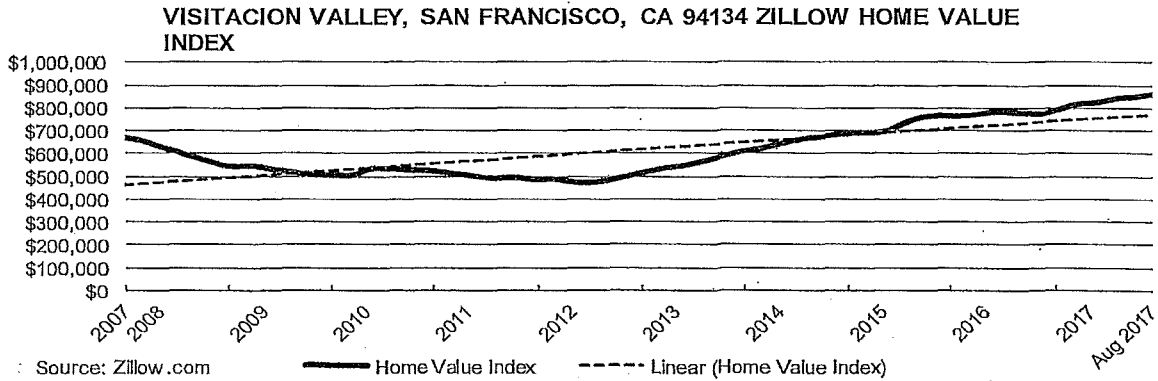
# LOCAL AREA ANALYSIS

CONTINUED

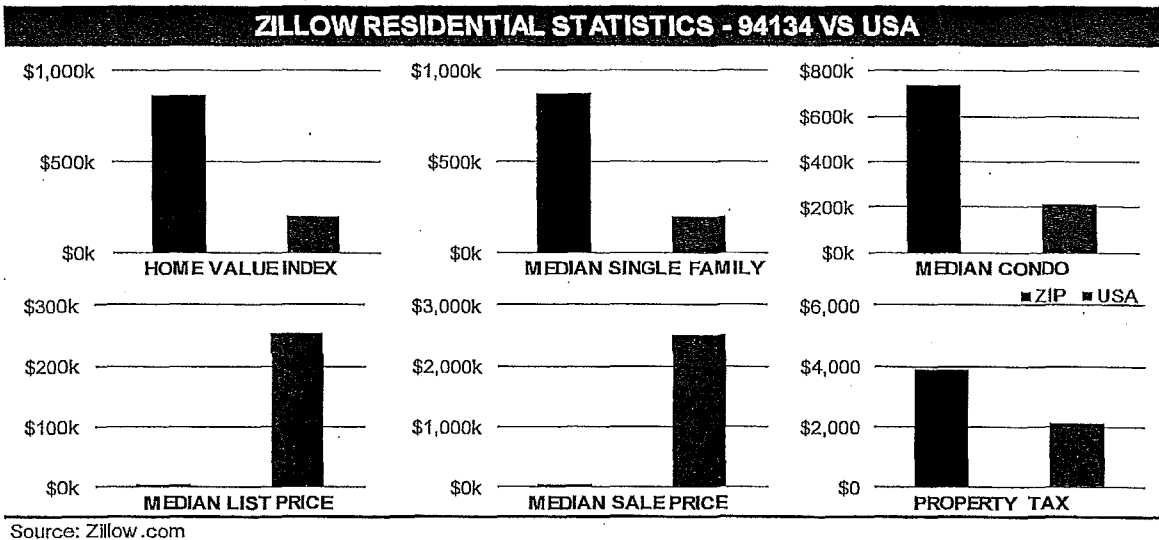
FCH170092

## Residential Development

Residential users in the immediate area are primarily multi-family residential. Just to the west of the subject property is a large multi-family subdivision known as Mercy Housing. Additionally, there are smaller apartments and housing communities down the street from the subject property. The following graph shows the Zillow Home Value Index (ZHVI) for the subject zip code which is the mid-point of estimated home values for the area. Half the estimated home values are above this number and half are below.

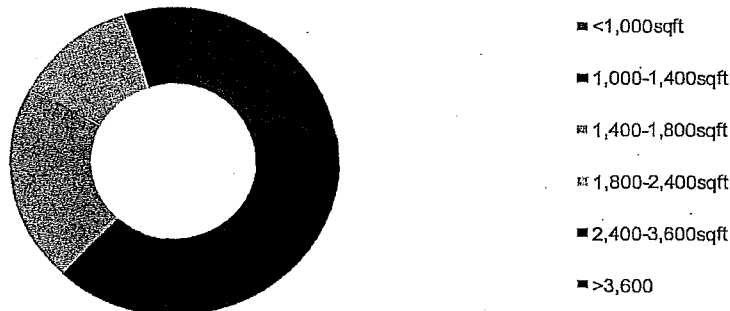


The following chart shows residential statistics comparing the subject zip code to the United States.



The following chart shows the average home size breakdown for the subject zip code.

## HOME SIZE BREAKDOWN - 94134



Source: Zillow.com



## LOCAL AREA ANALYSIS

CONTINUED

FCH170092

### SUBJECT PROPERTY ANALYSIS

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

#### Subject Property Analysis

The uses adjacent to the property are noted below:

- › North - Neighborhood Market
- › South - Multifamily Residential
- › East - Multifamily Residential
- › West - Multifamily Residential

#### Access

The subject site has frontage on two neighborhood streets. Based on my field work, the subject's access is rated average compared to other properties with which it competes.

#### Visibility

The subject is clearly visible in both directions along the street. The visibility of the property is not hampered by adjacent properties, trees or other obstructions. In comparison to competitive properties, the subject property has average visibility.

#### Subject Conclusion

Trends in the local and immediate areas, adjacent uses and the property's specific location features indicate an overall typical external influence for the subject, constrained housing units and a lack of available sites suitable for development, which is concluded to have an above average position in context of competing properties.

#### SUMMARY

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

# SITE DESCRIPTION

FCH170092

**General Description** The subject site consists of 8 parcels. As noted below, the subject site has 20,845 SF (0.48 AC) of land area. The area is estimated based on the assessor's parcel map, and may change if a professional survey determines more precise measurements. Going forward, our valuation analyses will utilize the usable site area. The following discussion summarizes the subject site size and characteristics.

**Assessor Parcels** See Multiple Parcel Chart For Breakdown

**Number Of Parcels** 8

Land Area	Acres	Square Feet
Primary Parcel	0.48	20,845
Unusable Land	0.00	0
Excess Land	0.00	0
<u>Surplus Land</u>	<u>0.00</u>	<u>0</u>
<b>Total Land Area</b>	<b>0.48</b>	<b>20,845</b>

**Shape** See Multiple Parcel Chart For Breakdown

**Topography** Level at street grade

**Drainage** Assumed Adequate

**Utilities** All available to the site

Street Improvements	Street	Direction	No. Lanes	Street Type	Curbs	Sidewalks	Streetlights	Center Lane	Gutters
Sunnydale Avenue	Primary Street	two-way	two-lane	minor arterial	✓	✓	✓	✓	
Hahn Street	Secondary Street	two-way	two-lane	minor arterial	✓	✓	✓	✓	

**Frontage** The site has approximately 125 feet of frontage along Sunnydale Avenue and approximately 167 feet of frontage along Hahn Street

**Accessibility** Average - There are no curb cuts and the previous improvements were demolished in the 1993-2000 period. The subject fronts two local streets, Sunnydale Avenue and Hahn Street

**Exposure** Average - The subject is at a non-signalized corner location at the intersection of two local arterials

**Seismic** The subject is in Highest Risk. The seismic zone factor (or Z factor) corresponds numerically to the effective horizontal peak bedrock acceleration (or equivalent velocity) that is estimated as a component of the design base shear calculation. In each seismic zone an earthquake-related event would create an effective peak bedrock acceleration of 0.1 times the force of gravity for Zone 1, 0.15 times the force of gravity for Zone 2A, 0.2 times the force of gravity for Zone 2B, 0.3 times the force of gravity for Zone 3 and 0.4 times the force of gravity for Zone 4. These values correspond to ground motion values with a 10% probability of being exceeded in 50 years.

**Flood Zone** The subject is located in an area that is not mapped for flooding by FEMA.

# SITE DESCRIPTION

CONTINUED

FCH170092

## MULTIPLE PARCEL SITE DESCRIPTION GRID

PARCEL	USABLE		TOTAL		FRONTING STREET	SHAPE	ACCESS	EXPOSURE	FLOOD PLAIN
	SF	AC	SF	AC					
6356-061	2,300	0.05	2,300	0.05	Sunnydale Avenue	Rectangular	Average	Average	0
6356-062	2,300	0.05	2,300	0.05	Sunnydale Avenue	Rectangular	Average	Average	0
6356-063	2,300	0.05	2,300	0.05	Sunnydale Avenue	Rectangular	Average	Average	0
6356-064	2,300	0.05	2,300	0.05	Sunnydale Avenue	Rectangular	Average	Average	0
6356-065	2,468	0.06	2,468	0.06	Sunnydale Avenue	Irregular	Average	Average	0
6356-066	3,059	0.07	3,059	0.07	Hahn Street	Rectangular	Average	Average	0
6356-067	3,059	0.07	3,059	0.07	Hahn Street	Rectangular	Average	Average	0
6356-068	3,059	0.07	3,059	0.07	Hahn Street	Rectangular	Average	Average	0
<b>TOTAL</b>	<b>20,845</b>	<b>0.48</b>	<b>20,845</b>	<b>0.48</b>					

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

**Easements** A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

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

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

**Improvement Description** None

EXHIBITS

FCH170092

PLAT MAP

© COPYRIGHT SAN FRANCISCO  
CITY & COUNTY ASSESSOR 1996  
REPRODUCED FROM 1995-1996 PLAT MAP  
DATE: 11-12-1995

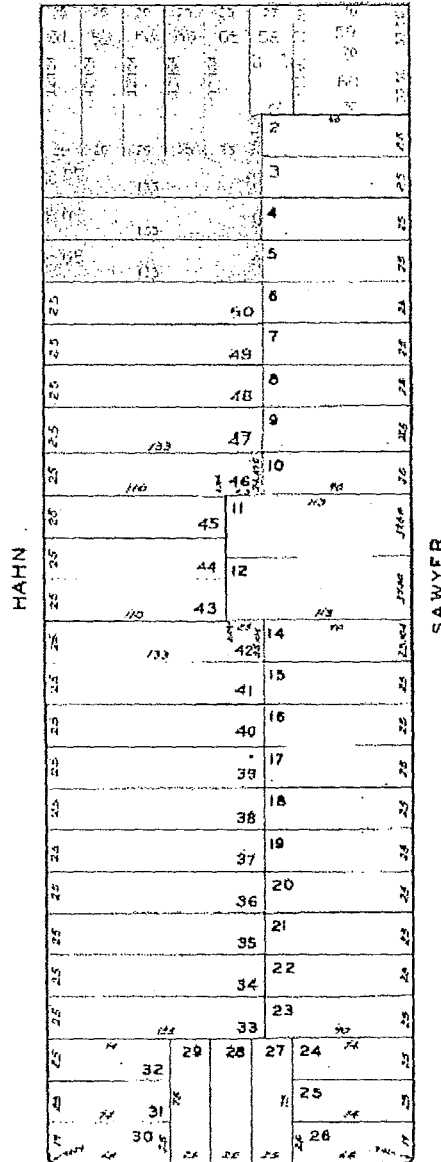
6356

SUNNYVALE GARDEN  
SUN VALLEY SUB  
EXCELSIOR HD ASS'N  
BLK 78

REVISED '72  
'73  
EFFECTIVE  
DATE: 11-12-1995

LOTS MERGED  
1075 INFO LOT  
2-3 0-11-12 '1947  
13 11-12 '1948

SUNNYDALE AVE.



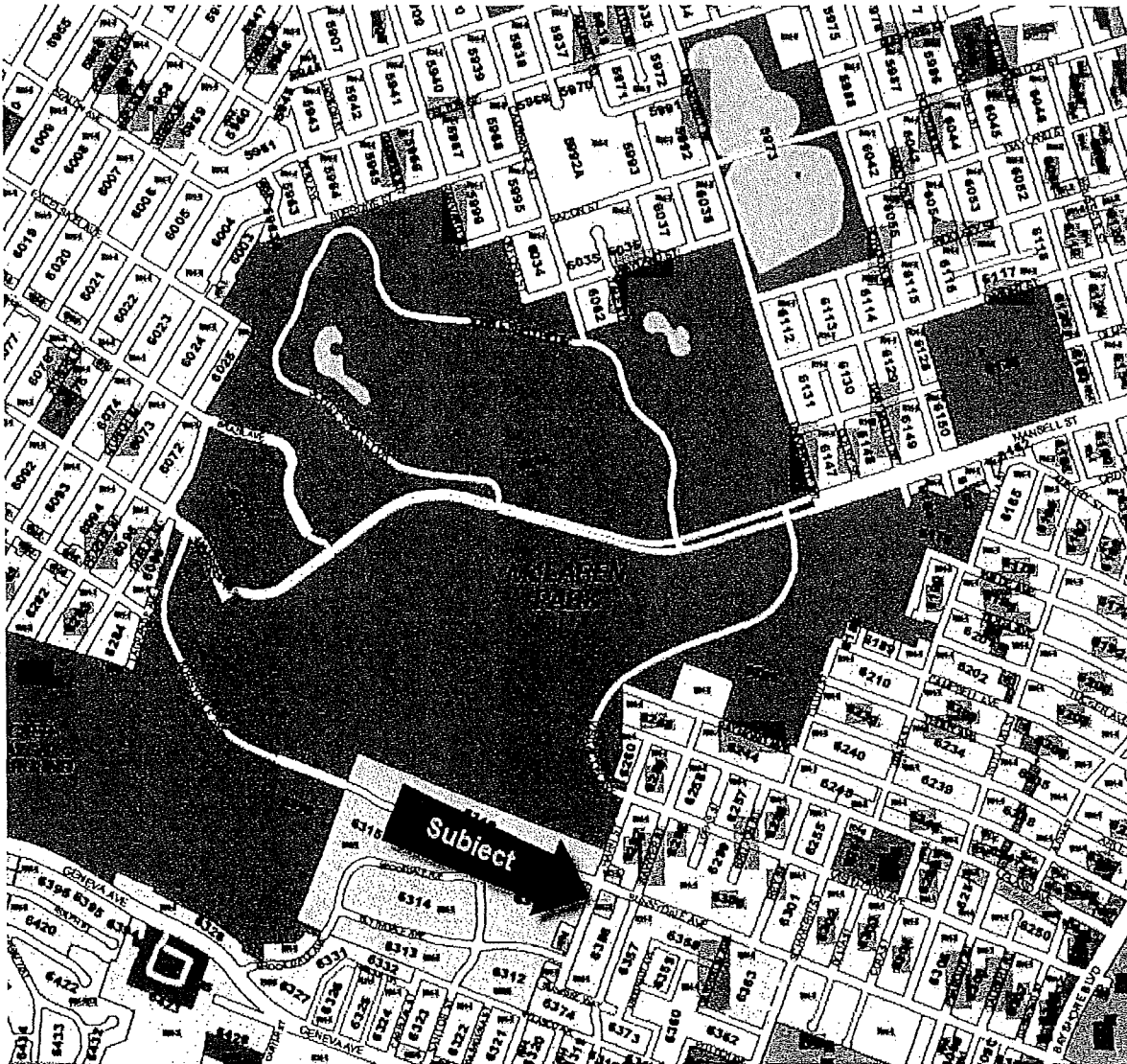
SUNRISE WAY

EXHIBITS

CONTINUED

FCH170092

ZONING MAP



FLOOD MAP

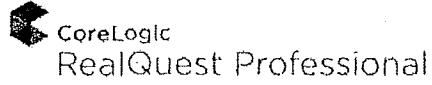
**Flood Map Report**

For Property Located At

**221 HAHN ST V, SAN FRANCISCO, CA 94134**

Report Date: 02/11/2016

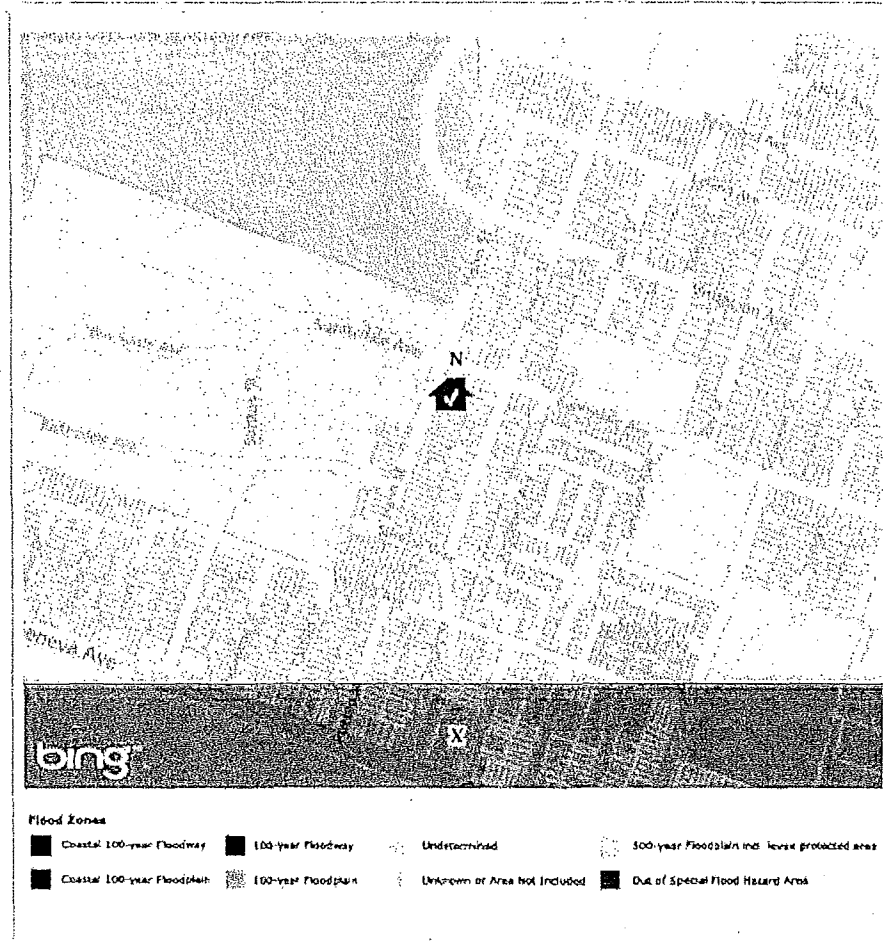
County: SAN FRANCISCO, CA



Flood Zone Code	Flood Zone Panel	Panel Date
N	060298 - NONE	
Special Flood Hazard Area (SFHA)	Within 250 ft. of multiple flood zones?	Community Name
Out	No	

**Flood Zone Description:**

Area Not Mapped-An area that is located within a community or county that is not mapped on any published FIRI (Usually a community not participating in NFIP). Internal TFHC designation.



# ASSESSMENT & TAXATION

FCH170092

## INTRODUCTION

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

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

ASSESSMENT & TAXES						
Tax Year	2017-2018		Tax Rate		1.1723%	
Tax Rate Area	1000		Taxes Current		Yes	
Taxes SF Basis	Gross Building Area					
APN	LAND	IMPV	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
6356-061	\$288,598	\$0	\$288,598	\$0	\$288,598	\$3,383
6356-062	\$288,598	\$0	\$288,598	\$0	\$288,598	\$3,383
6356-063	\$288,598	\$0	\$288,598	\$0	\$288,598	\$3,383
6356-064	\$288,598	\$0	\$288,598	\$0	\$288,598	\$3,383
6356-065	\$288,598	\$0	\$288,598	\$0	\$288,598	\$3,383
6356-066	\$294,258	\$0	\$294,258	\$0	\$294,258	\$3,450
6356-067	\$294,258	\$0	\$294,258	\$0	\$294,258	\$3,450
6356-068	\$294,258	\$0	\$294,258	\$0	\$294,258	\$3,450
<b>Totals</b>	<b>\$2,325,764</b>	<b>\$0</b>	<b>\$2,325,764</b>	<b>\$0</b>	<b>\$2,325,764</b>	<b>\$27,265</b>
<b>Total/SF</b>	<b>\$2,325,764.00</b>	<b>\$0.00</b>	<b>\$2,325,764.00</b>	<b>\$0.00</b>	<b>\$2,325,764.00</b>	<b>\$27,264.93</b>
Additional Tax Charges						
SFCCD Parcel Tax						\$792
SF-Teacher Support						\$1,953
SF BAY RS PARCEL TAX						\$96
<b>Total Additional Tax Charges</b>						<b>\$2,841</b>
<b>Total Additional Tax Charges Per SF</b>						<b>\$2,840.80</b>
<b>Total Base Tax &amp; Additional Tax Charges</b>						<b>\$30,106</b>
<b>Total Base Tax &amp; Additional Tax Charges Per SF</b>						<b>\$30,105.73</b>

Source: San Francisco County Assessment & Taxation

## SUBJECT PROPERTY ANALYSIS

The total assessment for the subject property is \$2,325,764 or \$2,325,764.00/SF. There are no exemptions in place. Total taxes for the property are \$30,106 or \$30,105.73/SF.

As part of the scope of work, I researched assessment and tax information related to the subject property. The following are key factors related to local assessment and taxation policy. Real property in San Francisco County is assessed at 100% of market value. Real property is reassessed upon sale, conversion, renovation or demolition. According to the staff representative at the County Assessor's Office, real estate taxes for the subject property are current as of the date of this report.

**INTRODUCTION**

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

<b>ZONING SUMMARY</b>	
<b>Municipality Governing Zoning</b>	City of San Francisco Planning & Zoning Department
<b>Current Zoning</b>	Low Density Residential (Apartments and Houses) (RM-1)
<b>Permitted Uses</b>	Uses typical of small neighborhood districts
<b>Prohibited Uses</b>	Liquor stores, cannabis dispensaries
<b>Current Use</b>	Vacant land
<b>Is Current Use Legally Permitted?</b>	Yes
<b>Zoning Change</b>	Not Likely

<b>ZONING REQUIREMENTS</b>	
<b>Minimum Site Area (SF)</b>	2,500 SF
<b>Minimum Yard Setbacks</b>	
Front (Feet)	Up to 15 feet or 15% of lot depth
Rear (Feet)	25% of lot depth
Side (Feet)	None
<b>Maximum Floor Area Ratio (FAR)</b>	1.8
<b>Maximum Density (Units/Acre)</b>	72.6 Unit/Acre
<b>Parking Requirement</b>	
Spaces Required	No minimum requirement. Maximum of 1 space per res unit and 1 space per 500 SF of occupied commercial space.

Source: City of San Francisco Planning & Zoning Department

**ZONING CONCLUSIONS**

Based on a copy of the SUD, the subject has RM-1 zoning within the Sunnydale HOPE SF Special Use District. The subject property is a vacant lot made up of 8 parcels with RM-1 zoning. Previous improvements included agricultural land, a TV repair shop and a beauty salon. Improvements were built in 1946-1956 and demolished between 1993 and 2000.

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



INTRODUCTION

As concluded ahead, the highest and best use of the subject site as-vacant is development of low density residential housing . Therefore, this section provides a brief study of retail supply/demand conditions for the San Francisco Market and South of Market Submarket, market participant interviews and transaction trends. These findings are used to support my conclusions for the competitive position, and exposure period of the subject site.

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

San Francisco Metro Area

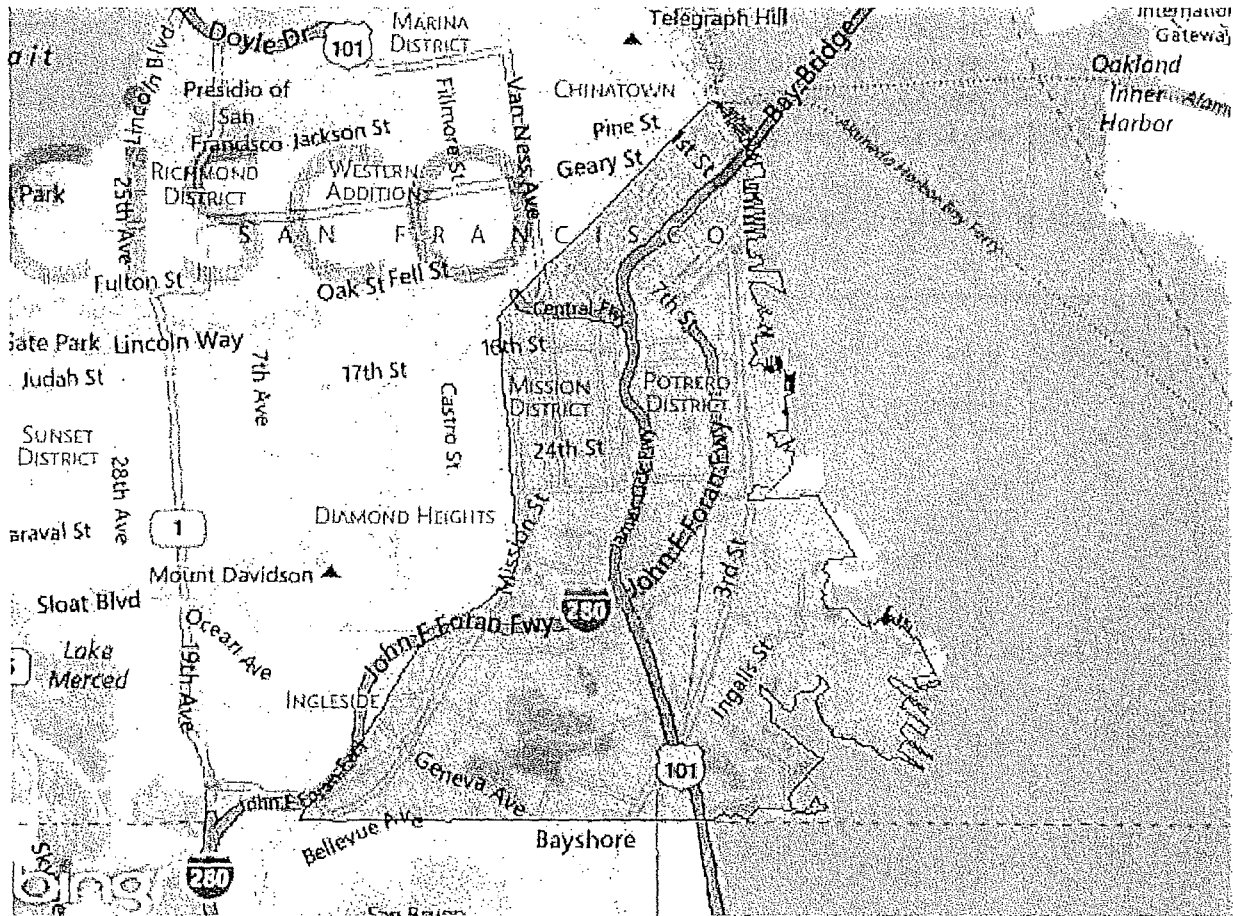


# MARKET ANALYSIS

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## South of Market Submarket



According to the submarket boundaries defined by REIS, the subject is located within the South of Market submarket. The following table provides a snapshot of the submarkets in the San Francisco Metro Area for Q4 2016.

Submarket	Inventory (Buildings)	Inventory (Units)	Asking Rent \$	Vac %	Free Rent (mos)	Expenses % (Apartment)
North Marin	115	8,372	\$2,143	2.2%	0.07	34.9%
South Marin	54	7,144	\$2,596	3.6%	0.29	36.0%
North San Mateo	82	14,600	\$2,332	3.0%	0.23	36.5%
Central San Mateo	126	15,493	\$3,051	3.5%	0.26	35.5%
South San Mateo	178	12,497	\$2,873	4.5%	0.39	34.8%
South of Market	122	20,479	\$4,095	7.2%	0.64	32.0%
Russ Hill/Embarcadero	88	9,853	\$3,294	4.4%	0.36	36.0%
West San Francisco	130	19,525	\$2,637	1.5%	0.60	36.7%
Civic Ctr/Downtown	237	17,798	\$2,670	5.7%	0.22	35.0%
Marina/Pacific Hits	220	8,105	\$3,223	4.9%	0.00	35.8%
Haight Ashbury	215	13,969	\$3,314	6.3%	0.71	35.0%

# MARKET ANALYSIS

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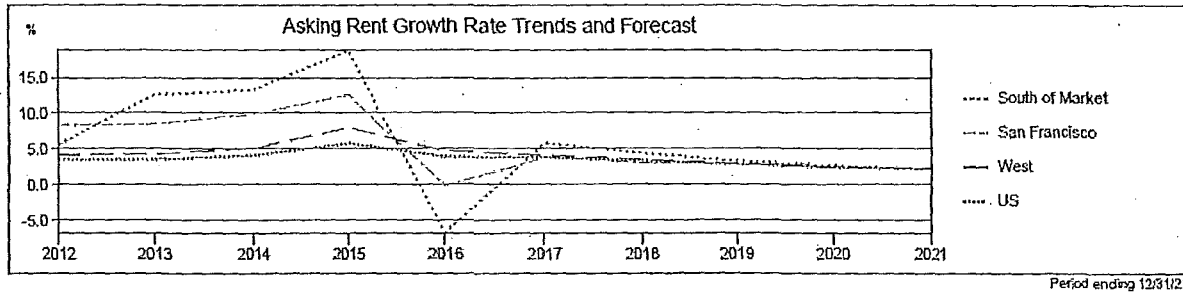
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According to REIS, there are 122 apartment buildings and 20,479 units in the South of Market Submarket with an average vacancy of 7.2%, which is at the top of the range for the metro area. The average asking rent in the subject's submarket (\$4,095) is also the highest of the range for the metro area.

## Rent Growth Comparisons

	Asking Rent Growth						
	Quarterly			Annualized			
	2Q17	1Q17	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
South of Market	-0.2%	3.3%	1.5%	-0.7%	7.9%	8.3%	3.7%
San Francisco	0.9%	0.9%	0.9%	-0.2%	7.3%	7.7%	2.9%
West	1.6%	0.6%	1.1%	4.7%	5.9%	5.2%	3.0%
United States	1.3%	0.6%	0.9%	3.9%	4.6%	4.1%	2.9%
Period Ending:	06/30/17	03/31/17	06/30/17	12/31/16	12/31/16	12/31/16	12/31/21

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		2Q17	1Q17	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
San Francisco	11	9	2	4	11	4	4	4
West	240	235	7	56	240	42	18	51
United States	835	794	37	174	835	56	20	138



During the Q2 2017, rent growth in the South of Market Submarket was estimated at -0.2%, comparatively lower than the San Francisco Metro (0.9%) and the Western Region (1.6%). Over the next five years, REIS projects 3.7% rent growth within the submarket, slightly lower than the forecasted rent growth for the city (2.9%), the Western Region (3.0%), and the country as a whole (2.9%).

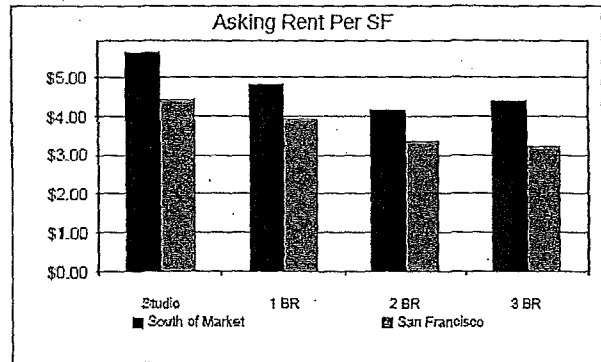
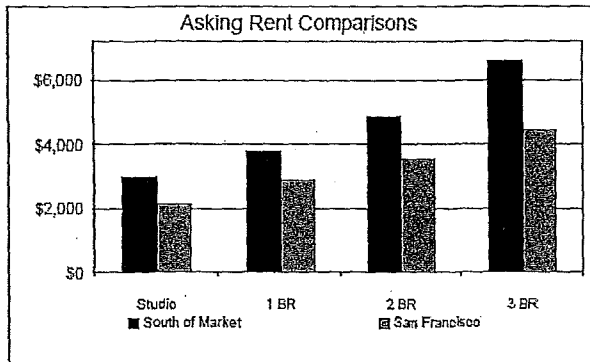
# MARKET ANALYSIS

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## Rent By Unit Mix

Current Submarket Average Rents and Sizes				Asking Rent Growth					
	2Q 2017			Quarterly			Annualized		
	Rent	Avg. SF	Avg. Rent PSF	2Q17	1Q17	YTD	1 Year	3 Year	5 Year
Studio/Efficiency	\$2,957	526	\$ 5.62	1.7%	2.2%	3.9%	-7.4%	10.4%	12.2%
One Bedroom	\$3,784	788	\$ 4.80	1.2%	4.2%	5.4%	-6.3%	7.9%	7.9%
Two Bedroom	\$4,833	1170	\$ 4.13	-1.9%	2.5%	0.6%	-8.1%	6.6%	7.4%
Three Bedroom	\$6,595	1503	\$ 4.39	0.2%	0.6%	0.8%	5.0%	7.9%	8.0%
Average over period ending:				06/30/17	03/31/17	06/30/17	12/31/16	12/31/16	12/31/16



	Studio	1 BR	2 BR	3 BR
South of Market	\$2,957	\$3,784	\$4,833	\$6,595
San Francisco	\$2,132	\$2,854	\$3,539	\$4,409

As of 06/30/17

	Studio	1 BR	2 BR	3 BR
South of Market	\$5.62	\$4.80	\$4.13	\$4.39
San Francisco	\$4.41	\$3.90	\$3.33	\$3.23

As of 06/30/17

The South of Market submarket has generally higher rents than the overall San Francisco Metro when analyzed on a per month basis and per square foot basis. It is noted that the studio units experienced the highest rent growth for 2Q 2017 (1.7%). It is noted that the two bedrooms asking rent growth was the only unit type to experience negative rent growth (-1.9%).

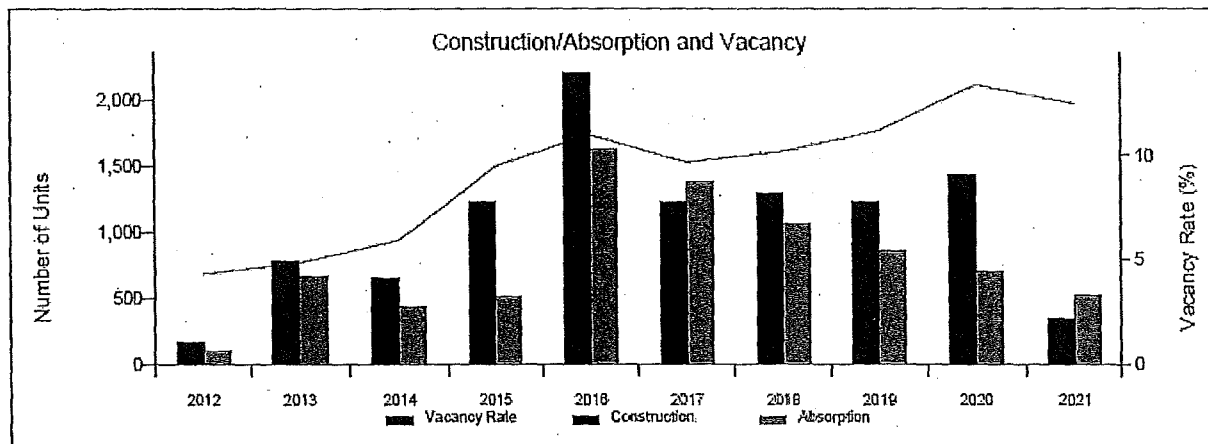
**Vacancy Comparisons**

	Vacancy Rates						
	Quarterly			Annualized			
	2Q17	1Q17	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
South of Market	7.2%	8.8%	8.0%	10.2%	8.0%	6.8%	11.4%
San Francisco	4.4%	4.9%	4.7%	4.8%	4.1%	3.9%	5.1%
West	3.7%	3.8%	3.8%	3.8%	3.7%	3.9%	4.4%
United States	4.4%	4.3%	4.4%	4.3%	4.3%	4.5%	5.0%
Period Ending:	06/30/17	03/31/17	06/30/17	12/31/16	12/31/16	12/31/16	12/31/21

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		2Q17	1Q17	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
San Francisco	11	11	11	11	11	11	11	
West	240	231	236	232	238	237	230	
United States	835	759	803	781	822	793	824	

As noted in the chart above, the Q2 2017 average vacancy in the South of Market Submarket was estimated at 7.2%, which higher than San Francisco Metro Area average of 4.4% and the Western Region average of 3.7%. Within the subject's submarket, an average vacancy rate of 11.4% is projected over the next five years.

**Construction and Absorption**

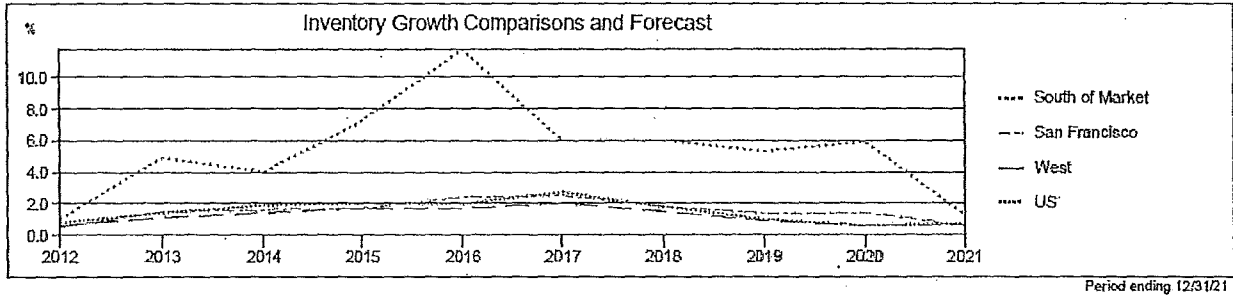


According to REIS, there were 114 units of new construction during the Q2 2017 within the San Francisco Metro. REIS forecasts 2,356 additional units of new construction over the next five years. Absorption and occupancy are forecasted to lag slightly behind new construction.

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

**General Vacancy Conclusion**

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



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

**Rent Control**

The city of San Francisco is regulated by rent control ordinance; however, buildings constructed after June 1979 are not subject to rent control. It is noted that the subject property is vacant land therefore not under rent control restrictions which restrict rent increases on existing tenants. We mention it here because the highest and best use "as vacant" and "as improved" of the subject site is to develop to the highest density permitted with mixed-use consisting of ground level commercial with residential uses above. Over the past year, the annual allowable increase amount was 1.9%. Effective March 1, 2017 through February 28, 2018, the annual allowable increase amount is 2.2%. Under rent control, landlords get an annual rent increase which can be imposed on tenants without the landlord having to petition the Rent Board. The landlord must give 30-day notice (or 60 days if this increase, as well as any other increases, in the past 12 months results in a rent increase of more than 10%). Landlords can "bank" these increases, that is, not impose an increase in one year but then impose that "banked" rent increase in a later year.

**SUMMARY OF APARTMENT MARKET ANALYSIS**

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

**SAN FRANCISCO RETAIL MARKET**

The following is an analysis of supply/demand trends in the San Francisco Retail Market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

<b>SAN FRANCISCO HISTORICAL STATISTICS (LAST NINE YEARS)</b>					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2008	82,209,371 SF	308,289 SF	813,603 SF	3.2%	\$29.65/SF
2009	82,430,286 SF	431,263 SF	(153,359) SF	3.6%	\$28.59/SF
2010	82,370,327 SF	178,768 SF	99,481 SF	3.5%	\$29.14/SF
2011	82,324,588 SF	103,676 SF	(51,619) SF	3.4%	\$28.25/SF
2012	81,877,504 SF	36,953 SF	(317,630) SF	3.2%	\$28.36/SF
2013	81,667,627 SF	76,004 SF	385,907 SF	2.9%	\$29.88/SF
2014	81,505,038 SF	81,904 SF	48,333 SF	2.4%	\$32.18/SF
2015	81,236,074 SF	78,287 SF	(290,682) SF	2.4%	\$35.09/SF
2016	81,274,047 SF	118,786 SF	(62,173) SF	2.4%	\$37.05/SF
<b>CAGR</b>	(0.1%)	-	-	-	2.5%

\*Supply numbers based on information which is amended/updated on an on-going basis by Costar.  
Source: Costar®

The following table summarizes the trailing four quarter performance of the San Francisco market.

<b>SAN FRANCISCO TRAILING FOUR QUARTER PERFORMANCE</b>					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2016 Q4	81,274,047 SF	71,786 SF	141,236 SF	2.4%	\$36.75/SF
2017 Q1	81,275,133 SF	10,014 SF	(106,875) SF	2.5%	\$37.14/SF
2017 Q2	81,532,851 SF	269,061 SF	186,081 SF	2.6%	\$37.26/SF
2017 Q3	81,532,851 SF	0 SF	(73,092) SF	2.7%	\$38.38/SF

Source: Costar®

# MARKET ANALYSIS

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Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

SAN FRANCISCO MARKET TREND ANALYSIS			
	Q3 2017	2016	Last 9
Total SF	81,532,851	81,274,047	81,877,207
Vacant SF	2,214,938	1,950,577	2,445,399
Market Vacancy	2.7%	2.4%	3.0%
Construction Growth Rate	0.0%	0.1%	-0.1%
Absorption Rate	(0.1%)	(0.1%)	0.1%
Average Asking Rent/SF	\$38.38	\$37.05	\$30.91

Source: Costar®

## San Francisco Market Conclusion

Based on the preceding analysis, the San Francisco Retail market demonstrates sound fundamentals. Analysis of supply and demand factors indicate the market is currently stable with no evidence to prove this will change any time soon. There are no observed weaknesses of the market that stand out.

## SOUTH OF MARKET RETAIL SUBMARKET OVERVIEW

The following is an analysis of supply/demand trends in the San Francisco Retail Submarket using information provided by CoStar. The table below presents historical data for key market indicators.

SOUTH OF MARKET HISTORICAL STATISTICS (LAST NINE YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2008	1,567,701 SF	0 SF	(21,830) SF	2.5%	\$19.60/SF
2009	1,567,701 SF	0 SF	(12,824) SF	3.1%	\$18.85/SF
2010	1,557,821 SF	0 SF	9,524 SF	2.4%	\$16.99/SF
2011	1,557,821 SF	0 SF	17,209 SF	2.1%	\$17.33/SF
2012	1,557,821 SF	0 SF	(2,666) SF	1.8%	\$18.55/SF
2013	1,557,821 SF	0 SF	(28,756) SF	2.6%	\$23.75/SF
2014	1,528,991 SF	0 SF	26,001 SF	1.0%	\$21.62/SF
2015	1,528,991 SF	0 SF	(18,080) SF	1.0%	\$44.61/SF
2016	1,528,991 SF	0 SF	(52,851) SF	3.0%	\$40.58/SF
<b>CAGR</b>	(0.3%)	-	-	-	8.4%

\*Supply numbers based on information which is amended/updated on an on-going basis by Costar.

Source: Costar®

The following table summarizes the trailing four quarter performance of the South of Market submarket.

SOUTH OF MARKET TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2016 Q4	1,528,991 SF	0 SF	(10,555) SF	4.9%	\$40.75/SF
2017 Q1	1,528,991 SF	0 SF	(17,343) SF	6.1%	\$38.97/SF
2017 Q2	1,523,991 SF	0 SF	8,720 SF	5.2%	\$36.99/SF
2017 Q3	1,523,991 SF	0 SF	(4,995) SF	5.5%	\$37.83/SF

Source: Costar®



## MARKET ANALYSIS

CONTINUED

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Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

<b>SOUTH OF MARKET MARKET TREND ANALYSIS</b>			
	<b>Q3 2017</b>	<b>2016</b>	<b>Last 9</b>
Total SF	1,523,991	1,528,991	1,550,407
Vacant SF	84,049	46,328	33,575
Market Vacancy	5.5%	3.0%	2.2%
Construction Growth Rate	0.0%	0.0%	-0.3%
Absorption Rate	(0.3%)	(3.5%)	(0.6%)
Average Asking Rent/SF	\$37.83	\$40.58	\$24.65

Source: Costar®

### South of Market Submarket Conclusion

Based on the preceding analysis, the South of Market Retail market demonstrates sound fundamentals. Analysis of supply and demand factors indicate the market is currently stable with no evidence to prove this will change any time soon. There are no observed weaknesses of the market that stand out.

### TRANSACTION TRENDS

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

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

### SUBJECT PROPERTY ANALYSIS

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

### EXPOSURE TIME & MARKETING PERIOD

Exposure time is defined as "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market" (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2010). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys.

The availability of acquisition financing factors into exposure time. In recent quarters, financing has been available for well-positioned commercial real estate, particularly for stabilized assets within core MSAs and owner/user deals. For second tier or marginal properties, financing has been available but subject to more stringent requirements. Based on review of the local capital market, I conclude that adequate financing options would be available to consummate a sale of the property on the date of value.

**Exposure Time Conclusion**

The preceding information generally supports an exposure time range from 2 to 12 months for sites similar to the subject. Location and size factors place upward pressure on the subject's likely exposure time. Based on its overall physical and locational characteristics, the subject site has above average overall appeal to developers and/or owner/users. Considering these factors, a reasonable estimate of exposure time for the subject property is 12 months or less.

**Marketing Period Conclusion**

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. Having reviewed open listings and discussed the market with local participants, and given the nature of this site, I feel that a time period of 12 months or less is supported for the subject's marketing period.

## INTRODUCTION

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

## AS-VACANT ANALYSIS

### Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Permitted uses of the subject's Low Density Residential (Apartments and Houses) (RM-1) zoning were listed in the Zoning Analysis section. Overall, legal factors support a narrow range of mixed-uses for the subject site.

### Physical & Locational Factors

Regarding physical characteristics, the subject site is generally rectangular in shape and has level topography with average access and average exposure. The subject site has frontage on two neighborhood streets. The immediate area is developed with office, retail, apartments and mixed-use development along major arterials that is interspersed with multi-family complexes and single-family residential development removed from arterials. Of the outright permitted uses, physical and locational features best support development of low density residential housing for the site's highest and best use as-vacant.

### Feasibility Factors

Regarding financial feasibility of retail properties in the region, construction delivery trends were previously discussed in the Market Analysis section. In general, the San Francisco Market and South of Market Submarket are experiencing a typical level of retail construction activity compared to historical norms. Based on this factor, as well as my analysis of other supply/demand factors that impact the feasibility of retail development. Financial feasibility factors generally support near-term development of the subject site.

### As-Vacant Conclusion

Based on the previous discussion, the subject's highest and best use as-vacant is concluded to be development of low density residential housing.

**INTRODUCTION**

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

**SALES COMPARISON APPROACH**

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

**LAND VALUATION**

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

**UNIT OF COMPARISON**

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

**COMPARABLE SELECTION**

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

**ADJUSTMENT PROCESS**

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

**Transactional Adjustments**

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

Property Rights Transferred	The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.
Financing Terms	The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.
Expenditures After Purchase	Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-

existing structures, general site clearing and/or mitigation of environmental issues.

**Market Conditions**

Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on my research, the following table summarizes the market conditions adjustment applied in this analysis.

**MARKET CONDITIONS ADJUSTMENT**

Per Year As Of	October 2017	(As-Is)	0%
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The market has exhibited value stability during the time from the oldest sale date up through the effective valuation date; therefore a market conditions adjustment is not warranted.

**Property Adjustments**

Quantitative percentage adjustments are also made for location and physical characteristics such as size, shape, access, exposure, topography, zoning and overall utility. Where possible the adjustments applied are based on paired data or other statistical analysis. For example, location adjustments are based primarily on review of land values in the market areas for the comparables relative to the subject. It should be stressed that the adjustments are subjective in nature and are meant to illustrate my logic in deriving a value opinion for the subject site.

For location adjustments we compared median household incomes between each sale and the subject property and made adjustments based upon the percentage differences.

Other adjustments were made for lot size, exposure, lot shape, site utility, zoning, corner lot influence, easements and entitlements.

**LAND VALUATION PRESENTATION**

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

# LAND VALUATION

CONTINUED

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## LAND SALES SUMMATION TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
Name	Vacant Land	388 Fulton Street	MF Land	MF Land	2301 Lombard St	A multifamily site	MF Land
Address	1477 Sunnydale	388 Fulton St	349 8th St	953 Treat Ave	2301 Lombard St	800 Indiana St	915 Minna Stt
City	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco
State	CA	CA	CA	CA	CA	CA	CA
Zip	94134	94102	94103	94110	94123	94107	94103
County	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco
APN	6356-061, 6356-062, 6356-063,	-	3755-054, 3755-066, 3754-065,	3639-028	0512-031	4105-009	3510-058

### PHYSICAL INFORMATION

Acres	0.48	0.29	0.25	0.11	0.30	2.67	0.27
SF	20,845	12,632	10,890	4,792	13,068	116,455	11,761
Density (Units/AC)	73 Unit/Net Acre	238 Units/Net Acre	152 Unit/Net Acre	145 Units/Net Acre	73 Unit/Net Acre	122 Units/Net Acre	181 Units/Net Acre
Max Units	35	69	38	16	22	326	49
Location	Average/Good	Good/Excellent	Excellent	Good/Excellent	Good/Excellent	Good	Average/Good
Exposure	Average	Good	Average	Average	Average	Good	Good
Access	Average	Good	Average	Average	Average	Good	Good
Shape	Generally	Rectangular	Irregular	Irregular	L-shaped	Irregular	Irregular
Site Utility Rating	Average	Average	Average	Average	Average	Average	Average
Zoning	RM-1	NCT-3	WMUG	UMU	NC-3	UMU	SLR
Corner	Yes	Yes	No	No	No	No	No
Topography	Level	Level	Level	Level	Slight slope	Level	Level
Utilities	Yes	All to site	All to site	All to site	All to site	Trash Removal: No	All to site
Easements	Standard	Standard	Standard	Standard	Standard	None	Standard
Envrmtl Issues	None Noted	Environmental: None Noted	Environmental: None Noted	Environmental: None Noted	Environmental: None Noted	Environmental: None Noted	Environmental: None Noted
Entitled	Yes	Yes	No	No	No	No	No

### SALE INFORMATION

Date	3/21/2014	6/2/2015	3/26/2015	8/4/2016	4/22/2015	6/13/2017
Status	Recorded	Recorded	Recorded	Recorded	In Contract	Recorded
Rights Transferred	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price	\$10,980,000	\$5,400,000	\$1,900,000	\$5,000,000	\$22,300,000	\$6,250,000
Analysis Price	\$10,980,000	\$5,400,000	\$1,920,000	\$5,000,000	\$22,300,000	\$6,250,000
\$/Unit	\$159,130	\$142,105	\$120,000	\$227,273	\$68,405	\$127,551

LAND SALES LOCATION MAP



COMP	DISTANCE	ADDRESS	SALE DATE	ACRES	SF	\$/UNIT
SUBJECT	-	1477 Sunnydale Avenue, San Francisco, CA	-	0.5	20,845	\$170,000.00
No. 1	4.7 Miles	388 Fulton St, San Francisco, CA	3/21/2014	0.3	12,632	\$159,130
No. 2	4.4 Miles	349 8th St, San Francisco, CA	6/2/2015	0.3	10,890	\$142,105
No. 3	3.0 Miles	953 Treat Ave, San Francisco, CA	3/26/2015	0.1	4,792	\$120,000
No. 4	6.2 Miles	2301 Lombard St, San Francisco, CA	8/4/2016	0.3	13,068	\$227,273
No. 5	3.5 Miles	800 Indiana St, San Francisco, CA	4/22/2015	2.7	116,455	\$68,405
No. 6		915 Minna St, San Francisco, CA	6/13/2017	0.3	11,761	\$127,551

# LAND VALUATION

CONTINUED

FCH170092

## COMPARABLE 1

### LOCATION INFORMATION

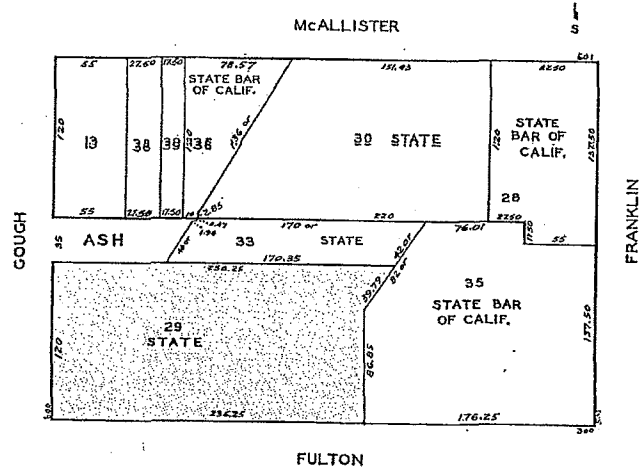
Name 388 Fulton Street  
 Address 388 Fulton St  
 City, State, Zip Code San Francisco, CA, 94102  
 County San Francisco  
 MSA San Francisco-Oakland-San Jose, CA CMS

### SALE INFORMATION

Buyer 7x7 Development LLC  
 Seller Equity Community Builders LLC  
 Transaction Date 03/21/2014  
 Transaction Status Recorded  
 Transaction Price \$10,980,000  
 Analysis Price \$10,980,000  
 Rights Transferred Fee Simple  
 Down Payment \$10,980,000  
 Conditions of Sale none

### PHYSICAL INFORMATION

Intended Use Mixed Use  
 Location Good/Excellent  
 Site Size Acres SF  
     Net 0.29 12,632  
     Gross 0.29 12,632  
 Zoning NCT-3  
 Development Potential 69  
 Density 237.93 Units/Net Acre  
 Shape Rectangular  
 Topography Level  
 Access Good  
 Exposure Good  
 Corner Yes  
 Easements Standard  
 Environmental Issues Environmental: None Noted  
 Utilities All to site



## 388 FULTON STREET

### ANALYSIS INFORMATION

Price	\$/Acre	\$/SF	\$/Unit
Gross	\$37,862,069	\$869.22	\$159,130
Net	\$37,862,069	\$869.22	\$159,130

### CONFIRMATION

Name Confidential  
 Company Confidential  
 Source Confidential  
 Date / Phone Number 02/26/2015 Confidential

### REMARKS

Use At Sale: Parking lot This property is located in the Hayes Valley neighborhood. It transferred with entitlements to build a 69-unit condo project with 3,100 SF of ground floor commercial space and no on-site parking. The property was used as a paved parking lot at the time of sale and presents a fully-entitled site (12% BMR requirement).



# LAND VALUATION

CONTINUED

FCH170092

## COMPARABLE 2

### LOCATION INFORMATION

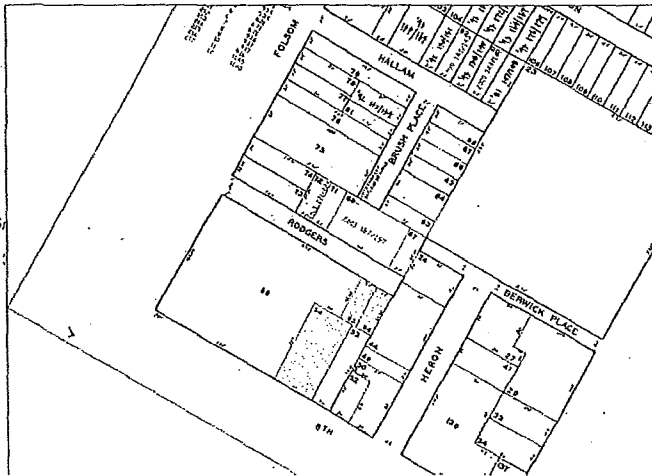
Name MF Land  
 Address 349 8th St  
 City, State, Zip Code San Francisco, CA, 94103  
 County San Francisco  
 MSA San Francisco-Oakland-San Jose, CA CMSA  
 APN 3755-054, 3755-066, 3754-065, 3755-065, 3

### SALE INFORMATION

Buyer Rodgers Street Llc  
 Seller Callan Robert & B Trust  
 Transaction Date 06/2/2015  
 Transaction Status Recorded  
 Transaction Price \$5,400,000  
 Analysis Price \$5,400,000  
 Recording Number 70110  
 Rights Transferred Fee Simple  
 Conditions of Sale None  
 Marketing Time 167 Months

### PHYSICAL INFORMATION

Intended Use Redevelopment  
 Location Excellent  
 Site Size Acres SF  
     Net 0.25 10,890  
     Gross 0.25 10,890  
 Zoning WMUG  
 Development Potential 38  
 Shape Irregular  
 Topography Level  
 Access Average  
 Exposure Average  
 Corner No  
 Easements Standard  
 Environmental Issues Environmental: None Noted  
 Utilities All to site



## MF LAND

### ANALYSIS INFORMATION

Price	\$/Acre	\$/SF	\$/Unit
Gross	\$21,600,000	\$495.87	\$142,105
Net	\$21,600,000	\$495.87	\$142,105

### CONFIRMATION

Name Confidential  
 Company Confidential  
 Source CoStar  
 Date / Phone Number 12/24/2015 Confidential

### REMARKS

The subject property was sold for a combined total of \$5.4 million. This consists of 3 parcels of land totaling .25-acre site. The parcels were sold separately on the same day. The Site is a surface parking lot consisting of three contiguous parcels totaling 10,315 square feet of land area, spanning from 8th Street to Rodgers Street. The Site is currently 100% leased to a third-party parking operator providing ideal in-place income. The buyer plans to construct a new five-story 27,421 sf mixed-use residential building with ground floor retail space.

# LAND VALUATION

CONTINUED

FCH170092

## COMPARABLE 3

### LOCATION INFORMATION

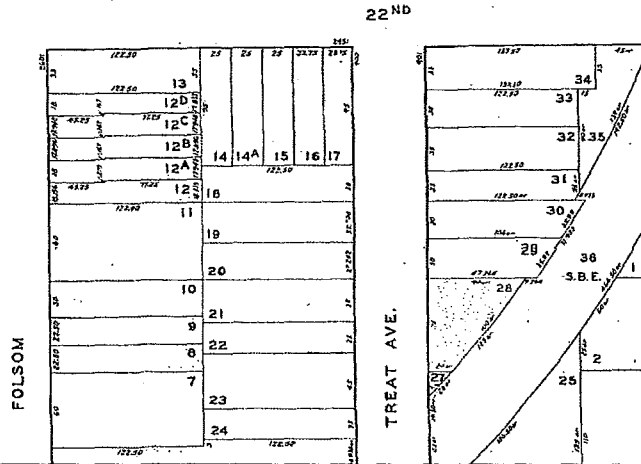
Name MF Land  
 Address 953 Treat Ave  
 City, State, Zip Code San Francisco, CA, 94110  
 County San Francisco  
 MSA San Francisco-Oakland-San Jose, CA CMS  
 APN 3639-028

### SALE INFORMATION

Buyer 953 Treat Avenue Lp  
 Seller James W & Barbara G Heinzer  
 Transaction Date 03/26/2015  
 Transaction Status Recorded  
 Transaction Price \$1,900,000  
 Analysis Price \$1,920,000  
 Recording Number 38839  
 Rights Transferred Fee Simple  
 Down Payment \$570,000  
 Conditions of Sale None  
 Marketing Time 56 Months

### PHYSICAL INFORMATION

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



## MF LAND

### ANALYSIS INFORMATION

Price	\$/Acre	\$/SF	\$/Unit
Gross	\$17,454,545	\$400.67	\$120,000
Net	\$17,454,545	\$400.67	\$120,000

### CONFIRMATION

Name Confidential  
 Company Confidential  
 Source CoStar  
 Date / Phone Number 12/24/2015 Confidential

### REMARKS

The subject property was \$1.9 million on 3/26/2015. This consists of 2 parcels of land approximately .11-acre. The property is zoned for UMU- Urban Mixed Use that can accommodate 9-16 residential condo's. Escrow length was approximately 30 days. The analysis price includes an upward adjustment of \$20,000 for demolition of an existing residence.

# LAND VALUATION

CONTINUED

FCH170092

## COMPARABLE 4

### LOCATION INFORMATION

Name 2301 Lombard St  
 Address 2301 Lombard St  
 City, State, Zip Code San Francisco, CA, 94123  
 County San Francisco  
 MSA San Francisco-Oakland-Fremont, CA  
 APN 0512-031

### SALE INFORMATION

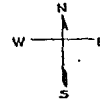
Buyer DM Development  
 Seller Pacific Coast Homes  
 Transaction Date 08/4/2016  
 Transaction Status Recorded  
 Transaction Price \$5,000,000  
 Analysis Price \$5,000,000  
 Recording Number 302433  
 Rights Transferred Fee Simple  
 Down Payment \$5,000,000  
 Financing All Cash  
 Conditions of Sale Arms-Length

### PHYSICAL INFORMATION

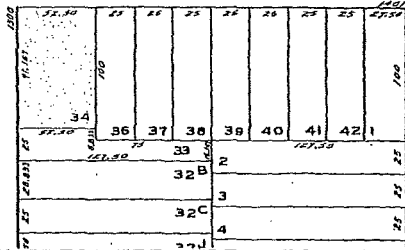
Intended Use Retail Land  
 Location Good/Excellent  
 Site Size Acres SF  
     Net 0.30 13,068  
     Gross 0.30 13,068  
 Zoning NC-3  
 Development Potential 22  
 Shape L-shaped  
 Topography Slight slope  
 Access Average  
 Exposure Average  
 Easements Standard  
 Environmental Issues Environmental: None Noted  
 Utilities All to site

1770

SUNSET BLK. 687



IRVING



### 2301 LOMBARD ST

### ANALYSIS INFORMATION

Price	\$/Acre	\$/SF	\$/Unit
Gross	\$16,666,667	\$382.61	\$227,273
Net	\$16,666,667	\$382.61	\$227,273

### CONFIRMATION

Name N/A  
 Company RealQuest  
 Source County Assessor  
 Date / Phone Number 05/11/2017 N/A

### REMARKS

This land parcel is located along Irving St, east of 19th Avenue (Highway 1). Golden Gate Park, which features multiple playgrounds and recreational areas as well as de Young Museum and Kezar Stadium, is located one block north of the parcel. The University of San Francisco is located 1.5 miles northeast of the parcel and Buena Vista Park is located 1.73 miles east. Also near the property is UCSF Medical Center which is less than one mile east along Parnassus Avenue.

# LAND VALUATION

CONTINUED

FCH170092

## COMPARABLE 5

### LOCATION INFORMATION

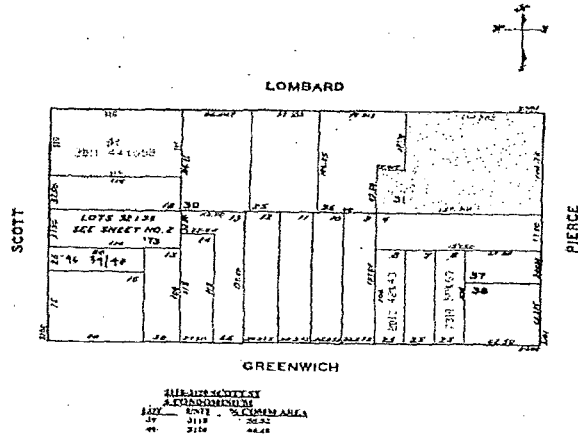
Name A multifamily site  
 Address 800 Indiana St  
 City, State, Zip Code San Francisco, CA, 94107  
 County San Francisco  
 MSA San Francisco-Oakland-San Jose, CA CMS  
 APN 4105-009

### SALE INFORMATION

Buyer Archstone  
 Seller San Francisco Opera Association  
 Transaction Date 04/22/2015  
 Transaction Status In Contract  
 Transaction Price \$22,300,000  
 Analysis Price \$22,300,000  
 Rights Transferred Fee Simple  
 Conditions of Sale None

### PHYSICAL INFORMATION

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



## A MULTIFAMILY SITE

### ANALYSIS INFORMATION

Price	\$/Acre	\$/SF	\$/Unit
Gross	\$8,352,060	\$191.49	\$68,405
Net	\$8,352,060	\$191.49	\$68,405

### CONFIRMATION

Name N/A  
 Company RealQuest  
 Source County Assessor  
 Date / Phone Number 04/17/2015 N/A

### REMARKS

This parcel is located along Lombard St which is merged with Highway 101. Along Lombard, directly north of the parcel are multiple retail developments including Chotto, Amici's East Coast Pizzeria, Home Plate, IHOP, Barry's Bootcamp, and Days Inn San Francisco - Lombard. The parcel's neighborhood is composed of a mix of retail development, smaller multifamily developments, and single family homes. Marina Middle School is located 0.3 miles northeast of the property.

# LAND VALUATION

CONTINUED

FCH170092

## COMPARABLE 6

### LOCATION INFORMATION

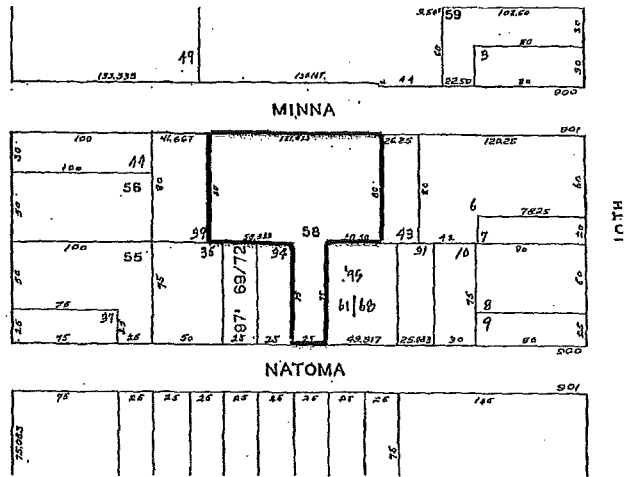
Name MF Land  
 Address 915 Minna St  
 City, State, Zip Code San Francisco, CA, 94103  
 County San Francisco  
 MSA San Francisco-Oakland-San Jose, CA CMSz  
 APN 3510-058

### SALE INFORMATION

Buyer Dolmen Property Group, Inc.  
 Seller Alta Investors  
 Transaction Date 06/13/2017  
 Transaction Status Recorded  
 Transaction Price \$6,250,000  
 Analysis Price \$6,250,000  
 Rights Transferred Fee Simple  
 Financing All Cash  
 Conditions of Sale None

### PHYSICAL INFORMATION

Intended Use Multi-residential  
 Location Average/Good  
 Site Size Acres SF  
     Net 0.27 11,761  
     Gross 0.27 11,761  
 Zoning SLR  
 Development Potential 49  
 Density 181 Unit/Net Acre  
 Shape Irregular  
 Topography Level  
 Access Good  
 Exposure Good  
 Corner No  
 Easements Standard  
 Environmental Issues Environmental: None Noted  
 Utilities All to site



## MF LAND

### ANALYSIS INFORMATION

Price	\$/Acre	\$/SF	\$/Unit
Gross	\$23,148,148	\$531.42	\$127,551
Net	\$23,148,148	\$531.42	\$127,551

### CONFIRMATION

Name Confidential  
 Company Confidential  
 Source CoStar  
 Date / Phone Number Confidential Confidential

### REMARKS

Dolmen Property Group, Inc., acquired this lot fully entitled and "shovel ready". Owners intend to contract a 49-Unit condominium project.

# LAND VALUATION

CONTINUED

FCH170092

## LAND SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
Name	Vacant Land	388 Fulton Street	MF Land	MF Land	2301 Lombard St	A multifamily site	MF Land
Address	1477 Sunnydale	388 Fulton St	349 8th St 3755-054, 3755-066, 3754-065, 3755-065, 3755-066	953 Treat Ave	2301 Lombard St	800 Indiana St	915 Minna Stt
APN	6356-061, et. Al.	-	3639-028	0512-031	4105-009	3510-058	
SF	20,845	12,632	10,890	4,792	13,068	116,455	11,761
Density (Units/AC)	73 Unit/Net Acre	238 Units/Net Acre	152 Unit/Net Acre	145 Units/Net Acre	73 Unit/Net Acre	122 Units/Net Acre	181 Units/Net Acre
Max Units	35	69	38	16	22	326	49
Location	Average/Good	Good/Excellent	Excellent	Good/Excellent	Good/Excellent	Good	Average/Good
Exposure	Average	Good	Average	Average	Average	Good	Good
Access	Average	Good	Average	Average	Average	Good	Good
Shape	Generally Rectangular	Rectangular	Irregular	Irregular	L-shaped	Irregular	Irregular
Site Utility Rating	Average	Average	Average	Average	Average	Average	Average
Zoning	RM-1	NCT-3	VMUG	UMU	NC-3	UMU	SLR
Corner	Yes	Yes	No	No	No	No	No
Topography	Level	Level	Level	Level	Slight slope	Level	Level
Street Frontage	73 Units/Net Ac.	N/A	N/A	145 Units/Net Ac.	54 Units/Net Ac.	72 Units/Net Ac.	122 Units/Net Ac.
Entitled	Yes	Yes	No	No	No	No	No
SALE INFORMATION							
Date		3/21/2014	6/2/2015	3/26/2015	8/4/2016	4/22/2015	6/13/2017
Status		Recorded	Recorded	Recorded	Recorded	In Contract	Recorded
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price		\$10,980,000	\$5,400,000	\$1,920,000	\$5,000,000	\$22,300,000	\$6,250,000
Price/Unit		\$159,130	\$142,105	\$120,000	\$227,273	\$68,405	\$127,551
TRANSACTIONAL ADJUSTMENTS							
Property Rights		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%	0%
Expenditures After the Sale		0%	0%	0%	0%	0%	0%
Market Conditions <sup>1</sup>		0%	0%	0%	0%	0%	0%
Subtotal Transactional Adj Price		\$159,130	\$142,105	\$120,000	\$227,273	\$68,405	\$127,551
PROPERTY ADJUSTMENTS							
Location		-10%	-20%	-10%	-10%	-5%	0%
Size		0%	0%	0%	0%	50%	0%
Exposure		-5%	0%	0%	0%	-5%	-10%
Access		-5%	0%	0%	0%	-5%	-10%
Shape		0%	10%	10%	0%	10%	0%
Density (Units/AC)		40%	25%	25%	0%	25%	30%
Entitled		-2.5%	2.5%	2.5%	2.5%	2.5%	-2.5%
Subtotal Property Adjustment		18%	18%	28%	-8%	73%	8%
<b>TOTAL ADJUSTED PRICE (\$/SF Developable)</b>		<b>\$186,978</b>	<b>\$166,974</b>	<b>\$153,000</b>	<b>\$210,227</b>	<b>\$117,998</b>	<b>\$137,117</b>
STATISTICS	UNADJUSTED	ADJUSTED					
LOW	\$68,404.91	\$117,998.47					
HIGH	\$227,272.73	\$210,227.28					
MEDIAN	\$134,828.14	\$159,986.84					
AVERAGE	\$140,744.06	\$162,049.17					

<sup>1</sup> Market Conditions Adjustment: 0%

Date of Value (for adjustment calculations): 10/18/17

**LAND SALES ANALYSIS****Introduction**

The comparable land sales indicate an adjusted value range from \$117,998 to \$210,227/Unit, with a median of \$159,987/Unit and an average of \$162,049/Unit. The range of total gross adjustment applied to the comparables was from 13% to 103%, with an average gross adjustment across all comparables of 56%. The level of total adjustment applied to the comparables is considered minimal, an indication that the dataset is applicable to the subject and increases the credibility of the analysis. The adjustment process for each comparable land sale is discussed in the following paragraphs.

**Discussion of Adjustments**

Comparable 1 (\$186,978/Unit as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 18% for property characteristics. The total gross adjustment applied to this comparable was 63%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given secondary consideration as a value indicator for the subject.

Comparable 2 (\$166,974/Unit as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 18% for property characteristics. The total gross adjustment applied to this comparable was 58%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given secondary consideration as a value indicator for the subject.

Comparable 3 (\$153,000/Unit as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 28% for property characteristics. The total gross adjustment applied to this comparable was 48%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given secondary consideration as a value indicator for the subject.

Comparable 4 (\$210,227/Unit as adjusted) did not require any transaction adjustments. This comparable required a total downward adjustment of -8% for property characteristics. The total gross adjustment applied to this comparable was 13%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given primary consideration as a value indicator for the subject.

Comparable 5 (\$117,998/Unit as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 73% for property characteristics. The total gross adjustment applied to this comparable was 103%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given minimal consideration as a value indicator for the subject.

**CALCULATION OF VALUE**

The comparable land sales indicate an adjusted value range from \$117,998 to \$210,227/Unit, with a median of \$159,987/Unit and an average of \$162,049/Unit. Based on the results of the preceding analysis, Comparable 4 (\$210,227/Unit adjusted) is given primary consideration for the subject's opinion of land value. With greater emphasis on the primary indicator (Comparable 4) I conclude slightly above the mid-range of the adjusted comparables at \$170,000/Unit.

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

# LAND VALUATION

CONTINUED

FCH170092

## CALCULATION OF LAND VALUE

COMP	ANALYSIS PRICE	ADJUSTMENT			FINAL	NET ADJ %	GROSS ADJ %	OVERALL COMPARISON
		TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>				
1	\$159,130	0%	\$159,130	18%	\$186,978	18%	63%	SECONDARY
2	\$142,105	0%	\$142,105	18%	\$166,974	17%	58%	SECONDARY
3	\$120,000	0%	\$120,000	28%	\$153,000	28%	48%	SECONDARY
4	\$227,273	0%	\$227,273	-8%	\$210,227	-7%	13%	PRIMARY
5	\$68,405	0%	\$68,405	73%	\$117,998	73%	103%	MINIMAL
6	\$127,551	0%	\$127,551	8%	\$137,117	8%	53%	SECONDARY
LOW	\$117,998					AVERAGE		\$162,049
HIGH	\$210,227					MEDIAN		\$159,987
COMPONENT		SUBJECT UNITS (MAX)			\$/UNIT			VALUE
TOTAL PROPERTY		35		x	\$170,000	=		\$5,950,000

<sup>1</sup>Cumulative <sup>2</sup>Additive

Rounded to nearest \$10,000

## LAND VALUE CONCLUSION

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

The subject was originally listed in late 2015 at \$3,500,000, based on information provided by CoStar. Information provided by the San Francisco County Assessor indicates that the subject sold on December 19, 2016 for \$3,000,000. The subject was also appraised by Phil Sarazen of Colliers International Valuation and Advisory Services (CIVAS, Fresno Office) in a report dated February 19, 2016 (CIVAS Job #FAT160006). The subject was appraised by John Larson, MAI, JD, in a report dated May 11, 2017 (CIVAS Job # FCH170018) with an updated value conclusion of \$3,960,000. The most recent purchase price (\$3,000,000) and previous value estimates are below the As-Is Market Value conclusion in this report (\$5,950,000) based on the City of San Francisco's approval of the redevelopment of the Sunnydale public housing site, located across Sunnydale Avenue from the subject, which occurred on February 7, 2017, entitlement work completed on the subject, including upgrade to RM-1 zoning, as well as overall improvement in market conditions since the date of the previous sale and valuation dates.

## ANALYSIS OF VALUE CONCLUSIONS

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	OCTOBER 18, 2017
<b>FINAL VALUE CONCLUSION</b>	<b>\$5,950,000</b>
Exposure Time	12 Months or Less
Marketing Period	12 Months or Less



## CERTIFICATION OF APPRAISAL

FCH170092

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions of the signer are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signer of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- John E. Larson MAI, JD has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Colliers International Valuation and Advisory Services has provided appraisal services within the three-year period immediately preceding acceptance of this assignment.
- The signer is not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- John E. Larson MAI, JD inspected the property that is the subject of this report. Marissa Nutter did not inspect the property that is the subject of this report.
- Marissa Nutter provided significant real property appraisal assistance to the appraiser signing the certification. Assistance included gathering, analyzing and reporting regional and local area information, confirming and analyzing the subject's zoning and tax information, and confirming some of the comparable data used for this analysis.

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



John E. Larson MAI, JD  
Senior Valuation Services Director  
Certified General Real Estate Appraiser  
State of California License #AG039174  
+1 559 221 7391  
john.larson@colliers.com

November 1, 2017

Date

## ASSUMPTIONS & LIMITING CONDITIONS

FCH170092

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

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

## ASSUMPTIONS & LIMITING CONDITIONS

CONTINUED

FCH170092

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

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

Engagement Letter  
Subject Data  
Valuation Glossary  
Qualifications of Appraiser  
Qualifications of Colliers International Valuation & Advisory Services

AMENDMENT NO. #2 TO CONSULTANT AGREEMENT

This Amendment No. #2 to Consultant Agreement (the "Amendment") is made and entered into as of this 4<sup>th</sup> day of October, 2017, by and between Sunnydale Development Co., LLC, a California limited partnership ("Client"), and Colliers International Valuation & Advisory Services, LLC ("Consultant"), with reference to the following recitals of fact:

RECITALS:

A. WHEREAS, Client and Consultant entered into that certain Consultant Agreement, dated as of February 9<sup>th</sup>, 2016 and amended by Amendment No. 1 as of March 15<sup>th</sup>, 2017 (the "Agreement").

B. WHEREAS, Client and Consultant desire to amend the Agreement as more fully set forth herein below.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Client and Consultant hereby agree as follows:

AGREEMENT:

1. Capitalized Terms. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

2. Full Force and Effect. Except as amended hereby, (a) the Agreement remains unmodified and in full force and effect, and (b) the terms and provisions of the Agreement are incorporated herein by this reference as if fully set forth herein in their entirety.

3. Additional Scope of Work. The Services described on Exhibit A to the Agreement are hereby amended to include, without limitation, the additional Services set forth on Exhibit A attached to this Amendment.

4. Additional Compensation. The Compensation payable to the Consultant pursuant to the terms of the Agreement is hereby increased pursuant to Exhibit B attached to this Amendment, so that the aggregate Compensation is \$12,600.00.

IN WITNESS WHEREOF, the parties hereto have entered into this Amendment as of the day and year first above written.

CLIENT:

Sunnydale Parcel Q Housing Partners, LP, a  
California limited partnership

By: Related/Sunnydale Parcel Q Development  
Co, LLC a California limited liability company,

By: \_\_\_\_\_

Its: \_\_\_\_\_

CONSULTANT:

Colliers International Valuation & Advisory  
Services, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

#### **EXHIBIT A – Scope of Services**

- Consultant will provide the appraisal in accordance with USPAP, and the Code of Ethics and Certifications Standards of the Appraisal Institute and State Licensing Laws. Consultant will inspect the property, research relevant market data, and perform analysis to the extent necessary to produce credible appraisal results. Consultant anticipates developing the following valuation approaches:
  - Sales Comparison Approach
- 1 Electronic Draft Appraisal, 1 Electronic Final Appraisal and 2 printed color final Appraisal
- Updated Appraisal

**EXHIBIT B**

<b>ADDITIONAL WORK</b>	<b>FEE TYPE</b>	<b>ADDITIONAL COMPENSATION</b>
<i>Amendment #2</i>	<i>Fixed</i>	<i>\$3,700.00</i>
<b>CHANGE ORDER 2 TOTAL</b>		<b>\$3,700.00</b>

ORIGINAL CONTRACT AND PREVIOUS CHANGE ORDERS		\$4,900.00
CHANGE ORDER 1 TOTAL		\$4,000.00
CHANGE ORDER 2 TOTAL		\$3,700.00
<b>AGGREGATE COMPENSATION</b>		<b>\$12,600.00</b>

**Reimbursables**

The Consultant will utilize the Client's approved vendors for all printing, reproduction of plans, associate services, material samples or mockup costs, shipping/courier service and permit, agency submittal fees associated with the project (See Exhibit D - Authorized Vendor List). All such services shall be billed directly to the Client without Consultant mark-up or handling charges. Other out-of-pocket expenses (i.e., time and expenses for travel) are not included and will be considered reimbursable. All reimbursables will be billed at cost, with no mark-up.

Work completed on a time and materials basis shall be billed per the Associate Hourly Rate Schedule below.







# SAN FRANCISCO PLANNING DEPARTMENT

## Planning Commission Motion No. 19785

### SUNNYDALE GENERAL PLAN FINDINGS

HEARING DATE: NOVEMBER 17, 2016

*Case No.:* 2010.0305 E GPA PCT PCM DEV GEN SHD  
*Project Address:* Sunnydale Hope SF Master Plan Project  
*Zoning:* RM-1 (Residential – Mixed, Moderate Density)  
40-X Height and Bulk Districts  
*Block/Lot:* Assessor's Block/Lots: 6356/ 061, 062, 063 ,064, 065, 066, 067 and 068; 6310/  
001; 6311/001; 6312/ 001; 6313/001; 6314/ 001; 6315/001  
*Project Sponsor:* Mercy Housing and Related California  
1360 Mission Street, #300  
San Francisco, CA 94103

*Staff Contact:* Mat Snyder – (415) 575-6891  
[mathew.snyder@sfgov.org](mailto:mathew.snyder@sfgov.org)

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

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415.558.6378

Fax:  
415.558.6409

Planning  
Information:  
415.558.6377

### ADOPTING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN OF THE CITY AND COUNTY OF SAN FRANCISCO AND WITH SECTION 101.1 OF THE CITY PLANNING CODE FOR THE SUNNYDALE HOPE SF MASTER PLAN PROJECT.

#### Preamble

San Francisco Charter Section 4.105 and Administrative Code Section 2A.53 of the Administrative Code requires General Plan referrals to the Planning Commission for certain matters so that the Commission may determine if such actions are in conformity with the General Plan and Section 101.1 of the Planning Code. Actions, including but not limited to legislative actions, subdivisions, right-of-way dedications and vacations, and the purchasing of property are required to be in conformity with the General Plan and Planning Code Section 101.1.

In 2008, Mercy Housing, ("Project Sponsor") was selected by the Mayor's Office of Housing and Community Development (hereinafter "MOHCD") (then, the Mayor's Office of Housing) and the San Francisco Housing Authority to work with the local Sunnydale and Velasco and surrounding Visitacion Valley communities to create a Master Plan for the complete redevelopment of the site that would not only include reconstructed Housing Authority units, but additional affordable units along with market rate units, neighborhood serving retail, community service, new parks and open space, and new streets and infrastructure ("The Sunnydale HOPE SF Master Plan Project" or "Project"). As a part of the HOPE SF selection process, the Project Sponsor was also selected to act as the Master Developer for the Project.

HOPE SF is the nation's first large-scale public housing transformation collaborative aimed at disrupting intergenerational poverty, reducing social isolation, and creating vibrant mixed-income communities without mass displacement of current residents. Launched in 2007, HOPE SF is a twenty-year human and real estate capital commitment by the City. HOPE SF, the City's signature anti-poverty

and equity initiative, is committed to breaking intergenerational patterns related to the insidious impacts of trauma and poverty, and to creating economic and social opportunities for current public housing residents through deep investment in education, economic mobility, health and safety.

The Sunnydale HOPE SF Master Plan Project ("The Project") is a 50-acre site located in the Visitacion Valley neighborhood and is generally bounded by McLaren Park to the north, Crocker Amazon Park to the west, Hahn Street to the East and Velasco to the south. The San Francisco Housing Authority currently owns and operates 775 units on approximately 50 acres (including streets) site. The site currently consists of 775 affordable units and is owned and operated by the San Francisco Housing Authority.

As the selected Master Developer, the Project Sponsor applied to the Planning Department to enter a Development Agreement with the City under Administrative Code Chapter 56. The Project Sponsor also submitted an application for environmental review. On December 12, 2012, the Department issued a Notice of Preparation of an Environmental Impact Report ("NOP") for the Project. On December 19, 2014, the Department published the Draft Environmental Impact Report / Draft Environmental Impact Statement ("DEIR/DEIS") for the Project and provided public notice in a newspaper of general circulation of the availability of the DEIR/DEIS for public review and comment. The DEIR/DEIS was available for public comment from December 12, 2014 through February 17, 2015. The Planning Commission held a public hearing on January 22, 2015 on the DEIR/DEIS at a regularly scheduled meeting to solicit public comment regarding the DEIR/DEIS.

The Department prepared responses to comments on environmental issues received at the public hearing and in writing during the public review period for the DEIR/DEIS, prepared revisions to the text of the DEIR/DEIS in response to comments received or based on additional information that became available during the public review period. This material was presented in a Response to Comments document, published on June 24, 2015, distributed to the Planning Commission and all parties who commented on the DEIR/DEIS, and made available to others upon request at the Department.

A Final Environmental Impact Report / Final Environmental Impact Statement ("FEIR/FEIS" or "Final EIR/EIS") was prepared by the Department, consisting of the Draft EIR/EIS and the Response to Comments document.

On July 9, 2015, the Planning Commission reviewed and considered the Final EIR/EIS and found that the contents of the report and the procedures through which the Final EIR/EIS was prepared, publicized, and reviewed complied with the California Environmental Quality Act (California Public Resources Code section 21000 et seq.) ("CEQA"), 14 California Code of Regulations sections 15000 et seq. ("CEQA Guidelines"), and Chapter 31 of the San Francisco Administrative Code ("Chapter 31").

The Commission found the Final EIR/EIS was adequate, accurate and objective, reflected the independent analysis and judgment of the Department and the Commission, and that the summary of comments and responses contained no significant revisions to the Draft EIR/EIS, and approved the Final EIR/EIS for the Project in compliance with CEQA, the CEQA Guidelines and Chapter 31.

The Planning Department, Jonas P. Ionin, is the custodian of records, located in the File for Case No. 2010.0305E, at 1650 Mission Street, Fourth Floor, San Francisco, California.

Motion No. 19785  
November 17, 2016

Case No: 2010.0305 E GPA PCT-PCM DEV GEN SHD  
Sunnydale Hope SF Master Plan Project

Department staff prepared a Mitigation Monitoring and Reporting Program ("MMRP") for the Project and these materials were made available to the public and this Commission for this Commission's review, consideration and action.

On September 15, 2016, the Planning Commission adopted Resolution No. 19738 initiating General Plan amendments to further the Project. The initiated amendments would (1) amend Map 4 of the Urban Design Element, "Urban Design Guidelines for the Heights of Buildings", by designating the Sunnydale site within the 40-88 height designation area; and (2) amend Map 03 of the Recreation and Open Space Element, "Existing and Proposed Parks and Open Space", providing indications of the new parks within the site on the map.

On October 24, 2016, the Board of Supervisors initiated Planning Code Text and Map amendments that would create the Sunnydale HOPE SF Special Use District ("SUD") and provisions regarding it. The Map amendments would map the subject site within the SUD and within a 40/65-X Height and Bulk District.

By this action, the Planning Commission adopts General Plan Consistency findings, including a finding that the Project, as identified in the Final EIR, is consistent with Planning Code Section 101.1.

Other than those actions described above, several actions will be required for the project over its multi-year buildout. These actions include but are not limited to approval of subdivisions, right-of-way dedications and vacations.

The Planning Commission wishes to facilitate the physical, environmental, social and economic revitalization of Project site, using the legal tools available through the Planning and Administrative Codes, while creating jobs, housing and open space in a safe, pleasant, attractive and livable mixed use neighborhood that is linked rationally to adjacent neighborhoods. The Commission wishes to enable implementing actions.

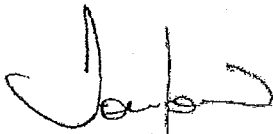
The Sunnydale HOPE SF Master Plan Project provides for a type of development, intensity of development and location of development that is consistent with the overall goals and objectives and policies of the General Plan as well as the Eight Priority Policies of Section 101.1, as expressed in the findings contained in Attachment A to this Motion.

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November 17, 2016

Case No: 2010.0305 E GPA PCT PCM DEV GEN SHD  
Sunnydale Hope SF Master Plan Project

**NOW, THEREFORE, BE IT RESOLVED,** That the Planning Commission hereby adopts the CEQA Findings set forth in Motion No. 19784 and finds that the Project and approval actions thereto are consistent with the General Plan, and with Section 101.1 of the Planning Code as described in Attachment A to this Motion.

I hereby certify that the foregoing Motion was ADOPTED by the San Francisco Planning Commission on November 17, 2016.



Jonas P. Iorin  
Commission Secretary

AYES: Richards, Hillis, Johnson, Koppel, Melgar, Moore

NOES: None

ABSENT: Fong

ADOPTED: November 17, 2016

**Attachment A**

**To Planning Commission Motion No.**

**Case No. 2010.0305 E GPA PCT PCM DEV GEN SHD**

**The Sunnydale HOPE SF Master Plan Project General Plan Findings**

**and**

**Planning Code Section 101.1 Findings**

The following constitute findings that the Sunnydale HOPE SF Master Plan Project (Project) and approval actions thereto are, on balance, consistent with the General Plan and Planning Code Section 101.1. The SUNNYDALE Master Plan Project is described within the Final EIR, Certified by the Planning Commission on July 9, 2015, with Planning Commission Motion No. 19409.

Approval actions that will be required to implement the Project include, but are not limited to: (1) Adoption of General Plan, Planning Code Text, and Map Amendments that would establish a Sunnydale HOPE SF Special Use District and associated Design Standards and Guidelines Document, and would increase heights in some locations; (2) Approval of a Development Agreement between the City of County of San Francisco, the Master Developer, and the San Francisco Housing Authority; (3) shadow impact findings; and (4) various mapping, street vacation and street dedication actions; and (5) the purchase of the site at Sunnydale and Hahn for the development of affordable housing.

**HOUSING ELEMENT**

*The principle objectives of the Housing Element are to provide new housing; retain the existing supply; enhance physical conditions and safety without jeopardizing use or affordability; support affordable housing production by increasing site availability and capacity; increase the effectiveness and efficiency of the affordable housing production system; protect the affordability of existing housing; expand financial resources for permanently affordable housing; ensure equal access; avoid or mitigate hardships imposed by displacement; reduce homelessness and the risk of homelessness in coordination with relevant agencies and providers; pursue place making and neighborhood building principles in increasing the supply of housing; and strengthen citywide affordable housing programs through coordinated regional and state efforts.*

*The Project is consistent with and implements the following objectives and policies of the Housing Element:*

- OBJECTIVE 1 Identify and make available for development adequate sites to meet the City's housing needs, especially permanently affordable housing.
- POLICY 1.1 Plan for the full range of housing needs in the City and County of San Francisco, especially affordable housing.
- POLICY 1.3 Work proactively to identify and secure opportunity sites for permanently affordable housing.
- Objective 4 Foster a housing stock that meets the needs of all residents across lifecycles.
- POLICY 4.1 Develop new housing, and encourage the remodeling of existing housing, for families with children.
- POLICY 4.2 Provide a range of housing options for residents with special needs for housing support and services.
- POLICY 4.5 Ensure that new permanently affordable housing is located in all of the city's neighborhoods, and encourage integrated neighborhoods, with a diversity of unit types provided at a range of income levels.
- Objective 5 Ensure that all residents have equal access to available units.
- POLICY 5.5 Minimize the hardships of displacement by providing essential relocation services.
- POLICY 5.6 Offer displaced households the right of first refusal to occupy replacement housing units that are comparable in size, location, cost, and rent control protection.
- Objective 7 Secure funding and resources for permanently affordable housing, including innovative programs that are not solely reliant on traditional mechanisms or capital.
- POLICY 7.5 Encourage the production of affordable housing through process and zoning accommodations, and prioritize affordable housing in the review and approval processes.

- Objective 8            Build public and private sector capacity to support, facilitate, provide and maintain affordable housing.
- POLICY 8.1            Support the production and management of permanently affordable housing.
- POLICY 8.3            Generate greater public awareness about the quality and character of affordable housing projects and generate communitywide support for new affordable housing.
- Objective 9            Preserve units subsidized by the federal, state or local sources:
- POLICY 9.3            Maintain and improve the condition of the existing supply of public housing, through programs such as HOPE SF.
- POLICY 11.1           Promote the construction and rehabilitation of well-designed housing that emphasizes beauty, flexibility, and innovative design, and respects existing neighborhood character.
- POLICY 11.2           Ensure implementation of accepted design standards in project approvals.
- POLICY 11.3           Ensure growth is accommodated without substantially and adversely impacting existing residential neighborhood character.
- POLICY 11.6           Foster a sense of community through architectural design, using features that promote community interaction.
- Objective 12           Balance housing growth with adequate infrastructure that serves the City's growing population.
- POLICY 12.1           Encourage new housing that relies on transit use and environmentally sustainable patterns of movement.
- POLICY 12.2           Consider the proximity of quality of life elements, such as open space, child care, and neighborhood services, when developing new housing units.
- POLICY 12.3           Ensure new housing is sustainably supported by the City's public infrastructure systems.

*The Hope SF initiative, including the Sunnydale Hope SF Master Development Project, is a central affordable housing and community development program for the City and County of San Francisco. Through the Hope SF initiative, existing affordable housing sites for very low income residents will be rebuilt with better connected mixed-income, complete neighborhoods that increase the permanent affordable housing stock of the City as well as provides a range of housing options for residents with special needs and for a range of income levels.*

*The Sunnydale HOPE SF Master Development Project will take advantage of the underutilized site to create both additional affordable housing and market rate housing thereby furthering Policies 1.1 and 1.4 provided above. The Sunnydale HOPE SF Master Development Project will seek to minimize displacement of existing residents and will provide essential relocation services that include maintenance of subsidized housing opportunities and the right to return as provided in the Right to Return Ordinance. The proposed funding of this large scale project is creative and leverages extensive public and private sources of capital. The project will receive zoning and priority approval processes to encourage the production of affordable housing.*

*The high visibility of this project will increase capacity of builders and owners of affordable and mixed income communities as well as raise greater public awareness of the high quality design and character of affordable housing. Policy 9.3 specifically names HOPE SF as leading initiative to maintain and improve the condition of existing supply of public housing in the Plan Area. As a site that is currently well under the Planning Code's density limit, the Hope SF also looks to take advantage of the additional allowed density to construct both affordable and market-rate units. The market-rate development will both create a mixed-income neighborhood and will cross-subsidizing the cost of reconstructing the existing dilapidated affordable housing. Also central to the Hope SF initiative, is the construction of new infrastructure including new streets and parks that meet -- and in some cases exceed -- current City standards for ecological performance, safety, and comfort.*



**COMMERCE AND INDUSTRY**

*The principle objectives for Commerce & Industry are to manage economic growth and change, maintain a sound and diverse economic base and fiscal structure, provide expanded employment opportunities for city residents particularly the unemployed and underemployed in a wide range of fields and levels, improve viability of existing businesses as well as attract new businesses – particularly in new industries, and assure entrepreneurial opportunities for local businesses.*

*The following objectives and policies are relevant to the Project:*

- OBJECTIVE 6            MAINTAIN AND STRENGTHEN VIABLE NEIGHBORHOOD  
COMMERCIAL AREAS EASILY ACCESSIBLE TO CITY RESIDENTS.
- POLICY 6.1            Ensure and encourage the retention and provision of neighborhood-  
serving goods and services in the city's neighborhood commercial  
districts, while recognizing and encouraging diversity among the  
districts.
- POLICY 6.2            Promote economically vital neighborhood commercial districts which  
foster small business enterprises and entrepreneurship and which are  
responsive to economic and technological innovation in the marketplace  
and society.
- POLICY 6.4            Encourage the location of neighborhood shopping areas throughout the  
city so that essential retail goods and personal services are accessible to  
all residents.
- POLICY 6.7            Promote high quality urban design on commercial streets.

*The Project meets and furthers the Objectives and Policies of the Commerce and Industry Element by reinforcing the typical San Francisco pattern of including resident serving uses along with residential development. The Project will generally permit small scale retail and community related uses throughout and requiring ground floor non-residential uses on a portion of Sunnydale and Hawn Streets, which will serve as a part of the neighborhood's "Hub". Design and Land Use regulations for the development will require that neighborhood commercial retail be established in a pedestrian-oriented active environment typical of San Francisco neighborhoods and specifically called for in the Commerce and Industry Element. The possible provision of retail space will provide entrepreneurial opportunities for local residents and workers. Of course, new development will provide construction business opportunities, especially with outreach to small businesses through the City's SBE program, along with opportunities for property management and maintenance.*

**RECREATION AND OPEN SPACE ELEMENT**

*The principle objectives of the Recreation and Open Space Element are to preserve large areas of open space sufficient to meet the long-range needs of the Bay Region, develop and maintain a diversified and balanced citywide system of high quality public open space, provide a continuous public open space along the shoreline, and provide opportunities for recreation and the enjoyment of open space in every neighborhood.*

- OBJECTIVE 1            ENSURE A WELL-MAINTAINED, HIGHLY UTILIZED, AND INTEGRATED OPEN SPACE SYSTEM
- POLICY 1.1            Encourage the dynamic and flexible use of existing open spaces and promote a variety of recreation and open space uses, where appropriate.
- POLICY 1.11           Encourage private recreational facilities on private land that provide a community benefit, particularly to low and moderate-income residents.
- OBJECTIVE 2           INCREASE RECREATION AND OPEN SPACE TO MEET THE LONG-TERM NEEDS OF THE CITY AND BAY REGION
- POLICY 2.7            Expand partnerships among open space agencies, transit agencies, private sector and nonprofit institutions to acquire, develop and/or manage existing open spaces.
- POLICY 2.8            Consider repurposing underutilized City-owned properties as open space and recreational facilities.
- OBJECTIVE 3           IMPROVE ACCESS AND CONNECTIVITY TO OPEN SPACE
- POLICY 3.1            Creatively develop existing publicly-owned right-of-ways and streets into open space.
- POLICY 3.2            Establish and Implement a network of Green Connections that increases access to parks, open spaces, and the waterfront.
- POLICY 3.6            Maintain, restore, expand and fund the urban forest.

*The Project meets and furthers the Objectives and Policies of the Recreation and Open Space by creating a new street and open space network within an area that is currently characterized by wide disconnected streets, steep unoccupied terrain, and lack of recreational opportunities. Altogether, 3.5 acres of new parks and open space are proposed for the site. Further, the new street network will improve connectivity from existing residential neighborhoods, parks and open spaces.*

**TRANSPORTATION ELEMENT**

*The Transportation Element is largely concerned with the movement of people and goods. It addresses the need for multi-modal streets and facilities, implementation of the City's transit-first policy, the need to limit parking and auto capacity on the roads, and ways to incentivize travel by transit, bike and by foot. It also addresses the relationship between transportation and land use and how the two should be coordinated to reduce the need for auto trips.*

*The following objectives and policies are relevant to the Project:*

- OBJECTIVE 1            MEET THE NEEDS OF ALL RESIDENTS AND VISITORS FOR SAFE, CONVENIENT AND INEXPENSIVE TRAVEL WITHIN SAN FRANCISCO AND BETWEEN THE CITY AND OTHER PARTS OF THE REGION WHILE MAINTAINING THE HIGH QUALITY LIVING ENVIRONMENT OF THE BAY AREA.
- POLICY 1.2            Ensure the safety and comfort of pedestrians throughout the city.
- POLICY 1.6            Ensure choices among modes of travel and accommodate each mode when and where it is most appropriate.
- POLICY 2.5            Provide incentives for the use of transit, carpools, vanpools, walking and bicycling and reduce the need for new or expanded automobile and automobile parking facilities.
- OBJECTIVE 18        ESTABLISH A STREET HIERARCHY SYSTEM IN WHICH THE FUNCTION AND DESIGN OF EACH STREET ARE CONSISTENT WITH THE CHARACTER AND USE OF ADJACENT LAND.
- POLICY 18.2         Design streets for a level of traffic that serves, but will not cause a detrimental impact on adjacent land uses, or eliminate the efficient and safe movement of transit vehicles and bicycles.
- POLICY 18.4         Discourage high-speed through traffic on local streets in residential areas through traffic "calming" measures that are designed not to disrupt transit service or bicycle movement, including:
- Sidewalk bulbs and widenings at intersections and street entrances;
  - Lane off-sets and traffic bumps;

- Narrowed traffic lanes with trees, landscaping and seating areas; and
- colored and/or textured sidewalks and crosswalks.

POLICY 20.5	Place and maintain all sidewalk elements, including passenger shelters, benches, trees, newsracks, kiosks, toilets, and utilities at appropriate transit stops according to established guidelines.
OBJECTIVE 23	IMPROVE THE CITY'S PEDESTRIAN CIRCULATION SYSTEM TO PROVIDE FOR EFFICIENT, PLEASANT, AND SAFE MOVEMENT.
POLICY 23.1	Provide sufficient pedestrian movement space with a minimum of pedestrian congestion in accordance with a pedestrian street classification system.
POLICY 23.2	Widen sidewalks where intensive commercial, recreational, or institutional activity is present, sidewalks are congested and where residential densities are high.
POLICY 23.3	Maintain a strong presumption against reducing sidewalk widths, eliminating crosswalks and forcing indirect crossings to accommodate automobile traffic.
POLICY 23.6	Ensure convenient and safe pedestrian crossings by minimizing the distance pedestrians must walk to cross a street.
OBJECTIVE 24	IMPROVE THE AMBIENCE OF THE PEDESTRIAN ENVIRONMENT.
POLICY 24.2	Maintain and expand the planting of street trees and the infrastructure to support them.
POLICY 24.3	Install pedestrian-serving street furniture where appropriate.
POLICY 24.5	Where consistent with transportation needs, transform streets and alleys into neighborhood-serving open spaces or "living streets", especially in neighborhoods deficient in open space.
OBJECTIVE 26	CONSIDER THE SIDEWALK AREA AS AN IMPORTANT ELEMENT IN THE CITYWIDE OPEN SPACE SYSTEM.

- OBJECTIVE 27      ENSURE THAT BICYCLES CAN BE USED SAFELY AND  
CONVENIENTLY AS A PRIMARY MEANS OF TRANSPORTATION, AS  
WELL AS FOR RECREATIONAL PURPOSES.
- OBJECTIVE 28      PROVIDE SECURE AND CONVENIENT PARKING FACILITIES FOR  
BICYCLES.
- POLICY 28.1      Provide secure bicycle parking in new governmental, commercial, and  
residential developments.
- OBJECTIVE 34      RELATE THE AMOUNT OF PARKING IN RESIDENTIAL AREAS AND  
NEIGHBORHOOD COMMERCIAL DISTRICTS TO THE CAPACITY OF  
THE CITY'S STREET SYSTEM AND LAND USE PATTERNS.
- POLICY 34.3      Permit minimal or reduced off-street parking supply for new buildings in  
residential and commercial areas adjacent to transit centers and along  
transit preferential streets.
- OBJECTIVE 35      MEET SHORT-TERM PARKING NEEDS IN NEIGHBORHOOD  
SHOPPING DISTRICTS CONSISTENT WITH PRESERVATION OF A  
DESIRABLE ENVIRONMENT FOR PEDESTRIANS AND RESIDENTS.

*The Project meets and furthers the Objectives and Policies of the Transportation Element by requiring the creation of a new fine-grained street grid in place of the curvilinear configured and disconnected street and block pattern that exists today. The Project accommodates the creation of a new mixed-use predominately development in a pattern that encourages walking and using transit. The Project also calls for streetscape improvements that will calm auto traffic while assuring pedestrian and bicyclist comfort and enjoyment.*

**URBAN DESIGN ELEMENT**

*The Urban Design Element addresses the physical character and order of the City. It establishes objectives and policies dealing with the city pattern, conservation (both of natural areas and historic structures), major new developments, and neighborhood environment. It discusses meeting "human needs", largely by assuring quality living environments, and by protecting and enhancing those characteristics of development that make San Francisco special.*

The following objectives and policies are relevant to the Project:

- |             |   |
|-------------|---|
| OBJECTIVE 1 | EMPHASIS OF THE CHARACTERISTIC PATTERN WHICH GIVES TO THE CITY AND ITS NEIGHBORHOODS AN IMAGE, A SENSE OF PURPOSE, AND A MEANS OF ORIENTATION.    |
| POLICY 1.1  | Recognize and protect major views in the city, with particular attention to those of open space and water.  |
| POLICY 1.2  | Recognize, protect and reinforce the existing street pattern, especially as it is related to topography.  |
| POLICY 1.3  | Recognize that buildings, when seen together, produce a total effect that characterizes the city and its districts.                               |
| POLICY 1.5  | Emphasize the special nature of each district through distinctive landscaping and other features.   |
| POLICY 1.6  | Make centers of activity more prominent through design of street features and by other means.   |
| POLICY 1.7  | Recognize the natural boundaries of districts, and promote connections between districts.   |
| POLICY 2.9  | Review proposals for the giving up of street areas in terms of all the public values that streets afford.   |
| POLICY 2.10 | Permit release of street areas, where such release is warranted, only in the least extensive and least permanent manner appropriate to each case. |
| OBJECTIVE 3 | MODERATION OF MAJOR NEW DEVELOPMENT TO COMPLEMENT THE CITY PATTERN, THE RESOURCES TO BE CONSERVED, AND THE NEIGHBORHOOD ENVIRONMENT.              |

- POLICY 3.3 Promote efforts to achieve high quality of design for buildings to be constructed at prominent locations.
- POLICY 3.4 Promote building forms that will respect and improve the integrity of open spaces and other public areas.
- POLICY 3.5 Relate the height of buildings to important attributes of the city pattern and to the height and character of existing development.
- POLICY 3.7 Recognize the special urban design problems posed in development of large properties.
- POLICY 3.8 Discourage accumulation and development of large properties, unless such development is carefully designed with respect to its impact upon the surrounding area and upon the city.
- OBJECTIVE 4 IMPROVEMENT OF THE NEIGHBORHOOD ENVIRONMENT TO INCREASE PERSONAL SAFETY, COMFORT, PRIDE AND OPPORTUNITY .
- POLICY 4.3 Provide adequate lighting in public areas.
- POLICY 4.4 Design walkways and parking facilities to minimize danger to pedestrians.
- POLICY 4.5 Provide adequate maintenance for public areas.
- POLICY 4.6 Emphasize the importance of local centers providing commercial and government services.
- POLICY 4.8 Provide convenient access to a variety of recreation opportunities.
- POLICY 4.10 Encourage or require the provision of recreation space in private development.
- POLICY 4.12 Install, promote and maintain landscaping in public and private areas.
- POLICY 4.13 Improve pedestrian areas by providing human scale and interest.

*On balance, the Project is consistent with and furthers the Urban Design Element. The project enables the establishment of a new vibrant mixed-use-predominately-residential neighborhood on currently underutilized land. The Project will connect to the Visitacion Valley street grid and block pattern where*

*it currently does not today, thereby reinforcing Visitacion Valley's street pattern. The Project's compact urban development of modulated buildings will step along the site's topography; open spaces and green streets will punctuate the new block pattern. Taken together, these characteristics will enable the revitalized Sunnydale Hope SF neighborhood to be both individually distinctive and better integrated into the larger Visitacion Valley neighborhood. Streets will be designed to Better Streets standards and will be safe, comfortable, and inviting. While the proposal includes allowing heights of buildings to be as tall as 65-feet at some locations (taller than what's allowed within other residentially portions of Visitacion Valley), design standards will require that they be broken down both vertically and horizontally and be designed to the human scale. The portion of the site that allows the tallest heights will be reserved for the center of the neighborhood's planned commercial and community-serving center, thereby demarking the Project's civic heart. While the view across the site will change in nature with additional buildings in the foreground, other views will be improved and protected by aligning new streets with existing streets allowing continual views down them and assuring they are not blocked in the future. On balance, the urban design character of the site will be significantly improved; therefore, the Project is consistent with the Urban Design Element.*



**ENVIRONMENTAL PROTECTION ELEMENT**

*The Environmental Protection Element is concerned with protecting the natural environment within San Francisco's urban context. The element provides objectives and policies for the following topics: the Bay, ocean and shoreline, air, fresh water, land, flora and fauna, transportation noise, and energy.*

*The following objectives and policies are relevant to the Project:*

OBJECTIVE 1           ACHIEVE A PROPER BALANCE AMONG THE CONSERVATION, UTILIZATION, AND DEVELOPMENT OF SAN FRANCISCO'S NATURAL RESOURCES.

Policy 1.4             Assure that all new development meets strict environmental quality standards and recognizes human needs.

OBJECTIVE 15         INCREASE THE ENERGY EFFICIENCY OF TRANSPORTATION AND ENCOURAGE LAND USE PATTERNS AND METHODS OF TRANSPORTATION WHICH USE LESS ENERGY.

POLICY 15.3          Encourage an urban design pattern that will minimize travel requirements among working, shopping, recreation, school and childcare areas.

*The Project is consistent with and implements the Environmental Protection Element in that it calls for mixed-use, moderate density, transit-friendly, sustainable development. The Project and all related City approvals are consistent with the Environmental Protection Element as the Project satisfies and implements the preponderance of Element's objectives and policies: the Project furthers the Element's emphasis on the need for compact, and sustainable development.*

**COMMUNITY FACILITIES ELEMENT**

*The Community Facilities element addresses police facilities, neighborhood center facilities, fire facilities, library facilities, public health facilities, and touches upon educational facilities, institutional facilities (colleges, etc.) wastewater facilities, and solid waste facilities.*

The following objectives and policies are relevant to the Project:

- OBJECTIVE 3      ASSURE THAT NEIGHBORHOOD RESIDENTS HAVE ACCESS TO NEEDED SERVICES AND A FOCUS FOR NEIGHBORHOOD ACTIVITIES
  
- POLICY 3.6      Base priority for the development of neighborhood centers on relative need.
  
- OBJECTIVE 4      PROVIDE NEIGHBORHOOD CENTERS THAT ARE RESPONSIVE TO THE COMMUNITY SERVED.
  
- POLICY 4.1      Assure effective neighborhood participation in the initial planning, ongoing programming, and activities of multi-purpose neighborhood centers

*The Project is consistent with and implements the Community Facilities Element. The Project allows for community serving uses on the ground floor throughout the development. A community center and senior housing development is planned for "The Hub" portion of the site, that among other community-based uses will include child care. Whether or not community uses will eventually establish themselves in other permitted locations will depend on community needs and demands as well as broader market factors as the Project gets built out.*

**PUBLIC SAFETY ELEMENT**

OBJECTIVE 2        REDUCE STRUCTURAL AND NON-STRUCTURAL HAZARDS TO LIFE SAFETY, MINIMIZE PROPERTY DAMAGE AND RESULTING SOCIAL, CULTURAL AND ECONOMIC DISLOCATIONS RESULTING FROM FUTURE DISASTERS.

POLICY 2.1        Assure that new construction meets current structural and life safety standards.

POLICY 2.3        Consider site soils conditions when reviewing projects in areas subject to liquefaction or slope instability.

POLICY 2.9        Consider information about geologic hazards whenever City decisions that will influence land use, building density, building configurations or infrastructure are made.

POLICY 2.12       Enforce state and local codes that regulate the use, storage and transportation of hazardous materials in order to prevent, contain and effectively respond to accidental releases.

*The Project is consistent with and implements the Community Safety Element. All improvements, including infrastructure, buildings and open space improvements will be constructed to local seismic standards, taking into account, among other considerations, the geological condition of the soil and where applicable, any remediation activity.*

**AIR QUALITY ELEMENT**

*The Air Quality Element is concerned, in part, with reducing the level of pollutants in the air, thus protecting and improving public health, welfare and the quality of life of the citizens of San Francisco and the residents of the metropolitan region. It emphasizes that opportunities for economic growth in the area can be enhanced through implementation of transportation, land use and other policies in harmony with clean air goals.*

*The following objectives and policies are relevant to the Project:*

- OBJECTIVE 3            DECREASE THE AIR QUALITY IMPACTS OF DEVELOPMENT BY COORDINATION OF LAND USE AND TRANSPORTATION DECISIONS.
- POLICY 3.1            Take advantage of the high density development in San Francisco to improve the transit infrastructure and also encourage high density and compact development where an extensive transportation infrastructure exists.
- POLICY 3.2            Encourage mixed land use development near transit lines and provide retail and other types of service oriented uses within walking distance to minimize automobile dependent development.
- POLICY 3.6            Link land use decision making policies to the availability of transit and consider the impacts of these policies on the local and regional transportation system.
- POLICY 3.9            Encourage and require planting of trees in conjunction with new development to enhance pedestrian environment and select species of trees that optimize achievement of air quality goals

*The Project is consistent with and implements the Air Quality Element in that it calls for mixed-use predominately residential, moderate density, sustainable development that will enable efficient use of land and encourage travel by transit and by foot, thereby reducing auto use. The Project will be built to LEED Neighborhood Development standards. The Project is consistent with the Air Quality Element because it satisfies and implements the preponderance of Element's objectives and policies; most importantly, the Project furthers the Element's emphasis on efficient and compact development.*

**General Plan Priority Finding**

(Planning Code Section 101.1 Findings)

Planning Code Section 101.1(b) establishes eight priority policies and is a basis by which differences between competing policies in the General Plan are resolved. As described below, the Project is consistent with the eight priority policies set forth in Planning Code Section 101.1(b).

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

*The Project will preserve and enhance existing neighborhood serving retail uses. The Project would potentially accommodate roughly 15,000 square feet of new retail uses. The retail uses are envisioned to be local serving. The project does not include the removal of any existing neighborhood serving retail and is not expected to unduly compete against long established Visitacion Valley neighborhood commercial districts along Leland Avenue.*

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

*The Project accommodates new development on land that is underutilized and improvements that are dilapidated. While it would remove existing housing, the housing will be replaced by significantly improved housing in a neighborhood pattern much more similar to the rest of Visitacion Valley than what exists today. Existing tenants will be actively engaged in the relocation planning process and will be offered on-site relocation opportunities as part of a larger community building strategy employed by HOPE SF to preserve the cultural and economic diversity of the neighborhood. . Outside of the boundaries of the Housing Authority site*

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

*The Project is a part of the Hope SF, the Mayor's signature anti-poverty initiative aimed at eradicating intergenerational poverty. As noted above, existing affordable units will be demolished and replaced with significantly improved units at the same affordable levels as the units removed. Along with replacement units for extremely low income households, about 295 additional affordable units for low income households are also proposed.*

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

*The Project anticipates and accommodates new transit as planned through the City's Muni Forward Project. Design of streets and bus stops will include bus bulbs and bus shelters; street cross sections and corner design will assure sufficient space for bus travel. Moreover, the Project includes the creation of a pedestrian-oriented street and open space network that will encourage alternative modes of transportation. The Project will provide less than one-to-one parking, further encouraging travel by other modes of travel other than by single-occupancy vehicle.*

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced.

*The Project would not adversely affect the industrial sector or service sectors. No such uses would be displaced by the Project. Construction activity generated by the Project, however, will support these sectors.*

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

*All new construction would be subject to the City's Building Code, Fire Code and other applicable safety standards. Thus, the Project would improve preparedness against injury and loss of life in an earthquake by prompting development that would comply with applicable safety standards.*

7. That landmarks and historic buildings be preserved.

*The Project would not accommodate the removal, demolition, or of any known landmark or historic building.*

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

*On balance, the Project would improve the City's open space and park system and would not adversely effect parks access to sunlight and vistas. The project includes providing roughly 3.5 acres of additional parks to the City's overall park system. The site is immediately adjacent to and downslope to Herz Playground and McLaren Park. Because the proposal does include constructing buildings immediately across the street from the park, new shadows will be created on the park.. However, the EIR has shown that the new shadows would not cause a significant adverse effect. Given that additional parks and accessible green space is being added by the*

Exhibit A to Motion No.  
Hearing Date: November 17, 2016

Case No. 2010.0305 E  
Sunnydale Hope SF Master Plan

*Project, and the impacts of the proposed development on Herz Playground and McLaren Park are limited, on balance, the Project is consistent with this General Plan Priority Finding.*

1 [Planning Code - Sunnydale HOPE SF Special Use District]

2

3 **Ordinance amending the Planning Code to create the Sunnydale HOPE SF Special Use**  
4 **District to facilitate development of the Sunnydale HOPE SF project by modifying**  
5 **specific requirements related to permitted uses, dwelling unit density, building height**  
6 **and bulk standards, and parking and streetscape matters; adopting findings under the**  
7 **California Environmental Quality Act; making findings of consistency with the General**  
8 **Plan, as proposed for amendment, and the eight priority policies of Planning Code,**  
9 **Section 101.1; and adopting findings of public necessity, convenience, and welfare**  
10 **under Planning Code, Section 302.**

11 **NOTE:** **Unchanged Code text and uncodified text** are in plain Arial font.  
12 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
13 **Deletions to Codes** are in ~~italics Times New Roman font~~.  
14 **Board amendment additions** are in double-underlined Arial font.  
15 **Board amendment deletions** are in ~~Arial font~~.  
16 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
17 subsections or parts of tables.

15

16 Be it ordained by the People of the City and County of San Francisco:

17

18 Section 1. Findings.

19 (a) The Board of Supervisors adopted a companion ordinance related to General Plan  
20 amendments for the Sunnydale HOPE SF project. This companion ordinance described the  
21 project and included findings under the California Environmental Quality Act (Public  
22 Resources Code Sections 21000 et seq.), General Plan findings, and the eight priority policies  
23 of Planning Code Section 101.1. The Board of Supervisors adopts all of these findings for  
24 purposes of this ordinance. The companion ordinance on the General Plan amendments and  
25

25



1 the accompanying findings are on file with the Clerk of the Board of Supervisors in File No.  
2 161309 and are incorporated herein by reference.

3 (b) On November 17, 2016, in Resolution No. 19787, the Planning Commission  
4 adopted findings under Planning Code Section 302 determining that this ordinance serves the  
5 public necessity, convenience, and general welfare. The Board of Supervisors adopts as its  
6 own these findings. The Planning Commission Resolution is on file with the Clerk of the  
7 Board of Supervisors in File No. 161162 and is incorporated herein by reference.

8  
9 Section 2. The Planning Code is hereby amended by adding Section 249.75, to read  
10 as follows:

11 **SEC 249.75. SUNNYDALE HOPE SF SPECIAL USE DISTRICT.**

12 (a) Purpose. In order to give effect to the Development Agreement for the Sunnydale HOPE  
13 SF development project as approved by the Board of Supervisors in an ordinance in Board File No.  
14 , there shall be a Sunnydale HOPE SF Special Use District as designated on Sectional Map SU-11 of  
15 the Zoning Maps of the City and County of San Francisco. The purpose of the Special Use District is to  
16 allow a project that will replace the Sunnydale and Velasco public housing projects with a mixed-use  
17 and mixed-income development of affordable dwelling units in a number in excess of the existing public  
18 housing units, market-rate dwelling units, neighborhood commercial, and community facility uses, and  
19 new infrastructure improvements, including streets, sidewalks, utilities, and open spaces.

20 (b) Definitions.

21 "Design Standards and Guidelines " shall mean the Sunnydale HOPE SF Design Standards and  
22 Guidelines adopted by the Planning Commission in Resolution No. 19790, approved by the Board of  
23 Supervisors as part of this Special Use District, and found in Board File No. 161162, and as may be  
24 amended from time to time. The Design Standards and Guidelines is herein incorporated by reference.

1           "Development Agreement" shall mean the Development Agreement By and Between the City  
2 and County of San Francisco and Sunnydale Development Company, LLC, a joint venture of Mercy  
3 Housing California and The Related Companies of California, approved by the Board of Supervisors in  
4 an ordinance in Board File No. 161164.

5           "Master Infrastructure Plan " or "MIP" shall mean the Sunnydale HOPE SF approved by the  
6 Board of Supervisors as part of the Development Agreement and found in Board File No. 161164, and  
7 as may be amended from time to time. The MIP is herein incorporated by reference.

8           (c) Development Controls. The controls contained in the Design Standards and Guidelines  
9 shall regulate development in the Sunnydale HOPE SF Special Use District, except for those controls  
10 specifically enumerated in this Section 249.75. Where not explicitly superseded by definitions  
11 established in the Design Standards and Guidelines, the definitions in this Code shall apply. All  
12 procedures and requirements in Article 3 of the Planning Code shall apply to development in this  
13 Special Use District to the extent that they are not in conflict with this Special Use District or the  
14 Development Agreement. The Planning Commission may amend the Design Standards and Guidelines  
15 upon initiation by the Planning Department or upon application by an owner of property within this  
16 Special Use District (or his or her authorized agent), or any party to the Development Agreement, to  
17 the extent that such amendments are consistent with this Special Use District, the General Plan, and  
18 the Development Agreement. The Zoning Administrator may approve minor amendments to the Design  
19 Standards and Guidelines upon initiation by the Planning Department or upon application by an owner  
20 of property within this Special Use District (or his or her authorized agent), or any party to the  
21 Development Agreement. For the purposes of this subsection (c), "minor amendments" shall be defined  
22 as amendments necessary to clarify omissions or correct inadvertent mistakes in the Design Standards  
23 and Guidelines and are consistent with the intent of the Design Standards and Guidelines, this Special  
24 Use District, the General Plan, and the Development Agreement.

1           (1) Zoning Designation. *The applicable zoning designation shall be as set forth in*  
2 *Zoning Map ZN-11, consisting of the Residential, Mixed, Low Density (RM-1) district. The Planning*  
3 *Code provisions for the underlying RM-1 use district shall control except to the extent they conflict with*  
4 *the provisions of this Section 249.75. Notwithstanding the foregoing sentence, this Special Use District*  
5 *and the Design Standards and Guidelines shall apply only to construction and other activities that*  
6 *further implement the Sunnysdale HOPE SF development project. For proposed activities other than*  
7 *implementation of the Sunnysdale HOPE SF development project (e.g., changes of use in existing*  
8 *buildings, alterations to existing buildings prior to commencement of the project), the underlying RM-1*  
9 *controls shall continue to apply.*

10           (2) Uses.

11           (A) Permitted Uses. *In addition to the uses permitted in the RM-1 district,*  
12 *those uses that are principally or conditionally permitted in a Small-Scale Neighborhood Commercial*  
13 *District (NC-2) use district shall be permitted in this Special Use District to the same extent as in a NC-*  
14 *2 district; provided, however, that liquor stores and medical cannabis dispensaries shall not be*  
15 *permitted in this Special Use District and that Conditional Use size thresholds pursuant to Planning*  
16 *Code Section 711.21 shall not apply to Medical Uses, Large Institutions, Small Institutions, Public*  
17 *Uses. Public Uses shall be principally permitted.*

18           (B) Ground Floor Uses. *Notwithstanding anything in this Section 249.75 to*  
19 *the contrary, "active uses" as defined in Section 145.1(b)(2) or Medical Services as defined in Section*  
20 *790.114 shall be required at the ground floor frontages along the west side of Hahn Street between*  
21 *Sunnysdale Avenue and Center Street, as identified in the Development Agreement, and the south side of*  
22 *Sunnysdale Avenue between Hahn Street and A Street, as identified in the Development Agreement;*  
23 *provided, however, that for purposes of this Section of the Special Use District, active uses shall*  
24 *exclude ground floor residential units.*

1                   (3) **Dwelling Unit Density.** The controls set forth in the underlying RM-1 use  
2 district shall govern dwelling unit density within the Special Use District. However, greater dwelling  
3 unit density than permitted by the underlying RM-1 use district may be provided on individual lots, as  
4 long as the overall density of the Special Use District does not exceed the density allowed by the  
5 underlying RM-1 zoning for the entire Special Use District, accounting for density that could be  
6 permitted as a Planned Unit Development pursuant to Section 304. The overall density limit shall be  
7 determined by the size and configuration of the lots within this Special Use District as they exist at the  
8 time of the adoption of this Special Use District.

9                   (4) **Building Standards.**

10                   (A) **Building Height.** The applicable height limits for this Special Use  
11 District shall be as set forth on Section Map HT-11 of the Zoning Map of the City and County of San  
12 Francisco. Height shall be measured and regulated as provided in the Design Standards and  
13 Guidelines and not as provided in Article 2.5 of the Planning Code, except that the exemptions to  
14 height limits set forth in Section 260(b) shall apply. Measurement of height may be modified through a  
15 Major Modification process.

16                   (B) **Building Bulk.** Except as described in the Design Standards and  
17 Guidelines, there are no bulk limitations for this Special Use District.

18                   (C) **Building Setbacks.** The applicable building setback requirements for  
19 this Special Use District shall be as set forth in the Design Standards and Guidelines and not as  
20 provided in Article 1.2 of the Planning Code.

21                   (D) **Open Space.** The usable open space requirement shall be set at 80  
22 square feet per unit. The Design Standards and Guidelines shall set forth the methods for satisfying  
23 the open space requirement.

24                   (E) **Sign controls.** Sign controls for NC-2 Districts shall apply to the Special  
25 Use District for commercial establishments in-lieu of sign controls for the underlying use district.

1                   (5) Off-Street Automobile Parking. There is no minimum off-street parking  
2 requirement for any use in this Special Use District. Upon completion of the Sunnydale HOPE SF  
3 Project, the number of off-street parking spaces within this Special Use District shall not exceed: one  
4 parking space per residential dwelling unit and one parking space per 500 square feet of occupied  
5 commercial, institutional, and community facility space. Car share parking spaces shall be provided in  
6 the amounts set forth in Section 166. Collective off-street parking pursuant to Section 160(a) shall be  
7 permitted such that the amount of parking on a particular lot may exceed the maximum parking  
8 allowed for uses on that lot so long as the amount of parking for the entire Special Use District does  
9 exceed the overall maximum amount allowed.

10                   (6) Bicycle Parking. Bicycle parking shall be provided as required by the Planning  
11 Code.

12                   (7) Streetscape and Public Realm Requirements. In lieu of the requirements of  
13 Section 138.1, each building shall include the design and construction of the appropriate adjacent and  
14 related street and public realm infrastructure, consistent with the Development Agreement, Design  
15 Standards and Guidelines, and other supporting documents to the Development Agreement.  
16 Construction of such improvements shall be subject to approval and review by the Planning  
17 Department and other relevant City agencies as provided by the Development Agreement.

18                   (8) Residential Affordable Housing Requirement. The provisions of Section 415  
19 shall not apply, except as otherwise stipulated in the Development Agreement.

20                   (d) Modifications to Building Standards. Modification of the Building Standards,  
21 including measurement of height, set forth in subsection (c) above and as outlined in the Design  
22 Standards and Guidelines may be approved on a project-by-project basis and according to the  
23 procedures of subsection (e).

24                   The following Controls as provided in the Design Standards and Guidelines document cannot  
25 be modified:

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<u>DSG Control No. or Nos.</u>	<u>Topic</u>
<u>4.1 control 1, 2 and 3</u>	<u>Land Use</u>
<u>7.1.1 control 1</u>	<u>Height</u>
<u>6.1 control 1 and 2</u>	<u>Open Space</u>
<u>7.1.7 control 2</u>	<u>Blank Facades</u>
<u>7.1.8 control 1</u>	<u>Meters, Utilities and Trash</u>
<u>7.1.9 controls 2 and 3</u>	<u>Gates and Fences</u>
<u>7.1.11 control 1</u>	<u>Roof Design</u>
<u>7.1.13 control 1</u>	<u>Parking, Parking Entrances and Curb Cuts</u>
<u>7.2.2 control 1</u>	<u>Block 3</u>

*The following Controls as provided in the Design Standards and Guidelines can only be modified through the Major Modification process as described in subsection (e)(4)(b), below:*

<u>DSG Control No. or Nos.</u>	<u>Topic</u>
<u>7.1.5 controls 1, 2, 3, and 4</u>	<u>Residential Entrances</u>
<u>7.1.7 controls 1 and 3</u>	<u>Blank Facades</u>
<u>7.1.10 controls 1, 2, and 5</u>	<u>Retail Facades</u>
<u>7.1.12 control 1</u>	<u>Building Lighting</u>
<u>7.1.13 control 2</u>	<u>Parking, Parking Entrances and Curb Cuts</u>
<u>7.1.14 control 1</u>	<u>Usable Open Space</u>
<u>7.2.1 control 1</u>	<u>Block 1</u>

1	<u>7.2.11 controls 1, 2, and 3</u>	<u>Block 15 &amp; 16, 19 &amp; 20, 23 &amp; 24, and</u>
2		<u>28 &amp; 29</u>
3	<u>7.2.12 controls 1, 2, and 3</u>	<u>Blocks 17 &amp; 18 and 26 &amp; 27</u>
4	<u>7.3 control 1 and 2</u>	<u>Townhouse blocks</u>

5 If a modification for any of the Controls in the Design Controls and Guidelines that are listed  
6 below is sought such that the modification would deviate by 10% or more from the quantitative  
7 standard, the Major Modification process described in subsection (e)(4)(B) would be required.

9	<u>DSG Control No. or Nos.</u>	<u>Topic</u>
10	<u>7.1.1 controls 2 and 3</u>	<u>Building Heights</u>
11	<u>7.1.2 controls 1 and 2</u>	<u>Building Massing</u>
12	<u>7.1.3 controls 1 and 2</u>	<u>Lot Coverage / Rear Yard</u>
13	<u>7.1.4 controls 1 and 3</u>	<u>Setback Lines</u>
14	<u>7.1.5 control 4</u>	<u>Residential Entries</u>
15	<u>7.1.9 control 1</u>	<u>Gates and Fences</u>
16	<u>7.1.10 control 3</u>	<u>Retail Facades</u>
17	<u>7.1.13 control 3, 4, and 5</u>	<u>Parking, Parking Entrances and Curb</u>
18		<u>Cuts</u>

19 For any other modification being sought from the Controls in Chapters 4, 6 and 7 of the Design  
20 Standards and Guidelines document, the Minor Modification process described in subsection (e)(4)(A),  
21 below, would be required.

22 (e) Project Review and Approval.

23 (1) Purpose. The design review process for this Special Use District is intended to  
24 ensure that new buildings within this Special Use District are designed to complement the aesthetic

1 quality of the development, exhibit high quality architectural design, and promote the purpose of this  
2 Special Use District.

3 (2) **Development Phase Approval.** The Planning Department shall only approve  
4 applications for individual building projects that are consistent with and described in an approved  
5 Development Phase Application. The Development Phase Approval process, as set forth in greater  
6 detail in the Development Agreement, is intended to ensure that all buildings within a phase as well as  
7 new infrastructure, utilities, open space and all other improvements promote the purpose of the HOPE  
8 SF Program, the Special Use District and meet the requirements of the Sunnydale Development  
9 Agreement. The Planning Director shall act on a Development Phase Application within 60 days after  
10 a Development Phase Application is deemed complete upon his or her determination that the  
11 Development Phase Application is complete.

12 (3) **Building Design Review and Approval.** The construction, expansion, or major  
13 alteration of, or additions to, all structures within this Special Use District requires applications for  
14 design review described in this Section 249.75. Applications for design review may be submitted  
15 concurrently with or subsequent to a Development Phase Design Review Application. The owner or  
16 authorized agent of the owner of the property for which the design review is sought may file  
17 applications for design review. Department staff shall review the application for completeness and  
18 advise the applicant in writing of any deficiencies within 30 days after receipt of the application or, if  
19 applicable, within 15 days after receipt of any supplemental information requested pursuant to this  
20 section. If Department staff does not so advise the applicant, and if the related Phase Application has  
21 been approved, the application will be deemed complete. The application shall include the documents  
22 and materials necessary to determine consistency with this Special Use District, the Design Standards  
23 and Guidelines, and the applicable requirements of the Development Agreement, including site plans,  
24 sections, elevations, renderings, landscape plans, and exterior material samples to illustrate the overall  
25 concept design of the proposed buildings, and conformance with any phasing plan. If any requests for a



1 Major Modification or Minor Modification are sought in accordance with the allowances of this  
2 Section 249.75, the application shall contain a narrative for each modification sought that describes  
3 how the proposed project meets the full intent of the Design Standards and Guidelines and provides  
4 architectural treatment and public benefit that are equivalent to or superior to strict compliance with  
5 the standards.

6 (A) Pre-application Meeting. Not more than 6 months prior to filing a  
7 Building Design Review application, the project sponsor shall conduct a minimum of one pre-  
8 application meeting with the public. The meeting shall be conducted at, or within a one-mile radius of,  
9 the project site, but otherwise subject to the Planning Department's pre-application meeting  
10 procedures, including but not limited to the submittal of required meeting documentation.

11 (B) Staff Design Review. The Department shall perform administrative  
12 design review for each application as further detailed in the Development Agreement. Department staff  
13 shall review the project to determine if it complies with this Special Use District, the Design Standards  
14 and Guidelines, the Development Agreement, an approved Development Phase Application, and any  
15 applicable mitigation measures. The Department shall complete the initial review and respond to the  
16 project sponsor within 60 days of receiving a complete application. The Department staff shall have 30  
17 days to respond to any modifications or revisions submitted by the project sponsor after the submission  
18 of the initial application. Upon completing review, Department staff may draft a staff report to the  
19 Planning Director or Planning Commission, as appropriate, including a recommendation regarding  
20 any modifications to the project. The staff report shall be delivered to the applicant no less than 14  
21 days prior to Planning Director or Planning Commission action on the application, and shall be kept  
22 on file for public review. The Department shall provide public notice of the staff report and  
23 recommendation no less than 14 days prior to action on the application by the Planning Director or  
24 Planning Commission. Written notice shall be mailed to the notification group which shall include the  
25 project sponsor, tenants of the subject property, relevant neighborhood organizations as maintained by

1 the Planning Department, and all individuals having made a written request for notification for the  
2 project site pursuant to Planning Code Section 35J.

3 (4) Approvals and Public Hearings.

4 (A) Projects Not Seeking Major Modifications. Except for projects seeking  
5 a Major Modification, the Planning Director may approve or disapprove the project design and any  
6 Minor Modifications based on its compliance with this Special Use District, the Design Standards and  
7 Guidelines, the Development Phase Design Review approval, and the findings and recommendations of  
8 the staff report. If the project is consistent with the quantitative Standards set forth in this Special Use  
9 District and the Design Standards and Guidelines, the Planning Director's discretion to approve or  
10 disapprove the project shall be limited to the project's consistency with the qualitative elements of the  
11 Design Standards and Guidelines and the General Plan. Prior to making a decision, the Planning  
12 Director, in his or her sole discretion, may seek comment and guidance from the public and Planning  
13 Commission on the design of the project, including the granting of any Major Modifications, in  
14 accordance with the procedures of subsection (B) below. If a Major Modification is not sought, any  
15 Planning Commission review will be informational only, will be limited to the project's consistency  
16 with the qualitative elements of the Design Standards and Guidelines, and will not result in any action  
17 by the Planning Commission.

18 (B) Projects Seeking Major Modifications. The Planning Commission shall  
19 hold a public hearing for all projects seeking one or more Major Modifications and for any project  
20 seeking one or more Minor Modifications that the Planning Director, in his or her sole discretion,  
21 refers to the Commission as a Major Modification. The Planning Commission shall consider all  
22 comments from the public and the recommendations of the staff report and the Planning Director in  
23 making a decision to approve or disapprove the project design, including the granting of any Major or  
24 Minor Modifications.

1                                    (C) Notice of Hearings. The Department shall provide notice of hearings  
2 required by subsections (A) and (B) above as follows: (i) mail notice to the project applicant, property  
3 owners within 300 feet of the exterior boundaries of the property that is the subject of the application,  
4 using for this purpose the names and addresses as shown on the citywide assessment roll in the Office  
5 of the Tax Collector, and residents within 150 feet of the exterior boundaries of the property that is the  
6 subject of the application, and any person who has requested notice by mail not less than 20 days prior  
7 to the date of the hearing; and (ii) post notice on the subject property at least 10 days prior to the date  
8 of the hearing.

9                                    (5) Design Review and Approval of Community Improvements. To ensure that any  
10 Community Improvements (as defined in the Development Agreement) meet the Design Standards and  
11 Guidelines and the Master Infrastructure Plan requirements, the project sponsor shall submit an  
12 application and receive approval from the Planning Department, or the Planning Commission if  
13 required, prior to obtaining any permits for the construction of any Community Improvement within or  
14 adjacent to the Special Use District. Design approval for major open space Community Improvements  
15 (not associated with an individual building or block development and not improvements that are to be  
16 owned and operated by the Recreation and Park Department on behalf of the City and County of San  
17 Francisco), along with any stand alone community center building shall be subject to the Design  
18 Review procedure set forth in subsection (e)(3), above. The Recreation and Park Department shall  
19 conduct Design Review for improvements owned and operated by, and under the jurisdiction of, that  
20 Department.

21                                    (6) Building Permit Approval by the Planning Department. The project sponsor  
22 shall notify the Department of Building Inspection when submitting a building permit application that  
23 the application must be routed to the Planning Department for review. Planning Department staff shall  
24 review the building permit application for consistency with the authorizations granted pursuant to this  
25 Section 249.75. The Department of Building Inspection shall not issue a building permit for work

1 within this Special Use District unless Planning Department staff determines such permit is consistent  
2 with the standards set forth in the Design Standards and Guidelines, as they may be modified by a  
3 Minor Modification or a Major Modification, to the extent such standards regulate building design.  
4 The Design Review process described in this Special Use District and the Development Agreement  
5 shall supersede the review and notification process otherwise required by Section 311.

6 (7) Discretionary Review. The Planning Department shall not accept, and the  
7 Planning Commission shall not hear, requests for discretionary review for projects subject to this  
8 Section 249.75.

9 (8) Demolition of Dwelling Units. No mandatory discretionary review or  
10 Conditional Use authorization pursuant to Section 317 shall be required for the demolition of any  
11 residential dwelling unit within the Sunnydale HOPE SF Special Use District.

12 (9) Appeal and Decision on Appeal. Any person aggrieved by the decision of the  
13 Planning Director to grant or deny any project, including any Minor Modification, or of the Planning  
14 Commission to grant or deny any Major Modification, may appeal the decision to the Board of Appeals  
15 within 10 days after the date of the decision by filing a written notice of appeal with that body. Such  
16 notice must set forth the alleged error in the interpretation of the provisions of this Code or the Design  
17 Standards and Guidelines or the alleged abuse of discretion on the part of the Planning Director or  
18 Planning Commission, which error or abuse is the basis for the appeal. Upon the hearing of an appeal,  
19 the Board of Appeals may, subject to the same limitations placed on the Planning Commission or  
20 Planning Director by Charter, this Code, and the Development Agreement, approve, disapprove, or  
21 modify the appealed decision by a vote of four of its members. Notwithstanding anything to the contrary  
22 in the Business and Tax Regulations Code, if the determination of the Board differs from that of the  
23 Planning Director or Planning Commission, the Board of Appeals shall, in a written decision, make  
24 findings specifying the error of interpretation or abuse of discretion on the part of the Planning  
25 Director or Planning Commission, and the specific facts relied upon, that are the basis for the Board's

1 determination. As set forth in Section 308.1, the Board of Supervisors shall hear appeals of the  
2 Planning Commission's Conditional Use decisions.

3 (10) Interim Uses. An interim use may be authorized by the Planning Director,  
4 pursuant to the Design Review procedures outlined in subsection (e)(3) of this Special Use District for  
5 a period not to exceed 5 years, if the Director finds that such use: (A) will not impede orderly  
6 development within the Special Use District; (B) is consistent with intent Special Use District and  
7 Development Agreement; and (C) would not pose a nuisance to surrounding residential uses. In  
8 addition to those uses set forth in Section 205, such interim uses may include, but are not limited to:  
9 farmers' markets, arts or concert uses, and rental or sales offices incidental to new development.  
10 Temporary or semi-temporary structures may be permitted under this subsection (10) for resident-  
11 serving community facilities such as wellness centers, or other improvements intended to facilitate  
12 phased development of the Project. An authorization granted pursuant to this subsection (10) shall not  
13 exempt the applicant from obtaining any other permit required by law. Additional time for such uses  
14 may be authorized only if the Planning Director approves the action after receiving a new application.

15  
16 Section 3. The Planning Code is hereby amended by adding Section 263.30, to read as  
17 follows:

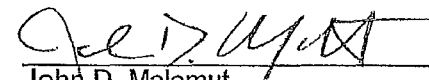
18 **SEC. 263.30. SUNNYDALE HOPE SF SPECIAL USE DISTRICT AND THE 40/65-X**  
19 **HEIGHT AND BULK DISTRICT.**

20 In the Sunnydale HOPE SF Special Use District and the 40/65-X Height and Bulk District,  
21 heights are more specifically prescribed on a block-by-block basis pursuant to the Sunnydale HOPE SF  
22 Design Standards and Guidelines document as referenced by Planning Code Section 249.75, the  
23 Sunnydale HOPE SF Special Use District. The Sunnydale HOPE SF Design Standards and Guidelines  
24 also provide specific provisions for height measurement, and exceptions. Where there is a conflict

1 between such provisions in the Sunnydale Hope Design Standards and Guidelines and those otherwise  
2 provided in the Planning Code, the Sunnydale Hope SF Design Standards and Guidelines shall govern.

3  
4 Section 4. Effective Date. This ordinance shall become effective 30 days after  
5 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
6 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
7 of Supervisors overrides the Mayor's veto of the ordinance.

8  
9 APPROVED AS TO FORM:  
10 DENNIS J. HERRERA, City Attorney

11 By:   
12 John D. Malamut  
13 Deputy City Attorney

14 n:\egana\as2016\1700205\01156444.docx



City and County of San Francisco

Tails  
Ordinance

City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

File Number: 161162

Date Passed: January 31, 2017

Ordinance amending the Planning Code to create the Sunnydale HOPE SF Special Use District to facilitate development of the Sunnydale HOPE SF project by modifying specific requirements related to permitted uses, dwelling unit density, building height and bulk standards, and parking and streetscape matters; adopting findings under the California Environmental Quality Act; making findings of consistency with the General Plan, as proposed for amendment, and the eight priority policies of Planning Code, Section 101.1; and adopting findings of public necessity, convenience, and welfare under Planning Code, Section 302.

January 09, 2017 Land Use and Transportation Committee - RECOMMENDED

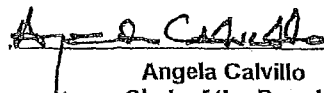
January 24, 2017 Board of Supervisors - PASSED, ON FIRST READING


January 31, 2017 Board of Supervisors - FINALLY PASSED

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

File No. 161162

I hereby certify that the foregoing  
Ordinance was FINALLY PASSED on  
1/31/2017 by the Board of Supervisors of  
the City and County of San Francisco.

  
Angela Calvillo  
Clerk of the Board

  
Mayor

2/3/2017  
Date Approved

**Larson, John**

---

**From:** Snyder, Mathew (CPC) <mathew.snyder@sfgov.org>  
**Sent:** Monday, October 30, 2017 9:42 AM  
**To:** Larson, John; Amaral, Sara (MYR)  
**Cc:** Mark, Jonathan W (Jonathan.W.Mark@related.com)  
**Subject:** RE: Sunnydale Parcel Q (Mercy Housing)

Hi John –

The answer is still somewhat the same.

There is no FAR restriction on residential projects in the RM-1 District regardless of whether it is affordable or not – this is true throughout all of San Francisco.

Throughout the City, the density limit for RM-1 districts, in general, is one unit for every 800 gsf of lot area. Elsewhere in the City, this density can be increased to about one unit for every 600 gsf of lot area through a Conditional Use. However, this lot is also within the Sunnydale HOPE SF Special Use District, which enables the density to be increased on a block by block basis as long as the density for the entire Sunnydale HOPE SF area is not greater than the density permitted by the RM-1 District at complete buildout.

Planning Code Section 249.75 The Sunnydale HOPE SF Special Use District

*(c)(3) Dwelling Unit Density. The controls set forth in the underlying RM-1 use district shall govern dwelling unit density within the Special Use District. However, greater dwelling unit density than permitted by the underlying RM-1 use district may be provided on individual lots, as long as the overall density of the Special Use District does not exceed the density allowed by the underlying RM-1 zoning for the entire Special Use District, accounting for density that could be permitted as a Planned Unit Development pursuant to Section 304. The overall density limit shall be determined by the size and configuration of the lots within this Special Use District as they exist at the time of the adoption of this Special Use District*

**Mat Snyder**

Planner  
San Francisco Planning Department  
1650 Mission Street, Suite 400  
San Francisco, CA 94103

Phone: (415) 575-6891  
Fax: (415) 558-6409

[mathew.snyder@sfgov.org](mailto:mathew.snyder@sfgov.org)  
[www.sfplanning.org](http://www.sfplanning.org)

---

**From:** Larson, John [mailto:John.Larson@colliers.com]  
**Sent:** Monday, October 30, 2017 9:22 AM  
**To:** Amaral, Sara (MYR); Snyder, Mathew (CPC)



**Cc:** Mark, Jonathan W (Jonathan.W.Mark@related.com)  
**Subject:** RE: Sunnydale Parcel Q (Mercy Housing)

Hi Sara and Matt,

Thanks for considering this issue with me. I appreciate your responses yet here is the thing: Sunnydale Parcel Q isn't yet dedicated to affordable service – there are no restrictive covenants in place yet, so the question remains, what F.A.R and residential density would be applied to the subject given its current legal use and status and without considering its future use as affordable housing?

If you can answer that for me I can swiftly wrap up my revisions to the appraisal for my client.

Thanks in advance for any additional response. Best regards,

John E. Larson MAI, JD  
Senior Valuation Services Director  
Direct +1 559 221 7391 | Mobile +1 916 712 7780  
[john.larson@colliers.com](mailto:john.larson@colliers.com)

**From:** Amaral, Sara (MYR) [<mailto:sara.amaral@sfgov.org>]  
**Sent:** Friday, October 27, 2017 4:17 PM  
**To:** Larson, John <[John.Larson@colliers.com](mailto:John.Larson@colliers.com)>  
**Cc:** Jonathan.W.Mark ([Jonathan.W.Mark@related.com](mailto:Jonathan.W.Mark@related.com)) <[Jonathan.W.Mark@related.com](mailto:Jonathan.W.Mark@related.com)>  
**Subject:** FW: Sunnydale Parcel Q (Mercy Housing)

Not sure this exactly helps, but it's from the planner on the project

Sara F. Amaral  
Project Manager  
Mayor's Office of Housing and Community Development  
T (415) 701-5614

**From:** Snyder, Mathew (CPC)  
**Sent:** Friday, October 27, 2017 4:15 PM  
**To:** Amaral, Sara (MYR) <[sara.amaral@sfgov.org](mailto:sara.amaral@sfgov.org)>  
**Cc:** Jonathan.W.Mark ([Jonathan.W.Mark@related.com](mailto:Jonathan.W.Mark@related.com)) <[Jonathan.W.Mark@related.com](mailto:Jonathan.W.Mark@related.com)>  
**Subject:** RE: Sunnydale Parcel Q (Mercy Housing)

Hi Sara –

There is no FAR limit on residential zoned lots (parcel Q is RM-1) for residential projects in San Francisco. Also, there is no density limit (no. of units / lot) for 100% affordable housing projects in San Francisco.

Hope this helps.

Mat

**Mat Snyder**  
Planner  
San Francisco Planning Department  
1650 Mission Street, Suite 400  
San Francisco, CA 94103

Phone: (415) 575-6891  
Fax: (415) 558-6409

[mathew.snyder@sfgov.org](mailto:mathew.snyder@sfgov.org)  
[www.sfplanning.org](http://www.sfplanning.org)

---

**From:** Amaral, Sara (MYR)  
**Sent:** Friday, October 27, 2017 3:09 PM  
**To:** Snyder, Mathew (CPC)  
**Cc:** Jonathan.W.Mark ([Jonathan.W.Mark@related.com](mailto:Jonathan.W.Mark@related.com))  
**Subject:** FW: Sunnydale Parcel Q (Mercy Housing)

Hi Mat,

We are getting an appraisal done for Parcel Q. Can you confirm the zoning and max FAR as per the appraisers request below?

Thanks!

Sara F. Amaral  
Project Manager  
Mayor's Office of Housing and Community Development  
T (415) 701-5614

---

**From:** Larson, John [<mailto:John.Larson@colliers.com>]  
**Sent:** Friday, October 27, 2017 3:06 PM  
**To:** Amaral, Sara (MYR) <[sara.amaral@sfgov.org](mailto:sara.amaral@sfgov.org)>  
**Cc:** Mark, Jonathan W ([Jonathan.W.Mark@related.com](mailto:Jonathan.W.Mark@related.com)) <[Jonathan.W.Mark@related.com](mailto:Jonathan.W.Mark@related.com)>  
**Subject:** RE: Sunnydale Parcel Q (Mercy Housing)

Thanks for your time Sara!

If you could simply confirm the FAR (Floor Area Ratio) on the subject parcels – that should allow me to finalize the appraisal.

Best regards,

John E. Larson, MAI, JD  
Senior Valuation Services Director  
Valuation & Advisory Services  
Direct +1 559 221 7391 | Mobile + 1 916 712 7780  
Main +1 559 221 1271  
[john.larson@colliers.com](mailto:john.larson@colliers.com)

Assistant: Marisa Nutter +1 559 221 8649  
[marissa.nutter@colliers.com](mailto:marissa.nutter@colliers.com)

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[www.colliers.com](http://www.colliers.com)



View the current issue of [\*Knowledge Leader\*](#).

# Property Detail Report

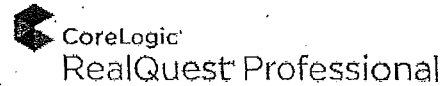
For Property Located At :  
**504 V ST, , CA**



<b>Owner Information</b>			
Owner Name:	SUNNYDALE PARCEL Q HOUSING PAR		
Mailing Address:	18201 VON KARMAN AVE #900, IRVINE CA 92612-1097 C036		
Vesting Codes:	//		
<b>Location Information</b>			
Legal Description:			
County:	SAN FRANCISCO, CA	APN:	6356-061
Census Tract / Block:	264.04 / 1	Alternate APN:	
Township-Range-Sect:		Subdivision:	
Legal Book/Page:		Map Reference:	/
Legal Lot:	61	Tract #:	
Legal Block:	6356	School District:	SAN FRANCISCO
Market Area:		School District Name:	
Neighbor Code:	10E	Munic/Township:	
<b>Owner Transfer Information</b>			
Recording/Sale Date:	/	Deed Type:	
Sale Price:		1st Mtg Document #:	
Document #:			
<b>Last Market Sale Information</b>			
Recording/Sale Date:	05/16/2007 / 05/08/2007	1st Mtg Amount/Type:	/
Sale Price:	\$250,000	1st Mtg Int. Rate/Type:	/
Sale Type:	FULL	1st Mtg Document #:	
Document #:	J392-57	2nd Mtg Amount/Type:	/
Deed Type:	GRANT DEED	2nd Mtg Int. Rate/Type:	/
Transfer Document #:		Price Per SqFt:	
New Construction:		Multi/Split Sale:	
Title Company:	ALLIANCE TITLE CO		
Lender:			
Seller Name:	GAGE BENJAMIN & DENISE		
<b>Prior Sale Information</b>			
Prior Rec/Sale Date:	07/07/2005 / 07/01/2005	Prior Lender:	
Prior Sale Price:	\$200,000	Prior 1st Mtg Amt/Type:	/
Prior Doc Number:	1926-492	Prior 1st Mtg Rate/Type:	/
Prior Deed Type:	GRANT DEED		
<b>Property Characteristics</b>			
Year Built / Eff:	/	Total Rooms/Offices	
Gross Area:		Total Restrooms:	
Building Area:		Roof Type:	
Tot Adj Area:		Roof Material:	
Above Grade:		Construction:	
# of Stories:		Foundation:	
Other Improvements:		Exterior wall:	
		Basement Area:	
		Garage Area:	
		Garage Capacity:	
		Parking Spaces:	
		Heat Type:	
		Air Cond:	
		Pool:	
		Quality:	
		Condition:	
<b>Site Information</b>			
Zoning:	NC1	Acres:	0.05
Lot Area:	2,300	Lot Width/Depth:	x 92
Land Use:	COMMERCIAL LOT	Commercial Units:	
Site Influence:		Sewer Type:	
		County Use:	VACANT LOT COMM AND IND (VCI)
		State Use:	
		Water Type:	
		Building Class:	
<b>Tax Information</b>			
Total Value:	\$288,598	Assessed Year:	2017
Land Value:	\$288,598	Improved %:	
Improvement Value:		Tax Year:	2016
Total Taxable Value:	\$288,598	Property Tax:	\$3,652.40
		Tax Area:	1000
		Tax Exemption:	

## Property Detail Report

For Property Located At:  
**504 SAWYER ST V, SAN FRANCISCO, CA 94134**



### Owner Information

Owner Name: **SUNNYDALE PARCEL Q HOUSING PAR**  
 Mailing Address: **18201 VON KARMAN AVE #900, IRVINE CA 92612-1097 C036**  
 Vesting Codes: **//**

### Location Information

Legal Description:		APN:	<b>6356-062</b>
County:	<b>SAN FRANCISCO, CA</b>	Alternate APN:	
Census Tract / Block:	<b>264.04 / 1</b>	Subdivision:	
Township-Range-Sect:		Map Reference:	<b>/</b>
Legal Book/Page:		Tract #:	
Legal Lot:	<b>62</b>	School District:	<b>SAN FRANCISCO</b>
Legal Block:	<b>6356</b>	School District Name:	
Market Area:		Munic/Township:	
Neighbor Code:	<b>10E</b>		

### Owner Transfer Information

Recording/Sale Date:	<b>/</b>	Deed Type:	
Sale Price:		1st Mtg Document #:	
Document #:			

### Last Market Sale Information

Recording/Sale Date:	<b>05/16/2007 / 05/08/2007</b>	1st Mtg Amount/Type:	<b>\$200,000 /</b>
Sale Price:	<b>\$250,000</b>	1st Mtg Int. Rate/Type:	<b>/</b>
Sale Type:	<b>FULL</b>	1st Mtg Document #:	<b>J392-59</b>
Document #:	<b>J392-58</b>	2nd Mtg Amount/Type:	<b>/</b>
Deed Type:	<b>GRANT DEED</b>	2nd Mtg Int. Rate/Type:	<b>/</b>
Transfer Document #:		Price Per SqFt:	
New Construction:		Multi/Split Sale:	
Title Company:	<b>ALLIANCE TITLE CO</b>		
Lender:			
Seller Name:	<b>UMANZOR JOSE R</b>		

### Prior Sale Information

Prior Rec/Sale Date:	<b>12/22/2004 / 12/09/2004</b>	Prior Lender:	
Prior Sale Price:	<b>\$220,000</b>	Prior 1st Mtg Amt/Type:	<b>\$110,000 / PRIVATE PARTY</b>
Prior Doc Number:	<b>1789-16</b>	Prior 1st Mtg Rate/Type:	<b>/ FIX</b>
Prior Deed Type:	<b>GRANT DEED</b>		

### Property Characteristics

Year Built / Eff:	<b>/</b>	Total Rooms/Offices		Garage Area:	
Gross Area:		Total Restrooms:		Garage Capacity:	
Building Area:		Roof Type:		Parking Spaces:	
Tot Adj Area:		Roof Material:		Heat Type:	
Above Grade:		Construction:		Air Cond:	
# of Stories:		Foundation:		Pool:	
Other Improvements:		Exterior wall:		Quality:	
		Basement Area:		Condition:	

### Site Information

Zoning:	<b>NC1</b>	Acres:	<b>0.05</b>	County Use:	<b>VACANT LOT COMM AND IND (VCI)</b>
Lot Area:	<b>2,300</b>	Lot Width/Depth:	<b>x 92</b>	State Use:	
Land Use:	<b>COMMERCIAL LOT</b>	Commercial Units:		Water Type:	
Site Influence:		Sewer Type:		Building Class:	

### Tax Information

Total Value:	<b>\$288,598</b>	Assessed Year:	<b>2017</b>	Property Tax:	<b>\$3,652.40</b>
Land Value:	<b>\$288,598</b>	Improved %:		Tax Area:	<b>1000</b>
Improvement Value:		Tax Year:	<b>2016</b>	Tax Exemption:	
Total Taxable Value:	<b>\$288,598</b>				

## Property Detail Report

For Property Located At :  
**504 SAWYER ST V, SAN FRANCISCO, CA 94134**



CoreLogic  
 RealQuest Professional

### Owner Information

Owner Name: SUNNYDALE PARCEL Q HOUSING PAR  
 Mailing Address: 18201 VON KARMAN AVE #900, IRVINE CA 92612-1097 C036  
 Vesting Codes: //

### Location Information

Legal Description:		APN:	6356-063
County:	SAN FRANCISCO, CA	Alternate APN:	
Census Tract / Block:	264.04 / 1	Subdivision:	
Township-Range-Sect:		Map Reference:	/
Legal Book/Page:		Tract #:	
Legal Lot:	63	School District:	SAN FRANCISCO
Legal Block:	6356	School District Name:	
Market Area:		Munic/Township:	
Neighbor Code:	10E		

### Owner Transfer Information

Recording/Sale Date:	/	Deed Type:	
Sale Price:		1st Mtg Document #:	
Document #:			

### Last Market Sale Information

Recording/Sale Date:	12/19/2016 / 11/28/2016	1st Mtg Amount/Type:	\$5,000,000 / CONV
Sale Price:	\$3,000,000	1st Mtg Int. Rate/Type:	/
Sale Type:	FULL	1st Mtg Document #:	K377175
Document #:	K377173	2nd Mtg Amount/Type:	/
Deed Type:	CORPORATION GRANT DEED	2nd Mtg Int. Rate/Type:	/
Transfer Document #:		Price Per SqFt:	
New Construction:		Multi/Split Sale:	MULTIPLE
Title Company:	OLD REPUBLIC TITLE		
Lender:	CITY & CNTY/SAN FRANCISCO		
Seller Name:	KISHEK FAMILY TRUST		

### Prior Sale Information

Prior Rec/Sale Date:	05/16/2007 / 05/08/2007	Prior Lender:	
Prior Sale Price:	\$250,000	Prior 1st Mtg Amt/Type:	\$200,000 /
Prior Doc Number:	J392-60	Prior 1st Mtg Rate/Type:	/
Prior Deed Type:	GRANT DEED		

### Property Characteristics

Year Built / Eff:	/	Total Rooms/Offices		Garage Area:	
Gross Area:		Total Restrooms:		Garage Capacity:	
Building Area:		Roof Type:		Parking Spaces:	
Tot Adj Area:		Roof Material:		Heat Type:	
Above Grade:		Construction:		Air Cond:	
# of Stories:		Foundation:		Pool:	
Other Improvements:		Exterior wall:		Quality:	
		Basement Area:		Condition:	

### Site Information

Zoning:	NC1	Acres:	0.05	County Use:	VACANT LOT COMM AND IND (VCI)
Lot Area:	2,300	Lot Width/Depth:	x 92	State Use:	
Land Use:	COMMERCIAL LOT	Commercial Units:		Water Type:	
Site Influence:		Sewer Type:		Building Class:	

### Tax Information

Total Value:	\$288,598	Assessed Year:	2017	Property Tax:	\$3,652.40
Land Value:	\$288,598	Improved %:		Tax Area:	1000
Improvement Value:		Tax Year:	2016	Tax Exemption:	
Total Taxable Value:	\$288,598				

# Property Detail Report

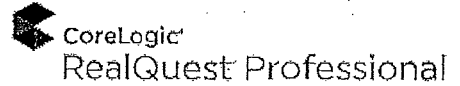
For Property Located At :  
**504 SAWYER ST V, SAN FRANCISCO, CA 94134**



<b>Owner Information</b>			
Owner Name:	SUNNYDALE PARCEL Q HOUSING PAR		
Mailing Address:	18201 VON KARMAN AVE #900, IRVINE CA 92612-1097 C036		
Vesting Codes:	//		
<b>Location Information</b>			
Legal Description:			
County:	SAN FRANCISCO, CA	APN:	6356-064
Census Tract / Block:	264.04 / 1	Alternate APN:	
Township-Range-Sect:		Subdivision:	
Legal Book/Page:		Map Reference:	/
Legal Lot:	64	Tract #:	
Legal Block:	6356	School District:	SAN FRANCISCO
Market Area:		School District Name:	
Neighbor Code:	10E	Munic/Township:	
<b>Owner Transfer Information</b>			
Recording/Sale Date:	/	Deed Type:	
Sale Price:		1st Mtg Document #:	
Document #:			
<b>Last Market Sale Information</b>			
Recording/Sale Date:	05/16/2007 / 05/08/2007	1st Mtg Amount/Type:	/
Sale Price:	\$250,000	1st Mtg Int. Rate/Type:	/
Sale Type:	FULL	1st Mtg Document #:	/
Document #:	J392-62	2nd Mtg Amount/Type:	/
Deed Type:	GRANT DEED	2nd Mtg Int. Rate/Type:	/
Transfer Document #:		Price Per SqFt:	
New Construction:		Multi/Split Sale:	
Title Company:	ALLIANCE TITLE CO		
Lender:			
Seller Name:	GAGE BENJAMIN & DENISE		
<b>Prior Sale Information</b>			
Prior Rec/Sale Date:	07/07/2005 / 07/01/2005	Prior Lender:	
Prior Sale Price:	\$200,000	Prior 1st Mtg Amt/Type:	/
Prior Doc Number:	1926-493	Prior 1st Mtg Rate/Type:	/
Prior Deed Type:	GRANT DEED		
<b>Property Characteristics</b>			
Year Built / Eff:	/	Total Rooms/Offices	
Gross Area:		Total Restrooms:	
Building Area:		Roof Type:	
Tot Adj Area:		Roof Material:	
Above Grade:		Construction:	
# of Stories:		Foundation:	
Other Improvements:		Exterior wall:	
		Basement Area:	
		Garage Area:	
		Garage Capacity:	
		Parking Spaces:	
		Heat Type:	
		Air Cond:	
		Pool:	
		Quality:	
		Condition:	
<b>Site Information</b>			
Zoning:	NC1	Acres:	0.05
Lot Area:	2,300	Lot Width/Depth:	x 92
Land Use:	COMMERCIAL LOT	Commercial Units:	
Site Influence:		Sewer Type:	
		County Use:	VACANT LOT COMM AND IND (VCI)
		State Use:	
		Water Type:	
		Building Class:	
<b>Tax Information</b>			
Total Value:	\$288,598	Assessed Year:	2017
Land Value:	\$288,598	Improved %:	
Improvement Value:		Tax Year:	2016
Total Taxable Value:	\$288,598	Property Tax:	\$3,652.40
		Tax Area:	1000
		Tax Exemption:	

# Property Detail Report

For Property Located At:  
**1437 SUNNYDALE AVE V, SAN FRANCISCO, CA 94134**



<b>Owner Information</b>			
Owner Name:	SUNNYDALE PARCEL Q HOUSING PAR		
Mailing Address:	18201 VON KARMAN AVE #900, IRVINE CA 92612-1097 C036		
Vesting Codes:	//		
<b>Location Information</b>			
Legal Description:			
County:	SAN FRANCISCO, CA	APN:	6356-065
Census Tract / Block:	264.04 / 1	Alternate APN:	
Township-Range-Sect:		Subdivision:	
Legal Book/Page:		Map Reference:	/
Legal Lot:	65	Tract #:	
Legal Block:	6356	School District:	SAN FRANCISCO
Market Area:		School District Name:	
Neighbor Code:	10E	Munic/Township:	
<b>Owner Transfer Information</b>			
Recording/Sale Date:	/	Deed Type:	
Sale Price:		1st Mtg Document #:	
Document #:			
<b>Last Market Sale Information</b>			
Recording/Sale Date:	05/16/2007 / 05/08/2007	1st Mtg Amount/Type:	/
Sale Price:	\$250,000	1st Mtg Int. Rate/Type:	/
Sale Type:	FULL	1st Mtg Document #:	
Document #:	J392-63	2nd Mtg Amount/Type:	/
Deed Type:	GRANT DEED	2nd Mtg Int. Rate/Type:	/
Transfer Document #:		Price Per SqFt:	
New Construction:		Multi/Split Sale:	
Title Company:	ALLIANCE TITLE CO		
Lender:			
Seller Name:	GAGE BENJAMIN & DENISE		
<b>Prior Sale Information</b>			
Prior Rec/Sale Date:	03/31/2006 / 03/29/2006	Prior Lender:	
Prior Sale Price:	\$345,000	Prior 1st Mtg Amt/Type:	/
Prior Doc Number:	J109-630	Prior 1st Mtg Rate/Type:	/
Prior Deed Type:	GRANT DEED		
<b>Property Characteristics</b>			
Year Built / Eff:	/	Total Rooms/Offices	
Gross Area:		Total Restrooms:	
Building Area:		Roof Type:	
Tot Adj Area:		Roof Material:	
Above Grade:		Construction:	
# of Stories:		Foundation:	
Other Improvements:		Exterior wall:	
		Basement Area:	
		Garage Area:	
		Garage Capacity:	
		Parking Spaces:	
		Heat Type:	
		Air Cond:	
		Pool:	
		Quality:	
		Condition:	
<b>Site Information</b>			
Zoning:	NC1	Acres:	0.06
Lot Area:	2,468	Lot Width/Depth:	x
Land Use:	COMMERCIAL LOT	Commercial Units:	
Site Influence:		Sewer Type:	
		County Use:	VACANT LOT COMM AND IND (VCI)
		State Use:	
		Water Type:	
		Building Class:	
<b>Tax Information</b>			
Total Value:	\$288,598	Assessed Year:	2017
Land Value:	\$288,598	Improved %:	
Improvement Value:		Tax Year:	2016
Total Taxable Value:	\$288,598	Property Tax:	\$3,652.40
		Tax Area:	1000
		Tax Exemption:	



# Property Detail Report

For Property Located At :  
 209 HAHN ST V, SAN FRANCISCO, CA 94134



<b>Owner Information</b>			
Owner Name:	SUNNYDALE PARCEL Q HOUSING PAR		
Mailing Address:	18201 VON KARMAN AVE #900, IRVINE CA 92612-1097 C036		
Vesting Codes:	//		
<b>Location Information</b>			
Legal Description:			
County:	SAN FRANCISCO, CA	APN:	6356-066
Census Tract / Block:	264.04 / 1	Alternate APN:	
Township-Range-Sect:		Subdivision:	
Legal Book/Page:		Map Reference:	/
Legal Lot:	66	Tract #:	
Legal Block:	6356	School District:	SAN FRANCISCO
Market Area:		School District Name:	
Neighbor Code:	10E	Munic/Township:	
<b>Owner Transfer Information</b>			
Recording/Sale Date:	/	Deed Type:	
Sale Price:		1st Mtg Document #:	
Document #:			
<b>Last Market Sale Information</b>			
Recording/Sale Date:	10/30/2007 / 10/23/2007	1st Mtg Amount/Type:	/
Sale Price:	\$260,000	1st Mtg Int. Rate/Type:	/
Sale Type:	FULL	1st Mtg Document #:	
Document #:	J507-56	2nd Mtg Amount/Type:	/
Deed Type:	GRANT DEED	2nd Mtg Int. Rate/Type:	/
Transfer Document #:		Price Per SqFt:	
New Construction:		Multi/Split Sale:	
Title Company:	ALLIANCE TITLE CO		
Lender:			
Seller Name:	UMANZOR JOSE R		
<b>Prior Sale Information</b>			
Prior Rec/Sale Date:	03/30/2004 / 03/26/2004	Prior Lender:	PRIVATE INDIVIDUAL
Prior Sale Price:	\$700,000	Prior 1st Mtg Amt/Type:	\$255,000 / PRIVATE PARTY
Prior Doc Number:	1605-46	Prior 1st Mtg Rate/Type:	/ FIX
Prior Deed Type:	GRANT DEED		
<b>Property Characteristics</b>			
Year Built / Eff:	/	Total Rooms/Offices	
Gross Area:		Total Restrooms:	
Building Area:		Roof Type:	
Tot Adj Area:		Roof Material:	
Above Grade:		Construction:	
# of Stories:		Foundation:	
Other Improvements:		Exterior wall:	
		Basement Area:	
		Garage Area:	
		Garage Capacity:	
		Parking Spaces:	
		Heat Type:	
		Air Cond:	
		Pool:	
		Quality:	
		Condition:	
<b>Site Information</b>			
Zoning:	NC1	Acres:	0.07
Lot Area:	3,059	Lot Width/Depth:	x 33
Land Use:	COMMERCIAL LOT	Commercial Units:	
Site Influence:		Sewer Type:	
		County Use:	VACANT LOT COMM AND IND (VCI)
		State Use:	
		Water Type:	
		Building Class:	
<b>Tax Information</b>			
Total Value:	\$294,258	Assessed Year:	2017
Land Value:	\$294,258	Improved %:	
Improvement Value:		Tax Year:	2016
Total Taxable Value:	\$294,258	Property Tax:	\$3,717.84
		Tax Area:	1000
		Tax Exemption:	

## Property Detail Report

For Property Located At:  
**217 HAHN ST V, SAN FRANCISCO, CA 94134**



CoreLogic  
 RealQuest Professional

### Owner Information

Owner Name: SUNNYDALE PARCEL Q HOUSING PAR  
 Mailing Address: 18201 VON KARMAN AVE #900, IRVINE CA 92612-1097 C036  
 Vesting Codes: //

### Location Information

Legal Description:	SAN FRANCISCO, CA	APN:	6356-067
County:	264.04 / 1	Alternate APN:	
Census Tract / Block:		Subdivision:	
Township-Range-Sect:		Map Reference:	/
Legal Book/Page:		Tract #:	
Legal Lot:	67	School District:	SAN FRANCISCO
Legal Block:	6356	School District Name:	
Market Area:		Munic/Township:	
Neighbor Code:	10E		

### Owner Transfer Information

Recording/Sale Date:	/	Deed Type:	
Sale Price:		1st Mtg Document #:	
Document #:			

### Last Market Sale Information

Recording/Sale Date:	10/30/2007 / 10/23/2007	1st Mtg Amount/Type:	/
Sale Price:	\$260,000	1st Mtg Int. Rate/Type:	/
Sale Type:	FULL	1st Mtg Document #:	
Document #:	J507-58	2nd Mtg Amount/Type:	/
Deed Type:	GRANT DEED	2nd Mtg Int. Rate/Type:	/
Transfer Document #:		Price Per SqFt:	
New Construction:		Multi/Split Sale:	
Title Company:	ALLIANCE TITLE CO		
Lender:			
Seller Name:	UMANZOR JOSE R		

### Prior Sale Information

Prior Rec/Sale Date:	03/30/2004 / 03/26/2004	Prior Lender:	PRIVATE INDIVIDUAL
Prior Sale Price:	\$700,000	Prior 1st Mtg Amt/Type:	\$255,000 / PRIVATE PARTY
Prior Doc Number:	1605-46	Prior 1st Mtg Rate/Type:	/ FIX
Prior Deed Type:	GRANT DEED		

### Property Characteristics

Year Built / Eff:	/	Total Rooms/Offices:		Garage Area:	
Gross Area:		Total Restrooms:		Garage Capacity:	
Building Area:		Roof Type:		Parking Spaces:	
Tot Adj Area:		Roof Material:		Heat Type:	
Above Grade:		Construction:		Air Cond:	
# of Stories:		Foundation:		Pool:	
Other Improvements:		Exterior wall:		Quality:	
		Basement Area:		Condition:	

### Site Information

Zoning:	NC1	Acres:	0.07	County Use:	VACANT LOT COMM AND IND (VCI)
Lot Area:	3,059	Lot Width/Depth:	x 33	State Use:	
Land Use:	COMMERCIAL LOT	Commercial Units:		Water Type:	
Site Influence:		Sewer Type:		Building Class:	

### Tax Information

Total Value:	\$294,258	Assessed Year:	2017	Property Tax:	\$3,717.84
Land Value:	\$294,258	Improved %:		Tax Area:	1000
Improvement Value:		Tax Year:	2016	Tax Exemption:	
Total Taxable Value:	\$294,258				

# Property Detail Report

For Property Located At :  
**221 HAHN ST V, SAN FRANCISCO, CA 94134**



<b>Owner Information</b>			
Owner Name:	SUNNYDALÉ PARCEL Q HOUSING PAR		
Mailing Address:	18201 VON KARMAN AVE #900, IRVINE CA 92612-1097 C036		
Vesting Codes:	//		
<b>Location Information</b>			
Legal Description:			
County:	SAN FRANCISCO, CA	APN:	6356-068
Census Tract / Block:	264.04 / 1	Alternate APN:	
Township-Range-Sect:		Subdivision:	
Legal Book/Page:		Map Reference:	/
Legal Lot:	68	Tract #:	
Legal Block:	6356	School District:	SAN FRANCISCO
Market Area:		School District Name:	
Neighbor Code:	10E	Munic/Township:	
<b>Owner Transfer Information</b>			
Recording/Sale Date:	10/30/2007 / 10/23/2007	Deed Type:	GRANT DEED
Sale Price:	\$260,000	1st Mtg Document #:	J507-61
Document #:	J507-60		
<b>Last Market Sale Information</b>			
Recording/Sale Date:	03/30/2004 / 03/26/2004	1st Mtg Amount/Type:	\$255,000 / PRIVATE PARTY
Sale Price:	\$700,000	1st Mtg Int. Rate/Type:	/ FIXED
Sale Type:	UNKNOWN	1st Mtg Document #:	I605-47
Document #:	I605-46	2nd Mtg Amount/Type:	/
Deed Type:	GRANT DEED	2nd Mtg Int. Rate/Type:	/
Transfer Document #:		Price Per SqFt:	
New Construction:	Y	Multi/Split Sale:	MULTI
Title Company:	FIRST AMERICAN TITLE		
Lender:	PRIVATE INDIVIDUAL		
Seller Name:	RLL LLC		
<b>Prior Sale Information</b>			
Prior Rec/Sale Date:	/	Prior Lender:	
Prior Sale Price:		Prior 1st Mtg Amt/Type:	/
Prior Doc Number:		Prior 1st Mtg Rate/Type:	/
Prior Deed Type:			
<b>Property Characteristics</b>			
Year Built / Eff:	/	Total Rooms/Offices	
Gross Area:		Total Restrooms:	
Building Area:		Roof Type:	
Tot Adj Area:		Roof Material:	
Above Grade:		Construction:	
# of Stories:		Foundation:	
Other Improvements:		Exterior wall:	
		Basement Area:	
		Garage Area:	
		Garage Capacity:	
		Parking Spaces:	
		Heat Type:	
		Air Cond:	
		Pool:	
		Quality:	
		Condition:	
<b>Site Information</b>			
Zoning:	NC1	Acres:	0.07
Lot Area:	3,059	Lot Width/Depth:	x 33
Land Use:	COMMERCIAL LOT	Commercial Units:	
Site Influence:		Sewer Type:	
		County Use:	VACANT LOT COMM AND IND (VCI)
		State Use:	
		Water Type:	
		Building Class:	
<b>Tax Information</b>			
Total Value:	\$294,258	Assessed Year:	2017
Land Value:	\$294,258	Improved %:	
Improvement Value:		Tax Year:	2016
Total Taxable Value:	\$294,258	Property Tax:	\$3,717.84
		Tax Area:	1000
		Tax Exemption:	

# Valuation Glossary

Valuation & Advisory Services



## CONTACT DETAILS

DIR +1 206 695 4200  
FAX +1 206 682 7938

Colliers International  
601 Union Street  
Suite 4800  
Seattle, WA 98101

[www.colliers.com](http://www.colliers.com)

These definitions were extracted from the following sources or publications:

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

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

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

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

### **Absolute Net Lease**

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

### **Ad Valorem Tax**

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

### **Aggregate of Retail Values (ARV)**

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

### **Arm's-length Transaction**

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

### **As-Is Market Value**

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

### **Assessed Value**

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

### **Average Daily Room Rate (ADR)**

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

### **Band of Investment**

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

### **Cash-Equivalent Price**

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

### **Common Area**

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



# Valuation Glossary

Valuation & Advisory Services

## CONTACT DETAILS

DIR +1 206 695 4200  
FAX +1 206 682 7938

Colliers International  
601 Union Street  
Suite 4800  
Seattle, WA 98101

[www.colliers.com](http://www.colliers.com)

## Contract Rent

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

## Cost Approach

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

## Curable Functional Obsolescence

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

## Debt Coverage Ratio (DCR)

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

## Deferred Maintenance

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

## Depreciation

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

## Direct Costs

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

## Discounted Cash Flow (DCF) Analysis

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

## Discount Rate

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

## Disposition Value

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

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

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

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

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

### Easement

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

### Economic Life

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

### Effective Age

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

### Effective Date

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

### Effective Gross Income (EGI)

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

### Effective Gross Income Multiplier (EGIM)

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

### Effective Rent

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

### Eminent Domain

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

### Entrepreneurial Incentive

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

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## Entrepreneurial Profit

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

## Excess Land

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

## Excess Rent

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

## Expense Stop

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

## Exposure Time

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

## External Obsolescence

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

## Extraordinary Assumption

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

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

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## Fair Market Value

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

## Feasibility Analysis

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

## Fee Simple Estate

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

## Floor Area Ratio (FAR)

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

## Functional Obsolescence

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

## Functional Utility

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

## Furniture, Fixtures, and Equipment (FF&E)

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

## Going-concern Value

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

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

## Gross Building Area (GBA)

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

## Gross Leasable Area (GLA) - Commercial

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



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## Gross Living Area (GLA) - Residential

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

## Highest & Best Use

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

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

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

## Highest and Best Use of Property as Improved

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

## Hypothetical Condition

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

## Income Capitalization Approach

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

## Incurable Functional Obsolescence

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

## Indirect Costs

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

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## Insurable Value

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

## Liquidation Value

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

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

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

## Interim Use

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

## Leased Fee Interest

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

## Leasehold Interest

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

## Legally Nonconforming Use

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

## Market Study

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

## Marketability Study

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

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## Market Analysis

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

## Market Area

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

## Market Rent

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

## Market Value

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

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

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

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

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

## Net Operating Income (NOI)

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

## Obsolescence

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

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### Off-site Costs

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

### On-site Costs

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

### Overage Rent

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

### Overall Capitalization Rate (OAR)

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

### Potential Gross Income (PGI)

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

### Potential Gross Income Multiplier (PGIM)

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

### Present Value (PV)

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

### Parking Ratio

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

### Prospective Opinion of Value

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

### Qualitative Analysis

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

### Quantitative Adjustment

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

### Rentable Area

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

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## Replacement Cost

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

## Reproduction Cost

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

## Retrospective Value Opinion

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

## Sales Comparison Approach

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

## Scope of Work

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

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

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

## Shopping Center Types

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

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

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

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## Shopping Center Types (cont.)

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

## Superadequacy

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

## Surplus Land

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

## Tenant Improvements (TIs)

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

## Triple Net Lease

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

## Usable Area

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

## Useful Life

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

## Vacancy and Collection Loss

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

## Yield Capitalization

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



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John Larson joined Colliers International Valuation & Advisory Services in 1999. John has combined his broad interests and experience into a thriving commercial appraisal practice, having appraised a variety of property types including multifamily apartments and condominiums, offices, retail buildings, residential subdivisions, senior care facilities, vacant land, industrial buildings and special use properties.

While John's appraisal interests are wide-ranging he has developed a special skill set involving multifamily appraisals, particularly affordable multifamily work such as LIHTC (tax credit) appraisals and market studies, HUD rent surveys and HUD MAP (Multifamily Accelerated Processing) appraisals and market studies. John has been officially approved for HUD MAP assignments through the San Francisco Office of HUD. John now oversees a group of appraiser associates. His affordable multifamily group is capable of completing large portfolio appraisal assignments in addition to smaller fee assignments.

John was born and raised in Salt Lake City, Utah. After graduating from high school he attended Brigham Young University and the University of Utah, where he studied political science and Spanish, graduating with a BA in 1987.

After college, John attended Creighton University School of Law where he graduated with a Juris Doctor degree in 1990.

### EXPERIENCE

Senior Valuation Services Director, Colliers International Valuation & Advisory Services

Loan Servicing, Prudential Federal Savings and Loan, Salt Lake City, Utah

### PROFESSIONAL MEMBERSHIPS AND ACCREDITATIONS

Designated Member of the Appraisal Institute

Committee Chair - 2015 Mid-Year Meeting Committee, Northern California Chapter of the Appraisal Institute

Approved for HUD Multifamily Accelerating Processing (MAP) Appraisals

### APPRAISAL INSTITUTE COURSES

Course 110 Appraisal Principles

Course 120 Appraisal Procedures

Course 410/420 Uniform Standards of Professional Appraisal Practice

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Advanced Report Writing

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Advanced Sales & Costs

Advanced Income

### APPRAISAL INSTITUTE SEMINARS

Appraisal of Affordable Multifamily Apartments

The Valuation of Bank Branches



Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
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**John E. Larson**

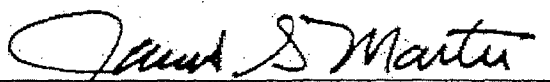
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 039174

Effective Date: December 28, 2015  
Date Expires: December 27, 2017

  
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Jim Martin, Bureau Chief, BREA

3024368





# Colliers International

## Valuation & Advisory Services

### Services Offered

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- Portfolio Valuation
- Institutional Asset Valuation
- Loan Pool Valuation
- Appraisal Review
- Appraisal Management
- Lease and Cost Analysis
- Insurance Valuation
- Arbitration & Consulting
- Feasibility Studies
- Investment Analysis
- Highest and Best Use Studies
- Tax Appeals
- Litigation Support
- Segregated-Cost Analysis

### Experience That Counts

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- Health Care
- Subdivisions
- Embassies & Consulates
- GSA Properties
- Special Use Properties
- Telecommunications

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

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

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

### PROFESSIONALS

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

### TECHNOLOGY

Our unmatched report creation technology speeds appraisals through the pipeline. This secure, centralized production system generates a wide range of reports and high volume portfolio orders without delays.

### INFORMATION

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

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Mayor's Office of Housing and Community Development  
City and County of San Francisco



Edwin M. Lee  
Mayor

Kate Hartley  
Acting Director

November 8, 2017

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

RE: 1296 Shotwell – Ground Lease


Dear Ms. Calvillo:

Attached, please find an original and a black and white copy of the proposed resolution for the Board of Supervisors Ground Lease approval for 1296 Shotwell Senior Housing. The following is a list of accompanying documents:

Ground Lease  
Ethics Form  
Resolution  
Ground Lease  
General Plan Referral  
Appraisal  
Preliminary Title Report

Please contact Sara Amaral, MOHCD Project Manager, regarding this matter at 415-701-5614 or [sara.amaral@sfgov.org](mailto:sara.amaral@sfgov.org)


Regards,

  
Dan Adams  
Deputy Director

OFFICE OF THE MAYOR  
SAN FRANCISCO




EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: ~~For~~ Mayor Edwin M. Lee   
RE: Agreements - Purchase and Sale for Real Estate and Ground Lease -  
\$3,000,000 and \$15,000, respectively – Sunnydale Parcel Q Housing  
Partners, L.P. - 1491 Sunnydale Avenue  
DATE: November 14, 2017

Attached for introduction to the Board of Supervisors is a resolution approving and authorizing (1) the execution and performance of an Agreement of Purchase and Sale of Real Estate in connection with the acquisition of the parcel located at 1491 Sunnydale Avenue Street (Assessor's Parcel Block No. 6356, Lot No. 61-68) ("the Property"), for \$3,000,000 and a long term, 75 years with a 24 year extension option, Ground Lease of the Property for \$15,000 annual base rent, with Sunnydale Parcel Q Housing Partners, L.P., to construct a 100% affordable, 55-unit multifamily rental housing development for low-income households; (2) adopting findings that the conveyance is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and authorizing and directing the execution of any documents necessary to implement this Resolution, as defined herein.

I respectfully request that this item be calendared in Budget & Finance Committee on November 30<sup>th</sup>, 2017.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2017 NOV 14 PM 1:58  
BY 

**FORM SFEC-126:**  
**NOTIFICATION OF CONTRACT APPROVAL**  
(S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>
Name of contractor: Sunnydale Parcel Q Housing Partners, L.P., a California limited partnership
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>
<p>Sunnydale Parcel Q Housing Partners, L.P. consists of three Partners. These Partners are Mercy Transformation LLC (Managing General Partner), Related/Sunnydale Parcel Q Development Co., LLC (Administrative General Partner), and The Nicholas Company, Inc. (Limited Partner). At the time of the construction loan closing, the Limited Partner will be replaced with the selected low income housing tax credit investor. The information requested is provided below.</p> <p><u>Mercy Housing Transformation, LLC, a California limited liability company. The sole member is Mercy Housing Calwest. The Officers of Mercy Housing Calwest are:</u></p> <p>(1) Officers:</p> <ul style="list-style-type: none"> <li>Douglas Shoemaker, President (equivalent to CEO)</li> <li>Jennifer Dolin, Vice President</li> <li>Val Agostino, Vice President</li> <li>Melissa Clayton, Vice President</li> <li>Stephan Daves, Vice President</li> <li>Jane Graf, Vice President</li> <li>Barbara Gualco, Vice President</li> <li>Ed Holder, Vice President</li> <li>Sheela Jivan, Vice President</li> <li>Bruce Saab, Vice President</li> <li>Steve Spears, Vice President</li> <li>Erika Villablanca, Vice President</li> <li>Vince Dodds, Treasurer</li> <li>Joseph Rosenblum, Secretary</li> <li>Amy Bayley, Assistant Secretary</li> </ul> <p>(2) No person has ownership</p> <p><u>Related/Sunnydale Parcel Q Development Co., LLC, a California limited liability company</u></p> <p>1) The LLC does not have a Board of Directors.</p>

<p>2) Officers:</p> <ul style="list-style-type: none"> <li>a. Frank Cardone, President</li> <li>b. William A. Witte, Vice President and Secretary</li> <li>c. Steve Sherman, Treasurer</li> </ul> <p>3) There is no person that has ownership. Ownership is held by The Related Companies of California, LLC (95%) and Related Employees IV, LLC (5%).</p>	
<p>Contractor address:                  Mercy – 1360 Mission Street, San Francisco, CA 94103                  Related/Sunnydale Parcel Q Development Co., LLC - 18201 Von Karman Avenue, Suite 900, Irvine, CA 92612</p>	
<p>Date that contract was approved:</p>	<p>Amount of contract: \$3,000,000</p>
<p>Describe the nature of the contract that was approved:  <b>Purchase and Sale Agreement and Ground Lease for Sunnydale Parcel Q (1477-1497 Sunnydale Avenue) for the development of 55 affordable family units for low-income households and for Sunnydale Public Housing tenants.</b></p>	
<p>Comments:</p>	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form
- a board on which the City elective officer(s) serves

\_\_\_\_\_  
 Print Name of Board

- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

\_\_\_\_\_  
 Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisros@sfgov.org

\_\_\_\_\_  
 Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
 Date Signed

\_\_\_\_\_  
 Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
 Date Signed