

File No. 141154

Committee Item No. _____

Board Item No. 42

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: _____
Board of Supervisors Meeting

Date _____
Date December 9, 2014

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
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| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>OCII Memo - 10/10/2014</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>CCII Resolution No. 91-2014 - November 4, 2014</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Option Agreement First Amendment</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Subordination of Option Agrmt Parcel F</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Subordination of Option Agrmt Parcel O Set of Properties</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Transbay Project Center Area Map</u> |
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Completed by: John Carroll Date December 4, 2014
Completed by: _____ Date _____

1 [Consent to Successor Agency Actions Facilitating Interim Financing - Transbay Transit
2 Center- Transbay Redevelopment Project Area - Amendment to Option Agreement Affecting
3 Affordable Housing Requirement]

4 **Resolution of the Board of Supervisors, acting in its capacity as the legislative body to**
5 **the Successor Agency to the former Redevelopment Agency of the City and County of**
6 **San Francisco, approving actions by the Commission on Community Investment and**
7 **Infrastructure to subordinate property interest in a site designated for affordable**
8 **housing in the Transbay Redevelopment Project Area; and to facilitate interim**
9 **financing by the Transbay Joint Powers Authority for the construction of Transbay**
10 **Transit Center.**

11
12 WHEREAS, State law dissolved redevelopment agencies and designated successor
13 agencies, as separate entities from cities or counties, to assume the remaining obligations of
14 the former redevelopment agencies, California Health and Safety Code, Sections 34170 et
15 seq. (the "Redevelopment Dissolution Law"); and

16 WHEREAS, To implement the Redevelopment Dissolution Law, the Board of
17 Supervisors initially adopted Resolution No. 11-12 (Jan. 26, 2012) and subsequently adopted
18 Ordinance No. 215-12 (Oct. 4, 2012), which established a Successor Agency Commission
19 and delegated to the Successor Agency to the Redevelopment Agency of the City and County
20 of San Francisco (commonly known as the Office of Community Investment and
21 Infrastructure) (the "Successor Agency" or "OCII") the authority, among others, to implement,
22 modify, enforce and complete the surviving redevelopment projects, including certain Major
23 Approved Development Projects, Retained Housing Obligations, and all other enforceable
24 obligations except for actions decreasing property tax revenue for affordable housing and
25

1 material changes to affordable housing obligations, which must be approved by the Board of
2 Supervisors; and

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

14 WHEREAS, Approximately ten (10) acres of land in the Project Area were State-owned
15 land, including the former Transbay Terminal building and its bus access ramps (the "State-
16 Owned Parcels") and, under a 2003 Cooperative Agreement among Caltrans, the Transbay
17 Joint Powers Authority ("TJPA"), and the City and County of San Francisco ("City"), the State-
18 Owned Parcels have been, or will be, transferred to the TJPA or the City, which in turn
19 transfers some of the land to the Successor Agency for disposition and development, and

20 WHEREAS, The Cooperative Agreement requires that the disposition and development
21 of State-owned parcels result in the payment of fair market value and the generation of
22 property tax revenue (other than tax increment for affordable housing) that is pledged to the
23 TJPA for funding of the Transbay Transit Center ("TTC") and reserves to the State a Power of
24 Termination over the transfer of title of the State-owned parcels that it will relinquish upon
25

1 satisfaction of certain conditions, including the deposit of the Gross Sales proceeds into a
2 trust account for the benefit of the TTC; and

3 WHEREAS, The City, TJPA, and the Former Agency entered into the Option
4 Agreement for the Purchase and Sale of Real Property (the "Option Agreement") dated as of
5 January 31, 2008, which granted the Former Agency the exclusive and irrevocable option to
6 take title to certain State-Owned Parcels, including Parcel F (Block No. 3721, Lot No. 015A),
7 and Parcel O (portion of Block No. 3739, Lot No. 008), Parcel O' (portion of Block No. 3739,
8 Lot No. 008), and Parcel O" (portion of Block No. 3739, Lot No. 008) (together the northern
9 portion of Parcels O, O' and O" and generally depicted on Exhibit 4 to the Redevelopment
10 Plan are referred to as "Redevelopment Block 4") and the Successor Agency has assumed
11 the rights and obligations of the Former Agency under the Option Agreement; and

12 WHEREAS, The development of Parcel F and Block 4 will not occur until TJPA is
13 finished using the parcels for the Temporary Terminal (Block 4) in late 2017 and for
14 construction of the Bus Ramp (Parcel F) in late 2016; and

15 WHEREAS, The planned use for Parcel F is primarily office use and the planned use
16 for Block 4 is residential and the current projections for Project Area housing development
17 indicate that Block 4 may have to provide up to 45 percent of its projected capacity of 550
18 units as affordable units (or 248 units) to ensure compliance with the Transbay Affordable
19 Housing Obligation; and

20 WHEREAS, The Option Agreement provides, among other things, that the Successor
21 Agency will determine the value of State-owned parcels based on an appraisal that includes
22 consideration of the Redevelopment Plan restrictions, environmental contamination, if any,
23 legally required affordable housing and other conditions which reasonably affect the fair
24 market value and that this valuation serves as the basis for satisfying the Cooperative
25 Agreement's requirement of Gross Sales Proceeds; and

1 WHEREAS, The TJPA needs interim financing to meet its contract certification and
2 cash flow requirements for the current construction schedule for Phase 1 of the TTC and has
3 negotiated, with Goldman Sachs Bank USA, a Credit Agreement having a four year term for a
4 \$171,000,000 loan (the "TJPA Bridge Financing") that TJPA intends to repay with the
5 proceeds from a federal Transportation Infrastructure Finance and Innovation Act loan (the
6 "TIFIA Loan"), when certain conditions precedent to draw are anticipated to be met in Fiscal
7 Year 2016; and

8 WHEREAS, The terms of the TJPA Bridge Financing require, among other things, that
9 the property tax revenues (exclusive of affordable housing increment) and the sales proceeds
10 for Parcel F and Block 4 provide security for the loan and require OCII to amend the Option
11 Agreement, enter into Subordination Agreements, and take related actions (the "OCII
12 Actions") for the purpose of subordinating OCII's existing option on Parcel F and Block 4 while
13 the TJPA Bridge Financing is outstanding, establishing a Lien Release Price that OCII must
14 receive for Parcel F and Block 4, and requiring deposit of the proceeds from the sale of Parcel
15 F and Block 4 into a "lockbox" until the TJPA Bridge Financing is repaid in full; and

16 WHEREAS, TJPA and OCII have determined that the Lien Release Price is reasonably
17 achievable, after taking into consideration the Redevelopment Plan development restrictions,
18 environmental contamination, legally required affordable housing, and other conditions which
19 reasonably affect the fair market value; and

20 WHEREAS, The Amendment to the Option Agreement, the Subordination Agreements,
21 the Credit Agreement and other related documents provide that nothing in those documents
22 shall be construed as preventing OCII from fulfilling the Transbay Affordable Housing
23 Obligations; and

24 WHEREAS, On November 4, 2014, after holding a duly notice public hearing and
25 consistent with its authority under Redevelopment Dissolution Law and Ordinance 215-12, the

1 Successor Agency Commission conditionally approved, by Resolution No. 91-2014, the OCII
2 Actions, subject to approval by the Board of Supervisors in its capacity as legislative body for
3 the Successor Agency (the "Variation Approval"); OCII Resolution No. 91-2014 is on file with
4 the Clerk of the Board of Supervisors in File No. 141154, and incorporated in this Resolution
5 by reference; and

6 WHEREAS, The Board of Supervisors, in its capacity as the legislative body for the
7 City and a party to the Option Agreement, will consider approving the First Amendment to the
8 Option Agreement; and

9 WHEREAS, The OCII Actions in facilitating the TJPA Bridge Financing will not
10 adversely affect OCII's fulfillment of the Transbay Affordable Housing Obligations; and

11 WHEREAS, Consenting to the OCII Actions is an administrative activity, will not result
12 in direct or indirect physical changes in the environment and thus is not a project as defined
13 by the California Environmental Quality Act ("CEQA"), CEQA Guidelines, Section 15378
14 (b)(4); now, therefore, be it

15 RESOLVED, By this Board of Supervisors of the City and County of San Francisco,
16 acting in its capacity as the legislative body of the Successor Agency, that the OCII Actions
17 are hereby approved.

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MEMORANDUM

TO: Office of Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Conditionally Authorizing the Executive Director to execute a First Amendment to the Transbay Option Agreement for the Purchase and Sale of Real Property and a Subordination Agreement, and to take related actions to facilitate a loan agreement between the Transbay Joint Powers Authority and Goldman Sachs Bank USA that funds the Transbay Terminal construction, subject to the approval of the Board of Supervisors of the City and County of San Francisco, the Oversight Board of the City and County of San Francisco and the California Department of Finance; Transbay Redevelopment Project Area

EXECUTIVE SUMMARY

In 2005, the City approved, the Redevelopment Plan (the "Redevelopment Plan") for the Transbay Redevelopment Project (the "Transbay Project"). The Transbay Project provides for the redevelopment, rehabilitation, and revitalization of the area generally bounded by Mission, Main, Second, and Folsom Streets in downtown San Francisco, and containing approximately forty (40) acres of land (the "Project Area") in the City's financial district, including the new Transbay Transit Center ("TTC") and 10 acres of publicly owned property most of which was formerly owned by the State. The Transbay Joint Powers Authority ("TJPA") is responsible for planning, constructing and eventually operating the new TTC. Two of the primary goals of the Redevelopment Plan for the Project Area are (i) funding (from sales proceeds, non-housing tax increment, and other sources) the construction of the new, multi-modal TTC on the site of the former terminal and construct the DTX; and (ii) developing a new, transit-oriented neighborhood on approximately 10 acres of publicly owned property, most of which was formerly owned by the State, including more than 3,400 new residential units of which 1,200 units will be affordable and 3.0 million square feet of new commercial space as well as new parks, plazas, streetscapes, and related improvements.

In 2008, the Redevelopment Agency of the City and County of San Francisco ("Former Agency") entered into an Option Agreement for the Purchase and Sale of Real Property with the City and County of San Francisco ("City") and the TJPA (the "Option Agreement") whereby the City and TJPA granted to the Former Agency the exclusive and irrevocable option to purchase certain former State-owned parcels for disposition and development by third parties. As a condition of granting the option, the Former Agency pledged to provide TJPA the gross sales proceeds from the parcels for deposit into the trust account at closing of the purchase-sale, and the non-housing net tax increment generated by the parcels over time. The Option Agreement also required the Former Agency to perform all of its obligations under the Transbay Redevelopment Project Implementation Agreement (2006), which required, among other things, completion of public infrastructure and affordable housing obligations.

In January 2010, TJPA entered into a \$171.0 million loan under the Transportation Infrastructure Finance and Innovation Act (the "TIFIA Loan") to fund a portion of the costs. The TJPA has not yet satisfied all of the disbursement conditions under the TIFIA Loan. As a result, TJPA cannot currently requisition proceeds under the TIFIA Loan. TJPA expects to satisfy all of the disbursement conditions and draw on the TIFIA Loan in late 2015, although the schedule is subject to change. TJPA intends to repay the TIFIA Loan with: 1) net tax increment that is not committed for affordable housing and that is generated by certain State-owned parcels in the Project Area; 2) future contributions from Alameda-Contra Costa Transit District ("AC Transit") related to use of the new TTC; and 3) income derived from certain permitted investments of 1) and 2) (together "Pledged Revenues").

To meet certain funding requirements in contracts and cash flow requirements in accordance with its current construction schedule for Phase 1 of the TTC in Fiscal Year 2015 and 2016, the TJPA must secure interim financing (the "Bridge Financing"). Phase 1 of the TTC includes construction of the new five-story multi-modal transit center. TJPA conducted a competitive procurement process and has been working with Goldman Sachs to negotiate a Credit Agreement and related documents to secure a direct loan to cover the immediate funding needs of the TJPA. The Bridge Financing will take the form of a direct loan in the amount of \$171 million. The Bridge Financing will have a 4-year term, with lump sum repayment in full at maturity, and prepayment, in part or in full, at the option of TJPA at any point during the term that is at least one year after closing of the Bridge Financing. TJPA intends and is required by the terms of the Bridge Financing to repay the Bridge Financing in full with proceeds of the TIFIA Loan.

In addition to the security of Pledged Revenues and because the net tax increment portion of the Pledged Revenues is not yet mature, Goldman Sachs requires additional security as further protection in the unlikely event that TJPA is unable to draw down on the TIFIA Loan to repay the Bridge Financing in full within the four year term. This additional security includes: 1) a deed of trust on Parcel F (a site proposed for primarily commercial office development) that is expected to be reconveyed when the Bridge Financing is redeemed, unless the parcel is sold prior to that point in which case the proceeds of such sale would be deposited into a lockbox as collateral until the Bridge Financing is repaid in full; and 2) a recordable negative covenant on Parcels O, O', and O'' (three parcels that will be subdivided into three developable rectangular blocks: Block 4, a mixed-income residential development; Block 3 a public open space; and Block 2 an affordable residential development), specifying if Block 4 portion of the parcels is sold before the Bridge Financing is redeemed, TJPA will deposit the proceeds from the sale into the lockbox as collateral until the Bridge Financing is repaid in full. The map included as **Attachment 1** shows the location of the real estate collateral. This additional security requires an amendment to the Option Agreement and a Subordination Agreement related to Parcel F and Parcels O, O', and O'' while the Bridge Financing is outstanding.

Under Redevelopment Dissolution Law, the Option Agreement is an "enforceable obligation" that the Office of Community Investment and Infrastructure, as the Successor Agency to the Former Agency ("OCII") has assumed and is required to implement. Any amendment to the Option Agreement requires the review and approval of the Oversight Board and the California Department of Finance to determine if the modification is "in the best interests of the taxing entities." i.e. the City, School District, Community College, and BART. Cal. Health & Safety

Code § 34181 (f). In addition, the Board of Supervisors, acting as the legislative body for the Successor Agency, must approve the amendment to the Option Agreement because it retained the authority to review material changes to OCII's obligations to provide affordable housing, Ordinance No. 215-12 (Oct. 4, 2012).

Under the proposed Option Agreement Amendment, OCII would retain the right to exercise its option even while the Bridge Financing is outstanding so long as the lien release amount is deposited into a lockbox as collateral until the loan is repaid in full. Authorizing the subordinations requires an amendment to the Option Agreement, which is included as **Attachment 2**. The subordinations will be released when the Bridge Loan is repaid. The subordination will specify that any party (or its successor) that acquires Block 4 through any Bridge Loan deed of trust is subject to the Block 4 affordable housing requirement required by OCII to meet the overall affordable housing percentage mandated for the Transbay Redevelopment Plan Area.

Staff recommends conditionally authorizing the Executive Director to execute a First Amendment to the Option Agreement for the Purchase and Sale of Real Property to subordinate its interest in Transbay Parcel F and Block 4 (portions of Parcels O, O', and O''), subject to the approval of the Board of Supervisors of the City and County of San Francisco, the Oversight Board of the City and County of San Francisco and the California Department of Finance.

BACKGROUND

In 2005, the City approved, by Ordinance No. 124-05, the Redevelopment Plan for the Transbay Redevelopment Project. The Redevelopment Project provides for the redevelopment, rehabilitation, and revitalization of the area generally bounded by Mission, Main, Second, and Folsom Streets in downtown San Francisco, and containing approximately forty (40) acres of land in the City's financial district, including the new Transbay Transit Center and 10 acres of publicly owned property most of which was formerly owned by the State. The TJPA is responsible for planning, constructing and eventually operating the new TTC. Two of the primary goals of the Redevelopment Plan for the Project Area are (i) funding (from sales proceeds, tax increment, and other sources) the construction of the new, multi-modal TTC on the site of the former terminal and construct the DTX; and (ii) developing a new, transit-oriented neighborhood on approximately 10 acres of publicly owned property, most of which was formerly owned by the State, including more than 3,400 new residential units of which 1,200 units will be affordable and 3.0 million square feet of new commercial space as well as new parks, plazas, streetscapes, and related improvements.

Transbay Enforceable Obligations and Ancillary Agreements

The State, acting by and through its Department of Transportation ("Caltrans"), the City, and the TJPA entered into that certain Cooperative Agreement, dated as of July 11, 2003 (the "Cooperative Agreement"), pursuant to which the State has or will transfer the State-Owned Parcels to the City and the TJPA subject to certain terms and conditions. Consistent with and in furtherance of the Cooperative Agreement, the Redevelopment Plan, and the Redevelopment Project, the City, TJPA, and the former Redevelopment Agency of the City and County of San Francisco ("Former Agency") entered into that certain Transbay Development Project Tax

Increment and Sales Pledge Agreement (the "Pledge Agreement"), dated as of January 31, 2008, pursuant to which the parties provided for the irrevocable pledge of certain non-housing tax increment generated from the former State-owned parcels, as defined in the Pledge Agreement, to TJPA for construction and design of the Transbay Terminal Project. Also in furtherance of the Redevelopment Plan and Redevelopment Project, the TJPA and the Former Agency entered into that certain Implementation Agreement, dated as of January 20, 2005 (the "Implementation Agreement"), which requires, among other things, the Former Agency to prepare and sell the Agency Transfer Parcels to third parties, provide the TJPA with the Gross Sales Proceeds to help pay for the cost of constructing the Transbay Terminal Project, and execute all activities related to the implementation of the Redevelopment Plan, including the Transbay Affordable Housing Obligation.

On January 31, 2008, the City, TJPA, and the Former Agency entered into the Option Agreement for the Purchase and Sale of Real Property ("Option Agreement"). The Option Agreement implemented the Former Agency's obligations under various agreements and state law related to the development and funding of the Transbay Terminal Project, public infrastructure and affordable housing; it also granted the Former Agency the option to take title to certain currently or formerly State-owned parcels (the "Agency Transfer Parcels"), subject to certain limitations.

Under Assembly Bill No. 812 (Chapter 99, Statutes of 2003, codified at California Public Resources Code section 5027.1) ("AB 812"), any redevelopment plan adopted to finance, in whole or in part, the demolition of the Transbay Terminal building and the construction of a new terminal, including its associated vehicle ramps, shall ensure that at least 35 percent of all dwelling units developed within the project area shall be available at an affordable housing cost to low- and moderate-income households. Specifically, 25 percent of all dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60 percent of the area median income, and at least an additional 10 percent of all dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120 percent of the area median income (the "Transbay Affordable Housing Obligation"). The Redevelopment Plan provided for the financing of the Transbay Terminal Project and thus triggered the Transbay Affordable Housing Obligation, which is explicitly incorporated into Section 4.9.2 of the Redevelopment Plan and into binding agreements.

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

To implement the Transbay Affordable Housing Obligation and other objectives for the Project Area, the Redevelopment Plan provides, among other things, that "[s]ubject to the terms of owner participation agreements [with the Agency], owners shall be required to provide for infrastructure, affordable housing and open space in conjunction with the development of improvements in the Project Area" (Section 4.2.5); "all real property sold, leased or conveyed by the Agency, as well as all property subject to owner participation agreements, is subject to the provisions of [the

Redevelopment Plan]" (Section 4.7.3); and "[l]eases, deeds, contracts, agreements and declarations of restrictions of the Agency may contain restrictions, covenants, covenants running with the land, rights of reverter, conditions subsequent, equitable servitudes or any other provision necessary to carry out [the Redevelopment Plan]" (Section 4.7.3). The Former Agency recorded the Transbay Redevelopment Project Area Declaration of Restrictions against all property in the Project Area (the "Declaration of Restrictions").

TJPA demolished the former Transbay Terminal and ramps, and is constructing a modern publicly-owned multimodal terminal on the same site. The TTC is a public benefit and a central part of the Transbay Project. The TTC will help to revitalize the Project Area and stimulate private investment by serving as a center of transit, retail, entertainment, and community facilities for the new transit oriented neighborhood. TJPA's demolition of the former Transbay Terminal building and ramps has provided additional vacant land for development consistent with the Redevelopment Plan and Transbay Project.

Dissolution

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

Under Redevelopment Dissolution Law, the Office of Community Investment and Infrastructure ("OCII") was designated as the successor agency to receive the non-affordable housing assets of the Former Agency, and OCII succeeded, by operation of law, to the Former Agency's rights, title and interest in the Option Agreement, without the necessity for any assignment or other action on the part of any party. On October 2, 2012, the City's Board of Supervisors adopted Ordinance 215-12 (File No. 120898) acknowledging that the OCII is a separate legal entity, creating a commission for OCII (the "Commission") as a policy body of OCII and delegating to the Commission the authority to act in place of the former San Francisco Redevelopment Agency Commission to implement certain projects, but retaining authority to approve material changes in the affordable housing obligations of OCII. As required by Redevelopment Dissolution Law, the City also established the oversight board of OCII (the "Oversight Board").

On April 15, 2013, the California Department of Finance ("DOF") determined finally and conclusively that the Pledge Agreement, the Implementation Agreement, and the Transbay Affordable Housing Obligation are enforceable obligations under Redevelopment Dissolution Law and will not be subject to further DOF review except to determine if future OCII expenditures are consistent with those obligations. Letter, S. Szalay, DOF Local Government Consultant, to T. Bohee, OCII Executive Director (April 15, 2012[sic]) (the "Transbay Final and Conclusive Enforceable Obligations").

California Health and Safety Code Section 34177 provides that OCII, as a successor agency, is required to (1) perform obligations required pursuant to any enforceable obligation, and (2) continue to oversee development of properties until the contracted work has been completed.

The Option Agreement is an obligation that existed prior to June 28, 2011. Under the Option Agreement, Section 2.1, OCII holds an exclusive and irrevocable option to purchase (the "Option") the Agency Transfer Parcels, including, among others, Parcel F (Block 3721, Lot 015A) ("Parcel F") and Parcel O (portion of Block 3739, Lot 008), Parcel O' (portion of Block 3739, Lot 008), and Parcel O" (portion of Block 3739, Lot 008) (together the northern about one-third of Parcels O, O' and O" are referred to as "Block 4"), San Francisco, CA, on the terms and conditions of the Option Agreement. One of the conditions of the Option Agreement prohibits OCII from selling an Agency Transfer Parcel to a third party unless the sales price is equal to or greater than the Baseline Valuation for that Agency Transfer Parcel. Baseline Valuation is the minimum price for an Agency Transfer Parcel and is determined by an appraisal that includes consideration of Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably affect the fair market value (the "Baseline Valuation").

Parcel F and Block 4

The planned uses of Parcel F and Block 4 by third parties must comply with the Development Controls and Design Guidelines for the Transbay Redevelopment Project (the "Development Controls"), which govern private projects in Zone One and require, among other things, the parcelization and assembly of land into blocks and lots that are suitable for development. Under the Redevelopment Project, OCII plans to aggregate and prepare Parcel F for disposition and development as primarily office use, and aggregate and prepare Block 4 for disposition and development as residential use, but these planned uses are subject to change. The current projections of housing units that will be built in the Project Area, assuming Block 4's projected capacity of 550 units, indicate that up to 45 percent of the units on Block 4 (or 248 units), will need to be affordable units to comply with the Transbay Affordable Housing Obligation.

Under the Option Agreement, Section 4.1(a), OCII may first exercise the Option only after the certain conditions have been satisfied, including, relative to Parcels F, O, O', and O", only after such parcels are not being used by TJPA for actual construction or demolition of bus ramps and siting of the temporary terminal facility, which are part of the TTC project. TJPA is currently using Parcel F for actual construction of the new bus ramps and train box, and Parcels O, O', and O" for the temporary terminal facility. TJPA currently expects its use of Parcel F and Parcels O, O', and O" for these purposes will end in late 2016 and late 2017, respectively, although the schedule is subject to change. Thus, TJPA and OCII do not expect that the conditions precedent to OCII's ability to exercise its rights under the Option Agreement will be satisfied until late 2016 and late 2017. OCII's ability to complete its work relative to Parcel F and Block 4 are facilitated by TJPA's timely completion of construction of Phase 1 of the TTC project. The property tax revenues that are expected to flow to the taxing entities upon completion of development of Parcel F and Block 4, as well as the other Agency Transfer Parcels, will be facilitated by TJPA's timely completion of construction of the TTC project.

Bridge Loan

In January 2010, TJPA entered into a \$171.0 million TIFIA Loan to fund a portion of the Transbay Project costs. As of the effective date of this First Amendment, TJPA has not yet satisfied all of the disbursement conditions under the TIFIA Loan. As a result, TJPA cannot

currently requisition proceeds under the TIFIA Loan. The disbursement conditions of the TIFIA Loan include among other things: the requirement that TJPA receive gross land sales proceeds of \$429 million from the State-owned parcels (or allocation of alternative funding acceptable to TIFIA); and evidence that the Project is fully funded. TJPA expects to meet the condition regarding gross land sales proceeds during FY 2016 (late calendar year 2015), following the sale of Transbay Blocks 5, 8, and 9. A key component of meeting the full Project funding condition is bond proceeds associated with the Mello-Roos Community Facilities District ("CFD") currently being formed. The TIFIA Loan recognizes the formation of the CFD and its corresponding authorization to issue bonds as evidence of full funding for Phase 1, even before the bonds themselves are sold. The City anticipates the CFD to be formed in January 2015 after the Board of Supervisors takes its final action.

To obtain interim cash flow funding necessary to certify construction contracts and make construction disbursements for the Transbay Project, pending TJPA's satisfaction of the remaining disbursement conditions under the TIFIA Loan, TJPA intends to close a bridge loan in the amount of up to \$171.0 million (the "Bridge Loan") arranged by Goldman Sachs Bank USA ("Goldman") pursuant to that certain Credit Agreement, among TJPA, as borrower, the lenders party thereto (the "Lenders"), and Goldman, as administrative agent and collateral agent for the Lenders (as amended, restated, supplemented, extended or otherwise modified from time to time and as refinanced, refunded or replaced from time to time, the "Credit Agreement").

As a condition to funding the Bridge Loan under the Credit Agreement, the Lenders require, among other things, the following actions to occur in order to protect and create certain security interests for the Bridge Loan:

1. Amendment to Option Agreement.

Under the Option Agreement and related documents, OCII, as the successor to the Redevelopment Agency, has an option to acquire from the TJPA or the City certain property previously owned by Caltrans, including Parcel F and Parcels O, O', and O". OCII is charged with preparing and selling the properties to third parties, depositing the gross sales proceeds into a trust account (which proceeds are dedicated to help paying for the cost of constructing the TTC project), and executing all activities related to the implementation of the Redevelopment Plan, including the Transbay Affordable Housing Obligation. The Option Agreement recognizes that the gross sales proceeds for the former state-owned parcels are based on consideration of Transbay Redevelopment plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably affect the fair market value. The preservation of this approach to valuation of Parcel O, O', and O"/Block 4, in particular, is important to ensure that OCII is able to fulfill its Transbay Affordable Housing Obligation.

The First Amendment to the Option Agreement expressly permits OCII to subordinate its option and TJPA to offer a first priority interest in Parcel F and Parcels O, O', and O" to the lenders during the term of the Bridge Loan. Further, the Amendment expressly permits OCII to exercise its option as to Parcel F and Block 4 while the Bridge Loan is outstanding provided that, among other things, the gross sales proceeds from OCII's sale of Parcel F or Block 4 are equal to or greater than a lien release price and the proceeds are deposited into a lockbox to secure repayment of the Bridge Loan.

The First Amendment expressly recognizes that in the event of a foreclosure or other sale of Parcel F or Block 4, the purchaser and the property shall continue to be subject to all of the conditions, restrictions and covenants provided in OCII's final and conclusive enforceable obligations and OCII retains the obligation and authority to determine the infrastructure, affordable housing, and open space requirements that apply to any development on the properties.

Because the Option Agreement is one of the master enforceable obligation documents for the Transbay Project, any amendment is subject to the review and approval of the Oversight Board and DOF under Redevelopment Dissolution Law. In addition, because the First Amendment is changing terms related to Block 4, which includes a significant amount of affordable housing, the Board of Supervisors, acting as the Successor Agency, must review and approve the First Amendment since it is a material change to an affordable housing obligation, pursuant to the City Ordinance 215-12. Since the City is also a party to the Option Agreement, the Board of Supervisors will also be approving the First Amendment on behalf of the City.

The Oversight Board will be required to make findings that amendments to enforceable obligations are in the best interests of the taxing entities. Due to the importance of the TTC project to the City and the other taxing entities, staff believes the First Amendment to the Option Agreement is in the taxing entities' best interest as it facilitates the timely completion of construction of Phase 1 of the TTC project, which is a significant public benefit that will help to revitalize the Project Area and stimulate private investment, and is a central part of the Transbay Project.

2. Subordinations of OCII's options in Parcel F and Parcels O, O', and O''

OCII will subordinate its option to acquire Parcel F, and Parcels O, O', and O'' to the Bridge Loan. OCII will retain the right to exercise its option for Parcel F or Block 4 while the Bridge Loan is outstanding provided that, among other things, the gross sales proceeds from OCII's sale of those properties are equal to or greater than a lien release price and the proceeds are deposited into a lockbox to secure repayment of the Bridge Loan. It is anticipated that Parcel F would be offered for sale first since the Temporary Terminal will occupy Block 4 for several years. Should Parcel F be sold for an amount greater than the lien release price, then the lien release price for Block 4 would be commensurately reduced. OCII will still be able to exercise its option to acquire for Block 2 or Block 3 during the Bridge Loan term without paying a lien release price as long as Parcels O, O', and O'' have been subdivided into Blocks 2, 3 and 4. The subordination will specify that any party (or its successor) that acquires Block 4 through any Bridge Loan deed of trust is subject to the Block 4 affordable housing requirement required by OCII to meet the overall affordable housing percentage mandated for the Transbay Redevelopment Plan Area. The subordinations will be released when the Bridge Loan is repaid.

3. Deed of Trust for Parcel F.

The TIPA will mortgage its interest in Parcel F in favor of the Bridge Loan lenders. The TIPA will reserve the subgrade portion of the property that will be occupied by the train box and associated infrastructure from the conveyance. The deed will be reconveyed when the Bridge Loan is repaid.

4. Agreement Not to Encumber for Parcels O, O', and O''

The TJPA will agree not to sell or encumber Parcels O, O', and O'' while the Bridge Loan is outstanding unless, among other things, the gross sales proceeds from any sale of Block 4 are equal to or greater than a lien release price, and the proceeds from any portion of Parcels O, O', and O'' are deposited into a lockbox to secure repayment of the Bridge Loan. If the Bridge Loan is still outstanding 18 months after closing the Bridge Loan, the TJPA will take measures to subdivide the property and convert the agreement not to encumber against Parcels O, O', and O'' into a deed of trust on just Block 4. OCII will retain the right to subdivide Parcels O, O', and O'' into Block 2, 3, and 4, and exercise its option to acquire the Block 2 and 3 without meeting any lien release price. The agreement will be released when the Bridge Loan is repaid or a deed of trust is recorded against Block 4. Blocks 2 or 3 can be acquired by OCII during term of loan for any price and that gross sales proceeds (if any) from Blocks 2 or 3 must be deposited into Lockbox Account as security for loan repayment.

5. Caltrans' Release of its Power of Termination.

The Cooperative Agreement between the State, the City, and the TJPA provides the terms under which the State agreed to transfer State-owned parcels to the City and the TJPA for construction of the Transbay Project and redevelopment of the Transbay Project Area. The State retained a power of termination over the transferred State-owned parcels, which permits the State to retake the parcels if certain conditions are not achieved, primarily relating to timing for completion of the project and the improper transfer of any gross sales proceeds generated from the State-owned parcels. The State is required to release its power of termination over a parcel upon completion of the new Transit Center or deposit of certain funds into the trust account, which funds are dedicated to paying capital costs for the project.

Caltrans will release its power of termination over Parcel F and Block 4 upon the TJPA's deposit of the proceeds of the Bridge Loan into the trust account, less amounts necessary to reserve for capitalized interest, hedging costs, and transaction fees with respect to the Bridge Loan and up to \$9.9 million to pay for construction management related soft costs for the Transbay Project. As a party to the Cooperative Agreement, the City will need to consent to Caltrans' early release of its power of termination.

Bridge Loan Repayment

The Bridge Loan has a four year term and may be prepaid by TJPA without penalty or premium after the first anniversary of the Bridge Loan. TJPA expects to draw on the TIFIA Loan, and prepay in full the Bridge Loan in late 2015, although the schedule is subject to change. In order to achieve that outcome, the CFD must have been formed and the TJPA will need to achieve the \$429 million gross sales proceeds threshold. Upon the full repayment of the Bridge Loan, the Deed of Trust and the Negative Pledge will each be released when TJPA Pursuant to the Credit Agreement and the Subordinations. Thus, TJPA expects that OCII's Subordinations would be released in late 2015, one to two years before OCII would otherwise be eligible to exercise its Option to acquire Parcels F, O, O', and O'', although the schedule is subject to change.

In the event that OCII is eligible to exercise its Option to acquire Parcel F or Parcels O, O', and O'' before the TJPA repays the Bridge Loan in full, the Credit Agreement, the Deed of Trust, the Negative Pledge, and the Subordinations expressly acknowledge the requirement for OCII to fulfill the Transbay Affordable Housing Obligation and authorize OCII to exercise the Option relative to Parcel F or Parcels O, O', and O'', as the case may be, in accordance with the Option Agreement, and require the release of the Deed of Trust or the Negative Pledge, as applicable, provided that (1) TJPA is not in default under the Credit Agreement or the other Bridge Loan documents, (2) the Gross Sales Proceeds from the OCII's sale of Parcel F or Parcels O, O', and O'', as the case may be, to a third party are equal to or greater than a lien release price that includes consideration of Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably affect the fair market value, (3) those Gross Sales Proceeds are deposited into the Lockbox Account, and (4) certain other conditions are satisfied.

In the event of a foreclosure sale or a sale pursuant to any power of sale contained in or under any mortgage, deed of trust, or other encumbrance upon Parcel F and Parcels O, O', and O'', the purchaser or purchasers and their successors and assigns, and the property, shall continue to be subject to all of the conditions, restrictions and covenants provided in the Transbay Final and Conclusive Enforceable Obligations and Declaration of Restrictions, and OCII retains the obligation and authority to determine the infrastructure, affordable housing, and open space requirements that apply to any development on Parcel F and Parcels O, O', and O''. Pursuant to the Credit Agreement, the Deed of Trust, the Negative Pledge, and the Subordinations, the Lenders expressly acknowledge that the terms and conditions of the Transbay Final and Conclusive Enforceable Obligations, including the Transbay Affordable Housing Obligation, apply to and pass with Parcel F, and Parcels O, O', and O'', and apply to and bind the successors in interest of any owner of Parcel F and Parcels O, O', and O''; and that Parcels F, and Parcels O, O', and O'' shall be held, transferred, sold and conveyed, subject to the conditions, restrictions, reservations and covenants set forth in the Transbay Final and Conclusive Enforceable Obligations and Declaration of Restrictions.

In order to (1) permit TJPA to offer the Real Estate Collateral as security for the Bridge Loan, and (2) authorize TJPA and OCII to subordinate to the Deed of Trust and the Negative Pledge the Option Agreement and OCII's rights and privileges under the Option relative to the Real Estate Collateral, all for the purpose of facilitating timely completion of construction of Phase 1 of the Transbay Project, and the significant public and tax benefits that derive therefrom under the Redevelopment Project, the City, TJPA, and OCII wish to enter into this First Amendment.

Recommendation

This First Amendment will: (1) facilitate timely completion of construction of Phase 1 of the TTC project, which is a public benefit, will help to revitalize the Project Area and stimulate private investment, and is a central part of the Transbay Project, (2) preserve OCII's authority to implement the disposition and development of Block 4 and Parcel F, (3) provide assurances that OCII will be able to fulfill the Transbay Affordable Housing Obligation, and (4) generate timely receipt of property tax revenues by the taxing entities.

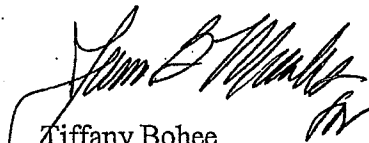
NEXT STEPS

In late November, the Board of Supervisors will consider the transaction on behalf of the City as a party to the Option Agreement and also acting as the Successor Agency with regard to the material change to the affordable housing terms on Block 4. In early December, the Oversight Board will consider the transaction. The matter will then be immediately referred to the Department of Finance, which will have five business days to determine if it will review the Oversight Board action or not. If DOF elects to review the matter, they may take up to 60 days to complete their review. The TJPA expects to close the Bridge Loan financing soon after final DOF approval.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Authorizing the Executive Director to approve the First Amendment to the Option Agreement is an administrative activity that is not a "project" as defined by California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(5). This action will not independently result in a physical change in the environment and is not subject to environmental review under CEQA.

(Originated by Courtney Pash, Acting Project Manager)



Tiffany Bohee
Executive Director

Attachment 1: Map

Attachment 2: First Amendment to the Option Agreement

Attachment 3: Subordination of Option Agreement for Parcel F

Attachment 4: Subordination of Option Agreement for Parcel O

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 91-2014
Adopted November 4, 2014

CONDITIONALLY AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A FIRST AMENDMENT TO THE TRANSBAY OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY AND SUBORDINATION AGREEMENTS, AND TO TAKE RELATED ACTIONS TO FACILITATE A LOAN AGREEMENT BETWEEN THE TRANSBAY JOINT POWERS AUTHORITY AND GOLDMAN SACHS BANK USA THAT FUNDS THE TRANSBAY TERMINAL CONSTRUCTION, SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO, THE OVERSIGHT BOARD OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE CALIFORNIA DEPARTMENT OF FINANCE; TRANSBAY REDEVELOPMENT PROJECT AREA

WHEREAS, The City, TJPA, and the former Redevelopment Agency of the City and County of San Francisco ("**Former Agency**"), the Agency's predecessor in interest, entered into the Option Agreement for the Purchase and Sale of Real Property ("**Option Agreement**") dated as of January 31, 2008. The Option Agreement implemented the Former Agency's obligations under various agreements and state law related to the development and funding of the Transbay Terminal Project, public infrastructure and affordable housing; it also granted the Former Agency the option to take title to certain currently or formerly State-owned parcels (the "**Agency Transfer Parcels**"), subject to certain limitations; and,

WHEREAS, Under Assembly Bill No. 812 (Chapter 99, Statutes of 2003, codified at California Public Resources Code Section 5027.1) ("**AB 812**"), any redevelopment plan adopted to finance, in whole or in part, the demolition of the Transbay Terminal building and the construction of a new terminal, including its associated vehicle ramps, shall ensure that at least 25 percent of all dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60 percent of the area median income, and that at least an additional 10 percent of all dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120 percent of the area median income (the "**Transbay Affordable Housing Obligation**"); and,

WHEREAS, The City approved, by Ordinance No. 124-05 and Ordinance No. 99-06, the Redevelopment Plan (the "**Redevelopment Plan**") for the Transbay Redevelopment Project (the "**Redevelopment Project**"). The Redevelopment Plan provides for the redevelopment, rehabilitation, and revitalization of the area generally bounded by Mission, Main, Second, and

Folsom Streets in downtown San Francisco, and containing approximately forty (40) acres of land (the "Project Area"). The Redevelopment Plan also provides for the financing of the Transbay Terminal Project and thus triggered the Transbay Affordable Housing Obligation, which is explicitly incorporated into Section 4.9.2 of the Redevelopment Plan and into binding agreements; and,

WHEREAS, To implement the Transbay Affordable Housing Obligation and other objectives for the Project Area, the Redevelopment Plan provides, among other things, that "[s]ubject to the terms of owner participation agreements [with the Agency], owners shall be required to provide for infrastructure, affordable housing and open space in conjunction with the development of improvements in the Project Area" (Section 4.2.5); "all real property sold, leased or conveyed by the Agency, as well as all property subject to owner participation agreements, is subject to the provisions of [the Redevelopment Plan]" (Section 4.7.3); and "[I]leases, deeds, contracts, agreements and declarations of restrictions of the Agency may contain restrictions, covenants, covenants running with the land, rights of reverter, conditions subsequent, equitable servitudes or any other provision necessary to carry out [the Redevelopment Plan]" (Section 4.7.3). The Agency recorded the Transbay Redevelopment Project Area Declaration of Restrictions, which incorporates such matters, against all property in the Project Area (the "Declaration of Restrictions"); and,

WHEREAS, Approximately ten (10) acres of land in Zone One of the Project Area were publicly owned land, including the former Transbay Terminal building and its bus access ramps (the "State-Owned Parcels"). The former Transbay Terminal building and ramps were in a blighted physical condition. Because these structures occupied several acres of land centrally located in the Project Area, they had a primary impact on physical and economic blighting conditions in the Project Area. The State, acting by and through its Department of Transportation ("Caltrans"), the City, and the TJPA entered into that certain Cooperative Agreement, dated as of July 11, 2003 (the "Cooperative Agreement"), pursuant to which the State has or will transfer the State-Owned Parcels to the City and the TJPA subject to certain terms and conditions, including the use of the State-Owned Parcels for the construction, or to fund the construction, of the Transbay Terminal Project (as defined in the Cooperative Agreement); and,

WHEREAS, Pursuant to the Cooperative Agreement, the State has a Power of Termination with respect to any State-Owned Parcel transferred to the TJPA or to the City (the "Power of Termination") that permits the State to re-take title to such State-Owned Parcel under certain terms and conditions specified in the Cooperative Agreement. The Cooperative Agreement obligates the State to release such Power of Termination over a State-Owned Parcel, however, if it is sold to a third party and the Gross Sales Proceeds (as defined in the Cooperative Agreement) from such sale are deposited in the Trust Account (as defined in the Cooperative Agreement) and used to pay,

the Capital Costs (as defined in the Cooperative Agreement) as required under the Cooperative Agreement; and,

WHEREAS, Consistent with and in furtherance of the Cooperative Agreement, the Redevelopment Plan, and the Redevelopment Project, the City, TJPA, and the Former Agency entered into that certain Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement (the "Pledge Agreement"), dated as of January 31, 2008, pursuant to which the parties provided for the irrevocable pledge of Net Tax Increment, as defined in the Pledge Agreement, to TJPA for construction and design of the Transbay Terminal Project. Also in furtherance of the Cooperative Agreement, the Redevelopment Plan and Redevelopment Project, the TJPA and the Former Agency entered into that certain Transbay Redevelopment Project Implementation Agreement, dated as of January 20, 2005 (the "Implementation Agreement"), which requires, among other things, the Former Agency to prepare and sell the Agency Transfer Parcels to third parties, deposit the Gross Sales Proceeds in the Trust Account, to help pay for the cost of constructing the Transbay Terminal Project, and execute all activities related to the implementation of the Redevelopment Plan, including the Transbay Affordable Housing Obligation; and,

WHEREAS, TJPA demolished the former Transbay Terminal and ramps, and is constructing the Transbay Terminal Project, which is a public benefit and a central part of the Redevelopment Project. The Transbay Terminal Project will help to revitalize the Project Area and stimulate private investment by serving as a center of transit, retail, entertainment, and community facilities for the new transit oriented neighborhood. TJPA's demolition of the former Transbay Terminal building and ramps has provided additional vacant land for development consistent with the Redevelopment Plan and Redevelopment Project; and,

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

WHEREAS, Under Redevelopment Dissolution Law, the Agency was designated as the successor agency to receive certain assets of the Former Agency, and the Agency succeeded, by operation of law, to the Former Agency's rights, title and interest in the Option Agreement, without the necessity for any assignment or other action on the part of any party. On October 2, 2012, the City's Board of Supervisors adopted Ordinance 215-12 (File No. 120898) acknowledging that the Agency is a separate legal entity, creating a commission for the Agency (the "Commission") as a policy body of the

Agency and delegating to the Commission the authority to act in place of the former San Francisco Redevelopment Agency Commission to implement certain projects, but retaining authority to approve material changes in the affordable housing obligations of the Agency. As required by Redevelopment Dissolution Law, the City also established the oversight board of the Agency (the "Oversight Board"); and,

WHEREAS, On April 15, 2013, the California Department of Finance ("DOF") determined finally and conclusively that the Pledge Agreement, the Implementation Agreement, and the Transbay Affordable Housing Obligation are enforceable obligations under Redevelopment Dissolution Law and will not be subject to further DOF review except to determine if future Agency expenditures are consistent with those obligations. Letter, S. Szalay, DOF Local Government Consultant, to T. Bohee, Agency Executive Director (April 15, 2012[sic]) (the "Transbay Final and Conclusive Enforceable Obligations"); and,

WHEREAS, California Health and Safety Code Section 34177 provides that the Agency, as a successor agency, is required to (1) perform obligations required pursuant to any enforceable obligation, and (2) continue to oversee development of properties until the contracted work has been completed; and,

WHEREAS, The Option Agreement is an "enforceable obligation" under Redevelopment Dissolution Law because it is a legally binding contract that existed prior to June 28, 2011, the date on which AB 26 became effective. Under the Option Agreement, Section 2.1, the Agency holds an exclusive and irrevocable option to purchase (the "Option") the Agency Transfer Parcels, including, among others, Parcel F (Block 3721, Lot 015A), and Parcel O (portion of Block 3739, Lot 008), Parcel O' (portion of Block 3739, Lot 008), and Parcel O" (portion of Block 3739, Lot 008) (together the northern about one-third of Parcels O, O' and O" and generally depicted on Exhibit 4 to the Redevelopment Plan are referred to as "Redevelopment Block 4"), in San Francisco, CA, on the terms and conditions of the Option Agreement. One of the conditions of the Option Agreement prohibits the Agency from selling an Agency Transfer Parcel to a third party unless the sales price is equal to or greater than the Baseline Valuation, as defined in the Option Agreement, for that Agency Transfer Parcel. Baseline Valuation is the minimum price that Agency can accept for the sale of an Agency Transfer Parcel and is determined by an appraisal that includes consideration of Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably affect the fair market value. Under the current projections of housing units that will be built in the Project Area, assuming Redevelopment Block 4's projected capacity of 550 units, up to 45 percent of the units on Redevelopment Block 4 (or 248 units), will need to be affordable units to comply with the Transbay Affordable Housing Obligation, and the affordable units for any residential project located within

Parcel F will be subject to the affordable housing requirements specified in the Planning Code; and,

WHEREAS, The planned uses of Parcel F and Redevelopment Block 4 by third parties must comply with the Development Controls and Design Guidelines for the Transbay Redevelopment Project set forth in the Redevelopment Plan (the "Development Controls"), which govern private projects in Zone One and require, among other things, the parcelization and assembly of land into blocks and lots that are suitable for development. Under the Redevelopment Project, the Agency plans to aggregate and prepare Parcel F for disposition and development as primarily office use, and aggregate and prepare Redevelopment Block 4 for disposition and development as residential use, but these planned uses are subject to change; and,

WHEREAS, Under the Option Agreement, Section 4.1(a), the Agency may first exercise the Option only after certain conditions have been satisfied, including, relative to Parcel F and Redevelopment Block 4, only after such parcels are not being used by TJPA for actual construction or demolition of ramps and siting of the temporary terminal facility, which are part of the Transbay Terminal Project. TJPA is currently using Parcel F for actual construction of the new bus ramps and train box, and Parcels O, O', and O'' for the temporary terminal facility. TJPA currently expects its use of Parcel F and Parcels O, O', and O'' for these purposes will end in late 2016 and late 2017, respectively, although the schedule is subject to change. Thus, TJPA and the Agency do not expect that the conditions precedent to the Agency's ability to exercise its rights under the Option Agreement for Parcel F or Redevelopment Block 4 will be satisfied until late 2016 and late 2017. The Agency's ability to complete its work under the Redevelopment Project relative to Parcel F and Redevelopment Block 4 and wind down its affairs under the Redevelopment Project are facilitated by TJPA's timely completion of construction of Phase 1 of the Transbay Terminal Project. The property tax revenues that are expected to flow to the taxing entities upon completion of development of Parcel F and Redevelopment Block 4, as well as the other Agency Transfer Parcels, will be facilitated by TJPA's timely completion of construction of the Transbay Terminal Project; and,

WHEREAS, In January 2010, TJPA entered into a \$171.0 million loan under the Transportation Infrastructure Finance and Innovation Act (the "TIFIA Loan") to fund a portion of the Transbay Terminal Project costs. As of the effective date of this First Amendment, TJPA has not yet satisfied all of the disbursement conditions under the TIFIA Loan. As a result, TJPA cannot currently requisition proceeds under the TIFIA Loan. TJPA expects to satisfy all of the disbursement conditions and draw on the TIFIA Loan in late 2015, although the schedule is subject to change; and,

WHEREAS, To obtain interim cash flow funding necessary to certify construction contracts and make construction disbursements for the Transbay Terminal Project, pending TJPA's satisfaction of the remaining disbursement conditions under the TIFIA Loan, TJPA intends to close a bridge loan in the

amount of \$171.0 million (the "Bridge Loan") arranged by Goldman Sachs Bank USA ("Goldman") pursuant to that certain Credit Agreement, among TJPA, as borrower, the lenders party thereto (the "Lenders"); and Goldman, as administrative agent and collateral agent for the Lenders (as amended, restated, supplemented, extended or otherwise modified from time to time and as refinanced, refunded or replaced from time to time, the "Credit Agreement"); and,

WHEREAS, As a condition to funding the Bridge Loan under the Credit Agreement, the Lenders require, among other things, the following to occur in order to protect and create certain security interests for the Bridge Loan: (1) Caltrans shall relinquish its Power of Termination with respect to Parcel F and Redevelopment Block 4, and any interest Caltrans has in the Gross Sales Proceeds of such parcels (including any requirement that such Gross Sales Proceeds be deposited in the Trust Account) and any gross lease revenues generated from any portion of such parcels, in exchange for a portion of the proceeds of the Bridge Loan being deposited in the Trust Account at the closing of the Bridge Loan (the "Caltrans Release"), (2) TJPA shall execute a deed of trust, assignment of leases and rents and security agreement, creating a first priority pledge of, security interest in and lien on all of TJPA's right, title and interest in and to Parcel F, as well as, among other things, the cash proceeds from the sale, lease or other disposition of Parcel F, subject to TJPA's reservation for certain train box components on Parcel F (the "Deed of Trust"), (3) TJPA shall execute a recordable negative covenant on Parcels O, O', and O'', prohibiting TJPA from selling or encumbering Redevelopment Block 4 before the Bridge Loan is repaid in full, unless TJPA deposits a specified amount into a "lockbox" account (the "Lockbox Account") as collateral for the Bridge Loan (the "Negative Pledge"); and (4) TJPA and the Agency shall subordinate the Option Agreement and the Agency's interest in the Option relative to Parcel F to the Deed of Trust, and the Option Agreement and the Agency's interest in the Option relative to Parcels O, O', and O'' to the Negative Pledge (the "Subordinations"); and,

WHEREAS, The Credit Agreement establishes the Lien Release Price for Parcel F and Redevelopment Block 4. TJPA and the Agency have determined that the Lien Release Price is reasonably achievable, after taking into consideration the Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably affect the fair market value; the Lien Release Price is not subject to change; and,

WHEREAS, Nothing in the Credit Agreement, the Deed of Trust, the Negative Pledge, and the Subordinations prevents the Agency from fulfilling its obligations under the Transbay Final and Conclusive Enforceable Obligations with respect to Parcel F, Redevelopment Block 4, or any other portion of Parcels O, O', and O''; and,

WHEREAS, The Bridge Loan has a four year term and may be prepaid by TJPA without penalty or premium after the first anniversary of the closing of the Bridge Loan. TJPA expects to satisfy the conditions precedent under the TIFIA Loan, draw on the TIFIA Loan, and prepay in full the Bridge Loan in late 2015, although the schedule is subject to change. Pursuant to the Credit Agreement and the Subordinations, the Deed of Trust and the Negative Pledge will each be released when TJPA repays the Bridge Loan in full. Thus, TJPA expects that the Agency's Subordinations would be released in late 2015, one to two years before the Agency would otherwise be eligible to exercise its Option to acquire Parcel F or Redevelopment Block 4, although the schedule is subject to change; and,

WHEREAS, In the event that the Agency is eligible to exercise its Option to acquire Parcel F or Redevelopment Block 4 before the TJPA repays the Bridge Loan in full, the Credit Agreement, the Deed of Trust, the Negative Pledge, and the Subordinations expressly acknowledge the requirement for the Agency to fulfill the Transbay Affordable Housing Obligation and authorize the Agency to exercise the Option relative to Parcel F or Redevelopment Block 4, as the case may be, in accordance with the Option Agreement, and require the release of the Deed of Trust or the Negative Pledge, as applicable, provided that (1) TJPA is not in default under the Credit Agreement or the other Bridge Loan documents, (2) the Gross Sales Proceeds from the Agency's sale of Parcel F or Redevelopment Block 4, as the case may be, to a third party are equal to or greater than the Lien Release Price, (3) those Gross Sales Proceeds are deposited into the Lockbox Account in an amount that, at a minimum, repays the Bridge Loan in full, and (4) certain other conditions set forth in the Subordinations are satisfied; and,

WHEREAS, In the event of a foreclosure sale or a sale pursuant to any power of sale contained in or under any mortgage, deed of trust, or other encumbrance upon all or any portion of Parcel F or Redevelopment Block 4, the purchaser or purchasers and their successors and assigns, and the property, shall continue to be subject to all of the conditions, restrictions and covenants provided in the Transbay Final and Conclusive Enforceable Obligations and Declaration of Restrictions, and the Agency retains the obligation and authority to determine the infrastructure, affordable housing, and open space requirements that apply to any development on all or any portion of Parcel F or Redevelopment Block 4. Pursuant to the Credit Agreement, the Deed of Trust, the Negative Pledge, and the Subordinations, the Lenders expressly acknowledge that the terms and conditions of the Transbay Final and Conclusive Enforceable Obligations, including the Transbay Affordable Housing Obligation, apply to and pass with Parcel F and Redevelopment Block 4, and apply to and bind the successors in interest of any owner of all or any portion of Parcel F and Redevelopment Block 4; and that Parcel F and Redevelopment Block 4 shall be held, transferred, sold and conveyed, subject to the conditions, restrictions, reservations and covenants set forth in the Transbay Final and Conclusive Enforceable Obligations and Declaration of Restrictions; and,

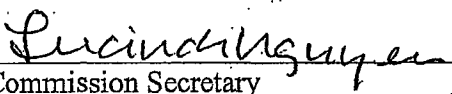
WHEREAS, In order to (1) permit TJPA to offer the Deed of Trust for Parcel F and the Negative Pledge for Parcels O, O', and O'' as security for the Bridge Loan, and (2) authorize TJPA and the Agency to subordinate to the Deed of Trust and the Negative Pledge the Option Agreement and the Agency's rights and privileges under the Option relative to Parcel F and Parcels O, O', and O'', all for the purpose of facilitating timely completion of construction of Phase 1 of the Transbay Terminal Project, and the significant public and tax benefits that derive therefrom under the Redevelopment Project, the City, TJPA, and the Agency wish to enter into this First Amendment; and,

WHEREAS, This First Amendment is in the best interests of the taxing entities, including the City and TJPA. This First Amendment will: (1) facilitate timely completion of construction of Phase 1 of the Transbay Terminal Project, which is a public benefit, will help to revitalize the Project Area and stimulate private investment, and is a central part of the Redevelopment Project; (2) facilitate the Agency's timely implementation of the disposition and development of Redevelopment Block 4 and Parcel F under the Redevelopment Project; (3) facilitate the Agency's fulfillment of the Transbay Affordable Housing Obligation, and (4) generate timely receipt of property tax revenues by the taxing entities. This First Amendment will significantly aid the winding down of the affairs of the Agency; and,

WHEREAS, Authorizing the First Amendment to the Option Agreement, Subordination Agreements for the Options with respect to Parcel F and Parcels O, O', and O'', and other actions related to the Bridge Loan is an administrative activity that is not a "project" as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378 (b) (5) because it will not result in direct or indirect physical changes in the environment. Now, therefore, be it

RESOLVED, That this Commission hereby conditionally authorizes the Executive Director to execute a First Amendment to the Transbay Option Agreement and Subordination Agreements for the Options with respect to Parcel F and Parcels O, O', and O'', substantially in the form of the documents accompanying this Resolution, and to take related actions to facilitate a loan agreement between the Transbay Joint Powers Authority and Goldman Sachs Bank USA that funds construction of the Transbay Terminal Project, subject to the approval of the Board of Supervisors of the City and County of San Francisco, the Oversight Board of the City and County of San Francisco and the California Department of Finance.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of November 4, 2014.


Commission Secretary

**FIRST AMENDMENT TO OPTION AGREEMENT
FOR THE PURCHASE AND SALE OF REAL PROPERTY**

This FIRST AMENDMENT TO OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY (this “**First Amendment**”), dated as of _____, 2014, is entered into by and between CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the “**City**”), TRANSBAY JOINT POWERS AUTHORITY, a joint powers agency created under California Government Code Sections 6500 *et seq.* (the “**TJPA**”), and SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF CITY AND COUNTY OF SAN FRANCISCO, a public body corporate and politic (the “**Agency**”), with reference to the following facts and circumstances:

RECITALS

A. The City, TJPA, and the former Redevelopment Agency of the City and County of San Francisco (“**Former Agency**”), the Agency’s predecessor in interest, entered into the Option Agreement for the Purchase and Sale of Real Property (“**Option Agreement**”) dated as of January 31, 2008. The Option Agreement implemented the Former Agency’s obligations under various agreements and state law related to the development and funding of the Transbay Terminal Project, public infrastructure and affordable housing; it also granted the Former Agency the option to take title to certain currently or formerly State-owned parcels (the “**Agency Transfer Parcels**”), subject to certain limitations.

B. Under Assembly Bill No. 812 (Chapter 99, Statutes of 2003, codified at California Public Resources Code Section 5027.1) (“**AB 812**”), any redevelopment plan adopted to finance, in whole or in part, the demolition of the Transbay Terminal building and the construction of a new terminal, including its associated vehicle ramps, shall ensure that at least 25 percent of all dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60 percent of the area median income, and that at least an additional 10 percent of all dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120 percent of the area median income (the “**Transbay Affordable Housing Obligation**”).

C. The City approved, by Ordinance No. 124-05 and Ordinance No. 99-06, the Redevelopment Plan for the Transbay Redevelopment Project (the “**Redevelopment Plan**”) for the Transbay Redevelopment Project (the “**Redevelopment Project**”). The Redevelopment Plan provides for the redevelopment, rehabilitation, and revitalization of the area generally bounded by Mission, Main, Second, and Folsom Streets in downtown San Francisco, and containing approximately forty (40) acres of land (the “**Project Area**”). The Redevelopment Plan also provides for the financing of the Transbay Terminal Project and thus triggered the Transbay Affordable Housing Obligation, which is explicitly incorporated into Section 4.9.2 of the Redevelopment Plan and into binding agreements.

D. The Redevelopment Plan established, under California Health and Safety Code Section 33333, the land use controls for the Project Area, required development to conform to

those land use controls, and divided the Project Area into two land use zones: Zone One and Zone Two. The Redevelopment Plan required the Former Agency to exercise land use authority in Zone One and authorized it to delegate to the San Francisco Planning Department (the “**Planning Department**”) the land use controls of the San Francisco Planning Code (the “**Planning Code**”), as amended from time to time, in Zone Two.

E. To implement the Transbay Affordable Housing Obligation and other objectives for the Project Area, the Redevelopment Plan provides, among other things, that “[s]ubject to the terms of owner participation agreements [with the Agency], owners shall be required to provide for infrastructure, affordable housing and open space in conjunction with the development of improvements in the Project Area” (Section 4.2.5); “all real property sold, leased or conveyed by the Agency, as well as all property subject to owner participation agreements, is subject to the provisions of [the Redevelopment Plan]” (Section 4.7.3); and “[l]eases, deeds, contracts, agreements and declarations of restrictions of the Agency may contain restrictions, covenants, covenants running with the land, rights of reverter, conditions subsequent, equitable servitudes or any other provision necessary to carry out [the Redevelopment Plan]” (Section 4.7.3). The Agency recorded the Transbay Redevelopment Project Area Declaration of Restrictions, which incorporates such matters, against all property in the Project Area (the “**Declaration of Restrictions**”).

F. Approximately ten (10) acres of land in Zone One of the Project Area were publicly owned land, including the former Transbay Terminal building and its bus access ramps (the “**State-Owned Parcels**”). The former Transbay Terminal building and ramps were in a blighted physical condition. Because these structures occupied several acres of land centrally located in the Project Area, they had a primary impact on physical and economic blighting conditions in the Project Area. The State, acting by and through its Department of Transportation (“**Caltrans**”), the City, and the TJPA entered into that certain Cooperative Agreement, dated as of July 11, 2003 (the “**Cooperative Agreement**”), pursuant to which the State has or will transfer the State-Owned Parcels to the City and the TJPA subject to certain terms and conditions, including the use of the State-Owned Parcels for the construction, or to fund the construction, of the Transbay Terminal Project (as defined in the Cooperative Agreement).

G. Pursuant to the Cooperative Agreement, the State has a Power of Termination with respect to any State-Owned Parcel transferred to the TJPA or to the City (the “**Power of Termination**”) that permits the State to re-take title to such State-Owned Parcel under certain terms and conditions specified in the Cooperative Agreement. The Cooperative Agreement obligates the State to release such Power of Termination over a State-Owned Parcel, however, if it is sold to a third party and the Gross Sales Proceeds (as defined in the Cooperative Agreement) from such sale are deposited in the Trust Account (as defined in the Cooperative Agreement) and used to pay the Capital Costs (as defined in the Cooperative Agreement) as required under the Cooperative Agreement.

H. Consistent with and in furtherance of the Cooperative Agreement, the Redevelopment Plan, and the Redevelopment Project, the City, TJPA, and the Former Agency entered into that certain Transbay Redevelopment Project Tax Increment Allocation and Sales

Proceeds Pledge Agreement (the “**Pledge Agreement**”), dated as of January 31, 2008, pursuant to which the parties provided for the irrevocable pledge of Net Tax Increment, as defined in the Pledge Agreement, to TJPA for construction and design of the Transbay Terminal Project. Also in furtherance of the Cooperative Agreement, the Redevelopment Plan and Redevelopment Project, the TJPA and the Former Agency entered into that certain Transbay Redevelopment Project Implementation Agreement, dated as of January 20, 2005 (the “**Implementation Agreement**”), which requires, among other things, the Former Agency to prepare and sell the Agency Transfer Parcels to third parties, deposit the Gross Sales Proceeds in the Trust Account, to help pay for the cost of constructing the Transbay Terminal Project, and execute all activities related to the implementation of the Redevelopment Plan, including the Transbay Affordable Housing Obligation.

I. TJPA demolished the former Transbay Terminal and ramps, and is constructing the Transbay Terminal Project, which is a public benefit and a central part of the Redevelopment Project. The Transbay Terminal Project will help to revitalize the Project Area and stimulate private investment by serving as a center of transit, retail, entertainment, and community facilities for the new transit oriented neighborhood. TJPA’s demolition of the former Transbay Terminal building and ramps has provided additional vacant land for development consistent with the Redevelopment Plan and Redevelopment Project.

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

K. Under Redevelopment Dissolution Law, the Agency was designated as the successor agency to receive the non-affordable housing assets of the Former Agency, and the Agency succeeded, by operation of law, to the Former Agency’s rights, title and interest in the Option Agreement, without the necessity for any assignment or other action on the part of any party. On October 2, 2012, the City’s Board of Supervisors adopted Ordinance 215-12 (File No. 120898) acknowledging that the Agency is a separate legal entity, creating a commission for the Agency (the “**Commission**”) as a policy body of the Agency and delegating to the Commission the authority to act in place of the former San Francisco Redevelopment Agency Commission to implement certain projects, but retaining authority to approve material changes in the affordable housing obligations of the Agency. As required by Redevelopment Dissolution Law, the City also established the oversight board of the Agency (the “**Oversight Board**”).

L. On April 15, 2013, the California Department of Finance (“**DOF**”) determined finally and conclusively that the Pledge Agreement, the Implementation Agreement, and the Transbay Affordable Housing Obligation are enforceable obligations under Redevelopment Dissolution Law and will not be subject to further DOF review except to determine if future Agency expenditures are consistent with those obligations. Letter, S. Szalay, DOF Local

Government Consultant, to T. Bohee, Agency Executive Director (April 15, 2012[sic]) (the “**Transbay Final and Conclusive Enforceable Obligations**”).

M. California Health and Safety Code Section 34177 provides that the Agency, as a successor agency, is required to (1) perform obligations required pursuant to any enforceable obligation, and (2) continue to oversee development of properties until the contracted work has been completed.

N. The Option Agreement is also an enforceable obligation that existed prior to June 28, 2011. Under the Option Agreement, Section 2.1, the Agency holds an exclusive and irrevocable option to purchase (the “**Option**”) the Agency Transfer Parcels, including, among others, Parcel F (Block 3721, Lot 015A), and Parcel O (portion of Block 3739, Lot 008), Parcel O’ (portion of Block 3739, Lot 008), and Parcel O” (portion of Block 3739, Lot 008) (together the northern about one-third of Parcels O, O’ and O” and generally depicted as “**Block 4**” on Exhibit 4 to the Redevelopment Plan are referred to as “**Redevelopment Block 4**”), in San Francisco, CA, on the terms and conditions of the Option Agreement. One of the conditions of the Option Agreement prohibits the Agency from selling an Agency Transfer Parcel to a third party unless the sales price is equal to or greater than the Baseline Valuation, as defined in the Option Agreement, for that Agency Transfer Parcel. Baseline Valuation is the minimum price that Agency can accept for the sale of an Agency Transfer Parcel and is determined by an appraisal that includes consideration of Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably affect the fair market value. Under the current projections of housing units that will be built in the Project Area, assuming Redevelopment Block 4’s projected capacity of 550 units, up to 45 percent of the units on Redevelopment Block 4 (or 248 units), will need to be affordable units to comply with the Transbay Affordable Housing Obligation, and the affordable units for any residential project located within Parcel F will be subject to the affordable housing requirements specified in the Planning Code.

O. The planned uses of Parcel F and Redevelopment Block 4 by third parties must comply with the Development Controls and Design Guidelines for the Transbay Redevelopment Project set forth in the Redevelopment Plan (the “**Development Controls**”), which govern private projects in Zone One and require, among other things, the parcelization and assembly of land into blocks and lots that are suitable for development. Under the Redevelopment Project, the Agency plans to aggregate and prepare Parcel F for disposition and development as primarily office use, and aggregate and prepare Redevelopment Block 4 for disposition and development as residential use, but these planned uses are subject to change.

P. Under the Option Agreement, Section 4.1(a), the Agency may first exercise the Option only after certain conditions have been satisfied, including, relative to Parcel F and Redevelopment Block 4, only after such parcels are not being used by TJPA for actual construction or demolition of ramps and siting of the temporary terminal facility, which are part of the Transbay Terminal Project. TJPA is currently using Parcel F for actual construction of the new bus ramps and train box, and Parcels O, O’, and O” for the temporary terminal facility. TJPA currently expects its use of Parcel F and Parcels O, O’, and O” for these purposes will end in late 2016 and late 2017, respectively, although the schedule is subject to change. Thus, TJPA

and the Agency do not expect that the conditions precedent to the Agency's ability to exercise its rights under the Option Agreement for Parcel F or Redevelopment Block 4 will be satisfied until late 2016 and late 2017. The Agency's ability to complete its work under the Redevelopment Project relative to Parcel F and Redevelopment Block 4 and wind down its affairs under the Redevelopment Project are facilitated by TJPA's timely completion of construction of Phase 1 of the Transbay Terminal Project. The property tax revenues that are expected to flow to the taxing entities upon completion of development of Parcel F and Redevelopment Block 4, as well as the other Agency Transfer Parcels, will be facilitated by TJPA's timely completion of construction of the Transbay Terminal Project.

Q. In January 2010, TJPA entered into a \$171.0 million loan under the Transportation Infrastructure Finance and Innovation Act (the "**TIFIA Loan**") to fund a portion of the Transbay Terminal Project costs. As of the effective date of this First Amendment, TJPA has not yet satisfied all of the disbursement conditions under the TIFIA Loan. As a result, TJPA cannot currently requisition proceeds under the TIFIA Loan. TJPA expects to satisfy all of the disbursement conditions and draw on the TIFIA Loan in late 2015, although the schedule is subject to change.

R. To obtain interim cash flow funding necessary to certify construction contracts and make construction disbursements for the Transbay Terminal Project, pending TJPA's satisfaction of the remaining disbursement conditions under the TIFIA Loan, TJPA intends to close a bridge loan in the amount of \$171.0 million (the "**Bridge Loan**") arranged by Goldman Sachs Bank USA ("**Goldman**") pursuant to that certain Credit Agreement, to be dated as of _____, 2014, among TJPA, as borrower, the lenders party thereto (the "**Lenders**"), and Goldman, as administrative agent and collateral agent for the Lenders (as amended, restated, supplemented, extended or otherwise modified from time to time and as refinanced, refunded or replaced from time to time, the "**Credit Agreement**").

S. As a condition to funding the Bridge Loan under the Credit Agreement, the Lenders require, among other things, the following to occur in order to protect and create certain security interests for the Bridge Loan: (1) Caltrans shall relinquish its Power of Termination with respect to Parcel F and Redevelopment Block 4, and any interest Caltrans has in the Gross Sales Proceeds of such parcels (including any requirement that such Gross Sales Proceeds be deposited in the Trust Account) and any gross lease revenues generated from any portion of such parcels, in exchange for a portion of the proceeds of the Bridge Loan being deposited in the Trust Account at the closing of the Bridge Loan (the "**Caltrans Release**"), (2) TJPA shall execute a deed of trust, assignment of leases and rents and security agreement, creating a first priority pledge of, security interest in and lien on all of TJPA's right, title and interest in and to Parcel F, as well as, among other things, the cash proceeds from the sale, lease or other disposition of Parcel F, subject to TJPA's reservation for certain train box components on Parcel F¹ (the "**Deed of Trust**"), (3) TJPA shall execute a recordable negative covenant on Parcels O, O', and O'', prohibiting TJPA from selling or encumbering Redevelopment Block 4 before the Bridge Loan is repaid in full, unless TJPA deposits a specified amount into a "lockbox" account (the "**Lockbox Account**") as collateral for the Bridge Loan (the "**Negative Pledge**"); and (4) TJPA

¹ Subject to on-going discussion about reservation for trainbox and related infrastructure.

and the Agency shall subordinate the Option Agreement and the Agency's interest in the Option relative to Parcel F to the Deed of Trust, and the Option Agreement and the Agency's interest in the Option relative to Parcels O, O', and O" to the Negative Pledge (the "Subordinations"). The Credit Agreement establishes a minimum price (the "Lien Release Price") for each of Parcel F and Redevelopment Block 4 that must be achieved in order for a sale of Parcel F or Redevelopment Block 4 to be permitted under the Credit Agreement and the Deed of Trust (in the case of Parcel F) or the Negative Pledge (in the case of Redevelopment Block 4). TJPA and the Agency have determined that the Lien Release Price is reasonably achievable, after taking into consideration the Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably affect the fair market value; the Lien Release Price is not subject to change. Nothing in the Credit Agreement, the Deed of Trust, the Negative Pledge, and the Subordinations prevents the Agency from fulfilling its obligations under the Transbay Final and Conclusive Enforceable Obligations with respect to Parcel F, Redevelopment Block 4, or any other portion of Parcels O, O', and O".

T. The Bridge Loan has a four year term and may be prepaid by TJPA without penalty or premium after the first anniversary of the closing of the Bridge Loan. TJPA expects to satisfy the conditions precedent under the TIFIA Loan, draw on the TIFIA Loan, and prepay in full the Bridge Loan in late 2015, although the schedule is subject to change. Pursuant to the Credit Agreement and the Subordinations, the Deed of Trust and the Negative Pledge will each be released when TJPA repays the Bridge Loan in full. Thus, TJPA expects that the Agency's Subordinations would be released in late 2015, one to two years before the Agency would otherwise be eligible to exercise its Option to acquire Parcel F or Redevelopment Block 4, although the schedule is subject to change.

U. In the event that the Agency is eligible to exercise its Option to acquire Parcel F or Redevelopment Block 4 before the TJPA repays the Bridge Loan in full, the Credit Agreement, the Deed of Trust, the Negative Pledge, and the Subordinations expressly acknowledge the requirement for the Agency to fulfill the Transbay Affordable Housing Obligation and authorize the Agency to exercise the Option relative to Parcel F or Redevelopment Block 4, as the case may be, in accordance with the Option Agreement, and require the release of the Deed of Trust or the Negative Pledge, as applicable, provided that (1) TJPA is not in default under the Credit Agreement or the other Bridge Loan documents, (2) the Gross Sales Proceeds from the Agency's sale of Parcel F or Redevelopment Block 4, as the case may be, to a third party are equal to or greater than the Lien Release Price for Parcel F or Redevelopment Block 4, as applicable, (3) those Gross Sales Proceeds are deposited into the Lockbox Account; provided, however, that if the collective Gross Sales Proceeds for Parcel F and Redevelopment Block 4 exceeds the Lien Release Price for Parcel F and Redevelopment Block 4, the excess amount shall be deposited in the Trust Account, and (4) certain other conditions set forth in the Subordinations are satisfied.

V. In the event of a foreclosure sale or a sale pursuant to any power of sale contained in or under any mortgage, deed of trust, or other encumbrance upon all or any portion of Parcel F or Redevelopment Block 4, the purchaser or purchasers and their successors and assigns, and the property, shall continue to be subject to all of the conditions, restrictions and covenants provided in the Transbay Final and Conclusive Enforceable Obligations and Declaration of Restrictions,

and the Agency retains the obligation and authority to determine the infrastructure, affordable housing, and open space requirements that apply to any development on all or any portion of Parcel F or Redevelopment Block 4. Pursuant to the Credit Agreement, the Deed of Trust, the Negative Pledge, and the Subordinations, the Lenders expressly acknowledge that the terms and conditions of the Transbay Final and Conclusive Enforceable Obligations, including the Transbay Affordable Housing Obligation, apply to and pass with Parcel F and Redevelopment Block 4, and apply to and bind the successors in interest of any owner of all or any portion of Parcel F and Redevelopment Block 4; and that Parcel F and Redevelopment Block 4 shall be held, transferred, sold and conveyed, subject to the conditions, restrictions, reservations and covenants set forth in the Transbay Final and Conclusive Enforceable Obligations and Declaration of Restrictions.

W. In order to (1) permit TJPA to offer the Deed of Trust for Parcel F and the Negative Pledge for Parcels O, O', and O'' as security for the Bridge Loan, and (2) authorize TJPA and the Agency to subordinate to the Deed of Trust and the Negative Pledge the Option Agreement and the Agency's rights and privileges under the Option relative to Parcel F and Parcels O, O', and O'', all for the purpose of facilitating timely completion of construction of Phase 1 of the Transbay Terminal Project, and the significant public and tax benefits that derive therefrom under the Redevelopment Project, the City, TJPA, and the Agency wish to enter into this First Amendment.

X. This First Amendment is in the best interests of the taxing entities, including the City and TJPA. This First Amendment will: (1) facilitate timely completion of construction of Phase 1 of the Transbay Terminal Project, which is a public benefit, will help to revitalize the Project Area and stimulate private investment, and is a central part of the Redevelopment Project, (2) facilitate the Agency's timely implementation of the disposition and development of Redevelopment Block 4 and Parcel F under the Redevelopment Project, (3) facilitate the Agency's fulfillment of the Transbay Affordable Housing Obligation, and (4) generate timely receipt of property tax revenues by the taxing entities. This First Amendment will significantly aid the winding down of the affairs of the Agency.

AGREEMENT

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. Agency Transfer Parcels Subject to First Amendment. The following Agency Transfer Parcels are subject to the provisions of this First Amendment: Parcel F, Parcel O, Parcel O', and Parcel O'', as such parcels are more particularly shown in the map attached to the Option Agreement as Exhibit A-1 thereto.

2. Cooperative Agreement and Transbay Final and Conclusive Enforceable Obligations. The intent of this First Amendment is in furtherance of the Cooperative Agreement, as may have been modified by Caltrans under the Caltrans Release, and of the Transbay Final and Conclusive Enforceable Obligations.

3. Exercise of Option.

(a) The terms, conditions, and requirements for the exercise of the Option for Parcel F and Parcel O, Parcel O', and Parcel O'' shall be supplemented by, subject to and modified by, as necessary, the terms, conditions, and requirements in the final form of the following documents to be recorded in the Official Records of the City and County of San Francisco against Parcel F and Parcel O, Parcel O', and Parcel O'': the Deed of Trust, the substantial form of which is attached hereto as Exhibit _____ and which shall encumber Parcel F and will encumber Redevelopment Block 4 if the Negative Pledge is released as to Parcel O, Parcel O', and Parcel O'' pursuant to the terms of the Negative Pledge; the Negative Pledge, the substantial form of which is attached hereto as Exhibit _____ and which shall encumber Parcels O, O', and O''; and the Subordinations, the substantial forms of which are attached hereto as Exhibits _____ and _____, one which shall encumber Parcel F and one of which shall encumber Parcels O, O', and O''; provided, however, that nothing in the Deed of Trust, the Negative Pledge and the Subordinations shall be construed as preventing the Agency from fulfilling its Transbay Final and Conclusive Enforceable Obligations with respect to Parcel F, Redevelopment Block 4, and any other portion of Parcels O, O', and O''.

(b) After a Caltrans Release has been recorded as to Parcel F and Redevelopment Block 4, the requirements of Articles 5 and 6 of the Option Agreement relating to the State's review and approval of the Gross Sales Proceeds and Baseline Valuation for Parcel F and Redevelopment Block 4 shall no longer apply. If Agency exercises the Option as to Parcel F or Redevelopment Block 4, or to any portion thereof, while the Subordination affecting such parcel or portion is in effect, Agency shall obtain the fair market value appraisal described in Section 6.1 of the Option Agreement and follow the requirements for the deposit of Gross Sales Proceeds with respect to such parcel or portion in compliance with the Subordination that affects such parcel or portion. If the collective Gross Sales Proceeds for Parcel F and Redevelopment Block 4 exceeds \$171,000,000, such excess amount shall be deposited in the Trust Account one (1) business day after repayment of the Bridge Loan in full.

(c) If Agency exercises the Option as to Parcel F or Redevelopment Block 4, or to any portion thereof, after the termination of the Subordination affecting such parcel or portion and sells such parcel or portion to a third party, Agency shall obtain the fair market value appraisal described in Section 6.1 of the Option Agreement, and deposit the Gross Sales Proceeds from such sale in the Trust Account on the closing of such sale.

(d) The City's Board of Supervisors will review and approve transfers of such parcels from the Agency to third parties prior to the final transfer of such parcel consistent with the review and approval process provided in California Health and Safety Code Section 33433.

4. Consent to Encumbrances; Consent to Subordinations. Notwithstanding anything to the contrary under the Option Agreement (including without limitation Section 12.2 thereof) or otherwise, if the Bridge Loan is made pursuant to the terms and conditions of the Credit Agreement and all of the Bridge Loan proceeds are deposited in the Trust Account, less any amounts necessary to reserve for capitalized interest, hedging costs, required expense reserves and transaction fees with respect to the Bridge Loan and up to \$9.9 million to pay for

construction related soft costs for the Transbay Terminal Project, then: (a) the Agency and the City hereby consent to, and agree that TJPA and Goldman shall be permitted to record, the Deed of Trust, in substantially the form attached hereto as Exhibit _____, against Parcel F; (b) the Agency and the City hereby consent to, and agree that TJPA and Goldman shall be permitted to record, the Negative Pledge, in substantially the form attached hereto as Exhibit _____, against Parcels O, O', and O"; and (c) the Agency and the City hereby consent to, and agree that TJPA and the Agency shall be permitted to record, the Subordinations, in substantially the form attached hereto as Exhibits _____ and _____, against Parcel F and Parcels O, O', and O", respectively.

5. Miscellaneous.

(a) Incorporation. This First Amendment constitutes a part of the Option Agreement and each reference to the Option Agreement shall be deemed to include a reference to the Option Agreement as amended by this First Amendment.

(b) Ratification. To the extent of any inconsistency between this First Amendment and the Option Agreement, the provisions contained in this First Amendment shall control. Except as expressly amended by this First Amendment, all terms, covenants, conditions, and provisions of the Option Agreement shall remain in full force and effect.

(c) Other Definitions. All capitalized terms used but not defined herein shall have the meanings assigned thereto in the Option Agreement.

(d) Successors and Assigns. This First Amendment shall be binding upon and inure to the benefit of the successors and assigns of the parties, subject to the limitations set forth in the Option Agreement.

(e) Counterparts. This First Amendment may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute one and the same document, binding on all parties hereto notwithstanding that each of the parties hereto may have signed different counterparts. Delivery of this First Amendment may be effectuated by hand delivery, mail, overnight courier services, or electronic communication (including by PDF sent by electronic mail, facsimile, or similar means of electronic communication). Any electronic signatures shall have the same legal effect as manual signatures.

(f) Governing Law; Venue. This First Amendment shall be governed by and construed in accordance with the laws of the State of California and the City's Charter. The parties hereto agree that all actions or proceedings arising directly or indirectly under this First Amendment shall be litigated in courts located with the County of San Francisco, State of California.

(g) Integration. This First Amendment contains the entire agreement between the parties hereto with respect to the subject matter of this First Amendment. Any prior correspondence, memoranda, agreements, warranties or representations relating to such subject matter are superseded in total by this First Amendment. No prior drafts of this First Amendment

or changes from those drafts to the executed version of this First Amendment shall be introduced as evidence in any litigation or other dispute resolution proceeding by either party hereto or any other persons, and no court or other body shall consider those drafts in interpreting this First Amendment.

(h) Further Assurances. The parties shall execute and deliver all documents, amendments, agreements, and instruments reasonably necessary or reasonably required in furtherance of this First Amendment, including documents and agreements attached to this First Amendment or incorporated herein by reference, and other documents reasonably related to the foregoing.

(i) Effective Date. This First Amendment shall become effective on the latest to occur of (the “**First Amendment Effective Date**”) (i) the date that it is duly executed and delivered by the parties hereto, (ii) the effective date of the last resolution required to be adopted by the legislative body of the parties hereto authorizing that party to enter this First Amendment, (iii) the effective date of a resolution adopted by the Oversight Board approving this First Amendment, or (iv) the date of closing of the Bridge Loan.

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IN WITNESS WHEREOF, the parties have each caused this First Amendment to be duly executed on its behalf as of the First Amendment Effective Date.

AGENCY:

Authorized by Agency Resolution No. adopted _____, 2014

Oversight Board Resolution No. adopted _____, 2014

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic

By: _____
Name: Tiffany Bohee
Title: Executive Director

APPROVED AS TO FORM:

By: _____
James B Morales
General Counsel

TJPA:

Authorized by TJPA Resolution No. adopted _____, 2014

TRANSBAY JOINT POWERS AUTHORITY, a Joint Powers Agency

By: _____
Name: Maria Ayerdi-Kaplan
Title: Executive Director

APPROVED AS TO FORM:

By: _____
Deborah Miller
Shute, Mihaly & Weinberger

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a
municipal corporation

By: _____
Name: John Updike
Title Director of Property

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney

EXHIBIT _____
DEED OF TRUST

EXHIBIT _____
NEGATIVE PLEDGE

EXHIBIT _____
SUBORDINATION
(Deed of Trust)

EXHIBIT _____
SUBORDINATION
(Negative Pledge)

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OCII DRAFT 10-31-14 PARCEL F

NOTE: THIS DRAFT OF THE SUBORDINATION OF OPTION AGREEMENT HAS NOT BEEN PREPARED IN RECORDABLE FORM, BUT THE SUBORDINATION (OR A MEMORANDUM THEREOF) WILL NEED TO BE RECORDED IN THE REAL PROPERTY RECORDS.

**SUBORDINATION OF OPTION AGREEMENT
FOR THE PURCHASE AND SALE OF REAL PROPERTY**

THIS SUBORDINATION OF OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY (this "**Subordination**") is made as of the ____ day of _____, 2014, by and among the TRANSBAY JOINT POWERS AUTHORITY, a joint powers authority created pursuant to an agreement among the City and County of San Francisco, the Alameda-Contra Costa Transit District and the Peninsula Corridor Joint Powers Board (Caltrain) and under the California Joint Exercise of Powers Act, codified at California Government Code Sections 6500 *et seq.* ("**Borrower**"), GOLDMAN SACHS BANK USA, as collateral agent on behalf the Secured Parties (as defined in the below-described Credit Agreement) (together with its successor and assigns in such capacity, "**Collateral Agent**"), and the CITY AND COUNTY OF SAN FRANCISCO OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE, serving as the successor agency to the Redevelopment Agency of the City and County of San Francisco, a public body corporate and politic of the State, established pursuant to the Community Redevelopment Law of the State of California (Health and Safety Code Sections 33000 *et seq.*) ("**Agency**").

RECITALS:

A. Pursuant to that certain Credit Agreement, dated as of the date hereof (as amended, restated, supplemented, extended or otherwise modified from time to time and as refinanced, refunded or replaced from time to time; the "**Credit Agreement**"), by and among Borrower, the financial institutions from time to time party thereto, as lenders ("**Lenders**"), and Goldman Sachs Bank USA, as Sole Lead Arranger, Sole Lead Bookrunner, Syndication Agent, Administrative Agent and Collateral Agent, Lenders have agreed to extend a senior secured term loan facility (the "**Term Facility**") to Borrower in an aggregate principal amount of \$171,000,000.

B. Borrower's Obligations (as defined in the Credit Agreement), including without limitation the repayment of certain loans made by Lenders under the Term Facility ("**Loans**"), are secured by, among other things, a Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated as of the date hereof (the "**Instrument**"), which grants Collateral Agent, for the benefit of Secured Parties, a first lien on the property encumbered thereby and that is more particularly described on Exhibit A hereto (the "**Property**"). The Credit Agreement, the Instrument, this Subordination and all other Credit Documents (as defined in the Credit Agreement) are referred to collectively herein as the "**Documents**."

C. Pursuant to that certain Collateral Agency Agreement, dated as of the date hereof (as amended, restated, supplemented, or otherwise modified from time to time, the "**Facility Collateral Agency Agreement**"), among Borrower, Collateral Agent and [____], in its capacity as depository and collateral agent thereunder (together with its successors and assigns in such capacity, "**Facility Collateral Agent**"), Facility Collateral Agent has established the Lockbox Account (as defined therein) and has agreed to receive into, hold in, and disburse from the Lockbox Account certain funds that secure the Obligations, including Gross Sales Proceeds (as referenced in the below-described Option Agreement) from the disposition of the Property.

D. Pursuant to certain affordable housing requirements (the “**Transbay Affordable Housing Obligation**”), as described in Section 5027.1 of the California Public Resources Code, the Redevelopment Plan for the Transbay Redevelopment Project Area approved by Ordinance No. 124-05, adopted by the Board of Supervisors of the City and County of San Francisco (“**City**”) on June 21, 2005 and Ordinance No. 99-06 adopted by the Board of Supervisors of the City on May 9, 2006 (the “**Redevelopment Plan**”), and that certain Transbay Redevelopment Project Implementation Agreement, dated as of January 20, 2005 (the “**Implementation Agreement**”), between the Borrower and the former Redevelopment Agency of the City and County of San Francisco (“**Former Agency**”), Agency’s predecessor in interest, and finally and conclusively determined by the California Department of Finance to be an enforceable obligation under Redevelopment Dissolution Law, Part 1.85 (commencing with Section 34170) of the California Health and Safety Code (the “**Redevelopment Dissolution Law**”), the Project Area (as defined in the Redevelopment Plan) must be developed with a sufficient number of units of affordable housing necessary to achieve the Transbay Affordable Housing Obligation. Nothing in this Subordination shall affect this Transbay Affordable Housing Obligation with respect to the Property.

E. Pursuant to that certain Option Agreement for the Purchase and Sale of Real Property, dated as of January 31, 2008 (the “**Original Option Agreement**”), by and among the City (the “**City**”), Borrower and Former Agency, Agency holds an option to purchase the Property (the “**Option**”). Pursuant to that certain First Amendment to Option Agreement, by and among Agency, Borrower, and City, dated as of [] (the “**Option Agreement Amendment**”; the Original Option Agreement, as amended by the Option Agreement Amendment, is referred to herein as the “**Option Agreement**”), the Agency and the City consented to this Subordination and related matters.

F. Lenders require as a condition to extending credit to Borrower under the Term Facility that Borrower and Agency subordinate the Option Agreement and Agency’s interest in the Option relative to the Property to the Instrument as set forth below.

AGREEMENT:

For good and valuable consideration the parties hereto agree as follows:

1. Subordination of Option Agreement and Option. The Option Agreement, the Option and all rights and privileges of Agency thereunder relative to the Property are hereby and shall at all times continue to be subject and unconditionally subordinate in all respects to the lien and payment and satisfaction of the Instrument, the Credit Agreement and the other Documents and any Obligations arising thereunder and to any renewals, extensions, modifications, assignments, replacements, or consolidations thereof and the rights, privileges, and powers of Collateral Agent and Secured Parties thereunder; provided, however, that nothing in this Subordination shall be construed as preventing Agency from complying with or enforcing the Transbay Affordable Housing Obligation with respect to the Property. For the avoidance of doubt, pursuant to this Subordination, Agency is not subordinating any of its right and privileges under the Option Agreement, the Option, or otherwise relative to any real property other than the Property.

2. Termination. At such time as the Obligations are paid in full, this Subordination and all of Collateral Agent’s right, title and interest hereunder and the Instrument shall terminate (“**Termination**”). On or as soon as practicable following the date of Termination, Collateral Agent shall provide a document in form reasonably acceptable to each of Collateral Agent, Borrower and Agency to release the Property from this Subordination and the Instrument, which document Borrower and/or Agency may record in the Official Records of the City and County of San Francisco.

3. Estoppel. Agency represents and warrants that (a) the Option Agreement is in full force and effect and, except as amended by the Option Agreement Amendment, has not been modified, amended or assigned, (b) neither Agency nor Borrower is in default under any of the terms, covenants or provisions of the Option Agreement, and Agency knows of no event which, but for the passage of time or the giving of notice or both, would constitute an event of default under the Option Agreement, (c) neither Agency nor Borrower has commenced any action or given or received any notice for the purpose of terminating the Option Agreement, (d) any and all sums due and payable to Agency under the Option Agreement, if any, have been paid in full, (e) Agency has the full legal right, power and authority to enter into this Subordination and to carry out and consummate all transactions contemplated hereby, (f) the execution, delivery and performance by Agency of this Subordination and the consummation by Agency of the transactions contemplated hereby (i) have been duly authorized by all necessary action on the part of Agency and (ii) do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any governmental authority, except as have been made, obtained, given or taken prior to the date of this Subordination, and (g) this Subordination has been duly executed and delivered by Agency and constitutes the legally valid and binding obligation of Agency, enforceable against Agency in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally, (ii) equitable principles relating to enforceability (regardless of whether enforceability is considered in equity or at law) or (iii) the exercise of judicial discretion and the limitations on legal remedies against government entities in the State of California.

4. Covenants of Borrower and Agency. Borrower and Agency each hereby covenant with Collateral Agent that during the term of this Subordination, except as set forth in Section 6 of this Subordination: (a) they shall not transfer or assign any right, title or interest or responsibility or liability under the Option Agreement with respect to the Property to any other person or entity without prior written notification to Collateral Agent and the prior written consent of Collateral Agent, which consent may be withheld by Collateral Agent in Collateral Agent's sole discretion; (b) without the prior consent of the Requisite Lenders (as defined in the Credit Agreement; such consent not to be unreasonably withheld), they shall not terminate or amend any terms or provisions of the Option Agreement with respect to the Property except as could not reasonably be expected to materially adversely affect the interests of the Lenders; and (c) they shall, in the manner provided for in this Subordination, give notice to Collateral Agent of any notice that either party receives with respect to the Option Agreement with respect to the Property.

5. Receipt of Payments and Fees. Collateral Agent, Borrower and Agency hereby agree that during the term of this Subordination, Borrower shall not be entitled to receive any fee, commission or other amount payable to Borrower by Agency under the Option Agreement for the Property, and that such amounts shall instead be paid directly to Facility Collateral Agent. Without limiting the foregoing, and notwithstanding anything to the contrary in the Option Agreement, the Cooperative Agreement (as defined in the Option Agreement) or the Implementation Agreement, if Agency is permitted under Section 6 of this Subordination to exercise the Option under the Option Agreement for the Property, or a portion thereof, then Agency and Borrower shall deliver (or cause to be delivered) to Facility Collateral Agent any and all Gross Sales Proceeds realized from the disposition of the Property, or portion thereof, and any and all other amounts due and payable to Agency or Borrower (including any amounts required to be deposited into the Trust Account (as defined in the Option Agreement)) under the Option Agreement for exercising the Option for the Property, or a portion thereof, and from any disposition by Borrower or Agency of the Property, or a portion thereof. Any amounts paid to Facility Collateral Agent shall be held in, and disbursed from, the Lockbox Account by Facility Collateral Agent pursuant to the terms of the Facility Collateral Agency Agreement.

6. Exercise of Option. During the term of this Subordination, and so long as an Event of Default (as defined in the Credit Agreement) does not exist, Collateral Agent agrees to permit Agency to exercise the Option for the Property, or a portion thereof, in accordance with the Option Agreement and the Transbay Affordable Housing Obligation provided that (a) Borrower or Agency has taken (or caused to be taken) such actions as may be necessary and reasonably acceptable to Collateral Agent to either (i) subdivide the Property into (A) a parcel with the airspace, surface, and/or subsurface of the Property needed for the construction, operation, maintenance, repair, and replacement of the then existing train box components of the Transbay Transit Center Project and any future train box components reasonably required at the Property to operate the Transbay Transit Center Project as a transit facility (the "**Train Box Components**") and (B) a parcel with the remaining developable portion of the Property (such remaining developable portion of the Property the "**Parcel F Development Area**"), or (ii) permit the Borrower to retain an easement ("**Easement**") in the portion of the Property (the "**Easement Area**") needed for the construction, operation, maintenance, repair, and replacement of the Train Box Components, which Easement would prohibit any use of the remainder of the Property from interfering or damaging, or threatening to interfere or damage, the Train Box Components or Borrower's use of the Easement Area pursuant to the Easement, (b) Agency delivers timely written notice as required by Section 9(b) hereof, (c) substantially contemporaneously with the exercise of the Option, Agency disposes of the Parcel F Development Area, or disposes of the Property subject to the Easement, to a third party in a transaction for which the Gross Sales Proceeds realized from such disposition shall be equal to or greater than the Lien Release Price (as defined in the Lien Release Price Letter Agreement referred to in the Credit Agreement), the establishment of which took into consideration the Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably affect the fair market value) for the Parcel F Development Area or the Property subject to the Easement, and (d) any sums due to Borrower or Agency under the Option Agreement for exercising the Option for the Property, or a portion thereof, or from the disposition of the Property, or a portion thereof, including Gross Sales Proceeds from such disposition, shall be paid directly to Facility Collateral Agent as required by Section 5 hereof on the Closing Date (as defined in the Option Agreement) of such disposition. If any Event of Default exists or any of the conditions in clauses (a) through (d) are not satisfied, Agency may not exercise the Option with respect to the Property unless agreed to in writing by Collateral Agent in its sole discretion

7. Release of Optioned Property. If (a) Agency exercises the Option for the Property, or a portion thereof, and closes on the Option with respect to the Property in accordance with the terms of the Option Agreement and this Subordination and (b) all Gross Sales Proceeds for the Property, or portion thereof, are paid directly to Facility Collateral Agent for deposit in the Lockbox Account on the Closing Date for the disposition of the Property or a portion thereof, Collateral Agent shall provide on the Closing Date for the disposition of the Property, a document in form reasonably acceptable to each of Collateral Agent, Borrower and Agency to release from this Subordination and the Instrument all or that portion of the Property transferred pursuant to the Option, which document Borrower and/or Agency may record in the Official Records of the City and County of San Francisco.

8. Affordable Housing. Agency's consent to this Subordination is made with the following understandings and acknowledgements, which are consented to by Collateral Agent, for the benefit of Secured Parties: The Property is subject to the Transbay Affordable Housing Obligation, which applies to and passes with the Property, and applies to and binds the successors in interest of any owner of the Property; that the Property shall be held, transferred, sold and conveyed, subject to the conditions, restrictions, reservations and covenants set forth in the Transbay Redevelopment Project Area Declaration of Restrictions, recorded in the Official Records of the City and County of San Francisco on August 4, 2006 as Document No. 20061224839 (the "**Declaration of Restrictions**"), which includes the Transbay Affordable Housing Obligation. In the event of a foreclosure sale or a sale pursuant to any power of sale contained in or under the Instrument or any other mortgage, deed of trust, or other encumbrance upon the

Property, the purchaser or purchasers and their successors and assigns, and the Property, shall continue to be subject to all of the conditions, restrictions and covenants provided in the Declaration of Restrictions; and, consistent with its enforceable obligations under the Redevelopment Dissolution Law, Agency retains full authority to determine the infrastructure, affordable housing, and open space requirements that apply to any development on all or any portion of the Property to meet the Transbay Affordable Housing Obligation and implement the Redevelopment Plan.

9. Consent and Agreement by Agency. Agency hereby acknowledges and consents to this Subordination and agrees that Agency will act in conformity with the provisions of this Subordination and Collateral Agent's rights hereunder or otherwise related to the Option Agreement. Agency hereby agrees (a) not to contest or impede the exercise by Collateral Agent of any right it has under or in connection with this Subordination; and (b) that it shall, in the manner provided for in this Subordination, give at least thirty (30) days prior written notice to Collateral Agent of its intention to exercise the Option.

10. GOVERNING LAW. THIS SUBORDINATION AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER (INCLUDING, WITHOUT LIMITATION, ANY CLAIMS SOUNDING IN CONTRACT LAW OR TORT LAW ARISING OUT OF THE SUBJECT MATTER HEREOF AND ANY DETERMINATIONS WITH RESPECT TO POST-JUDGMENT INTEREST) SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT WITH RESPECT TO THE MATTERS OF CAPACITY, POWER AND AUTHORITY OF BORROWER AND AGENCY, THE LAWS OF THE STATE OF CALIFORNIA SHALL GOVERN.

11. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS SUBORDINATION. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS SUBORDINATION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS SUBORDINATION, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 11 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF LITIGATION, THIS SUBORDINATION. MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

12. Notices. All notices or other written communications hereunder shall be deemed to have been properly given (a) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof, (b) one (1) Business Day (hereinafter defined) after having been

deposited for overnight delivery with any reputable overnight courier service, or (c) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower:

Transbay Joint Powers Authority
201 Mission Street, Suite 2100
San Francisco, CA 94105
Attn: Executive Director Maria Ayerdi-Kaplan

With a copy to Borrower's Legal Counsel:

Shute, Mihaly & Weinberger LLP
396 Hayes Street
San Francisco, CA 94102
Attn: Deborah Miller

If to Collateral Agent:

If to Agency:

or addressed as such party may from time to time designate by written notice to the other parties. For purposes of this Section 12, the term "**Business Day**" shall mean a day on which commercial banks are not authorized or required by law to close in either New York, New York or San Francisco, California.

Any party by notice to the others may designate additional or different addresses for subsequent notices or communications.

13. No Oral Change. This Subordination, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower, Agency or Collateral Agent, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

14. Successors and Assigns. This Subordination shall be binding upon and inure to the benefit of Borrower, Agency and Collateral Agent and their respective successors and assigns forever.

15. Inapplicable Provisions. If any term, covenant or condition of this Subordination is held to be invalid, illegal or unenforceable in any respect, this Subordination shall be construed without such provision.

16. Headings, Etc. The headings and captions of various paragraphs of this Subordination are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

17. Duplicate Originals; Counterparts. This Subordination may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Subordination may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Subordination. The failure of any party hereto to execute this Subordination, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

18. Number and Gender. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

19. Attorneys' Fees. In the event that any party hereto fails to perform any of its obligations under this Subordination or in the event a dispute arises concerning the meaning or interpretation of any provision of this Subordination, 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).

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

[Signature page to follow]

IN WITNESS WHEREOF the undersigned have executed this Subordination as of the date and year first written above.

BORROWER:

TRANSBAY JOINT POWERS AUTHORITY,
a Joint Powers Agency

By: _____
Name: _____
Its: _____

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 2014, before me, _____, a Notary Public, 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 of the Notary Public

(Seal)

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

[SIGNATURE PAGE TO SUBORDINATION OF OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY]

AGENCY:

**CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF COMMUNITY INVESTMENT AND
INFRASTRUCTURE**, a public body corporate and
politic

By: _____
Name: _____
Its: _____

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 2014, before me, _____, a Notary Public,
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 of the Notary Public

(Seal)

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

[SIGNATURE PAGE TO SUBORDINATION OF OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY]

COLLATERAL AGENT:

GOLDMAN SACHS BANK USA, as Collateral Agent

By: _____
Name: _____
Its: _____

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 2014, before me, _____, a Notary Public, 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 of the Notary Public

(Seal)

**THE CITY AND COUNTY OF SAN FRANCISCO HEREBY
ACKNOWLEDGES THE FOREGOING SUBORDINATION
OF OPTION AGREEMENT:**

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____
Name: John Updike
Its: Director of Property

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 2014, before me, _____, a Notary Public,
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 of the Notary Public

(Seal)

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

[To be attached.]

620905.25

**OCII DRAFT-10.31.14
PARCEL O SET OF PROPERTIES**

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FOR THE PURCHASE AND SALE OF REAL PROPERTY**

THIS SUBORDINATION OF OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY (this "**Subordination**") is made as of the _____ day of _____, 2014, by and among the TRANSBAY JOINT POWERS AUTHORITY, a joint powers authority created pursuant to an agreement among the City and County of San Francisco, the Alameda-Contra Costa Transit District and the Peninsula Corridor Joint Powers Board (Caltrain) and under the California Joint Exercise of Powers Act, codified at California Government Code Sections 6500 *et seq.* ("**Borrower**"), GOLDMAN SACHS BANK USA, as collateral agent on behalf the Secured Parties (as defined in the below-described Credit Agreement) (together with its successor and assigns in such capacity, "**Collateral Agent**"), and the CITY AND COUNTY OF SAN FRANCISCO OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE, serving as the successor agency to the Redevelopment Agency of the City and County of San Francisco, a public body corporate and politic of the State, established pursuant to the Community Redevelopment Law of the State of California (Health and Safety Code Sections 33000 *et seq.*) ("**Agency**").

RECITALS:

A. Pursuant to that certain Credit Agreement, dated as of the date hereof (as amended, restated, supplemented, extended or otherwise modified from time to time and as refinanced, refunded or replaced from time to time, the "**Credit Agreement**"), by and among Borrower, the financial institutions from time to time party thereto, as lenders ("**Lenders**"), and Goldman Sachs Bank USA, as Sole Lead Arranger, Sole Lead Bookrunner, Syndication Agent, Administrative Agent and Collateral Agent, Lenders have agreed to extend a senior secured term loan facility (the "**Term Facility**") to Borrower in an aggregate principal amount of \$171,000,000.

B. Borrower's Obligations (as defined in the Credit Agreement), including without limitation the repayment of certain loans made by Lenders under the Term Facility ("**Loans**"), are secured by, among other things, a pledge by Borrower of the Gross Sales Proceeds (as referenced in the below-described Option Agreement) from the disposition of a portion of that certain real property more particularly described on Exhibit A hereto (the "**Property**"), and to preserve and protect such pledge of such Gross Sales Proceeds, Borrower has entered into that certain Agreement Not to Encumber or Transfer Property, dated as of the date hereof (the "**Instrument**"), which for the benefit of Collateral Agent and the Secured Parties restricts certain rights of Borrower relative to the Property. The Credit Agreement, the Instrument, this Subordination and all other Credit Documents (as defined in the Credit Agreement) are referred to collectively herein as the "**Documents**."

C. Pursuant to that certain Collateral Agency Agreement, dated as of the date hereof (as amended, restated, supplemented, or otherwise modified from time to time, the "**Facility Collateral Agency Agreement**"), among Borrower, Collateral Agent and [_____], in its capacity as depository and collateral agent thereunder (together with its successors and assigns in such capacity, "**Facility Collateral Agent**"), Facility Collateral Agent has established the Lockbox Account (as defined therein) and has agreed to receive into, hold in, and disburse from the Lockbox Account certain funds that

secure the Obligations, including Gross Sales Proceeds from the disposition of the portion of the Property defined as "Redevelopment Block 4" below.

D. Pursuant to certain affordable housing requirements (the "**Transbay Affordable Housing Obligation**"), as described in Section 5027.1 of the California Public Resources Code, the Redevelopment Plan for the Transbay Redevelopment Project Area, approved by Ordinance No. 124-05, adopted by the Board of Supervisors of the City and County of San Francisco ("**City**") on June 21, 2005 and Ordinance No. 99-06 adopted by the Board of Supervisors of the City on May 9, 2006 (the "**Redevelopment Plan**"), and that certain Transbay Redevelopment Project Implementation Agreement, dated as of January 20, 2005 (the "**Implementation Agreement**") between the Borrower and the former Redevelopment Agency of the City and County of San Francisco ("**Former Agency**"), Agency's predecessor in interest, and finally and conclusively determined by the California Department of Finance to be an enforceable obligation under Redevelopment Dissolution Law, Part 1.85 (commencing with Section 34170) of the California Health and Safety Code (the "**Redevelopment Dissolution Law**"), the Project Area (as defined in the Redevelopment Plan) must be developed with a sufficient number of units of affordable housing necessary to achieve the Transbay Affordable Housing Obligation.

E. The Agency's current development plans for the Property pursuant to the Redevelopment Plan call for the development of affordable and market rate housing on the approximate northern one-third portion of the Property generally depicted as "Block 4" on Exhibit 4 to the Redevelopment Plan ("**Redevelopment Block 4**"), with the remainder of the Property (the "**Remainder Parcels**") to be developed with public rights of way, a park, and affordable housing. Based on current projections of the housing units to be built within the Project Area, assuming Redevelopment Block 4's projected capacity of 550 units total, up to 45% of those units, or 248 units, would need to be affordable units to achieve compliance with the Transbay Affordable Housing Obligation. Nothing in this Subordination shall affect this Transbay Affordable Housing Obligation with respect to the Property.

F. Pursuant to that certain Option Agreement for the Purchase and Sale of Real Property, dated as of January 31, 2008 (the "**Original Option Agreement**"), by and among the City, Borrower, and Former Agency, Agency holds an option to purchase the Property (the "**Option**"). Pursuant to that certain First Amendment to Option Agreement by and among Borrower, Agency, and City, dated as of [] (the "**Option Agreement Amendment**"; the Original Option Agreement, as amended by the Option Agreement Amendment, is referred to herein as the "**Option Agreement**"), the City and the Agency consented to this Subordination and related matters.

G. This Subordination permits the Agency to exercise the Option to the Property before the full satisfaction of the Loans on the terms specified below, which includes a requirement that limits the Agency from exercising the Option for Redevelopment Block 4 unless it is for a third party transfer that generates Gross Sales Proceeds equal to or greater than the Lien Release Price (as defined in the Lien Release Price Letter Agreement referred to in the Credit Agreement). TJPA and the Agency have conducted their own due diligence to determine that it is reasonably likely that the third party sale of Redevelopment Block 4, which would be subject to a requirement that the purchaser develop a number of affordable units required by the Agency in its efforts to achieve compliance with the Transbay Affordable Housing Obligation, would generate Gross Sales Proceeds that are no less than the Lien Release Price.

H. Lenders require as a condition to extending credit to Borrower under the Term Facility that Borrower and Agency subordinate the Option Agreement, and Agency's interest in the Option relative to the Property to the Instrument as set forth below.

AGREEMENT:

For good and valuable consideration the parties hereto agree as follows:

1. Subordination of Option Agreement and Option. The Option Agreement, the Option and all rights and privileges of Agency thereunder relative to the Property are hereby and shall at all times continue to be subject and unconditionally subordinate in all respects to the lien and payment and satisfaction of the Instrument, the Credit Agreement and the other Documents and any Obligations arising thereunder and to any renewals, extensions, modifications, assignments, replacements, or consolidations thereof and the rights, privileges, and powers of Collateral Agent and Secured Parties thereunder, subject to the terms of this Subordination; provided, however, that nothing in this Subordination shall be construed as preventing Agency from complying with or enforcing the Transbay Affordable Housing Obligation with respect to the Property. For the avoidance of doubt, pursuant to this Subordination, Agency is not subordinating any of its right and privileges under the Option Agreement, the Option, or otherwise relative to any real property other than the Property.

2. Termination. At such time as either (i) the Obligations are paid in full or (ii) the Property is subdivided into separate legal parcels consisting of Redevelopment Block 4 and the Remainder Parcels and Borrower provides (or causes to be provided) to Collateral Agent a First Priority Mortgage (as defined in the Credit Agreement) on Redevelopment Block 4 and the other Redevelopment Block 4 Mortgage Deliverables (as defined in the Instrument), this Subordination, all of Collateral Agent's right, title and interest hereunder, and the Instrument shall terminate ("**Termination**"); provided, however, that if a First Priority Mortgage is delivered to Collateral Agency as to Redevelopment Block 4 at the time of the Termination, then the affordable housing rights of Agency specified in Section 8 of this Subordination shall remain in full force and effect, encumber, and run with the land as to Redevelopment Block 4. In such event, Agency shall have the right to require any owner of Redevelopment Block 4 to comply with the matters set forth in Section 8, including any party that acquires Redevelopment Block 4 through enforcement of the First Priority Mortgage, and Agency shall have the sole discretion to terminate the continuation of this Subordination as an encumbrance on Redevelopment Block 4 by recording a written document with such termination in the Official Records of San Francisco. On or as soon as practicable following the date of Termination, Collateral Agent shall provide a document in form reasonably acceptable to each of Collateral Agent, Borrower and Agency to release the Property from this Subordination and the Instrument (provided that Redevelopment Block 4 shall not be released as to this Subordination if a First Priority Mortgage is recorded against Redevelopment Block 4 at such time), which document Borrower and/or Agency may record in the Official Records of the City and County of San Francisco.

3. Estoppel. Agency represents and warrants that (a) the Option Agreement is in full force and effect and, except as amended by the Option Agreement Amendment, has not been modified, amended or assigned, (b) neither Agency nor Borrower is in default under any of the terms, covenants or provisions of the Option Agreement and Agency knows of no event which, but for the passage of time or the giving of notice or both, would constitute an event of default under the Option Agreement, (c) neither Agency nor Borrower has commenced any action or given or received any notice for the purpose of terminating the Option Agreement, (d) any and all sums due and payable to Agency under the Option Agreement, if any, have been paid in full, (e) Agency has the full legal right, power and authority to enter into this Subordination and to carry out and consummate all transactions contemplated hereby, (f) the execution, delivery and performance by Agency of this Subordination and the consummation by Agency of the transactions contemplated hereby (i) have been duly authorized by all necessary action on the part of Agency and (ii) do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any governmental authority, except as have been made, obtained, given or taken prior to the date of this Subordination, and (g) this Subordination has been duly executed and

delivered by Agency and constitutes the legally valid and binding obligation of Agency, enforceable against Agency in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally, (ii) equitable principles relating to enforceability (regardless of whether enforceability is considered in equity or at law) or (iii) the exercise of judicial discretion and the limitations on legal remedies against government entities in the State of California.

4. Covenants of Borrower and Agency. Borrower and Agency each hereby covenant with Collateral Agent that during the term of this Subordination, except as set forth in Section 6 of this Subordination: (a) they shall not transfer or assign any right, title or interest or responsibility or liability under the Option Agreement with respect to Redevelopment Block 4 to any other person or entity without prior written notification to Collateral Agent and the prior written consent of Collateral Agent, which consent may be withheld by Collateral Agent in Collateral Agent's sole discretion; (b) without the prior consent of the Requisite Lenders (as defined in the Credit Agreement; such consent not to be unreasonably withheld), they shall not terminate or amend any terms or provisions of the Option Agreement with respect to Redevelopment Block 4 except as could not reasonably be expected to materially adversely affect the interests of the Lenders; and (c) they shall, in the manner provided for in this Subordination, give notice to Collateral Agent of any notice that either party receives with respect to the Option Agreement with respect to the Property.

5. Receipt of Payments and Fees. Collateral Agent, Borrower and Agency hereby agree that during the term of this Subordination, Borrower shall not be entitled to receive any fee, commission or other amount payable to Borrower by Agency under the Option Agreement for Redevelopment Block 4, and that such amounts shall instead be paid directly to Facility Collateral Agent. Without limiting the foregoing, and notwithstanding anything to the contrary in the Option Agreement, the Cooperative Agreement (as defined in the Option Agreement) or the Implementation Agreement, if Agency is permitted under Section 6 of this Subordination to exercise the Option under the Option Agreement for Redevelopment Block 4, then Agency and Borrower shall deliver (or cause to be delivered) to Facility Collateral Agent any and all Gross Sales Proceeds realized from the disposition of Redevelopment Block 4, and any and all other amounts due and payable to Agency or Borrower (including any amounts previously required to be deposited into the Trust Account (as defined in the Option Agreement) under the Option Agreement for exercising the Option for Redevelopment Block 4, and from any disposition by Borrower or Agency of Redevelopment Block 4. Any amounts paid to Facility Collateral Agent from the disposition of Redevelopment Block 4 shall be held in, and disbursed from, the Lockbox Account by Facility Collateral Agent pursuant to the terms of the Facility Collateral Agency Agreement. If Agency is permitted under Section 6 of this Subordination to exercise the Option under the Option Agreement for the Remainder Parcels, or any portion thereof, Borrower shall deliver (or cause to be delivered) any and all Gross Sales Proceeds realized from such disposition of the Remainder Parcels into the Trust Account.

6. Exercise of Option.

(a) Redevelopment Block 4. During the term of this Subordination, Collateral Agent agrees to permit Agency to exercise the Option for Redevelopment Block 4 in accordance with the Option Agreement and the Transbay Affordable Housing Obligation and to permit Borrower to transfer Redevelopment Block 4 to Agency in connection with such exercise of the Option, provided that (a) Borrower or Agency has taken (or caused to be taken) such actions as may be necessary to create Redevelopment Block 4 as a separate legal parcel, (b) Agency delivers timely written notice as required by Section 9(b) hereof, (c) substantially contemporaneously with the exercise of the Option for Redevelopment Block 4, Agency disposes of Redevelopment Block 4 to a third party in a transaction for which the Gross Sales Proceeds realized from such disposition shall be equal to or greater than the Lien Release Price for Redevelopment Block 4, and (d) any sums due to Borrower or Agency under the Option

Agreement for exercising the Option for Redevelopment Block 4, or from the disposition of Redevelopment Block 4, including Gross Sales Proceeds from such disposition, shall be paid directly to Facility Collateral Agent as required by Section 5 hereof on the Closing Date (as defined in the Option Agreement) for the disposition of Redevelopment Block 4. If any Event of Default exists or any of the conditions in clauses (a) through (d) are not satisfied, Agency may not exercise the Option with respect to Redevelopment Block 4 unless agreed to in writing by Collateral Agent in its sole discretion.

(b) Remainder Parcels. Agency shall further have the right to exercise the Option for the Remainder Parcels, and Borrower shall have the right to transfer the Remainder Parcels to Agency, at any time, even if there is an Event of Default under the Documents, so long as prior to such transfer of either of the Remainder Parcels, Borrower or Agency shall have taken (or caused to be taken) such actions as may be necessary to create the Remainder Parcels as separate legal parcels.

7. Release of Optioned Property. If (a) Agency exercises the Option for Redevelopment Block 4, and closes on the Option for Redevelopment Block 4 in accordance with the terms of the Option Agreement and this Subordination and (b) all Gross Sales Proceeds for Redevelopment Block 4 are paid directly to Facility Collateral Agent for deposit in the Lockbox Account on the Closing Date for the disposition of Redevelopment Block 4, Collateral Agent shall provide on the Closing Date for the disposition of Redevelopment Block 4, a document in form reasonably acceptable to each of Collateral Agent, Borrower and Agency to release from this Subordination and the Instrument all or that portion of Redevelopment Block 4 transferred pursuant to the Option, which document Borrower and/or Agency may record in the Official Records of the City and County of San Francisco.

If the Property is subdivided into Redevelopment Block 4 and the Remainder Parcels, and Agency exercises the Option for either of the Remainder Parcels, Collateral Agent shall provide on the Closing Date for the disposition of such Remainder Parcel, a document in form reasonably acceptable to each of Collateral Agent, Borrower and Agency to release from this Subordination and the Instrument all or that portion of such Remainder Parcel transferred pursuant to the Option, which document Borrower and/or Agency may record in the Official Records of the City and County of San Francisco.

8. Affordable Housing. Agency's consent to this Subordination is made with the following understandings and acknowledgements, which are consented to by Collateral Agent, for the benefit of Secured Parties, and shall bind any party (including its successors and assigns) that acquires Redevelopment Block 4 through the enforcement of any Redevelopment Block 4 Mortgage on Redevelopment Parcel 4: The Property is subject to the Transbay Affordable Housing Obligation, which applies to and passes with the Property, and applies to and binds the successors in interest of any owner of the Property; that the Property shall be held, transferred, sold and conveyed, subject to the conditions, restrictions, reservations and covenants set forth in the Transbay Redevelopment Project Area Declaration of Restrictions, recorded in the Official Records of the City and County of San Francisco on August 4, 2006 as Document No. 2006I224839 (the "**Declaration of Restrictions**"), which includes the Transbay Affordable Housing Obligation. In the event of any foreclosure, sale or transfer of the Property, the acquirer, purchaser, acquirers or purchasers and their successors and assigns, and the Property, shall continue to be subject to all of the conditions, restrictions and covenants provided in the Declaration of Restrictions; and, consistent with its enforceable obligations under the Redevelopment Dissolution Law, Agency shall have full authority to determine the infrastructure, affordable housing, and open space requirements that apply to any development on all or any portion of the Property to meet the Transbay Affordable Housing Obligation and implement the Redevelopment Plan, including any requirement that there be a level of affordable housing on Redevelopment Block 4 that is higher than the minimum levels established for private developments in the Redevelopment Plan, and the requirement for the parcelization and assembly of land into block and lots that are suitable for development, as described in the Development Controls and Design Guidelines (as defined in the Redevelopment Plan).

9. Consent and Agreement by Agency. Agency hereby acknowledges and consents to this Subordination and agrees that Agency will act in conformity with the provisions of this Subordination and Collateral Agent's rights hereunder or otherwise related to the Option Agreement. Agency hereby agrees (a) not to contest or impede the exercise by Collateral Agent of any right it has under or in connection with this Subordination; and (b) that it shall, in the manner provided for in this Subordination, give at least thirty (30) days prior written notice to Collateral Agent of its intention to exercise the Option.

10. GOVERNING LAW. THIS SUBORDINATION AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER (INCLUDING, WITHOUT LIMITATION, ANY CLAIMS SOUNDING IN CONTRACT LAW OR TORT LAW ARISING OUT OF THE SUBJECT MATTER HEREOF AND ANY DETERMINATIONS WITH RESPECT TO POST-JUDGMENT INTEREST) SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT WITH RESPECT TO THE MATTERS OF CAPACITY, POWER AND AUTHORITY OF BORROWER AND AGENCY, INCLUDING THE AGENCY'S RIGHTS UNDER SECTION 8 ABOVE, THE LAWS OF THE STATE OF CALIFORNIA SHALL GOVERN.

11. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS SUBORDINATION. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS SUBORDINATION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS SUBORDINATION, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 11 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF LITIGATION, THIS SUBORDINATION. MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

12. Notices. All notices or other written communications hereunder shall be deemed to have been properly given (a) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof, (b) one (1) Business Day (hereinafter defined) after having been deposited for overnight delivery with any reputable overnight courier service, or (c) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower:

Transbay Joint Powers Authority
201 Mission Street, Suite 2100
San Francisco, CA 94105
Attn: Executive Director Maria Ayerdi-Kaplan

With a copy to Borrower's Legal Counsel:

Shute, Mihaly & Weinberger LLP
396 Hayes Street
San Francisco, CA 94102
Attn: Deborah Miller

If to Collateral Agent:

If to Agency:

or addressed as such party may from time to time designate by written notice to the other parties. For purposes of this Section 12, the term "**Business Day**" shall mean a day on which commercial banks are not authorized or required by law to close in either New York, New York or San Francisco, California.

Any party by notice to the others may designate additional or different addresses for subsequent notices or communications.

13. No Oral Change. This Subordination, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower, Agency or Collateral Agent, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

14. Successors and Assigns. This Subordination shall be binding upon and inure to the benefit of Borrower, Agency and Collateral Agent and their respective successors and assigns forever.

15. Inapplicable Provisions. If any term, covenant or condition of this Subordination is held to be invalid, illegal or unenforceable in any respect, this Subordination shall be construed without such provision.

16. Headings, Etc. The headings and captions of various paragraphs of this Subordination are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

17. Duplicate Originals; Counterparts. This Subordination may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Subordination may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Subordination. The failure of any party hereto to execute this Subordination, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

18. Number and Gender. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

19. Attorneys' Fees. In the event that any party hereto fails to perform any of its obligations under this Subordination or in the event a dispute arises concerning the meaning or interpretation of any provision of this Subordination, 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).

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

[Signature page to follow]

IN WITNESS WHEREOF the undersigned have executed this Subordination as of the date and year first written above.

BORROWER:

TRANSBAY JOINT POWERS AUTHORITY,
a Joint Powers Agency

By: _____
Name: _____
Its: _____

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 2014, before me, _____, a Notary Public, 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 of the Notary Public

(Seal)

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

[SIGNATURE PAGE TO SUBORDINATION OF OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY]

AGENCY:

**CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF COMMUNITY INVESTMENT AND
INFRASTRUCTURE**, a public body corporate and
politic

By: _____
Name: _____
Its: _____

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 2014, before me, _____, a Notary Public,
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 of the Notary Public

(Seal)

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

[SIGNATURE PAGE TO SUBORDINATION OF OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY]

COLLATERAL AGENT:

GOLDMAN SACHS BANK USA, as Collateral Agent

By: _____
Name: _____
Its: _____

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 2014, before me, _____, a Notary Public, 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 of the Notary Public

(Seal)

**THE CITY AND COUNTY OF SAN FRANCISCO HEREBY
ACKNOWLEDGES THE FOREGOING SUBORDINATION
OF OPTION AGREEMENT:**

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____
Name: John Updike
Its: Director of Property

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 2014, before me, _____, a Notary Public,
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 of the Notary Public

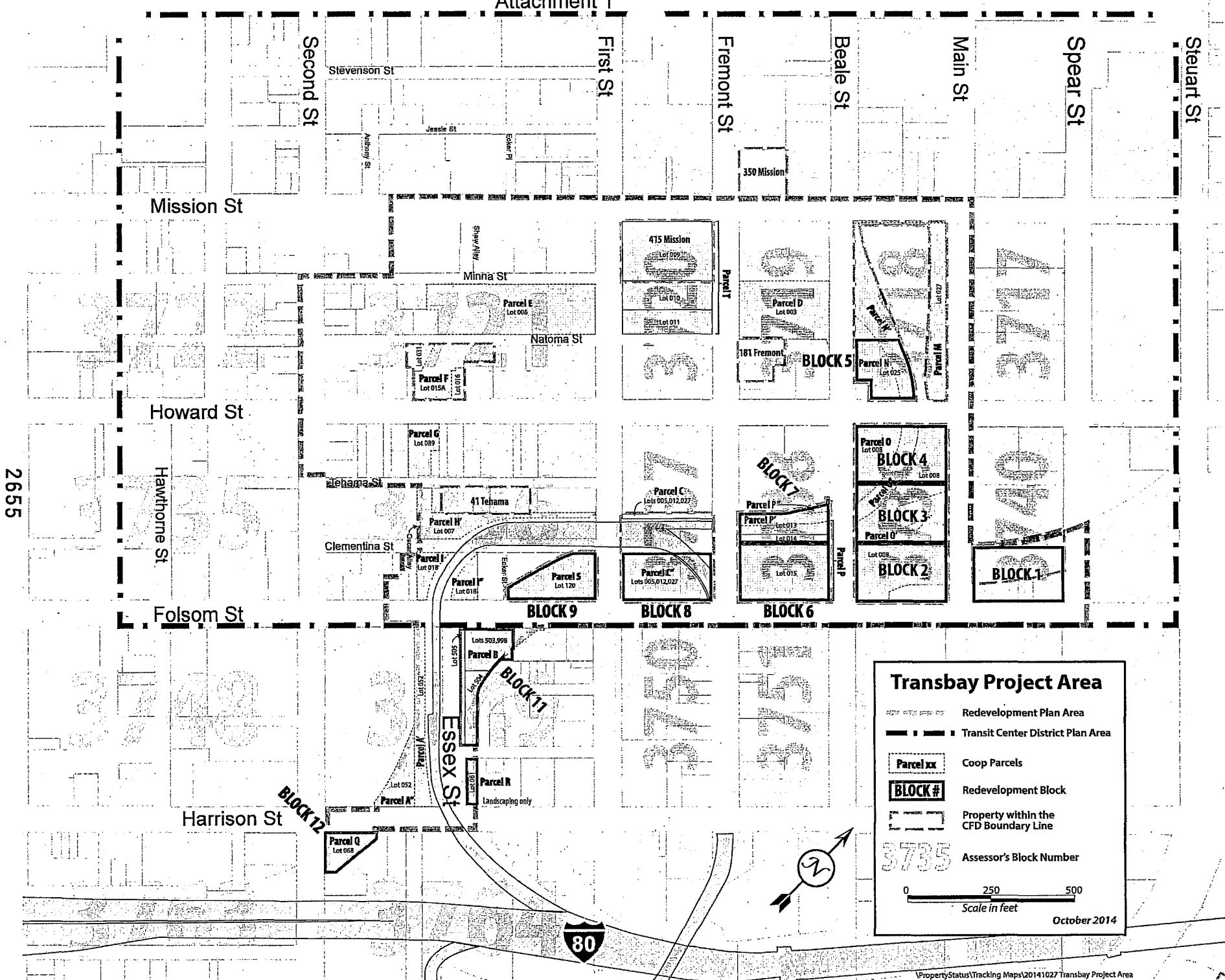
(Seal)

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

[To be attached.]

622380.24



Transbay Project Area

- Redevelopment Plan Area
- Transit Center District Plan Area
- Parcel xx Coop Parcels
- BLOCK # Redevelopment Block
- Property within the CFD Boundary Line
- Assessor's Block Number

0 250 500
Scale in feet

October 2014

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

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

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

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

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

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

Sponsor(s):

Supervisor Jane Kim

Subject:

Consent to Successor Agency Actions facilitating interim financing for Transbay Transit Center- Transbay Redevelopment Project Area - Amendment to Option Agreement affecting Affordable Housing Requirement

The text is listed below or attached:

See attached.

Signature of Sponsoring Supervisor: 

For Clerk's Use Only: