

1 [Ground Lease Amendment - 1555 Turk Street - Laurel Gardens of Bethel A.M.E.
2 Church, L.P. - Up to \$950,000 per Year, Including Mandatory \$15,000 per Year Base Rent]

3 **Resolution authorizing the execution and performance of an amendment to a Long-**
4 **Term Ground Lease of 99 years in length between the City and County of San**
5 **Francisco and Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited**
6 **partnership, for real property located at 1555 Turk Street, in connection with the**
7 **refinancing and rehabilitation of 52 units of affordable housing for low and very low**
8 **income individuals and families, for an annual rent amount of up to \$950,000 per year,**
9 **including a mandatory \$15,000 per year base rent.**

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11 WHEREAS, The Former San Francisco Redevelopment Agency (the "Agency") leased
12 the land for the property located at 1555 Turk Street, San Francisco, CA 94115 (Assessor's
13 Parcel Block No. 0754, Lot No. 028) (the "Property") on October 1, 1998, to Laurel Gardens of
14 Bethel A.M.E. Church, L.P. ("Bethel"); and

15 WHEREAS, Bethel has operated the building located thereon (the "Improvements") as
16 affordable housing for low and very low income individuals and families; and

17 WHEREAS, Under California State Assembly Bill No. 1X26 (Chapter 5, Statutes of
18 2011-12, first Extraordinary Session) ("AB 26"), the Agency dissolved as a matter of law on
19 February 1, 2012, and pursuant to AB 26, as amended by California State Assembly Bill No.
20 1484 ("AB 1484"), and Resolution No. 11-12, adopted by the City's Board of Supervisors and
21 Mayor on January 26, 2012, Ordinance No. 215-12, adopted by the City's Board of
22 Supervisors and Mayor on October 12, 2012, and the approved housing asset list submitted
23 by City to, and approved by, the State of California Department of Finance pursuant to AB
24 1484 (Cal. Health & Safety Code, Section 34176(a)(2)), City is successor in interest to
25 Agency's fee interest in the Property and to all of the Agency's rights and obligations with

1 respect to the Lease and the Property; and

2 WHEREAS, The Mayor's Office of Housing and Community Development ("MOHCD")
3 wishes to enter into an amendment to the Ground Lease with Laurel Gardens of Bethel
4 A.M.E. Church LP, in order to facilitate a refinance and rehabilitation project at 1555 Turk
5 Street which provides 52 units of affordable housing to low and very low income individuals
6 and families and to update the Ground Lease to comply with current MOHCD reporting
7 requirements; now, therefore, be it

8 RESOLVED, That in accordance with the recommendations of the Director of Property
9 and the Director of MOHCD, the Board of Supervisors hereby approves and authorizes the
10 Director of Property, along with the Director of MOHCD, to finalize negotiations for the
11 amended Lease and following the negotiations for the amended Lease authorizes the Director
12 of MOHCD to execute and deliver the amended Lease; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
14 MOHCD, in consultation with the City Attorney, to enter into any additions, amendments or
15 other modifications to the amended Lease that the Director of MOHCD determines are in the
16 best interests of the City, do not decrease the revenues of the City in connection with the
17 Property, or otherwise materially increase the obligations or liabilities of the City, and are in
18 compliance with all applicable laws, including the City's Charter; and, be it

19 FURTHER RESOLVED, That the Director of Property shall provide the Clerk of the
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1 Board of the Board of Supervisors a fully executed copy of the Amendment to the Ground
2 Lease within thirty (30) days of signature of same.

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4 RECOMMENDED:

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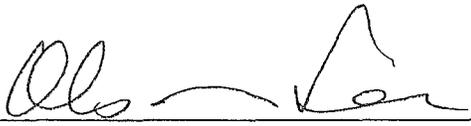


Acting Director of Property

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Director of the Mayor's Office of Housing
and Community Development

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<p>Item 5 File 16-0322</p>	<p>Departments: Mayor’s Office of Housing and Community Development (MOHCD) Real Estate Division</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- Resolution authorizing the execution and performance of an amendment to a long-term ground lease of 99 years between the City and County of San Francisco and Laurel Gardens of Bethel A.M.E. Church, LP (Bethel), a California limited partnership, for real property located at 1555 Turk Street, in connection with the refinancing and rehabilitation of 52 units of affordable housing for low and very low income individuals and families for an annual rent amount of up to \$950,000 per year, including a mandatory \$15,000 per year base rent.

Key Points

- On October 1, 1998, the former San Francisco Redevelopment Agency enter into a 99-year ground lease with Bethel for the 1.47 acre property located at 1555 Turk Street to provide 52-units of affordable housing for low and very low income individuals and families. On February 1, 2012, the Redevelopment Agency was dissolved and MOHCD assumed responsibility for the Redevelopment Agency’s housing properties, including leases.
- The proposed amendment to the existing ground lease would (a) update provisions in the lease to comply with current MOHCD reporting requirements, and (b) allow the 1555 Turk Street property to be refinanced and rehabilitated.

Fiscal Impact

- Bethel has applied to Citibank for an up to \$13,000,000 private loan to refinance and rehabilitate all 52 units at 1555 Turk Street. Bethel will pay the bank refinance fees, use the loan proceeds to pay off four existing loans and fund construction costs of \$6,000,000 for total costs of approximately \$11,722,845. The net difference of up to \$1,277,155 will be split one-third to Bethel and two-thirds to the City, which the City would hold in a reserve account to be drawn by Bethel for affordable housing purposes, subject to approval by MOHCD.
- On March 17, 2016, an appraisal report for the 1.47 acre 1555 Turk Street property determined the As-Is Market Value was \$9,500,000 or \$148 per square foot, which assumes the property is restricted for use as affordable housing. The maximum annual rent to be paid to the City is \$950,000, or 10% of the appraised value.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.30 provides that the Board of Supervisors, by resolution, may authorize the lease of real property owned by the City.

BACKGROUND

As part of the Western Addition A-2 Redevelopment Project Area, on October 1, 1998, the former San Francisco Redevelopment Agency enter into a 99-year ground lease with Laurel Gardens of Bethel A.M.E. Church, LP (Bethel), a California limited partnership, for the 1.47 acre property located at 1555 Turk Street for \$30,000 per year for Bethel to provide affordable housing. The property included the 52-unit Laurel Garden Apartments, which were developed, owned and operated by Bethel as affordable rental housing for low and very low income individuals and families¹. On February 1, 2012, the Redevelopment Agency was dissolved², such that the City, through the Mayor's Office of Housing and Community Development (MOHCD), is now responsible for the Redevelopment Agency's housing properties, including the rights and obligations with respect to existing leases.

DETAILS OF PROPOSED LEGISLATION

Resolution authorizing the execution and performance of an amendment to a long-term ground lease of 99 years between the City and County of San Francisco and Laurel Gardens of Bethel A.M.E. Church, LP, a California limited partnership, for real property located at 1555 Turk Street, in connection with the refinancing and rehabilitation of 52 units of affordable housing for low and very low income individuals and families for an annual rent amount of up to \$950,000 per year, including a mandatory \$15,000 per year base rent.

Under the proposed resolution, the Board of Supervisors would authorize the Director of Property and the Director of the MOHCD to finalize negotiations and execute an amended lease with Bethel. The Board of Supervisors would also authorize the Director of MOHCD, with the City Attorney, to amend and/or modify the amended lease, if such changes do not decrease City revenues or otherwise materially increase the City's obligations of liabilities.

The major provisions of the proposed lease amendment include:

- City would receive minimum of \$15,000 annual base rent payments, which would be considered an expense of the project. According to Ms. Faith Kirkpatrick, Project Manager at MOHCD, \$15,000 is the current MOHCD standard for ground lease annual base rent payments for affordable housing projects.
- Sets the maximum annual rent for the Laurel Gardens Apartments at \$950,000 per year.

¹ Households with incomes at or below 60% of the Area Median Income.

² In accordance with California State Assembly Bill No. 1X26 (AB26), as amended by the California State Assembly Bill No 1484 (AB1484).

- Splits the \$13,000,000 Citibank loan proceeds, after total expenses, or a net amount of approximately \$1,277,155, to provide up to one-third to Bethel (\$422,000) and two-thirds to the City (\$855,155), which the City would hold in a reserve account that can only be drawn by Bethel for affordable housing purposes, as approved by MOHCD. Given that the cash proceeds that Bethel will receive from their private bank refinance are unrestricted, by holding these funds in reserve, MOHCD will have the ability to review and approve Bethel's proposed expenditures to ensure that they are used for affordable housing purposes.
- Splits the annual cash flow after expenses to provide one-third to Bethel and two-thirds to the City. Based on current projections of approximately \$320,000 annual cash flow after expenses in 2018, the first year after the rehabilitation is completed, Bethel would receive one-third or \$106,667 and the City would receive two-thirds or \$213,333. This is consistent with current MOHCD terms in other ground leases, but this language was not included in the original Bethel ground lease terms. The revenues received from this project will fund MOHCD's ongoing monitoring and preservation of affordable housing and additional development of affordable housing through MOHCD loans to developers.
- Requires Bethel to provide Annual Monitoring Reports to MOHCD which includes financial reporting on the property, to verify the annual residual receipts rent payments to the City. Ms. Kirkpatrick advises that Bethel currently provides Annual Monitoring Reports to MOHCD, however, this requirement was included in the original loan to Bethel, which will be paid off in the proposed refinancing. This Annual Monitoring Reports requirement will now be part of the amended ground lease.

The proposed amendment to the existing ground lease would (a) update provisions in the lease to comply with current MOHCD reporting requirements, and (b) allow the 1555 Turk Street property to be refinanced and rehabilitated.

FISCAL IMPACT

Ms. Kirkpatrick advises that Bethel has applied to Citibank, a private bank, for an up to \$13,000,000 mortgage loan to refinance and rehabilitate all 52 units of affordable housing at 1555 Turk Street. Bethel will pay the bank refinance fees, use the loan proceeds to pay off four existing loans: (1) original MOHCD loan for \$1,039,189; (2) one original Bank of America loan for \$1,192,726; (3) one Northern California Community Loan Fund loan for \$1,168,750; and (4) one Bethel loan for \$356,392, and then fund construction improvements of approximately \$6,000,000 for total costs of approximately \$11,722,845. The net difference of approximately \$1,277,155 (\$13 million loan less \$11,722,845 total costs) would provide one-third to Bethel (\$422,000) and two-thirds to the City (\$855,155), which the City would hold in a reserve account to be drawn by Bethel for affordable housing purposes, subject to approval by MOHCD.

With their loan proceeds, Bethel will provide approximately \$6,000,000 of improvements to the 1555 Turk Street property, including repair and repaint exterior buildings, new playgrounds and

landscaping, replace all windows, upgrade the community room, repair the heating, ventilation, air conditioning (HVAC), install solar thermal heating, upgrade the electrical and fire safety systems, renovate all the kitchens and bathrooms and related ADA upgrades. The costs also include the temporary relocation of existing tenants. These improvements are anticipated to take 14 months.

On March 17, 2016, Colliers International, a private valuation firm, issued an appraisal report for the subject 1.47 acre (64,046 square feet) 1555 Turk Street property for Bethel, which determined the As-Is Market Value of the leased fee property was \$9,500,000 or \$148 per square foot. This assumes the property is restricted for use as affordable housing. As noted in the proposed resolution, the maximum annual rent to be paid to the City is \$950,000, or 10% of the appraised value.

RECOMMENDATION

Approve the proposed resolution.

FIRST AMENDMENT TO GROUND LEASE

THIS FIRST AMENDMENT TO GROUND LEASE (this "**Amendment**") is made by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "**City**" or "**Landlord**"), represented by the Mayor, acting by and through the Mayor's Office of Housing and Community Development ("**MOHCD**") and **LAUREL GARDENS OF BETHEL A.M.E. CHURCH, L.P.**, a California limited partnership ("**Developer**"), and is effective as of _____, 2016.

RECITALS

- A. The former San Francisco Redevelopment Agency (the "**Agency**"), as landlord, and Developer, as tenant, are parties to that certain Ground Lease dated as of October 15, 1998 (the "**Lease**"), with respect to certain real property and improvements located at 1555 Turk Street, San Francisco, CA 94115 and commonly known as Laurel Gardens Apartments (the "**Property**").
- B. Under California State Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, first Extraordinary Session) ("**AB 26**"), the Agency dissolved as a matter of law on February 1, 2012, and pursuant to AB 26, as amended by California State Assembly Bill No. 1484 ("**AB 1484**"), and Resolution No. 11-12, adopted by the City's Board of Supervisors and Mayor on January 26, 2012, Ordinance No. 215-12, adopted by the City's Board of Supervisors and Mayor on October 12, 2012, and the approved housing asset list submitted by City to, and approved by, the State of California Department of Finance pursuant to AB 1484 (Cal. Health & Safety Code Section 34176(a)(2)), City is successor in interest to Agency's interest in the Property and to all of the Agency's rights and obligations with respect to the Lease and the Property.
- C. Developer has applied to Citibank, N.A., a national banking association (together with its successors and assigns, the "**Lender**"), for a mortgage loan in the maximum principal amount of \$13,000,000 (the "**Loan**") for the refinancing, rehabilitation, development, equipping and/or operation of the Improvements (as defined in the Lease) located at the Property.
- D. Agency and Developer desire to amend the Lease pursuant to this Amendment as a condition to Lender agreeing to make the Loan to Developer.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

1. Refinancing; Reserves. Notwithstanding anything to the contrary in Section 25.01 of the Lease, in connection with the Loan, Developer and the City agree that "Cash-out Proceeds" in an amount not to exceed \$ [1,800,000.00] (the "**Cash-out Proceeds**") shall be applied as follows: One-third (1/3) of available Cash-out Proceeds will be distributed

as unrestricted funds to the Developer; and two-thirds (2/3) of total Cash-Out Proceeds shall be distributed to the City and held in an interest-bearing reserve by the City for use by Developer or Bethel African Methodist Episcopal Church of San Francisco pursuant to this Section (the “**Restricted Proceeds**”). Release of the Restricted Proceeds may be requested by Developer in writing accompanied by copies of invoices, contracts or other documents covering all amounts requested and are to be used by Developer or Bethel African Methodist Episcopal Church of San Francisco for purposes related solely to the development and operation of the Project or projects owned or controlled by Bethel African Methodist Episcopal Church of San Francisco that are affordable to low-, lower- or moderate-income households in the City and County of San Francisco unless the City approves an alternative use, in its sole and absolute discretion. The City may deny or approve Developer’s request for release of the Restricted Proceeds in its sole and absolute discretion (except that any request for release related to the Project shall be made in its reasonable discretion). Among the conditions to any release of Restricted Proceeds shall be that no Event of Default, or event that with notice or the passage of time or both could constitute an Event of Default under the Lease has occurred that remains uncured. Any Restricted Proceeds that are not expended within ten (10) years of the date of this Amendment shall be unencumbered and released in their entirety to the City. The Developer may request an extension of this ten (10) year period and the City may deny or approve such request in its sole and absolute discretion. For purposes of this Section 1, “**Cash-Out Proceeds**” shall include all equity created by the Loan after paying off all existing debt secured by the Project; payment of costs to complete the rehabilitation of the Improvements as contemplated by the Loan documents in an amount not to exceed the amount allocated to such costs in the budget (as approved by the City and Lender) attached hereto as Attachment 15; funding of any initial reserve account deposits required by Lender as a condition to making the Loan; and paying costs associated with the closing of the Loan; release of project operating accounts and/or reserve accounts or other available cash assets (providing, however, that any replacement reserve accounts may be released as Cash-out Proceeds only so long as the account is not less than \$1,000/unit as of the date the Loan is funded); and any developer fee approved by MOHCD.

2. The underlined language below is hereby added to **Section 1.03** of the Lease, such that **Section 1.03** of the Lease reads as follows:

1.03 Developer means Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership, or its permitted successors as holder of the leasehold estate in the Site and fee ownership of the Improvements, including a Subsequent Owner, where appropriate.

3. Section 1.11 of the Lease is hereby revised to read as follows:

1.11 **Lender** means the holder of any Leasehold Mortgage consented to by the City as required by Article 25.01.

4. The following sections are hereby added to the Lease as new sections:

1.18 Subsequent Owner means any successor (including a Lender or an affiliate or assignee of a Lender as applicable) to the Developer's interest in the Leasehold Estate and the Improvements following a foreclosure, deed in lieu of foreclosure, or transfer to a Lender, its affiliate, and any successors to any such person or entity.

1.19 Surplus Cash means the excess of Project Income over Project Expenses. All permitted uses and distributions of Surplus Cash shall be governed by Section 6.02h of this Lease.

1.20 Project Expenses means all charges incurred by Developer in the operation of the Project including but not limited to: (a) lease payments, utilities, real estate and/or possessory interest taxes, assessments, and liability, fire and other hazard insurance premiums; (b) salaries, wages and other compensation due and payable to the employees or agents of Developer who maintain, administer, operate or provide services in connection with the Project, including all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required for such employees; (c) required payments of interest, principal or annual servicing fees, if any, on any construction or permanent financing secured by the Project; (d) all other expenses incurred by Developer to cover routine operating and services provision costs of the Project, including maintenance and repair and the reasonable fee of any managing agent; (e) any extraordinary expenses as approved in advance by the City; and (f) deposits to reserves accounts required to be established under any loan documents executed in connection with any Leasehold Mortgage.

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

1.22 First Lease Payment Year means the year in which rehabilitation activities are completed on the Project, as evidenced by a notice of completion, to be recorded in the San Francisco Recorder's Office.

5. Article 4 of the Lease is hereby deleted in its entirety and replaced with the following:

ARTICLE 4: RENT

4.01 Annual Rent

Developer shall pay to the City up to Nine Hundred Fifty Thousand Dollars (\$950,000.00) (the “Annual Rent”) per year for each year of the Term of this Ground Lease, which is equal to ten percent (10%) of appraised value of the Site as of the Effective Date, and consists of Base Rent and Residual Rent, as defined in Sections 4.02 and 4.03 below, without offset of any kind (except as otherwise permitted by this Lease) and without necessity of demand, notice or invoice. Annual Rent shall be re-determined on the fifteenth (15th) anniversary of the date of the first payment of Base Rent pursuant to Section 4.02(a) below and every fifteen (15) years thereafter, and shall be equal to ten percent (10%) of the appraised value of the Site as determined by an MAI appraiser selected by and at the sole cost of the Project. Notwithstanding the foregoing, Annual Rent shall be re-determined upon any renewal or execution of 20 year HAP contract or loss of such a contract.

4.02 Base Rent

4.02a. “Base Rent” means FIFTEEN THOUSAND DOLLARS (\$15,000) per annum. Base Rent shall be due and payable in arrears on January 31st of each Lease Year, provided, however, no Base Rent shall be due until after completion of the rehabilitation of the Improvements, as evidenced by a notice of completion. The first Base Rent payment shall be due on the January 31st of the calendar year following the issuance of the notice of completion; and provided, further, that in the event that the Developer or, if applicable, any Subsequent Owner, fails, after notice and opportunity to cure, to comply with the provisions of Section 9.02, Base Rent shall be increased to the full amount of the Annual Rent until such time as the Project achieves compliance with the provisions of Section 9.02, or in the event that a Subsequent Owner elects pursuant to Section 26.06(ii) to operate the Project without being subject to Section 9.02 or any Subsequent Owner elects, pursuant to Section 26.06(ii), to operate the Project without compliance with such provisions, Base Rent shall be increased to the full amount of the Annual Rent.

4.02b If the Project does not have sufficient Project Income to pay Base Rent in any given Lease Year and the City has received written notice from Developer regarding its inability to pay Base Rent from Project Income no fewer than sixty (60) days prior to the Base Rent due date along with supporting documentation for Developer’s position that it is unable to pay Base Rent from Project Income, the unpaid amount shall be deferred and all such deferred amounts shall accrue without interest until paid (“**Base Rent Accrual**”). The Base Rent Accrual shall be due and payable each year from and to the extent Surplus Cash is available to make such payments in accordance with Section 6.02h and, in any event, upon the earlier of sale of the Project or termination of this Ground Lease.

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

4.03 Residual Rent

"**Residual Rent**" means, in any given Lease Year, up to Nine Hundred Thirty Five Thousand Dollars (\$935,000.00). Residual Rent shall be due in arrears on April 15th following each Lease Year, payable only to the extent of Surplus Cash as provided in Section 6.02(f), and any unpaid Residual Rent shall not accrue. However, in the event that Surplus Cash is insufficient to pay the full amount of the Residual Rent, Developer shall certify to the City in writing by April 15 that available Surplus Cash is insufficient to pay Residual Rent and Developer shall provide to City any supporting documentation reasonably requested by City to allow City to verify the insufficiency.

4.04 Absolute Net Lease

This Ground Lease is an absolute net lease and the Developer shall be responsible to pay all costs, charges, taxes, impositions and other obligations related thereto. If the Agency pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, the Agency will be entitled to be reimbursed by Developer the full amount of such payments as additional rent on the next rent payment date.

6. Section 6.02f. is hereby deleted in its entirety and replaced with the following:

6.02f Marketing and Tenant Selection Plan. No later than sixty (60) days before the completion of the rehabilitation, Developer must deliver to the City for the City's review and approval an affirmative plan for ongoing marketing of the units and a written Tenant selection procedure for ongoing renting of the units substantially in the form attached hereto as Attachment 14 (the "Marketing and Tenant Selection Plan") all in compliance with the restrictions set forth in the Bond Regulatory Agreement and in form and substance acceptable to the City. Developer must obtain the City's approval of reasonable alterations to the Marketing and Tenant Selection Plan. Developer must market and rent the units

in the manner set forth in the Marketing and Tenant Selection Plan, as approved by the City. Before marketing any units, Developer must provide the City with updated implementation and contact information.

6.02f.i Affirmative Marketing and Tenant Selection Plan Requirements. Developer's Marketing and Tenant Selection Plan must address how Developer intends to market vacant units and any opportunity for placement on the Waiting List (as defined below). The Marketing and Tenant Selection Plan shall include as many of the following elements as are appropriate to the Project, as determined by the City:

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

(B) A plan that satisfies the requirement to give preference in occupying units first to Certificate of Preference Holders in accordance with the Operational Rules for San Francisco Housing Lotteries and Rental Lease Up Activities attached hereto as Attachment 13.

(C) A plan that satisfies the requirement to give preference in occupying units second to EAHP Certificate Holders in accordance with Attachment 13.

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

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

(F) Notices to the San Francisco Housing Authority.

(G) Notices to MOHCD.

(H) To the extent practicable, Developer must give preference to potential tenants who have been displaced from other units in the City by rehabilitation or construction work financed in whole or part by the City. To implement this requirement, Developer agrees to give preferential consideration to applications of displaced persons provided to Developer by the City.

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

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

6.02f.ii Marketing and Tenant Selection Plan & Tenant Screening Criteria Requirements:

(A) Developer's Marketing and Tenant Selection Plan shall comply with the requirements of the Tenant Selection Plan Policy as set forth in the attached Attachment 11. The Marketing and Tenant Selection Plan must be kept on file at the Project at all times.

(B) Developer's tenant screening criteria must comply with the Tenant Screening Criteria Policy set forth in the attached Attachment 12.

6.02f.iii Marketing Records. Developer must keep records of:

- (a) activities implementing the Marketing and Tenant Selection Plan;
- (b) advertisements; and (c) other community outreach efforts.

6.02f.iv Waiting List. Developer's Marketing and Tenant Selection Plan must contain, at a minimum, policies and criteria that provide for the selection of tenants from a written waiting list in the chronological order of their application (the "Waiting List"). The Marketing and Tenant Selection Plan may allow an applicant to refuse an available unit for good cause without losing standing on the Waiting List but shall limit the number of refusals without cause as approved by the City. Developer shall at all times maintain the Waiting List. Upon the vacancy of any unit, Developer shall first attempt to select the new Tenant for such unit from the Waiting List, and shall only market the unit to the general public after determining that no applicants from the Waiting List qualify for such unit. The Waiting List must be kept on file at the Project at all times.

7. The following Section 6.02h is hereby added to the Lease:

6.02h Permitted Uses of Surplus Cash.

All annual Project Income, prior to the calculation of Surplus Cash, shall be used to pay Project Expenses. If the Developer is in compliance with all applicable requirements and agreements under this Ground Lease, Developer shall then use any Surplus Cash to make the following payments:

- i. First to Base Rent Accrual payments, if any;

- ii. Then, any remaining Surplus Cash shall be used as follows: (a) one-third (1/3) of remaining Surplus Cash may be retained by Developer and may be used by Developer to pay distributions or other payments in accordance with Developer's partnership agreement and (b) two-thirds (2/3) of Surplus Cash shall be allocated to the City. The City's portion of Surplus Cash will be applied to Residual Rent. In the event the City's portion of Surplus Cash exceeds the maximum Annual Rent permitted under Section 4.01, any excess may be retained by Developer to pay distributions or other payments in accordance with Developer's partnership agreement.

8. Article 7 of the Lease is hereby amended as follows:

(a) Attachment 9 is hereby deleted and replaced with Attachment 10, attached hereto and by this reference made a part hereof, and all references to "Attachment 9" in Article 7 and elsewhere in the Lease are hereby replaced with "Attachment 10".

(b) The following paragraph is hereby added to the end of Article 7:

Developer must file with the Agency annual report forms (the "**Annual Monitoring Report**") that include audited financial statements with an income and expense statement for the Project covering the applicable reporting period, a statement of balances, deposits and withdrawals from all project accounts, line item statements of Project Expenses, Project Income, Project Fees (if any), Residual Receipts and any distributions made, evidence of required insurance, a description of marketing activities and a rent roll, and an income computation and certification for each household, no later than one hundred twenty (120) days after the end of Developer's fiscal year. The Annual Monitoring Report must be in substantially the form attached as Attachment 10 or as later modified during the Lease term. If the source of Funds is federal, Developer must also provide an annual accounting of program income, as defined in applicable federal regulations.

9. The underlined language below is hereby added to the second to last sentence of Section 20.01 of the Lease, such that sentence of Section 20.01 of the Lease reads as follows:

In the event Developer is required, or elects, to restore the Improvements, all proceeds of any policy of insurance required to be maintained by Developer under this Ground Lease shall, subject to the rights of Lenders, be used by Developer for that purpose and Developer shall make up from its own funds or obtain additional financing as reasonably approved by Agency any deficiency between the amount

of insurance proceeds available for the work of restoration and the actual cost thereof.

10. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, **Section 20.03** of the Lease, such that **Section 20.03** of the Lease reads as follows:

20.03 Distribution of the Insurance Proceeds.

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

(a) First, to the Lenders, in order of their priority, to control, disburse or apply to any outstanding loan amounts in accordance with the terms their respective Leasehold Mortgages;

(ab) Second, to pay for the cost of removal of all debris from the Site or adjacent and underlying property, and for the cost of any work or service required by any statute, law, ordinance, rule, regulation or order of any federal, state or local government, or any agency or official thereof, for the protection of persons or property from any risk, or for the abatement of any nuisance, created by or arising from the casualty or the damage or destruction caused thereby;

(bc) ~~Second-Third~~, to compensate Agency for any diminution in the value (as of the date of the damage or destruction) of the Site as a raw development site caused by or arising from the damage or destruction;

(ed) The remainder to Developer.

~~(d) The provisions of this Article 20.03 shall be subject to the rights of any Lender.~~

11. The underlined language below is hereby added to **Section 26.03(i)** of the Lease, and **Section 26.03(ii)** is hereby deleted in its entirety and replaced with Section 26.03(ii) below, such that **Sections 26.03(i) and (ii)** of the Lease read as follows:

(i) If such event of default is a failure to pay a monetary obligation of Developer, Lender shall have failed to cure such default within sixty (60) days from the date of written notice from the Agency to Lender; or

(ii) If such event of default is not a failure to pay a monetary obligation of Developer, Lender shall have failed, (A) within thirty (30) days of receipt of said written notice, to provide written response to Agency specifying Lender's proposed response to Developer's default,

and (B) either (a) within sixty (60) days of receipt of Agency's written notice, to remedy such default; or (b) within one hundred eighty (180) days to obtain title to Developer's interest in the Site in lieu of foreclosure; or (c) within one hundred eighty (180) days to commence foreclosure or other appropriate proceedings in the nature thereof (including the appointment of a receiver) and thereafter diligently prosecute such proceeding to completion, in which case such event of default shall be remedied or deemed remedied in accordance with Article 26.04 below.

12. The underlined language below is hereby added to **Section 26.04** of the Lease, such that **Section 26.04** of the Lease reads as follows:

Any event of default under this Ground Lease which in the nature thereof cannot be remedied by Lender shall be deemed to be remedied if (i) within thirty (30) days after receiving notice from the Agency setting forth the nature of such event of default, or prior thereto, Lender shall have provided written response to Agency specifying Lender's proposed course of action in response to such event of default, and within one hundred eighty (180) days after receipt of Agency's notice shall have acquired Developer's leasehold estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation in accordance with the terms of this Ground Lease, and (iv) after gaining possession of the Site perform, or diligently proceed to perform, all other obligations of Developer as and when the same are due in accordance with the terms of this Ground Lease.

13. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, **Section 26.05** of the Lease, such that **Section 26.05** of the Lease reads as follows:

If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Developer from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in Articles 26.03 and 26.04 above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that Lender shall have fully cured any default in the payment of any ~~monetary obligations~~ Base Rent by of Developer under this Ground Lease as more particularly limited by Section 26.08 and shall continue to pay currently ~~such~~ Base Rent and all other monetary obligations of Developer as and when the same fall due. If this Ground Lease is terminated or rejected by Developer in bankruptcy, Agency agrees to enter into a new ground lease with the Lender for the remainder of the Ground Lease term on the same terms set

forth in this Ground Lease. And, specifically provided that in the event the Ground Lease is terminated for any reason, including, without limitation, a termination or rejection through any bankruptcy proceeding or a foreclosure transferee becomes the legal owner of Developer's interest in the Property, and upon written request by the most senior Lender or the Subsequent Owner thereof given within sixty (60) days after such termination or acquisition by Subsequent Owner of Tenant's interest in the Project, as applicable, Agency shall enter into a new lease of the Project with such Lender or the Subsequent Owner for the remainder of the Ground Lease term with the same agreements, covenants, reversionary interests and conditions (except for any requirements which have been fulfilled by Developer prior to termination) as are contained in the Ground Lease and with priority equal to the Ground Lease.

14. The underlined language below is hereby added to **Section 26.06(iv)** of the Lease, such that **Section 26.06(iv)** of the Lease reads as follows:

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

15. The following sections are added to the Lease as a new **Sections 26.08, 26.09, 26.10, 26.11, 26.12, and 26.13:**

26.08 Ground Lease Rent after Lender Foreclosure or Assignment

Upon foreclosure of a Leasehold Mortgage or assignment of the Leasehold Estate in lieu of such foreclosure any accrued Base Rent in excess of an amount equal to \$75,000.00 that remains unpaid at the time of such foreclosure or assignment in lieu of foreclosure shall be forgiven by the Agency, and shall not be an obligation of the Lender or any other Subsequent Owner.

26.09 Preservation of Leasehold Benefits.

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

(a) That the Agency shall not voluntarily cancel or surrender this Ground Lease, or accept a voluntary cancellation or surrender of this Ground Lease by Developer, or materially amend this Ground Lease to increase the obligations of the Developer or the rights of Agency

thereunder, without the prior written consent of the Permitted Limited Partner and each Lender (which will not be unreasonably withheld or delayed);

(b) That Agency shall not enforce against a Lender any waiver or election made by the Developer under this Ground Lease which has a material adverse effect on the value of the Leasehold Estate under this Ground Lease without the prior written consent of the Lender (which will not be unreasonably withheld or delayed);

(c) That, if a Lender makes written request for the same within fifteen (15) days after Lender receives written notice of termination of this Ground Lease, Agency will enter a new lease with such Lender commencing on the date of termination of the Ground Lease and ending on the normal expiration date of the Ground Lease, on substantially the same terms and conditions as the Ground Lease and subject to the rent provisions set forth in the Ground Lease, and with the same priority as against any subleases or other interests in the Premises; provided that such Lender cures all unpaid monetary defaults under the Ground Lease through the date of such termination; and

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

26.10 No Merger.

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

26.11 Agency Bankruptcy.

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

(b) Agency acknowledges that (i) the Developer seeks to construct improvements on the Site using proceeds of the loans provided by the Lenders, and (ii) it would be unfair both to Developer and the Lenders to sell the Site free and clear of the leasehold. Therefore, Agency waives its right to sell Agency's fee interest in the Site pursuant to Section

363(f) of the Bankruptcy Code, free and clear of the leasehold interest under this Ground Lease.

(c) If a bankruptcy proceeding is filed by or on behalf of Agency, Agency agrees as follows: (i) the Developer shall be presumed to have objected to any attempt by Agency to sell the fee interest free and clear of the leasehold under this Ground Lease; (ii) if Developer does not so object, each Lender shall have the right to so object on its own behalf or on behalf of the Developer; and (iii) in connection with any such sale, the Developer shall not be deemed to have received adequate protection under Section 363(e) of the Bankruptcy Code, unless it shall have received and paid over to each Lender outstanding balance of the obligations under its respective loan.

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

26.12 No Changes to Lease

Agency will not make or accept any voluntary surrender, cancellation, modification or amendment of or to the Ground Lease at any time while any Leasehold Mortgage is in effect, nor will Agency convey all or any part of the property subject to the Leasehold Estate to Developer, nor will Developer accept such conveyance, without first obtaining the prior written consent of the Leasehold Mortgagees.

26.13 Voluntary Termination

In no event shall any abandonment of the Property or the Leasehold Estate or any action by Developer to terminate the Ground Lease be effective without the prior written consent of the Leasehold Mortgagees. Agency agrees that it shall give notice of any such abandonment or action by Developer to Leasehold Mortgagees, and Leasehold Mortgagees shall thereupon be entitled to exercise its rights and remedies under the Leasehold Mortgage and the provisions of Section 26.

16. Article 27 is hereby deleted in its entirety.
17. The underlined language below is hereby added to **Section 28.06(i)** of the Lease, such that **Section 28.06(i)** of the Lease reads as follows:

(i) First, to the extent required by a Lender in accordance with its loan documents, to pay the balance due on any outstanding Leasehold Mortgages and other outstanding or unpaid obligations and/or liabilities,

including but not limited to, trade accounts, taxes, payroll accruals and lease residuals, to the extent provided in such Leasehold Mortgages and any related loan documents.

18. The strikethrough language below is hereby deleted from **Section 28.07** of the Lease, such that **Section 28.07** of the Lease reads as follows:

28.07 Payment to Lenders

In the event the Improvements are subject to the lien of a Leasehold Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Developer, such award shall be disposed of as provided in the Lender's loan documents; ~~subject, however, to any requirements (i) arising in connection with financing insured by the Federal Housing Administration or (ii) otherwise imposed by HUD.~~

19. Notwithstanding anything in the Lease to the contrary, all provisions relating to cross-defaults between the Lease and any financing document or Leasehold Mortgage (as such term is defined in the Lease), including, without limitation, **Sections 3(b), 19.04a(7), and 25.04c** of the Lease, are hereby deleted in their entirety.

20. The following section is hereby added to the Lease as **Article 50**:

50: GENERAL PROVISIONS

50.1 Amendments

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

50.2 Public Transit Information

Developer shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Developer employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Premises and encouraging use of such facilities, all at Developer's sole expense.

50.3 Wages and Working Conditions

Developer agrees that any person performing labor in connection with the Developer Improvements or any Alterations at the Premises that is a "public work" as defined under San Francisco Administrative Code Section 6.22(E) or California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Developer shall include in any contract for such Developer Improvements and Alterations a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Developer shall require any contractor to provide, and shall deliver to Agency upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

50.4 Non-Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subleases and Other Subcontracts

Developer shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such Subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Developer shall incorporate by reference in all subleases and other subcontracts

the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subtenants and other subcontractors to comply with such provisions. Developer's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) Non-Discrimination in Benefits

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

(d) CMD Form

As a condition to this Lease, Developer shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contract Monitoring Division. Developer hereby represents that prior to execution of this Lease, (i) Developer executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and (ii) the CMD approved such form.

(e) Incorporation of Administrative Code Provisions by Reference

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

50.5 MacBride Principles - Northern Ireland

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

corporations that abide by the MacBride Principles. Developer acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

50.6 Tropical Hardwood and Virgin Redwood Ban

The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Developer shall not provide any items to the construction of Developer Improvements or the Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event Developer fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Developer shall be liable for liquidated damages for each violation in any amount equal to Developer's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

50.7 Restrictions on the Use of Pesticides

Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "IPM Ordinance") describes an integrated pest management ("IPM") policy to be implemented by all City departments. Developer shall not use or apply or allow the use or application of any pesticides on the Premises or contract with any party to provide pest abatement or control services to the Premises without first receiving Agency's written approval of an IPM plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Developer may need to apply to the Premises during the term of this Lease, (ii) describes the steps Developer will take to meet the City's IPM Policy described in Section 300 of the IPM Ordinance and (iii) identifies, by name, title, address and telephone number, an individual to act as the Developer's primary IPM contact person with the City. Developer shall comply, and shall require all of Developer's contractors to comply, with the IPM plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Developer were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require Developer to keep certain records and to report to City all pesticide use at the Premises by Developer's staff or contractors.

If Developer or Developer's contractor will apply pesticides to outdoor areas at the Premises, Developer must first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation ("CDPR") and any such pesticide application shall be made only by or under the supervision of a person holding a valid, CDPR-issued Qualified Applicator certificate or Qualified Applicator license. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

50.8 Sunshine Ordinance

In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between Agency and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

50.9 Conflicts of Interest

Through its execution of this Lease, Developer acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provisions, and agrees that if Developer becomes aware of any such fact during the term of this Lease Developer shall immediately notify Agency.

50.10 Prohibition of Tobacco Sales and Advertising

Developer acknowledges and agrees that no advertising or sale of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (a) communicate the health hazards of cigarettes and tobacco products, or (b) encourage people not to smoke or to stop smoking.

50.11 Prohibition of Alcoholic Beverage Advertising

Developer acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (a) communicate the health hazards of alcoholic beverages, (b) encourage people not to drink alcohol or to stop drinking alcohol, or (c) provide or publicize drug or alcohol treatment or rehabilitation services.

50.12 Requiring Health Benefits for Covered Employees

Unless exempt, Developer agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

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

(b) Notwithstanding the above, if the Developer is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subsection (a) above.

(c) Developer's failure to comply with the HCAO shall constitute a material breach of this Lease. City shall notify Developer if such a breach has occurred. If, within thirty (30) days after receiving City's written notice of a breach of this Lease for violating the HCAO, Developer fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Developer fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, Agency shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to Agency.

(d) Any Subcontract entered into by Developer shall require the Subcontractor to comply with the requirements of the HCAO and shall contain

contractual obligations substantially the same as those set forth in this Section. Developer shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Developer shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the Agency may pursue the remedies set forth in this Section against Developer based on the Subcontractor's failure to comply, provided that Agency has first provided Developer with notice and an opportunity to obtain a cure of the violation.

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

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

(g) Developer shall keep itself informed of the current requirements of the HCAO.

(h) Developer shall provide reports to the Agency in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(i) Developer shall provide Agency with access to records pertaining to compliance with HCAO after receiving a written request from Agency to do so and being provided at least five (5) business days to respond.

(j) Agency may conduct random audits of Developer to ascertain its compliance with HCAO. Developer agrees to cooperate with Agency when it conducts such audits.

(k) If Developer is exempt from the HCAO when this Lease is executed because its amount is less than Twenty-Five Thousand Dollars (\$25,000) (Fifty Thousand Dollars (\$50,000) for nonprofits), but Developer later enters into an agreement or agreements that cause Developer's aggregate amount of all agreements with the City to reach Seventy-Five Thousand Dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Developer and the Contracting Department to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

50.13 Notification of Limitations on Contributions

Through its execution of this Lease, Developer acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the

selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Developer acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Developer further acknowledges that the prohibition on contributions applies to each Developer; each member of Developer's board of directors, and Developer's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Developer; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Developer. Additionally, Developer acknowledges that Developer must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Developer further agrees to provide to Agency the name of each person, entity or committee described above.

50.14 Preservative-Treated Wood Containing Arsenic

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

50.15 Resource-Efficient City Buildings

Developer acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction, and operation of buildings

owned or leased by City. Developer hereby agrees that it shall comply with all applicable provisions of such code sections.

50.16 Food Service Waste Reduction

Developer agrees to comply fully with and be bound by all of the applicable provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease as though fully set forth herein. Accordingly, Developer acknowledges that City contractors and lessees may not use Disposable Food Service Ware that contains Polystyrene Foam in City Facilities and while performing under a City contract or lease, and shall instead use suitable Biodegradable/Compostable or Recyclable Disposable Food Service Ware. This provision is a material term of this Lease.

50.17 Bottled Drinking Water

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

50.18 Criminal History in Hiring and Employment Decisions

(a) Unless exempt, Developer agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "Chapter 12 T"), which are hereby incorporated as may be amended from time to time, with respect to applicants and employees of Developer who would be or are performing work at the Premises.

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

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

sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

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

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

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

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

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

50.19 Local Hiring Policy for Improvements and Alterations

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 6.22(G) (the "**Local Hiring Policy**"). The Improvements and any alterations are subject to the Local Hiring Policy unless the cost for such work on alterations is (i) estimated to be less than \$750,000 per building permit or (ii) meets any of the other exemptions in the Local Hiring Policy. Accordingly, as a condition of this Lease, Developer agrees that it shall comply with the requirements of the Local

Hiring Policy applicable to the Improvements or any alteration and shall require its subtenants to comply with those requirements to the extent applicable. Before starting any work on the Improvements or any alteration, Developer shall contact City's Office of Economic Workforce and Development ("OEWD") to verify if any Local Hiring Ordinance requirements apply to such work or alteration. Developer shall comply with all such applicable requirements. Developer's failure to comply with its obligations under this Section shall constitute a material breach of this Lease and may subject Developer and its subtenants to the consequences of noncompliance specified in the Local Hiring Policy, including but not limited to penalties. Without limiting the foregoing:

(a) For a Covered Project estimated to cost more than \$750,000, Developer and its subtenants shall comply with the applicable mandatory participation levels for Project Work Hours performed by Local Residents, Disadvantaged Workers, and Apprentices as set forth in San Francisco Administrative Code Section 6.22(G)(4).

(b) For a Covered Project estimated to cost more than \$1,000,000, Developer and its subtenants shall prepare and submit a local hiring plan to OEWD for approval as set forth in San Francisco Administrative Code Section 6.22(G)(6) prior to commencing any of the work subject to the Local Hiring Policy.

(c) Developer and its subtenants shall comply with the applicable record keeping and reporting requirements and shall cooperate in City inspections and audits for compliance with the Local Hiring Policy, including access to employees of its contractors and subcontractors and other witnesses at the Premises.

(d) Developer agrees that (i) Developer shall comply with all applicable requirements of the Local Hiring Policy; (ii) the provisions of the Local Hiring Policy are reasonable and achievable by Developer and its subtenants; and (iii) Developer has had, and its subtenants will have prior to signing their subleases for the Premises, a full and fair opportunity to review and understand the terms of the Local Hiring Policy.

21. The following attachments are hereby added to the Lease and by this reference incorporated herein:

- Attachment 10 (Form of Annual Monitoring Report)
- Attachment 11 (Tenant Selection Plan Policy)
- Attachment 12 (MOHCD Tenant Screening Criteria Policy)
- Attachment 13 (Operational Rules for San Francisco Housing Lotteries and Rental Lease Up Activities)
- Attachment 14 (Marketing and Tenant Selection Plan)
- Attachment 15 (Sources and Uses)

22. Notwithstanding anything in the Lease to the contrary, except as expressly set forth in this Amendment, all other terms and conditions of the Lease shall remain in full force and effect. Any conflict between the terms and conditions of the Lease and those of this Amendment shall be resolved in favor of this Amendment.
23. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument.
24. The terms, covenants and conditions contained in this Amendment shall bind and inure to the benefit of the parties hereto and, except as otherwise provided herein, their successors and assigns.

[Signatures on following page(s)]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this First Amendment to Ground Lease or caused this First Amendment to Ground Lease to be duly executed and delivered by its authorized representative as of the date first set forth above.

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Olson M. Lee
Director, Mayor's Office of Housing
and Community Development

By: _____
John Updike
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this First Amendment to Ground Lease or caused this First Amendment to Ground Lease to be duly executed and delivered by its authorized representative as of the date first set forth above.

DEVELOPER:

LAUREL GARDENS OF BETHEL A.M.E. CHURCH, L.P.,
a California limited partnership

By: Laurel Gardens of Bethel A.M.E. Church, Inc.,
a California nonprofit public benefit corporation,
its general partner

By: _____
Suniqua Thomas, Secretary

[END OF SIGNATURE PAGES]

Attachment 10
Form of Annual Monitoring Report

[To be attached]

Mayor's Office of Housing and Community Development
City and County of San Francisco



Edwin M. Lee
Mayor

Olson Lee
Director

February 16, 2016

Notice of Availability of 2015 Annual Monitoring Report Form
(including new audit requirements and deadline)

Announcement of Serious Incident Protocol

The Annual Monitoring Report (AMR) forms for Reporting Year 2015 (RY2015) are available. The forms can be downloaded from the Asset Management page of the MOHCD web site. A training on how to complete the AMR will be held at MOHCD on March 16 from 9 a.m. to 12 noon. See below for more information.

New Audit Requirement and Deadline: To provide sufficient time for sponsors to complete AMRs in accordance with the City's "New Audit Requirements for MOHCD-Funded Projects," the report is now due 5 months after the end of a project's business year. (Previously, it was due 4 months after.) For projects whose business year ended December 31, 2015, the report will be due on May 31, 2016. For projects not owned by a single-asset entity and whose financial activity is accounted for and audited with the parent corporation's finances, sponsors may request up to a one-month extension of the deadline to allow for additional time to complete consolidated audited financial statements in accordance with the new audit requirements.

Submissions for RY2015 and any outstanding reports from prior reporting years will be accepted only in the RY2015 format.

Completion and Submission Instructions

The AMR consists of the following 3 parts:

I. Project Activity Report – This is a Microsoft Excel spreadsheet that is comprised of the following worksheets:

- | | |
|------------------------------------|--|
| Instructions | 4. Narrative (new item for misc. exps. >\$10K) |
| 1A. Property & Residents (revised) | 5. Project Financing |
| 1B. Transitional Programs | 6. Services Funding (enhanced) |
| 1C. Eviction Data | 7. Supplementary Information Required by MOHCD (new) |
| 2. Fiscal Activity (revised) | Completeness Tracker (previously "Checklist") |
| 3. Occupancy & Rent Info | |

Provide all applicable information that is requested in worksheets 1-7. Use the Instructions to help you complete each form and the Completeness Tracker to help you to determine when each worksheet is complete and to compile all submittals required for the entire AMR.

Use Question #1 on the Narrative worksheet to explain any data that you provide that may be unclear or better understood with additional information. In addition, certain questions in this report prompt you to supply an explanation for your answers on the Narrative worksheet. *Failure*

1 South Van Ness Avenue, Fifth Floor, San Francisco, CA 94103
Phone: (415) 701-5500 Fax: (415) 701-5501 TDD: (415) 701-5503 www.sfgov.org/moh

to supply the required explanation will render your submission incomplete.

Submit this report as an Excel file only; do not convert it to pdf or another file type. Changing the format of the Project Activity Report without MOHCD's prior approval is not allowed. Do not overwrite any validations for any of the cells, alter any formulas or add or delete any rows or columns. If you need to revise the form in order to successfully complete the report, submit a request to moh.amr@sfgov.org.

II. Owner Compliance Certification Form and Documentation of Insurance – The certification form is a Microsoft Word document that must be completed, signed and dated by the Executive Director (or other authorized officer of the entity that owns the project). Scan the form along with documentation of insurance and email it to MOHCD as a single document. *For each project, you must provide current certificates of liability insurance and property insurance.*

III. Audited Financial Statements – Provide financial statements for the project for Reporting Year 2015. They must be prepared by a certified public accountant in accordance with generally accepted accounting principles, applicable regulations and laws and with the City's "New Audit Requirements for MOHCD-Funded Projects" a copy of which is attached and posted on [MOHCD's Asset Management web page](#). If the project is owned by a single asset entity, provide separate financial statements just for the project, otherwise provide audited statements for the parent corporation. Also include copies of any Management Letters and special notes from the auditor that pertain to the property and the financial statements.

Completed AMRs must be submitted electronically, via one email message per project to moh.amr@sfgov.org, or if desired, for multiple projects, via flash drive or compact disc sent to Mike McLoone at MOHCD. If the documents that comprise the report are too large to attach to a single email, compress the files into a zip file and attach it to the email.

Updates to the Reporting Form

The RY2015 AMR form has been revised from the form for RY2014, as follows:

- Formatting and Content – The formatting in key parts of the report has been improved, and redundant and unnecessary content has been eliminated.
- The Checklist has been revised, renamed "Completeness Tracker" and is now the final sheet in the workbook.
- Worksheet 1A – The number of categories under "Target/Actual Populations" has been reduced.
- Worksheet 2 – A new line item titled "Capital Maintenance Repairs/Improvements" has been added to the expense section to account for capital costs that were paid out of the operating account and may be reimbursed by the Replacement Reserve. The "Reserve Account Details" section has been revised to improve functionality. The section for cash flow "waterfall" (distribution of Surplus Cash) has been simplified and now requires the user to enter the distribution priority as well as the amount of any Residual Receipts loan payment that is due to MOHCD, which previously was auto-calculated.
- Worksheet 6 – Has been enhanced so that supportive services that are selected on Worksheet 1A are auto-filled into Worksheet 6
- Worksheet 4 – New section added where reporters must provide the details of miscellaneous administrative and maintenance expenditures that exceed \$10,000
- Worksheet 7 – This new worksheet has been added in connection with the City's "New Audit Requirements for MOHCD-Funded Projects." Most fields on this sheet are auto-filled with data that is entered on Worksheet 2. Printouts of this sheet may be used to produce the "Supplementary Information Required by MOHCD" that must now be included in the project's audited financial statements. If the auditor elects to use this sheet for this purpose, some data entry on the sheet is required in the yellow-highlighted cells.

AMR Training – March 16, 9am-12noon

To facilitate completion of the AMR by project sponsors, MOHCD will conduct a training on March 16 from 9 a.m. to 12 noon in our office at 1 South Van Ness Avenue, 5th Floor, Room 5080. We strongly encourage the primary staff person responsible for completion of the report to attend. Space is limited. Please RSVP to Ricky Lam at ricky.lam@sfgov.org or 415-701-5542.

Serious Incident Protocol

To ensure that MOHCD is kept informed of serious incidents that occur at projects financed by this office, we have established the following protocol for reporting serious, negative events such as accidents, criminal activity or equipment failure. The report should be filed only after emergency procedures have been followed and the situation has been stabilized.

The Mayor's Office of Housing and Community Development requests that owners of projects financed by this office notify us immediately if a serious incident occurs at their properties and meets one or more of the following parameters:

- Involves serious injury or death
- Is a serious, violent crime that involves a major police action (e.g. shooting)
- Causes the building or a significant number of units to be off-line
- Requires a resident to move out of a unit one month or longer
- Damage to the building is significant enough to require the use of reserves

The owner should notify the MOHCD asset manager assigned to the project and provide the following information:

- The date of the incident
- A description of the incident
- A description of what has been and is being done in response
- The name, phone and email of the staff that should be contacted if there are questions
- Confirmation that 1) the property insurance is current and 2) the insurance company has been contacted; a brief summary of their response, if available
- Statement of whether or not the organization plans to use the project's reserves to pay for corrective action

Available Units and Waiting List Openings

Before advertising the availability of units for lease in a project or the opening of the waiting list, owners and property managers must notify MOHCD of this action by completing a Marketing Plan Template and submitting it to the assigned staff person on MOHCD's asset management and compliance monitoring team. The template is available on the [Asset Management page](#) of our web site. Once the marketing plan is approved, MOHCD will post information about the available units or opening of the wait list on this [page of our web site](#). General information for people seeking affordable housing in San Francisco can also be found on our web site at [this location](#).

**Annual Monitoring Report - Property & Residents - Reporting Year 2015 -
Mayor's Office of Housing & Community Development**

#	IDENTIFYING INFO	
1		Reporting Period Start Date (m/d/yyyy)
2		Reporting Period End Date (m/d/yyyy)
3		Property Name
4		Property Full Street Address (e.g. "123 Main Street")
	CONTACT INFO	
5		Sponsor Executive Director Name
6		Sponsor Executive Director Phone Number
7		Sponsor Executive Director E-mail
8		Property Management Company
9		Property Manager Name
10		Property Manager Phone Number
11		Property Manager E-mail
12		Property Supervisor Name
13		Property Supervisor Phone Number
14		Property Supervisor E-mail
15		Property Owner Name
16		Property Owner Contact Person
17		Property Owner Contact Phone Number
18		Property Owner Contact E-mail
19		Property Asset Manager Name
20		Property Asset Manager Phone Number
21		Property Asset Manager E-mail
22		AMR Preparer's Name
23		AMR Preparer's Phone Number
24		AMR Preparer's E-mail

PROPERTY INFO						
What is the Unit Mix for the Property? Please include any manager's units in this tally. For Transitional Housing, Residential Treatment Program, Shelter or Transitional Group Homes, please skip Questions 25-32, and continue with Question 33. Please also complete the worksheet titled "1B. Transitional Programs Only."						
	Unit Types	Number Of Units	Occupancy Standard: Minimum HH Size for this Unit Type*	Occupancy Standard: Maximum HH Size for this Unit Type*	*Occupancy Standards should be described in project's Approved Tenant Selection and Marketing Plan. If not defined there, supply the standards used organization-wide.	
25	Single Room Occupancy (SRO) Units		1		You MUST provide <i>Min AND Max Occupancy Standards</i> for any Unit Types where Number of Units entered is >0; data entry is required for any cells in Cols J & K that are blank and have no shading.	
26	Studio Units		1			
27	One-Bedroom (1BR) Units		1			
28	Two-Bedroom (2BR) Units					
29	Three-Bedroom (3BR) Units					
30	Four-Bedroom (4BR) Units					
31	Five- or More (5+BR) Bedroom Units					
32	TOTAL # Units---->	0				
33		What is the date of the last Capital Needs Assessment? (m/d/yyyy)				
34		What is the projected date of the next Capital Needs Assessment? (m/d/yyyy)				
35		#2	How many Health, Building or Housing Code Violations were issued against the property in the reporting year? (If there were no violations enter "0"). If the property was cited for code violations in the reporting year or has open, unresolved violations from prior years as indicated below, you must answer Question #2 on the Narrative worksheet. (Click on #2 at left to jump to Narrative worksheet.)			
36			How many Health, Building or Housing Code Violations were open from <i>prior</i> years?			
37			How many Health, Building or Housing Code Violations were cleared in the reporting year?			
38		#3	Are there urgent Major Property Repairs needed on the property in the next two years? (Yes/No) If there are needed major repairs you must answer Question #3 on the Narrative worksheet. (Click on #3 at left to jump to Narrative worksheet.)			

39		# 3 If the property has Immediate Capital Needs and lacks adequate funds in the Replacement Reserve (or elsewhere) to cover the costs, please supply the amount of funds needed to make up the difference, and supply additional explanation in question #3 of the Narrative report. (Click on # 3 at left to jump to Narrative worksheet.)
40		As of the last day of the reporting period, how many units were fully Accessible to Physically Impaired Tenants ?
41		As of the last day of the reporting period, how many units were Adaptable for Physically Impaired Tenants ?
42		As of the last day of the reporting period, how many units were fully Accessible to Visually Impaired Tenants ?
43		As of the last day of the reporting period, how many units were fully Accessible to Hearing Impaired Tenants ?
Resident Services: AN ANSWER IS REQUIRED FOR questions 44-54. Indicate below any services that were available to the residents free of charge, on site or at another designated location within 1/4 mile of the project. You must also provide additional information about each of the marked services below on Worksheet "6. Services Funding."		
44		Go To W56 Go To W56 Go To W56 After School Program/s (y/n)
45		Go To W56 Go To W56 Go To W56 Licensed Day Care Service (<i>participant fees are allowable for day care ONLY</i>) (y/n)
46		Go To W56 Go To W56 Go To W56 Youth Program/s (y/n)
47		Go To W56 Go To W56 Go To W56 Educational Classes (e.g. basic skills, computer training, ESL) (y/n)
48		Go To W56 Go To W56 Go To W56 Health and Wellness Services/Programs (y/n)
49		Go To W56 Go To W56 Go To W56 Employment Services (y/n)
50		Go To W56 Go To W56 Go To W56 Case Management, Information and Referrals (y/n)
51		Go To W56 Go To W56 Go To W56 Benefits Assistance and Advocacy; Money Management; Financial Literacy and Counseling (y/n)
52		Go To W56 Go To W56 Go To W56 Support Groups, Social Events, Organized Tenant Activities (y/n)
53		Go To W56 Go To W56 Go To W56 Other Service #1 - Please specify in column G.

54		<p style="text-align: right;">Go To W56</p> <p>Other Service #2 - Please specify in column G.</p>
55		<p>Is the project any of the following: Transitional Housing, Residential Treatment Program, Shelter or Transitional Group Home? (select "yes" or "no" from the drop-down menu to the left.) If you answer "yes", skip the next 6 questions below (56 thru 61). Instead, you must complete worksheet "1B. Transitional Programs Only."</p>
56		<p>Vacancies - How many vacancies occurred at the project during the reporting period? (Be sure that the number you report here is not less than the number of vacan units that are included on worksheet 3.)</p>
57	0	<p>Evictions - How many evictions occurred during the reporting year? (This data in this field is automatically calculated from the data that is entered on worksheet 1C. You must complete worksheet 1C, unless the project is transitional housing, a residential treatment program, a shelter or a transitional group home.)</p>
58		<p>Vacant Unit Rent-Up Time - (in DAYS) State the average vacant unit rent-up time. This is the period from the time a household moves out to when the unit is rented again. If this period exceeds 30 days, you must answer Question # 4 on the Narrative worksheet. (Click on # 4 at left to jump to Narrative worksheet.)</p>
59		<p>Waiting List - How many applicants are currently on the waiting list?</p>
60		<p>When was the waiting list last updated? (m/yyyy)</p>
61		<p>Affirmative Marketing - Did you conduct any marketing of the project during the reporting period? If you conducted marketing during the reporting period, you must answer Question #5 on the Narrative worksheet. (Click on #5 at left to jump to Narrative worksheet.)</p>

POPULATION SERVED

Target / Actual Populations: As of the last day of the reporting period, what are the Actual and Target Populations (expressed as Number of Households) for the Project?

Under Target Population, enter the number of units at the project that, as a requirement of a specific funding source (e.g. 202, HOPWA, McKinney), are targeted to and set aside for the target populations shown in the table. Under Actual Population, enter the number of households at the project that, as of the end of the reporting period, contained at least one person who is a member of the populations shown in the table.

		Target Population		Actual Population	
62		0	<i>Families</i>	0	<i>Families</i>
63		0	<i>Persons with HIV/AIDS</i>	0	<i>Persons with HIV/AIDS</i>
64		0	<i>Housing for Homeless</i>	0	<i>Housing for Homeless</i>
65		0	<i>Mentally or Physically Disabled</i>	0	<i>Mentally or Physically Disabled</i>
66		0	<i>Senior Housing</i>	0	<i>Senior Housing</i>
67		0	<i>Substance Abuse</i>	0	<i>Substance Abuse</i>
68		0	<i>Domestic Violence Survivor</i>	0	<i>Domestic Violence Survivor</i>
69		0	<i>Veterans</i>	0	<i>Veterans</i>
70		0	<i>Formerly Incarcerated</i>	0	<i>Formerly Incarcerated</i>
71		0	<i>Transition-Aged Youth ("TAY")</i>	0	<i>Transition-Aged Youth ("TAY")</i>

Household Size: As of the last day of the reporting period, supply the number of Households in the Project for each Household size below. DO NOT LEAVE CELLS BLANK - ENTER ZERO INSTEAD.

72		(1) <i>One Person Household</i>
73		(2) <i>Two Person Household</i>
74		(3) <i>Three Person Household</i>
75		(4) <i>Four Person Household</i>
76		(5) <i>Five Person Household</i>
77		(6) <i>Six Person Household</i>
78		(7+) <i>Seven or more Person Household</i>
79	0	TOTAL Households
80	0	TOTAL Residents

Head of Household Race/Ethnicity: As of the last day of the reporting period, enter the numbers of Heads of Households of the following listed ethnicities. The total in row 89 (cell G111) must be the same as the total shown in row 79 (cell G100). DO NOT LEAVE CELLS BLANK - ENTER ZERO INSTEAD.

81		Latino or Hispanic
82		American Indian or Alaskan Native
83		Asian
84		Black or African American
85		Native Hawaiian or Other Pacific Islander
86		White
87		Other
88		Unknown
89	0	TOTAL - must match Total Households above
90		As of the last day of the reporting period, how many Elderly Households resided at the property? (<i>An Elderly Household is one with a Head of Household at least 62 years of age.</i>)
91		As of the last day of the reporting period, how many Female-Headed Households resided at the property? (<i>A Female-headed Household is one with a woman as the head of household - either alone or with one or more children.</i>)
92		As of the last day of the reporting period, of the total population, how many CHILDREN (younger than 18 years of age) reside at the property?
93		As of the last day of the reporting period, how many units were occupied by tenants with physical, visual or hearing impairment?

Remember, SAVE YOUR WORK!

Annual Monitoring Report - Transitional Programs - Reporting Year 2015 - Mayor's Office of Housing & Community Development

Project Address:

Project Capacity: What is the target capacity of this project? (All blanks in this section must be filled with a number of "0" or greater in order for the worksheet to be complete.)

	A. Num Singles Not in Families	B. Num Families	C1. Num Adults in Families	C2. Num Children in Families	D. Num of Beds
1					
2	0		Total Households (Singles and Families) That Can Be Served		

Persons Served During Operating Year (All blanks in this section must be filled with a number of "0" or greater in order for the worksheet to be complete.)

	A. Num Singles Not in Families	B. Num Families	C1. Num Adults in Families	C2. Num Children in Families	
3					Num on the first day of operating year
4					Num entering the program during the operating year
5	0		Total Households (Singles and Families) Served		
6					Num who left the program during the operating year
7	0	0	0	0	Num in the program on the last day of the operating year
8	0		Total Households in program on the last day of the operating year		
9	<-Capacity Utilization Rate (by Household as of last Day of Operating Year)				

If the Capacity Utilization Rate is LESS than 75% you must respond to the following:

10		1. Explain the reason(s) why the capacity utilization rate is as low as it is; and
11		2. Describe plan/s to raise the capacity utilization rate to at least 75%, with specific timeline.

Length of Stay: For the 0 households that LEFT the program during the operating year, how many were in the project for the following lengths of time? (Total in cell H27 should match total of cells H13 + I13. All blanks in this section must be filled with a number of "0" or greater in order for the worksheet to be complete.)

12		Less than 1 month
13		1 to 2 months
14		3 - 6 months
15		7 months - 12 months
16		13 months - 24 months
17		25 months - 3 years
18	0	TOTAL # HH's that left the program

Destination: For the 0 households reported to have LEFT the program during the operating year, how many left for the following destinations? (Total in cell H52 should match total of cells H13 + I13. All blanks in this section must be filled with a number of "0" or greater in order for the worksheet to be complete.)

19		Rental - House or Apartment (no subsidy)	PERMANENT
20		Public Housing	
21		Section 8 Voucher	
22		Subsidized Rental - house or apartment	
23		Homeownership	
24		Moved in with family or friends	
25	0	Permanent Housing Subtotal	
26		Transitional Housing for homeless persons	TRANSITIONAL
27		Moved in with family or friends TEMPORARILY	
28	0	Transitional Housing Subtotal	
29		Psychiatric hospital	INSTITUTIONAL
30		Inpatient alcohol or other drug treatment facility	
31		Jail/Prison	
32		Medical Facility	
33	0	Institutional Subtotal	
34		Emergency Shelter	OTHER
35		Places not meant for human habitation (e.g. street)	
36		Unknown	
37		Other	
38	0	Other Subtotal	
39	0	TOTAL # HH's that left the program	

Annual Monitoring Report - Eviction Data - Reporting Year 2015 - Mayor's Office of Housing & Community Development

Project Address:

This section of the AMR must be completed for all projects, except for transitional housing or residential treatment services.

You MUST answer every question (i.e., enter zero if applicable).

Number of households who lived in the project during the reporting period:

1	Number of households who lived in the project during the ENTIRE reporting period. Be sure to include all new households that moved in during the reporting period.
---	--

Number of households in the project who received Notices of Eviction during the reporting period for each of the following reasons:
(If more than one reason applies to a household, report only the primary reason.)

2	Breach of Lease Agreement
3	Capital Improvement
4	Condo Conversion
5	Demolition
6	Denial of Access to Unit
7	Development Agreement
8	Ellis Act Withdrawal
9	Failure to Sign Lease Renewal
10	Good Samaritan Tenancy Ends
11	Habitual Late Payment of Rent
12	Illegal Use of Unit
13	Lead Remediation
14	Non-payment of Rent
15	Nuisance
16	Other
17	Owner Move In
18	Roommate Living in Same Unit
19	Substantial Rehabilitation
20	Unapproved Subtenant
21	0 Total number of households who received Notices of Eviction

Number of unlawful detainer actions filed in court by the owner against tenants in the project during the reporting period for each of the following reasons:
(If more than one reason applies to a household, report only the primary reason.)

22	Breach of Lease Agreement
23	Capital Improvement
24	Condo Conversion
25	Demolition
26	Denial of Access to Unit
27	Development Agreement
28	Ellis Act Withdrawal
29	Failure to Sign Lease Renewal
30	Good Samaritan Tenancy Ends
31	Habitual Late Payment of Rent
32	Illegal Use of Unit
33	Lead Remediation
34	Non-payment of Rent
35	Nuisance
36	Other
37	Owner Move In
38	Roommate Living in Same Unit
39	Substantial Rehabilitation
40	Unapproved Subtenant
41	0 Total number of unlawful detainer actions filed

Number of households evicted from the project during the reporting period for each of the following reasons:
(If more than one reason applies to a household, report only the primary reason.)

42	Breach of Lease Agreement
43	Capital Improvement
44	Condo Conversion
45	Demolition
46	Denial of Access to Unit
47	Development Agreement
48	Ellis Act Withdrawal
49	Failure to Sign Lease Renewal
50	Good Samaritan Tenancy Ends
51	Habitual Late Payment of Rent
52	Illegal Use of Unit
53	Lead Remediation
54	Non-payment of Rent
55	Nuisance
56	Other
57	Owner Move In
58	Roommate Living in Same Unit
59	Substantial Rehabilitation
60	Unapproved Subtenant
61	0 Total number of households evicted (total also used to answer question #54 on Worksheet 1A)

	B	C	D	E	F
13	Annual Monitoring Report - Fiscal Activity - Reporting Year 2015 - Mayor's Office of Housing & Community Development				
14	INCOME & EXPENSES				
15	12 Month Report Period	Start Date:	10/1/00	End Date:	10/1/00
16	Number of Units-->	Account Number	Residential	Non-Residential	Total
17					
18	Description of Income Accounts	Account Number	Residential	Non-Residential	Total
19					
20	Rental Income				
21	Housing Units - Gross Potential Tenant Rents	6120			
22	Rental Assistance Payments (Identify ALL sources in row below if applicable, including LOSP funding)	6121			
23	Source(s)-->				
24	Commercial Unit Rents	6140			
25	sub-total Gross Rental Income:		\$0.00	\$0.00	\$0.00
26	Vacancy Loss - enter amounts as negative numbers!				Vacancy rate
27	Housing Units	6220		Must click & explain if Residential Vac Rate is > 16%	0.00%
28	Commercial	6240			0.00%
29	sub-total Vacancies:		\$0.00	\$0.00	\$0.00
30					
31	NET RENTAL INCOME:		\$0.00	\$0.00	\$0.00
32					
33	Other Income				
34	Garage and Parking Space	6170			
35	Miscellaneous Rent Income	6190			
36	Supportive Services Income - Do not enter supportive services income if it is tracked in a separate budget and not appropriate per MOHCD loan terms to be included in Residential Receipts calculation.	6300			
37	Supportive Services Income Source(s) - Identify program source(s) if applicable -->				
38	Interest Income - Project Operations	6400			
39	Laundry and Vending	6610			
40	Tenant Charges	6920			
41	Other Revenue	6990			
42	sub-total Other Income Received:		\$0.00	\$0.00	\$0.00
43					
44	TOTAL INCOME RECEIVED:		\$0.00	\$0.00	\$0.00
45					
46	EXPENSES				
47	Description of Expense Accounts	Account Number	Residential	Non-Residential	Total
48					
49	Management	6320			
50	Management Fee				
51	"Above the Line" Asset Management Fee (amount allowable may be limited, see Asset Mgt. Fee Policy)				
52	sub-total Management Expense:		\$0.00	\$0.00	\$0.00
53	Salaries/Benefits				
54	Office Salaries	6310			
55	Manager's Salary	6330			
56	Employee Benefits: Health Insurance & Disability Insurance	6723			
57	Employee Benefits: Retirement & Other Salary/Benefit Expenses				
58	Administrative Rent Free Unit	6331			
59	sub-total Salary/Benefit Expense:		\$0.00	\$0.00	\$0.00
60	Administration				
61	Advertising and Marketing	6210			
62	Office Expenses	6311			
63	Office Rent	6312			
64	Legal Expense - Property	6340			
65	Audit Expense	6350			
66	Bookkeeping/Accounting Services	6351			
67	Bad Debts	6370			
68	Miscellaneous Administrative Expenses (must click & explain if >\$10k)	6390			
69	sub-total Administrative Expense:		\$0.00	\$0.00	\$0.00
70	Utilities				
71	Electricity	6450			
72	Water	6451			
73	Gas	6452			
74	Sewer	6453			
75	sub-total Utilities Expense:		\$0.00	\$0.00	\$0.00
76	Taxes and Licenses				
77	Real Estate Taxes	6710			
78	Payroll Taxes	6711			
79	Miscellaneous Taxes, Licenses, and Permits	6790			
80	sub-total Taxes and License Expense:		\$0.00	\$0.00	\$0.00
81	Insurance				
82	Property and Liability Insurance	6720			
83	Fidelity Bond Insurance	6721			
84	Workers' Compensation	6722			
85	Directors & Officers Liabilities Insurance	6724			
86	sub-total Insurance Expense:		\$0.00	\$0.00	\$0.00
87	Maintenance and Repairs				
88	IMPORTANT NOTE RE: TREATMENT OF CAPITAL AND NON-CAPITAL MAINTENANCE REPAIR EXPENSES ELIGIBLE FOR PAYMENT BY REPLACEMENT RESERVE: If possible, exclude these from this section. If you do include those expenses here, be sure to record the amounts in rows 101 and 102 below.				
89	Payroll	6510			
90	Supplies	6516			
91	Contracts	6520			
92	Garbage and Trash Removal	6525			
93	Security Payroll/Contract	6530			
94	HVAC Repairs and Maintenance	6548			
95	Vehicle and Maintenance Equipment Operation and Repairs	6570			
96	Miscellaneous Operating and Maintenance Expenses (must click & explain if >\$10k)	6590			
97	sub-total Maintenance Repair Expense:		\$0.00	\$0.00	\$0.00
98	Supportive Services: do not enter supportive services expenses if tracked in separate budget and not eligible to be counted against project income for residential mode calculation.	6600			
99	SUB-TOTAL OPERATING EXPENSES:		\$0.00	\$0.00	\$0.00
100	Capital Maintenance Repair Expenses eligible for payment by Replacement Reserve. If capital costs were entered in amounts for Maintenance & Repairs section above and is eligible for payment by the Replacement Reserve, please enter details in Replacement Reserve Eligible Expenditures below. Details provided below will be linked to cell D100.		\$0.00		
101	Non-Capital Maintenance Repair Expenses eligible for payment by Replacement Reserve. Only enter amounts here if they were included in amounts entered for Maintenance & Repairs section above and will be reimbursed by Replacement Reserve. Enter as positive number.				
102	TOTAL OPERATING EXPENSES:		\$0.00	\$0.00	\$0.00
103					
104		Acct Num	Residential	Non-Residential	Total
105	1. TOTAL INCOME RECEIVED:		\$0.00	\$0.00	\$0.00
106	2. TOTAL OPERATING EXPENSES:		\$0.00	\$0.00	\$0.00
107	3. NET OPERATING INCOME:		\$0.00	\$0.00	\$0.00

	B	C	D	E	F
13	Annual Monitoring Report - Fiscal Activity - Reporting Year 2015 - Mayor's Office of Housing & Community Development				
109					
109A	4. Ground Lease Base Rent & Debt Service (Principal and Interest)	Name of Lessor or Lender / Describe Other Amt Paid	Residential	Non-Residential	Total
110	Ground Lease - Base Rent (provide Lessor name to the right)				
111	Lender1 - Principal Paid (provide lender name to the right)				
112	Interest Paid				
113	Other Amount (describe to the right)				
114	Lender2 - Principal Paid (provide lender name to the right)				
115	Interest Paid				
116	Other Amount (describe to the right)				
117	Lender3 - Principal Paid (provide lender name to the right)				
118	Interest Paid				
119	Other Amount (describe to the right)				
120	Lender4 - Principal Paid (provide lender name to the right)				
121	Interest Paid				
122	Other Amount (describe to the right)				
123	Total Ground Lease Base Rent + Debt Service Payments		\$0.00	\$0.00	\$0.00
124					
125	5. Reserve Account Activity				
126	Replacement Reserve Required Annual Deposit	1320			\$0.00
127	Operating Reserve Deposits	1365			\$0.00
128	Operating Reserve Account Withdrawals				\$0.00
129	Other Required Reserve Account Deposits (Identify account in next col) (1330)				\$0.00
130	Other Required Reserve Account Withdrawals - Identify account in next col ---->				\$0.00
131	Net Reserve Activity:		\$0.00	\$0.00	\$0.00
132	Surplus Cash, Detail (NOI minus Debt Service and Reserve Activity):		\$0.00	\$0.00	\$0.00
133					
134					
135	If amount for Surplus Cash above is negative: - you must provide a detailed explanation to question #7 on the Narrative worksheet - you must NOT supply data for any of the fields for Uses of Surplus Cash below				
136	Surplus Cash, Total				\$0.00
137	REFER TO THE PROJECT'S SURPLUS CASH FLOW "WATERFALL" (IF APPLICABLE) PRIOR TO COMPLETING SECTION BELOW				
138	USES OF SURPLUS CASH THAT ARE AUTHORIZED TO BE PAID PRIOR TO CALCULATION OF MOHCD DEBT PAYMENT (IF APPLICABLE)				
139	6. Operating Reserve Replenishments (Deposits made out of surplus cash to satisfy minimum balance requirements).				
140	7. "Below-the-line" Asset Mgt fee (prior written authorization from City/SFRA may be required, see Asset Mgt. Fee Policy).				
141	8. Ground Lease & related payments, if any				
142	8a. Partnership Management fee due from this reporting period. If any (tax credit projects only; not allowed if project is beyond 15-year compliance period).				
143	8b. Partnership Management fee accrued but unpaid from PRIOR reporting periods, if any (tax credit projects only; per City policy, not allowed if project is beyond 15-year compliance period).				
144	10a. Investor Services Fee (aka LP Asset Management Fee) due from this reporting period. If any (tax credit projects only; per City policy, not allowed if project is beyond 15-year compliance period).				
145	10b. Investor Services Fee (aka LP Asset Management Fee) accrued but unpaid from PRIOR reporting periods, if any (tax credit projects only; per City policy, not allowed if project is beyond 15-year compliance period).				
146	11. Deferred Developer fee, if any				
147	12. Other payments: use question #1 on the Narrative (worksheet #4) to provide details about any fees or other payments included here. Failure to provide details will result in disallowance of this expense. You may only include payments that were approved by MOHCD at time of funding that are also explicitly authorized by a Partnership Agreement or similar project document.	Lender Name for Debt Service payments entered below			
148	13a. Debt Pmt to other lender1: Principal Paid (note lender name to right)				
149	13aa. Debt Pmt to other lender1: Interest Paid				
150	13b. Debt Pmt to other lender2: Principal Paid (note lender name to right)				
151	13bi. Debt Pmt to other lender2: Interest Paid				
152	13c. Debt Pmt to other lender3: Principal Paid (note lender name to right)				
153	13ci. Debt Pmt to other lender3: Interest Paid				
154	13d. Debt Pmt to other lender4: Principal Paid (note lender name to right)				
155	13di. Debt Pmt to other lender4: Interest Paid				
156	Total Payments preceding MOHCD on Surplus Cash waterfall				\$0.00
157					
158	14. RESIDUAL RECEIPTS				\$0.00
159					
160	PROPOSED USE OF RESIDUAL RECEIPTS				
161	14a. Is this Project Obligated to make Payments on any MOHCD loans out of Residual Receipts? (enter yes or no in cell to the right)				
162	Residual Receipts Obligation Calculation (if applicable) --				
163	14b. % of Residual Receipts (14)				
164	14c. \$500 per unit				
165	14d. Allowable Distribution (lesser of 14b & 14c)				
166	14e. Net Residual Receipts Amount Due (14 - 14d)				
167	15. PROPOSED RESIDUAL RECEIPTS PAYMENT TO MOHCD				Proposed Amount:
168	It may be acceptable for the Proposed Residual Receipts Payment to MOHCD noted on line 16 to be less than the amount calculated for the 14e. You must supply a detailed explanation in the cell to the right if 15 is not equal to 14e ---->				
169	DO NOT SUBMIT YOUR PROPOSED RESIDUAL RECEIPT PAYMENT TO MOHCD WITH THIS AMR. MOHCD WILL REVIEW YOUR PROPOSED PAYMENT AND GENERATE AN INVOICE IF THE CALCULATION CAN BE VERIFIED AS APPROPRIATE; IF THE CALCULATION CANNOT BE VERIFIED, MOHCD WILL CONTACT YOU.				
170	Remaining Balance if MOHCD Payment Amount is Accepted				\$0.00

	B	C	D	E	F
13	Annual Monitoring Report - Fiscal Activity - Reporting Year 2015 - Mayor's Office of Housing & Community Development				
171	USE OF SURPLUS CASH THAT ARE AUTHORIZED TO BE PAID AFTER CALCULATION OF MOHCD DEBT PAYMENT (IF APPLICABLE)				
172	16. "Below-the-line" Asset Mgt Fee (prior written authorization from City/SFRA may be required, see Asset Mgt. Fee Policy).				
173	17. Ground Lease & related payments, if any				
174	18a. Partnership Management fee due from this reporting period, if any (tax credit projects only; per City policy, not allowed if project is beyond 16-year compliance period).				
175	18b. Partnership Management fee accrued but unpaid from PRIOR reporting periods, if any (tax credit projects only; not allowed if project is beyond 16-year compliance period).				
176	19a. Investor Services Fee (aka LP Asset Management Fee) due from this reporting period, if any (tax credit projects only; not allowed if project is beyond 16-year compliance period).				
177	19b. Investor Services Fee (aka LP Asset Management Fee) accrued but unpaid from PRIOR reporting periods, if any (tax credit projects only; per City policy, not allowed if project is beyond 16-year compliance period).				
178	20. Deferred Developer fee, if any				
179	21. Other payments: use question #1 on the Narrative (worksheet #4) to provide details about any fees or other payments included here. Failure to provide details will result in disallowance of expense. You may only include payments that were approved by MOHCD at time of funding that are also explicitly authorized by a Partnership Agreement or similar project document.				
180	22a. Debt Pmt to other lender6: Principal Paid (note lender name to right)				
181	22a. Debt Pmt to other lender6: Interest Paid				
182	22b. Debt Pmt to other lender7: Principal Paid (note lender name to right)				
183	22b. Debt Pmt to other lender7: Interest Paid				
184	Total Payments below MOHCD on Surplus Cash "waterfall"				
185	\$0.00				
186	Subtotal of Remaining Balance				
187	\$0.00				
188	Proposed Owner Distributions (provide description in column C and enter amount in column F; description required if amount is greater than amount in 14d)				
189	Proposed Other Distributions/Uses (provide description in column C and enter amount in column F; if you had a Calendar Year LOSP surplus, please acknowledge that and note exact amount.)				
190	Final Balance; should be ZERO except when Surplus Cash (cell F135) is negative				
191	\$0.00				
192					
193					
194	RESERVE ACCOUNT DETAILS				
195	OPERATING RESERVE (Do not leave blank for any questions asking for a number, enter zero instead.)				
197	Minimum Required Balance:				
198	Beginning Balance:				
199	Actual Annual Deposit (don't edit - taken from page 1 account number 1365):				
200	\$0.00				
201	Annual Withdrawal Amount:				
202	Ending Balance:				
203	Required Annual Deposit:				
204	Total Operating Expenses plus debt service (don't edit cell - calculated)				
205	\$0.00				
206	If the calculated percentage shown to the right (Op Reserve Account Ending Balance divided by Total Op Expenses) is less than 23.5%, you must describe how the project will remedy the shortfall in the adjacent cell.				
207	If the calculated percentage shown to the right is greater than 26.5%, you must explain why the Op Reserve balance exceeds MOHCD's requirement in the adjacent cell.				
208	0.000%				
209					
210	REPLACEMENT RESERVE (Do not leave blank for any questions asking for a number, enter zero instead.)				
211	Minimum Required Balance:				
212	Beginning Balance:				
213	Actual Annual Deposit:				
214	Annual Withdrawal Amount:				
215	Ending Balance:				
216	Required Annual Deposit (do not edit - taken from page 1 account number 1320):				
217	\$0.00				
218	Describe how the amount of annual deposit and the minimum required balance is determined.				
219					
220	Replacement Reserve-Eligible Expenditures; provide details below about the Capital and non-Capital Expenditures that are Replacement Reserve-eligible.				
221	Capital Expenditures; enter details to generate the total, use the comments section to supply explanations.				
222					
223					
224					
225					
226					
227					
228					
229					
230					
231					
232					
233					

	B	C	D	E	F
13	Annual Monitoring Report - Fiscal Activity - Reporting Year 2015 - Mayor's Office of Housing & Community Development				
234	FEDERAL PROGRAM INCOME REPORT				
235	This section must be completed if the project received any CDBG funding, even if the amount of CDBG program income during the reporting period was zero. For more information, use the following link or copy this web address for manual navigation:				
236	http://www.sf.moh.ca.gov/Modules/ShowDocument.aspx?documentId=6141				
240	Overview of Federal (HOME and CDBG) Program Income				
241	CDBG PROGRAM INCOME				
242	Proposed amounts to be used to fund eligible CDBG activities as described in the Federal CDBG Program Regulations at 24 CFR 570.201-206 and consistent with the City's 2015-2016 Consolidated Plan, 2015-16 Action Plans as follows:				
243		AMOUNT	DESCRIPTION		
244	Amount to be used for CDBG eligible activity#1 (provide amount in cell to the right, and activity description and regulation citation in column furthest to the right):				
245	Amount to be used for CDBG eligible activity#2 (provide amount in cell to the right, and activity description and regulation citation in column furthest to the right):				
246	Amount to be used for CDBG eligible activity#3 (provide amount in cell to the right, and activity description and regulation citation in column furthest to the right):				
247	Amount to be deposited for use on future eligible CDBG activities that will be undertaken by June 30, 2015 (provide amount in cell to the right, and activity description and regulation citation in column furthest to the right):				
248	Other (provide amount in cell to the right, plus activity description and regulation citation in column furthest to the right):				
249	Total CDBG Program Income Calculation (see instructions for guidance on how to calculate)			\$0.00	
250	To ensure the eligible use of CDBG Program Income, the recipient of federal CDBG funding hereby requests approval by the Mayor's Office of Housing and Community Development for the use of CDBG program income received during the 2015 reporting period as depicted above.				

**Annual Monitoring Report - Narrative - Reporting Year 2015 -
Mayor's Office of Housing & Community Development**

Project Street Address:

Reporting Period - Start Date: 1/0/1900

Reporting Period - End Date: 1/0/1900

MOHCD created the questions below to allow project owners to supply additional information about a small number of measurements that may indicate that a project is having difficulties. By providing this information, project owners will help provide context for the conclusions that can be made about the measurements. MOHCD will use the measurements and the information below to prioritize the projects that need closer scrutiny and support. Please supply as much information as is readily available.

1. Explanations & Comments

Use this space to record notes about any peculiarities in the data entry process. For example, if you entered a formula instead of a single number for a field, make a note here re: for which question on which worksheet that was done, and describe the formula & underlying numbers. Also use this field to describe in detail any amounts entered for "Other payments" on the WS #2, Fiscal Activity, items 12 & 21.

2. Code Violations

Provide the following for any violations or citations of Health or Building or Housing Codes that were issued during the reporting period, or were issued in a prior reporting period but remained open during any time of the current reporting period:

Violation or Citation #	Date Issued	Issued By	Description	Cleared? (y/n)

(add additional rows as needed)

**** ONLY FOR ALL VIOLATIONS THAT WERE NOT RESOLVED by the end of the reporting period: You must also attach a SCANNED copy of each Violation/Citation to your AMR submittal. ****

Violation or Citation #	Date Cleared	Issued By	Description of Remedy

(add additional rows as needed)

**** ONLY FOR ALL VIOLATIONS THAT WERE NOT RESOLVED by the end of the reporting period: You must also attach a SCANNED copy of each Violation/Citation to your AMR submittal. ****

3. Major Repairs

Describe any major repair or replacement needs that have been identified as being required within the next 2 years, and any related plans to pay for whatever is needed.

4. Vacant Unit Rent-Up Time

0

If the project had an average VACANT UNIT RENT-UP TIME greater than 30 days for question 55 on worksheet "1A. Property & Residents," you must supply the following:

- a. A description of the work done to analyze the cause/s of the high turnaround time, and what the identified causes are; and
- b. A description of the work done to identify means of reducing the turnaround time, and all viable remedies that have been identified; and
- c. A description of the plan to implement any remedies, including specific timelines for the implementation work.

5. Affirmative Marketing

0

Did you conduct any marketing of the project during the reporting period? If yes, please describe the marketing that was conducted, including

- a. when the marketing was conducted and how it was intended to reach populations least likely to apply for the project;
- b. any advertising, direct mailings, emailings and web postings that were done; and
- c. how many households were on the waiting list prior to the marketing and how many were on it after the marketing was completed.

6. Vacancy Rate ----->

0.00%

If the project had a VACANCY RATE greater than 15%, as may be shown above from the Income Expense section of worksheet "2. Fiscal Activity," you must supply the following:

- a. A description of the work done to analyze the cause/s of the vacancy rate, and what the identified causes are; and
- b. A description of the work done to identify means of reducing the vacancy rate, and all viable remedies that have been identified; and
- c. A description of the plan to implement any remedies, including specific timelines for the implementation work.

7. Miscellaneous Expenses: Administrative/Operating & Maintenance

If the project had miscellaneous administrative or operating & maintenance expenses greater than \$10,000 each, you must provide a detailed itemization of these individual expenses below. Total expenses must equal the total amount reported on the Fiscal Activity worksheet.

Misc. Admin Expenses

Expense Description	Amount	HUD Acct #	Notes
Total:	0.00		

Misc. Operating & Maintenance Expenses

Expense Description	Amount	HUD Acct #	Notes
Total:	0.00		

8. Negative Cash Flow

If the project had NEGATIVE CASH FLOW, as may be shown above from the Income Expense section of worksheet "2. Fiscal Activity," you must supply the following:

- a. A description of the work done to analyze the cause/s of the shortfall, and what the identified causes are; and
- b. A description of the work done to identify remedies for the shortfall, and all viable remedies that have been identified; and
- c. A description of the plan to implement any remedies, including specific timelines for the implementation work.

Attachment 11
Tenant Selection Plan Policy

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

Application Process

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

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

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

Reasonable Accommodation and Modification Policy

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

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

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

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

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

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

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

Notice of Denial and Appeal Process

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

- If the rejection is based on a criminal background check obtained from a tenant screening agency, the Fair Chance Ordinance imposes additional notice requirements.

Attachment 12

Tenant Screening Criteria Policy

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

Screening Criteria

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

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

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

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

Attachment 13

OPERATIONAL RULES FOR SAN FRANCISCO HOUSING LOTTERIES AND RENTAL LEASE UP ACTIVITIES

In order to implement consistent and transparent marketing practices for all affordable housing under the purview of the Mayor's Office of Housing and Community Development (MOHCD), the following policies and procedures have been adopted. The Developer hereby acknowledges and agrees to follow these procedures as outlined below.

If ever there is a conflict between a recorded development agreement and this document, the executed development agreement will prevail. Likewise, when state and federal funding sources conflict with anything outlined in this document, they too shall prevail.

HOUSING PREFERENCE PROGRAMS

The Developer hereby agrees that first preference in occupying units designated for Low Income Households (Low Income Units) will be given to persons who have been issued a Residential Certificate of Preference (COP) and who meet all qualifications for the unit.

The Developer further agrees that second preference in occupying units designated for Low Income Households will be given to persons who have been issued an Ellis Act Housing Preference Program (EAHP) Certificate and who meet all qualifications for the unit; provided, however, if the Project will include funds from the California Department of Housing and Community Development, this EAHP priority (and the corresponding requirements set forth below) will not apply for so long as the Project is subject to the requirements associated with such financing.

For new residential developments going through the initial lease-up process, the EAHP priority shall apply to twenty percent (20%) of the Low Income Units. Thus, if the number of units available exceeds the number of qualified applicants who hold a COP or other preference as dictated by specific loan documents or marketing plan, the next priority will go to EAHP certificate holders for up to twenty percent (20%) of the total Low Income Units. The EAHP priority does not apply at initial lease-up or sale to buildings having four (4) or fewer Low Income Units. However, the EAHP priority does apply to these same units upon re-rental.

Low Income Units with other occupancy priorities required by law, contract, or program rules may apply the COP and EAHP after other preferences, with COP holders being granted priority above EAHP certificate holders. Preferences required by a former Redevelopment Project Area Plan are not pre-empted by the COP Program or the Ellis Act Housing Preference Program. Preferences required by the LOSP, Direct Access to Housing Program, Housing First Program, or other government programs are not pre-empted by the Ellis Act Housing Preference Program.

Marketing and Tenant Selection Plan

The Developer agrees to supply Mayor's Office of Housing and Community Development (MOHCD or the City) with a complete and updated marketing and tenant selection plan in form and substance acceptable to the City ("Marketing and Tenant Selection Plan"), including resident selection criteria, at least six months prior to construction completion. The Marketing and Tenant Selection Plan shall be submitted on a template form as provided by MOHCD, substantially in the form attached as Exhibit K. This Marketing and Tenant Selection Plan shall not be changed without providing the City with at least fourteen (14) calendar days' written notice.

New rental units shall be marketed for at least a twenty eight (28) -day period, including a listing on the MOHCD website and on MOHCD's email housing alert system. Applicants shall submit an abridged lottery application form only and supply full income and other documentation if selected in the lottery process to proceed with a rental.

Outreach to Certificate Holders

The City shall furnish the following:

- Written and/or printed notices to EAHP certificate holders advising them that units will soon be available.
- Names and addresses of COP certificate holders. MOHCD shall address printed notices created by Developer using an MOHCD provided template. Developer is responsible for the full cost of the mailing to COP certificate holders.
- Assistance to qualified tenants in filing COP and EAHP applications or referral to an appropriate housing counseling organization.

The Developer agrees to:

- Written and mailed notices to COP certificate holders advising them that units are available using a template provided by MOHCD. COP mailings are at the cost of the Developer.
- During the application period, conduct at least one general informational meeting for all persons interested in applying for occupancy in the development, at which the Developer shall review application procedures.
- Specifically for COP and EAHP certificate holders, make support services staff available to provide assistance throughout the application process, as it may be needed, with the goal of maximizing COP/EAHP participation to the extent possible. The Developer shall ensure that COP/EAHP certificate holders are aware that such assistance is available.

Application

The Developer agrees to use a pre-lottery application template provided by MOHCD. After the lottery, the Developer may require applicants to complete an additional application provided such additional application is included in the Marketing and Tenant Selection Plan and pre-approved by MOHCD.

Pre-Lottery Application Status Reports

The Developer agrees to supply the City with the names, addresses, and housing preference certificate numbers (when available) of all applicants, including whether or not they indicate they are eligible for COP or EAHP priority status. The City will provide a template to be used to provide this status report, at a minimum, every seven (7) calendar days from the initial date applications are accepted. The City will, in turn, verify within seven (7) calendar days which such applicants are qualified as COP or EAHP certificate holders.

After the application period has closed, and at least five (5) business days prior to lottery proceedings, a non-prioritized list of all interested applicants will be provided to MOHCD on the template provided. The list shall include applicant names, addresses, and whether the applicant holds a COP or an EAHP certificate. If MOHCD does not receive this final applicant list within five (5) business days prior to the lottery, it will be cause to postpone the lottery proceedings until the complete list is received.

Lottery

The Developer shall ensure that all COP certificate holders receive first priority for occupancy and EAHP certificate holders receive second priority for occupancy in twenty percent (20%) of units, except in cases where approved and documented occupancy priorities preempt the COP and EAHP preferences. EAHP certificate holders who are not offered a unit in the twenty percent (20%) set aside shall have equal chance at any remaining units as other qualified applicants.

The Developer shall hold a public lottery to select renters. Applicants who submit a complete application by the application deadline receive a numbered lottery ticket whose twin ticket is entered into the lottery. Upon pre-approval from the City, lotteries may also be conducted using names of applicants.

When a Developer chooses to receive applications by mail, applicants must be notified that applications must be post marked prior to the application deadline. Developers receiving applications via mail must allow five (5) business days from the application deadline before scheduling the lottery to allow for mail delivery. As stated above, the final application list is due to MOHCD at least five (5) business days prior to the lottery, therefore Developers who elect to receive applications via mail must allow ten (10) business days from the application deadline to the lottery date.

Lotteries are held in a public, accessible location. Applicants are invited to attend lotteries, but attendance is not mandatory.

To conduct the lottery, the City and/or the Developer shall pull application tickets from a vessel and order and record the lottery results in rank order by application ticket number. When using names, Developer shall pre-enter all applicant names onto individual name cards. All EAHP certificate holders should have two name cards. Names shall be pulled from a vessel in rank order. There should be separate lotteries held for each preference. First, COP certificate holders will be drawn and ranked, followed by EAHP certificate holders, followed by applicants from

the general population. The EAHP certificate holder's second card will be included in the general lottery. Electronic lotteries are not allowed.

The Developer should use a large computer or projector screen or hand printed flip chart sheets to display all numbers/names drawn and the sequenced lottery number assigned for each preference lottery and the general lottery. This can be done by listing all applicants in separate columns under each preference category.

The Developer should record each name card/number ticket assigned a lottery number onto the applicant list template provided by MOHCD. A computer master list as well as a hand printed paper list for double checking. Results will remain projected on a screen or posted flip chart paper throughout the lottery drawing process for the public to view and record results.

The Developer shall record the order of lottery numbers/names drawn and produce a final ranked lottery list for each preference and for the general lottery. Once the lottery preferences have been confirmed and applied, the Developer must notify applicants of their position in the lottery by posting the results on Developer's website or another public site and/or by mail.

Post-Lottery Lease up Instructions

The Developer agrees to contact each applicant in lottery rank order to set up an interview where the Developer will receive supporting documents from the applicant (i.e., income documentation, tax returns, and bank statements).

The Developer agrees to income qualify each household member based on the supporting documents submitted by the applicant. Income qualification cannot be based solely on what's reported by the applicant on the application.

In accordance with San Francisco Administrative Code Section 12H and applicable laws of the State of California, Developer shall not use citizen status as a qualification for selection. Developer shall not ask for social security information prior determining the household's income eligibility.

The Developer shall comply with San Francisco Police Code Article 49, Sections 4901-4920 (the "Fair Chance Ordinance") and the specific screening requirements set forth in Exhibit I (Tenant Screening Criteria Policy).

The Developer agrees to offer units in ranked order to applicants who meet all qualifications. If an applicant is still in the review process and the applicant behind them in lottery rank order has been approved, the first applicant must be offered a specific unit that is reserved for that applicant until all qualifications have been reviewed and approved.

In the case where an applicant is denied for housing and appeals the denial, the Developer agrees to hold a comparable unit until the final decision has been made regarding the appeal. Should Developer determine that an applicant's denial appeal will be denied, Developer will inform MOHCD of this decision with documentation used to sustain the denial. MOHCD will confirm the denial is in accordance with Developer's eligibility

requirements. Developer agrees to be in compliance with all Fair Chance Ordinance appeals process requirements.

If ineligibility is determined, the applicant will be notified in writing within one week after such determination is made, with a copy to the City. These applicants will also appear on the status report.

Post-Lottery Status Report

Every seven (7) business days following any lottery the Developer shall supply the City with a lease-up status report on a MOHCD-provided template. MOHCD has the right to audit the Developer's lease up procedure and applicant files within 24 hour notice during the lease up period.

Response Deadline

Applicants who have been accepted and notified in writing by the Developer shall have at least ten (10) calendar days thereafter to enter into a lease agreement. If the applicant fails to affirmatively respond, the application may be closed, making that unit available to the next eligible tenant. Written notice shall be provided to applicants whose applications are closed after 10 days due to a lack of response. Rejection of the unit by a COP or EAHP certificate holder and closed applications must be shown on the status report to the City.

Final Documentation

Within fourteen (14) calendar days after execution of a lease, the Developer shall supply the City with a copy of the following for all COP and EAHP tenants:

- signed copy of lease
- copy of complete application
- a demographic report on all COP and EAHP applicants

Retention Policy

For MOHCD auditing purposes, Developers are required to keep all supporting documents for each applicant that has been interviewed for at least one year after the interview.

Re-rental of Low Income Units

Upon re-rental of any Low Income Unit or when re-opening the project waitlist to new applicants, the Developer shall notify the City in advance of any vacancy or waitlist opportunity. In no event shall the City be notified fewer than thirty (30) days before the date of re-occupancy for a vacant unit. In no event shall the City be notified fewer than thirty (30) days before a closed waitlist is re-opened for new applications. Violation of the thirty (30) day notification requirement may delay re-occupancy.

Waitlist applications shall be entered into a lottery as described above. All lottery procedures listed in this document apply to wait list openings. Appeals, response deadline, application forms, and final documentation requirements listed above shall apply to all re-rentals.

Developers filling unit vacancies off a waitlist must accept applications from approved COP and EAHP certificate holders at any time, regardless of whether the waitlist is closed to other applicants. If a COP or EAHP certificate holder is found eligible for a Low Income Unit in the building, they shall be placed at the top of the waitlist.

No more than seven (7) calendar days following the date that any new applications are accepted for a waitlist, the Developer shall supply the City with a status report listing names, addresses and certificate numbers (when available) of COP and EAHP certificate holders indicating the status of each application as of that date and the reason for any rejections.

The City will, in turn, verify within seven (7) calendar days which such applicants are qualified as COP or EAHP certificate holders.

On an annual basis and each time a new waitlist lottery is conducted, the City shall be provided with a complete list of all applicant names, lottery rank on the waitlist, and whether they hold a COP or EAHP certificate upon finalization of the waitlist.

Attachment 14

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

Marketing and Tenant Selection Plan for Initial Rental Units (2015 edition)

This marketing and tenant selection plan is subject to City review within 10 business days from the date it is received and complete. **Please set all advertising dates in this plan so that no date commences sooner than 30 working days before the date of your plan submission.**

Please complete and return this form in computer "Word" document format so that our office may track changes directly onto the document. The approval process typically involves a back-and-forth process between MOHCD and the developer's representative. Please do not submit incomplete plans. This marketing and tenant selection plan may be updated from time to time at the discretion of MOHCD. Thank you.

I. General Information (*Suggestion: Cut and paste sections I - VIII from this form into your marketing plan. This is the exact information required to be included.*)

I/We agree that ("Developer's Name and/or Service Provider") goal is to ensure that all applicants are screened using consistently applied, fair criteria, to provide a desirable, well-maintained and affordable place to live for an economically, racially, and ethnically integrated resident population, while complying with the provisions of any federal, state, or local law prohibiting discrimination in housing on the basis of race, religion, sex, color, family status, disability status, national origin, marital status, ancestry, gender identity or sexual orientation, source of income, or HIV/AIDS status.

In order to inform the public, owners, and prospective tenants about federal fair housing laws and affirmative fair marketing procedures per the MOHCD Loan Agreement, ("Developer's Name and/or Service Provider") will include the Equal Housing Opportunity logotype and/or slogan, and a logotype indicating accessibility to the disabled, in all press releases, solicitations, and program information materials.

Today's Date	
Proposed Marketing Launch Date (Must be no sooner than 30 days from the date of first marketing plan submission)	
Name of Building	
Property Address (Street address used for marketing and mailing to new renters)	

Property Address as Stated in Planning Approval	
Planning Motion Number	
Notice of Special Restrictions Document #	
Name of City and Co. of SF Planner	

The following developer contact information for is for internal use only.

Name of Developer	
Developer Address	
Developer Phone	
Developer Email	

Name of Marketing Company	
Marketing Agent	
Marketing Agent Address	
Marketing Agent Phone	
Marketing Agent Email	

Date of Building Permit Issuance	
Expected Issuance Date of Temporary Certificate of Occupancy	
Expected Issuance Date of Final Certificate of Occupancy	
Date on Which You Expect Affordable Units to Begin Renting	
Date on Which You	

Expect All Affordable Units to Complete Renting	
---	--

List all Sources of Government Financing for the Project (e.g. CDLAC, TCAC, HUD Loan, Infill Grant, etc.)	
If there is a source of government financing, how long and at what % Area Median Income must your units be restricted as rental units under this financing?	
Are your units condo mapped (i.e. subdivided) through the Department of Real Estate?	
Do you intend to convert to ownership units in the future? Please explain.	

II. Overall Building Composition

Total # Units in Building (including affordable)	
Number of Residential Floors in the Building	

III. Market Rate Units (if applicable)

Unit Type	Total #	Rent Range of Market Rate Units
SRO		
Studio		
Jr. 1 Bedroom		
1 Bedroom		
1+ Bedroom		
2 Bedroom		
2+ Bedroom		
3 Bedroom		
3+ Bedroom		
4 Bedroom		
Other		

1. IV. Affordable Units

Total # affordable (only) Units in Building	
---	--

AFFORDABLE UNITS BY BEDROOM SIZE

Unit Type	Total #	Minimum Household Occupancy Size	*Maximum Household Occupancy Size
SRO			
Studio			
Jr. 1 Bedroom			
1 Bedroom			
1+ Bedroom			
2 Bedroom			
2+ Bedroom			
3 Bedroom			
3+ Bedroom			
4 Bedroom			
Other			

*Please note that children under 6 years do not count toward household size.

DETAILED DESCRIPTION OF AFFORDABLE UNITS BY BEDROOM SIZE

Refer to Rent Levels Set by MOHCD for Table Below.

Unit #	Bedroom Count	Bath Count	Square Feet	Unit Accessible/Adaptable (including Visually or Hearing Impaired)	Rent	% Area Median Income Limit	Max. Household Income Allowed	Min. Monthly Household Income Required	Deposit Required	Parking Price

V. Renter Qualifications

I/We understand that it is our responsibility to read and understand the rules of the Regulatory Agreement(s) for this development as well as the marketing and outreach policies set forth by the City and County of San Francisco Mayor's Office of Housing and Community Development.

[You must attach a resident selection criteria document for our review in addition to completing the section below. The resident selection criteria must also specify any preferences or program-specific resident selection criteria applicable to the project, such as lottery preferences, and/or Access Point referrals from the Human Services Agency or Department of Public Health for Local Operating Subsidy Program units, etc. The resident selection criteria must also incorporate references to the Fair Chance Ordinance and how criminal background checks will not be used until after all other qualifications have been reviewed. The resident selection criteria should also include the following information as applicable:

1) Applicant Eligibility Criteria

All applicants must qualify based upon:

- Commitment to use the unit as the principal residence.
- Commitment to participate in rental restrictions and compliance recertification.
- Insert project specific eligibility information (household size, income, age, etc.)

[PLEASE INSERT THE ANNUAL INCOME LIMIT YOU WILL USE AND INSERT INCOME LIMITS INTO THE TABLE BELOW]

_____ % of Maximum Income by Household Size derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that contains San Francisco 2014

- A one person household can make no more than \$ _____
 - A two person household can make no more than \$ _____
 - A three person household can make no more than \$ _____
 - A four person household can make no more than \$ _____
 - A five person household can make no more than \$ _____
 - A six person household can make no more than \$ _____
 - A seven person household can make no more than \$ _____
- (Please visit www.sfmohcd.org for larger households.)

2) Occupancy Preferences (Verify with MOHCD)

Preference will be given to (insert, project-specific preference chart, per the project’s MOHCD Loan Documents and/or Ground Lease):

SAMPLE BELOW:

Preference	Applicant Category
1	Persons Displaced by Project Activity
2	Certificate of Preference Holders: a. Western Addition b. Hunters Point c. Residential G
3	All Others

Applicants will be required to indicate on their application if they believe they qualify for a preference, and must submit documented proof along with their application submission. Failure to provide proof may result in the preference not being granted. MOHCD staff will confirm all Certificate of Preference holders. See Exhibit J for Operational Rules for San Francisco Housing Lotteries and Rental Lease Up Activities.

Notes regarding preferences:

- Only one form of documented proof is required.
- Only one adult household member must be eligible for a preference.
- Any preference claim found to be false may result in the reordering of the application as if it had never requested or received a preference, or in the case of proven fraud by MOHCD, withdrawal of the application.

During ongoing lease-ups of units, Certificate Holders will receive priority on the waitlist. See "Certificate of Preference" section for more information.

3) Local Operating Subsidy Program

[If your project is receiving Local Operating Subsidy Program ("LOSP") funds from either the Department of Public Health or Human Services Agency for designated LOSP units, then describe the total number of units and number of units receiving LOSP subsidy along with the referral process for those units, also please insert the following language:]

"Certificate of Preference Holders who meet eligibility for (Insert City department providing LOSP funds)'s LOSP units will have priority status over other LOSP applicants. Certificate holders will be required to apply for the LOSP units by going through the (Insert DPH or HSA) designated Access Sites/Points for LOSP eligibility screening."

4) Basis of Denial for Lottery Winners:

[Please list the reasons why you would deny AFFORDABLE lottery winner (e.g. evictions, credit issues, etc.). Please be specific with each ground for denial, stating the specific standard within each denial rather than the general standard.]

Basis of Denial for Lottery Winners:

Ability to pay rent standard – [please complete in detail]
Credit Standard – [please complete in detail]
Rental History Standard – [please complete in detail]
Criminal History Standard must be compliant with Fair Chance Ordinance– [please complete in detail]
Maximum Household Size Standard – [please complete in detail]
Other – [please complete]

(a)

I/we confirm that the building selection criteria rules that we will apply to the Affordable Rental applicants are the same as or more lenient than those applied to applicants for our market rate units.

5) Mitigating Circumstances:

[The Developer should describe its mitigating circumstances policy and procedures.]

6) Reasonable Accommodations:

[Your plan should provide instructions on filing a Request for Reasonable Accommodation; guidelines for considering and evaluating a Request for Reasonable Accommodation, and the appeal process.]

7) Grievance Policy

The Grievance Policy will be available to all applicants of (“Project Name”). (See below for a sample Grievance Policy).

SAMPLE GRIEVANCE POLICY:

“If, at any time during the application process, you feel that your rights, duties, welfare, or status are or may have been adversely affected by (“Developer’s Name and/or Service Provider’s”) action or failure to act, you may submit your grievance for informal or formal review. You may call (insert phone #) and leave a voicemail if necessary, and your call will be returned as soon as possible, but no later than 3 business days after your call date. If your grievance is not resolved at that point, you may request an informal hearing, which is a meeting with the (“Developer’s Name and/or Service Provider”) Staff and Director. The goal of the informal hearing is to settle the problem without the need for a formal hearing. In the event the problem is not settled, you are entitled to request a formal hearing. A formal hearing is between you and (“Developer’s Name and/or Service Provider”), and a designated member of MOHCD. To request a formal hearing, you must already have attempted to resolve the issue with the (“Developer’s Name and/or Service Provider”) and through an informal hearing described above. All requests for informal or formal meetings must be in writing, and

must contain specific grounds for complaint. Hearing requests should be mailed to: (insert "Developer's Name and/or Service Provider" & contact info).

If you have a grievance with any entity related to the project, including MOHCD, please contact the ("Developer's Name and/or Service Provider") to advise you on pursuing the appropriate next steps."

2. VI. Marketing Strategy

(a) Advertising

The City and County of San Francisco requires best practices regarding marketing affordable units. These best practices include advertising over a period of at least three (3) weeks in five (5) local newspapers that outreach to minority and low-, median-, and moderate-income communities in San Francisco and in one (1) citywide paper for a period of 2 weekends on a Saturday or Sunday. The marketing must occur during the first 3 weeks of the 4-week required MOHCD posting period.

(i) I/We will post in the following five (5) local venues throughout a 3-week period at least one time each week:

Newspaper or publication	Exact Advertisements Dates
<i>Suggestion: Craig's List</i>	
<i>Suggestion: Bayview or Sun Reporter (African American audience)</i>	
<i>Suggestion: El Mensajero or El Tecalote (Spanish speaking audience)</i>	
<i>Suggestion: Philippine News or Asian Journal (Filipino audience)</i>	
<i>Suggestion: Asian Weekly or Singtao Daily (Chinese audience)</i>	
<i>Suggestion for Other: Choose a paper that is local to the building</i>	

(ii) I/We will announce the affordable housing opportunity in at least three of the following non-print electronic media outlets throughout the marketing period.

Social Media Activity	Exact Advertisement Dates Sources
<i>Suggestion: Facebook, Twitter, etc.</i>	
<i>Suggestion: website</i>	
<i>Suggestion: email blast</i>	

All newspaper ads and postings will state income maximums by household size; renter qualifications; rental team contact information as the primary contact information; and identify MOHCD as the monitor of the Affordable Rental program. Ads may refer applicants to the MOHCD website at www.sfmohcd.org but will not list MOHCD telephone numbers or email addresses. A copy of the wording to be used in all advertising will be sent to MOHCD for initial review and copies of all placed ads will be sent to MOHCD upon the completion of the marketing period. All postings will display an "Equal Housing Opportunity" symbol on all marketing materials, advertisements and notices at the rental office:



SAMPLE AD LANGUAGE:

2 one-bedroom Affordable Rental Units available at 333 Birch Street. \$1,000 a month. Must not own a housing unit and be income eligible. Households must earn no more than the maximum income levels below:

55% of Median Income

One person - \$38,950; 2 persons - \$44,500; 3 persons - \$50,100; 4 persons - \$55,650 etc.

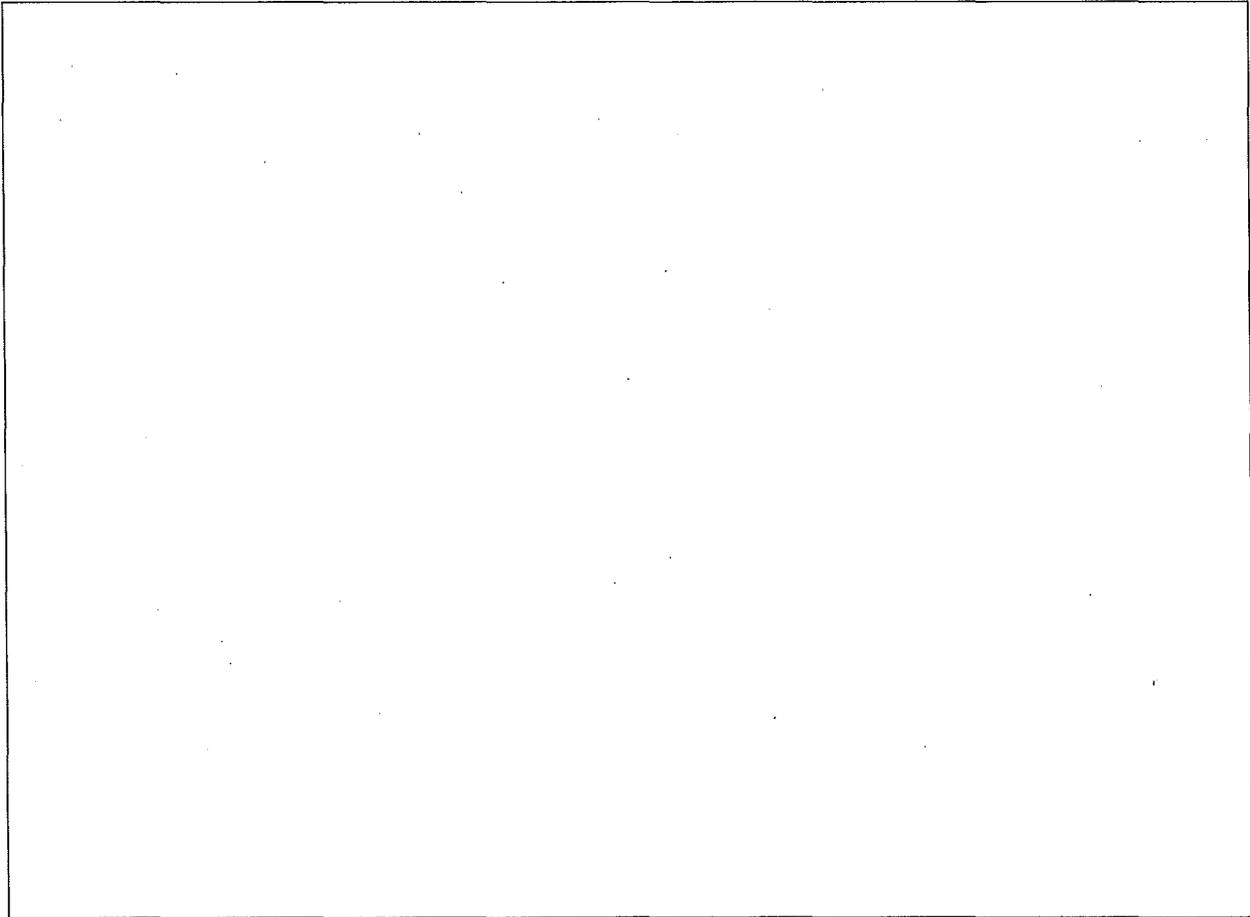
Applications due by 5pm on DATE. Please contact the Green Company for an application and more information at (415) xxx-xxxx or 333birchaffordable@green.com or download at www.green.com.

Units available through the San Francisco Mayor's Office of Housing and Community Development and are subject to monitoring and other restrictions. Visit www.sfmohcd.org for program information.



I/We will use the following ad language when advertising the Affordable Rental units.

[Your Proposed Ad Language Here:]



Beyond the information provided in the application for the Affordable Rental unit(s), applicants will have access to information on the units available. This information will be relayed in the following manner: _____ (This information may be relayed through a general website for the development or through flyers or other handouts on the development.)

Outreach Materials (i.e flyer or post cards)

I/We understand that our project must provide a flyer and/or post card **as a part of this submission** for the AFFORDABLE units available that includes the following information.

(Please see sample flyer at the end of this document for a template.)

- “Affordable Rental” indication
- Reference to MOHCD Affordable Rental program
- Certificate of Preference and Ellis Act Housing Preference indication (if applicable)
- Maximum and minimum qualifying incomes
- Rent Levels
- Description of units
- Exterior and interior photo of the development
- Information on information sessions
- Information on how to obtain an application
- Fair Housing logo
- Equal Opportunity logo
- Your website

b.

c. Strategy for Marketing to Residents of the Immediate Neighborhood

I/We understand we must present a strategy for reaching out to the local community surrounding the building. [Suggestions include posting flyers in local community meeting places, posting the units in local papers, and reaching out to local community groups. This strategy is above and beyond your ad placements. At a minimum, list 10 local venues in which you will post your flyer or otherwise distribute your flyer.]

d. *[Your Strategy for Marketing to Residents of the Immediate Neighborhood Here:]*

Outreach to Certificate of Preference Holders

- a. I/We understand that we are responsible for marketing our Affordable Rental units to Certificate of Preference holders. Certificate of Preference holders are primarily households displaced in Redevelopment Project Areas during the 1960's and 1970's, but may also include other persons displaced by Agency action. I/We understand that we are not responsible for direct marketing to Ellis Act Housing Preference holders. For more information, applicants may contact 415-701-5613.

I/We understand that I/we shall provide post cards for the mailing of an affordable housing announcement to all Certificate of Preference holders. We are responsible for printing the post cards using the information provided by MOHCD. MOHCD shall coordinate the mailing and invoice the developer for the full cost of the first class mailing, including postage and labels.

(a) **Important Dates and Completion of MOHCD Web Posting**

I/We understand that Affordable units must be posted on the MOHCD website for at least 28 calendar days prior to application deadline. The following template will be posted on the MOH website during the marketing period.

Please complete this template thoroughly. This posting will appear on the MOHCD website under "Current Rental Listings." Please remove red sections once complete.

Posting Date	Enter the date on which you would like to begin your marketing. Must be at least 30 days from the date of your submittal of a complete marketing plan to MOHCD.
Type of Unit	For example: Senior Housing; LOSP; Multi-family, etc.
Development Name	
Address	
Number of Units	Total number of affordable units
Number of Bedrooms	
Neighborhood	Write name of neighborhood here
Square Footage	
Year Built	
Maximum Allowable Income Level of Households	Use these income levels or levels specific to your units. The levels below may not apply to your project. Please remove levels of households that are too small for the unit. 55% of Maximum Income by Household Size derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that contains San Francisco 2014 A one person household can make no more than \$37,350 A two person household can make no more than \$42,750 A three person household can make no more than \$48,050 A four person household can make no more than \$53,400 A five person household can make no more than \$57,650 A six person household can make no more than \$61,950 A seven person household can make no more than \$66,200
Rent	Use the rent levels and unit sizes specific to your unit and remove all others

	<p>that are not applicable. For example:</p> <p>2013 Maximum Monthly Rent By Unit Type (without utilities)</p> <p>55% of Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that contains San Francisco</p> <p>SRO - \$695 Studio - \$939 1-Bedroom - \$1,066 2-Bedroom - \$1,192 3-Bedroom - \$1,309 4-Bedroom - \$1,392</p>
Minimum Allowable Income Level of Households	<p>Studio unit(s) – Household income must equal at least __ a month. One-bedroom unit(s) – Household income must equal at least __ a month. Two-bedroom unit(s) – Household income must equal at least __ a month. Three-bedroom unit(s) – Household income must equal at least __ a month.</p>
Minimum Household Size	Households should be at least as many people as there are bedrooms in the unit to apply.
Maximum Household Size	Household size should not be limited beyond that allowed by SF Housing Code.
Building Selection Criteria	<p>Please complete according to your guidelines.</p> <p>In addition to qualifying under the rules of the Inclusionary Housing Program, applicants must qualify under the rules of the building. Each section below should be completed with detail</p> <p>Building Selection Criteria:</p> <p>Ability to pay rent standard – example – income must be 2 times monthly rent Credit Standard – example – no lower than 580 Rental History Standard – example- no previous evictions in the last 3 years Criminal History Standard – example – no felony conviction in the last 7 years <i>Please note, in compliance with Article 49 of the San Francisco Police Code, your background check will not be reviewed until all of your other qualifications have been reviewed</i> Other – please list any other eligibility criteria not listed anywhere else on this posting.</p> <p>You may also include a link to additional selection criteria documents or info for consumer review.</p>
Deposit Required for Move-in	
Parking	<p>Each unit includes one parking space as a part of the rent -OR- One parking space per unit available for \$ _____ a month fee.</p>
Which, if any, utilities	

are paid by the building?	
How are utilities paid by the renter?	<p>Renter pays own utility bills directly.</p> <p>-OR-</p> <p>Renter is charged a flat rate of \$___ by a third party vendor for the following utilities: _____ on a monthly basis.</p> <p>-OR-</p> <p>All utilities are paid by the building.</p>
Other fees and/or building rules	Please list any fees for pets, mandatory insurance, bounced check, etc. here.
Contact Person	
Phone	
Email	
Website	
How to obtain an application	
Application deadline	<p>_____, 5pm</p> <p>Applications must be <u>received</u> in paper form (no faxes or emails) by 5pm on the date of the deadline.</p>
Address to which application should be delivered	<p>Office:</p> <p>Rental Manager Name:</p> <p>Address:</p> <p>City/State/Zip Code:</p> <p>Attn:</p>
Open House Dates (if applicable)	<p>Date:</p> <p>Time:</p> <p>Date:</p> <p>Time:</p> <p>Date:</p> <p>Time:</p>
Information Session	Enter date, time and location
Lottery	<p>Enter date, time and location</p> <p>(Consider working with City to rent Main Library Koret Auditorium if a larger lottery is anticipated.)</p> <p>Applicants do not need to be present at the lottery. Results will be posted to (place your web URL here) within two weeks of the lottery.</p>
Special Note(s)	

(b) VII. Application/Selection Process and Timeline

The City and County of San Francisco's requirements for the marketing, application process, lottery process, tenant selection process and tenant screening criteria are defined by Exhibits H, I, J, & K.

[Please complete the following timeline as part of your Marketing Plan]

Timeline of Entire Process (add info as needed)

Task Name	Date
Submittal of Marketing Plan to MOHCD	
Marketing period (3 months)	
Copy of Advertisements to required newspapers	
Applications Available to public	
Informational Workshop #1	
Informational Workshop #2	
Additional Community Outreach (if applicable)	
Application Deadline	
Lottery	
Demographic Summary of all Applicants to MOHCD	
Certificate of Preference count to MOHCD	
Application Review / Approval Process- start date	
Lease-up process / timeline	
Initial MOHCD approvals returned	
First Occupancy	
Construction start date- projected	
Project Closing- projected date	

VIII. Document Review

I/We certify that I/we and all agents involved in the process of renting affordable units have read Exhibits, H, I, J & K.

Representative (sign) _____

Representative (print) _____

Title (print) _____

Company (print) _____

Date (print) _____

Flyer Template

Affordable Homes for Rent in San Francisco

Exterior Photo	Interior Photo
----------------	----------------

**3 two-bedroom + 3 three-bedroom “Below Market Rate” rental units available
Bayside Village, 1125 Laurel Court, San Francisco**

- New Units with Modern Design + Amenities
- (2) Two-bedroom units for ____ available to households at or under 55% of median income
- Renter households must earn no more than the income levels listed below:

Household Size	One Person	Two Person	Three Person	Four Person	Five Person
55% of Median Income 2014	\$37,350	\$42,750	\$48,050	\$53,400	\$57,650

Applications must be received by 5pm on Friday, April 13, 2014 to Smith Rentals, 300 Church St., San Francisco, CA 94114.

Contact Smith Rentals at (415) 282-10000 or john@smithrentals.com for application and information on the units and view the full unit posting at www.sfmohcd.org.

Units are monitored through the San Francisco Mayor’s Office of Housing and Community Development and are subject to monitoring and other restrictions. Visit www.sfmohcd.org for program information.

Information session
Monday, June 2, 2013, 6pm
123 Hyde Street

Open House Dates

Attachment

June 2, 5-6pm; June 12, 12-1pm; June 25, 5-6pm All applicants are encouraged to apply. Lottery preference will be given to Certificate of Preference and Ellis Act Housing Preference holders* and households that live or work in San Francisco.

Unit #	Bedroom Count	Bath Count	Square Feet	Floor	Rent	Income Maximum	Minimum Monthly Household Income Required	Deposit Required
E113	Studio	1	448	1	\$939	55% of AMI	\$2347.50	\$939
E114	1	1	605	1	\$1066	55% of AMI	\$2665	\$1066
E105	2	1	846	1	\$1192	55% of AMI	\$2980	\$1192

**Certificate of Preference holders are primarily households displaced in Redevelopment Project Areas during the 1960's and 1970's, but may also include other persons displaced by Agency action. Ellis Act Housing Preference holders are long term San Francisco tenants who were evicted because of the Ellis Act. Contact 415-701-5613 for more information.*

COP Postcard Template

Affordable Homes for Rent in San Francisco

Exterior Photo	Interior Photo

3 two-bedroom (\$rent amount)+ 3 three-bedroom (\$rent amount) rental units available at Bayside Village, 1125 Laurel Court

- Renter Households must have a minimum monthly income of \$_____
- Renter households must earn no more than the income levels listed below:

Household Size	One Person	Two Person	Three Person	Four Person	Five Person
55% of Median Income 2012	\$39,650	\$45,300	\$51,000	\$56,650	\$61,200

**Certificate of Preference holders are primarily households displaced in Redevelopment Project Areas during the 1960's and 1970's, but may also include other persons displaced by Agency action. Ellis Act Housing Preference holders are long term San Francisco tenants who were evicted because of the Ellis Act. Contact 415-701-5613 for more information.*

Side Two:

**Mayor's Office of Housing & Community Development
1 South Van Ness, 5th Floor
San Francisco, CA 94103**

**Applications must be received by
5pm on Friday, April 13, 2012 to:
Makras Real Estate, 1193 Church St.
San Francisco, CA 94114.**

For more information & to apply Contact JM Rentals
(415) 282-8400 or victor@jmrentals.com or
www.sfmohcd.org

Information session

Monday, June 2, 2012, 6pm
123 Hyde Street

Open House Dates

June 2, 5-6pm; June 12, 12-1pm; June 25, 5-6pm

Attachment 15

Sources and Uses
[Attached]

Laurel Gardens Apartments - 1555 Turk St.

Pro-forma 2016 (post-rehab)

Effective Gross Income			
Rental Income		\$	2,082,240
Misc Income			6,418
Vacancy	5.00%		(104,112)
Total Rental Income		\$	1,984,546
Expenses			
Operating Expenses			687,980
Ground Lease Base Rent			15,000
Annual Replacement Reserve Deposit			35,464
Total Operating Expenses			738,444
Net Cash flow			
NOI			1,246,102
Annual Mortgage Payment (20/20, 4.703%, 130x DSCR)			957,765
Net Income (to be split 1/3 to Bethel, 2/3 to MOH Residual Lease Payment)		\$	288,337

Sources+Uses - Refinancing with Citicorp Loan

2/5/2016

Sources			
New Citicorp loan (20/20 amortization @ 4.703%)		\$	12,400,000
HUD RR Acct (as of 12/31/2015)			487,419
Loan application fee to Citicorp (April, 2015)			25,000
Total Sources		\$	12,912,419
Uses			
HUD loan (to BofA, est)		\$	1,192,726
City of SF loan (balance)			672,915
* City of SF loan (accrued interest, est)			366,274
Northern CA Community Loan (w max int)			1,168,750
Unsecured Notes (to GP w/ acqd.int., est)			356,392
* Property Rehabilitation			5,559,416
15% Hardcost Contingency			633,081
* "Guarantee" Reserve			450,907
* 5% "softcost" Contingency			49,050
Resident relocation			525,000
Est'd restructuring, loan, legal+title fees			-
Lender Origination Fee (Citibank)	1.00%	124,000	
Loan Consultant Fee (John Wong)	0.66%	80,000	
Restructuring Consultant (Bobby Sis)	3.00%	372,000	
Refinancing Request Fee (Mayor's Office of Housing)		3,000	
Lender's Counsel		40,000	
Lender's Appraisal		7,000	
Lender's Engineering+Seismic Report		6,500	
Lender's Environmental Review		4,500	
Zoning Fee (to Lender)		850	
Insurance Broker Fee (to Lender)		1,250	
Loan Processing Fee		5,000	
Monthly Construction Inspections (to Lender)		15,000	
Flood Certificate and credit reports (to Lender)		100	
Borrower's Counsel		15,000	
1st American Title Co (and related fees)		22,134	
Total Fees			696,334
MOH Attorney Fees for Groundlease work			tbid
Initial Replacement Reserve Deposit @ \$1000/unit			52,000
Total Uses		\$	11,722,845
Equity Takeout (Total Sources - Uses, as defined by MOH)			1,189,574
Cash Payable to Bethel (=1/3 of Equity Takeout)			396,525
Developer Fee (up to \$500k, payable at Loan Closing)		\$	396,525
Remaining Cash-out Equity (payable at rehab completion)			-
Restricted Proceeds to Housing Trust with MOH (=2/3 of Equity Takeout)			793,049

FREE RECORDING REQUESTED PURSUANT TO
GOVERNMENT CODE SECTION 27383

When Recorded Return to:

SAN FRANCISCO REDEVELOPMENT AGENCY
770 Golden Gate Avenue
San Francisco, CA 94102
Attn: Development Services

LAUREL GARDENS GROUND LEASE

by and between the

REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO

as Landlord

and

Laurel Gardens of Bethel A.M.E. Church, L.P.,

a California limited partnership

as Tenant

Dated as of October 1, 1998

TABLE OF CONTENTS

ARTICLE 1: DEFINITIONS 3

ARTICLE 2: TERM 6

ARTICLE 3: FINANCING 8

ARTICLE 4: RENT 8

4.01 Annual Rent 8

4.02 Absolute Net Lease 9

ARTICLE 5: AGENCY COVENANTS 9

ARTICLE 6: DEVELOPER COVENANTS 9

6.01 Limited Partnership/Authority 10

6.02 Use of Site 10

6.03 Agency and City Deemed Beneficiaries of Covenants 12

ARTICLE 7: ANNUAL INCOME COMPUTATION AND CERTIFICATION 13

ARTICLE 8: CONDITION OF SITE - "AS IS" 14

ARTICLE 9: IMPROVEMENTS AND PERMITTED USES 15

9.01 Scope of Development and Schedule of Performance 15

9.02 Permitted Uses and Occupancy Restrictions 15

9.03 Lender Not Obligated to Comply with Income Restrictions 16

ARTICLE 10: REHABILITATION OF IMPROVEMENTS 16

10.01 General Requirements and Rights of Agency 16

10.02 Agency Approvals and Limitation Thereof 17

10.03 Rehabilitation to be in Compliance with Construction Documents and Law 18

10.04 Approval of Construction Documents by Agency 18

10.05 Disapproval of Construction Documents by Agency 19

10.06 Final Construction Documents to be Approved by Agency 19

10.07 Issuance of Building Permits 19

10.08 Performance and Payment Bonds 20

10.09 Agency Approval of Changes after Commencement of Rehabilitation 21

10.10 Times for Rehabilitation 21

10.11 Force Majeure 22

10.12 Reports 23

10.13 Access to Site 24

ARTICLE 11:	<u>COMPLETION OF IMPROVEMENTS</u>	24
11.01	<u>Certificate of Completion - Issuance</u>	24
11.02	not used.	25
11.03	<u>Certifications to be Recordable</u>	25
11.04	<u>Certification of Completion - Non-Issuance Reasons</u>	25
ARTICLE 12:	<u>CHANGES TO THE IMPROVEMENTS</u>	26
12.01	<u>Post Completion Changes</u>	26
12.02	<u>Definition of Change</u>	26
12.03	<u>Enforcement</u>	27
ARTICLE 13:	<u>TITLE TO IMPROVEMENTS</u>	27
ARTICLE 14:	<u>ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE</u>	28
14.01	<u>Assignment, Sublease or Other Conveyance by Developer</u>	28
14.02	<u>Assignment, Sublease or Other Conveyance by Agency</u>	29
ARTICLE 15:	<u>TAXES</u>	30
ARTICLE 16:	<u>UTILITIES</u>	31
ARTICLE 17:	<u>MAINTENANCE</u>	31
ARTICLE 18:	<u>LIENS</u>	32
ARTICLE 19:	<u>GENERAL REMEDIES</u>	33
19.01	<u>Application of Remedies</u>	33
19.02	<u>Notice and Cure Rights for Developer Limited Partner</u>	33
19.03	<u>Breach by Agency</u>	35
ARTICLE 20:	<u>DAMAGE AND DESTRUCTION</u>	38
20.01	<u>Insured Casualty.</u>	39
20.02	<u>Uninsured Casualty.</u>	40
20.03	<u>Distribution of the Insurance Proceeds.</u>	41
20.04	<u>Clean Up of Housing Site</u>	42
ARTICLE 21:	<u>DAMAGE TO PERSON OR PROPERTY; INDEMNIFICATION</u>	42
ARTICLE 22:	<u>INSURANCE AND FIDELITY BOND</u>	43
ARTICLE 23:	<u>COMPLIANCE WITH LEGAL REQUIREMENTS</u>	49
ARTICLE 24:	<u>ENTRY</u>	50
ARTICLE 25:	<u>MORTGAGE FINANCING</u>	50
25.01	<u>No Encumbrances Except for Development Purposes</u>	

		50
25.02	<u>Holder Not Obligated to Construct</u>	51
25.03	<u>Failure of Holder to Complete Improvements</u>	52
25.04	<u>Default by Developer and Agency's Rights</u>	52
25.05	<u>Subordination by Agency</u>	54
ARTICLE 26:	<u>PROTECTION OF LENDER</u>	57
26.01	<u>Notification to Agency</u>	57
26.02	<u>Lender's Rights to Prevent Termination</u>	57
26.03	<u>Lender's Rights When Developer Defaults</u>	57
26.04	<u>Default Which Cannot be Remedied by Lender</u>	59
26.05	<u>Court Action Preventing Lender's Action</u>	59
26.06	<u>Lender's Rights to Record, Foreclose and Assign</u>	60
26.07	<u>Project Feasibility Loan</u>	62
ARTICLE 27:	<u>RIGHTS OF THE SECRETARY OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>	65
ARTICLE 28:	<u>CONDEMNATION</u>	72
28.01	<u>Parties' Rights and Obligations to be Governed by Agreement</u>	72
28.02	<u>Total Taking</u>	72
28.03	<u>Partial Taking</u>	72
28.04	<u>Effect on Rent</u>	73
28.05	<u>Restoration of Improvements</u>	74
28.06	<u>Award and Distribution</u>	74
28.07	<u>Payment to Lenders</u>	74
ARTICLE 29:	<u>ESTOPPEL CERTIFICATE</u>	75
ARTICLE 30:	<u>QUITCLAIM</u>	75
ARTICLE 31:	<u>EQUAL OPPORTUNITY</u>	76
ARTICLE 32:	<u>CERTIFICATE AND BUSINESS PREFERENCE PROGRAM</u>	76
ARTICLE 33:	<u>AGENCY LABOR STANDARDS PROVISIONS</u>	76
ARTICLE 34:	<u>CONFLICT OF INTEREST</u>	76
ARTICLE 35:	<u>NO PERSONAL LIABILITY</u>	77
ARTICLE 36:	<u>ENERGY CONSERVATION</u>	77
ARTICLE 37:	<u>WAIVER</u>	77
ARTICLE 38:	<u>DEVELOPER RECORDS</u>	78
ARTICLE 39:	<u>NOTICES AND CONSENTS</u>	79

ARTICLE 40:	<u>COMPLETE AGREEMENT</u>	80
ARTICLE 41:	<u>HEADINGS</u>	80
ARTICLE 42:	<u>SUCCESSORS AND ASSIGNS</u>	80
ARTICLE 43:	<u>TIME</u>	81
ARTICLE 44:	<u>PARTIAL INVALIDITY</u>	81
ARTICLE 45:	<u>APPLICABLE LAW</u>	81
ARTICLE 46:	<u>ATTORNEYS' FEES</u>	81
ARTICLE 47:	<u>EXECUTION IN COUNTERPARTS</u>	82
ARTICLE 48:	<u>RECORDATION OF MEMORANDUM OF GROUND LEASE</u>	82
ARTICLE 49:	<u>TERMINATION OF EXISTING LDA</u>	82

Attachments to Ground lease

1. Site Plan
2. Legal Description of Site
3. (not used)
4. Schedule of Performance
5. (not used)
6. Operational Rules for Certificate Holder's Priority
7. Equal Opportunity Program (same as Loan Agreement)
8. Prevailing Wage Provisions (same as Loan Agreement)
9. Income Computation and Certification

Ground Lease

This Ground Lease is entered into as of October ____, 1998, by and between the REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic (the "Agency") as Landlord, and Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership (the "Developer"), as Tenant under this Ground Lease.

RECITALS

A. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq., the ~~Law~~), the Agency undertakes programs for the reconstruction and rehabilitation of slums and blighted areas in the City and County of San Francisco (the "City").

B. Pursuant to the Law, the Board of Supervisors of the City established the Western Addition A-2 Redevelopment Project Area (~~Project Area~~) and adopted the Western Addition A-2 Redevelopment Plan (as amended, the ~~Redevelopment Plan~~).

C. The Agency is authorized pursuant to the Law to distribute monies to nonprofit developers and sponsors for the specific and special purpose of increasing and maintaining the housing stock in the City and County of San Francisco for very low-, low- and moderate-income households.

D. The expiration of project-based Section 8 contracts

poses a serious threat to San Francisco's affordable housing stock. Many of the housing developments with expiring Section 8 contracts are located in Redevelopment Project Areas. The Agency desires to preserve developments with Section 8 contracts as affordable housing by, among other things, expending Tax Increment Housing Funds.

E. Developer is a limited partnership established solely to acquire and own housing units for low-income residents (the ~~Project~~) on the real property located at 1555 Turk Street, San Francisco, California (the ~~Site~~).

F. The Project is currently financed with a U.S. Department of Housing and Urban Development ("HUD") Section 236 mortgage which is subject to prepayment by the current private owner ("Seller"), with the potential effect of expunging the existing federal low income rent restrictions placed on the Project.

G. Laurel Gardens of Bethel A.M.E. Church, Inc., the Developer's general partner (the ~~General Partner~~), has entered into a purchase and sale agreement to purchase the Site and all the improvements on the Site (the ~~Improvements~~). The General Partner intends (i) to sell the Site to the Agency and (ii) to sell the Improvements to the Developer for rehabilitation and operation as affordable housing, by causing the Seller (x) to deed the Site directly to the Agency and (y) to deed the Improvements directly to the Developer. Developer intends to

finance the acquisition and rehabilitation of the Improvements using multifamily mortgage revenue bonds to be issued by the Agency, low-income housing tax-credits, and other Agency provided funding, including, but not limited to, a San Francisco Redevelopment Agency Predevelopment Grant Agreement for \$78,912, dated February 10, 1998, and a loan in the amount of \$672,915.00, which will be used to acquire and rehabilitate the Improvements, pursuant to a loan agreement between the Agency and the Developer (the ~~Loan Agreement~~). The Agency will use \$1,328,173.00 in additional funds to pay the purchase price for the Site, not including the Improvements.

H. The Agency wishes to lease the Site to the Developer pursuant to this Ground Lease.

NOW THEREFORE, in consideration of the mutual obligations of the parties hereto, the Agency hereby leases to Developer and Developer hereby leases from the Agency the Site for the term and subject to the terms, covenants, agreements and conditions hereinafter set forth, to each and all of which the Agency and Developer hereby mutually agree.

ARTICLE 1: DEFINITIONS

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

1.01 Agency means the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, exercising its functions and powers and organized and existing under the Community Redevelopment Law of the State of California and includes any successor public Agency designated by or pursuant to law. The Agency is the owner of the Site.

1.02 Agreement Date means the date that this Ground Lease is deemed to be entered into and effective, as set forth on the cover page.

1.03 Developer means Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership.

1.04 Development Standards means Section IIC of the Western Addition A-2 Redevelopment Plan, Land Use Provisions and Development Standards, originally adopted by the Board of Supervisors on October 13, 1964, as amended from time to time, which contains the development standards and urban design guidelines which apply to the Project Area.

1.05 not used

1.06 Ground Lease means this Ground Lease of the Site to the Developer from the Agency, as amended from time to time.

1.07 Improvements means all physical construction, including all structures, fixtures and other improvements on the Site.

1.08 Leasehold Estate means the estate held by the Developer pursuant to and created by this Ground Lease.

1.09 Leasehold Mortgage means any mortgage, deed of trust, trust indenture or other security instrument, including, without limitation, the mortgage insured by the Secretary, the deed of trust securing a loan from [Bank of America], the lien of any Indenture of Trust with respect to mortgage revenue bonds issued by the Agency, and any assignment of the rents, issues and profits from the Site, or any portion thereof, which constitute a lien on the Leasehold Estate created by this Ground Lease.

1.10 Lease Year means each calendar year during the term hereof, beginning on January 1 and ending on December 31, provided that the first Lease Year shall commence upon the Agreement Date and shall end on the next succeeding December 31, and the last Lease Year shall end upon the expiration of the term hereof.

1.11 Lender means (i) the holder of any Leasehold Mortgage consented to by the Agency as required by Article 25.01 and (ii) the Secretary, as defined in Article 27.

1.12 Area Median Income means the median household or family income for San Francisco as determined pursuant to Section 50093 of the California Health and Safety Code.

1.13 not used

1.14 Premises means the Site together with any Improvements thereon.

1.15 Site means the real property in the Project Area shown on the Site Plan, Attachment 1, and described in the Site Legal Description, Attachment 2.

1.16 Redevelopment Plan means the Western Addition A-2 Redevelopment Plan, as amended.

1.17 Occupant means any person or entity authorized by Developer to occupy the Site, or any portion thereof.

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

ARTICLE 2: TERM

(a) The term of this Ground Lease shall commence upon the Agreement Date and shall end ninety-nine years from that date.

(b) Provided that the Developer is not in default of the terms of its obligations to the Agency at such time, the Agency agrees to negotiate in good faith, beginning no sooner than twenty-four (24) months before the expiration of the full

term of this Lease, to reach an agreement to convey the Site to the Developer at the end of such term for continued use as affordable housing. The terms of such conveyance shall include (i) use of the Site for affordable housing for at least fifty (50) years, beginning on expiration of this Lease, and (ii) other terms and conditions, including price, calculated to reflect such restrictions on use. If the parties do not reach agreement by six (6) months before the expiration of the term, the Agency may dispose of the Site in accordance with its then normal process for such disposition; provided, however, the Agency agrees to offer the Site first to the Developer on the same terms and conditions which the Agency intends to be contained in its normal offering of the Site. The Developer shall have thirty (30) days from receipt of the Agency's offer to accept such offer on such terms and conditions. If the Developer accepts such offer, it may purchase the Site in accordance with the terms of any such disposition. If the Developer fails to accept such offer within such thirty (30) days, the Agency may proceed with its normal disposition without further obligation to the Developer; provided, however, that the Developer's right to propose resident ownership in accordance with Article 13 shall remain in effect until the termination of this Ground Lease. "Conveyance" or "disposition" as used in this section may include sale, lease or other transfer of some or all of the Site.

ARTICLE 3: FINANCING

(a) Developer shall submit to the Agency in accordance with the dates specified in the Schedule of Performance, Attachment 4, for approval by the Agency, evidence satisfactory to the Agency that Developer has sufficient equity capital and commitments for construction mortgage financing and permanent financing, and/or such other evidence of capacity to proceed with the acquisition and development of the Premises, including the rehabilitation of the Improvements, in accordance with this Ground Lease, as is acceptable to the Executive Director of the Agency. Such satisfactory evidence of financing shall include permanent financing if required as part of any construction financing.

(b) A default by Developer under the terms of any financing shall constitute a default under this Ground Lease.

ARTICLE 4: RENT

4.01 Annual Rent

Developer shall pay the Agency thirty thousand dollars (\$30,000) per year for lease of the Site, without offset of any kind, payable in advance on the 15th day of March of each Lease Year, without necessity of demand, notice or invoice from the Agency ("Annual Rent"); provided, however, rent for the first lease year shall be due on December 31, 1998, and shall be equal to \$30,000 times the number of days in the first Lease Year,

divided by 365.

4.02 Absolute Net Lease

This Ground Lease is an absolute net lease and the Developer shall be responsible to pay all costs, charges, taxes, impositions and other obligations related thereto. If the Agency pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, the Agency will be entitled to be reimbursed by Developer the full amount of such payments as additional rent on the next rent payment date.

ARTICLE 5: AGENCY COVENANTS

The Agency is a public body, corporate and politic, duly created and validly existing in good standing under the Law, and has full right, power and authority to enter into and perform its obligations under this Ground Lease. Agency covenants and warrants that the Developer and its tenants shall have, hold and enjoy, during the lease term, peaceful, quiet and undisputed possession of the Site leased without hindrance or molestation by or from anyone so long as the Developer is not in default under this Ground Lease or the Loan Agreement with the Agency.

ARTICLE 6: DEVELOPER COVENANTS

Developer covenants and agrees for itself, and its

successors and assigns to or of the Site, or any part thereof, that:

6.01 Limited Partnership/Authority

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

6.02 Use of Site

During the term of this Ground Lease, Developer and such successors and assigns shall comply with the following requirements:

6.02a. Compliance with Redevelopment Requirements

Devote the Site to, and only to and in accordance with, the uses specified in the Redevelopment Plan and this Ground Lease, as specified in Article 9 hereof, which are the only uses permitted by this Ground Lease.

6.02b. Non-Discrimination

Not discriminate against or segregate any person or group of persons on account of race, color, creed, religion, ancestry, national origin, age, sex, gender identity, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status) in the sale, lease, rental, sublease, transfer, use, occupancy, tenure or enjoyment of the Site or the Improvements, or any part

thereof, nor shall Developer itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of Occupants, subtenants or vendees on the Site or Improvements, or any part thereof.

6.02c. Acceptance of Tenants with Section 8 Subsidy

Not discriminate against tenants with certificates or vouchers under the Section 8 program or any successor rent subsidy program.

6.02d. Non-Discriminatory Advertising

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

6.02e. Access for Disabled Persons

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

6.02f. Equal Opportunity Marketing Plan

Submit a Fair Housing Marketing Plan to be approved by the Agency. The Fair Housing Marketing Plan must follow

U.S. Department of Housing and Urban Development Guidelines for such plans.

6.02g. Lead Based Paint

Comply with the regulations issued by the Secretary of Housing and Urban Development set forth in 37 F.R. 22732-3 and all applicable rules and orders issued thereunder which prohibit the use of lead-based paint in residential structures undergoing federally assisted construction or rehabilitation and require the elimination of lead-based paint hazards.

6.03 Agency and City Deemed Beneficiaries of Covenants

In amplification, and not in restriction, of the provisions of the preceding subsections, it is intended and agreed that the Agency and the City shall be deemed beneficiaries of the agreements and covenants provided in this Article 6, and the United States shall be deemed a beneficiary of the covenants provided in Article 6.02b through g, both for and in their or its own right and also for the purposes of protecting the interests of the community and other parties, public or private, in whose favor or for whose benefit such agreements and covenants have been provided. Such agreements and covenants shall run in favor of the Agency and the City and the United States for the entire period during which such agreements and covenants shall be in force and effect, without regard to whether the Agency, the City

or the United States has any time been, remains, or is an owner of any land or interest therein to, or in favor of, which such agreements and covenants relate. The Agency and the City shall have the right, in the event of any breach of any such agreements or covenants, and the United States shall have the right in the event of any breach of the covenants provided in Article 6.02b through g, in each case, after notice and the expiration of cure periods, to exercise all the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach of covenants, to which it or any other beneficiaries of such agreements or covenants may be entitled.

ARTICLE 7: ANNUAL INCOME COMPUTATION AND CERTIFICATION

Forty-five days after the Agreement Date, and on January 15th of each year thereafter, Developer will furnish to the Agency a list of all of the names of the persons who are Occupants of the Improvements on the Site, the specific unit which each person occupies, the household income of the Occupants of each unit, the household size and the rent being charged to the Occupants of each unit. Developer will provide the Agency with an Income Computation and Certification for each household (i) in the form required by that certain Regulatory Agreement and Declaration of Restrictive Covenants with respect to the Project,

by and among the Agency, the Developer and U.S. Trust Company, as Trustee (the "Bond Regulatory Agreement"), for so long as such agreement is in effect; or (ii) from and after the date on which the Bond Regulatory Agreement is terminated, in the form attached hereto as Attachment 9; executed under penalty of perjury by the Occupant. If any state or federal agency requires an income certification for Occupants of the Site containing the above-referenced information, the Agency agrees to accept such certification in lieu of Attachment 9 as meeting the requirements of this Ground Lease. In addition to such initial and annual list and certification, Developer agrees to provide the same information and certification to the Agency regarding each Occupant of the Improvements not later than ten (10) business days after such Occupant commences occupancy.

ARTICLE 8: CONDITION OF SITE - "AS IS"

Neither the Agency, nor any employee, agent or representative of the Agency has made any representation, warranty or covenant, expressed or implied, with respect to the Site, its physical condition, the condition of any improvements, any environmental laws or regulations, or any other matter, affecting the use, value, occupancy or enjoyment of the Site other than as set forth explicitly in this Ground Lease, and the Developer understands and agrees that the Agency is making no

such representation, warranty or covenant, expressed or implied; it being expressly understood that the Site is being leased in an "AS IS" condition with respect to all matters.

ARTICLE 9: IMPROVEMENTS AND PERMITTED USES

9.01 Scope of Development and Schedule of Performance

Developer agrees to undertake and complete all physical construction on the Site described in the Loan Agreement, (the "Scope of Development"), as approved by the Agency, in accordance with the Schedule of Performance, Attachment 4.

9.02 Permitted Uses and Occupancy Restrictions

The permitted uses of the Site are limited to 52 dwelling units, including 1 manager's unit and 51 residential units, a community room and related parking. Following the Agreement Date at least 50 of the residential units shall be occupied exclusively by households with incomes at or below 60% of Area Median Income. Upon vacancy of any of the dwelling units, other than the one manager's unit, the vacant unit shall be occupied by a household at or below 60% of Area Median Income. As long as the Site receives Project-Based Section 8 assistance, rents charged to households will be in accordance with HUD requirements, which shall control in the event of any conflict with the requirements of this Ground Lease. Developer shall accept Project-Based Section 8 assistance from HUD for as long as it is offered by HUD. In the event HUD no longer provides

Section 8 assistance, rents charged to households with incomes above, at or below 60% of Area Median Income shall not exceed 30% of the greater of (a) 60% of Area Median Income or (b) the household's actual income.

9.03 Lender Not Obligated to Comply with Income Restrictions

Notwithstanding the foregoing Article 9.02, in the event that title to Developer's interest in the Improvements is acquired by a Lender by foreclosure, deed in lieu of foreclosure or as the result of any other action or remedy provided for by any Leasehold Mortgage, or should Lender sell or assign the same to an Agency approved purchaser or assignee (subject to the Agency's rights under Article 25), the Lender or its purchaser or assignee may operate and maintain the 52 residential dwelling units without any limitations on the rents charged or the income of the Occupants thereof; subject, however, to any requirements (i) arising in connection with financing insured by the Federal Housing Administration or (ii) otherwise imposed by HUD.

ARTICLE 10: REHABILITATION OF IMPROVEMENTS

10.01 General Requirements and Rights of Agency

Construction documents for the rehabilitation of the Improvements by Developer (the "Construction Documents") shall be prepared by a person registered in and by the State of California to practice architecture and shall be in conformity with the

Redevelopment Plan and this Ground Lease, including any limitations established in the Scope of Development, and all applicable Federal, State and local laws and regulations. The Agency has approved Troy Brown & Associates as the Developer's architect for this Project. The architect shall use, as necessary, members of associated design professions, including engineers and landscape architects.

10.02 Agency Approvals and Limitation Thereof

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

10.02a. Compliance with Redevelopment Plan and Ground Lease

The Agency's approval with respect to the Construction Documents is limited to determination of their compliance with the Redevelopment Plan and this Ground Lease, including the Scope of Development (these enumerated documents are for convenience sometimes called "Redevelopment Requirements"). The Construction Documents shall be subject to general architectural review and guidance by the Agency as part of this review and approval process.

10.02b. Agency Does Not Approve Compliance with Construction Requirements

The Agency's approval is not directed to engineering or structural matters or compliance with building codes and regulations, the Americans with Disabilities Act, or any other applicable State or Federal law relating to construction standards or requirements.

10.02c. Agency Determination Final and Conclusive

The Agency's determination respecting the compliance of the Construction Documents with Redevelopment Requirements shall be final and conclusive (except that it makes no determination and has no responsibility for the matters set forth in Article 10.02b, above).

10.03 Rehabilitation to be in Compliance with Construction Documents and Law

The Improvements to be constructed shall be constructed in strict compliance with the Agency-approved and City-approved Construction Documents and also in strict compliance with all applicable local, State and Federal laws and regulations.

10.04 Approval of Construction Documents by Agency

Developer shall submit and the Agency shall approve or disapprove the Construction Documents referred to in this Ground Lease within the times established in the Schedule of Performance. Failure by the Agency either to approve or disapprove within the times established in the Schedule of

Performance shall be deemed approval.

10.05 Disapproval of Construction Documents by Agency

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

10.06 Final Construction Documents to be Approved by Agency

The Final Construction Documents, including all drawings, specifications and other related documents necessary for the rehabilitation of the Improvements in accordance with the requirements of this Ground Lease, must be approved by the Agency.

10.07 Issuance of Building Permits

(a) Developer shall have the sole responsibility for

obtaining all necessary building permits and shall make application for such permits directly to the City's Department of Building Inspection. Developer shall report permit status in writing every thirty (30) days to the Agency. Failure to timely file and to diligently pursue issuance of permits shall be a breach of this Ground Lease.

(b) The Developer is advised that the Central Permit Bureau forwards all building permits to the Agency for Agency approval of compliance with Redevelopment Requirements. Since the Agency's review of Construction Documents is limited (see Article 10.02a, above), its approval of compliance with Redevelopment Requirements is similarly limited and does not include Article 10.02b matters. Agency evidences such compliance by signing the permit and returning the permit to the Central Permit Bureau for issuance directly to the Developer. Approval of any intermediate permit, however, is not approval of compliance with all Redevelopment Requirements necessary for a full and final building permit.

10.08 Performance and Payment Bonds

Prior to commencement of rehabilitation of the Improvements, Developer shall deliver to the Agency performance and payment bonds, each for the full value of the cost of rehabilitation of the Improvements, which bonds shall name the Agency as co-obligee, or such other completion security which is acceptable to

the Agency.

10.09 Agency Approval of Changes after Commencement of Rehabilitation

Once rehabilitation has commenced, the only Construction Document matters subject to further review by the Agency will be requests for any changes in the Construction Documents which affect matters previously approved by the Agency. Permission to make such changes shall be requested by Developer in writing directed to the Agency, Attention: Housing Program Manager, with a copy to the Architecture Division Manager. The Agency shall reply in writing giving approval or disapproval of the changes within ten (10) business days after receiving such request. If the request is disapproved, the reply must specify the reasons for the disapproval. If the Agency does not respond within this ten-day period, the Agency will be deemed to have approved the changes as submitted.

10.10 Times for Rehabilitation

Developer agrees for itself, and its successors and assigns to or of the Leasehold Estate or any part thereof, that Developer and such successors and assigns shall promptly begin and diligently prosecute to completion the redevelopment of the Site through the rehabilitation of the Improvements thereon, and that such rehabilitation shall in any event commence and thereafter diligently continue and shall be completed no later than the

dates specified in the Schedule of Performance, unless such dates are extended by the Agency, provided, however, that if different dates are specified in an applicable loan agreement approved by the Secretary of HUD, then the dates in such loan agreement shall apply in place of those in the Schedule of Performance.

10.11 Force Majeure

For the purposes of any of the provisions of this Ground Lease, neither the Agency nor Developer, as the case may be, shall be considered in breach of or default in its obligations, nor shall there be deemed a failure to satisfy any conditions with respect to the beginning and completion of rehabilitation of the Improvements, or progress in respect thereto, in the event of enforced delay in the performance of such obligations or satisfaction of such conditions, due to unforeseeable causes beyond its control and without its fault or negligence, including, but not restricted to, acts of God, or of the public enemy, acts of the Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, general scarcity of materials and unusually severe weather or delays of subcontractors due to such causes; it being the purposes and intent of this provision that in the event of the occurrence of any such enforced delay, the time or times for the satisfaction of conditions to this Ground Lease including those with respect to rehabilitation of the Improvements, shall

be extended for the period of the enforced delay; provided, however, that the party seeking the benefit of the provisions of this paragraph shall have notified the other party thereof in writing of the cause or causes thereof within thirty (30) days after the beginning of any such enforced delay and requested an extension for the period of the enforced delay; and, provided further, that this paragraph shall not apply to, and nothing contained in this paragraph shall extend or shall be construed to extend, the time of performance of any of Developer's obligations to be performed prior to the commencement of rehabilitation, nor shall the failure to timely perform precommencement of rehabilitation obligations extend or be construed to extend Developer's obligations to commence, prosecute and complete rehabilitation of the Improvements in the manner and at the times specified in this Ground Lease.

10.12 Reports

Subsequent to commencement of rehabilitation of the Improvements and until they have been completed, Developer shall make a report in writing to the Agency every three (3) months, in such detail as may reasonably be required by the Agency, as to the actual progress of the Developer with respect to such rehabilitation. During such period the work of the Developer shall be subject to inspection by representatives of the Agency, at reasonable times and upon reasonable advance notice.

10.13 Access to Site

Developer shall permit access to the Site to the Agency and the City whenever and to the extent necessary to carry out the purposes of the provisions of this Ground Lease, at reasonable times and upon reasonable advance notice.

ARTICLE 11: COMPLETION OF IMPROVEMENTS

11.01 Certificate of Completion - Issuance

Promptly after completion of the rehabilitation of the Improvements in accordance with the provisions of this Ground Lease, and upon the request of Developer, the Agency will furnish Developer with an appropriate instrument so certifying. Such certification by the Agency shall be a conclusive determination of satisfaction and termination of the agreements and covenants of this Ground Lease with respect to the obligation of Developer, and its successors and assigns, to rehabilitate the Improvements in accordance with Agency approved Final Construction Documents and the dates for the beginning and completion thereof; provided, however, that such determination shall only be withheld because of failure to carry out specific requirements of the Redevelopment Requirements or this Ground Lease; provided further, that such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any Lender, or any insurer of a

mortgage, securing money loaned to finance the Improvements, or any part thereof; provided further, that Agency issuance of any Certificate of Completion does not relieve Developer or any other person or entity from any and all City requirements or conditions to occupancy of the Improvements, which requirements or conditions must be complied with separately.

11.02 not used.

11.03 Certifications to be Recordable

All certifications provided for in this section shall be in such form as will enable them to be recorded with the Recorder of the City.

11.04 Certification of Completion - Non-Issuance Reasons

If the Agency shall refuse or fail to provide any certification in accordance with the provisions of subsection 11.01, the Agency shall provide Developer with a written statement, within fifteen (15) days after written request by Developer, indicating in adequate detail in what respects Developer has failed to complete the rehabilitation of the Improvements in accordance with the provisions of this Ground Lease or is otherwise in default hereunder and what measures or acts will be necessary, in the opinion of the Agency, for Developer to take or perform in order to obtain such certification.

ARTICLE 12: CHANGES TO THE IMPROVEMENTS

12.01 Post Completion Changes

The Redevelopment Plan, or the requirements of any successor zoning or land use controls after termination of the Redevelopment Plan, controls changes to the Improvements after the rehabilitation has been certified complete. However, because of the location of the Site, the nature of the Improvements, the Permitted Uses and their relationship to surrounding developments, the Agency has a particular interest in the Site and in the nature and extent of the permitted changes to the Improvements. Accordingly, it desires to and does hereby impose the following particular controls on the Site and on the Improvements: during the term of this Ground Lease, neither Developer, nor any voluntary or involuntary successor or assign, shall make or permit any change in the Improvements, as change is hereinafter defined, unless the express prior written consent for any change shall have been requested in writing from the Agency and obtained, and, if obtained, upon such terms and conditions as the Agency may require. The Agency agrees not to withhold or delay its response to such a request unreasonably.

12.02 Definition of Change

'Change' as used in this Article means any alteration, modification, addition and/or substitution of or to the Site, the Improvements, the density of development and/or the extent and

nature of the Site open space, which differs materially from that which has been expressly approved by the Agency pursuant to this Ground Lease and which has been certified by the Agency as complete in accordance with this Ground Lease, and shall include without limitation the exterior design, exterior materials and/or exterior color. For purposes of the foregoing, exterior shall mean and include the roof of the Improvements.

12.03 Enforcement

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

ARTICLE 13: TITLE TO IMPROVEMENTS

Fee title to any Improvements, including those Improvements conveyed to Developer by that certain [[deed from xx]] of even date herewith, vested in Developer shall remain vested in Developer during the term of this Ground Lease. Subject to the rights of any Lenders and as further consideration for the Agency entering into this Ground Lease, at the expiration or earlier termination of this Ground Lease, fee title to all the Improvements shall vest in the Agency without further action of

any party, without any obligation by the Agency to pay any compensation therefor to Developer and without the necessity of a deed from Developer to the Agency; provided, however, that the Agency agrees to review in good faith, and not unreasonably disapprove, any proposal by Developer to transfer ownership of the Improvements to residents of the Premises, subject to (i) the terms and conditions of this Ground Lease, and (ii) the terms and conditions of any agreements entered into in connection with the Agency's issuance of tax-exempt multifamily housing revenue bonds, any proceeds of which were used for acquisition of the Premises, but only for so long as such agreements are in effect.

ARTICLE 14: ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE

14.01 Assignment, Sublease or Other Conveyance by Developer

(a) Developer may not sell, assign, convey, sublease, or transfer in any other mode or form all or any part of its interest in this Ground Lease or in the Improvements or any portion thereof, other than to Lenders, or allow any person or entity to occupy or use all or any part of the Site other than leases to tenants in the ordinary course of business, nor may it contract or agree to do any of the same, without the prior written approval of the Agency, which approval shall not be unreasonably withheld or delayed; provided, however, (i) Developer

may sell, assign, convey, sublease or transfer its interests to a limited partnership of which Developer or an entity controlled by Developer is the managing general partner, without the consent of the Agency; and (ii) the purchase of the Project by Laurel Gardens of Bethel A.M.E. Church, Inc., as general partner of Developer, pursuant to that certain Right of First Refusal and Purchase Option Agreement of even date herewith is approved. The parties hereto acknowledge the Agency's particular interest and concern regarding the nature and identity of the occupant of the Site, and therefore expressly agree that the Agency's approval of any such sale, assignment, conveyance, sublease or other transfer may be withheld in its good faith discretion.

14.02 Assignment, Sublease or Other Conveyance by Agency

The Agency acknowledges that any sale, assignment, transfer or conveyance of all or any part of the Agency's interest in the Site, the Improvements, or this Ground Lease, are subject to this Ground Lease. The Agency will require that any purchaser, assignee or transferee will expressly assume all of the obligations of the Agency under this Ground Lease by a written instrument recordable in the Official Records of the City. This Ground Lease shall not be affected by any such sale, and Developer shall attorn to any such purchaser or assignee. In the event that the Agency intends to sell all or any part of the Site, other than as provided in Section 2(b), the Agency shall

notify Developer of the proposed terms of such sale not later than ninety (90) days before the anticipated close of escrow. Developer shall have sixty (60) days from the giving of such notice to exercise a right of first refusal to purchase the Site on the same terms and conditions of such proposed sale.

ARTICLE 15: TAXES

Developer agrees to pay, or cause to be paid, when due to the proper authority, any and all valid taxes, assessments and similar charges on the Site which become effective after the execution of this Ground Lease, including all taxes levied or assessed on the possession, use or occupancy, as distinguished from the ownership, of the Site. Developer shall not permit any such taxes, charges or other assessments to become a defaulted lien on the Site or the Improvements thereon; provided, however, that in the event any such tax, assessment or similar charge is payable in installments, Developer may make, or cause to be made, payment in installments; and, provided further, that Developer may contest the legal validity or the amount of any tax, assessment or similar charge, through such proceedings as Developer considers necessary or appropriate, and Developer may defer the payment thereof so long as the validity or amount thereof shall be contested by Developer in good faith and without expense to the Agency. In the event of any such contest,

Developer shall protect, defend and indemnify the Agency against all loss, cost, expense or damage resulting therefrom, and should Developer be unsuccessful in any such contest, Developer shall forthwith pay, discharge, or cause to be paid or discharged, such tax, assessment or other similar charge. The Agency shall furnish such information as Developer shall reasonably request in connection with any such contest provided that such information is otherwise available to the public.

ARTICLE 16: UTILITIES

Developer shall procure water and sewer service from the City and electricity, telephone, natural gas and any other utility service from the City or utility companies providing such services, and shall pay all connection and use charges imposed in connection with such services. As between the Agency and Developer, Developer shall be responsible for the installation and maintenance of all facilities required in connection with such utility services to the extent not installed or maintained by the City or the utility providing such service.

ARTICLE 17: MAINTENANCE

Developer, at all times during the term hereof, shall maintain or cause to be maintained the Premises in good condition and repair to the reasonable satisfaction of the Agency, taking

into account the age of the building, including the exterior, interior, substructure and foundation of the Improvements and all fixtures, equipment and landscaping from time to time located on the Site or any part thereof. The Agency shall not be obligated to make any repairs, replacements or renewals of any kind, nature or description whatsoever to the Site or any buildings or improvements now or hereafter located thereon.

ARTICLE 18: LIENS

Developer shall use its best efforts to keep the Site free from any liens arising out of any work performed or materials furnished by itself or its subtenants. In the event that Developer shall not cause the same to be released of record within twenty (20) days following written notice from the Agency of the imposition of any such lien, the Agency shall have, in addition to all other remedies provided herein and by law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All sums paid by the Agency for such purpose, and all reasonable expenses incurred by it in connection therewith, shall be payable to the Agency by Developer on demand; provided, however, Developer shall have the right, upon posting of an adequate bond or other security, to contest any such lien, and the Agency shall not seek to satisfy or

discharge any such lien unless Developer has failed so to do within ten (10) days after the final determination of the validity thereof. In the event of any such contest, Developer shall protect, defend, and indemnify the Agency against all loss, cost, expense or damage resulting therefrom.

ARTICLE 19: GENERAL REMEDIES

19.01 Application of Remedies

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

19.02 Notice and Cure Rights for Developer Limited

Partner

(a) The Agency may not exercise its remedies under this Ground Lease for a default by the Developer unless and until (i) the Agency has given written notice of any such default, in accordance with the notice provisions of Article 39, to the Developer's limited partners who have requested notice as set forth below ("Permitted Limited Partners"), and (ii) such default has not been cured within sixty (60) days following the giving of such notice or, if such default cannot be cured within such 60-day period, such longer period as is reasonably necessary to cure such default, provided that such has been commenced and is being prosecuted diligently to completion. If a Permitted Limited

Partner cannot cure a default because the general partner of the Developer is in bankruptcy, any cure period will be tolled during the pendency of such bankruptcy.

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

(c) Fannie Mae is a Permitted Limited Partner as of the date of this Ground Lease and is entitled to the notice and cure periods provided in this Article 19. Any other limited partner wishing to become a Permitted Limited Partner must provide five (5) days' written notice to the Agency in accordance with the notice provisions of this Ground Lease, setting forth a notice address and providing a copy of such notice to the Developer and all of the Developer's general partners. Such limited partner will become a Permitted Limited Partner upon the expiration of the five-day period. A limited partner will not be afforded the protections of this section with respect to any default occurring prior to the time such limited partner becomes a Permitted Limited Partner.

19.03 Breach by Agency

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

19.04 Breach by Developer

19.04a. Default by Developer

The following events each constitute a basis for the Agency to take action against Developer:

(1) Subject to delay for force majeure pursuant to Section 10.11, Developer fails to commence rehabilitation of the Improvements or to complete same within the time limits set forth in this Ground Lease;

(2) Developer fails to comply with the Permitted Uses and Occupancy Restrictions set forth in Article

9.02;

(3) Developer abandons or suspends rehabilitation of the Improvements for a period of sixty (60) days after written notice by the Agency of such abandonment or suspension, except for a cessation of rehabilitation caused by Force Majeure as defined in Section 10.11.

(4) Developer voluntarily or involuntarily assigns, transfers or attempts to transfer or assign this Ground Lease or any rights in this Ground Lease, or in the Improvements, except as permitted by this Ground Lease;

(5) Developer, or its successor in interest, shall fail to pay real estate taxes or assessments on the Premises or any part thereof when due, or shall place thereon any encumbrance or lien unauthorized by this Ground Lease, or shall suffer any levy or attachment to be made, or any material supplier's or mechanic's lien or any other unauthorized encumbrance or lien to attach, and such taxes or assessments shall not have been paid, or the encumbrance or lien removed or discharged; provided, however, that Developer shall have the right to contest any tax or assessment pursuant to Article 15 and, upon the posting of an adequate bond or other security, to contest any such

lien or encumbrance. In the event of any such contest, Developer shall protect, indemnify and hold Agency harmless against all losses, damages, including reasonable attorneys' fees and costs resulting therefrom;

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

(7) Developer breaches any provision of any financing provided by the Agency, including, but not limited to, the Loan Agreement, or by any other source for the acquisition or rehabilitation of the Site or the Improvements, and fails to cure the breach following any required written notice and within any applicable cure periods;

(8) Developer breaches any other material provision of this Ground Lease; or

(9) Developer fails to pay Rent when due.

19.04b. Notification, Cure and Remedies

Upon the happening of any of the events described in Article 19.04a above, the Agency shall notify Developer in writing of its purported breach, failure or act, giving Developer sixty (60) days from receipt of such notice to cure such breach, failure or act. In the event Developer does not cure or, if the breach, failure or act is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then, subject to the rights of any Lender and subject to Section 19.02, the Agency thereafter shall be afforded all of its rights at law or in equity, including any or all of the following remedies: (1) terminating in writing this Ground Lease; (2) prosecuting an action for damages; or (3) seeking specific performance of this Ground Lease.

ARTICLE 20: DAMAGE AND DESTRUCTION

The provisions of this Article 20 are subject to the requirements of the Secretary of HUD, including those set forth in Article 27.

20.01 Insured Casualty.

If the Improvements or any part thereof are damaged or destroyed by any cause covered by any policy of insurance required to be maintained by Developer hereunder, Developer shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to the condition thereof prior to such damage or destruction; provided, however, that if more than fifty percent (50%) of the Improvements are destroyed or are so damaged by fire or other casualty, or if the insurance proceeds do not provide at least ninety percent (90%) of the funds necessary to accomplish the restoration, Developer may terminate this Ground Lease within thirty (30) days after the later of (i) the date of such damage or destruction, or (ii) the date on which Developer is notified of the amount of insurance proceeds available for restoration. In the event Developer is required or elects to restore the Improvements, all proceeds of any policy of insurance required to be maintained by Developer under this Ground Lease shall be used by Developer for that purpose and Developer shall make up from its own funds any deficiency between the amount of insurance proceeds available for the work of restoration and the actual cost thereof. In the event Developer elects to terminate this Ground Lease pursuant to its right to do so under this Article 20.01, or elects not to restore the Improvements, the insurance proceeds shall be divided

among the Agency, Developer and any Lender in accordance with the provisions of Article 20.03.

20.02 Uninsured Casualty.

If (i) a substantial portion of the Improvements are damaged or destroyed and ten percent (10%) or more of the cost of restoration is not within the scope of the insurance coverage; and (ii) in the reasonable opinion of Developer, the undamaged portion of the Improvements cannot be completed or operated on an economically feasible basis; and (iii) there is not available to Developer any feasible source of third party financing for restoration reasonably acceptable to Developer; then Developer may terminate this Ground Lease upon ninety (90) days written notice to the Agency. If it appears that the provisions of this Article 20.02 may apply to a particular event of damage or destruction, Developer shall notify the Agency promptly and not consent to any settlement or adjustment of an insurance award without the Agency's written approval, which approval shall not be unreasonably withheld or delayed. In the event that Developer terminates this Ground Lease pursuant to this Article 20.02, all insurance proceeds and damages payable by reason of the casualty shall be divided among Agency, Developer and Lender in accordance with the provisions of Article 20.03. If Developer does not have the right, or elects not to exercise the right, to terminate this Ground Lease as a result of an uninsured casualty, Developer

shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to their condition prior to such damage or destruction in accordance with the provisions of Article 20.01.

20.03 Distribution of the Insurance Proceeds.

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

(a) First, to pay for the cost of removal of all debris from the Site or adjacent and underlying property, and for the cost of any work or service required by any statute, law, ordinance, rule, regulation or order of any federal, state or local government, or any agency or official thereof, for the protection of persons or property from any risk, or for the abatement of any nuisance, created by or arising from the casualty or the damage or destruction caused thereby;

(b) Second, to compensate Agency for any diminution in the value (as of the date of the damage or destruction) of the Site as a raw development site caused by or arising from the damage or destruction;

(c) The remainder to Developer.

(d) The provisions of this Article 20.03 shall be subject to the rights of any Lender.

20.04 Clean Up of Housing Site

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

ARTICLE 21: DAMAGE TO PERSON OR PROPERTY; INDEMNIFICATION

Agency shall not in any event whatsoever be liable for any injury or damage to any person happening on or about the Site, for any injury or damage to the Premises, or to any property of Developer, or to any property of any other person, entity or association on or about the Site. Developer shall defend, hold harmless and indemnify the Agency, the City and their respective commissioners, officers, agents, and employees, of and from all claims, loss, damage, injury, actions, causes of action and liability of every kind, nature and description directly or indirectly arising from its tenancy, its use of the Site, including adjoining sidewalks and streets, and any of its operations activities thereon or connected thereto; provided, however, that this Article 21 shall not be deemed or construed to

and shall not indemnify and save harmless the Agency, the City or any of their commissioners, officers, agents or employees from any claim, loss, damage, liability or expense, of any nature whatsoever, arising from or in any way related to or connected with any willful misconduct or gross negligence by the person or entity seeking such indemnity.

ARTICLE 22: INSURANCE AND FIDELITY BOND

22.01 Insurance

For so long as the Loan Agreement is in effect, the Developer shall maintain insurance in accordance with the terms of the Loan Agreement, and failure to do so shall be a default under the terms of this Ground Lease. From and after the termination of the Loan Agreement, the Developer shall maintain insurance meeting the requirements of this Article.

22.01a. Insurance Requirements for Developer

During the term of this Ground Lease, Developer shall procure and maintain insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of any work hereunder by the Developer, its agents, representatives, employees or subcontractors and the Developer's use and occupancy of the Site and the Improvements.

22.01b. Minimum Scope of Insurance

Coverage shall be at least as broad as:

(1) Insurance Services Office Commercial General Liability coverage ("occurrence" form CG 00011188).

(2) Insurance Services Office form number CA 00010692 covering Automobile Liability, code 1 "any auto."

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

(4) Whenever an architect or engineer is employed, professional Liability Insurance covering all negligent acts, errors and omissions in Developer's Architectural and Engineering Professional Design Services. As an alternative to Developer providing said Professional liability insurance, Developer shall require that all architectural and engineering professional consultants for the project have liability insurance covering negligent acts, errors and omissions. Developer shall provide the Agency with copies of consultants' insurance certificates showing such coverage.

(5) Property Liability Insurance against all risks of direct physical loss to the Project during the course of construction and following completion of construction.

22.01c. Minimum Limits of Insurance

Coverage shall maintain limits no less than:

(1) General Liability: \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit shall apply separately to this project/location, the general aggregate limit shall be twice the required occurrence limit.

(2) Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage.

(3) Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the Labor Code of the State of California and Employers Liability limits of \$1,000,000 per accident.

(4) Professional Liability: \$1,000,000 per occurrence during the course of new construction or remodeling in excess of \$100,000.

(5) Property Insurance:

(a) Prior to commencement of construction on the Site, the Developer shall deliver to the Agency performance and payment bonds for such construction which bonds shall name the Agency as co-obligee.

(b) During the course of construction, Full Completed Value of the Project.

(c) Following completion of construction, Full replacement value of the Project with no coinsurance penalty provision.

22.01d. Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by Agency. At the option of Agency, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Agency, its officers, employees and volunteers; or the Developer shall procure a bond guaranteeing payment of losses and related investigation, claim administration and defense expenses.

22.01e. Other Insurance Provisions

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

(1) General Liability and Automobile Liability

Coverage:

(a) The Agency, the City and County of San Francisco and their respective officers, agents, employees and Commissioners, are to be covered as additional insured as respects: liability arising out of activities performed by or on behalf of the Developer; products and completed operations of the Developer, premises owned, occupied or used by the Developer; or automobiles owned, leased, hired or borrowed by the Developer.

The coverage shall contain no special limitations on the scope of

protection afforded to the Agency, the City and County of San Francisco and their respective officers, agents, employees or Commissioners.

(b) The Developer's insurance coverage shall be primary insurance as respects the Agency, the City and County of San Francisco and their respective officers, agents, employees and Commissioners. Any insurance or self-insurance maintained by the Agency, the City and County of San Francisco and their respective officers, agents, employees or Commissioners shall be excess of the Developer's insurance and shall not contribute with it.

(c) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Agency, the City and County of San Francisco and their respective officers, agents, employees or Commissioners.

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

(2) Workers' Compensation and Employers Liability Coverage: The insurer shall agree to waive all rights of subrogation against the Agency, the City and County of San Francisco and their respective officers, agents, employees and

Commissioners for losses arising from work performed by the Developer for the Agency.

(3) All Coverage: Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to Agency.

22.01f. Acceptability of Insurers

Insurance is to be placed with insurers with a Best's rating of no less than A:VII.

22.01g. Verification of Coverage

Developer shall furnish Agency with certificates of insurance prior to disbursement of funds and with original endorsements effecting coverage required by this clause. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be received and approved by Agency before work commences. Agency reserves the right to require complete, certified copies of all required insurance policies, at any time.

22.01h. Subcontractors

Developer shall include all subcontractors as additional insured under its policies or shall furnish separate certificates

and endorsements for each subcontractor. All coverage for subcontractors shall be subject to all of the requirements stated herein.

22.02 Fidelity Bond

Developer shall obtain a blanket fidelity bond, or equivalent coverage, from a bonding company, acceptable to Agency, covering all officers and employees of Developer for loss of Loan funds caused by dishonesty in an amount not less than the Loan. Should such a loss of Loan funds occur, Developer agrees to diligently pursue recovery under the bond and to assign or remit to the Agency all funds recovered.

ARTICLE 23: COMPLIANCE WITH LEGAL REQUIREMENTS

Developer shall at its cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, with the requirements of any board of fire underwriters or other similar body now or hereafter constituted, with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, insofar as any thereof relate to or affect the condition, use or occupancy of the Site. In the event Developer contests any of the foregoing, Developer shall not be obligated to comply therewith to the extent that the application of the contested law, statute, ordinance, rule,

regulation or requirement is stayed by the operation of law or administrative or judicial order and Developer indemnifies the Agency against all loss, cost, expense or damage resulting from noncompliance.

ARTICLE 24: ENTRY

The Agency and its authorized agents shall have the right at all reasonable times during normal business hours and after forty-eight (48) hours written notice to Developer (except in the event of an emergency when no written notice is required), to go on the Site for the purpose of inspecting the same or for the purpose of posting notices of nonresponsibility, or for police or fire protection.

ARTICLE 25: MORTGAGE FINANCING

25.01 No Encumbrances Except for Development Purposes

Notwithstanding any other provision of this Ground Lease and subject to the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed, Leasehold Mortgages are permitted to be placed upon the Leasehold Estate only for the purpose of securing loans of funds to be used for financing the acquisition, design, rehabilitation or future renovation or reconstruction of the Improvements and any other expenditures reasonably necessary and appropriate to acquire,

own, develop, rehabilitate, renovate, construct or reconstruct the Improvements under this Ground Lease, operation of the Improvements, and costs and expenses incurred or to be incurred by Developer in furtherance of the purposes of this Ground Lease. The FHA-insured mortgage loan being made by the Bank of America, FSB (the "Bank") and the Indenture of Trust by and among the Bank, the Agency and U.S. Trust Company, National Association, are approved Leasehold Mortgages for all purposes under this Ground Lease.

25.02 Holder Not Obligated to Construct

The holder of any mortgage, deed of trust or other security interest authorized by Article 25.01 ("Holder" or "Lender"), including the successors or assigns of such Holder, is not obligated to complete the rehabilitation of the Improvements or to guarantee such completion; nor shall any covenant or any other provision of this Ground Lease be construed so to obligate such Holder. However, in the event the Holder does undertake to complete or guarantee the completion of the rehabilitation of the Improvements, nothing in this Ground Lease shall be deemed or construed to permit or authorize any such Holder or its successors or assigns to devote the Site or any portion thereof to any uses, or to construct or rehabilitate any Improvements thereon, other than those uses or Improvements provided for or authorized in the Redevelopment Plan. To the extent any Holder

or its successors in interest wish to change such uses or construct different improvements, that Holder or its successors in interest must obtain the written consent of the Agency.

25.03 Failure of Holder to Complete Improvements

In any case where six months after assumption of obligations pursuant to Article 25.02 above, a Lender, having first exercised its option to construct, has not proceeded diligently with rehabilitation, the Agency shall be afforded the rights against such Holder it would otherwise have against Developer under this Ground Lease for events or failures occurring after such assumption.

25.04 Default by Developer and Agency's Rights

25.04a. Right of Agency to Cure

In the event of a default or breach by Developer in or of its obligations under any Leasehold Mortgage, and Developer's failure to timely commence or diligently prosecute cure of such default or breach, the Agency may, at its option, cure such breach or default. In such event, the Agency shall be entitled to reimbursement from Developer of all costs and expenses reasonably incurred by the Agency in curing the default or breach. The Agency shall also be entitled to a lien upon the Leasehold Estate or any portion thereof to the extent of such costs and disbursements. Any such lien shall be subject to the lien of any then existing Leasehold Mortgage authorized by this

Ground Lease, including any lien contemplated because of advances yet to be made.

25.04b. Notice of Default to Agency

The Lender shall give the Agency prompt written notice of any such default or breach, and every Leasehold Mortgage shall so provide and shall also contain the Agency's right to cure as above set forth.

25.04c. Agency's Right to Assignment of the Leasehold Mortgage

In any case where, subsequent to default or breach by Developer in or of its obligations under any Leasehold Mortgage, Developer shall have failed to fully cure such breach or default within the applicable time provided therefor, the Agency shall have the option of paying to the holder thereof the amount of the Leasehold Mortgage debt and securing an assignment of such debt and of the Leasehold Mortgage and every Leasehold Mortgage shall so provide. In the event that Developer's interest in the Site, or any part thereof, has vested in such holder by way of foreclosure or action in lieu thereof, without notice to the Agency at least thirty (30) days prior to such vesting that foreclosure or action in lieu thereof was pending, the Agency shall be entitled, at its option, if exercised in writing within sixty (60) days after the Agency acquires actual knowledge of such transfer of Developer's interest, to a conveyance to it of

Developer's interest in the Site or part thereof, upon payment to such holder of an amount equal to the sum of:

(a) The Leasehold Mortgage debt at the time of foreclosure or action in lieu thereof, less all appropriate credits, including those resulting from collection and application of rentals received during foreclosure proceedings;

(b) All expenses with respect to the foreclosure;

(c) The net expenses, if any, exclusive of general overhead, incurred by such holder in and as a direct result of the subsequent management of the Site; and

(d) An amount equivalent to the interest that would have accrued on the aggregate of such amounts had all such amounts become part of the Leasehold Mortgage debt and had such debt continued in existence.

25.05 Subordination by Agency

In addition to Developer's right to encumber its Leasehold Estate created by this Ground Lease, the Agency agrees to subordinate its fee title in the Site to that certain Regulatory Agreement for Limited Distribution Mortgages Under Section 236 of the National Housing Act and that certain Deed of Trust with Assignment of Rents by and among Developer, as trustor, Bank of America, N.T. & S.A., as beneficiary ("Bank of America"), and the trustee thereunder, of even date herewith, if such subordination is required by HUD as a condition to FHA

mortgage insurance. Upon written request by Developer, the Agency agrees to provide the subordination described in this Article 25.05, subject to the conditions of this Ground Lease, to the extent permitted by HUD and Bank of America, FSB, including the following:

a. The liability of the Agency under any documents executed in connection with any loan shall be limited by the express terms of the instrument of subordination. The limitations shall include: the limitation of the Agency's liability solely to the interest or interests subordinated; the Agency's right not to execute any instrument which would obligate the Agency for the payment of the Leasehold Mortgage to which the fee is subordinated; the Lender's express recognition that the Agency is not so obligated; and the Lender's agreement to provide the Agency with notice of any default under the Leasehold Mortgage, and the right, but without the obligation, within the same time provided to Developer, to cure any default or to purchase the Lender's rights under any loan documents executed with respect to the Leasehold Mortgage and other debt and security interests for an amount equal to the sum of the unpaid principal balance, plus accrued interest and other amounts evidenced and secured thereby.

b. Developer shall not be in Material Default under the terms of this Ground Lease at the time of a request for

subordination. "Material Default" shall mean any material breach by Developer under this Ground Lease, including, without limitation, the failure to pay any rent due under this Ground Lease, or, the filing of a bankruptcy petition by or against Developer, in each case, subject to any applicable notice and cure periods. Developer shall not be in Material Default if Developer has commenced to cure the Material Default at the time in question and diligently pursues such cure to completion.

c. Provided the conditions of this Article 25.05 subsections a and b are satisfied, the Agency shall, within ten (10) days after written request by Developer, execute, acknowledge and deliver an instrument of subordination, together with other documents as may be reasonably required by the Lender from the Agency to effectuate the provisions of this Article 25.05, without any charge by the Agency to Developer, subject to the terms and conditions contained in this Ground Lease. The Agency will immediately pay over to Developer proceeds received by the Agency, if any, of any Leasehold Mortgage and the proceeds of any Leasehold Mortgage received by the Agency shall be considered a trust fund to be paid to Developer. If any proceeds are made payable to both the Agency and Developer, the Agency shall immediately sign any documents necessary to transfer the proceeds to Developer.

ARTICLE 26: PROTECTION OF LENDER

26.01 Notification to Agency

Promptly upon the creation of any Leasehold Mortgage and as a condition precedent to the existence of any of the rights set forth in this Article 26, each and every Lender shall give written notice to the Agency of the Lender's address and of the existence and nature of its Leasehold Mortgage. HUD and the Bank of America, FSB are deemed to have given such notice as is required to obtain the rights and protections of a Lender under this Ground Lease.

26.02 Lender's Rights to Prevent Termination

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

26.03 Lender's Rights When Developer Defaults

Should any event of default under this Ground Lease occur, and not be cured within the applicable cure period, the Agency shall not terminate this Ground Lease nor exercise any other remedy hereunder unless it first gives notice of such event of default to Lender and

(i) If such event of default is a failure to pay a monetary obligation of Developer, Lender shall have failed to cure such default within sixty (60) days from the date of notice from the Agency to Lender; or

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

All rights of the Agency to terminate this Ground Lease as the result of the occurrence of any such event of default shall be subject to, and conditioned upon, the Agency having first given Lender notice of such event of default and Lender having failed to remedy such default or acquire Developer's Leasehold

Estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof as set forth in and within the time specified by this Article 26.03.

26.04 Default Which Cannot be Remedied by Lender

Any event of default under this Ground Lease which in the nature thereof cannot be remedied by Lender shall be deemed to be remedied if (i) within thirty (30) days after receiving notice from the Agency setting forth the nature of such event of default, or prior thereto, Lender shall have acquired Developer's leasehold estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation in accordance with the terms of this Ground Lease, and (iv) after gaining possession of the Site perform, or diligently proceed to perform, all other obligations of Developer as and when the same are due in accordance with the terms of this Ground Lease.

26.05 Court Action Preventing Lender's Action

If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Developer from commencing or prosecuting foreclosure or other

appropriate proceedings in the nature thereof, the times specified in Articles 26.03 and 26.04 above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that Lender shall have fully cured any default in the payment of any monetary obligations of Developer under this Ground Lease and shall continue to pay currently such monetary obligations as and when the same fall due.

26.06 Lender's Rights to Record, Foreclose and Assign

The Agency hereby agrees with respect to any Leasehold Mortgage, that

(i) The Lender may cause same to be recorded and enforced and upon foreclosure sell and assign the Leasehold Estate created hereby to an assignee from whom it may accept a purchase price; subject, however, to the Agency's right to purchase provided for by Article 25, and to Lender's first securing written approval from Agency. Lender, furthermore, may acquire title to the Leasehold Estate in any lawful way, and if the Lender shall become the assignee, may sell and assign said leasehold estate subject to Agency approval and to the Agency's rights under Article 25. Should the Agency fail or refuse to approve a Lender's sale or assignment of said leasehold estate for any reason other than the unsatisfactory financial condition of the purchaser or assignee, the Agency shall pay such purchaser an

amount computed in accordance with Article 25.04, whereupon the Agency shall be entitled to conveyance of the Leasehold Estate; and

(ii) that should the Lender acquire the Leasehold Estate hereunder by foreclosure or other appropriate proceedings in the nature of foreclosure or as the result of any other action or remedy provided for by any Leasehold Mortgage, or should Lender sell or assign the same to an Agency approved purchaser or assignee, Lender or its purchaser or assignee shall take said Leasehold Estate subject to all of the provisions of this Ground Lease, and shall, so long as and only so long as it shall be the owner of such estate, except as provided elsewhere in this Ground Lease, assume all of the obligations of Developer under this Ground Lease; provided, however, as stated at Article 9.03, the Lender or its purchaser or assignee may operate and maintain the 52 dwelling units without any limitations on the rents charged or the income of the occupants thereof.

(iii) The Agency shall mail or deliver to any Lender which has an outstanding Leasehold Mortgage a duplicate copy of all notices which the Agency may from time to time give to Developer pursuant to this Ground Lease.

(iv) Any limited partners of Developer shall have the same rights as any Lender under Sections 26.02, 26.03, and 26.06 (iii), and any reference to a Lender in said section shall be

deemed to include such limited partners.

26.07 Project Feasibility Loan

(a) The Agency acknowledges that the Developer and the General Partner of Developer ("GP") are entering into that certain Indemnification Agreement among the Developer, the GP and Fannie Mae, as the initial Permitted Limited Partner ("Fannie Mae"), to indemnify Fannie Mae with respect to certain financial arrangements between Developer and Fannie Mae ("Indemnification Agreement"). As a further inducement to Fannie Mae to invest in this Project, the Agency agrees to make a loan to the Developer upon the occurrence of the events and subject to the terms and conditions described below.

(b) If (i) the Developer or the GP become obligated to make payments to Fannie Mae pursuant to the Indemnification Agreement due to a Deficiency Amount, as defined in the Indemnification Agreement, and (ii) GP certifies to the Agency that there has been a breach of the representation and warranty of the GP in Section 5.11(q) of the Partnership Agreement, then, to the extent such payments are attributable to the events giving rise to such breach, Agency agrees to loan to the Developer, in one or more advances, an amount equal to the lesser of (i) the amount of such payments (or GP's obligation to make such payments); or (ii) four hundred and fifty thousand dollars (\$450,000) (the "Feasibility Loan"); provided, however, that the principal amount of the

Feasibility Loan advanced and outstanding at any time shall not exceed the sum of Annual Rent paid through the date of any such advance.

(c) Prior to requesting an advance pursuant to the Feasibility Loan, in addition to the certification described in subsection (b)(ii) above, the GP must provide written notice to the Agency setting forth (i) the total payment due to Fannie Mae, (ii) the amount of such advance requested, and (iii) the facts and circumstances giving rise to such obligation in sufficient detail to permit the Agency to confirm such amounts; and during the prior calendar year (or portion thereof following the date on which such Deficiency Amount became due) the GP must have used all net cash flow paid to (x) the GP for partnership management fees and/or (y) repayment of loans to GP, to pay such amounts to Fannie Mae ("Priority Payments"). The Agency shall be entitled to receive such accounting information and records as are reasonably necessary to confirm that such Priority Payments have been made.

(d) The Agency will advance proceeds of the Feasibility Loan to the Developer (or to Fannie Mae or its successor as limited partner directly, which amounts shall be deemed advances to the Developer) within sixty (60) days of receipt of the written notice required by subsection (c) above. The commitment to make advances under the Feasibility Loan will terminate on the

18th anniversary of the date of this Ground Lease.

(e) The Feasibility Loan will be subject in every respect to the rights of the Secretary of HUD and the FHA-insured loan, will be due and payable to the Agency after the FHA-insured loan has been paid in full or otherwise satisfied, may be prepaid at any time without penalty or premium and will accrue simple interest at the rate of three percent (3%) per annum, until paid.

(f) Agency, Developer and GP agree that any notices, certifications or other instruments required of GP under this Section 26.07 may be given by Fannie Mae (or its successor as limited partner), with notice to GP, in which event GP will have ten (10) days after such notice to GP to give written notice to the Agency that it disputes any claim made by Fannie Mae. Provided that the Agency has not received such notice of a dispute within the ten (10) day period, the Agency will be entitled to rely conclusively upon the notice, certification or other instrument given by Fannie Mae, and any amounts advanced as a result thereof will be deemed advances pursuant to the Feasibility Loan to Developer.

(g) Advances under the Feasibility Loan may be used only to make payments to Fannie Mae (or its successor) in accordance with the terms of this Section 26.07, and the Agency will be entitled to direct such payments in a manner which the Agency reasonably requires to ensure proper application of such payments. In the

event that the GP has given the notice called for in (f) above of a dispute pursuant to the Indemnification Agreement over the amount of payments due from the Developer and/or GP to Fannie Mae, the Agency will be entitled to deposit any required Feasibility Loan advances to such third-party escrow holder as the parties direct or, in the absence of such direction, as the Agency may select.

ARTICLE 27: RIGHTS OF THE SECRETARY OF THE U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Notwithstanding any other provisions of this Ground Lease, if and so long as this leasehold is subject to a mortgage insured, reinsured, or held by the Secretary of the United States Department of Housing and Urban Development ("the Secretary") (or given to the Secretary in connection with a resale, or the demised premises are acquired and held by him because of a default under said mortgage:

1. The Developer is authorized to obtain a loan, the repayment of which is to be insured by the Secretary and secured by a mortgage of this leasehold estate. Developer is further authorized to execute a mortgage on this leasehold and otherwise to comply with the requirements of the Secretary for obtaining such an insured mortgage loan.

2. The Secretary, or his successors in office, shall have the option, in the event that he or his successor in office, through the operation of his contract of mortgage insurance, shall acquire title to the leasehold interest, to purchase good and marketable fee title to the demised premises, free of all liens and encumbrances except such as may be waived or accepted by him or his successor in office, within twelve (12) months after so acquiring the leasehold interest, for the sum of [[the then fair market value of the Site or \$1.3 million, whichever is greater]], payable in cash, or by Treasury check, provided all rents are paid to date of transfer of title, upon first giving sixty (60) days' written notice to the Landlord or other person or corporation who may then be the owner of the fee, and the owner of the fee shall thereupon execute and deliver to the Secretary, or his successor in office, a deed of conveyance to the said demised premises, containing a covenant against the grantor's acts, but excepting therefrom such acts of the Developer and those claiming by, through or under the Developer of the leasehold interest. Nothing in this option shall require the Agency to pay any taxes or assessments which were due and payable by the Developer.

3. If approved by the Secretary, Developer may assign, transfer or sell its interest in the demised premises.
4.
 - (a) Insurance policies shall be in an amount, and in such company or companies and in such form, and against such risks and hazards, as shall be approved by such mortgagee and/or the Secretary.
 - (b) The Agency shall not take out separate insurance concurrent in form or contributing in the event of loss with that specifically required to be furnished by the Developer to the mortgagee. The Agency, may at its own expense, however, take out separate insurance which is not concurrent in form or not contributing in the event of loss with that specifically required to be furnished by the Developer.
5.
 - (a) If all or any part of the demised premises shall be taken by condemnation that portion of any award attributable to the improvements or damage to the improvements shall be paid to the mortgagee or otherwise disposed of as may be provided in the insured mortgage. Any portion of the award

attributable solely to the taking of land shall be paid to the Agency. After the date of taking the annual ground rent shall be reduced ratably by the proportion which the award paid to the Agency bears to the total value of the land as established by the amount the Secretary would be required to pay upon acquisition of the fee as set out in paragraph 2 of this article.

(b) In the event of a negotiated sale of all or a portion of demised premises in lieu of condemnation, the proceeds shall be distributed and ground rents reduced as provided in cases of condemnation, but the approval of the Secretary and the mortgagee shall be required as to the amount and division of the payment to be received.

6. The Agency agrees that, within ten (10) days after receipt of written request from Developer, it will join in any and all applications for permits, licenses or other authorizations required by any governmental or other body claiming jurisdiction in connection with any work which the Developer may do hereunder, and will also join in any grants for easements for electric,

telephone, gas, water, sewer and such other public utilities and facilities as may be reasonably necessary in the operation of the demised premises or of any improvements that may be erected thereon; and if, at the expiration of such ten (10) days' period, the Agency shall not have joined in any such application, or grants for easements, the Developer shall have the right to execute such application or grants in the name of the Agency, and for that purpose, the Agency hereby irrevocably appoints the Developer as its Attorney-in-fact to execute such papers on behalf of the Agency.

7. Nothing in this Ground Lease contained shall require the Developer to pay any franchise, estate, inheritance, succession, capital levy or transfer tax of the Agency, or any income, excess profits or revenue tax, or any other tax, assessment, charge or levy upon the rent payable by the Developer under this Ground Lease.
8. Upon any default under this Ground Lease which authorizes the cancellation thereof by the Agency, the Agency shall give notice to the mortgagee and the Secretary, and the mortgagee and the Secretary, their successors and assigns, shall have the right within any time within six (6) months from the date of such notice to correct the default and

reinstate the Ground Lease unless the Agency has first terminated the Ground Lease as provided herein.

At any time after two (2) months from the date a notice of default is given to the mortgagee and the Secretary, the Agency may elect to terminate the Ground Lease and acquire possession of the demised premises. Upon acquiring possession of the demised premises Agency shall notify Secretary and mortgagee. Mortgagee and Secretary shall have six (6) months from the date of such notice of acquisition to elect to take a new Ground Lease on the demised premises. Such new Ground Lease shall have a term equal to the unexpired portion of the term of this Ground Lease and shall be on the same terms and conditions as contained in this Ground Lease, except that the mortgagee's and the Secretary's liability for ground rent shall not extend beyond their occupancy under such Ground Lease. The Agency shall tender such new Ground Lease to the mortgagee or Secretary within thirty (30) days after a request for such Ground Lease and shall deliver possession of the demised premises immediately upon execution of the new Ground Lease. Upon executing a new Ground Lease the mortgagee or Secretary shall pay to the Agency any unpaid ground rentals due or that would have become due

under this Ground Lease to the date of the execution of the new Ground Lease, including any taxes which were liens on demised premises and which were paid by the Agency, less any net rentals or other income which the Agency may have received on account of this property since the date of default under this Ground Lease.

9. All notices, demands and requests which are required to be given by the Agency, the Developer, Fannie Mae, the mortgagee or the Secretary shall be in writing and shall be sent by registered or certified mail, postage prepaid, and addressed to the address of the party as given in this instrument unless a request for a change in this address has been sent to the party giving the notice by registered or certified mail prior to the time when such notice is given.
10. This Ground Lease shall not be modified without the consent of the Secretary.
11. The Agency shall cooperate in including in this Ground Lease, by suitable amendment from time to time, any provision reasonably requested by a mortgagee for the purpose of implementing the mortgagee-protection provisions contained in this Ground Lease and allowing HUD or such mortgagee reasonable means to protect or preserve the lien of the Leasehold Mortgage and the

value of its security. The Agency agrees to execute and deliver (and to acknowledge, if necessary, for recording purposes) any agreement necessary to effect any such amendment; provided, however, that any such amendment shall not in any way affect the lease term or rent under this Ground Lease.

ARTICLE 28: CONDEMNATION

28.01 Parties' Rights and Obligations to be Governed by Agreement

If, during the term of this Ground Lease, there is any condemnation of all or any part of the site or any interest in the Leasehold Estate is taken by condemnation, the rights and obligations of the parties shall be determined pursuant to this Article 28, subject to the rights of any Lender, including, but not limited to, the rights of the Secretary as set forth in Article 27 and any HUD loan documents.

28.02 Total Taking

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

28.03 Partial Taking

If any portion of the Site is taken by condemnation, this

Ground Lease shall remain in effect, except that Developer may elect to terminate this Ground Lease if, in Developer's reasonable judgment, the remaining portion of the Improvements are rendered unsuitable for Developer's continued use of the Site. If Developer elects to terminate this Ground Lease, Developer must exercise its right to terminate pursuant to this paragraph by giving notice to the Agency within thirty (30) days after the Agency notifies Developer of the nature and the extent of the taking. If Developer elects to terminate this Ground Lease as provided in this Article 28.03, Developer also shall notify the Agency of the date of termination, which date shall not be earlier than thirty (30) days nor later than six (6) months after Developer has notified the Agency of its election to terminate; except that this Ground Lease shall terminate on the date the condemnor has the right to possession of the Site if such date falls on a date before the date of termination as designated by Developer. If Developer does not terminate this Ground Lease within such thirty (30) day notice period, this Ground Lease shall continue in full force and effect.

28.04 Effect on Rent

If any portion of the Improvements is taken by condemnation or threat of condemnation and this Ground Lease remains in full force and effect, then on the date of taking the rent shall be reduced by an amount that is in the same ratio to the rent as the

value of the area of the portion of the Improvements taken bears to the total value of the Improvements immediately before the date of the taking.

28.05 Restoration of Improvements

If there is a partial taking of the Improvements and this Ground Lease remains in full force and effect pursuant to Article 28.03, Developer may use the proceeds of the taking to accomplish all necessary restoration to the Improvements.

28.06 Award and Distribution

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

- (a) First, to pay the balance due on any outstanding Leasehold Mortgages to the extent provided therein;
- (b) Second, to the Developer in an amount equal to the actual equity invested by the partners in the partnership;
- (c) Third, the balance to the Agency.

28.07 Payment to Lenders

In the event the Improvements are subject to the lien of a Leasehold Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Developer, such award shall be disposed of as provided in the Lender's loan documents; subject, however, to any requirements (i) arising in connection with financing insured by the Federal

Housing Administration or (ii) otherwise imposed by HUD.

ARTICLE 29: ESTOPPEL CERTIFICATE

The Agency or Developer, as the case may be, shall execute, acknowledge and deliver to the other and/or to Lender and/or Fannie Mae, promptly upon request, its certificate certifying (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that this Ground Lease is in full force and effect, as modified, and stating the modifications), (b) the dates, if any, to which rent has been paid, (c) whether there are then existing any charges, offsets or defenses against the enforcement by the Agency or Developer to be performed or observed and, if so, specifying the same, and (d) whether there are then existing any defaults by Developer or the Agency in the performance or observance by Developer or the Agency of an agreement, covenant or condition hereof on the part of Developer or the Agency to be performed or observed and whether any notice has been given to Developer or the Agency of any default which has not been cured and, if so, specifying the same.

ARTICLE 30: QUITCLAIM

Upon expiration or sooner termination of this Ground Lease, Developer shall surrender the applicable portions of the Site to

the Agency and, at the Agency's request, shall execute, acknowledge, and deliver to the Agency a good and sufficient quitclaim deed with respect to any interest of Developer in the same portions of the Site.

ARTICLE 31: EQUAL OPPORTUNITY

Developer agrees to comply with all of the Equal Opportunity and related requirements attached hereto as Attachment "7".

ARTICLE 32: CERTIFICATE AND BUSINESS PREFERENCE PROGRAM

Developer agrees to comply with the requirements of the Agency's Certificate and Business Preference Program as set forth on Attachment "6" attached hereto.

ARTICLE 33: AGENCY LABOR STANDARDS PROVISIONS

Developer agrees to comply with the requirements of the Agency's Labor Standards Provisions as set forth on Attachment "8" attached hereto.

ARTICLE 34: CONFLICT OF INTEREST

No commissioner, official, or employee of the Agency shall have any personal or financial interest, direct or indirect, in this Ground Lease, nor shall any such commissioner, official, or

employee participate in any decision relating to this Ground Lease which affects his or her personal interests or the interests of any corporation, partnership, or association in which he or she is directly or indirectly interested.

ARTICLE 35: NO PERSONAL LIABILITY

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

ARTICLE 36: ENERGY CONSERVATION

Developer agrees that it will use its best efforts to maximize provision of, and incorporation of, both energy conservation techniques and systems and improved waste-handling methodology in the design of the Improvements to be constructed pursuant to this Ground Lease.

ARTICLE 37: WAIVER

The waiver by the Agency or Developer of any term, covenant, agreement or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term,

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

ARTICLE 38: DEVELOPER RECORDS

Upon reasonable notice during normal business hours, and as often as the Agency may deem necessary, there shall be made available to the Agency and its authorized representatives for examination all records, reports, data and information made or kept by Developer regarding its activities or operations on the Site. Nothing contained herein shall entitle the Agency to inspect personal histories of residents or lists of donors or supporters. To the extent that it is permitted by law to do so, the Agency will respect the confidentiality requirements of Developer in regard to the lists furnished by Developer pursuant

party may from time to time designate by notice to the other given pursuant to the provisions of this Article 39. Any notice given pursuant to this Article 39 shall be effective on the date of delivery or the date delivery is refused as shown on the delivery receipt.

ARTICLE 40: COMPLETE AGREEMENT

There are no oral agreements between Developer and the Agency affecting this Ground Lease, and this Ground Lease supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings between Developer and the Agency with respect to the Lease of the Site.

ARTICLE 41: HEADINGS

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

ARTICLE 42: SUCCESSORS AND ASSIGNS

This Ground Lease shall be binding upon and inure to the benefit of the successors and assigns of the Agency and Developer and where the term "Developer" or "Agency" is used in this Ground Lease, it shall mean and include their respective successors and

assigns; provided, however, that the Agency shall have no obligation under this Ground Lease to, nor shall any benefit of this Ground Lease accrue to, any unapproved successor or assign of Developer where Agency approval of a successor or assign is required by this Ground Lease.

ARTICLE 43: TIME

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

ARTICLE 44: PARTIAL INVALIDITY

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

ARTICLE 45: APPLICABLE LAW

This Ground Lease shall be governed by and construed pursuant to the laws of the State of California.

ARTICLE 46: ATTORNEYS' FEES

If either of the parties hereto commences a lawsuit to enforce any of the terms of this Ground Lease, the prevailing

party will have the right to recover its reasonable attorneys' fees and costs of suit, including fees and costs on appeal, from the other party.

ARTICLE 47: EXECUTION IN COUNTERPARTS

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

ARTICLE 48: RECORDATION OF MEMORANDUM OF GROUND LEASE

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

ARTICLE 49: TERMINATION OF EXISTING LDA

The execution and delivery of this Ground Lease will operate to terminate that certain Agreement for Disposition of Land for Low-to-Moderate Priced Private Housing Development, dated as of November 19, 1976, between Agency and Laurel Gardens, Ltd., a

California limited partnership, and recorded as Document No. 46409 at Liber C268, Page 478, and the covenants, conditions and restrictions contained in such Agreement shall be of no further force and effect from and after the effective date of this Ground Lease.

//////

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

Developer as Tenant:

Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership

By Laurel Gardens of Bethel A.M.E. Church, Inc., a California corporation, its general partner

By _____
Edgar E. Boyd
Its President

Agency as Landlord:

Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic

By _____
Richard T. Kono
Its Senior Deputy Executive Director

Approved As To Form:

By _____
David M. Madway
General Counsel

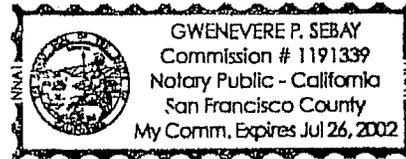
Authorized by Agency Resolution No. 204-98, adopted October 6, 1998, and Board of Supervisors Resolution No. 981559, adopted October 13, 1998.

STATE OF CALIFORNIA }
 }ss.
COUNTY OF SAN FRANCISCO }

On October 14, 1998, before me, Gwenevere P. Sebay, Notary Public, personally appeared Richard T. Kono, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal

Signature _____



OPTIONAL

Description of Attached Document (Laurel Gardens – 1555 Turk Street)

Title or Type of Document: Laurel Gardens Ground Lease

Document Date: October 14, 1998 Number of Pages: 84

Signer(s) Other Than Named Above: Edgar E. Boyd, President – Laurel Gardens. Bethel AME, Church, Inc.

Capacity(ies) Claimed by Signer(s)

Signer's Name: Richard T. Kono

Title: Senior Deputy Executive Director

Signer is Representing:

S.F.R.A.

Right Thumb
Print

Signer's Name: _____

Title: _____

Signer Is Representing:

S.F.R.A.

Right Thumb
Print

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

Developer as Tenant:

Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership

By Laurel Gardens of Bethel A.M.E. Church, Inc., a California corporation, its general partner

By 
Edgar E. Boyd
Its President

Agency as Landlord: ✓

Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic

By _____
Richard T. Kone
Its Senior Deputy Executive Director

Approved As To Form:

By _____
David M. Madway
General Counsel

Authorized by Agency Resolution No. 204-98, adopted October 6, 1998, and Board of Supervisors Resolution No. 981559, adopted October 13, 1998.

Attachment 2

LEGAL DESCRIPTION

LAUREL GARDENS -- 1555 TURK STREET

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

BEGINNING at the point of intersection of the Southerly line of Turk Street, and the Westerly line of Steiner Street; running thence Southerly along said Westerly line of Steiner Street 192 feet and 6 inches to a point distant thereon 82 feet and 6 inches Northerly from the Northerly line of Golden Gate Avenue; thence at a right angle Westerly 137 feet and 6 inches; thence at a right angle Northerly 55 feet; thence at a right angle Westerly 275 feet to the Easterly line of Pierce Street; thence at a right angle Northerly along said Easterly line of Pierce Street 137 feet and 6 inches to the Southerly line of Turk Street; thence at a right angle Easterly along said Southerly line of Turk Street 412 feet and 6 inches to the point of beginning.

BEING a portion of Western Addition Block No. 382.

Assessor's Parcel Number: Block 754, Lot 28

ATTACHMENT 3

(not used)

ATTACHMENT 4

SCHEDULE OF PERFORMANCE - 1555 TURK STREET, LAUREL GARDENS

Execution of this Agreement by the Agency. Agency shall hold a public hearing and consider authorizing the execution of this Agreement and deliver the Agreement to the Developer. Within thirty (30) days after the execution of this Agreement by the Developer and delivery to the Agency, subject to Agency Commission Approval.

Opening of Escrow. Developer shall open escrow with a title company reasonably acceptable to the Agency. Within thirty (30) days after execution of this Agreement by the Agency.

Submittal - Equal Opportunity Program Developer shall submit for Agency review and approval its Equal Opportunity Program with respect to construction, design and professional services. No later than fifteen (15) days prior to Conveyance of the Site.

Approval - Equal Opportunity Program. Agency shall approve or disapprove the Developer's Program with respect to construction, design and professional services. On or before Conveyance of the Site.

Submission - Evidence of Financing. Developer shall submit its evidence of equity capital and mortgage financing to fund the Preliminary Budget to the Agency for approval. At least fifteen (15) days prior to Conveyance of the Site.

Approval - Evidence of Financing. Agency shall approve or disapprove the Developer's evidence of equity capital and mortgage financing to fund the Preliminary Budget. On or before Conveyance of the Site.

Close of Escrow/Conveyance of Site. The Agency shall execute and deliver the Lease for the Site to the Developer and Developer shall accept conveyance of the Site.

After Developer performance, to the satisfaction of the Agency, of all conditions of Conveyance, but in no event later than October 20, 1998.

Submission - Final Construction Documents. Developer shall prepare and submit Final Construction Documents to the Agency for approval.

By October 20, 1998.

Approval - Final Construction Documents. Agency shall approve or disapprove the Final Construction Documents.

At the time of approval of the Building or Site Permit Application (and all addenda) by the Agency.

Submittal of Final Budget. (based on Final Construction Documents). Developer shall submit Final Budget to Agency for approval.

At least thirty (30) prior to Commencement of Construction.

Commencement of Construction. The Developer will commence rehabilitation of the improvements on the Site.

After Developer performance, to the satisfaction of the Agency, of all conditions of the Ground Lease, but in no event later than January 1, 1999.

Completion of Construction. Developer shall complete the rehabilitation of the Improvements on the Site.

By December 31, 1999.

ATTACHMENT 5

(not used)

ATTACHMENT 6

CERTIFICATE AND BUSINESS PREFERENCE PROGRAM

OPERATIONAL RULES FOR CERTIFICATE HOLDERS' PRIORITY

Subject to applicable HUD requirements, the Developer hereby agrees that preference for vacant units will be given to persons displaced or to be displaced from their homes by Agency redevelopment activities and who have been issued Certificates of Preference ("Certificate Holders"); provided, however, that Developer shall not be required to hold any units vacant if Certificate Holders are not available to occupy or have not made application to occupy the available units. Final acceptance or rejection of Certificate Holders lies with the Developer. The Developer shall notify the Agency in writing of the reason for rejection. In order to implement this Attachment 6:

- A. The Agency agrees to furnish the following:
 1. Written and/or printed notices to Certificate Holders advising them that such units will soon be available;
 2. Assistance to Certificate Holders in filing applications; and
- B. The Developer agrees to the following:
 1. To supply the Agency within thirty (30) days after the date of this Agreement with the information listed below. This information shall not be changed without providing the Agency with ten (10) days written notice.
 - a. A master unit list with the following information:
 - (1) Unit number;
 - (2) Number of bedrooms and baths;
 - (3) Square footage; and
 - (4) Initial rent to be charged.
 - b. Estimated itemized cost of utilities and services to be paid by tenant by unit size.
 - c. Detailed description of Developer's rules for tenants, which must include:

- (1) Policy of occupants per dwelling unit in regard to minimum and maximum.
 - (2) Pet Policy
 - (3) Selection process: All selection criteria and the relative weight to be given to each criterion indicated. The Agency shall approve or disapprove the selection process criteria within ten (10) working days after submission thereof to the Agency. If Agency fails to approve or disapprove the selection process criteria within such 10 days, the criteria shall be deemed disapproved.
 - (4) Amount of security deposit and all other fees, as well as refund policy regarding same.
 - (5) Occupancy requirements must be described in full and found reasonable by the Agency.
 - (6) Duration of rental agreement or lease.
 - (7) Copy of rental agreement or lease.
- d. Amount of charge for processing applications, if any.
 - e. Description of application process and length of time needed by Developer.
 - f. Copy of rental application and copy of all forms to be used for income verification.
 - g. Periodic notification to the Agency of the Developer's office hours for accepting applications.
2. The Developer further agrees that some applicants who apply directly to the Developer may be entitled to preference for vacant units because of previous displacement. The Developer will, therefore, ask the following question on all applications for occupancy: "Have you been displaced or do you expect to be displaced by the San Francisco Redevelopment Agency?"

If the applicant answers affirmatively, the address from which displacement occurred is required. Copies of all applications indicating

that such displacement either has taken place or will take place must be forwarded to the Agency within five (5) working days of receipt of such application by the Developer. It is agreed that information received on the application will be considered confidential. The Agency will, in turn, determine within ten (10) working days which such applicants are then qualified or will qualify as Certificate Holders and will promptly notify Developer of its determination. If Agency fails to notify Developer whether such applicant is qualified or not within such 10-day period, the Developer may treat applicant as if such applicant were not qualified.

- C.
 - 1. If material supplied in any application by a Certificate Holder indicates ineligibility on its face because of the Developer's rules and regulations, such applicant will be notified within one week after such determination is made, with a copy to the Agency. If ineligibility can be determined only after a follow-up investigation, the applicant will be notified within one week after such determination is made, with a copy to the Agency. These applications will also appear on the status report.
 - 2. Within ten (10) working days after execution of a lease, the Developer will supply the Agency with the following for all Certificate Holder tenants:
 - (a) Signed copy of lease;
 - (b) Copy of complete application; and
 - (c) Copies of all verification forms used to ascertain income eligibility.
- D.
 - 1. Applicants who are Certificate Holders who have been accepted and notified by the Developer will have five (5) working days thereafter to accept or reject a unit. If the Certificate Holder fails to affirmatively respond, the unit will be deemed rejected and the application may be closed. Rejection of the unit by a Certificate Holder must be shown on the current status report.
 - 2. Units may be offered to non-Certificate Holders at any time as

long as the current status report shows that there are sufficient units available to satisfy applications from Certificate Holders for units of appropriate size in any state of processing.

- E. The Developer agrees that any contract entered into for the management of the residential portion of the project, shall be furnished to the Agency, shall incorporate the provisions of this Attachment 6, and shall bind the management agent to comply with its requirements.
- F. The Developer agrees to notify the Agency as far as practical in advance of vacancies which may occur. The Agency and the Developer agree to follow the steps set forth in Section D above with respect to such units. In the event no appropriate Certificate Holder can be found within five (5) working days after receipt of notification by the Developer to the Agency of availability of a unit, the Agency agrees that the Developer may lease the unit to other than Certificate Holders.

ATTACHMENT 7

(see Attachment 5 of the Agency Loan Agreement)

ATTACHMENT 8

(see Attachment 4 of the Agency Loan Agreement)

File No. 160292

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Transportation

Date April 18, 2016

Board of Supervisors Meeting

Date _____

Cmte Board

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|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <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 |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Memorandum of Understanding (MOU) |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 - Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 700 |
| <input type="checkbox"/> | <input type="checkbox"/> | Vacancy Notice |
| <input type="checkbox"/> | <input type="checkbox"/> | Information Sheet |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

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<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Andrea Ausberry Date April 15, 2016

Completed by: _____ Date _____



**SAN FRANCISCO
PLANNING DEPARTMENT**

MEMO

Notice of Electronic Transmittal

**Planning Department Report
Housing Balance Report No. 3
April 5, 2016**

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

DATE: April 5, 2016
TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: John Rahaim, Director – Planning Department (415) 558-6411
Teresa Ojeda, Planning Department (415) 558-6251
RE: *Housing Balance Report No. 3*
HEARING DATE: None. Informational item

In compliance with San Francisco's Administrative Code Section 8.12.5 "Electronic Distribution of Multi-Page Documents," the Planning Department has attached the *Housing Balance Report* in digital format.

A hard copy of this document is available from the Clerk of the Board.

Additional hard copies may be requested by contacting Teresa Ojeda of the Planning Department at 415-558-6251 or teresa.ojeda@sfgov.org.

Digital copies are also available on the Planning Department's web site from this link: <http://sf-planning.org/housing-balance-report>.

Memo

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SAN FRANCISCO PLANNING DEPARTMENT

April 5, 2016

Board of Supervisors
1 Dr Carlton B Goodlett Pl #244
San Francisco, CA 94102

Dear Honorable Members of the Board of Supervisors,

We are pleased to publish the third installment of the City's *Housing Balance Report*. This report covers the ten-year period from 1 January 2006 through 31 December 2015.

The *Housing Balance Report* serves to monitor and report on the balance between new market rate housing and new affordable housing production in order to inform the approval process for new housing development. The Housing Balance is defined as the proportion of all new affordable housing units to the total number of all new housing units for a 10-year Housing Balance Period. New affordable housing production made up 25 percent of all new net housing units built in the reporting period.

The third *Housing Balance Report* states that the Housing Balance statistic is **18 percent**.

1. 5,532 (new affordable units) + 1,536 (affordable units that have received approvals) + 1,559 (acquisitions and rehabs) + 1,425 (RAD program) - 4,118 (units lost) = 5,934
2. 22,531 (net new housing) + 11,140 (units that have received approvals) = 33,671

$$5,934 / 33,671 = 17.6\%$$

The previous Housing Balance (September 2015) was 15 percent.

An annual hearing on the Housing Balance before the Board of Supervisors has been scheduled for April 18, 2016.

Sincerely,

John Rahaim
Director of Planning

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377



SAN FRANCISCO PLANNING DEPARTMENT

MEMO

DATE: 31 March 2016
TO: City Planning Commission
FROM: John Rahaim
Director of Planning
RE: HOUSING BALANCE REPORT No. 3

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

SUMMARY

This report is submitted in compliance with Ordinance No. 53-15 requiring the Planning Department to monitor and report on the housing balance between new market rate and new affordable housing production. One of the stated purposes of the Housing Balance is "to ensure that data on meeting affordable housing targets City-wide and within neighborhoods informs the approval process for new housing development." This report is the third in the series and covers the ten-year period from 1 January 2006 through 31 December 2015.

The "Housing Balance" is defined as the proportion of all new affordable housing units to the total number of all new housing units for a 10-year "Housing Balance Period." In addition, a calculation of "Projected Housing Balance" which includes residential projects that have received approvals from the Planning Commission or Planning Department but have not yet received permits to commence construction will be included.

The Citywide Cumulative Housing Balance for the 2006 Q1 - 2015 Q4 Housing Balance Period is 18%, although this varies by districts. By comparison, 25% of net new housing produced were affordable during the same time period. Distribution of the Cumulative Housing Balance over the 11 Board of Supervisor Districts ranges from -181% (District 4) to 54% (District 5). This variation, especially with negative housing balances, is due to the larger number of units permanently withdrawn from rent control protection relative to the number of total net new units and net affordable units built in those districts.

The Projected Housing Balance Citywide is 15%. Three major development projects were identified in the ordinance for exclusion in the projected housing balance calculations until site permits are obtained. These three projects add up to 22,400 net units, with over 5,170 affordable units and would increase the projected housing balance to 21% if included in the calculations.

It should be noted that this third *Housing Balance Report* adjusted the calculations to conform to the ordinance's specifications and intention. The Cumulative Housing Balance in the first *Housing Balance Report*, for example, included planned RAD public housing unit replacements that have yet to be completed. In addition, the calculations included an accounting of all no-fault eviction notices and were not limited to eviction types that result in permanent removal of units from the

rental market as specified by the ordinance. (Revised tables for the previous housing balance reporting periods are included in *Appendix A*.)

BACKGROUND

On 21 April 2015, the Board of Supervisors passed Ordinance No. 53-15 amending the *Planning Code* to include a new *Section 103* requiring the Planning Department to monitor and report on the Housing Balance between new market rate housing and new affordable housing production. The Housing Balance Report will be submitted bi-annually by March 1 and September 1 of each year and will also be published on a visible and accessible page on the Planning Department's website. *Planning Code Section 103* also requires an annual hearing at the Board of Supervisors on strategies for achieving and maintaining the required housing balance in accordance with the City's housing production goals. (See *Appendix B* for complete text of Ordinance No. 53-15.)

The stated purposes for the Housing Balance Monitoring and Reporting are: a) to maintain a balance between new affordable and market rate housing Citywide and within neighborhoods; b) to make housing available for all income levels and housing need types; c) to preserve the mixed-income character of the City and its neighborhoods; d) to offset the withdrawal of existing housing units from rent stabilization and the loss of single-room occupancy hotel units; e) to ensure the availability of land and encourage the deployment of resources to provide sufficient housing affordable to households of very low, low, and moderate incomes; f) to ensure adequate housing for families, seniors and the disabled communities; g) to ensure that data on meeting affordable housing targets Citywide and within neighborhoods informs the approval process for new housing development; and h) to enable public participation in determining the appropriate mix of new housing approvals.

Specifically, the *Housing Balance Report* will track performance toward meeting the goals set by Proposition K and the City's *Housing Element*. In November 2014, San Francisco's voters endorsed Proposition K, which set a goal of 33% of all new housing units to be affordable. Housing production targets in the City's *Housing Element*, adopted in April 2015, includes 28,870 new units built between 2015 and 2022, 57%¹ of which should be affordable. In addition, Mayor Ed Lee set a goal of creating 30,000 new and rehabilitated homes by 2020; he pledged at least 30% of these to be permanently affordable to low-income families as well as working, middle income families.

This *Housing Balance Report* was prepared from data gathered from previously published sources including the Planning Department's annual *Housing Inventory* and quarterly *Pipeline Report* data, San Francisco Rent Board data, and the Mayor's Office of Housing and Community Development's *Weekly Dashboard*.

¹ The Ordinance inaccurately stated that "22% of new housing demands to be affordable to households of moderate means"; San Francisco's Regional Housing Needs Assessment (RHNA) allocation for moderate income households is 19% of total production goals.

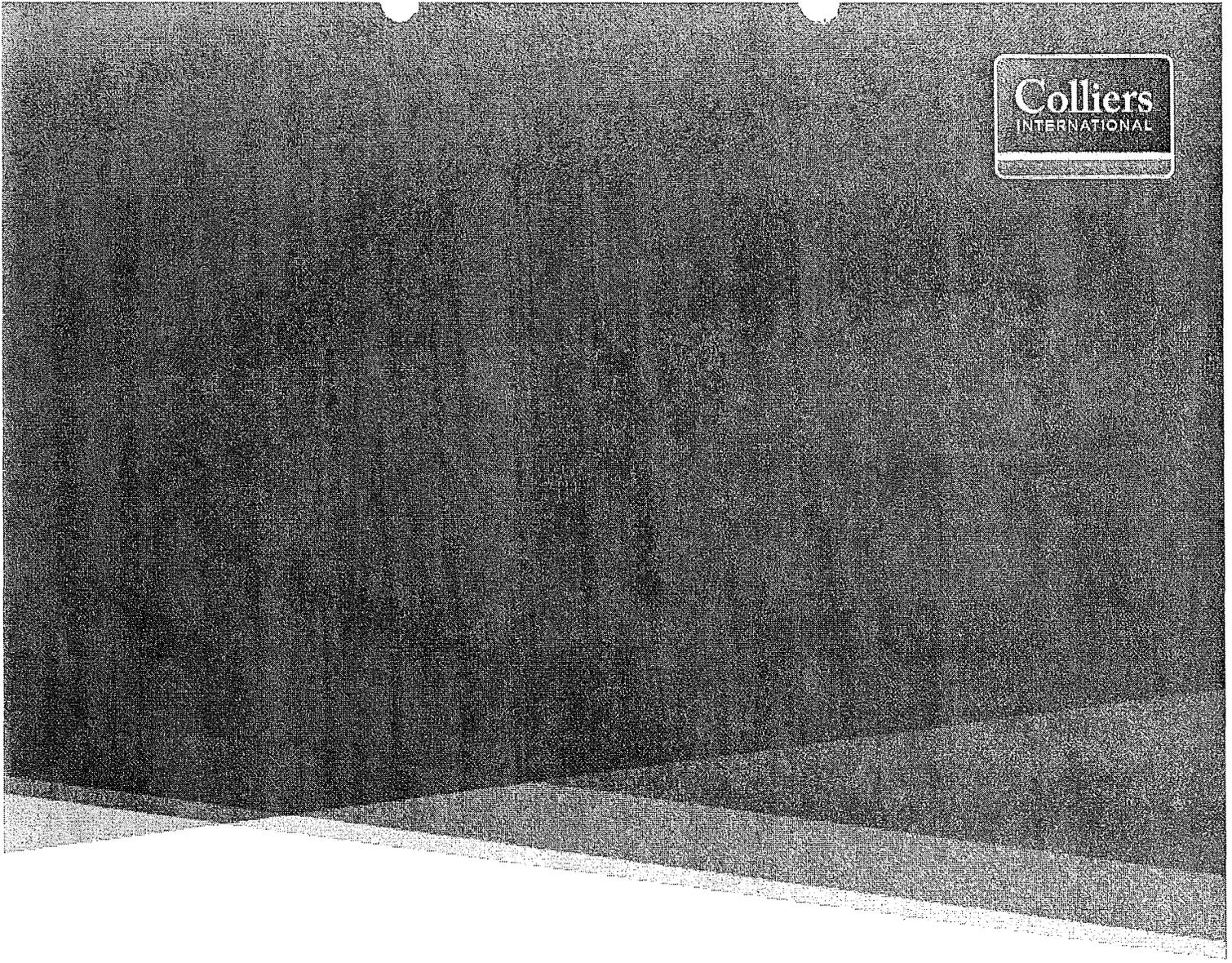
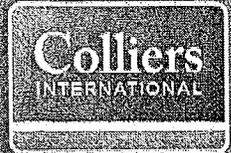
CUMULATIVE HOUSING BALANCE CALCULATION

Planning Code Section 103 calls for the Housing Balance “be expressed as a percentage, obtained by dividing the cumulative total of extremely low, very low, low, and moderate income affordable housing (all units 0-120% AMI) minus the lost protected units, by the total number of net new housing units within the Housing Balance Period.” The ordinance requires that the “Cumulative Housing Balance” be provided using two calculations: a) one consisting of net housing built within a 10 year Housing Balance period, less units withdrawn from protected status, plus net units in projects that have received both approvals from the Planning Commission or Planning Department and site permits from the Department of Building Inspection, and b) the addition of net units gained through acquisition and rehabilitation of affordable units, HOPE SF and RAD units. “Protected units” include units that are subject to rent control under the City’s Residential Rent Stabilization and Arbitration Ordinance. Additional elements that figure into the Housing Balance include completed HOPE SF and RAD public housing replacement, substantially rehabilitated units, and single-room occupancy hotel units (SROs). The equation below shows the second, expanded calculation of the Cumulative Housing Balance.

<p>[Net New Affordable Housing + Completed Acquisitions & Rehabs + Completed HOPE SF + RAD Public Housing Replacement + Entitled & Permitted Affordable Units] – [Units Removed from Protected Status]</p> <hr style="width: 80%; margin: 0 auto;"/> <p>[Net New Housing Built + Net Entitled & Permitted Units]</p>	=	<p>CUMULATIVE HOUSING BALANCE</p>
--	---	--

The first “Housing Balance Period” is a ten-year period starting with the first quarter of 2005 through the last quarter of 2014. Subsequent housing balance reports will cover the 10 years preceding the most recent quarter. This report covers January 2006 (Q1) through December 2015 (Q4).

Table 1a below shows the constrained Cumulative Housing Balance for 10 year 2006 Q1 – 2015 Q4 period is 9% Citywide. With the addition of completed acquisitions and rehabs and RAD units, the expanded Cumulative Housing Balance is 18%. In comparison, the expanded Cumulative Housing Balance for 10 year 2005 Q1 – 2014 Q4 period is 16%. Owner Move-Ins were not specifically called out by the Ordinance in the calculation of the Housing Balance but are included here because this type of no-fault eviction results in the loss of rent controlled units either permanently or for a period of time.



MULTI-FAMILY GROUND LEASE

1555 Turk Street
San Francisco, California 94115

APPRAISAL REPORT

Date of Report: March 17, 2016

Colliers File #: CV150253



PREPARED FOR
Al Reynolds, Agent
Laurel Gardens of Bethel AME Church, LP
2934 Telegraph Avenue
Oakland, CA 94609

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

**COLLIERS INTERNATIONAL
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March 17, 2016

Al Reynolds, Agent
Laurel Gardens of Bethel AME Church, LP
2934 Telegraph Avenue
Oakland, CA 94609

RE: Multi-Family Ground Lease
1555 Turk Street
San Francisco, California 94115

Colliers File #: CV150253

Mr. Reynolds:

This appraisal report satisfies the scope of work and requirements agreed upon by Laurel Gardens of Bethel AME Church, LP and Colliers International Valuation & Advisory Services. The date of this report is March 17, 2016. This appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). My appraisal format provides a summary description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's leased fee interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value (As Restricted)	Leased Fee	December 29, 2015	\$9,500,000

The subject is a 1.47-acre site at 1555 Turk Street in San Francisco, California. The subject's deed is restricted for affordable housing use only. Therefore this is a value in use analysis where the highest and best use is the current use, whether as vacant or as improved. Although briefly described herein, the improvements are excluded from the valuation as this is an analysis of the land value only.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and

does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The report is intended to conform to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards and the appraisal guidelines of Laurel Gardens of Bethel AME Church, LP.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions". *USPAP* defines a Hypothetical Condition as, "that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis".

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at my opinion of value are fully discussed below. I advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

No Extraordinary Assumption was made for this assignment.

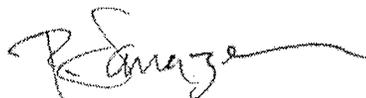
HYPOTHETICAL CONDITIONS

No Hypothetical Conditions were made for this assignment.

The signature below indicates my assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

**COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES**



Phil Sarazen
Senior Valuation Specialist
Certified General Real Estate Appraiser
State of California License #AG003244
+1 559 256 0156
phil.sarazen@colliers.com

TABLE OF CONTENTS

CV150253

LETTER OF TRANSMITTAL

INTRODUCTION	1
Executive Summary	1
Aerial Photograph	2
Identification of Appraisal Assignment	5
Scope of Work	7

DESCRIPTIONS & EXHIBITS	9
Regional Map	9
Area Analysis	10
Local Area Map	17
Local Area Analysis	18
Site Description	21
Plat Map	23
Zoning Map	24
Assessment & Taxation	25
Zoning Analysis	26
Market Analysis	27
Highest & Best Use	34

VALUATION	35
Valuation Methods	35
Land Valuation	36
Calculation of Land Value	46
Land Value Conclusion	47

CERTIFICATION OF APPRAISAL

ASSUMPTIONS & LIMITING CONDITIONS

ADDENDA

- Engagement Letter
- Valuation Glossary
- Qualifications of Appraiser
- Qualifications of Colliers International Valuation & Advisory Services

EXECUTIVE SUMMARY

CV150253

GENERAL INFORMATION

Property Name	Multi-Family Ground Lease
Property Type	Land - Multi-Family Land
Address	1555 Turk Street
City	San Francisco
State	California
Zip Code	94115
County	San Francisco
Core Based Statistical Area (CBSA)	San Francisco-Oakland-Fremont, CA
Market	San Francisco
Submarket	Haight Ashbury
Latitude	37.779991
Longitude	-122.434449
Number Of Parcels	1
Assessor Parcel	0754-028
Census Tract Number	158.01

SITE INFORMATION

Land Area	Acres	Square Feet
Usable	1.47	64,046
Unusable	0.00	0
Excess	0.00	0
<u>Surplus</u>	<u>0.00</u>	<u>0</u>
Total	1.47	64,046
Topography	Level at street grade	
Shape	L-Shaped	
Access	Average/Good	
Exposure	Average/Good	
Current Zoning	Residential Mixed Medium Density (RM)	
Seismic Zone	High Risk	

VALUATION SUMMARY

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	LEASED FEE
DATE OF VALUE	DECEMBER 29, 2015

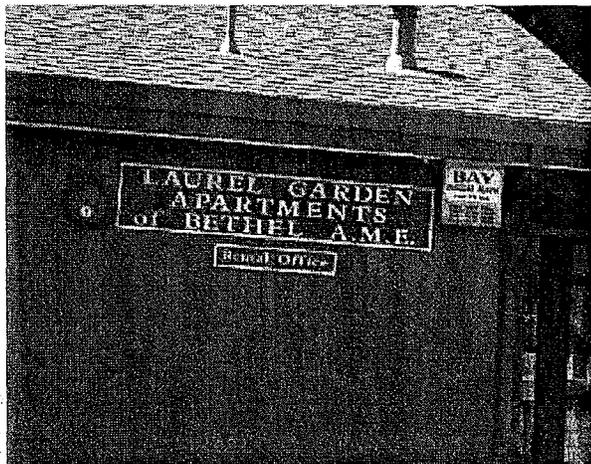
FINAL VALUE CONCLUSION

FINAL VALUE (As Restricted)	\$9,500,000
\$/SF	\$148/SF

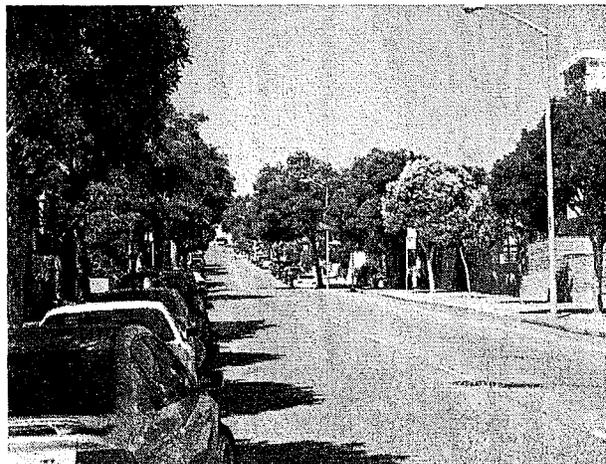


Map data ©2015 Google Imagery ©2015 DigitalGlobe, U.S. Geological Survey, USDA Farm Service Agency

SUBJECT PHOTOGRAPHS



VIEW OF SUBJECT SIGNAGE



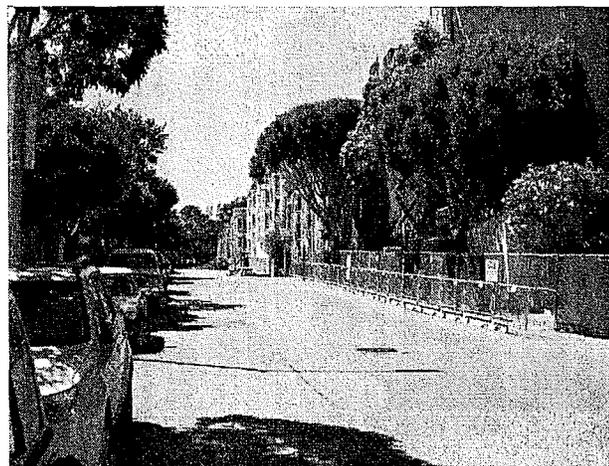
LOOKING WEST ALONG TURK STREET



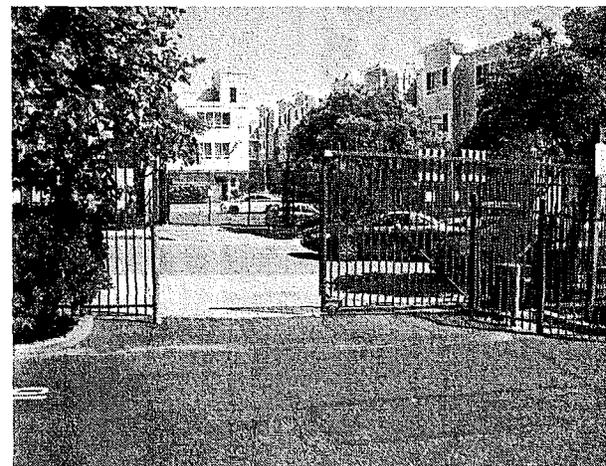
LOOKING EAST ALONG TURK STREET



LOOKING SOUTH ALONG PIERCE STREET



LOOKING NORTH ALONG PIERCE STREET

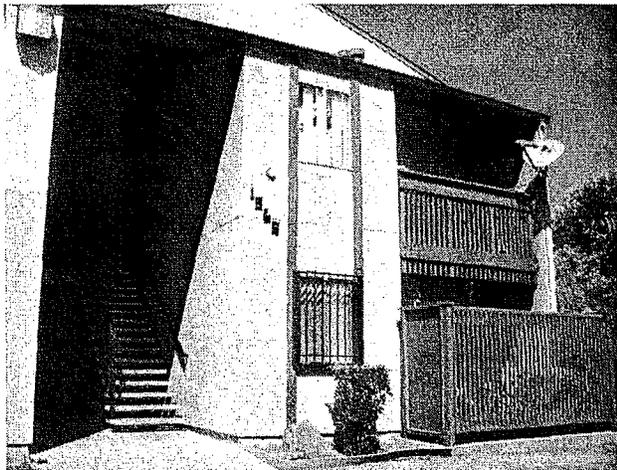


VIEW OF SUBJECT ENTRANCE

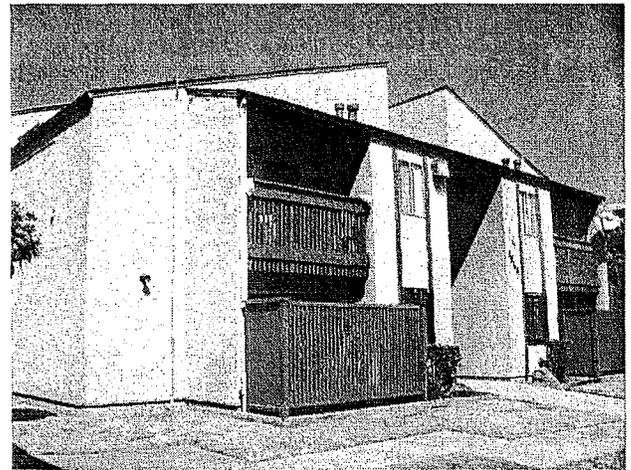
SUBJECT PROPERTY PHOTOGRAPHS

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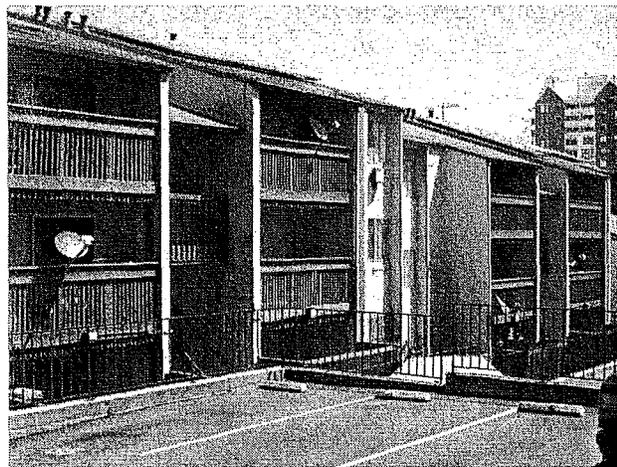
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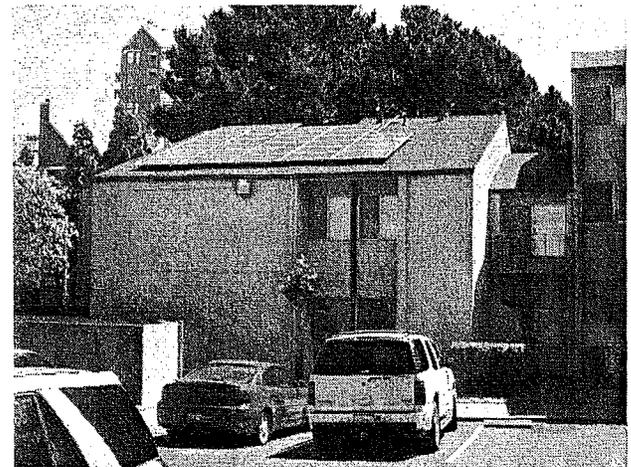
EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT



EXTERIOR VIEW OF SUBJECT

PROPERTY IDENTIFICATION

The photographs shown above were taken by John Larson of Colliers International on May 13, 2014 for a previous assignment.

The subject a 1.47-acre site at 1555 Turk Street in San Francisco, San Francisco County, California. The assessor's parcel number is: 0754-028.

The legal description of the subject property is as follows:

All buildings and improvements situated on the following described land:

BEGINNING at the point of intersection of the Southerly line of Turk Street, and the Westerly line of Steiner Street; running thence Southerly along said Westerly line of Steiner Street 192 feet and 8 inches to a point distant thereon 82 feet and 6 inches Northerly from the Northerly line of Golden Gate Avenue; thence at a right angle Westerly 137 feet and 6 inches; thence at a right angle Northerly 55 feet; thence at a right angle Westerly 275 feet to the Easterly line of Pierce Street; thence at a right angle Northerly along said Easterly line of Pierce Street 137 feet and 6 inches to the Southerly line of Turk Street; thence at a right angle Easterly along said Southerly line of Turk Street 412 feet and 6 inches to the point of beginning, which buildings and improvements are and shall remain real property.

BEING a portion of Western Addition Block No. 382.

CLIENT IDENTIFICATION

The client of this specific assignment is Laurel Gardens of Bethel AME Church, LP.

PURPOSE

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's leased fee interest.

INTENDED USE

The intended use of this appraisal is to assist the client in making internal business decisions related to this asset.

INTENDED USERS

Laurel Gardens of Bethel AME Church, LP is the only intended user of this report. Use of this report by Third-Parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

ASSIGNMENT DATES

Date of Report	March 17, 2016
Date of Inspection	May 13, 2014
Valuation Date - As-Is	December 29, 2015

PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

PROPERTY AND SALES HISTORY**Current Owner**

The subject title is currently recorded in the name of Laurel Gardens of Bethel A M E who acquired title to the property on 10/13/1998 as improved for an undisclosed amount, as reported by the RealQuest property report.

Three-Year Sales History

The subject has not sold in the last three years.

Subject Sale Status

The subject is not currently listed for sale.

DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the definition of Market Value is applicable. The definition of Market Value, along with all other applicable definitions for this assignment, is located in the Valuation Glossary section of the Addenda.

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the leased fee interest.

VALUE SCENARIOS

The valuation scenarios developed in this appraisal report include the As-Is Market Value of the subject property's leased fee interest.

INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- The appraiser analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- The appraiser confirmed and analyzed legal and physical features of the subject property including sizes of the site, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site.
- The appraiser completed land market analysis that included market and sub-market overviews. The San Francisco market and Haight Ashbury sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- The appraiser conducted Highest and Best Use analysis and conclusions were drawn for the highest and best use of the subject property As-Vacant. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site.
- The appraiser confirmed and analyzed financial features of the subject property including potential entitlement issues, and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. This appraisal developed the Sales Comparison Approach to value, which was adjusted and reconciled as appropriate. The appraisal develops an opinion of the As-Is Market Value of the subject property's leased fee interest.
- Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are summarized within this document.
- I understand the Competency Rule of USPAP and the author of this report meets the standards.
- No one provided significant real property appraisal assistance to appraiser signing this certification.

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

SCOPE OF WORK

CONTINUED

CV150253

SOURCES OF INFORMATION

ITEM	SOURCE
Tax Information	San Francisco County Tax Assessor
Zoning Information	City of San Francisco Zoning Code
Site Size Information	San Francisco County Tax Assessor
Building Size Information	San Francisco County Tax Assessor
New Construction	City of San Francisco / San Francisco County
Flood Map	Interflood
Demographics	Esri
Comparable Information	See Comparable Datasheets for details
Legal Description	Grant Deed from RealQuest
Other Property Data	RealQuest

SUBJECT PROPERTY INSPECTION

SUBJECT PROPERTY INSPECTION

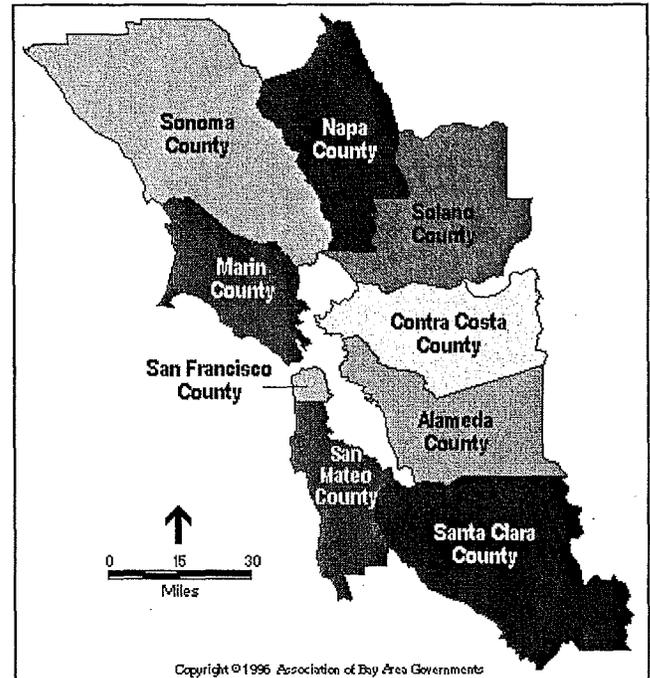
APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
Phil Sarazen	No	-	-
John Larson	Yes	Exterior/Interior	May 13, 2014

REGIONAL ANALYSIS

The city of San Francisco is located in the county of San Francisco and is part of the three county San Francisco Metropolitan Statistical Area (MSA). The San Francisco MSA is comprised of San Francisco, Marin, and San Mateo Counties. The MSA is bordered by five neighboring counties as well as the Pacific Ocean. This area encompasses more than 1,015 square miles of land area and miles of scenic coastline.

While San Francisco covers a relatively small land area of approximately 45 square miles, it is the geographic center of the nine-county Bay Area and the fourth largest metropolitan area in the United States. San Francisco is characterized by a moderate climate, vibrant economy and one of the highest standards of living in the United States.

San Francisco is the historical center of the region and the phenomenal growth over the past three decades has led to the emergence of several distinct geographic and economic sub-regions. The area north of San Francisco (Marin, Napa and Sonoma counties) is noted for its rural charm and numerous wineries, many of which have become world-renowned. San Mateo County lies south of San Francisco between San Francisco Bay and the Pacific Ocean. The eastern portion, bordering the Bay, is highly developed, but rugged mountains reaching westward to the ocean characterize central San Mateo County. Santa Clara County, located at the southern end of the Bay, has emerged as a dominant force within the Greater Bay Area and is known internationally as "Silicon Valley" due to its high concentration of semiconductor manufacturers and other high-technology employers. Alameda and Contra Costa Counties form the standard metropolitan statistical area which comprises the East Bay Area. The East Bay region known as the "Tri-Valley" area has become a technology hub and an area of major job growth. Northern Alameda County and Solano County comprise the Sacramento River Delta communities. While much of the area is agricultural, many communities are experiencing rapid expansion due to lower housing costs compared with more established areas closer to the Population

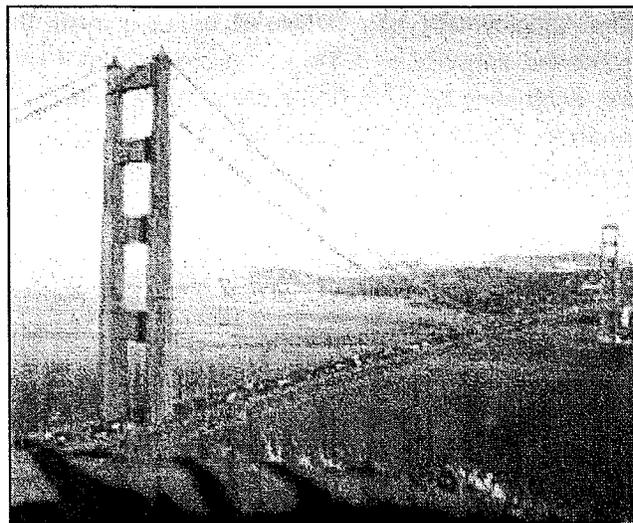


DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by *Esri*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis.

Transportation

The San Francisco MSA has numerous freeways, which provide good access throughout the area and to neighboring regions. The Bay Bridge provides the main access to the East Bay counties and to Interstates 80, 580, 680, and Interstate 880. The Golden Gate Bridge provides access to the north to Marin County. Highway 101 runs north and south through the city and Highway 280 provides additional access to the south bay markets. Public transportation systems in San Francisco are extensive and include BART, MUNI, CalTrain, AC Transit, SAMTRANS, and the Municipal railway, which provide access to all counties of the Bay Area. Bart is the Bay Area Rapid Transit system, which provides access to Contra Costa and Alameda Counties from San Francisco. MUNI, CalTrain, AC Transit, and SAMSTRANS provide bus service and train service to north and south bay markets.



San Francisco is served primarily by San Francisco International Airport, which is located 13 miles south of the subject, and the Oakland International Airport, which is located across the Bay. Also available is the San Jose International Airport, located approximately 40 miles to the south.

Climate

San Francisco's climate is characteristic of the cool-summer Mediterranean climate of California's coast with mild, wet winters and dry summers. Since it is surrounded on three sides by water, San Francisco's weather is strongly influenced by the cool currents of the Pacific Ocean which tends to moderate temperature swings and produce a remarkably mild climate with little seasonal temperature variation.

The combination of cold ocean water and the high heat of the California mainland create the city's characteristic fog that can cover the western half of the city all day during the spring and early summer. The fog is less pronounced in eastern neighborhoods, in the late summer, and during the fall, which are the warmest months of the year. Due to its sharp topography and maritime influences, San Francisco exhibits a multitude of distinct microclimates. The high hills in the geographic center of the city are responsible for a 20% variance in annual rainfall between different parts of the city. They also protect neighborhoods directly to their east from the foggy and cool conditions experienced in the Sunset District; for those who live on the eastern side of the city, San Francisco is sunnier, with an average of 260 clear days, and only 105 cloudy days per year.

Topography/Geography & Service Infrastructure

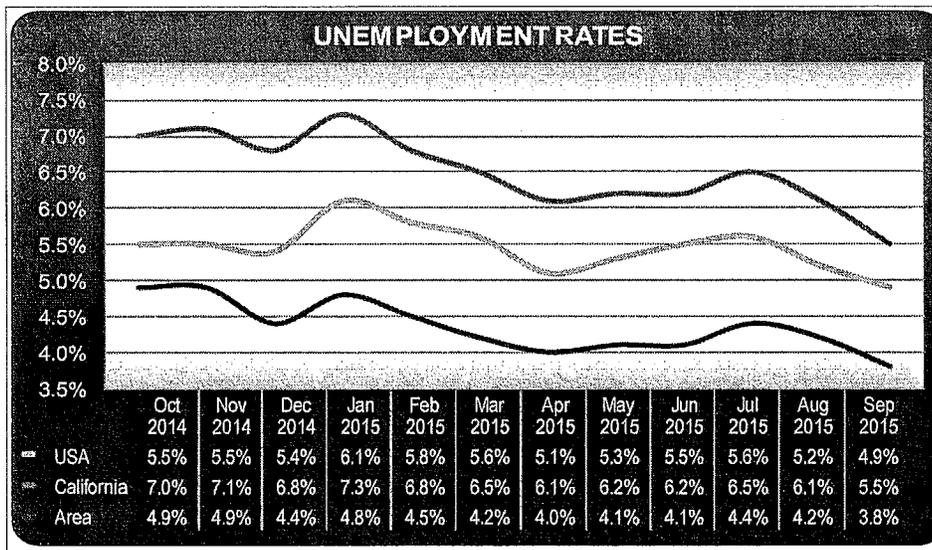
The topography and geography of San Francisco is extremely varied. There are more than 50 hills within the San Francisco city limits and elevations range from sea level to 925 feet. All levels of public and private education are available, along with an extensive library system. Major colleges and universities include the University of California San Francisco, University of San Francisco and San Francisco State University.

EMPLOYMENT

Total employment has increased annually over the past decade in the state of California by 0.5% and increased annually by 1.5% in the area. From 2013 to 2014 unemployment decreased in California by 1.4% and decreased by 1.3% in the area. In the state of California unemployment has decreased over the previous month by 0.6% and decreased by 0.4% in the area.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2005 - 2014								
TOTAL EMPLOYMENT					UNEMPLOYMENT RATE			
Year	California		San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area		United States*	California	San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area	
	Total	% Δ Yr Ago	Total	% Δ Yr Ago				
2005	16,582,651	1.7%	2,043,849	0.2%	5.1%	5.4%	4.8%	
2006	16,789,422	1.2%	2,064,760	1.0%	4.6%	4.9%	4.2%	
2007	16,931,590	0.8%	2,097,061	1.6%	4.6%	5.4%	4.4%	
2008	16,854,482	(0.5%)	2,113,687	0.8%	5.8%	7.3%	5.7%	
2009	16,182,572	(4.0%)	2,040,528	(3.5%)	9.3%	11.2%	9.4%	
2010	16,091,945	(0.6%)	2,089,373	2.4%	9.6%	12.2%	9.9%	
2011	16,260,099	1.0%	2,131,190	2.0%	8.9%	11.7%	9.1%	
2012	16,630,055	2.3%	2,209,911	3.7%	8.1%	10.4%	7.8%	
2013	17,002,894	2.2%	2,269,047	2.7%	7.4%	8.9%	6.5%	
2014	17,397,119	2.3%	2,330,245	2.7%	6.2%	7.5%	5.2%	
CAGR	0.5%	-	1.5%	-	-	-	-	-

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate



The unemployment rate in the San Francisco-San Mateo-Redwood City MD was 3.8 percent in September 2015, down from a revised 4.2 percent in March 2015, and below the year-ago estimate of 4.9 percent. This compares with an unadjusted unemployment rate of 7.0 percent for California and 5.5 percent for the nation during the same period. The unemployment rate was 3.9 percent in Marin County, 4.4 percent in San Francisco County, and 4.2 percent in San Mateo County.

REGIONAL ANALYSIS

CONTINUED

CV150253

Major Employers

The following chart lists major employers in San Francisco County.

Employer Name	Location	Industry
Bechtel Corp	San Francisco	Engineers-Civil
Bleck Rock Inc	San Francisco	Pension Health & Welfare Funds
California Pacific Medical Ctr	San Francisco	Hospitals
California Physicians Ins Corp	San Francisco	Insurance
Deloitte	San Francisco	Accountants
Federal Reserve Bank	San Francisco	Federal Reserve Banks
Golden Gate University	San Francisco	Non-Profit Organizations
Osa Pacific Rim Region	San Francisco	Government Offices-U.S.
HC Moffitt Hospital	San Francisco	Hospitals
Hilton-Union Square	San Francisco	Hotels & Motels
Kaiser Hospital	San Francisco	Hospitals
Laguna Honda Hospital & Rehab	San Francisco	Rehabilitation Services
Marriott-Marquis	San Francisco	Hotels & Motels
Pacific Gas & Electric Co	San Francisco	Electric Companies
PG&E Corp	San Francisco	Utilities-Holding Companies
Police Dept-Public Affairs	San Francisco	Police Departments
San Francisco Chronicle	San Francisco	Newspapers (Publishers/Mfrs)
San Francisco Municipal Rwy	San Francisco	Government Offices-City, Village & Twp
San Francisco Police Dept	San Francisco	Police Departments
State Compensation Ins Fund	San Francisco	Insurance
UCSF Medical Ctr-Parnassus	San Francisco	Hospitals
UCSF-MEDICAL Center At Mt Zion	San Francisco	Cancer Treatment Centers
University of Ca-San Francisco	San Francisco	Schools-Universities & Colleges Academic
US Veterans Medical Ctr	San Francisco	Hospitals
Williams-Sonoma	San Francisco	Kitchen Accessories

REGIONAL AREA DEMOGRAPHICS

YEAR	US	CA	COUNTY	YEAR	US	CA	COUNTY
Population				Number Of Households			
2010 Total Population	308,745,538	37,253,956	805,235	2015	120,746,349	12,932,388	358,859
2015 Total Population	318,536,439	38,371,836	832,330	2020	125,477,562	13,418,674	378,322
2020 Total Population	330,622,575	39,802,811	874,027	CAGR	0.8%	0.7%	1.1%
2010 - 2015 CAGR	0.6%	0.6%	0.7%	Average Household Size			
2015 - 2020 CAGR	0.7%	0.7%	1.0%	2015	2.57	2.90	2.25
Population Density				2020	2.57	2.91	2.25
2015 Per Square Mile	90	246	17,757	CAGR	0.0%	0.1%	0.0%
2020 Per Square Mile	94	256	18,647	Housing Units			
Median Age				Total Housing Units	136,527,306	14,074,045	390,229
2015	37.90	35.70	39.50	Owner Occupied	55.7%	49.5%	31.2%
2020	38.60	36.60	39.90	Renter Occupied	32.8%	42.4%	60.7%
CAGR	0.4%	0.5%	0.2%	Vacant Housing Units	11.6%	8.1%	8.0%
Per Capita Income				Median Household Income			
2015	\$28,597	\$29,788	\$46,598	2015	\$53,217	\$60,382	\$76,360
2020	\$32,501	\$33,957	\$53,954	2020	\$60,683	\$71,245	\$87,982
CAGR	2.6%	2.7%	3.0%	CAGR	2.7%	3.4%	2.9%

Source: Esri

Population

According to Esri, a Geographic Information System (GIS) Company, San Francisco County had a 2015 total population of 832,330 and experienced an annual growth rate of 0.7%, which was higher than the California annual growth rate of 0.6%. The county accounted for 2.2% of the total California population (38,371,836). Within the county the population density was 17,757 people per square mile compared to the lower California population density of 246 people per square mile and the lower United States population density of 90 people per square mile. The 2015 median age for the county was 39.50, which was 4.05% older than the United States median age of 37.90 for 2015. The median age in the county is anticipated to grow by 0.20% annually, increasing the median age to 39.9 by 2020.

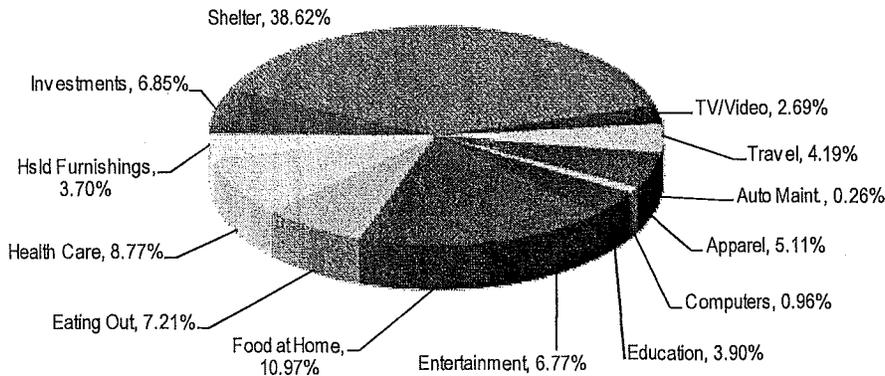
Household Trends

The 2015 number of households in the county was 358,859. The number of households in the county is projected to grow by 1.1% annually, increasing the number of households to 378,322 by 2020. The 2015 average household size for the county was 2.25, which was -12.45% smaller than the United States average household size of 2.57 for 2015. The average household size in the county is anticipated to retract by 0.00% annually, reducing the average household size to 2.25 by 2020. San Francisco County had a 60.7% renter occupied market, compared to the lower 42.4% in California and the lower 32.8% in the United States.

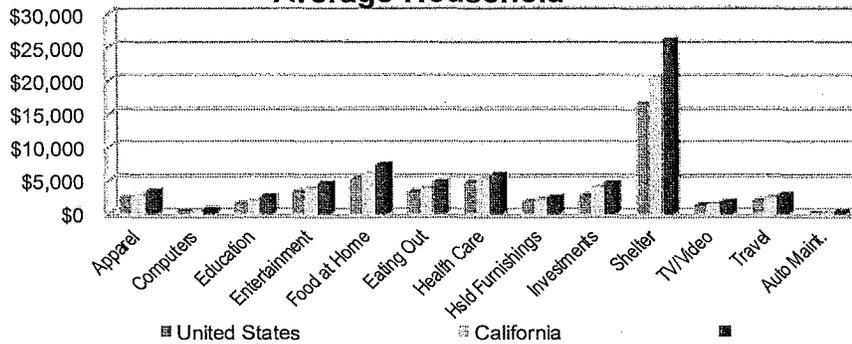
Income Trends

The 2015 median household income for the county was \$76,360, which was 43.5% higher than the United States median household income of \$53,217. The median household income for the county is projected to grow by 2.9% annually, increasing the median household income to \$87,982 by 2020. As is often the case when the median household income levels are higher than the national average, the cost of living index is also higher. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the San Francisco-Oakland-Fremont, CA MSA's cost of living is 164.7 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas

Consumer Spending



Consumer Spending Comparison
Average Household



In addition to large corporations, universities, hospitals and public sector employment located within the San Francisco MSA, smaller businesses make up a large portion of the local employment picture.

AIRPORT STATISTICS

The following chart summarizes the local airport statistics.

SAN FRANCISCO INTERNATIONAL AIRPORT (SFO)		
YEAR	ENPLANED PASSENGERS	% CHG
2004	15,605,822	-
2005	16,070,133	3.0%
2006	16,236,592	1.0%
2007	17,280,328	6.4%
2008	18,135,827	5.0%
2009	18,467,908	1.8%
2010	19,359,003	4.8%
2011	20,056,568	3.6%
2012	21,284,236	6.1%
2013	21,704,626	2.0%
2014	22,756,008	4.8%

Source: U.S. Department of Transportation

SUMMARY

Overall the condition and appeal of the market area is generally considered average. Growth is not physically restricted because of the abundance of undeveloped sites. New projects may be accomplished by development of vacant and under-improved properties as the economy slowly improves. Demand stalled

during 2014 but improved during 2015. As the real estate market continues to recover from the recession, property values are expected to appreciate.

LOCAL AREA MAP

CV150253



INTRODUCTION

In this section of the report, I provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

LOCAL AREA PROFILE

The subject property is located in San Francisco, California, within San Francisco County.

DEMOGRAPHIC PROFILE

Below is a demographic study of the area, sourced by *Esri*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas.

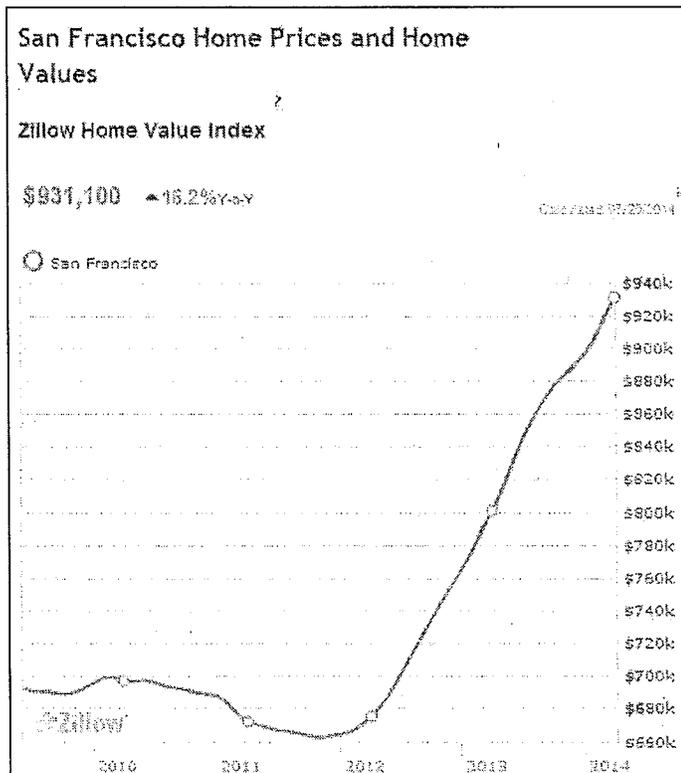
LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION				AVERAGE HOUSEHOLD INCOME			
2000 Population	96,120	482,489	764,989	2015	\$96,805	\$109,647	\$106,871
2010 Population	98,753	500,153	791,501	2020	\$113,466	\$127,430	\$123,561
2015 Population	103,586	519,786	817,880	Change 2015-2020	17.21%	16.22%	15.62%
2020 Population	109,654	548,086	858,719	MEDIAN HOUSEHOLD INCOME			
Change 2000-2010	2.74%	3.66%	3.47%	2015	\$63,878	\$75,272	\$76,331
Change 2010-2015	4.89%	3.93%	3.33%	2020	\$77,661	\$88,026	\$88,056
Change 2015-2020	5.86%	5.44%	4.99%	Change 2015-2020	21.58%	16.94%	15.36%
POPULATION 65+				PER CAPITA INCOME			
2010 Population	13,771	66,205	108,105	2015	\$51,990	\$55,230	\$46,887
2015 Population	15,823	75,552	124,312	2020	\$60,949	\$64,266	\$54,308
2020 Population	18,238	87,344	145,001	Change 2015-2020	17.23%	16.36%	15.83%
Change 2010-2015	14.90%	14.12%	14.99%	2015 HOUSEHOLDS BY INCOME			
Change 2015-2020	15.26%	15.61%	16.64%	Household Income Base	54,446	258,223	353,788
HOUSEHOLDS				<\$15,000	16.5%	14.4%	13.0%
2000 Households	50,659	235,230	325,708	\$15,000-\$24,999	8.4%	7.2%	7.0%
2010 Households	51,789	247,636	340,984	\$25,000-\$34,999	7.3%	6.5%	6.6%
2015 Households	54,446	258,223	353,788	\$35,000-\$49,999	9.0%	8.2%	8.7%
2020 Households	57,865	273,270	372,953	\$50,000-\$74,999	13.9%	13.6%	14.0%
Change 2000-2010	2.23%	5.27%	4.69%	\$75,000-\$99,999	10.4%	10.2%	11.4%
Change 2010-2015	5.13%	4.28%	3.76%	\$100,000-\$149,999	13.3%	13.6%	15.5%
Change 2015-2020	6.28%	5.83%	5.42%	\$150,000-\$199,999	9.6%	11.6%	10.6%
HOUSING UNITS (2015)				\$200,000 or greater	11.7%	14.8%	13.4%
Total Housing Units	59,163	282,535	384,607	MEDIAN HOME VALUE			
Owner Occupied	17.8%	23.3%	31.1%	2015	\$866,676	\$920,391	\$790,031
Renter Occupied	74.3%	68.1%	60.9%	2020	\$980,580	\$1,000,001	\$924,201
Vacant Housing Units	8.0%	8.6%	8.0%	Change 2015-2020	13.14%	8.65%	16.98%
HOUSING UNITS (2020)				AVERAGE HOME VALUE			
Total Housing Units	62,918	297,767	404,348	2015	\$848,091	\$868,876	\$786,843
Owner Occupied	17.4%	23.2%	30.9%	2020	\$948,802	\$972,709	\$907,016
Renter Occupied	74.6%	68.6%	61.4%	Change 2015-2020	11.88%	11.95%	15.27%
Vacant Housing Units	8.0%	8.2%	7.8%	HOUSING UNITS BY UNITS IN STRUCTURE			
HOUSING UNITS BY YEAR BUILT				1 - Detached	3,036	27,395	68,727
2010 or Later	64	591	802	1 - Attached	2,181	18,916	50,157
2000 to 2009	2,771	21,290	24,562	2	4,153	28,940	37,993
1990-1999	3,598	12,889	15,855	3 or 4	8,143	37,640	43,623
1980-1989	4,168	14,610	19,083	5 to 9	7,741	33,619	38,276
1970-1979	4,714	20,333	26,517	10 to 19	8,442	35,465	38,960
1960-1969	5,308	21,891	29,964	20 to 49	9,324	35,476	37,384
1950-1959	3,627	19,617	34,505	50 or greater	12,976	54,328	56,917
1940-1949	2,640	15,964	38,204	Mobile Home	16	251	435
1939 or Earlier	29,135	145,113	183,289	Boat/RV/Van	13	270	311

Source: Esri

As noted in the table above, population has increased by 3.93% since 2010 in the subject's market area (3-mile radius) and is expected to increase by 5.44% through 2020. Also, the subject's market area has a lower number of renter occupied homes (40,864) than owner occupied homes (56,893). Vacant housing in the subject's market area is estimated to be 8.2%. The average and median household income levels in the subject's market area are \$109,647 and \$75,272, respectively.

Residential Development

There is a moderate amount of residential development in the subject's market area. The figure to the right is provided by Zillow.com. Zillow projects home values on a month-to-month basis. Zillow states that median home values are currently \$931,100, an increase of 16.2% from the previous year. Home values in San Francisco have been increasing overall since November 2011. Multi-family developments within proximity to the subject include The Fillmore Center, Webster Tower & Terrace, El Bethel Terrace, and Martin Luther King Square.



Commercial Development

Commercial and light-industrial development is located along Fillmore Street and Divisadero Street. General commercial and industrial uses within proximity to the subject include shopping centers, fast food restaurants, banks, gas stations, grocery stores, self-storage facilities, and auto related shops. Retailers in the subject's immediate are include: Safeway, Walgreens, The Brooklyn Circus SF, Gump's, Kinokuniya Book Stores, Central Ace Hardware, Marshall Associates, Teri's Creation & Boutique, and Aqua Forest Aquarium. There are a variety of other local tenants in the subject's area.

Community Services/Transportation

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). Nearby schools Town School for Boys, Creative Arts Charter School K-8, Jewish Community High School of the Bay, Raoul Wallenberg Traditional High School and Gateway High School all located within one mile of the subject. Public transportation is available throughout the area. Local bus stops are located along Turk Street, and Pierce Street. There are a number of parks, golf courses, and other recreational facilities in the area including Alamo Square Park, Golden Gate and Steiner Mini Park, and Fillmore and Turk Mini Park.

SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.



Subject Conclusion

Trends in the local and immediate areas, adjacent uses and the property's specific location features indicate an overall typical external influence for the subject, which is concluded to have an average position in context of competing properties.

SUMMARY

The subject property is located in an established area of the San Francisco area. Residential uses present in the subject's immediate neighborhood primarily include multi-family and single-family development. Commercial developments are located along major thoroughfares and are easily accessible from the subject. The subject property has an average to good location with respect to commercial services, thoroughfares, public transportation, and community services. Condition and appeal of the neighborhood is generally Average/Good. The neighborhood is anticipated to experience limited growth in the foreseeable future due to the built-out nature of the area (lack of developable land).

SITE DESCRIPTION

CV150253

General Description The subject site consists of 1 parcel. As noted below, the subject site has 64,046 SF (1.47 AC) of land area. The area is estimated based on the assessor's parcel map, and may change if a professional survey determines more precise measurements. Going forward, our valuation analyses will utilize the usable site area. The following discussion summarizes the subject site size and characteristics.

Assessor Parcel 0754-028

Number Of Parcels 1

Land Area	Acres	Square Feet
Primary Parcel	1.47	64,046
Unusable Land	0.00	0
Excess Land	0.00	0
<u>Surplus Land</u>	<u>0.00</u>	<u>0</u>
Total Land Area	1.47	64,046

Shape L-Shaped - See Plat Map For Exact Shape

Topography Level at street grade

Drainage Assumed Adequate

Utilities All available to the site

Street Improvements	Street	Direction	No. Lanes	Street Type	Curbs	Sidewalks	Streetslights	Center Lane	Gutters
Turk Street	Primary Street	one-way	two-lane	minor arterial	✓	✓	✓	✓	
Steiner St	Secondary Street	two-way	two-lane	connector street	✓	✓	✓		✓
Pierce St	Secondary Street	two-way	two-lane	connector street	✓	✓	✓		✓

Frontage Turk St: apx. 412 feet; Pierce St: apx 137 feet; Steiner St:192 feet

Accessibility Average/Good - There is a full curb cut along Turk Street

Exposure Average/Good - The subject has frontage along one minor arterial and two neighborhood connector streets. The subject has exposure at the signalized intersections of Pierce Street and Turk Street as well as Steiner Street and Turk Street.

Seismic The subject is in High Risk.

Flood Zone At this time, the City of San Francisco does not participate in the Flood Insurance Rate Maps published by the Federal Emergency Management Agency (FEMA).

Site Rating Overall, the subject site is considered a good to excellent land site in terms of its location, exposure, and access to employment, education and shopping centers, recognizing its location along a neighborhood collector street.

Easements A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal

assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

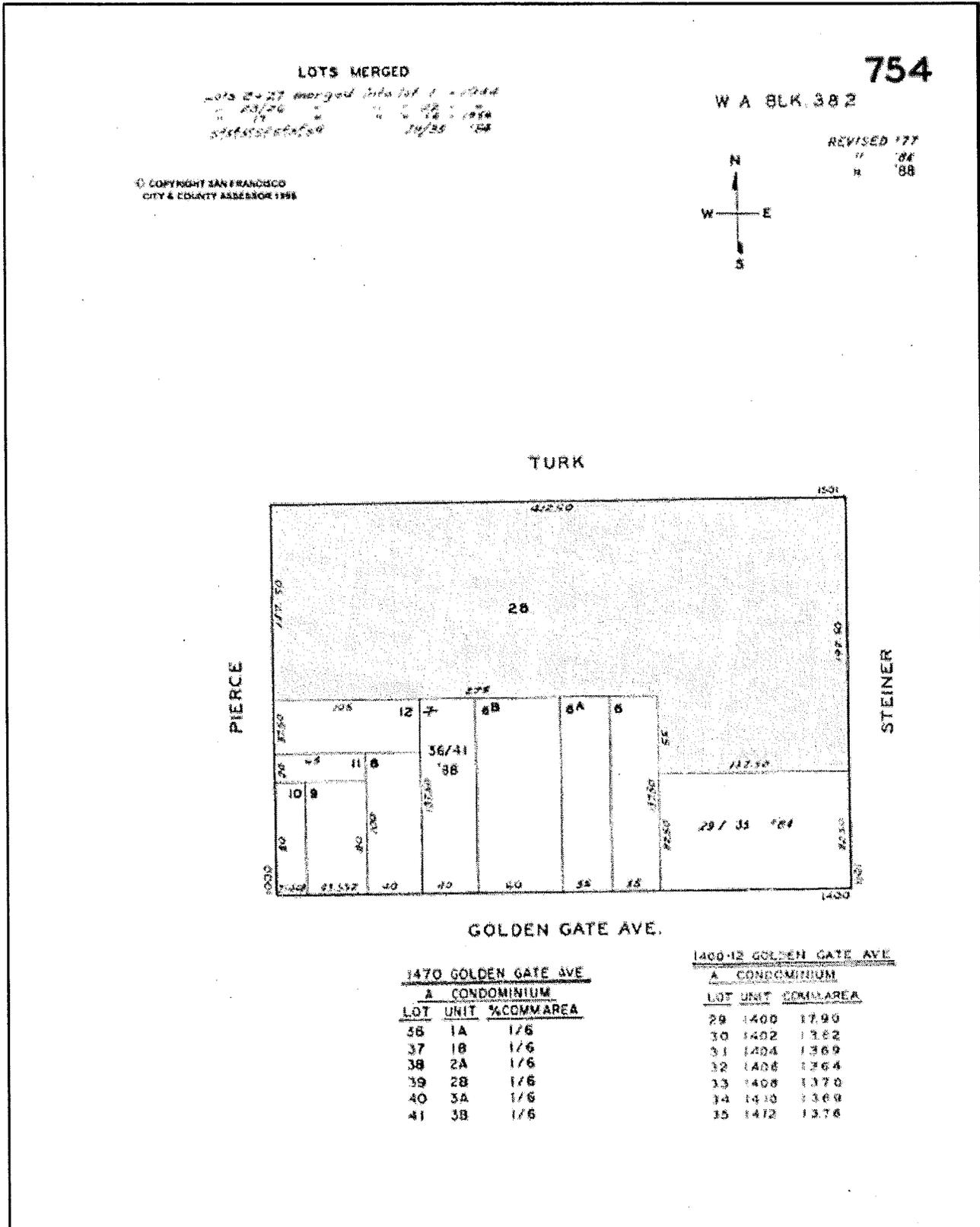
Soils A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

Hazardous Waste We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

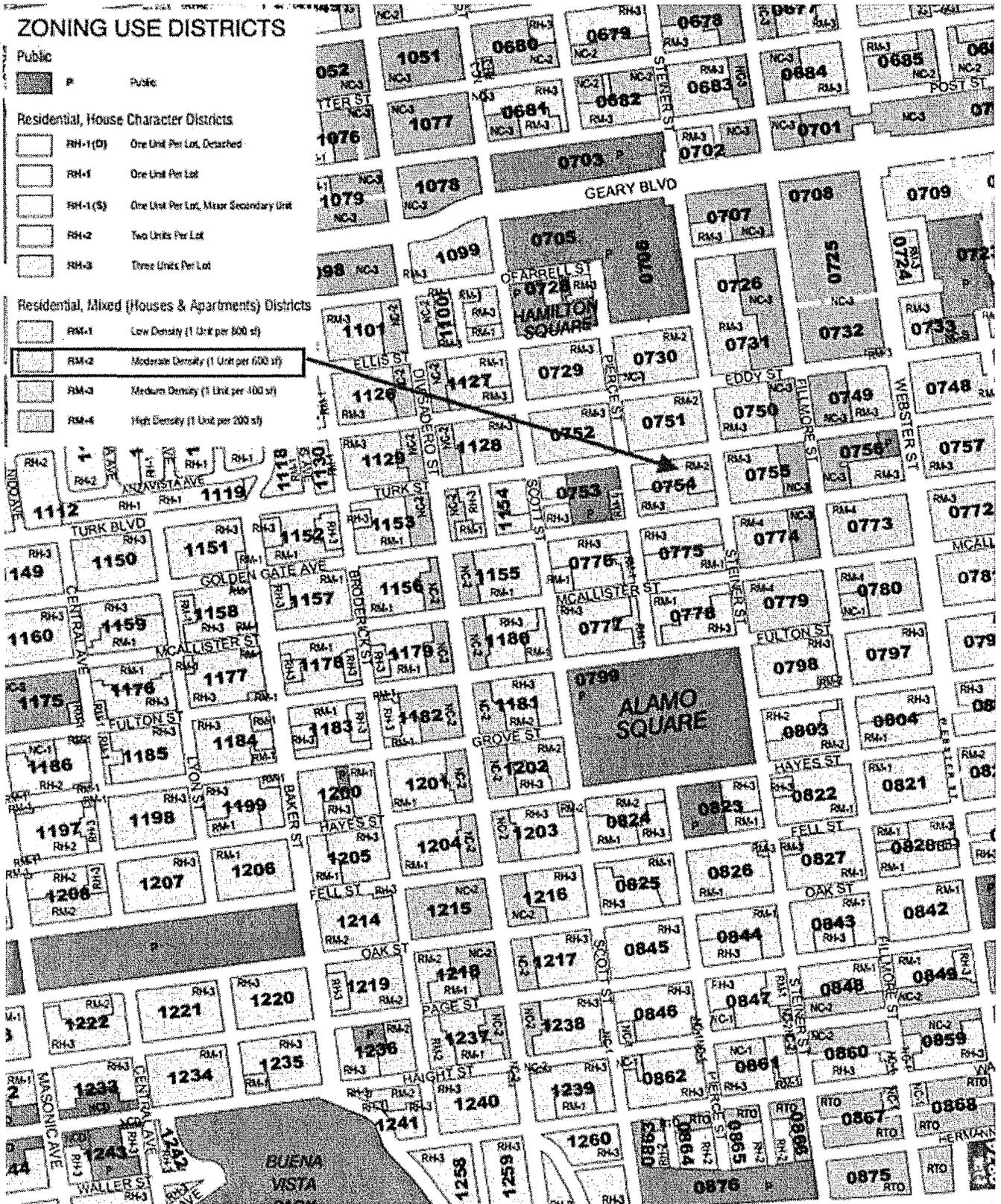
Improvement Description The subject consists of a 51 unit affordable housing project within two buildings and one common area building, built in 1977. The improvements are in average/good condition.

Property Type	Multi-Family - Garden/Low Rise
Number of Units	51
Average Unit Size	814 SF
Apartment Buildings	2
Common Area Buildings	1
Total Number of Buildings	3
Number of Stories	3
Development Density	34.7 Units/Acre (51 Units / 1.47 Acres)
Net Rentable Area (NRA)	41,508 SF
Gross Building Area (GBA)	42,208 SF
Parking Total	39 (Surface)
Open Parking Spaces	39
Covered Parking Spaces	-
Detached Garage Spaces	-
Parking Garage Spaces	-
Parking Comment	Parking is adequate and is consistent with the other projects in the market
Parking Spaces/Unit	0.8
Year Built	1977
Age/Life Analysis	
Actual Age	37 Years
Effective Age	35 Years
Economic Life	65 Years
Remaining Life	30 Years
Quality	Average/Good
Condition	Average/Good
Marketability	Good

PLAT MAP



ZONING MAP



INTRODUCTION

Assessment of real property is established by an assessor that is an appointed or elected official charged with determining the value of each property. The assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is a levy on the value of property that the owner is required to pay to the municipality in which it is situated. Multiple jurisdictions may tax the same property.

The subject property is located within San Francisco County. The assessed value and property tax for the current year are summarized in the following table.

ASSESSMENT & TAXES							
Tax Year	2015					Tax Rate	1.8260%
Tax Rate Area	Misc/70					Taxes Current	Yes
APN	LAND	IMPV	PERSONAL	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
0754-028	\$1,493,518	\$1,766,423	\$40,236	\$3,300,177	-\$3,259,941	\$40,236	\$735
Totals	\$1,493,518	\$1,766,423	\$40,236	\$3,300,177	-\$3,259,941	\$40,236	\$735
Total/SF	\$23.32	\$27.58	\$0.63	\$51.53	-\$50.90	\$0.63	\$0.01
Additional Tax Charges							
Rent Stabilization Fee							\$1,887.00
SFUSD Facility District							\$919.36
SFCCD Parcel Tax							\$79.00
Apartment House License Fee							\$543.00
SF - Teacher Support							\$230.94
Total Additional Tax Charges							\$3,659
Total Additional Tax Charges Per SF							\$0.06
Total Base Tax & Additional Tax Charges							\$4,394
Total Base Tax & Additional Tax Charges Per SF							\$0.07

Source: San Francisco County Assessment & Taxation

SUBJECT PROPERTY ANALYSIS

The total assessment for the subject property is \$3,300,177 or \$51.53/SF. The subject property benefits from an exemption in the amount of -\$3,259,941, reducing the taxable assessment to \$40,236 or \$0.63/SF. Total taxes for the property are \$4,394 or \$0.07/SF.

As part of the scope of work, I researched assessment and tax information related to the subject property. The following are key factors related to local assessment and taxation policy. Real property in San Francisco County is assessed at 100% of market value. Real property is reassessed upon sale, conversion, renovation or demolition.

According to the staff representative at the County Assessor's Office, real estate taxes for the subject property are current as of the date of this report. The subject benefits from a property tax exemption, amounting to approximately 98.75% of the total assessed value. For purposes of our Income/Expense analysis, we assume the same tax exemption allocation in the As-Is Market Value conclusion and estimate the property taxes in the Income Approach at 1.25% multiplied by the value indicated by the Income Approach, multiplied by the property tax rate.

INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
Municipality Governing Zoning	City of San Francisco Planning & Zoning Department
Current Zoning	Residential Mixed Medium Density (RM)
Permitted Uses	Multi-Family Residential
Current Use	Multi-Family Residential
Is Current Use Legally Permitted?	Yes
Zoning Change	Not Likely

ZONING REQUIREMENTS	
Minimum Site Area (SF)	2,500 SF
Subject Density (Units per Acre)	34.7
Minimum Yard Setbacks	
Maximum Density (Units/Acre)	One dwelling per 600 SF of lot area; 106 units
Subject Density (Units per Acre)	One dwelling per 1,232 SF of lot area; 52 units
Maximum Building Height	40 Feet
Maximum Floor Area Ratio (FAR)	1.8 times lot area
Maximum Building Area	None
Parking Requirement	
Parking Required	51
Parking Provided	39
Conforming Use	The existing improvements represent a conforming use within this zone

Source: City of San Francisco Planning & Zoning Department

ZONING CONCLUSIONS

Based on my interpretation of the zoning ordinance, the subject property is an outright permitted use that could be rebuilt if unintentionally destroyed; however, the subject's use has been grandfathered due to insufficient parking. The subject provides 39 spaces for 51 units, which is insufficient per current code requirements, making the subject legal but non-conforming.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of my analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through my due diligence. Please note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

INTRODUCTION

In this section, an overview of market conditions which influence the marketability of the subject property, as a multi-family site will be considered. The major factors requiring consideration are the supply and demand conditions that influence multi-family development.

REIS, Inc., a specialist in multi-family market research, classifies the San Francisco apartment market into eight submarkets. In addition, it segregates inventory by class of space (Class A and B/C). There are 11 submarkets within the San Francisco Metro Area market and are as follows: North Marin (1), South Marin (2), North San Mateo (3), Central San Mateo (4), South San Mateo (5), South Market (6), Russian Hill/Embarcadero (7), West San Francisco (8), Civic Center/Downtown (9), Marina/Pacific Heights (10), and Haight Ashbury/Western Addition (11). This market is connected to San Francisco by the Bay Area Rapid Transit (BART).

???replace this

The subject property is situated in the Haight Ashbury submarket, which is labeled 11 in the graphic below.

San Francisco Metro Area



Haight Ashbury Submarket



According to the submarket boundaries defined by REIS, the subject is located within the Haight Ashbury submarket. The following table provides a snapshot of the submarkets in the San Francisco Metro Area for Q1 2014.

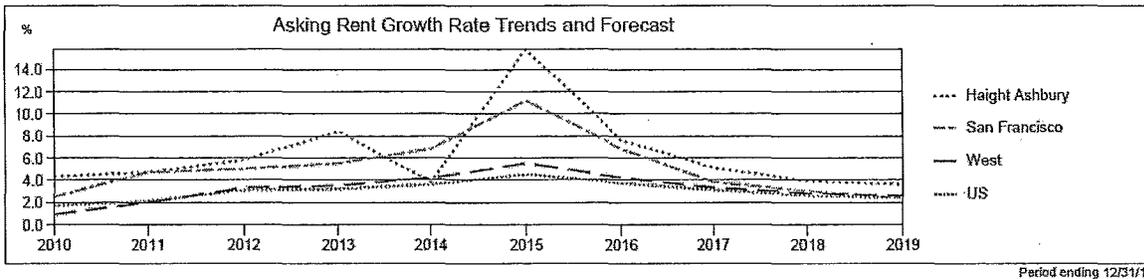
Submarket	Inventory (Buildings)	Inventory (Units)	Asking Rent \$	Vac %	Free Rent (mos)	Expenses % (Apartment)
North Marin	115	8,381	\$1,623	1.3%	0.12	35.0%
South Marin	52	7,072	\$1,938	1.5%	0.00	36.1%
North San Mateo	81	14,294	\$1,856	3.4%	0.48	36.8%
Central San Mateo	119	14,713	\$2,181	2.1%	0.29	35.8%
South San Mateo	167	10,771	\$1,889	2.0%	0.32	35.3%
South of Market	107	16,682	\$2,664	4.9%	0.53	33.0%
Russ Hill/Embarcadero	88	9,826	\$2,935	2.0%	0.46	36.2%
West San Francisco	130	19,522	\$2,183	3.7%	0.75	37.6%
Civic Ctr/Downtown	226	16,276	\$1,710	3.2%	0.00	35.2%
Marina/Pacific Hts	218	8,084	\$2,456	1.6%	0.05	36.0%
Haight Ashbury	206	12,998	\$2,393	3.2%	0.46	35.2%

According to REIS, there are 206 apartment buildings and 12,998 units in the Haight Ashbury Submarket with an average vacancy of 3.2%, which is towards the upper end of the range for the metro area. The average asking rent in the subject's submarket (\$2,393) is towards the middle of the range for the metro area.

Rent Growth Comparisons

	Asking Rent Growth						
	Quarterly			Annualized			
	3Q15	2Q15	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Haight Ashbury	1.9%	6.6%	4.8%	3.8%	6.0%	5.4%	7.1%
San Francisco	3.0%	3.3%	3.2%	6.8%	5.7%	4.9%	5.4%
West	1.9%	1.4%	1.5%	4.2%	3.6%	2.8%	3.7%
United States	1.4%	1.2%	1.2%	3.6%	3.3%	2.7%	3.3%
Period Ending:	09/30/15	06/30/15	09/30/15	12/31/14	12/31/14	12/31/14	12/31/19

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		3Q15	2Q15	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
San Francisco	11	9	1	1	9	7	6	2
West	240	85	1	1	84	23	13	2
United States	835	148	2	1	220	37	19	5



During the Q3 2015, rent growth in the Haight Ashbury Submarket was estimated at 1.9%, comparatively lower than the San Francisco Metro (3.0%) and similar to the Western Region (1.9%). Over the next five years, REIS projects 7.1% rent growth within the submarket, slightly higher than the forecasted rent growth for the city (5.4%), Western Region (3.7%), and country as a whole (3.3%).

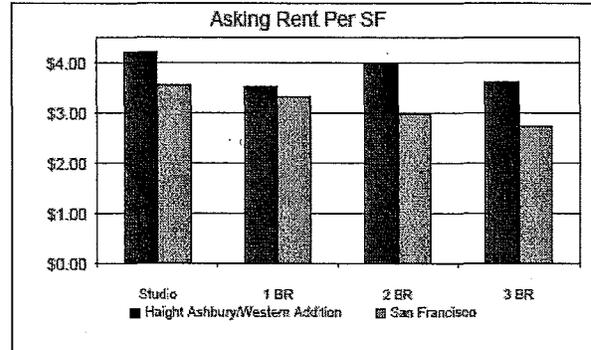
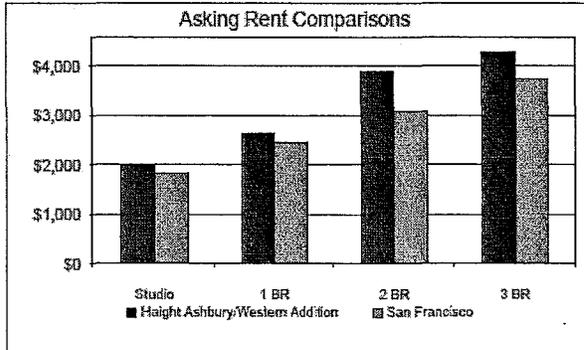
MARKET ANALYSIS

CONTINUED

CV150253

Rent By Unit Mix

Current Submarket Average Rents and Sizes				Asking Rent Growth					
	3Q 2015			Quarterly			Annualized		
	Rent	Avg. SF	Avg. Rent PSF	3Q15	2Q15	YTD	1 Year	3 Year	5 Year
	Studio/Efficiency	\$1,978	472	\$ 4.19	2.3%	4.1%	13.2%	6.8%	5.8%
One Bedroom	\$2,625	743	\$ 3.53	2.8%	3.9%	9.4%	6.5%	6.0%	5.5%
Two Bedroom	\$3,883	971	\$ 4.00	-0.7%	8.5%	18.0%	-3.7%	3.7%	5.3%
Three Bedroom	\$4,264	1183	\$ 3.60	4.0%	-3.9%	-3.1%	11.9%	10.9%	6.8%
Average over period ending:				09/30/15	06/30/15	09/30/15	12/31/14	12/31/14	12/31/14



	Studio	1 BR	2 BR	3 BR
Haight Ashbury/Western Addition	\$1,978	\$2,625	\$3,883	\$4,264
San Francisco	\$1,823	\$2,440	\$3,089	\$3,727

As of 09/30/15

	Studio	1 BR	2 BR	3 BR
Haight Ashbury/Western Addition	\$ 4.19	\$ 3.53	\$ 4.00	\$ 3.60
San Francisco	\$ 3.56	\$ 3.32	\$ 2.96	\$ 2.72

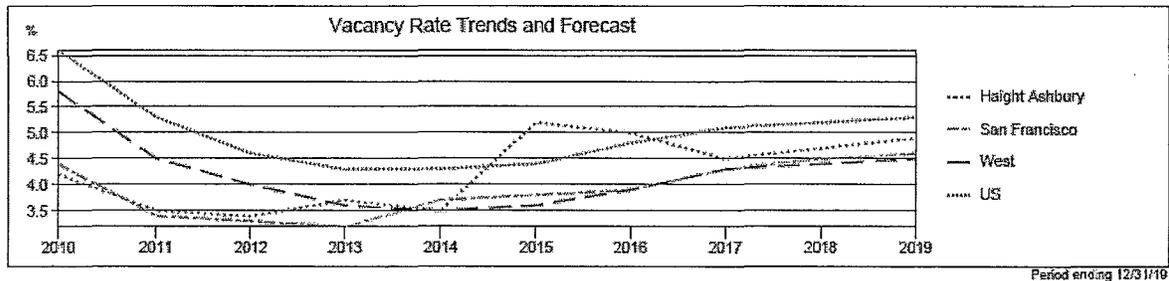
As of 09/30/15

The Haight Ashbury submarket has generally higher rents than the overall San Francisco Metro when analyzed on a per month basis and per square foot basis.

Vacancy Comparisons

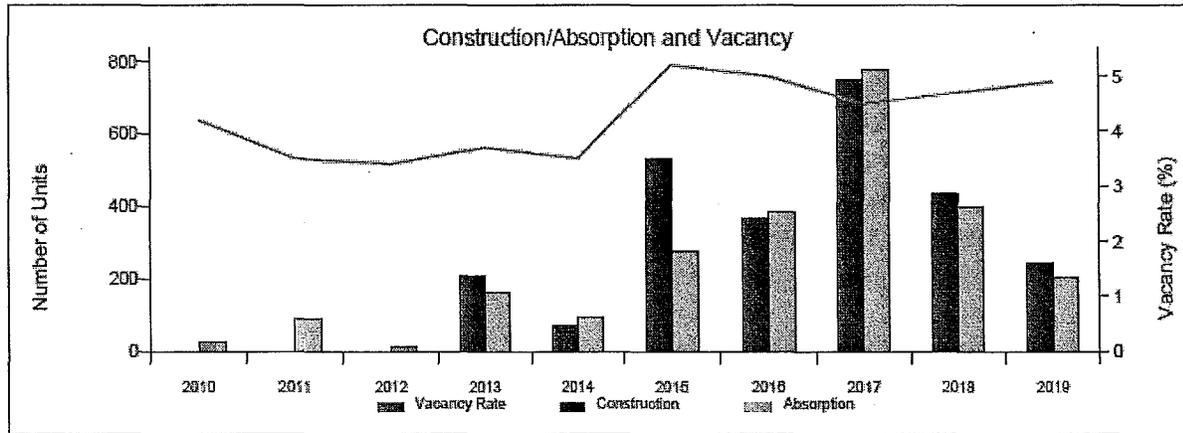
	Vacancy Rates						
	Quarterly			Annualized			
	3Q15	2Q15	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Haight Ashbury	5.5%	4.9%	4.6%	3.6%	3.5%	3.8%	4.8%
San Francisco	3.9%	3.6%	3.7%	3.4%	3.4%	3.8%	4.2%
West	3.6%	3.5%	3.5%	3.6%	3.9%	4.7%	4.2%
United States	4.3%	4.2%	4.2%	4.3%	4.6%	5.5%	5.0%
Period Ending:	09/30/15	06/30/15	09/30/15	12/31/14	12/31/14	12/31/14	12/31/19

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		3Q15	2Q15	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
San Francisco	11	10	9	9	7	7	7	10
West	240	203	192	181	140	112	71	174
United States	835	613	558	525	352	260	172	488



As noted in the chart above, the Q3 2015 average vacancy in the Haight Ashbury Submarket was estimated at 5.5%, which is slightly higher than the San Francisco Metro Area average of 3.9% and the Western Region average of 3.6%. Within the subject's submarket, an average vacancy rate of 4.8% is projected over the next five years.

Construction and Absorption



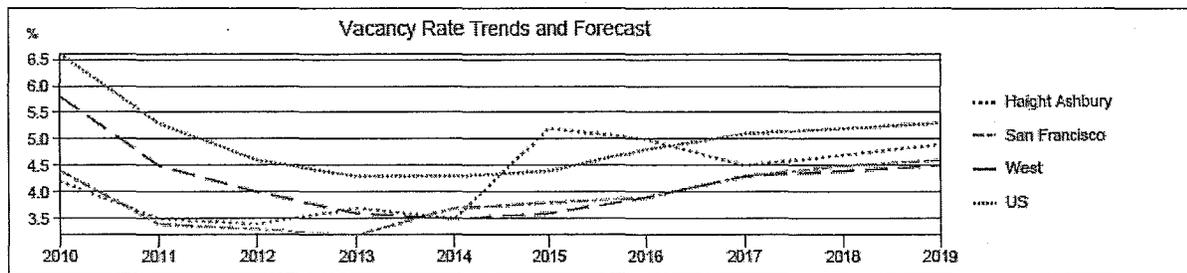
Period ending 12/31/19

According to REIS, there were 617 units of new construction during the Q3 2015 within the San Francisco Metro. REIS forecasts 3,295 additional units of new construction over the next five years. Absorption and occupancy are forecasted to keep pace with new construction.

Please note that the majority of new construction projects are of superior appeal and design (high-rise complexes) located within the downtown core. Overall, new construction is not anticipated to have a negative effect on the subject's occupancy and rent levels.

General Vacancy Conclusion

As summarized in the chart below this market analysis relied on various published data sources and field research for assessing how supply/demand conditions influence the long term vacancy estimate of the subject property at market rate.



Period ending 12/31/19

Given the subject's size, condition, and location, we have concluded a general vacancy rate of 5.0%. Credit loss is not applicable given the subject's location and immediate market conditions. None of the surveyed properties in the subject's market are currently offering free or reduced rent concessions. The subject property is not currently offering concessions, nor has it offered concessions historically. Based on the preceding, we have not included an additional concession factor within our vacancy conclusion.

Rent Control

The city of San Francisco is regulated by rent control ordinance; however, buildings constructed after June 1979 are not subject to rent control. It is noted that the subject property is under rent control restrictions which restrict rent increases on existing tenants. Over the past year, the annual allowable increase amount was 1.9%. Effective March 1, 2015 through February 28, 2016, the annual allowable increase amount is 1.0%. Under rent control, landlords get an annual rent increase which can be imposed on tenants without the landlord having to petition the Rent Board. The landlord must give 30-day notice (or 60 days if this increase, as well as any other increases, in the past 12 months results in a rent increase of more than 10%). Landlords can "bank" these increases, that is, not impose an increase in one year but then impose that "banked" rent increase in a later year.

SUMMARY OF APARTMENT MARKET ANALYSIS

Overall, based on interviews with planners and brokers, and Colliers International Valuation & Advisory Services market survey, there is sufficient demand for the land and improvements. The depth of demand for the subject property is anticipated to be sufficient based on continuing economic and population growth in the subject's area. Rent levels are anticipated to remain stable and/or increase. Demand is expected to remain strong in the subject's immediate market area based upon the immediate location and overall Bay Area location.

BROKER / MARKET PARTICIPANT INTERVIEWS

Interviews with brokers and other market participants were conducted to put previously discussed trends and data into better context of what is really occurring in the marketplace.

SALES PERSPECTIVE INTERVIEW	
Name	Matt Kroger
Company	CBRE
Location	San Francisco, CA
Survey Property Profile	Multi-Family Land

According to Matt Kroger, sale transactions have been steady over the past six months for the subject property type, with most activity being seen from local buyers. The market participant reported that quality investment opportunities are currently in greatest demand. This property type is considered to have somewhat limited availability, with few listings offered within the marketplace. Based on these factors, conditions favor sellers in regard to negotiating sale terms. Marketing periods are ranging from 2 to 12 months, with an average approximately 6 months. Pricing for this property type generally falls within a moderate range from \$250 to \$500 per square foot. Finally, the most typical sales commission for this property type is 6% of the sale price.

TRANSACTION TRENDS

In the open market, the subject property type would command most interest from local buyers that are actively pursuing similar quality investment properties. There is currently steady buyer demand for substitute properties of the subject based on the volume of sale transactions and reports by buyer and sellers during confirmation of market transactions.

Based on the preceding analysis, there is an established sales market for the subject property. As previously discussed, the velocity of sale transactions has been steady over the past six months. Currently there is steady buyer demand, while there is somewhat limited availability for this property type on the supply side. Based on these factors, conditions favor sellers in regard to negotiating sale terms.

SUBJECT PROPERTY ANALYSIS

Based on my analysis of the subject property and investigation of substitute properties in the marketplace, the subject is considered to have Good overall buyer appeal with an Above Average competitive position if the asset was exposed to the open market.

EXPOSURE TIME

Exposure time is best established based the recent history of comparable sales, discussions with market participants and information from published surveys. The following table summarizes the information that was taken into consideration to develop an estimate of exposure time for the subject property:

John Antonini, a regional sales broker at Colliers International who specializes in multifamily assets similar to the subject stated that exposure times are typically two months or less if marketed and priced accordingly.

Clinton Textor, a local broker at Marcus & Millichap who deals with multifamily assets similar to the subject property stated that a reasonable exposure time would be one month or less.

Michael Klestoff, a local broker at West & Praszker stated that a reasonable exposure time for assets similar to the subject would be from one to three months.

The preceding information generally supports an exposure time range from zero to 12 months for assets such as the subject. The availability of acquisition financing also factors into exposure time. My review of the local capital market indicates that adequate financing options would have been available to consummate a sale of the subject on the date of value.

Exposure Time Conclusion

Six Months or Less

Marketing Period

Six Months or Less

INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant.

AS-VACANT ANALYSIS**Legal Factors**

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Permitted uses of the subject's Residential Mixed Medium Density (RM) zoning were listed in the Zoning Analysis section. The subject has deed restrictions that restrict the subject's use to affordable multifamily housing. The potential use that meets the requirements of the legal permissibility test is therefore affordable multifamily residential development. Overall, legal factors support affordable multi-family apartment uses for the subject site.

Physical & Locational Factors

Regarding physical characteristics, the subject site is I-shaped in shape and has level topography with average/good access and average/good exposure. The subject is surrounded by residential and commercial uses, as well as undeveloped land and a nature reserve. Given the subject's location and surrounding uses, the subject site is desirable for residential development. Although a mixed-use area, residential is the predominant land use with various retail and commercial uses along primary arterials. Of the outright permitted uses, physical and locational features best support affordable multi-family use (as stipulated by the subject's regulatory agreements) for the site's highest and best use as-vacant.

Feasibility Factors

The financial feasibility of those uses that meet the legal and physical tests discussed is analyzed further in this section. Supply and demand conditions affect the financial feasibility of possible uses. Indicators of feasibility, which typically indicate favorable or non-favorable supply and demand conditions, include construction financing and proposed projects. Financial feasibility factors generally support immediate development of the subject site.

As-Vacant Conclusion

Based on the previous discussion, the subject's highest and best use as-vacant is concluded to be affordable multi-family use.

As-Improved Analysis

The subject's affordable multi-family apartment use (as-improved) is a conforming use by the RM zoning. The legal factors influencing the highest and best use of the subject property support the existing use. The subject's improvements were constructed in 1977 and have a remaining economic life of 30 years based on my estimate. The project is of average/good quality construction and in average/good condition, with adequate service amenities. Legal, physical, locational and marketability factors support the existing use as the highest and best use of the subject site.

In addition to legal, physical and locational considerations, analysis of the subject property as-improved requires the treatment of alternative uses for the property. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's use "as-improved". Among the five alternative uses, continued use as affordable multi-family apartments is the Highest and Best Use of the subject property as-improved.

INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The As-Is Market Value of the subject's fee simple interest is estimated using the Sales Comparison Approach, which is recognized as the standard appraisal technique for commercial land. The Cost and Income Capitalization Approaches are not applicable when valuing unimproved commercial land and are therefore excluded. Their exclusion is not detrimental to the reliability or credibility of the final value conclusion.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

LAND VALUATION

As previously discussed within the Valuation Methods section, the subject is valued as one marketable economic site in this appraisal. Land value is influenced by a number of factors; most prominent of which is development and use potential. These factors, as well as others, are considered in the following analysis.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot. This indicator best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning in this marketplace.

COMPARABLE SELECTION

A thorough search was made for similar land sales in terms of proximity to the subject, size, location, development potential, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of commercial sites that are similar to the subject property in terms of location and physical characteristics. Overall, the sales selected represent the best comparables available for this analysis.

ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.
Financing Terms	The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.
Expenditures After Purchase	Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-existing structures, general site clearing and/or mitigation of environmental issues.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on my research, the following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year	As Of	December 2015	(As-Is) 6%

Based on research and interpretation of value trends, a flat market conditions adjustment has been applied in this analysis. The analysis applies an upward market conditions adjustment of 6% annually reflecting the conditions between the oldest comparable sale date up through the effective valuation date.

Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, shape, access, exposure, topography, zoning and overall utility. Where possible the adjustments applied are

LAND VALUATION

CONTINUED

CV150253

based on paired data or other statistical analysis. For example, location adjustments are based primarily on review of land values in the market areas for the comparables relative to the subject. It should be stressed that the adjustments are subjective in nature and are meant to illustrate my logic in deriving a value opinion for the subject site.

LAND VALUATION PRESENTATION

The following Land Sales Summation Table, Location Map and datasheets summarize the sales data used in this analysis. Following these items, the comparable land sales are adjusted for applicable elements of comparison and the opinion of site value is concluded.

LAND SALES SUMMATION TABLE							
COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
Name	Multi-Family	MF Land	A Residential Site	MF Land	A Residential	A Residential	A multifamily site
Address	1555 Turk Street	953 Treat Ave	1298 Howard	Folsom St-	350 8th Street	801 Brannan	800 Indiana
City	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco
State	CA	CA	CA	CA	CA	CA	CA
Zip	94115	94110	94103	94105	94103	94103	94107
County	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco
APN	0754-028	3639-028	3728-019, 024,	3738-004	3756-003, 015	3783-001	4105-009
PHYSICAL INFORMATION							
SF	64,046	4,792	38,111	79,279	144,123	226,874	116,455
Location	Good	Good	Good	Excellent	Good/Excellent	Good	Average
Exposure	Average/Good	Average/Good	Average/Good	Good	Average/Good	Average	Average/Good
Access	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good
Shape	L-Shaped	Irregular	Rectangular	Rectangular	Rectangular	Rectangular	Irregular
Site Utility Rating	Average/Good	Average	Average	Average	Average	Average	Average
Zoning	RM	UMU	RCD/MUG/W	P	WMUG	UMU	UMU
Corner	No	No	Yes	Yes	Yes	Yes	No
Topography	Level	Level	Level	Level	Level	Level	Level
Easements	Standard	Standard	Standard	Standard	Standard	Standard	None
SALE INFORMATION							
Date		3/26/2015	11/15/2013	10/10/2013	5/28/2013	2/26/2013	4/22/2015
Status		Recorded	Recorded	Recorded	Recorded	Recorded	In Contract
Rights Transferred		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price		\$1,900,000	\$11,200,000	\$30,571,100	\$44,000,000	\$40,130,000	\$26,000,000
Analysis Price		\$1,900,000	\$11,200,000	\$30,571,100	\$44,130,000	\$41,380,000	\$26,000,000
\$/SF Land		\$396.49	\$293.88	\$385.61	\$306.20	\$182.39	\$223.26

LAND VALUATION

CONTINUED

CV150253

LAND SALES LOCATION MAP



Data CSUMB SFML, CA OPC, DigitalGlobe, Landsat, U.S. Geological Survey, USDA Farm Service Agency

COMPARABLE KEY

COMP	DISTANCE	ADDRESS	SALE DATE	ACRES	SF	\$/SF
SUBJECT	-	1555 Turk Street, San Francisco, CA	-	1.5	64,046	\$330.00
No. 1	2.1 Miles	953 Treat Ave, San Francisco, CA	3/26/2015	0.1	4,792	\$396.49
No. 2	1.2 Miles	1298 Howard Street, San Francisco, CA	11/15/2013	0.9	38,111	\$293.88
No. 3	2.2 Miles	Folsom St-Transbay Block 6, San Francisco, CA	10/10/2013	1.8	79,279	\$385.61
No. 4	1.5 Miles	350 8th Street, San Francisco, CA	5/28/2013	3.3	144,123	\$306.20
No. 5	1.8 Miles	801 Brannan Street, San Francisco, CA	2/26/2013	5.2	226,874	\$182.39
No. 6	2.7 Miles	800 Indiana Street, San Francisco, CA	4/22/2015	2.7	116,455	\$223.26

LAND VALUATION

CONTINUED

CV150253

COMPARABLE 1

LOCATION INFORMATION

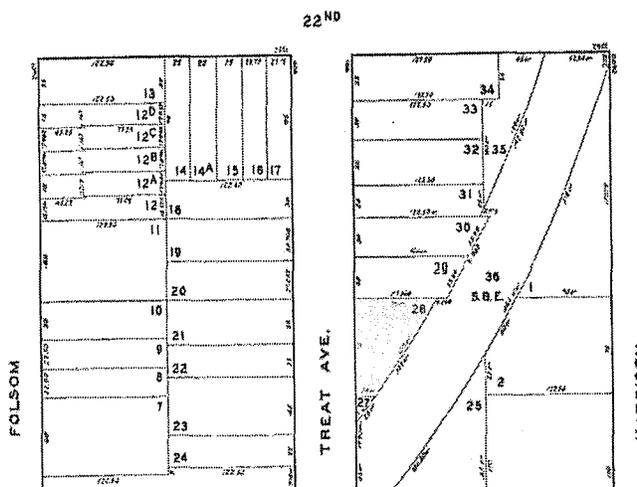
Name MF Land
 Address 953 Treat Ave
 City, State, Zip Code San Francisco, CA, 94110
 County San Francisco
 MSA San Francisco-Oakland-San Jose, CA CMS
 APN 3639-028

SALE INFORMATION

Buyer 953 Treat Avenue Lp
 Seller James W & Barbara G Heinzer
 Transaction Date 03/26/2015
 Transaction Status Recorded
 Transaction Price \$1,900,000
 Analysis Price \$1,900,000
 Recording Number 38839
 Rights Transferred Fee Simple
 Down Payment \$570,000
 Financing \$1.9M conv
 Conditions of Sale None
 Marketing Time 56 Day(s)

PHYSICAL INFORMATION

Allowed Use Multi-residential
 Location Good
 Site Size Acres SF
 Net 0.11 4,792
 Gross 0.11 4,792
 Zoning UMU
 Development Potential 16 Units
 Density 145.45 Units/Net Acre
 Shape Irregular
 Topography Level
 Access Average/Good
 Exposure Average/Good
 Corner No
 Easements Standard
 Environmental Issues None Noted
 Utilities All



MF LAND

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$17,272,727	\$396.49
Net	\$17,272,727	\$396.49

CONFIRMATION

Name Louis Cornejo
 Company Urban Group Real Estate
 Source CoStar
 Date 12/24/2015

REMARKS

The subject property was \$1.9 million on 3/26/2015. This consists of 2 parcels of land approximately .11-acre. The property is zoned for UMU- Urban Mixed Use that can accommodate 9-16 residential condo's. There is a existing structure on the property and project may commence sometime next year. Escrow length was approximately 30 days.

LAND VALUATION

CONTINUED

CV150253

COMPARABLE 2

LOCATION INFORMATION

Name A Residential Site
 Address 1298 Howard Street
 City, State, Zip Code San Francisco, CA, 94103
 County San Francisco
 MSA San Francisco-Oakland-San Jose, CA CMS
 APN 3728-019, 024, 025, 086, 087

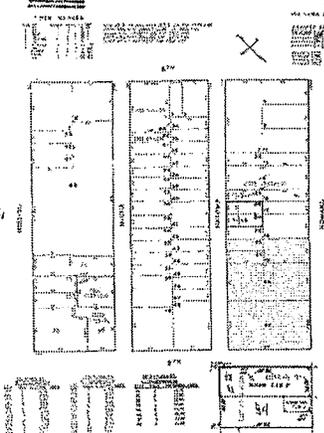
SALE INFORMATION

Buyer Worldco Company, LTD
 Seller Werbe TR Properties Inc.
 Transaction Date 11/15/2013
 Transaction Status Recorded
 Transaction Price \$11,200,000
 Analysis Price \$11,200,000
 Rights Transferred Leased Fee
 Down Payment \$11,200,000
 Financing All Cash
 Conditions of Sale None

PHYSICAL INFORMATION

Allowed Use Multi-residential
 Intended Use Land - Multi-Family
 Location Good
 Site Size Acres SF
 Net 0.87 38,111
 Gross 0.87 38,111
 Zoning RCD/MUG/W
 Development Potential 130 Units
 Density 149.43 Units/Net Acre
 Shape Rectangular
 Topography Level
 Access Average/Good
 Exposure Average/Good
 Corner Yes
 Easements Standard
 Environmental Issues Site Assumed Clean
 Utilities All

ASSESSOR-RECLIPER'S OFFICE 010
 3728



A RESIDENTIAL SITE

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$12,873,563	\$293.88
Net	\$12,873,563	\$293.88

CONFIRMATION

Name Alvin Chan
 Company Worldco Company Ltd
 Source Buyer
 Date 02/13/2014

REMARKS

This is the sale of land that could be redeveloped into a multifamily complex with up to 130 units. According to the buyer representative and confirmed by the city of San Francisco, the site is not currently entitled, but is currently improved as a Chevron service station with a lease that runs for another five years. According to the buyer representative, the property was not marketed; it was a pocket listing. The buyer ultimately intended to redevelop the site; the interim income was deemed to be beneficial whilst obtaining the necessary permits for redevelopment. The buyer representative indicated that the purchase price was inclusive of this interim income benefit (estimated annual net income was 3% of the overall purchase price). No unusual terms were noted.

LAND VALUATION

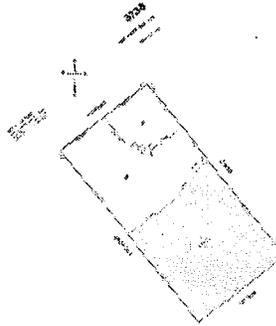
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CV150253

COMPARABLE 3

LOCATION INFORMATION

Name MF Land
 Address Folsom St-Transbay Block 6
 City, State, Zip Code San Francisco, CA, 94105
 County San Francisco
 MSA San Francisco-Oakland-San Jose, CA CMS
 APN 3738-004



SALE INFORMATION

Buyer Bentall Kennedy
 Seller Transbay Joint Powers Authority
 TransactionDate 10/10/2013
 Transaction Status Recorded
 Transaction Price \$30,571,100
 Analysis Price \$30,571,100
 Recording Number J768-0905
 Rights Transferred Fee Simple
 Down Payment \$30,000,000

PHYSICAL INFORMATION

Allowed Use Multi-residential
 Location Excellent
 Site Size Acres SF
 Net 1.82 79,279
 Gross 1.82 79,279
 Zoning P
 Development Potential 545 Units
 Density 299.45 Units/Net Acre
 Shape Rectangular
 Topography Level
 Access Average/Good
 Exposure Good
 Corner Yes
 Easements Standard
 Environmental Issues None Noted
 Utilities All

MF LAND

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$16,797,308	\$385.61
Net	\$16,797,308	\$385.61

CONFIRMATION

Name No broker involved
 Company
 Source CoStar
 Date 12/24/2015

REMARKS

On the 10th of October 2013, the 1.82 acre site known as Transbay Block 6 was sold for \$30.571 million, or about \$16.8 million per acre. Block 6 is entitled for a 545-unit, 300-foot apartment tower on the corner of Folsom, Beale, and Fremont Streets. The apartment building can be found by searching CoStar for PID: 9241431. This was a direct deal between the city and Bentall Kennedy. Information from this comp has been confirmed.

LAND VALUATION

CONTINUED

CV150253

COMPARABLE 4

LOCATION INFORMATION

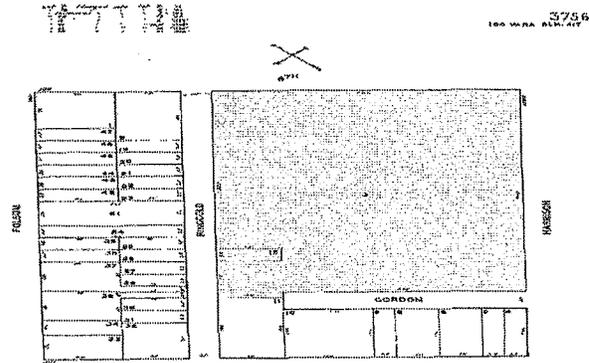
Name A Residential Land Site
 Address 350 8th Street
 City, State, Zip Code San Francisco, CA, 94103
 County San Francisco
 MSA San Francisco-Oakland-San Jose, CA CMS
 APN 3756-003, 015

SALE INFORMATION

Buyer AERC 8th and Harrison, LLC
 Seller Werbe RT Properties Inc.
 TransactionDate 05/28/2013
 Transaction Status Recorded
 Transaction Price \$44,000,000
 Analysis Price \$44,130,000
 Recording Number 669060
 Rights Transferred Fee Simple
 Down Payment \$44,000,000
 Financing All Cash
 Conditions of Sale None

PHYSICAL INFORMATION

Allowed Use Multi-residential
 Intended Use Land - Multi-Family
 Location Good/Excellent
 Site Size Acres SF
 Net 3.31 144,123
 Gross 3.31 144,123
 Zoning WMUG
 Development Potential 410 Units
 Density 123.87 Units/Net Acre
 Shape Rectangular
 Topography Level
 Access Average/Good
 Exposure Average/Good
 Corner Yes
 Easements Standard
 Environmental Issues Site Assumed Clean
 Utilities All



A RESIDENTIAL LAND SITE

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$13,332,326	\$306.20
Net	\$13,332,326	\$306.20

CONFIRMATION

Name Jeffrey Friedman
 Company Associated Estates Realty
 Source Buyer's Representative
 Date Confidential

REMARKS

This is the sale of a residential redevelopment site. According to the city of San Francisco planning documents, the site has been entitled for an eight building mixed-use development consisting of 410 residential units, 22,280 SF of retail/commercial space, 10,600 SF of arts activity/PDR space, 9,400 SF of office space, and underground parking. No value was considered for the existing improvements and we have considered a \$5/SF demolition cost for said improvements (26,000 SF). No unusual terms or conditions were noted.

LAND VALUATION

CONTINUED

CV150253

COMPARABLE 5

LOCATION INFORMATION

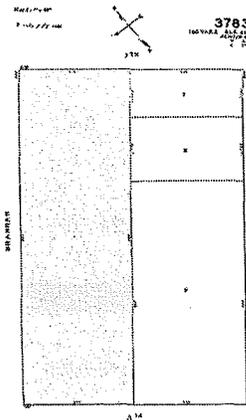
Name A Residential Land Site
 Address 801 Brannan Street
 City, State, Zip Code San Francisco, CA, 94103
 County San Francisco
 MSA San Francisco-Oakland-San Jose, CA CMS
 APN 3783-001

SALE INFORMATION

Buyer Archstone Concourse LLC
 Seller BW Brannan St, LLC
 TransactionDate 02/26/2013
 Transaction Status Recorded
 Transaction Price \$40,130,000
 Analysis Price \$41,380,000
 Recording Number 608470
 Rights Transferred Fee Simple
 Down Payment \$40,130,000
 Financing All Cash
 Conditions of Sale None

PHYSICAL INFORMATION

Allowed Use Multi-residential
 Intended Use Land - Multi-Family
 Location Good
 Site Size Acres SF
 Net 5.21 226,874
 Gross 5.21 226,874
 Zoning UMU
 Development Potential 432 Units
 Density 82.92 Units/Net Acre
 Shape Rectangular
 Topography Level
 Access Average/Good
 Exposure Average
 Corner Yes
 Easements Standard
 Environmental Issues Site Assumed Clean
 Utilities All



A RESIDENTIAL LAND SITE

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$7,942,418	\$182.39
Net	\$7,942,418	\$182.39

CONFIRMATION

Name CBRE
 Company
 Source Appraiser
 Date 02/13/2014

REMARKS

This is the sale of a residential development site improved with an industrial building at the time of sale (exhibition center). The site transferred with entitlements for the construction of a six-story, 68-foot buildings of up to 432 dwelling units, approximately 19,650 SF of ground floor retail, and up to 422 parking spaces. A demo cost at \$10/SF was estimated to account for the existing building (125,000 SF). Archstone will not begin construction until 2014. This site was sold with 55 Division which is located across the street. It was noted that this site sold for less than the 55 Division site due to the proposed low-income housing units at 801 Brannan. No unusual terms or conditions were noted.

LAND VALUATION

CONTINUED

CV150253

COMPARABLE 6

LOCATION INFORMATION

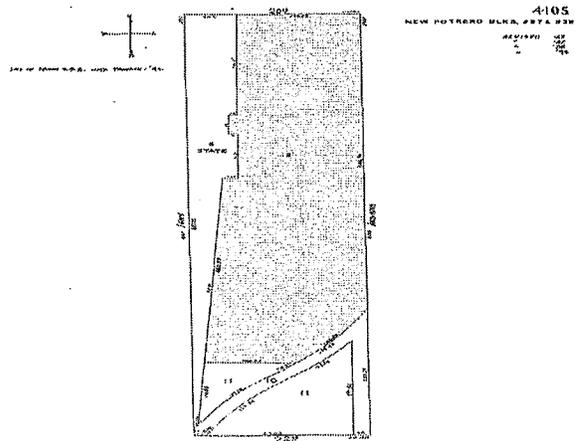
Name A multifamily site
 Address 800 Indiana Street
 City, State, Zip Code San Francisco, CA, 94107
 County San Francisco
 MSA San Francisco-Oakland-San Jose, CA CMS
 APN 4105-009

SALE INFORMATION

Buyer Archstone
 Seller San Francisco Opera Association
 Transaction Date 04/22/2015
 Transaction Status In Contract
 Transaction Price \$26,000,000
 Analysis Price \$26,000,000
 Rights Transferred Fee Simple
 Financing Conventional
 Conditions of Sale None

PHYSICAL INFORMATION

Allowed Use Multi-residential
 Intended Use Multi-residential - Apartments
 Location Average
 Site Size Acres SF
 Net 2.67 116,455
 Gross 2.67 116,455
 Zoning UMU
 Development Potential 326 Units
 Density 122.10 Units/Net Acre
 Shape Irregular
 Topography Level
 Access Average/Good
 Exposure Average/Good
 Corner No
 Easements None
 Environmental Issues None Noted
 Utilities All



A MULTIFAMILY SITE

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$9,737,828	\$223.26
Net	\$9,737,828	\$223.26

CONFIRMATION

Name Darren Kuiper
 Company Colliers International
 Source Confidential
 Date Confidential

REMARKS

According to sources familiar to the property, the property is currently in contract with Archstone to purchase an improved site from the San Francisco Opera for approximately \$26 MM. Archstone is proposed to replace the single-story metal-sided warehouse with a two-building, 326 unit multifamily project. Archstone is currently working on obtaining the proper permits to redevelop. No unusual terms or conditions were noted.

LAND VALUATION

CONTINUED

CV150253

LAND SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
Name	Multi-Family	MF Land	A Residential Site	MF Land	A Residential	A Residential	A multifamily site
Address	1555 Turk Street	953 Treat Ave	1298 Howard	Folsom St-	350 8th Street	801 Brannan	800 Indiana
APN	0754-028	3639-028	3728-019, 024, 02	3738-004	3756-003, 015	3783-001	4105-009
SF	64,046	4,792	38,111	79,279	144,123	226,874	116,455
Location	Good	Good	Good	Excellent	Good/Excellent	Good	Average
Exposure	Average/Good	Average/Good	Average/Good	Good	Average/Good	Average	Average/Good
Access	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good
Shape	L-Shaped	Irregular	Rectangular	Rectangular	Rectangular	Rectangular	Irregular
Site Utility Rating	Average/Good	Average	Average	Average	Average	Average	Average
SALE INFORMATION							
Date		3/26/2015	11/15/2013	10/10/2013	5/28/2013	2/26/2013	4/22/2015
Status		Recorded	Recorded	Recorded	Recorded	Recorded	In Contract
Rights Transferred		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price		\$1,900,000	\$11,200,000	\$30,571,100	\$44,130,000	\$41,380,000	\$26,000,000
Price/SF		\$396.49	\$293.88	\$385.61	\$306.20	\$182.39	\$223.26
TRANSACTIONAL ADJUSTMENTS							
Property Rights		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	-5%
Financing		0%	0%	0%	0%	0%	0%
Market Conditions¹		5%	13%	14%	16%	18%	4%
Subtotal Transactional Adj Price		\$416.31	\$332.08	\$439.60	\$355.19	\$215.22	\$220.58
PROPERTY ADJUSTMENTS							
Location		0%	0%	-10%	-5%	0%	10%
Size		-10%	-5%	5%	10%	25%	10%
Exposure		0%	0%	-10%	0%	10%	0%
Access		0%	0%	0%	0%	0%	0%
Shape		0%	0%	0%	0%	0%	0%
Density		0%	0%	-5%	0%	5%	0%
Subtotal Property Adjustment		-10%	-5%	-20%	5%	40%	20%
TOTAL ADJUSTED PRICE		\$374.68	\$315.48	\$351.68	\$372.95	\$301.31	\$264.70
STATISTICS	UNADJUSTED	ADJUSTED					
LOW	\$182.39	\$264.70					
HIGH	\$396.49	\$374.68					
MEDIAN	\$300.04	\$333.58					
AVERAGE	\$297.97	\$330.13					

¹ Market Conditions Adjustment: 6%

Date of Value (for adjustment calculations): 12/29/15

CALCULATION OF VALUE

The comparable land sales indicate an adjusted value range from \$264.70 to \$374.68/SF, with a median of \$333.58/SF and an average of \$330.13/SF. Based on the results of the preceding analysis, Comparable 1 (\$374.68/SF adjusted), Comparable 2 (\$315.48/SF adjusted), Comparable 3 (\$351.68/SF adjusted), Comparable 4 (\$372.95/SF adjusted), Comparable 5 (\$301.31/SF adjusted) and Comparable 6 (\$264.70/SF adjusted) are given primary consideration for the subject's opinion of land value. With equal emphasis on each of the subject comparables I conclude near the middle of the range at \$330/SF as indicated in the table below.

Based on the results of the preceding analysis, all comparables are given primary consideration for the sale price per square foot conclusion as each comparable required similar types and amounts of adjustment therefore, all of the adjusted comparables are considered primary indicators. With similar emphasis on each comparable, we conclude near the middle of the comparable range at \$330/SF.

The following table summarizes the analysis of the comparables, reports the reconciled price per square foot value conclusion, and presents the concluded value of the subject site.

CALCULATION OF LAND VALUE								
COMP	ANALYSIS	ADJUSTMENT				NET	GROSS	OVERALL
	PRICE	TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²	FINAL	ADJ %	ADJ %	COMPARISON
1	\$396.49	5%	\$416.31	-10%	\$374.68	-6%	15%	PRIMARY
2	\$293.88	13%	\$332.08	-5%	\$315.48	7%	18%	PRIMARY
3	\$385.61	14%	\$439.60	-20%	\$351.68	-9%	44%	PRIMARY
4	\$306.20	16%	\$355.19	5%	\$372.95	22%	31%	PRIMARY
5	\$182.39	18%	\$215.22	40%	\$301.31	65%	58%	PRIMARY
6	\$223.26	-1%	\$220.58	20%	\$264.70	19%	29%	PRIMARY
LOW	\$264.70					AVERAGE		\$330.13
HIGH	\$374.68					MEDIAN		\$333.58
COMPONENT		SUBJECT SF		\$/SF CONCLUSION			VALUE	
TOTAL PROPERTY		64,046	x	\$330.00	=	\$21,140,000		

¹Cumulative ²Additive

Rounded to nearest \$10,000

ADJUSTMENTS TO LAND VALUE

To reflect conditions in effect at the subject property as the date of value, adjustments to preceding land value were necessary for a one-time discounted land value adjustment due to the affordable multi-family use deed restrictions. The following discussion summarizes my support of the value adjustments.

Due to the long length of the lease (99 years) we conclude that the improvements will have no reversionary value, therefore, the value of the ground lease is tantamount to a fee simple value of the land as if vacant.

One Time Adjustment

Due to the restricted rents for affordable multi-family use, and the fact that the deeded restriction runs with the land if sold, we found it necessary to apply a discount to the market value. We derived the discount by examining market rents versus restricted rents in the San Francisco market area.

We found six rentals of studio apartments showing market rents as well as restricted rents and derived the discount for each. The discounted rents ranged from 46% to 86% and the average discount for all comparables was 66%; however, the subject will be restricted to 60% of Area Median Income (AMI) which indicates a current rounded studio rent of \$1,220/month (assuming a \$75 utility allowance). Relative to market rent, the approved restricted rent for the subject indicates a discount of 55%). Based on this analysis, I conclude a 55% discount off of the unencumbered market value of the land as indicated in the table below:

RENT DISCOUNTS

Address	# Units	Avg Unit SF	Yr Blt	Unit Type	Market Rents	Restricted Rents	% Discount
737 Post St, San Francisco, CA	137	326	1989	Studio	\$2,547	\$1,368	46%
737 Post St, San Francisco, CA	10	400	1989	Studio	\$2,712	\$1,386	49%
2235 Third St, San Francisco, CA	33	406	2012	Studio	\$2,845	\$546	81%
21 Clarence Pl, San Francisco, CA	12	353	2012	Studio	\$2,706	\$372	86%
150 Van Ness Ave, San Francisco, CA	24	441	2016	Studio	\$3,000	\$941	69%
1600 15th St, San Francisco, CA	28	518	2013	Studio	\$2,500	\$939	62%
Averages		407			\$2,718	\$925	
60% AMI Rent						\$1,222	
Concluded						\$1,220	
						Discount	-55%
Market Value of the Land					\$21,140,000		
Less the Discount due to Deed Restrictions					-55%		
Restricted Value of the Land					\$9,487,725		\$9,500,000

LAND VALUE CONCLUSION

The Sales Comparison Approach was utilized for valuation of the subject site, as it best reflects the decision-making of buyers and sellers of affordable multi-family land in the local marketplace. The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's leased fee interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

The subject property's land value is impacted by the affordable housing multi-family use deed restriction. Therefore we discounted the market value of the land in order to reflect the restricted land value.

My opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

ANALYSIS OF VALUE CONCLUSIONS

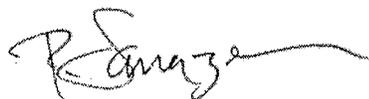
VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	LEASED FEE
DATE OF VALUE	DECEMBER 29, 2015
FINAL VALUE CONCLUSION (As Restricted)	\$9,500,000
\$/SF	\$148/SF
Exposure Time	Six Months or Less
Marketing Period	Six Months or Less

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions of the signer are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signer of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- Phil Sarazen has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The signer is not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- Phil Sarazen did not inspect the property that is the subject of this report.
- No one provided significant real property appraisal assistance to appraiser signing this certification.

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

As of the date of this report Phil Sarazen has completed the Standards and Ethics Education Requirement for (Candidates) of the Appraisal Institute.



Phil Sarazen
Senior Valuation Specialist
Certified General Real Estate Appraiser
State of California License #AG003244
+1 559 256 0156
phil.sarazen@colliers.com

March 17, 2016
Date

This appraisal is subject to the following assumptions and limiting conditions:

- The appraiser may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The appraiser may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraiser which is not specifically disclosed in this report.
- Without the written consent or approval of the author neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraiser and the firm with which the appraiser is connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the author no portion of the report stands alone.
- The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraiser is not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or

ASSUMPTIONS & LIMITING CONDITIONS

CONTINUED

CV150253

personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- The appraiser assumes no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

Engagement Letter
Valuation Glossary
Qualifications of Appraiser
Qualifications of Colliers International Valuation & Advisory Services

PROFESSIONAL SERVICE AGREEMENT

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

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WEB www.colliers.com/valuationadvisory



December 1, 2015

John E. Larson
Senior Valuation Services Director
Dir +1 559 221 7391
john.larson@colliers.com

Al Reynolds, Agent
Laurel Gardens of Bethel AME Church, Inc.
c/o Alton Management Corporation
2934 Telegraph Avenue
Oakland, CA 94609
510.663.0177

RE: Appraisal of Laurel Gardens Apartments

Dear Mr. Reynolds:

Thank you for considering Colliers International Valuation & Advisory Services, LLC for the assignments identified in the attached Professional Service Agreement. Please sign one copy of the agreement and return it to me, thereby indicating your authorization for us to proceed with this assignment and your acceptance of the attached Terms and Conditions.

PROFESSIONAL SERVICE AGREEMENT	
("Agreement")	
Project:	Laurel Garden Apartments ("Property")
Location:	1555 Turk Street San Francisco CA
Project Description:	52-Unit Apartment Complex,
Parties:	Colliers International Valuation & Advisory Services, LLC ("CIVAS") and Laurel Gardens of Bethel AME Church, Inc. (herein at times referred to as "Client")
Intended User:	The appraisal will be prepared for Laurel Gardens of Bethel AME Church, Inc. Intended users include the Client, Laurel Gardens of Bethel AME Church, L.P, and Fannie Mae. No other users are intended. It should be noted that if this engagement is directly with the owner of the Property, typically the Appraisal may not be accepted by many federally insured lenders due to FIRREA Compliance, limiting the use of this report for many potential lenders. Should this potentially impact your source of lenders, we recommend engagement be directed by a Federally Insured Lender.
Intended Use:	The report to be performed under this Agreement ("Appraisal") is intended only for use in financing purposes. The report is not intended for any other use.
Purpose:	Lease Fee of the Land (Ground Lease)
Type of Appraisal:	CIVAS will produce an Appraisal Report in which the appraiser's analysis and conclusions will be fully described within this document.
Rights Appraised:	Leasehold (Land)
Date of Value:	Date of report.

PROFESSIONAL SERVICE AGREEMENT

CONTINUED

Scope of Work:	<p>CIVAS and/or its designated affiliate will provide the Appraisal in accordance with USPAP, and the Code of Ethics and Certifications Standards of the Appraisal Institute and State Licensing Laws. CIVAS will inspect the property, research relevant market data, and perform analysis to the extent necessary to produce credible appraisal results. Based on our discussions with the Client, the Client has requested the following valuation scenarios: Ground Lease – As Is Market Value of Leased Fee. CIVAS anticipates developing the following valuation approaches:</p> <ul style="list-style-type: none"> ➤ All applicable approaches <p>Please note if it's a requirement per your underwriting or guidelines to have all approaches to value, although some approaches may be limited in application.</p> <p>The scope of work will be included in the Appraisal. A copy of the Assumptions and Limiting Conditions, which appear in the Appraisal, is available upon request.</p>
Delivery:	<p>Draft Appraisal: Delivered two (2) weeks from the date of authorization and receipt of property specific information.</p> <p>Final Appraisal: Delivered three (3) days after completion of client review and authorization to deliver final report(s).</p>
Professional Fee:	\$4,500. Additional reports will be provided at \$200.00 a copy.
Expenses:	Fees do not include all associated expenses; associated expenses will not exceed <u>N/A</u> and will be billed separately.
No. of Reports	One (1) Electronic Draft Appraisal, One (1) Electronic Final Appraisal and Two (2) printed Color Final Appraisal (at the request of Client)
Retainer:	50% retainer is required, due on engagement
Payment Terms:	CIVAS will invoice Client for the Appraisal in its entirety at the completion of the assignment. Final payment is due and payable within five (5) business days upon delivery of the electronic copy of the Final Appraisal or within thirty (30) days of your receipt of our Draft Appraisal, whichever is sooner. If a Draft Appraisal is requested, the fee is considered earned upon delivery of our Draft Appraisal.
Acceptance Date:	These specifications are subject to modification if this Agreement is not accepted within 2 business days from the date of this letter.

ITEMS NEEDED

- None Needed

In addition to the items requested above, please forward any additional materials you would consider relevant in the analysis of the subject property.

PROFESSIONAL SERVICE AGREEMENT

CONTINUED

Terms and Conditions

The attached Terms and Conditions and Specific Property Data Request are deemed a part of this Agreement as though set forth in full herein. The following is a list of information we will need to begin our analysis. Please forward with the Agreement or as soon as possible.

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. CIVAS is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by CIVAS or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that CIVAS will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CIVAS, by a party satisfactory to CIVAS. CIVAS does consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide CIVAS with an Indemnification Agreement and/or Non-Reliance letter.

CIVAS hereby expressly grants to Client the right to copy the Appraisal and distribute it to other parties in the transaction for which the Appraisal has been prepared, including employees of Client, other lenders in the transaction, and the borrower, if any.

Our ability to honor the terms of this Agreement will require Client's response within three (3) business days. If you have questions regarding the enclosed, please feel free to contact me. CIVAS appreciates this opportunity to be of service to you on this assignment and looks forward to serving you. If you have additional questions, please contact us.

I, Al Reynolds, Principal of Alton Management Corporation, as Agent for Laurel Gardens of Bethel AME Church, Inc., agree to the above stated terms and authorize Colliers International Valuation & Advisory Services, LLC to prepare the above referenced appraisal.

_____ Date: _____

Al Reynolds, Alton Management Corporation
Agent for Laurel Gardens of Bethel AME Church, Inc.

Respectfully,

Colliers International Valuation & Advisory Services, LLC



John E. Larson
Senior Valuation Services Director
Dir +1 559 221 7391
john.larson@colliers.com

PROFESSIONAL SERVICE AGREEMENT

CONTINUED

TERMS AND CONDITIONS

"T&C"

- 1) The Appraisal will be subject to Colliers International Valuation & Advisory Services, LLC's ("CIVAS") Assumptions and Limiting Conditions that are incorporated into each appraisal, and any Extraordinary Assumptions and Hypothetical Conditions that may be incorporated into each appraisal.
- 2) Any capitalized, non-defined words shall have the same meaning as defined in the Agreement to which these T&Cs are attached.
- 3) Client is defined as the party signing the Agreement and shall be responsible for payment of the fees stipulated in the Agreement. Payment of the fee for the Appraisal is not contingent on the appraised value(s) or the outcome of the report(s). Additional fees will be charged on an hourly basis for any work that may exceed the scope of this proposal, including performing additional valuation scenarios, additional research, and conference calls or meetings that may exceed the time allotted by CIVAS for an assignment of this nature. If CIVAS is requested to cease working on the Appraisal for any reason prior to the completion of the appraisal(s), CIVAS will be entitled to bill the Client for the time spent to date at CIVAS' hourly rates for the personnel involved. The Client will be billed a minimum \$500 or at a rate of \$250 per hour for associate time, \$350 per hour for valuation services director, and \$450 per hour for executive managing director. If the Client delays completion of the assignment beyond ninety (90) days, the fee may be renegotiated. This may result in the total fee exceeding the original agreed fee agreed upon cost.
- 4) The fees and expenses shall be due CIVAS as agreed to in the Agreement and these T&Cs. Client agrees to pay all fees and expenses, including attorney's fees, incurred by CIVAS in connection with the collection or attempted collection of the fees and expenses. In the event Client fails to make payments when due and payable, then from the date due and payable until paid the amount due and payable, shall bear interest at 1.5% per month or the maximum rate permitted in the state in which the CIVAS office executing the Agreement is located, whichever is greater.
- 5) The fee is due upon delivery of the final report or within thirty (30) days of your receipt of the draft report, whichever is sooner. If a draft is requested, the fee is considered earned upon delivery of our draft report.
- 6) In the event that either party commences any legal action relating to the provisions of the Agreement, including collection, the prevailing party shall be entitled to its actual attorneys' fees and costs, including those incurred upon appeal. The Agreement shall be governed by and construed in accordance with the laws of the state where the CIVAS office executing the Agreement is located. The venue of any action arising out of the Agreement shall be the county where the CIVAS office executing the Agreement is located. Client will have up to fourteen (14) days from receipt of the Draft Appraisal to review and communicate its review to CIVAS. CIVAS reserves the right to bill Client for additional appraisal efforts that may arise from the Client not responding within with this time period.
- 7) All statements of fact in the Appraisal which are used as the basis of the CIVAS' analyses, opinions, and conclusions will be true and correct to the best of the CIVAS' knowledge and belief. CIVAS does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to CIVAS by Client.
- 8) CIVAS shall have no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The Appraisal will not constitute a survey of the Property analyzed.
- 9) Client shall provide CIVAS with such materials with respect to the Appraisal as requested by CIVAS and which are in the possession or under the control of Client. Client shall provide CIVAS with sufficient access to the Property to be analyzed and hereby grants permission for entry, unless discussed in advance to the contrary.
- 10) The data gathered in the course of the Appraisal (except data furnished by Client) and the Appraisal prepared pursuant to the Agreement are, and will remain, the property of CIVAS. With respect to data provided by Client, such data shall be confidential, and CIVAS shall not disclose any information identified as confidential furnished to CIVAS. Notwithstanding the foregoing, CIVAS is authorized by Client to disclose all or any portion of the Appraisal and the related data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable CIVAS to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
- 11) Unless specifically noted, CIVAS does not assume any duty to analyze or examine the Property or adjacent property for the possible presence of toxic and/or hazardous substances or materials (including but not exclusive to asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof) and accepts no liability regarding the issue. If such materials exist, CIVAS defers to the expertise of professionals specifically trained in analyzing the cost to remediate, which will not be a part of the appraisal fee proposal. The Appraisal will contain a comprehensive disclaimer to this effect.
- 12) CIVAS understands that there is no major or significant deferred maintenance in the Property which would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, and are not a part of the fee contemplated in the Agreement.
- 13) Client acknowledges that CIVAS is being retained hereunder as an independent contractor to perform the services described herein and nothing in the Agreement shall be deemed to create any other relationship between Client and CIVAS. The Agreement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Appraisal discussed herein.

PROFESSIONAL SERVICE AGREEMENT

CONTINUED

- 14) In the event of any dispute between Client and CIVAS relating to this Agreement, or CIVAS' or Client's performance hereunder, CIVAS and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the CIVAS office executing this Agreement is located. The arbitrator(s) shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar type damages. The prevailing party in the arbitration proceeding shall be entitled to recover from the losing party its reasonable expenses, including the costs of arbitration proceeding, and reasonable attorneys' fees.
- 15) Client agrees that its only remedy for losses or damages relating to the Agreement shall be limited to the amount of the appraisal fee paid by the Client. Should the Client, or any other entitled party, make a claim against CIVAS, its directors, officers, employees and other affiliates and shareholders, relating to this engagement or the appraisal(s), the maximum damages recoverable from CIVAS, its directors, officers, employees and other affiliates and shareholders, shall be the amount of funds actually collected by CIVAS under the Agreement, and no claim shall be made for any consequential or punitive damages.
- 16) If CIVAS or any of its employees receives a subpoena or other judicial notification to produce documents or provide testimony involving the Appraisal in connection with a lawsuit or related proceeding, CIVAS will notify the Client of receipt of the subpoena or notification. However, if CIVAS is not part of the lawsuit or proceedings, Client agrees to compensate CIVAS for the professional time required and to reimburse CIVAS for the expenses incurred in responding to any such subpoena or judicial notification, including any attorneys' fees, as they are incurred. CIVAS is to be compensated at the prevailing hourly rates of the personnel responding to the subpoena or command for testimony.
- 17) If expert witness testimony is required in connection with the Appraisal, the following hourly rates will apply. The Client will be billed at the rate of \$250 per hour for associate time, \$350 per hour for valuation services director, and \$450 per hour for executive managing director. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes appraisal report) and all meetings related to court testimony.
- 18) Client shall indemnify and hold CIVAS, its parent, subsidiaries, affiliates, its officers, directors, employees and agents ("CIVAS Indemnities"), fully harmless against all losses, damages, claims, and expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligence or intentional acts or omissions of Client (including any failure to perform any duty imposed by law), any misrepresentation, distortion or if Client fails to provide complete and accurate information to CIVAS, for which recovery is sought against the CIVAS Indemnities by that third party; however, such obligation to defend and indemnify shall not apply to the extent caused by the negligent act or willful misconduct of CIVAS. Client shall indemnify and hold CIVAS Indemnities harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the Appraisal to any third party. LIMITATION OF LIABILITY. EXCEPT FOR THE INDEMNIFICATION PROVISION ABOVE, ANYTHING IN THE AGREEMENT TO THE CONTRARY NOTWITHSTANDING, UNDER NO CIRCUMSTANCES WHATSOEVER SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, OR INCIDENTAL DAMAGES OF ANY KIND WHATSOEVER. EXCEPT FOR IN NO EVENT WHATSOEVER SHALL CIVAS' TOTAL LIABILITY TO CLIENT FOR DIRECT DAMAGES UNDER THE AGREEMENT OR ANY OTHER DAMAGES WHATSOEVER EXCEED IN THE AGGREGATE THE TOTAL SUM OF FUNDS RECEIVED BY CIVAS FROM CLIENT.
- 19) The Appraisal and the name Colliers International Valuation & Advisory Services may not be used in any marketing or investment material or offering memoranda without CIVAS' prior written consent. CIVAS, its employees and appraisers have no liability to any recipients of any prepared material, and disclaim all liability to any party other than the Client.
- 20) Unless CIVAS consents in writing, the Appraisal cannot be used by any party or for any purpose other than the Client for the purposes specified in the Agreement. Should the Client provide a copy of this Appraisal to any person or entity not authorized by CIVAS in writing, Client hereby agrees to hold CIVAS, its directors, officers, employees and other affiliates and shareholders, harmless from all damages, expenses, claims and costs, including any attorney's fees. The Client acknowledges that any opinions and conclusions expressed by the professionals of CIVAS pursuant to the Agreement are made as employees and not as individuals. CIVAS' responsibility is limited to the Client, and the use of the Appraisal or related product by third parties shall be solely at the risk of the Client and/or third parties.
- 21) CIVAS agrees to maintain Professional Liability Insurance in the amount of \$1,000,000 and General Liability insurance in the amount of \$2,000,000, as well as workers compensation and shall contain a full waiver of subrogation clause but only to the extent of loss arising from or attributable to CIVAS negligence. Within ten (10) days of the execution of the Agreement, CIVAS will provide Client with certificates of insurance naming Client as an additional insured. CIVAS will endeavor to provide Client with prior written notice regarding any cancellation of any such insurance.
- 22) Please note that CIVAS' consent to allow the Appraisal or portions of the Appraisal, to become part of or be referenced in, any offering or other material intended for the review of others, or to be submitted to others, will be at CIVAS' sole and absolute discretion and, if given, will be on condition that CIVAS will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CIVAS, by a party satisfactory to CIVAS. CIVAS does consent to Client submission of the complete Appraisal to rating agencies, loan participants or your auditors without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

PROFESSIONAL SERVICE AGREEMENT

CONTINUED

- 23) Client and its affiliates, rating agencies and a limited number of investors involved in the securitization, may use and rely upon CIVAS report in connection with a planned loan securitization involving the Property including, without limitation, utilizing selected information in the Appraisal in the offering documents relating to the securitization and CIVAS agrees to cooperate in answering reasonable questions by any of the above parties in connection with the securitization.

Client agrees that it will not file, use, or permit or cause to be used in any offering documents or any other document any portion or extract of the Appraisal, or any reference to the Appraisal, without first (i) having provided the portion or portions of an offering document or other document to CIVAS for review and (ii) having obtained the prior written consent of CIVAS to any such filing, use, amendment or modification, which consent shall not be unreasonably withheld. CIVAS shall have the right to require Client to include in any offering document or other document disclosure concerning the conditions, qualifications and assumptions of the appraisal and such other disclosure concerning the Appraisal as CIVAS shall reasonably require.

Client can use the appraised value without attribution to the Appraisal, and selected information in the Appraisal, provided Client agrees that it has complied and at all times will comply, and will use Client's best efforts to cause any underwriters to comply, with all applicable Federal and state securities laws in connection with any offering, and offering document and any use of the Appraisal. Client further agrees that neither any offering document nor any other document used in connection with any offering will contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading regarding the Appraisal, or any portion or extract thereof, or any reference to the Appraisal.

FIRST AMENDMENT TO GROUND LEASE

THIS FIRST AMENDMENT TO GROUND LEASE (this "**First Amendment**") is made by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "**City**" or "**Landlord**"), represented by the Mayor, acting by and through the Mayor's Office of Housing and Community Development ("**MOHCD**") and **LAUREL GARDENS OF BETHEL A.M.E. CHURCH, L.P.**, a California limited partnership ("**Developer**"), and is effective as of _____, 2015.

RECITALS

- A. The former San Francisco Redevelopment Agency (the "**Agency**"), as landlord, and Developer, as tenant, are parties to that certain Ground Lease dated as of October 15, 1998 (the "**Lease**"), with respect to certain real property and improvements located at 1555 Turk Street, San Francisco, CA 94115 and commonly known as Laurel Gardens Apartments (the "**Property**").
- B. Under California State Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, first Extraordinary Session) ("AB 26"), the Agency dissolved as a matter of law on February 1, 2012, and pursuant to AB 26, as amended by California State Assembly Bill No. 1484 ("AB 1484"), and Resolution No. 11-12, adopted by the City's Board of Supervisors and Mayor on January 26, 2012, Ordinance No. 215-12, adopted by the City's Board of Supervisors and Mayor on October 12, 2012, and the approved housing asset list submitted by City to, and approved by, the State of California Department of Finance pursuant to AB 1484 (Cal. Health & Safety Code Section 34176(a)(2)), City is successor in interest to Agency's interest in the Property and to all of the Agency's rights and obligations with respect to the Lease and the Property.
- C. Developer has applied to Citibank, N.A., a national banking association (together with its successors and assigns, the "**Lender**"), for a mortgage loan in the maximum principal amount of \$[12,000,000] (the "**Loan**") for the refinancing, rehabilitation, development, equipping and/or operation of the Improvements (as defined in the Lease) located at the Property.
- D. Agency and Developer desire to amend the Lease pursuant to this Amendment as a condition to Lender agreeing to make the Loan to Developer.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

1. Refinancing; Reserves. Notwithstanding anything to the contrary in Section 25.01 of the Lease, in connection with the Loan, Developer and the City agree that "Cash-out

Proceeds” in an amount not to exceed \$_____ (the “**Cash-out Proceeds**”) may be applied as follows: One-third (1/3) of available Cash-out Proceeds will be distributed as unrestricted funds to the Developer; and two-thirds (2/3) of total Cash-Out Proceeds shall be distributed to the City and held in an interest-bearing reserve by the City for use by Developer pursuant to this Section (the “**Restricted Proceeds**”). Release of the Restricted Proceeds may be requested by Developer in writing accompanied by copies of invoices, contracts or other documents covering all amounts requested and are to be used by Developer for purposes related solely to the development and operation of projects owned or controlled by Developer (including the Project) that are affordable to low-, lower- or moderate-income households in the City and County of San Francisco unless the City approves an alternative use, in its sole and absolute discretion. The City may deny or approve Developer’s request for release of the Restricted Proceeds in its sole and absolute discretion (except that any request for release related to the Site shall be made in its reasonable discretion). Among the conditions to any release of Restricted Proceeds shall be that no Event of Default, or event that with notice or the passage of time or both could constitute an Event of Default under the Lease has occurred that remains uncured. Any Restricted Proceeds that are not expended within ten (10) years of the date of this Amendment shall be unencumbered and released to the City. The Developer may request an extension of this ten (10) year period and the City may deny or approve such request in its sole and absolute discretion. For purposes of this Section 1, “**Cash-Out Proceeds**” shall include all equity created by the Loan after paying off all existing debt secured by the Project, completing the rehabilitation of the Improvements as contemplated by the Loan documents (as approved by the City and Lender), funding of any initial reserve account deposits required by Lender as a condition to making the Loan, and paying costs associated with the closing of the Loan; release of project operating accounts and/or reserve accounts or other available cash assets (providing, however, that any replacement reserve accounts may be released as Cash-out Proceeds only so long as the account is not less than \$1,000/unit as of the date the Loan is funded); and any developer fee approved by MOHCD. [

2. The underlined language below is hereby added to **Section 1.03** of the Lease, such that **Section 1.03** of the Lease reads as follows:

1.03 Developer means Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership, or its permitted successors as holder of the leasehold estate in the Site and fee ownership of the Improvements, including a Subsequent Owner, where appropriate.

3. The following sections are added to the Lease as new sections:

1.18 Subsequent Owner means any successor (including a Lender or an affiliate or assignee of a Lender as applicable) to the Developer’s interest in the Leasehold Estate and the Improvements following a foreclosure, deed in lieu of foreclosure, or transfer to a Lender, its affiliate, and any successors to any such person or entity.

1.19 Surplus Cash means the excess of Project Income over Project Expenses. All permitted uses and distributions of Surplus Cash shall be governed by Section 6.02h of this Lease.

1.20 Project Expenses means all charges incurred by Developer in the operation of the Project including but not limited to: (a) lease payments, utilities, real estate and/or possessory interest taxes, assessments, and liability, fire and other hazard insurance premiums; (b) salaries, wages and other compensation due and payable to the employees or agents of Developer who maintain, administer, operate or provide services in connection with the Project, including all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required for such employees; (c) required payments of interest, principal or annual servicing fees, if any, on any construction or permanent financing secured by the Project; (d) all other expenses incurred by Developer to cover routine operating and services provision costs of the Project, including maintenance and repair and the reasonable fee of any managing agent; (e) any extraordinary expenses as approved in advance by the City; and (f) deposits to reserves accounts required to be established under any loan documents executed with respect to any Leasehold Mortgage.

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

1.22 First Lease Payment Year means the year in which rehabilitation activities are completed on the Project, as evidenced by a notice of completion, to be recorded in the San Francisco Recorder's Office.

4. Article 4 of the Lease is deleted in its entirety and replaced with the following:

ARTICLE 4: RENT

4.01 Annual Rent

Developer shall pay to the City up to [NEED: Appraised Land Value, please update appraisal to include] XXXX Dollars (\$XXX) (the "Annual Rent") per year for each year of the Term of this Ground Lease, which is equal to ten percent (10%) of appraised value of the Site as of the Effective Date, and consists of Base Rent and Residual Rent, as defined in Sections 4.02 and 4.03 below, without offset of any kind (except as otherwise permitted by this Lease) and without necessity of demand, notice or invoice. Annual Rent shall be re-determined on the fifteenth (15th) anniversary of the date of the first payment of Base Rent pursuant to Section 4.02a below and every fifteen (15) years thereafter, and shall not exceed ten percent (10%) of the appraised value of the Site as determined by an MAI appraiser selected by and at the sole cost of the Project. Notwithstanding the foregoing, the maximum amount of Annual Rent shall be re-determined upon any renewal or execution of 20 year HAP contract or loss of such a contract.

4.02 Base Rent

4.02a. "Base Rent" means FIFTEEN THOUSAND DOLLARS (\$15,000) per annum. Base Rent shall be due and payable in arrears on January 31st of each Lease Year, provided, however, no Base Rent shall be due until after completion of the rehabilitation of the Improvements, as evidenced by a notice of completion. The first Base Rent payment shall be due on the January 31st of the calendar year following the issuance of the notice of completion; and provided, further, that in the event that the Developer or, if applicable, any Subsequent Owner, fails, after notice and opportunity to cure, to comply with the provisions of Section 9.02, Base Rent shall be increased to the full amount of the Annual Rent until such time as the Project achieves compliance with the provisions of Section 9.02, or in the event that a Subsequent Owner elects pursuant to Section 26.06(ii) to operate the Project without being subject to Section 9.02 or any Subsequent Owner elects, pursuant to Section 26.06(ii), to operate the Project without compliance with such provisions, Base Rent shall be increased to the full amount of the Annual Rent.

4.02b If the Project does not have sufficient Project Income to pay Base Rent in any given Lease Year after the payment of Project Expenses in items 4.02a through 4.02.f in definition of Project Expenses and the City has received written notice from Developer regarding its inability to pay Base Rent from Project Income, the unpaid amount shall be deferred and all such deferred amounts shall accrue without interest until paid ("**Base Rent Accrual**"). The Base Rent Accrual shall be due and payable each year from and to the extent Surplus Cash is available to make such payments in accordance with Section 6.02h and, in any event, upon the earlier of sale of the Project or termination of this Ground Lease.

4.02c. If Developer has not provided City with written notice that it cannot pay Base Rent due to insufficient Project Income, the City shall assess a late payment penalty of two percent (2%) for each month or any part thereof that any Base Rent payment is delinquent. This penalty shall not apply to Base Rent Accrual that has been previously approved by the City pursuant to Section 4.02b. The Developer may request in writing that the City waive such penalties by

describing the reasons for Developer's failure to pay Base Rent and Developer's proposed actions to insure that Base Rent will be paid in the future. The City may, in its sole discretion, waive in writing all or a portion of such penalties if it finds that Developer's failure to pay Base Rent was beyond Developer's control and that Developer is diligently pursuing reasonable solutions to such failure to pay.

4.03 Residual Rent

"Residual Rent" means, in any given Lease Year, [Annual Rent less Base Rent, need updated appraisal]. Residual Rent shall be due in arrears on April 15th following each Lease Year, payable only to the extent of Surplus Cash as provided in Section 6.02h, and any unpaid Residual Rent shall not accrue.

4.04 Absolute Net Lease

This Ground Lease is an absolute net lease and the Developer shall be responsible to pay all costs, charges, taxes, impositions and other obligations related thereto. If the Agency pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, the Agency will be entitled to be reimbursed by Developer the full amount of such payments as additional rent on the next rent payment date.

5. The following **Section 6.02h** is hereby added to the Lease:

6.02h Permitted Uses of Surplus Cash.

All annual Project Income, prior to the calculation of Surplus Cash, shall be used to pay Project Expenses. If the Developer is in compliance with all applicable requirements and agreements under this Ground Lease, Developer shall then use any Surplus Cash to make the following payments:

- i. First to Base Rent Accrual payments, if any;
- ii. Then, any remaining Surplus Cash shall be used as follows: (a) one-third (1/3) of remaining Surplus Cash may be retained by Developer and may be used by Developer to pay distributions or other payments in accordance with Tenant's partnership agreement and (b) two-thirds (2/3) of Surplus Cash shall be allocated to the City. The City's portion of Surplus Cash will be applied first to Residual Rent. [to discuss]

6. The underlined sentence below is hereby added to **Section 14.02** of the Lease, such that **Section 14.02** of the Lease reads as follows:

The Agency acknowledges that any sale, assignment, transfer or conveyance of all or any part of the Agency's interest in the Site, the Improvements, or this Ground Lease, are subject to this Ground Lease.

The Agency will not encumber its fee interest in the Property. The Agency will require that any purchaser, assignee or transferee will expressly assume all of the obligations of the Agency under this Ground Lease by a written instrument recordable in the Official Records of the City. This Ground Lease shall not be affected by any such sale, and Developer shall attorn to any such purchaser or assignee. In the event that the Agency intends to sell all or any part of the Site, other than as provided in Section 2(b), the Agency shall notify Developer of the proposed terms of such sale not later than ninety (90) days before the anticipated close of escrow. Developer shall have sixty (60) days from the giving of such notice to exercise a right of first refusal to purchase the Site on the same terms and conditions of such proposed sale.

7. The underlined language below is hereby added to the second to last sentence of **Section 20.01** of the Lease, such that sentence of **Section 20.01** of the Lease reads as follows:

In the event Developer is required, or elects, to restore the Improvements, all proceeds of any policy of insurance required to be maintained by Developer under this Ground Lease shall, subject to the rights of Lenders, be used by Developer for that purpose and Developer shall make up from its own funds or obtain additional financing as reasonably approved by Agency any deficiency between the amount of insurance proceeds available for the work of restoration and the actual cost thereof.

8. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, **Section 20.03** of the Lease, such that **Section 20.03** of the Lease reads as follows:

20.03 Distribution of the Insurance Proceeds.

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

(a) First, to the Lenders, in order of their priority, to control, disburse or apply to any outstanding loan amounts in accordance with the terms their respective Leasehold Mortgages;

(ab) Second, to pay for the cost of removal of all debris from the Site or adjacent and underlying property, and for the cost of any work or service required by any statute, law, ordinance, rule, regulation or order of any federal, state or local government, or any agency or official thereof, for the protection of persons or property from any risk, or for the abatement of any nuisance, created by or arising from the casualty or the damage or destruction caused thereby;

(bc) ~~Second~~Third, to compensate Agency for any diminution in the value (as of the date of the damage or destruction) of the Site as a raw development site caused by or arising from the damage or destruction;

(ed) The remainder to Developer.

~~(d) The provisions of this Article 20.03 shall be subject to the rights of any Lender.~~

9. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, Sections 26.03(i) and (ii) of the Lease, such that Section 26.03(i) and (ii) of the Lease reads as follows:

(i) If such event of default is a failure to pay a monetary obligation of Developer, Lender shall have failed to cure such default within sixty (60) days from the date of written notice from the Agency to Lender; or

(ii) If such event of default is not a failure to pay a monetary obligation of Developer, Lender shall have failed, within ~~sixty (60)~~ one hundred eighty (180) days of receipt of said written notice, either (a) to remedy such default; or (b) to obtain title to Developer's interest in the Site in lieu of foreclosure; or (c) to commence foreclosure or other appropriate proceedings in the nature thereof (including the appointment of a receiver) and thereafter diligently prosecute such proceeding to completion, in which case such event of default shall be remedied or deemed remedied in accordance with Article 26.04 below.

10. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, Section 26.04 of the Lease, such that Section 26.04 of the Lease reads as follows:

Any event of default under this Ground Lease which in the nature thereof cannot be remedied by Lender (including all amounts due from Developer to Agency in respect to damages, indemnifications, or other monetary amounts, other than Annual Rent, arising from the action or inaction of Developer) shall be deemed to be remedied if (i) within ~~thirty (30)~~ one hundred eighty (180) days after receiving notice from the Agency setting forth the nature of such event of default, or prior thereto, Lender shall have acquired Developer's leasehold estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation in accordance with the terms of this Ground Lease, and (iv) after gaining possession of the Site perform, or diligently proceed to perform, all other obligations of

Developer as and when the same are due in accordance with the terms of this Ground Lease.

11. The underlined language below is hereby added to, and the strikethrough language below is hereby deleted from, **Section 26.05** of the Lease, such that **Section 26.05** of the Lease reads as follows:

If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Developer from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in Articles 26.03 and 26.04 above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; ~~provided that Lender shall have fully cured any default in the payment of any monetary obligations of Developer under this Ground Lease and shall continue to pay currently such monetary obligations as and when the same fall due.~~ If this Ground Lease is terminated or rejected by Developer in bankruptcy, Agency agrees to enter into a new ground lease with the Lender on the same terms set forth in this Ground Lease. And, specifically provided that in the event the Ground Lease is terminated for any reason, including, without limitation, a termination or rejection through any bankruptcy proceeding or a foreclosure transferee becomes the legal owner of Developer's interest in the Property, and upon written request by the most senior Lender or the Subsequent Owner thereof given within sixty (60) days after such termination or acquisition by Subsequent Owner of Tenant's interest in the Project, as applicable, Agency shall enter into a new lease of the Project with such Lender or the Subsequent Owner for the remainder of the Ground Lease term with the same agreements, covenants, reversionary interests and conditions (except for any requirements which have been fulfilled by Developer prior to termination) as are contained in the Ground Lease and with priority equal to the Ground Lease.

12. The underlined language below is hereby added to **Section 26.06(iv)** of the Lease, such that **Section 26.06(iv)** of the Lease reads as follows:

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

13. The following sections are added to the Lease as a new Sections 26.08, 26.09, 26.10, 26.11, 26.12, and 26.13:

26.08 Ground Lease Rent after Lender Foreclosure or Assignment

Upon foreclosure of a Leasehold Mortgage or assignment of the Leasehold Estate in lieu of such foreclosure any accrued Annual Rent that remains unpaid at the time of such foreclosure or assignment in lieu of foreclosure shall be forgiven by the Agency, and shall not be an obligation of the Lender or any other Subsequent Owner.

26.09 Preservation of Leasehold Benefits.

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

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

(b) That Agency shall not enforce against a Lender any waiver or election made by the Developer under this Ground Lease which has a material adverse effect on the value of the Leasehold Estate under this Ground Lease without the prior written consent of the Lender (which will not be unreasonably withheld or delayed);

(c) That, if a Lender makes written request for the same within fifteen (15) days after Lender receives written notice of termination of this Ground Lease, Agency will enter a new lease with such Lender commencing on the date of termination of the Ground Lease and ending on the normal expiration date of the Ground Lease, on substantially the same terms and conditions as the Ground Lease and subject to the rent provisions set forth in the Ground Lease, and with the same priority as against any subleases or other interests in the Premises; provided that such Lender cures all unpaid monetary defaults under the Ground Lease through the date of such termination; and

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

26.10 No Merger.

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

26.11 Agency Bankruptcy.

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

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

(c) If a bankruptcy proceeding is filed by or on behalf of Agency, Agency agrees as follows: (i) the Developer shall be presumed to have objected to any attempt by Agency to sell the fee interest free and clear of the leasehold under this Ground Lease; (ii) if Developer does not so object, each Lender shall have the right to so object on its own behalf or on behalf of the Developer; and (iii) in connection with any such sale, the Developer shall not be deemed to have received adequate protection under Section 363(e) of the Bankruptcy Code, unless it shall have received and paid over to each Lender outstanding balance of the obligations under its respective loan.

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

26.11 No Changes to Lease

Agency will not make or accept any voluntary surrender, cancellation, modification or amendment of or to the Ground Lease at any time while any Leasehold Mortgage is in effect, nor will Agency convey all or any part of the property subject to the Leasehold Estate to

Developer, nor will Developer accept such conveyance, without first obtaining the prior written consent of the Leasehold Mortgagees.

26.12 Voluntary Termination

In no event shall any abandonment of the Property or the Leasehold Estate or any action by Developer to terminate the Ground Lease be effective without the prior written consent of the Leasehold Mortgagees. Agency agrees that it shall give notice of any such abandonment or action by Developer to Leasehold Mortgagees, and Leasehold Mortgagees shall thereupon be entitled to exercise its rights and remedies under the Leasehold Mortgage and the provisions of Section 26.

14. The underlined language below is hereby added to **Section 28.06(i)** of the Lease, such that **Section 28.06(i)** of the Lease reads as follows:

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

15. The strikethrough language below is hereby deleted from **Section 28.07** of the Lease, such that **Section 28.07** of the Lease reads as follows:

28.07 Payment to Lenders

In the event the Improvements are subject to the lien of a Leasehold Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Developer, such award shall be disposed of as provided in the Lender's loan documents; ~~subject, however, to any requirements (i) arising in connection with financing insured by the Federal Housing Administration or (ii) otherwise imposed by HUD.~~

16. Notwithstanding anything in the Lease to the contrary, all provisions relating to cross-defaults between the Lease and any financing document or Leasehold Mortgage (as such term is defined in the Lease), including, without limitation, **Sections 3(b), 19.04a(7), and 25.04c** of the Lease, are hereby deleted in their entirety.
17. The following section is added to the Lease as **Section 50**:

50: GENERAL PROVISIONS

50.1 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof.

50.2 Public Transit Information

Developer shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Developer employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Premises and encouraging use of such facilities, all at Developer's sole expense.

50.3 Wages and Working Conditions

Developer agrees that any person performing labor in connection with the Developer Improvements or any Alterations at the Premises that is a "public work" as defined under San Francisco Administrative Code Section 6.22(E) or California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Developer shall include in any contract for such Developer Improvements and Alterations a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Developer shall require any contractor to provide, and shall deliver to Agency upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

50.4 Non-Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Lease, Developer agrees not to discriminate against any employee, any City employee working with Developer, or applicant for employment with Developer, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social,

or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subleases and Other Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) CMD Form

As a condition to this Lease, Developer shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contract Monitoring Division. Developer hereby represents that prior to execution of this Lease, (i) Developer executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and (ii) the CMD approved such form.

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Developer shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Developer understands that pursuant to Section 12B.2(h) of the San Francisco

Administrative Code, a penalty of Fifty Dollars (\$50) for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Developer and/or deducted from any payments due Developer.

50.5 MacBride Principles - Northern Ireland

The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Developer acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

50.6 Tropical Hardwood and Virgin Redwood Ban

The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Developer shall not provide any items to the construction of Developer Improvements or the Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event Developer fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Developer shall be liable for liquidated damages for each violation in any amount equal to Developer's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

50.7 Restrictions on the Use of Pesticides

Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "IPM Ordinance") describes an integrated pest management ("IPM") policy to be implemented by all City departments. Developer shall not use or apply or allow the use or application of any pesticides on the Premises or contract with any party to provide pest abatement or control services to the Premises without first receiving Agency's written approval of an IPM plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Developer may need to apply to the Premises during the term of this Lease, (ii) describes the steps Developer will take to meet the City's IPM Policy described in Section 300 of the IPM Ordinance and (iii) identifies, by name, title, address and telephone number, an individual to act as the Developer's primary IPM contact person with the City. Developer shall comply, and shall require all of Developer's contractors to comply, with the IPM

plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Developer were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require Developer to keep certain records and to report to City all pesticide use at the Premises by Developer's staff or contractors.

If Developer or Developer's contractor will apply pesticides to outdoor areas at the Premises, Developer must first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation ("CDPR") and any such pesticide application shall be made only by or under the supervision of a person holding a valid, CDPR-issued Qualified Applicator certificate or Qualified Applicator license. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

50.8 Sunshine Ordinance

In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between Agency and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

50.9 Conflicts of Interest

Through its execution of this Lease, Developer acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provisions, and agrees that if Developer becomes aware of any such fact during the term of this Lease Developer shall immediately notify Agency.

50.10 Prohibition of Tobacco Sales and Advertising

Developer acknowledges and agrees that no advertising or sale of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (a) communicate the health hazards of cigarettes and tobacco products, or (b) encourage people not to smoke or to stop smoking.

50.11 Prohibition of Alcoholic Beverage Advertising

Developer acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (a) communicate the health hazards of alcoholic beverages, (b) encourage people not to drink alcohol or to stop drinking alcohol, or (c) provide or publicize drug or alcohol treatment or rehabilitation services.

50.12 Requiring Health Benefits for Covered Employees

Unless exempt, Developer agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

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

(b) Notwithstanding the above, if the Developer is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subsection (a) above.

(c) Developer's failure to comply with the HCAO shall constitute a material breach of this Lease. City shall notify Developer if such a breach has occurred. If, within thirty (30) days after receiving City's written notice of a breach of this Lease for violating the HCAO, Developer fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Developer fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, Agency shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to Agency.

(d) Any Subcontract entered into by Developer shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Developer shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Developer shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the Agency may pursue the remedies set forth in this Section against Developer based on the Subcontractor's failure to comply, provided that Agency has first provided Developer with notice and an opportunity to obtain a cure of the violation.

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

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

(g) Developer shall keep itself informed of the current requirements of the HCAO.

(h) Developer shall provide reports to the Agency in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(i) Developer shall provide Agency with access to records pertaining to compliance with HCAO after receiving a written request from Agency to do so and being provided at least five (5) business days to respond.

(j) Agency may conduct random audits of Developer to ascertain its compliance with HCAO. Developer agrees to cooperate with Agency when it conducts such audits.

(k) If Developer is exempt from the HCAO when this Lease is executed because its amount is less than Twenty-Five Thousand Dollars (\$25,000) (Fifty Thousand Dollars (\$50,000) for nonprofits), but Developer later enters into an agreement or agreements that cause Developer's aggregate amount

of all agreements with the City to reach Seventy-Five Thousand Dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Developer and the Contracting Department to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

50.13 Notification of Limitations on Contributions

Through its execution of this Lease, Developer acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Developer acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Developer further acknowledges that the prohibition on contributions applies to each Developer; each member of Developer's board of directors, and Developer's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Developer; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Developer. Additionally, Developer acknowledges that Developer must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Developer further agrees to provide to Agency the name of each person, entity or committee described above.

50.14 Preservative-Treated Wood Containing Arsenic

Developer may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Developer may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude

Developer from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

50.15 Resource-Efficient City Buildings

Developer acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction, and operation of buildings owned or leased by City. Developer hereby agrees that it shall comply with all applicable provisions of such code sections.

50.16 Food Service Waste Reduction

Developer agrees to comply fully with and be bound by all of the applicable provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease as though fully set forth herein. Accordingly, Developer acknowledges that City contractors and lessees may not use Disposable Food Service Ware that contains Polystyrene Foam in City Facilities and while performing under a City contract or lease, and shall instead use suitable Biodegradable/Compostable or Recyclable Disposable Food Service Ware. This provision is a material term of this Lease.

50.17 Bottled Drinking Water

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

50.18 Criminal History in Hiring and Employment Decisions

(a) Unless exempt, Developer agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "Chapter 12 T"), which are hereby incorporated as may be amended from time to time, with respect to applicants and employees of Developer who would be or are performing work at the Premises.

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

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

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

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

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

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

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

50.19 Local Hiring Policy for Improvements and Alterations

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 6.22(G) (the "**Local Hiring Policy**"). The Improvements and any alterations are subject to the Local Hiring Policy unless the cost for such work on alterations is (i) estimated to be less than \$750,000 per building permit or (ii) meets any of the other exemptions in the Local Hiring Policy. Accordingly, as a condition of this Lease, Developer agrees that it shall comply with the requirements of the Local Hiring Policy applicable to the Improvements or any alteration and shall require its subtenants to comply with those requirements to the extent applicable. Before starting any work on the Improvements or any alteration, Developer shall contact City's Office of Economic Workforce and Development ("**OEWD**") to verify if any Local Hiring Ordinance requirements apply to such work or alteration. Developer shall comply with all such applicable requirements. Developer's failure to comply with its obligations under this Section shall constitute a material breach of this Lease and may subject Developer and its subtenants to the consequences of noncompliance specified in the Local Hiring Policy, including but not limited to penalties. Without limiting the foregoing:

(a) For a Covered Project estimated to cost more than \$750,000, Developer and its subtenants shall comply with the applicable mandatory participation levels for Project Work Hours performed by Local Residents, Disadvantaged Workers, and Apprentices as set forth in San Francisco Administrative Code Section 6.22(G)(4).

(b) For a Covered Project estimated to cost more than \$1,000,000, Developer and its subtenants shall prepare and submit a local hiring plan to OEWD for approval as set forth in San Francisco Administrative Code Section 6.22(G)(6) prior to commencing any of the work subject to the Local Hiring Policy.

(c) Developer and its subtenants shall comply with the applicable record keeping and reporting requirements and shall cooperate in City inspections and audits for compliance with the Local Hiring Policy, including access to employees of its contractors and subcontractors and other witnesses at the Premises.

(d) Developer agrees that (i) Developer shall comply with all applicable requirements of the Local Hiring Policy; (ii) the provisions of the Local Hiring Policy are reasonable and achievable by Developer and its subtenants; and (iii) Developer has had, and its subtenants will have prior to signing their subleases for the Premises, a full and fair opportunity to review and understand the terms of the Local Hiring Policy.

18. Notwithstanding anything in the Lease to the contrary, except as expressly set forth in this Amendment, all other terms and conditions of the Lease shall remain in full force and

effect. Any conflict between the terms and conditions of the Lease and those of this Amendment shall be resolved in favor of this Amendment.

19. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument.
20. The terms, covenants and conditions contained in this Amendment shall bind and inure to the benefit of the parties hereto and, except as otherwise provided herein, their successors and assigns.

[Signatures on following page(s)]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this First Amendment to Ground Lease or caused this First Amendment to Ground Lease to be duly executed and delivered by its authorized representative as of the date first set forth above.

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Olson M. Lee
Director, Mayor's Office of Housing
and Community Development

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this First Amendment to Ground Lease or caused this First Amendment to Ground Lease to be duly executed and delivered by its authorized representative as of the date first set forth above.

DEVELOPER:

LAUREL GARDENS OF BETHEL A.M.E. CHURCH, L.P.,
a California limited partnership

By: Laurel Gardens of Bethel A.M.E. Church, Inc.,
a California nonprofit public benefit corporation,
its general partner

By: _____
Suniqua Thomas, Secretary

[END OF SIGNATURE PAGES]

Valuation Glossary

Valuation & Advisory Services



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These definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010 (*Dictionary*).

Uniform Standards of Professional Appraisal Practice, 2014-2015 Edition (USPAP).

The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 (*14th Edition*).

Marshall Valuation Service, Marshall & Swift, Los Angeles, California (*MVS*).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (*Dictionary*)

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. (*14th Edition*)

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions. (*Dictionary*)

Arm's-length Transaction

A transaction between unrelated parties who are each acting in his or her own best interest. (*Dictionary*)

As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (*Dictionary*)

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. (*14th Edition*)

Average Daily Room Rate (ADR)

In the lodging industry, total guest room revenue divided by the total number of occupied rooms. (*Dictionary*)

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (*Dictionary*)

Cash-Equivalent Price

The price of a property with above- or below-market financing expressed in terms of the price that would have been paid in an all-cash sale. (*Dictionary*)

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. (*Dictionary*)

Valuation Glossary

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Contract Rent

The actual rental income specified in a lease. *(14th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(14th Edition)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

Deferred Maintenance

Needed repairs or replacement of items that should have taken place during the course of normal maintenance. *(Dictionary)*

Depreciation

In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. *(Dictionary)*

Direct Costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

An interest rate used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time specified by the client.

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8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.

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

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. *(14th Edition)*

Economic Life

The period over which improvements to real property contribute to property value. *(Dictionary)*

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. *(Dictionary)*

Effective Date

The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. *(Dictionary)*

Effective Gross Income (EGI)

The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income. *(Dictionary)*

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

Effective Rent

The rental rate net of financial concessions such as periods of free rent during the lease term and above or below-market tenant improvements (TIs). *(14th Edition)*

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit actually earned on a development or improvement. *(Dictionary)*

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Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. *(Dictionary)*

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. *(14th Edition)*

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

Exposure Time

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. *(Dictionary)*

External Obsolescence

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant. *(Dictionary)*

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

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Fair Market Value

A term that is, in concept, similar to market value in general usage; used mainly in condemnation, litigation, income tax, and property tax situations. When an appraisal assignment involves developing an opinion of fair market value, the appropriate, requisite, and precise definition of the term depends on the use of the appraisal and the applicable jurisdiction. *(Dictionary)*

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(USPAP)*

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. *(Dictionary)*

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. *(Dictionary)*

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. *(Dictionary)*

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. *(Dictionary)*

Going-concern Value

1. The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern*.

2. The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. *(Dictionary)*

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. *(Dictionary)*

Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. *(Dictionary)*

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Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) (*Dictionary*)

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (*Dictionary*)

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (*Dictionary*)

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (*Dictionary*)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP*)

Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*14th Edition*)

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected. (*Dictionary*)

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. (*Dictionary*)

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Insurable Value

Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and non-insurable items. Sometimes cash value or market value, but often entirely a cost concept. *(MVS)*

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Interim Use

The temporary use to which a site or improved property is put until it is ready to be put to its future highest and best use. *(Dictionary)*

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship. *(Dictionary)*

Leasehold Interest

The tenant's possessory interest created by a lease. *(Dictionary)*

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of the current zoning in the zone where it is located; also known as a *grandfathered use*. *(Dictionary)*

Market Study

A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographic of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. *(Dictionary)*

Marketability Study

A microeconomic study that examines the marketability of a given property or class of properties, usually focusing on the market segment(s) in which the property is likely to generate demand. Marketability studies are useful in determining a specific highest and best use, testing development proposals, and projecting an appropriate tenant mix. *(Dictionary)*

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Market Analysis

A process for examining the demand for and supply of a property type and the geographic market area for that property type. *(Dictionary)*

Market Area

The area associated with a subject property that contains its direct competition. *(Dictionary)*

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(14th Edition)*

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;

3. a reasonable time is allowed for exposure in the open market;

4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. *(Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value.)*

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(14th Edition)*

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

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Off-site Costs

Costs incurred in the development of a project, excluding actual building construction costs, e.g., the costs of streets, sidewalks, curbing, traffic signals, and water and sewer mains; also called *common costs* or *off-site improvement costs*. (*Dictionary*)

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. (*Dictionary*)

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. (*14th Edition*)

Overall Capitalization Rate (OAR)

An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value. (*Dictionary*)

Potential Gross Income (PGI)

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. (*Dictionary*)

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income. (*Dictionary*)

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. (*Dictionary*)

Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. (*Dictionary*)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. (*Dictionary*)

Qualitative Analysis

The process of accounting for differences (such as between comparable properties and the subject property) that are not quantified; may be combined with quantitative analysis. (*Dictionary*)

Quantitative Adjustment

In the sale comparison approach, the process of making numerical adjustments to the sale prices of comparable properties, including data analysis techniques (paired data analysis, grouped data analysis, and secondary data analysis), statistical analysis, graphic analysis, trend analysis, cost analysis (cost-to-cure, depreciated cost), and capitalization of rent differences; usually precedes qualitative analysis. (*Dictionary*)

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. (*Dictionary*)

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Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. *(Dictionary)*

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(Dictionary)*

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." *(Dictionary)*

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Scope of Work

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. *(USPAP)*

Shopping Center Types

Neighborhood Shopping Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Shopping Center: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Shopping Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

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Shopping Center Types (cont.)

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. (14th Edition)

Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary)

Triple Net Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. (Dictionary)

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. (Dictionary)

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. (Dictionary)

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. (Dictionary)

Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. (Dictionary)



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Glendale Community
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Chaffey College

Saddleback College

STATE CERTIFICATION

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Phil Sarazen joined Colliers International Valuation & Advisory Services in April 2014. Phil has been working in the appraisal industry since 1979 and has experience in a wide range of property types.

Throughout his career, Phil has performed various types of appraisal assignments, specializing in mixed-use properties. During the 1980s, Phil was one of the first to create appraisal software and established a large appraisal service in 14 Western States including Hawaii with 128 offices and more than 1200 appraisers. Phil is also a published author and contributor to several industry publications.

His specialty at Colliers is Retail, Office and Industrial use property types but has also performed Special Purpose appraisals that include proposed religious facilities and a privately owned airport. Phil has experience in valuations of properties valued over \$25 million and consultations completed on a wide range of commercial, industrial, apartments, residential, and special purpose properties located throughout Southern and Northern California. Phil primarily works in the counties of Kern, Fresno, San Diego, Orange, Los Angeles, Riverside, San Bernardino, and Sacramento.

PROFESSIONAL AFFILIATIONS AND ACCREDITATIONS

Candidate for Designation, Appraisal Institute

APPRAISAL INSTITUTE COURSES

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REPRESENTATIVE CLIENTS AND PROJECTS

Mortgage Lenders: Mixed-Use, retail, office, industrial, special purpose and vacant land.

Attorneys, CPAs: Partial Interests, Leasehold Interests, Lease Analysis, Estate Taxes

Government Agencies: City-Owned Retail Kiosks along Metrolink Platforms

Developers: Live/Work Retail/Condominium Project in Santa Ana, CA

Special Purpose: Privately owned public use Gliderport in the Tehachapi Mountains

Private Investors: Leasehold Values, Acquisition/Disposition of Assets, Lease Analysis.



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Philip F. Sarazen

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

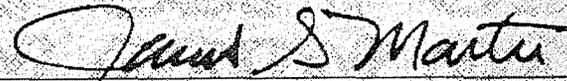
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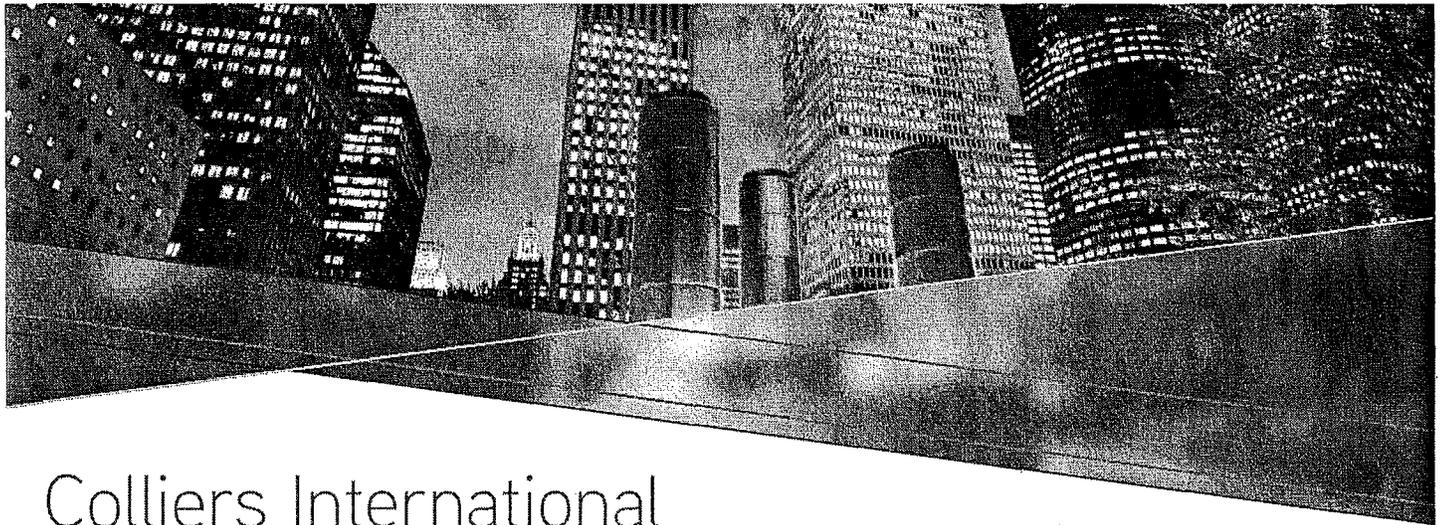
BREA APPRAISER IDENTIFICATION NUMBER: AG 003244

Effective Date: January 5, 2015

Date Expires: January 4, 2017


Jim Martin, Bureau Chief, BREA

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Experience That Counts

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Health Care
Subdivisions
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GSA Properties
Special Use Properties
Telecommunications

Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

Colliers Valuation & Advisory Services' reports are designed to deliver insight into a property's fundamentals, its competition and the overall market dynamics affecting value. A solid valuation report can be a strategic asset for investors, lenders and owners, provided that it addresses both a property's unique characteristics and the most current market conditions.

Commitment to high-end client service, coupled with Colliers International's unparalleled market intelligence and resources, differentiates us as the firm of choice in the real estate industry.

PROFESSIONALS

Our professionals share a commitment to deliver the highest level of service and consistent results. We go the extra mile for our clients, whether this means meeting a tight deadline or working with a complex and challenging property.

TECHNOLOGY

Our unmatched report creation technology speeds appraisals through the pipeline. This secure, centralized production system generates a wide range of reports and high volume portfolio orders without delays.

INFORMATION

Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers International's Valuation and Advisory reports give our clients the information they need to make better business decisions.

Expanded Cumulative Housing Balances for Board of Supervisor Districts range from -181% (District 4) to 54% (District 5). Negative balances in Districts 1 (-25%), 2 (-12%), 3 (-7%), 4 (-181%), 7 (-15%), and 11 (-159%) resulted from the larger numbers of units removed from protected status relative to the net new affordable housing and net new housing units built in those districts.

Table 1A
Cumulative Housing Balance Calculation, 2006 Q1 – 2015 Q4

BoS Districts	Net New Affordable Housing Built	Units Removed from Protected Status	Total Entitled Affordable Units Permitted	Total Net New Units Built	Total Entitled & Permitted Units	Housing Balance
BoS District 1	172	(439)	4	374	98	-55.7%
BoS District 2	6	(299)	40	350	605	-26.5%
BoS District 3	224	(481)	14	1,207	221	-17.0%
BoS District 4	10	(357)	1	103	88	-181.2%
BoS District 5	589	(302)	217	1,230	730	25.7%
BoS District 6	3,116	(381)	602	13,921	5,564	17.1%
BoS District 7	96	(288)	-	384	160	-35.3%
BoS District 8	313	(356)	170	1,078	626	7.5%
BoS District 9	226	(429)	20	1,142	255	-13.1%
BoS District 10	758	(376)	442	2,631	2,676	15.5%
BoS District 11	22	(410)	26	111	117	-158.8%
TOTALS	5,532	(4,118)	1,536	22,531	11,140	8.8%

Table 1B
Expanded Cumulative Housing Balance Calculation; 2006 Q1 – 2015 Q4

BoS Districts	Net New Affordable Housing Built	Acquisitions & Rehabs Completed	RAD Program	Units Removed from Protected Status	Total Entitled Affordable Units Permitted	Total Net New Units Built	Total Entitled and Permitted Units	Housing Balance
BoS District 1	172	-	144	(439)	4	374	98	-25.2%
BoS District 2	6	24	113	(299)	40	350	605	-12.1%
BoS District 3	224	-	143	(481)	14	1,207	221	-7.0%
BoS District 4	10	-	-	(357)	1	103	88	-181.2%
BoS District 5	589	290	263	(302)	217	1,230	730	53.9%
BoS District 6	3,116	926	189	(381)	602	13,921	5,564	22.8%
BoS District 7	96	-	110	(288)	-	384	160	-15.1%
BoS District 8	313	-	132	(356)	170	1,078	626	15.2%
BoS District 9	226	319	118	(429)	20	1,142	255	18.2%
BoS District 10	758	-	213	(376)	442	2,631	2,676	19.5%
BoS District 11	22	-	-	(410)	26	111	117	-158.8%
TOTALS	5,532	1,559	1,425	(4,118)	1,536	22,531	11,140	17.6%

PROJECTED HOUSING BALANCE

Table 2 below summarizes residential projects that have received entitlements from the Planning Commission or the Planning Department but have not yet received a site or building permit. Overall projected housing balance at the end of 2015 is 15%. This balance is expected to change as several major projects have yet to declare how their affordable housing requirements will be met. In addition, three entitled major development projects – Treasure Island, ParkMerced, and Hunters Point – are not included in the accounting until applications for building permits are filed or issued as specified in the ordinance. Remaining phases from these three projects will yield an additional 22,400 net new units; 23% (or 5,170 units) would be affordable to low and moderate income households.

The Projected Housing Balance does not account for affordable housing units that will be produced as a result of the Inclusionary Housing Fee paid in a given reporting cycle. Those affordable housing units are produced several years after the Fee is collected. Units produced through the Fee typically serve lower income households than do the inclusionary units, including special needs populations requiring services, such as seniors, transitional aged youth, families, and veterans.

Table 2
Projected Housing Balance Calculation, 2015 Q4

BoS District	Very Low Income	Low Income	Moderate	Middle	TBD	Total Affordable Units	Net New Units	Total Affordable Units as % of Net New Units
BoS District 1	-	-	-	-	-	-	14	0.0%
BoS District 2	-	-	-	-	-	-	46	0.0%
BoS District 3	-	-	-	-	16	16	301	5.3%
BoS District 4	-	-	-	-	-	-	2	0.0%
BoS District 5	-	-	-	-	5	5	59	8.5%
BoS District 6	439	74	129	29	25	696	3,320	21.0%
BoS District 7	-	-	-	-	-	-	147	0.0%
BoS District 8	-	-	3	-	-	3	105	2.9%
BoS District 9	-	-	-	-	-	-	33	0.0%
BoS District 10	-	-	10	-	168	178	1,872	9.5%
BoS District 11	-	-	-	-	-	-	7	0.0%
Totals	439	74	142	29	214	898	5,906	15.2%

CUMULATIVE HOUSING BALANCE ELEMENTS

Because the scope covered by the Housing Balance calculation is broad, each element – or group of elements – will be discussed separately. The body of this report will account for figures at the Board of Supervisor district level. The breakdown of each element using the Planning Department District geographies, as required by *Section 103*, is provided separately in an *Appendix C*. This is to ensure simple and uncluttered tables.

Affordable Housing and Net New Housing Production

Table 3 below shows housing production between 2006 Q1 and 2015 Q4. This ten-year period resulted in a net addition of 22,530 units to the City's housing stock, including 5,530 affordable units. A majority of net new housing units and affordable units built in the ten year reporting period were in District 6 (13,920 or 62% and 3,116 or 56% respectively). District 10 follows with about 2,630 (12%) net new units, including 760 (14%) affordable units.

The table below also shows that almost 25% of net new units built between 2006 Q1 and 2015 Q4 were affordable units. While District 1 saw modest gains in net new units built, almost half of these were affordable (46%); almost half of net new units in District 5 were also affordable.

Table 3
New Housing Production by Affordability, 2006 Q1 - 2015 Q4

BoS District	Very Low	Low	Moderate	Middle	Total Affordable Units	Total Net Units	Affordable Units as % of Total Net Units
BoS District 1	170	2	-	-	172	374	46.0%
BoS District 2	-	-	6	-	6	350	1.7%
BoS District 3	161	11	52	-	224	1,207	18.6%
BoS District 4	-	-	10	-	10	103	9.7%
BoS District 5	422	77	90	-	589	1,230	47.9%
BoS District 6	1,969	615	509	23	3,116	13,921	22.4%
BoS District 7	70	26	-	-	96	384	25.0%
BoS District 8	260	32	21	-	313	1,078	29.0%
BoS District 9	138	40	48	-	226	1,142	19.8%
BoS District 10	105	291	362	-	758	2,631	28.8%
BoS District 11	-	10	12	-	22	111	19.8%
TOTAL	3,295	1,104	1,110	23	5,532	22,531	24.6%

It should be noted that units affordable to Extremely Very Low Income (EVLI) households are included under the Very Low Income (VLI) category because certain projects that benefit homeless individuals and families – groups considered as EVLI – have income eligibility caps at the VLI level.

Acquisition and Rehabilitation of Affordable Housing Units

Table 4 below lists the number of units that have been rehabilitated and/or acquired between 2006 and 2015 to ensure permanent affordability. These are mostly single-room occupancy hotel units that are affordable to extremely very low and very low income households.

Table 4
Acquisitions and Rehabilitation of Affordable Housing, 2006-2015

BoS District	No. of Buildings	No. of Units
BoS District 2	1	24
BoS District 5	2	290
BoS District 6	11	926
BoS District 9	2	319
TOTALS	16	1,559

RAD Program

The San Francisco Housing Authority's Rental Assistance Demonstration (RAD) program preserves at risk public and assisted housing projects. According to the Mayor's Office, RAD Phase 1 transferred 1,425 units to developers in December 2015.

Table 5
RAD Affordable Units

BoS Districts	Projects	Units
BoS District 1	2	144
BoS District 2	1	113
BoS District 3	2	143
BoS District 5	3	263
BoS District 6	2	189
BoS District 7	1	110
BoS District 8	2	132
BoS District 9	1	118
BoS District 10	1	213
TOTALS	15	1,425

Units Removed From Protected Status

San Francisco's Residential Rent Stabilization and Arbitration Ordinance protects tenants and preserves affordability of about 175,000 rental units by limiting annual rent increases. Landlords can, however, terminate tenants' leases through no-fault evictions including condo conversion, owner move-in, Ellis Act, demolition, and other reasons that are not the tenants' fault. The Housing Balance calculation takes into account units permanently withdrawn from rent stabilization as loss of affordable housing. The following no-fault evictions affect the supply of rent controlled units by removing units from the rental market: condo conversion, demolition, Ellis Act, and owner move-ins (OMIs). It should be noted that OMIs were not specifically called out by the Ordinance to be included in the calculation. However, because owner move-ins have the effect of the losing rent controlled units either permanently or for a substantial period of time, these numbers are included in the Housing Balance calculation as intended by the legislation's sponsors. Some of these OMI units may return to being rentals and will still fall under the rent control ordinance.

Table 6 below shows the distribution of no-fault eviction notices issued between January 2006 and December 2015. Eviction notices have been commonly used as proxy for evictions. Owner Move-In and Ellis Out notices made up the majority of no fault evictions (52% and 35% respectively). Distribution of these no-fault eviction notices is almost evenly dispersed, with Districts 3 and 1 leading (12% and 11% respectively).

Table 6
Units Removed from Protected Status, 2006 – 2015

BoS District	Condo Conversion	Demolition	Ellis Out	Owner Move-In	Units Removed from Protected Status
BoS District 1	1	26	132	280	439
BoS District 2	8	13	136	142	299
BoS District 3	6	12	289	174	481
BoS District 4	1	94	66	196	357
BoS District 5	16	23	140	123	302
BoS District 6	2	80	65	234	381
BoS District 7	2	24	39	223	288
BoS District 8	12	33	268	43	356
BoS District 9	4	71	219	135	429
BoS District 10	2	36	35	303	376
BoS District 11	-	93	43	274	410
TOTALS	54	505	1,432	2,127	4,118

Entitled and Permitted Units

Table 7 lists the number of units that have received entitlements from the Planning Commission or the Planning Department. These pipeline projects have also received site permits from the Department of Building Inspection and most are under construction as of the final quarter of 2015. Half of these units are being built in or will be built in District 6. Fourteen percent of units that have received Planning entitlements and site permits from the DBI will be affordable.

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Mayor's Office of Housing and Community Development
City and County of San Francisco



Edwin M. Lee
Mayor

Olson Lee
Director

April 4, 2016

Mayor Edwin M. Lee
City and County of San Francisco
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place Room 200
San Francisco, CA 94102

RE: Resolution authorizing execution and performance of an Amendment to Long Term Ground Lease for real property located at 1555 Turk Street

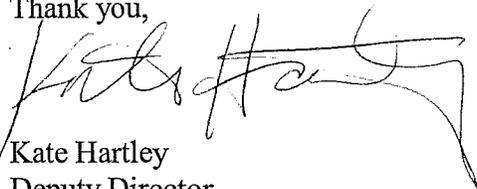
With this memo, I am submitting to you for introduction at the Board of Supervisors meeting on Tuesday, April 5, 2016 a resolution authorizing the execution and performance of an Amendment to Long Term Ground Lease for real property located at 1555 Turk Street between the City and County of San Francisco and Laurel Gardens of Bethel A.M.E. Church L.P., a California limited partnership in connection with the refinancing and rehabilitation of 52 units of affordable housing for low and very low income individuals and families. The Amendment to Ground Lease modernizes the original ground lease executed on October 1, 1998 to current terms for Mayor's Office of Housing and Community Development ("MOHCD") affordable housing related ground leases. Accompanying the Amendment to Ground Lease is a land appraisal that values the subject land at \$9,500,000.

This resolution represents the conclusion of negotiations with Laurel Gardens of Bethel A.M.E. Church L.P. and their lender Citibank. The refinance enables the sponsor to perform approximately \$6,000,000 worth of rehabilitation scope of work with no additional City funds. The rehabilitation will include site improvements, major exterior envelope upgrades, HVAC and electrical system upgrades, interior unit upgrades to kitchens and bathrooms as well as ADA upgrades to the site and interior units. This rehabilitation will enhance the quality of life for the current residents and ensure long term sustainable operations of the property.

We look forward to the introduction of this resolution on April 5, 2016 and expect to see the final approval of this resolution at the Board of Supervisors meeting on April 26, 2016. We anticipate the closing this real estate transaction by the April 29, 2016.

If you have any questions about the resolution or the project, please contact myself or MOHCD Project Manager, Faith Kirkpatrick at 701-5510.

Thank you,

A handwritten signature in black ink, appearing to read 'Kate Hartley', written over a horizontal line.

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

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 Breed

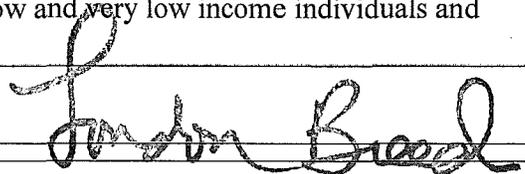
Subject:

Enter into an Amendment to a 99 year Ground Lease - 1555 Turk Street- Laurel Gardens of Bethel A.M.E. Church, L.P. – up to \$950,000/year, including mandatory \$15,000/year base rent

The text is listed below or attached:

Resolution authorizing the execution and performance of an Amendment to a Long Term Ground Lease of 99 years in length between the City and County of San Francisco and Laurel Gardens of Bethel A.M.E. Church L.P., a California limited partnership, for real property located at 1555 Turk Street, San Francisco, in connection with the refinancing and rehabilitation of 52 units of affordable housing for low and very low income individuals and families.

Signature of Sponsoring Supervisor:



For Clerk's Use Only: