

Appendix P

Below-Market Rate Housing Plan

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**DISPOSITION AND DEVELOPMENT AGREEMENT
(CANDLESTICK POINT AND PHASE 2 OF THE HUNTERS POINT SHIPYARD)
BELOW-MARKET RATE HOUSING PLAN**

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**DISPOSITION AND DEVELOPMENT AGREEMENT
(CANDLESTICK POINT AND PHASE 2 OF THE HUNTERS POINT SHIPYARD)**

BELOW-MARKET RATE HOUSING PLAN

This BELOW-MARKET RATE HOUSING PLAN implements and is part of the DDA. As used herein, the capitalized terms defined in Section 1 have the meanings given to them in Section 1. Capitalized terms used but not otherwise defined in this Below-Market Rate Housing Plan have the definitions given to them in the DDA.

SUMMARY

This Below-Market Rate Housing Plan describes the process and requirements for the development of approximately 10,500 homes on the Project Site and is designed to provide new housing opportunities for households of diverse income, ages, lifestyles and family size. Thirty-one and eighty-six hundredths percent (31.86%) of the Total Units (or 3,345 of 10,500 Units), will be Below-Market Rate Units, including Alice Griffith Replacement Units, Agency Affordable Units, Inclusionary Units and Workforce Units. The balance of the housing in the Project, approximately 7,155 Market Rate Units, will include a variety of unit types and sizes.

Subject to the terms of the DDA, Developer will prepare “building ready” land by remediating, grading and installing all of the Infrastructure for all of the residential development within the Project Site. The amount and timing of this development is dependent on the amount and pace of the overall development in the Project Site, and this development will occur in phases as described in the DDA. The timing of Developer’s preparation of Lots for Below-Market Rate Units will be governed by the Schedule of Performance. Developer, the Housing Authority and the Agency have identified the anticipated location of the Agency Lots, the Alice Griffith Lots and the potential Stand-Alone Workforce Lots, all of which are identified on the Housing Map. The size and location of these Lots may be adjusted by the mutual agreement of Developer and the Agency as necessary to fulfill the purposes of the DDA, including this Below-Market Rate Housing Plan.

Following the Transfer of “building ready” Lots, subject to the terms of the DDA (including this Below-Market Rate Housing Plan), three primary groups of providers will develop the approximately 3,345 Below-Market Rate Units: (1) the Agency and Qualified Housing Developers selected by the Agency will develop approximately 1,140 Agency Affordable Units on the Agency Lots; (2) Alice Griffith Developer will develop 256 Alice Griffith Replacement Units and approximately 248 Agency Affordable Units on the Alice Griffith Lots; and (3) Vertical Developers, including Developer and Affiliates of Developer, will develop approximately 809 Inclusionary Units and 892 Workforce Units. The Below-Market Rate Units will be generally integrated with or adjacent to Market Rate Units developed in the Project Site, and in each Market Rate Project between five percent (5%) and twenty percent (20%) of the Units will be Inclusionary Units, subject to any deviation that may be Approved by the Agency in its sole discretion.

Through the requirements set forth in the DDA, including this Below-Market Rate Housing Plan, Developer and the Agency have attempted to address the demand in the BVHP

community for housing that is suitable for families, seniors, young adults and others with special needs. To accommodate the needs of families, all Below-Market Rate Units, both those designated as Rental Units and Sale Units (but exclusive of those Units specifically designed for occupancy by seniors or special needs residents), will have an average of two and one half (2.5) bedrooms. Subject to the terms of the DDA (including the Community Benefits Plan and the Parks and Open Space Plan), the Project is anticipated to include a variety of family-oriented amenities, including a community center and community rooms, art and cultural facilities, parks and open space, community gardens and athletic fields.

Under the CCRL, the Agency must set aside a minimum of twenty percent (20%) of the tax increment revenue from the Project for the sole purpose of improving, preserving or producing affordable housing. Consistent with Agency and City policies, approximately fifty percent (50%) of the tax increment from the redevelopment project areas will be used to support affordable housing, including the construction of an allocable share of any new infrastructure required for affordable housing that meets the standards for low- and moderate-income housing under CCRL section 33334.2. These sources alone are not sufficient to fully cover the cost of constructing the Below-Market Rate Units for the Project. Developer will therefore provide the Alice Griffith Subsidy and the Agency Subsidy in accordance with the terms of this Below-Market Rate Housing Plan.

The Financing Plan attached to the DDA calls for the use of a variety of private and tax-exempt funding sources to create the Below-Market Rate Units envisioned by this Below-Market Rate Housing Plan, including substantial Developer equity, tax increment financing, low-income housing tax credit proceeds and land secured tax exempt financing such as Mello Roos bonds. Collectively, the Project will contribute more than \$500 million towards the creation of the Below-Market Rate Units envisioned by this Below-Market Rate Housing Plan, including \$120 million for the Alice Griffith Subsidy and Agency Subsidy and approximately \$400 million for Infrastructure to support Below-Market Rate Units in the Project Site.

1. **DEFINITIONS**

“**Additional Agency Affordable Units**” is defined in Section 4.5(a).

“**Additional Agency Affordable Use Requirements**” is defined in Section 4.5(a).

“**Additional Agency Uses**” is defined in Section 4.5(a).

“**Adequate Security**” is defined in the DDA.

“**Affiliate**” is defined in the DDA.

“**Affordable**” means:

(i) with respect to an Affordable Unit that is: (a) a Rental Unit, an annual rental charge (including the Utility Allowance applicable to the Household Size of such Rental Unit, if applicable) paid in equal monthly installments that do not exceed (x) thirty percent (30%) of AMI (as adjusted for the Household Size applicable to that Rental Unit) *multiplied by* the AMI Percentage applicable to that Rental Unit (y) *less* the Parking Cost; and (b) a Sale Unit, a

purchase price that does not exceed (x) the amount determined using a five percent (5%) down payment and a commercially reasonable thirty (30) year fixed-rate mortgage loan with commercially reasonable points and fees and total annual payments for principal, interest, taxes and BMR Association Dues that are equal to thirty-three percent (33%) of AMI (as adjusted for the Household Size applicable to that Sale Unit) *multiplied* by the AMI Percentage applicable to that Sale Unit (y) *less* the Parking Cost; provided, however, if such Below-Market Rate Unit is an Inclusionary Unit, then for purposes of determining the rental charge or purchase price of such Inclusionary Unit, the AMI Percentage (but not the income qualifications) applicable to such Inclusionary Unit shall be reduced by five percent (5%) (i.e. from one hundred twenty percent (120%) to one hundred fifteen percent (115%)). The interest rate for the mortgage loan that is used to calculate the purchase price for a Sale Unit shall be the higher of (1) the ten (10) year rolling average interest rate, as calculated by the Agency based on data provided by Fannie Mae or Freddie Mac, or if such data is not provided by Fannie Mae or Freddie Mac, then based on data from an equivalent, nationally recognized mortgage financing institution Approved by Developer or Vertical Developer, as applicable, and the Agency, or (2) the current, commercially reasonable rate available through an Agency-approved lender, in either case as in effect as of the Affordable Interest Rate Determination Date; and

(ii) with respect to a Workforce Unit that is: (a) a Rental Unit, an annual rental charge (including the Utility Allowance applicable to the Household Size of such Rental Unit, if applicable) paid in equal monthly installments that do not exceed thirty percent (30%) of SFMI (as adjusted for the Household Size applicable to that Rental Unit) *multiplied* by the AMI Percentage applicable to that Rental Unit; and (b) a Sale Unit, a purchase price that does not exceed the amount determined using a ten percent (10%) down payment and a commercially reasonable thirty (30) year fixed-rate mortgage loan with commercially reasonable points and fees and total annual payments for principal, interest, taxes and BMR Association Dues that does not exceed thirty-eight percent (38%) of SFMI (as adjusted for the Household Size applicable to that Sale Unit) *multiplied* by the AMI Percentage applicable to that Sale Unit. The interest rate for the mortgage loan that is used to calculate the purchase price for a Sale Unit shall be the lower of (1) the ten (10) year rolling average interest rate, as calculated by the Agency based on data provided by Fannie Mae or Freddie Mac, or if such data is not provided by Fannie Mae or Freddie Mac, then based on data from an equivalent, nationally recognized mortgage financing institution Approved by Developer or Vertical Developer, as applicable, and the Agency, or (2) the current, commercially reasonable rate available through an Agency-approved lender, in either case as in effect as of the Affordable Interest Rate Determination Date.

“Affordable Interest Rate Determination Date” means with respect to an Inclusionary Unit or a Workforce Unit, a date determined by the applicable Vertical Developer and provided to the Agency in writing that is on or after the date that the Vertical Developer Commences the applicable Residential Project and is on or before the date that the Agency Approves the marketing plan for the Residential Project as set forth in Sections 3.2(b) and 3.3(b), as applicable.

“Affordable Units” means Units that meet the standards for affordability in the CCRL, including but not limited to the income eligibility standards of CCRL section 33334.2 (requiring housing to be available at affordable housing cost between zero percent (0%) and one hundred twenty percent (120%) of AMI), the affordability standards of CCRL section 33334.3 and, if

applicable, the replacement housing standards of CCRL section 33413. Affordable Units include (i) Alice Griffith Replacement Units, (ii) Agency Affordable Units and (iii) Inclusionary Units.

“Agency Affordable Project” means a Residential Project constructed by a Qualified Housing Developer selected by the Agency on an Agency Lot and containing Agency Affordable Units and, subject to Section 4.5, possibly also containing the Additional Agency Uses.

“Agency Affordable Unit” means a Unit constructed within an Agency Affordable Project or an Alice Griffith Replacement Project (but not including the Alice Griffith Replacement Units) for which the rental charge is Affordable with an AMI Percentage equal to a minimum of zero percent (0%) and a maximum of sixty percent (60%).

“Agency Alice Griffith Subsidy” means a subsidy paid by the Agency to the Alice Griffith Replacement Projects in accordance with Section 5.4(b) in an aggregate amount equal to sixty two million seventeen thousand two hundred dollars (\$62,017,200).

“Agency Lots” mean those Lots identified as such on the Housing Map, on which Agency Affordable Projects will be developed.

“Agency Percentage” is defined in the Below-Market Rate Table.

“Agency Subsidy” means a subsidy equal to seventy thousand dollars (\$70,000) for each Subsidized Agency Affordable Unit; provided, that the aggregate subsidy shall not exceed an amount equal to the Total Units *multiplied* by the Agency Percentage *multiplied* by seventy thousand dollars (\$70,000) (or $10,500 \times 13.22\% \times \$70,000 = \$97,160,000$).

“Alice Griffith” is defined in the DDA.

“Alice Griffith Authorization Date” is defined in Section 2.5(b).

“Alice Griffith DDA” is defined in Section 5.2.

“Alice Griffith Developer” means a joint venture development entity formed to construct the Alice Griffith Replacement Projects consisting of Developer (or an Affiliate of Developer) and a Qualified Housing Developer, provided that such development entity shall be Approved by the Housing Authority and the Agency.

“Alice Griffith Lots” mean those Lots identified as such on the Housing Map, on which Alice Griffith Replacement Projects will be developed.

“Alice Griffith MOU” means that certain Memorandum of Understanding for the proposed redevelopment of Alice Griffith, attached hereto as Attachment F-2.

“Alice Griffith Percentage” is defined in the Below-Market Rate Table.

“Alice Griffith Replacement Project” means a Residential Project constructed by Alice Griffith Developer on an Alice Griffith Lot under a long-term ground lease, containing Alice

Griffith Replacement Units, Agency Affordable Units and possibly also containing other uses permitted under the Redevelopment Requirements.

“Alice Griffith Replacement Unit” means a newly constructed Rental Unit for which the rental charge is Affordable with an AMI Percentage that is equal to a minimum of zero percent (0%) and a maximum of sixty percent (60%) or such higher maximum income cap permitted by the Housing Authority, and is intended to replace one of the existing two hundred fifty six (256) Units at Alice Griffith.

“Alice Griffith Schedule of Performance” means the schedule of performance for the development of the Alice Griffith Replacement Projects Approved by the Agency Director and the Housing Authority on or before the first Major Phase Approval, or as set forth in the Alice Griffith DDA.

“Alice Griffith Site” is defined in the DDA.

“Alice Griffith Subsidy” means a subsidy equal to ninety thousand dollars (\$90,000) for each Alice Griffith Replacement Unit, provided that the aggregate subsidy shall not exceed twenty three million forty thousand dollars (\$23,040,000) (or $256 \times \$90,000 = \$23,040,000$).

“AMI” means the unadjusted area median income provided by HUD that is specific to the metro fair market rent area that contains the City as published annually by the Mayor’s Office of Housing and adjusted for household sizes. If data provided by HUD that is specific to the metro fair market rent area that contains the City is unavailable, then AMI may be calculated by the Mayor’s Office of Housing using other publicly available and credible data as Approved by Developer and the Agency.

“AMI Percentage” means the percentage multiple of AMI applicable to a Below-Market Rate Unit as set forth in the Below-Market Rate Table.

“Approval” (Approve, Approved and any variation thereof) is defined in the DDA.

“Approved Title Exceptions” means (i) current taxes and assessments not yet due or payable, (ii) the applicable Redevelopment Requirements, (iii) any environmental restrictions and covenants recorded in connection with the environmental regulatory condition required by the DDA (but that do not prohibit residential use), (iv) matters disclosed on an applicable Subdivision Map, consistent with the Infrastructure Plan, (v) easements for utilities and access in favor of the City or a private utility consistent with the Development Plan, Redevelopment Plans, Design for Development and an applicable Subdivision Map or that otherwise do not materially increase the cost or feasibility of development of the Agency Lots or the Alice Griffith Lots, as applicable, as contemplated herein, (vi) use restrictions and requirements relating to the construction of Agency Affordable Units or the Alice Griffith Replacement Units as contemplated herein, (vii) matters disclosed by an ALTA survey that do not materially increase the cost or feasibility of development of the Agency Lots or the Alice Griffith Lots, as applicable, (viii) with respect to the Alice Griffith Lots, use restrictions and requirements imposed by HUD; (ix) such restrictions as are required to satisfy the terms and conditions of the DDA and (x) the lien of any existing community facilities district (including a CFD) so long as the real property, while owned by the Governmental Agency, is exempt from the special tax to

be levied by the community facilities district as required under the Financing Plan and Section 4.3(a); provided, however, the foregoing shall not include the imposition of the CCBA on the Agency Lots or the Alice Griffith Lots.

“Assignment and Assumption Agreement” is defined in the DDA.

“Authorizations” is defined in the DDA.

“Below-Market Rate Credits” is defined in Section 2.5(b).

“Below-Market Rate Housing Plan” is defined in the DDA.

“Below-Market Rate Lots” means, individually or collectively as the context requires, (i) Alice Griffith Lots, (ii) Agency Lots, and (iii) Stand-Alone Workforce Lots.

“Below-Market Rate Percentage” means thirty one and eighty-six hundredths percent (31.86%).

“Below-Market Rate Project” means, individually or collectively as the context requires, (i) an Alice Griffith Replacement Project, (ii) an Agency Affordable Project, or (iii) a Stand-Alone Workforce Project.

“Below-Market Rate Table” means the table set forth in Exhibit F-A.

“Below-Market Rate Units” means, individually or collectively as the context requires, (i) Alice Griffith Replacement Units, (ii) Agency Affordable Units, (iii) Inclusionary Units and (iv) Workforce Units (i.e., Affordable with an AMI Percentage equal to between 0% and 160%).

“BMR Association Dues” is defined in Section 2.7.

“BMR Checkpoint Date” is defined in Section 2.5(c).

“BMR Checkpoint Requirement” is defined in Section 2.5(c).

“BVHP Redevelopment Plan” is defined in the DDA.

“CALReUSE” is defined in Section 4.1(f)(4).

“CALReUSE Infill Development Project” is defined in Section 4.1(f)(4).

“Candlestick Design for Development” is defined in the DDA.

“CCBA” is defined in the DDA.

“CCRL” is defined in the DDA.

“Certificate of Completion” is defined in the DDA.

“Certificate of Occupancy” is defined in the DDA.

“Certificate of Preference Program” means, initially, the document attached to this Below-Market Rate Housing Plan as Attachment F-1, as such document may be revised from time to time by the Agency upon notice thereof to Developer and Vertical Developer; provided that, except to the extent required by state or federal law, no such revision that is specific to the Project, not of general applicability to redevelopment areas of the Agency or materially increases the cost to Developer or Vertical Developer of performing its obligations under the DDA, shall be valid without the Approval of Developer and Vertical Developer, as applicable, in their respective sole and absolute discretion.

“CFD” is defined in the Financing Plan.

“City” is defined in the DDA.

“Citywide Housing Fund” means the tax increment funds in the Agency’s Low and Moderate Income Housing Fund made available outside of the originating project area for increasing, improving and preserving the community’s supply of affordable housing pursuant to Agency Commission action.

“City Agency” is defined in the DDA.

“Commence” (and any variation thereof) is defined in the DDA.

“Community Benefits Plan” is defined in the DDA.

“Community Builders Lot” is defined in the Community Benefits Plan.

“Community First Housing Fund Contribution” is defined in the Community Benefits Plan.

“Complete” (and any variation thereof) is defined in the DDA.

“Construction Documents” is defined in the DRDAP.

“Cost Overruns” is defined in Section 5.4(c).

“Costa-Hawkins Act” is defined in Section 7.2.

“CP/HPS Subdivision Code” is defined in the DDA.

“CP State Recreation Area” is defined in the DDA.

“Cumulative Deferred Agency Subsidy” is defined in Section 2.6(a).

“Cumulative Subsidy Cap” is defined in Section 2.6(b).

“DDA” is defined in that certain Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard) to which this Below-Market Rate Housing Plan is attached.

“Declaration of Restrictions” means, individually or collectively as the context requires, the Declaration of Restrictions for Rental Inclusionary Units, the Declaration of Restrictions for Sale Inclusionary Units and the Declaration of Restrictions for Sale Workforce Units.

“Declaration of Restrictions for Rental Inclusionary Units” means a document substantially in the form of the document titled “Declaration of Restrictions for Rental Inclusionary Units” attached hereto as Exhibit F-E.

“Declaration of Restrictions for Rental Workforce Units” means a document substantially consistent with Exhibit F-G.

“Declaration of Restrictions for Sale Inclusionary Units” means a document substantially in the form of the document titled “Declaration of Restrictions and Option to Purchase Agreement for Sale Inclusionary Units” attached hereto as Exhibit F-F, including the form of Short Form Deed of Trust and Assignment of Rents attached thereto, the form of Addendum to Deed of Trust attached thereto and the form of Promissory Note Secured by Deed of Trust attached thereto.

“Declaration of Restrictions for Sale Workforce Units” means a document substantially consistent with the provisions of Exhibit F-G.

“Deferred Agency Subsidy” is defined in Section 2.6(a).

“Design Documents” is defined in the DRDAP.

“Design for Development” is defined in the DDA.

“Developer” is defined in the DDA.

“Developer’s Below-Market Rate Housing Obligations” means, with respect to any Major Phase or Sub-Phase, the obligations described in Section 2.4 (a)–(g).

“Development Plan” is defined in the DDA.

“DRDAP” is defined in the DDA.

“Effective Date” is defined in the DDA.

“Entitled Units” is defined in the DDA.

“Excusable Delay” is defined in the DDA.

“Financing Plan” is defined in the DDA.

“HOPE SF Principles” means the program described in Attachment F-3.

“Household Size” means the total number of bedrooms in a Unit plus one (1); provided, however, with respect to twenty-five percent (25%) of the one (1) bedroom Inclusionary Units in

each Major Phase as determined by Developer or Vertical Developer, as applicable, Household Size means one (1) (the “**One Bedroom One Person Units**”).

“**Housing Authority**” is defined in the DDA.

“**Housing Data Table**” means the information delivered by Developer to the Agency in accordance with Section 2.3, which information shall be provided in substantially the form attached as Exhibit F-H.

“**Housing Map**” means, initially, the map attached hereto as Exhibit F-B as such map may be amended or supplemented in accordance with the terms of the DDA (including this Below-Market Rate Housing Plan).

“**HUD**” is defined in the DDA.

“**Inclusionary Unit**” means a Unit for which the rental charge or purchase price is Affordable with an AMI Percentage that is equal to a minimum of eighty percent (80%) and a maximum of one hundred twenty percent (120%), and includes the recorded restrictions as set forth in Section 3.4(a).

“**Infrastructure**” is defined in the DDA.

“**Infrastructure Plan**” is defined in the DDA.

“**Initial Major Phase**” is defined in the DDA.

“**Lot**” is defined in the DDA.

“**Major Phase**” is defined in the DDA.

“**Major Phase Application**” is defined in the DDA.

“**Major Phase Approval**” is defined in the DDA.

“**Market Rate Credits**” is defined in Section 2.5(b).

“**Market Rate Lots**” mean those Lots identified as such on the Housing Map, on which Market Rate Projects may be developed.

“**Market Rate Project**” means a Residential Project that is not a Below-Market Rate Project and is constructed on a Market Rate Lot.

“**Market Rate Unit**” means a Unit that is not a Below-Market Rate Unit and therefore has no restrictions under the DDA with respect to rental charges or purchase prices or income restrictions for the Owner/Occupants or renters of such Units.

“**Material Breach**” is defined in the DDA.

“MOH Underwriting Guidelines” means the Underwriting Guidelines of the Mayor’s Office of Housing in effect on the Reference Date, as such Underwriting Guidelines may be revised from time to time upon notice thereof to Developer; provided that, except to the extent required by state or federal law (including applicable regulations), no such revision that is specific to the Project, not of general applicability in the City or materially increases the cost to Developer or Alice Griffith Developer of performing their respective obligations under the DDA or the Alice Griffith DDA shall be valid without the Approval of Developer and Alice Griffith Developer, as applicable, in their respective sole and absolute discretion.

“Owner/Occupant” means the Person holding fee title to a Unit following the initial sale thereof by a Vertical Developer.

“Parking Construction Cost” means twenty five thousand dollars (\$25,000) for each ground-level or above-ground Parking Space, and thirty five thousand dollars (\$35,000) for each below-ground Parking Space, as the same may be adjusted (i) on the fifth anniversary of the Effective Date and each fifth anniversary thereafter with reference to the California Construction Cost Index as published by ENR.com (Engineering News Record), or an alternative construction cost index Approved by Developer or Vertical Developer, as applicable, and the Agency Director or (ii) with respect to a particular Residential Project, as Approved by Developer or Vertical Developer, as applicable, and the Agency Director.

“Parking Cost” means, with respect to (i) Rental Units, the Parking Construction Cost amortized on a straight-line basis over thirty (30) years, using the current (at the time the Parking Cost is required to be determined) ten (10) year rolling average interest rate as determined based on data provided by Fannie Mae or Freddie Mac, or if such data is not provided by Fannie Mae or Freddie Mac, then based on data from an equivalent, nationally recognized mortgage financing institution Approved by Developer or Vertical Developer, as applicable, and the Agency, or (ii) Sale Units, the Parking Construction Cost.

“Parking Space” is defined in Section 3.5(a).

“Parks and Open Space Plan” is defined in the DDA.

“Parties” is defined in the DDA.

“Percentage of Total Units” means the column with such header in the Below-Market Rate Table.

“Permit to Enter” is defined in the DDA.

“Person” is defined in the DDA.

“Private Parcels” is defined in the DDA.

“Project” is defined in the DDA.

“Project Housing Data Table” means the information delivered by a Vertical Developer to the Agency in accordance with Section 3.6(b), which information shall be provided in substantially the form attached as Exhibit F-I.

“Project Site” is defined in the DDA.

“Proposition G” is defined in the DDA.

“Qualified Housing Developer” means a non-profit or for-profit organization with the ability to secure low-income housing tax credits and affordable housing financing and to develop Affordable Units consistent with the character and quality of the Residential Projects in the Project Site and with the Redevelopment Requirements.

“Redevelopment Requirements” is defined in the DDA.

“Reference Date” is defined in the DDA.

“Relocation Option” is defined in Section 5.3(g).

“Rental Unit” means a Unit that is offered on a rental basis (i.e., not a Sale Unit).

“Residential Lot” means, individually or collectively as the context requires, Agency Lots, Alice Griffith Lots, Market Rate Lots and Stand-Alone Workforce Lots.

“Residential Project” is defined in the DDA.

“Sale Unit” means a Unit that is intended at the time of Completion to be offered for purchase, e.g. as a condominium or cooperative, for individual unit occupancy by an Owner/Occupant.

“Schedule of Performance” is defined in the DDA.

“SFMI” means the area median income provided by HUD that is specific to the metro fair market rent area that contains the City, adjusted for household size and to include only the City, as published annually by the Mayor’s Office of Housing. If such data is no longer published by the Mayor’s Office of Housing, then SFMI shall be calculated by reducing AMI for each household size by ten percent (10%).

“Stand-Alone Workforce Lots” mean those Lots identified as such on the Housing Map, on which Stand-Alone Workforce Projects may be developed.

“Stand-Alone Workforce Project” means a Residential Project in which more than forty percent (40%) of the Units are Workforce Units.

“State Parks” is defined in the DDA.

“Subdivision Map” is defined in the DDA.

“Sub-Phase” is defined in the DDA.

“Sub-Phase Application” is defined in the DDA.

“Sub-Phase Approval” is defined in the DDA.

“Subsequent Major Phase” is defined in the DDA.

“Subsidized Agency Affordable Units” means a number of Agency Affordable Units applicable to an Agency Lot, as such number is set forth on the Housing Map.

“Subsidy” means, individually or collectively as the context requires, (i) the Agency Subsidy and (ii) the Alice Griffith Subsidy.

“Tax Allocation Agreement” is defined in the Financing Plan.

“Tax Credits” is defined in Section 5.4(b).

“Title Defects” is defined in Section 4.3.

“Total Below Market-Rate Units” means the Below Market-Rate Percentage *multiplied* by the Total Units.

“Total Units” means the number of Entitled Units (or 10,500 Units).

“Unit” means a building or portion thereof that contains living facilities designed for residential occupancy for thirty two (32) consecutive days or more, including provisions for sleeping, eating and sanitation, for not more than one family, and may include senior and assisted living facilities.

“Unit Credits” is defined in Section 2.5(b).

“Utility Allowance” means a dollar amount determined in a manner acceptable to the California Tax Credit Allocation Committee, which may include a dollar amount established periodically by the Housing Authority based on standards established by HUD for the cost of basic utilities for households, adjusted for Household Size. If such dollar amount is not available from the Housing Authority or HUD, then Developer or Vertical Developer, as applicable, may use another publicly available and credible dollar amount that is Approved by the Agency.

“Vertical Application” is defined in the DRDAP.

“Vertical Approval” is defined in the DRDAP.

“Vertical Developer” is defined in the DDA.

“Vertical Improvement” is defined in the DDA.

“Workforce Administrator” is defined in Section 3.3(c).

“**Workforce Unit**” means a Unit for which the rental charge or purchase price is Affordable with an AMI Percentage that is equal to a minimum of one hundred twenty-one percent (121%) and a maximum of one hundred sixty percent (160%).

2. DEVELOPER’S BELOW-MARKET RATE HOUSING OBLIGATIONS

2.1 General.

(a) Development Process.

(1) Subject to the terms of the DDA, Developer shall develop the Project Site in a series of Major Phases and, within each Major Phase, in a series of Sub-Phases. The DDA includes a process for Developer’s submittal of Major Phase Applications and Sub-Phase Applications, and for the Agency’s review and grant of Major Phase Approvals and Sub-Phase Approvals. The anticipated order of development of Major Phases, and Sub-Phases in each Major Phase, including the Completion of Alice Griffith Lots and Agency Lots, is set forth in the Schedule of Performance.

(2) As set forth in Section 2.3, and subject to satisfaction of the requirements of this Below-Market Rate Housing Plan, Developer shall preliminarily identify the number of anticipated Below-Market Rate Units for each anticipated Residential Project in a Major Phase Application, and may revise such number in a Sub-Phase Application. The final number of Below-Market Rate Units for each Residential Project shall be specified in the applicable Assignment and Assumption Agreement.

(3) Subject to the terms of the DDA: (i) upon receipt of a Sub-Phase Approval, Developer shall construct Infrastructure within such Sub-Phase in accordance with the Schedule of Performance; (ii) when it enters into Assignment and Assumption Agreements and Transfers Market Rate Lots and Stand-Alone Workforce Lots to Vertical Developers (including Developer and Affiliates of Developer) for the construction of Residential Projects, Developer shall do so consistent with this Below-Market Rate Housing Plan; and (iii) Developer shall Complete the Infrastructure for the Alice Griffith Lots and the Agency Lots in accordance with the Schedule of Performance.

(4) As set forth in the DDA, twenty-five percent (25%) of the Market Rate Lots and Stand-Alone Workforce Lots in each Major Phase shall be offered for sale to Vertical Developers by an auction or other process Approved by Developer and the Agency.

(5) Subject to the terms of the DDA, upon receipt of a Vertical Approval a Vertical Developer may construct, as applicable, Residential Project(s) that must include the number of Below-Market Rate Units for such Residential Project(s) as are set forth in the applicable Vertical Approval.

(b) Pace of Below-Market Rate Units. Without limiting the foregoing, the number and type of Below-Market Rate Units for which Developer has obtained Below-Market Rate Credits must be at least equal to the specified percentages of all Unit Credits as set forth in Section 2.5.

2.2 Lot Transfers.

(a) General. This Below-Market Rate Housing Plan requires that no less than thirty-one and eighty six hundredths percent (31.86%) of the Units constructed in the Project Site be Below-Market Rate Units, including Alice Griffith Replacement Units, Agency Affordable Units, Inclusionary Units and Workforce Units, each with at least the applicable Percentage of Total Units for each applicable AMI Percentage as set forth in the Below-Market Rate Table. As required under the DDA, Developer will Complete the Infrastructure for the Lots, including the Below-Market Rate Lots, in accordance with the Schedule of Performance. As required under the DDA, Developer will Transfer Residential Lots to Vertical Developers (and to the Agency and the Housing Authority, if applicable), although there is no outside date for the Transfer of Market Rate Lots or Stand-Alone Workforce Lots. When Developer Transfers Residential Lots to Vertical Developers, Developer shall (1) include in the Assignment and Assumption Agreement the number of Inclusionary Units and Workforce Units designated for such Lots under Section 2.2(b) and (2) do so such that (i) Developer will satisfy the requirements set forth in Section 2.5, including the BMR Checkpoint Requirements, (ii) Vertical Developers of Stand-Alone Workforce Projects will be required to Commence and Complete construction of Stand-Alone Workforce Projects on or before the Outside Dates set forth in the Schedule of Performance, as such Outside Dates are Approved by the Agency Director as part of the applicable Assignment and Assumption Agreement and Vertical Approval, and (iii) the Rental Units and Sale Units that are Inclusionary Units and Workforce Units, in each case excluding those specifically offered to senior or special-needs residents, will each average at least two and one-half (2.5) bedrooms.

(b) Allocation.

(1) Inclusionary Units and Workforce Units. When Developer Transfers a Market Rate Lot, it shall have the right to determine in its sole and absolute discretion the number of Inclusionary Units and Workforce Units designated for each such Lot, so long as, unless otherwise Approved in the sole and absolute discretion of the Agency Director: (i) no less than five percent (5%) and no more than twenty percent (20%) of the Units on such Market Rate Lot are Inclusionary Units; (ii) no more than forty percent (40%) of the Units on such Market Rate Lot are Workforce Units; (iii) Developer otherwise satisfies the requirements of Section 2.5; and (iv) if Developer decreases the percentage of Inclusionary Units or Workforce Units on a Lot from the number that was identified in a Sub-Phase Approval, it shall notify the Agency of the proposed alternative location of such Inclusionary or Workforce Units. Subject to the foregoing and Section 2.5(d), Workforce Units may be included within either a Stand-Alone Workforce Project or a Market Rate Project.

(2) Stand-Alone Workforce Lots. Subject to Section 2.5(d), Developer may in its sole and absolute discretion (but shall not be required to) elect to Transfer a Stand-Alone Workforce Lot to a Vertical Developer for a Stand-Alone Workforce Project. If Developer does not elect to Transfer a Stand-Alone Workforce Lot for a Stand-Alone Workforce Project, it may Transfer such Lot as a Market Rate Lot subject to the Agency Director's Approval, which Approval may be denied only if (i) Developer has not identified the alternative location on the Project Site for the applicable Workforce Units that satisfies the requirements of the Below-Market Rate Housing Plan (including the limitations set forth in Section 2.2(b)(1)) and, if such location is a new Stand-Alone Workforce Lot (as opposed to including the Workforce Units within Market Rate Residential Projects), then such location shall be subject to the Approval of the Agency Director and (ii) such Transfer would, in the reasonable determination of the Agency Director, result in Developer's inability to satisfy the BMR Checkpoint Requirement on the next BMR Checkpoint Date. If Developer does elect to Transfer a Stand-Alone Workforce Lot for a Stand-Alone Workforce Project, it shall have the right to determine in its sole and absolute discretion the number of Inclusionary Units and Workforce Units designated for each such Lot, so long as, unless otherwise Approved in the sole and absolute discretion of the Agency Director: (a) no more than twenty percent (20%) of the Units on such Stand-Alone Workforce Lot are Inclusionary Units; (b) at least forty percent (40%) of the Units on such Stand-Alone Workforce Lot are Workforce Units; and (c) Developer otherwise satisfies the requirements of Section 2.5.

2.3 Major Phase and Sub-Phase Housing Data Tables. In order to track Developer's compliance with this Below-Market Rate Housing Plan, Developer shall submit a Housing Data Table as part of each Major Phase Application and Sub-Phase Application that includes Residential Projects, containing the following information:

(a) the anticipated location of each anticipated Residential Project within the Major Phase or Sub-Phase, as applicable, and the anticipated order of Transfer of each Lot based upon the anticipated date for Completion of the Infrastructure, and for each such Residential Project, the anticipated:

(1) acreage, height and density; and

(2) number of Units, including the number of Market Rate Units and Below-Market Rate Units, including the number and applicable AMI Percentage of Inclusionary Units and Workforce Units; and

(b) the current number of Unit Credits that Developer has obtained, including the number of Below-Market Rate Credits and Market Rate Credits (and the status of any Stand-Alone Workforce Project that has, as of such date, not been Completed and for which Developer has previously received Below-Market Rate Credits); and

(c) for Sub-Phase Applications that include Workforce Units, the proposed Workforce Administrator for that Sub-Phase, as set forth and to the extent required under Section 3.3(c).

2.4 Developer's Below-Market Rate Housing Obligations. Developer's Below-Market Rate Housing Obligations are:

(a) Completion of the Infrastructure for Below-Market Rate Lots as and to the extent required by the DDA;

(b) Transfer of all Lots that include Inclusionary Units and Workforce Units in compliance with the DDA;

(c) if Developer acquires title to an Agency Lot, Transfer of such Agency Lot to the Agency in compliance with the DDA;

(d) if Developer acquires title to an Alice Griffith Lot, Transfer of such Alice Griffith Lot in compliance with the Alice Griffith DDA or such other agreement required by the Housing Authority and HUD;

(e) payment of the Agency Subsidy for the Subsidized Agency Affordable Units in compliance with Section 2.6;

(f) payment of the Alice Griffith Subsidy for each Alice Griffith Replacement Unit in compliance with Section 5.4(a);

(g) causing Alice Griffith Developer to Complete the Alice Griffith Replacement Projects in accordance with and to the extent required by the DDA and the Alice Griffith DDA; and

(h) payment of the Community First Housing Fund Contribution in accordance with the Community Benefits Plan.

2.5 Developer Credit and Proportionality.

(a) Restriction on Development. A Vertical Developer's failure to Commence or Complete Vertical Improvements in any Major Phase will not prevent or otherwise restrict Developer's ability to Commence or Complete the Infrastructure in any Major Phase or Sub-Phase or any Vertical Developer's ability to Commence or Complete the Vertical Improvements on any Lot; provided that the Agency shall be permitted in its sole and absolute discretion not to Approve any Assignment and Assumption Agreement (including but not limited to an Assignment and Assumption Agreement to Developer or Affiliates of Developer) for a Market Rate Lot in any Subsequent Major Phase, or not give a Vertical Approval for a Market Rate Lot in any Subsequent Major Phase (except for Lots previously Transferred by Developer to a Vertical Developer other than Developer or its Affiliates), if, following the execution of such Assignment and Assumption Agreement or Vertical Approval, less than twenty-five percent (25%) of the Unit Credits that Developer has obtained (and, with respect to Workforce Units, have not

been forfeited in accordance with Section 2.5(b)(3)) from all Major Phases are Below-Market Rate Credits.

(b) Obtaining Unit Credits. Developer shall obtain “**Market Rate Credits**” and “**Below-Market Rate Credits**” (collectively, “**Unit Credits**”) as follows:

(1) for an Alice Griffith Lot, Developer shall obtain Below-Market Rate Credits equal to the number of Alice Griffith Replacement Units and Subsidized Agency Affordable Units to be built on the Alice Griffith Lot on the date that (i) Developer has Substantially Completed all Infrastructure for the Alice Griffith Lot, (ii) Developer has paid or provided Adequate Security for the Subsidized Agency Affordable Units and Alice Griffith Replacement Units to be built on the Alice Griffith Lot as set forth in Section 5.4(a), and (iii) either (x) Alice Griffith Developer Commences the applicable Alice Griffith Replacement Project or (y) Alice Griffith Developer has obtained all necessary Authorizations for the applicable Alice Griffith Replacement Project and is ready, willing and able to Commence such Alice Griffith Replacement Project and could, in fact, Commence such Alice Griffith Replacement Project but for the Agency’s failure to provide the Agency’s portion of the funding for such Alice Griffith Replacement Project as set forth in Section 5.4(b) and (c) (the “**Alice Griffith Authorization Date**”). Whether Alice Griffith Developer is ready, willing and able to Commence such Alice Griffith Replacement Project shall be determined by the Agency Director, in his or her reasonable discretion, based upon evidence provided by Alice Griffith Developer, including: (a) a HUD-approved demolition and disposition agreement for such Alice Griffith Replacement Project; (b) the Alice Griffith DDA; (c) the submission to HUD of additional documents that require HUD approval and are necessary to Commence the Alice Griffith Replacement Project, such as, as applicable, a regulatory and operating agreement, a ground lease and mixed finance documents; (d) Approval by the Agency of Design Documents and Construction Documents under the DRDAP; and (e) evidence of the availability of the Alice Griffith Subsidy applicable to such Alice Griffith Replacement Project;

(2) for an Agency Lot, Developer shall obtain Below-Market Rate Credits equal to (i) the number of Subsidized Agency Affordable Units applicable to such Agency Lot (even if the actual number of Agency Affordable Units to be built on such Agency Lot is more or less than that number) on the date that (a) the Certificate of Completion for the Infrastructure required for such Agency Lot has been issued and Developer has Completed all work required to deliver the Agency Lot in the condition required by the DDA and (b) payment of or security for the applicable Agency Subsidy has been provided in accordance with Section 2.6 and (ii) the number of Additional Agency Affordable Units applicable to such Agency Lot under Section 4.5(b), if any, on the date that payment of or security for the applicable Agency Subsidy has been provided for such Additional Agency Affordable Unit in accordance with Section 2.6; and

(3) for a Lot Transferred to a Vertical Developer, Developer shall obtain Below-Market Rate Credits and Market Rate Credits, respectively, equal to (i) the number of Inclusionary Units, Workforce Units and Market Rate Units set forth in the Assignment and Assumption Agreement for the applicable Residential Project(s) on the date that the Assignment and Assumption Agreement is executed and delivered by the parties thereto and (ii) the number of Below-Market Rate Units Completed in such Residential Project(s) for which restrictions have been recorded in accordance with Section 3.4 (to the extent that such number is in excess of the number of Below-Market Rate Credits obtained under clause (i) above) on the date that the applicable Certificate of Completion is issued; provided, however, that for a Stand-Alone Workforce Project (a) Developer shall obtain such Below-Market Rate Credits and, if applicable, Market Rate Credits on the date that the applicable Vertical Developer Commences the Stand-Alone Workforce Project and (b) Developer shall forfeit such Below-Market Rate Credits and, if applicable, Market Rate Credits if Vertical Developer fails to Complete the Stand-Alone Workforce Project in accordance with the Schedule of Performance and such failure is not cured within two (2) years after the Outside Date for the Completion of such Stand-Alone Workforce Project as set forth in the Schedule of Performance.

(c) Below-Market Rate Unit Check Points. When Developer has obtained Unit Credits equal to:

(1) thirty five percent (35%) of the Total Units (or 3,675 Units), Developer shall also have obtained Below-Market Rate Credits in an amount equal to at least thirty five percent (35%) of the Total Below-Market Rate Units (or 1,171 Below-Market Rate Units);

(2) fifty percent (50%) of the Total Units (or 5,250 Units), Developer shall also have obtained from (i) Agency Affordable Units and Alice Griffith Replacement Units, Below-Market Rate Credits in an amount equal to fifty percent (50%) of the combined total of Agency Affordable Units and Alice Griffith Replacement Units (or 822 of 5,250 Units), (ii) Inclusionary Units, Below-Market Rate Credits in an amount equal to at least fifty percent (50%) of the Percentage of Total Units applicable to Inclusionary Units *multiplied by* the Total Units (or 405 of 5,250 Units) and (iii) Workforce Units, Below-Market Rate Credits in an amount equal to at least fifty percent (50%) of the Percentage of Total Units applicable to Workforce Units *multiplied by* the Total Units (or 446 of 5,250 Units);

(3) seventy five percent (75%) of the Total Units (or 7,875 Units), Developer shall also have obtained Below-Market Rate Credits in an amount equal to at least seventy five percent (75%) of the Total Below-Market Rate Units (or 2,509 Below-Market Rate Units); and

(4) one hundred percent (100%) of the Total Units (or 10,500 Units), Developer shall also have obtained Below-Market Rate Credits from each type of

Below-Market Rate Unit (and AMI Percentage applicable thereto), Below-Market Rate Credits in an amount equal to the applicable Percentage of Total Units *multiplied by* the Total Units (or, from each such type and AMI Percentage, the number of Units contained in the column in the Below-Market Rate Table titled “Number of Below-Market Rate Units”).

The dates on which each of the requirements in clauses (1)–(4) above is required to be satisfied shall be a “**BMR Checkpoint Date**” and the requirement of Developer to obtain a specified number and type of Below-Market Rate Credits in each such clause shall be a “**BMR Checkpoint Requirement**”. If Developer fails to satisfy a BMR Checkpoint Requirement on the applicable BMR Checkpoint Date, then the Agency shall be permitted in its sole and absolute discretion not to Approve any Assignment and Assumption Agreement (including but not limited to an Assignment and Assumption Agreement to Developer or Affiliates of Developer) for a Market Rate Lot, or not give a Vertical Approval for a Market Rate Lot (except for Lots previously Transferred by Developer to a Vertical Developer other than Developer or its Affiliates), unless and until Developer obtains Below-Market Rate Credits sufficient to satisfy such BMR Checkpoint Requirement, except for any Assignment and Assumption Agreement or Vertical Approval that would result in compliance with the applicable BMR Checkpoint Requirement or, in the Agency Director’s sole discretion, would make significant and sufficient progress toward compliance with the applicable BMR Checkpoint Requirement. If Developer fails to cure any failure to satisfy a BMR Checkpoint Requirement by the date that is eighteen (18) months following the applicable BMR Checkpoint Date, then Developer shall, upon delivery of notice from the Agency Director to Developer, be in Material Breach of the DDA without the need for any cure period.

(d) Workforce Conversion to Inclusionary. If on the BMR Checkpoint Date for fifty percent (50%) of the Total Units, Developer has not obtained Below-Market Rate Credits for fifty percent (50%) of the total Workforce Units (or 446 Workforce Units), then the Agency shall have the right, in its sole and absolute discretion, to either (i) require that Workforce Units be constructed within each future Market Rate Project (divided proportionally among the anticipated number of remaining Residential Projects for which an Assignment and Assumption Agreement and Vertical Application have not been Approved under the DDA or as otherwise requested by Developer and Approved by the Agency Director), or (ii) not grant one or more Vertical Approvals or Approvals of Assignment and Assumption Agreements for Stand-Alone Workforce Projects or Market Rate Projects that do not include a sufficient number of Workforce Units, as reasonably determined by the Agency Director, to ensure that the BMR Checkpoint Requirements for Workforce Units under this Below-Market Rate Housing Plan will be satisfied, provided that the Agency Director shall not require more than fifteen percent (15%) of the Units in any Market Rate Project to be Workforce Units unless the BMR Checkpoint Requirements cannot be achieved without the imposition of such higher percentage. The Agency may exercise this right by notice to Developer; provided, however, that the Agency’s exercise of this right will not affect any existing Vertical Approval. Nothing in this Section 2.5(d) shall increase the total number of Workforce Units above the amount required under Section 3.1(c).

2.6 Agency Subsidy.

(a) Agency Subsidy. Developer shall pay (or cause to be paid) to the Agency (or its designee) the Agency Subsidy for each Subsidized Agency Affordable Unit applicable to an Agency Lot upon the later to occur of the date that (i) the Certificate of Completion for the Infrastructure required for the Agency Lot has been issued and Developer has Completed all work required to deliver the Agency Lot in the condition required by the DDA, (ii) the construction loan for the Agency Affordable Project closes (provided Developer’s funds must be in escrow as part of the closing), and (iii) such payment may be made without exceeding the Cumulative Subsidy Cap. If the conditions in clauses (i) and (ii) but not (iii) above have been satisfied with respect to a particular Agency Subsidy (the amount of such Agency Subsidy, a “**Deferred Agency Subsidy**” and the cumulative amount of all such Agency Subsidy, the “**Cumulative Deferred Agency Subsidy**”), then Developer shall provide Adequate Security for the Deferred Agency Subsidy, and such Deferred Agency Subsidy shall be paid on the earliest to occur of (x) the first date on which the Deferred Agency Subsidy may be paid without exceeding the Cumulative Subsidy Cap, (y) the termination of the DDA in accordance with its terms, unless the reason for such termination is a Material Breach by the Agency, or (z) the occurrence of a Material Breach by Developer. Any Adequate Security provided by Developer in accordance with this Section 2.6(a) shall be released upon the payment to the Agency of the Deferred Agency Subsidy for which it was security or reduced upon partial payment to the Agency of a portion thereof.

(b) Cumulative Subsidy Cap. The Cumulative Subsidy Cap shall be the maximum aggregate payment of Agency Subsidy that Developer may be required to make before the corresponding dates therefor, as such dates may be extended pursuant to the effect of Excusable Delay (the “**Cumulative Subsidy Cap**”), as follows:

(1) unless and until the Stadium Termination Event occurs:

<u>Date</u>	<u>Cumulative Subsidy Cap</u>
2021	\$519,167
2022	\$7,000,000
2023	\$16,292,500
2024	\$26,465,833
2025	\$39,415,833
2026	\$46,287,500
2027	\$53,940,833
2028	\$60,719,167
2029	\$71,779,167
2030	\$79,800,000

(2) if the Stadium Termination Event occurs

<u>Date</u>	<u>Cumulative Subsidy Cap</u>
2021	\$519,167
2022	\$7,000,000
2023	\$15,470,000
2024	\$17,120,833
2025	\$36,044,167

<u>Date</u>	<u>Cumulative Subsidy Cap</u>
2026	\$45,097,500
2027	\$53,042,500
2028	\$63,029,167
2029	\$73,896,667
2030	\$79,800,000

(c) Subsidy True-Up. On the date that Developer has obtained Unit Credits equal to (i) forty percent (40%) of the Total Units (or 4,200 Units), (ii) seventy percent (70%) of the Total Units (or 7,350 Units), and (iii) one hundred percent (100%) of the Total Units (or 10,500 Units), Developer shall pay that portion of the Cumulative Deferred Agency Subsidy that is equal to (x) the then applicable Cumulative Subsidy Cap less (y) the aggregate total amount of Agency Subsidy previously paid in accordance with this Below-Market Rate Housing Plan. Any Adequate Security provided by Developer in accordance with Section 2.6(a) shall be released to the extent of such payment.

(d) Use of Agency Subsidy. The Agency shall use the Agency Subsidy for the development of Agency Affordable Projects within the Project Site and for no other purpose.

2.7 Homeowners' Association Assessments. The initial amount of contributions to a homeowners association required to be made by a purchaser of an Inclusionary Unit or a Workforce Unit, as applicable, (the "**BMR Association Dues**") shall not be increased for a period of one year following the date that fifty one percent (51%) of all of the Units in the Residential Project have been sold to an Owner/Occupant. Neither Developer nor any Vertical Developer shall be required to make any contribution to any homeowners' association to cover any discrepancy in association assessments between Market Rate Units and Below-Market Rate Units.

3. VERTICAL HOUSING DEVELOPMENT

3.1 Production. Vertical Developers will collectively construct approximately eighty four and thirty four hundredths percent (84.34%) of the Total Units (or 8,856 of 10,500 Units), either as Rental Units or Sale Units, comprised of:

(a) Market Rate Units equal to not greater than sixty eight and fourteen hundredths percent (68.14%) of the Total Units (or 7,155 of 10,500 Units);

(b) Inclusionary Units equal to at least seven and seven tenths percent (7.7%) of the Total Units (or 809 of 10,500 Units), also expressed as ten and sixteen hundredths percent (10.16%) of the combined total of Market Rate Units and Inclusionary Units (or 809 of 7,964 Units), with at least the Percentage of Total Units for each AMI Percentage applicable to Inclusionary Units;

(c) Workforce Units equal to at least eight and five tenths percent (8.5%) of the Total Units (or 892 of 10,500 Units), also expressed as ten and seven hundredths percent (10.07%) of the combined total of Market Rate Units, Inclusionary Units and

Workforce Units (or 892 of 8,856 Units), with at least the Percentage of Total Units for each AMI Percentage applicable to Workforce Units.

3.2 Vertical Developer Inclusionary Unit Requirement.

(a) Comparability. Inclusionary Units and Market Rate Units in the same Residential Project with the same Household Size shall be substantially similar in size, exterior appearance and overall quality of construction. Inclusionary Units' interior features need not be the same as or equivalent to those of the Market Rate Units, as long as such features are of good quality and are consistent with the Redevelopment Requirements. Inclusionary Units in a Residential Project may be Rental Units or Sale Units, as determined by Developer or Vertical Developer, as applicable, in their respective sole and absolute discretion, so long as the Market Rate Units in that Residential Project are the same (i.e., all Rental Units or all Sale Units, as applicable).

(b) Marketing and Operations Guidelines. A Vertical Developer may not market, rent or sell Inclusionary Units until the Agency Director has at Vertical Developer's request Approved the following for such Inclusionary Units: (i) the marketing plan; (ii) conformity with this Below-Market Rate Housing Plan of the rental charges and purchase prices for such Inclusionary Units, as applicable; (iii) conformity with this Below-Market Rate Housing Plan of the purchase prices or rental charge for Parking Spaces, as applicable; (iv) the operating budget and BMR Association Dues; and (v) eligibility and income-qualifications of renters and purchasers. The marketing plan will include a Certificate of Preference notification period as set forth in Section 6.1(b).

3.3 Vertical Developer Workforce Unit Requirement.

(a) Comparability. Workforce Units and Market Rate Units in the same Residential Project with the same Household Size shall be substantially similar in size, exterior appearance and overall quality of construction. Workforce Units' interior features need not be the same as or equivalent to those of the Market Rate Units, as long as such features are of good quality and are consistent with the Redevelopment Requirements. Developer or Vertical Developer, as applicable, may determine in their respective sole discretion whether Workforce Units are Rental Units or Sale Units.

(b) Marketing and Operations Guidelines. A Vertical Developer may not rent or sell Workforce Units until the Agency Director has Approved the conformity with this Below-Market Rate Housing Plan of the rental charges and purchase prices for such Workforce Units, as applicable.

(c) Workforce Administrator. In the Sub-Phase Application for the first Sub-Phase that contains Workforce Units in each Major Phase, Developer shall select a Workforce Administrator for such Major Phase, which Workforce Administrator shall be subject to the Approval of the Agency (the "**Workforce Administrator**"). The Workforce Administrator shall (i) implement, administer and monitor the development of Workforce Units within that Major Phase, and (ii) maintain a list of interested, qualified purchasers of Workforce Units.

(d) Schedule of Performance. Each Assignment and Assumption Agreement for a Stand-Alone Workforce Project shall include a Schedule of Performance as set forth in the DDA.

(e) State Parks Consultation. Developer shall cause the Workforce Administrator to cooperate in good faith with the Agency in the Agency's good faith cooperation with State Parks regarding the provision of opportunities, at purchase prices or rental charges established pursuant to this Below-Market Rate Housing Plan and subject to applicable fair housing laws, for up to eleven (11) Workforce Units in the Candlestick Site to income-eligible employees of State Parks working in the CP State Recreation Area.

3.4 Continued Affordability of Inclusionary and Workforce Units.

(a) Inclusionary Restrictions. In no event later than the first rental or sale of an Inclusionary Unit, as applicable, Vertical Developer will record against such Inclusionary Unit, as applicable, either (1) the Declaration of Restrictions for Rental Inclusionary Units or (2) the Declaration of Restrictions for Sale Inclusionary Units, including the Short Form Deed of Trust and Assignment of Rents, the Addendum to Deed of Trust and the Promissory Note Secured by Deed of Trust attached thereto. The Declaration of Restrictions for Rental Inclusionary Units shall remain in effect for not less than fifty five (55) years and the Declaration of Restrictions for Sale Inclusionary Units shall remain in effect not less than forty five (45) years, as more particularly described in the applicable Declaration of Restrictions. Vertical Developer will, upon sale of each Inclusionary Unit, promptly provide to the Agency a copy of the recorded grant deed as well as the above recorded documents showing the date of recording and document numbers. Any condominium map for a Residential Project containing Inclusionary Units shall reflect the applicable restrictions set forth in such documents.

(b) Conversion of Rental Units to Sale Units. If a Vertical Developer converts a Residential Project from Rental Units to Sale Units (which can only be done for the entire Residential Project), then the Inclusionary Units and Workforce Units within that Residential Project shall remain Affordable at the same initial AMI Percentage applicable to such Rental Unit and shall be subject to the terms of this Below-Market Rate Housing Plan applicable to Inclusionary Units or Workforce Units, as applicable, that are Sale Units; provided, however, that the Affordable Interest Rate Determination Date shall be the date of the applicable purchase agreement is executed and delivered by the parties with respect to the first sale of such Inclusionary Unit or Workforce Unit, as applicable, as a Sale Unit, or such earlier date Approved by the Agency Director and Vertical Developer.

(c) Workforce Restrictions. In no event later than the first rental or sale of a Workforce Unit, as applicable, Vertical Developer will record against each Workforce Unit, as applicable, either (i) the Declaration of Restrictions for Rental Workforce Units, or (ii) a Declaration of Restrictions for Sale Workforce Units. Vertical Developer will promptly provide to the Workforce Administrator and the Agency a copy of such recorded documents showing the date of recording and document numbers. Any

condominium map for a Residential Project containing Workforce Units shall also reflect the above restrictions.

3.5 Vertical Development Parking Requirements.

(a) Separation. All off-street parking spaces accessory to residential uses in a Residential Project constructed by Vertical Developers (each, a “**Parking Space**”) shall be “unbundled” (i.e., purchased or rented separately from a Unit within such Residential Project). Subject to Section 3.5(c)(2), Vertical Developers must offer all renters or purchasers, including renters or purchasers of Market Rate Units, two prices for a Unit -- one with a Parking Space and one without a Parking Space. Renters of Units shall be offered a Parking Space for rent and purchasers of Units shall be offered a Parking Space for purchase. The rental charge or purchase price for each Inclusionary Unit shall, as set forth in the definition of “Affordable” above, deduct the Parking Cost, regardless of whether the renter or purchaser of the Inclusionary Unit rents or purchases a Parking Space.

(b) Pricing. Vertical Developer may charge a renter or purchaser of an Inclusionary Unit an amount not to exceed the Parking Cost for a Parking Space. Vertical Developers may not charge renters or purchasers of Inclusionary Units or Workforce Units any fees, charges or costs, or impose rules or procedures on such renters or purchasers, that do not equally apply to all renters or purchasers of Parking Spaces.

(c) Marketing.

(1) Generally. For each Residential Project, (i) the ratio of Parking Spaces offered to renters or purchasers of Inclusionary Units to Parking Spaces offered to renters or purchasers of Market Rate Units shall be no less than the ratio of Inclusionary Units to Market Rate Units in such Residential Project, and (ii) the ratio of parking spaces offered to renters or purchasers of Workforce Units to parking spaces offered to renters or purchasers of Market Rate Units shall be no less than the ratio of Workforce Units to Market Rate Units in such Residential Project.

(2) Priority With Fewer Parking Spaces than Units. Where the Parking Spaces are fewer in number than the number of Units within the Residential Project, the Parking Spaces offered to renters or purchasers of Inclusionary Units and Workforce Units shall be offered in the following order of priority within each applicable AMI Percentage: (i) to renters or purchasers with three (3) or more bedrooms, (ii) to renters or purchasers with two (2) bedrooms, (iii) to renters or purchasers with one (1) bedroom or less, (iv) to renters or purchasers of the Market Rate Units within the Residential Project and (v) in the discretion of Vertical Developer or, if applicable, the applicable homeowners association, to the general public.

(3) Priority on Succession. Upon the sale or vacancy of any Inclusionary Unit or Workforce Unit where the Owner/Occupant or renter

purchased or rented a Parking Space, that Parking Space will be made available in the following order of priority: (i) to the successor Owner/Occupant or renter of the vacated Inclusionary Unit or Workforce Unit, as applicable; (ii) to the Owner/Occupants or renters of other Inclusionary Units or Workforce Units within the Residential Project; (iii) to the Owner/Occupants or renters of Market Rate Units within the Residential Project; and (iv) to the general public.

3.6 Vertical Development Project Application and Approvals.

(a) Assignment and Assumption Agreement. Developer shall enter into an Assignment and Assumption Agreement with each Vertical Developer (including Developer and Affiliates of Developer) as set forth in the DDA.

(b) Project Housing Data Table. In order to track such Vertical Developer's compliance with this Below-Market Rate Housing Plan, as part of the applicable Vertical Application for a Residential Project Vertical Developer shall submit a Project Housing Data Table containing the following information:

(1) the location of each Residential Project subject to the Vertical Application, including:

(A) the parcel acreage;

(B) the number of Units, including the number of Sale Units and Rental Units;

(C) the maximum building height;

(D) the number and location of any Inclusionary Units, One Bedroom One Person Units, and Workforce Units, including the size, bedroom count, Household Size and amenities for each such Unit;

(E) the AMI Percentage of each Inclusionary Unit and Workforce Unit;

(F) the anticipated Parking Cost;

(G) the type and square footage of uses that are not residential uses (e.g., retail, community space, open space);

(H) the anticipated date for Completion of the Residential Project; and

(I) if such Residential Project is a Stand-Alone Workforce Project, a Schedule of Performance for Completion of such Stand-Alone Workforce Project.

3.7 Potential Increase of AMI Percentages for an Inclusionary Unit or a Workforce Unit.

(a) **Inclusionary Units.** If a Vertical Developer has undertaken good faith efforts to sell or rent any Inclusionary Unit in accordance with Section 3.2(b), and despite such good faith efforts such Unit(s) have not been sold or rented, as applicable, by the date that is ninety (90) days after all Market Rate Units in the same Residential Project have been sold or rented, then such Vertical Developer may request that the Agency Director Approve in his or her sole and absolute discretion an increase of the income qualifications applicable to such Unit(s) by an amount equal to no greater than twenty percent (20%) (i.e., from an AMI Percentage equal to eighty percent (80%) to not greater than one hundred percent (100%)), provided that (i) in no event shall the AMI Percentage be increased above one hundred twenty percent (120%) and (ii) there shall be no increase in the purchase price or rental charge of the Inclusionary Unit(s).

(b) **Workforce Units.** If a Vertical Developer (or the applicable Owner) has undertaken good faith efforts to sell or rent any Workforce Unit in accordance with Section 3.3(b), and despite such good faith efforts such Unit(s) have not been sold or rented, as applicable, by the date that is ninety (90) days after all Market Rate Units in the same Residential Project have been sold or rented or, for a Rental Unit, the vacancy of such Unit, then Vertical Developer (or the applicable Owner) may request that the Agency Director Approve in his or her sole and absolute discretion an increase of the applicable AMI Percentage by an amount equal to no greater than twenty percent (20%) (i.e., from an AMI Percentage equal to one hundred forty percent (140%) to no greater than one hundred sixty percent (160%)); provided, however, that (i) no such request shall be made unless the Workforce Unit has first been re-marketed for a period of not less than ninety (90) days to households at the applicable AMI Percentage but at a purchase price or rental charge reduced by a dollar amount equal to the Parking Cost (notwithstanding the fact that the Parking Cost was not included in the purchase price or rental charge), (ii) the Agency Director shall not Approve any such increase without first notifying the Agency Commission at its next regularly-scheduled meeting and, if the Agency Commission requests a public hearing or additional information, then following such public hearing or the receipt of such additional information, and (iii) with regard to Rental Units, the Agency Director shall have the right to permit a one-time increase of the applicable AMI Percentage as set forth above at any time in order to fill a vacant Rental Unit yet continue to require that the original AMI Percentage apply when that Rental Unit subsequently becomes vacant (subject to the term of the applicable Declaration of Restrictions). If after application of this Section 3.7(b) a Workforce Unit will have an AMI Percentage greater than the original AMI Percentage applicable to such Unit, then such Unit may be sold or rented as a Market Rate Unit and any rental charge or purchase price above the amount under the original AMI Percentage shall be payable to the Workforce Administrator to be used to pay for the cost of implementing, administering and monitoring the development of Workforce Units and thereafter to the Agency to be used for the development of Agency Affordable Units within the Project Site, with fifty percent (50%) of such amount being used as an off-set against any Agency Subsidy then or thereafter due.

(c) Effect of Increase. Any increase in the AMI Percentage or restriction removal pursuant to this Section 3.7 shall not affect any Market Rate Credits or Below-Market Rate Credits obtained by Developer for such Residential Project.

4. AGENCY AFFORDABLE HOUSING PROGRAM

4.1 Agency Development of Affordable Housing.

(a) Production. Subject to the terms of the DDA, Developer shall Complete the Infrastructure for the Agency Lots as set forth in the Schedule of Performance. The Agency shall use good faith efforts to construct (or cause to be constructed by Qualified Housing Developers) Agency Affordable Units, either as Rental Units or Sale Units, equal to the Agency Percentage of the Total Units (or 1,388 of 10,500 Units). Approximately two hundred forty eight (248) of such Agency Affordable Units will be constructed by Alice Griffith Developer in cooperation with the Agency and the Housing Authority in the Alice Griffith Replacement Project and approximately one thousand one hundred forty (1,140) of such Agency Affordable Units will be constructed by Qualified Housing Developers in Agency Affordable Projects.

(b) Timing; Number of Agency Affordable Units; Bedroom Count. The Agency shall use good faith efforts to (i) Complete Agency Affordable Units on each Agency Lot as soon as reasonably feasible based on available funding, (ii) Complete all of the Subsidized Agency Affordable Units on each Agency Lot and (iii) construct Agency Affordable Units, excluding those specifically offered to senior or special-needs residents, such that the Rental Units and Sale Units will each average at least two and one-half (2.5) bedrooms.

(c) Right to Construct Agency Affordable Units. The Agency shall have the right to construct or cause the construction of the number of Agency Affordable Units on an Agency Lot as the Agency shall determine in its sole discretion, provided that such construction (i) is not in excess of that permitted by the Redevelopment Requirements, (ii) is supportable by the Infrastructure applicable to such Agency Lot, and (iii) if such number is in excess of the number of Subsidized Agency Affordable Units, the Agency complies with Section 4.5. Subject to the availability of funding, the Agency agrees to use good faith efforts to construct or cause the construction of Agency Affordable Units on each Agency Lot in an amount equal to the number of Subsidized Agency Affordable Units applicable to such Agency Lot but in keeping with the Agency's standard practices for the development of affordable housing.

(d) Policy Revisions. From time to time, the Agency may modify the forms of the documents used to implement its development of Agency Affordable Units to reflect changes in the policies of the Agency or applicable law, but these changes will not affect the obligations of Developer or Vertical Developer as set forth in the DDA (including this Below-Market Rate Housing Plan).

(e) Parking. Notwithstanding anything in this Below-Market Rate Housing Plan, the Agency may choose to bundle parking spaces in Agency Affordable Projects

and include the parking as a part of an Agency Affordable Unit (and therefore not deduct the Parking Cost in determining the rental price).

(f) Location of Agency Lots; Number of Subsidized Agency Affordable Units.

(1) Initial Location and Number. The locations of the Agency Lots and the number of Subsidized Agency Affordable Units for each such Agency Lot have been determined by Developer and the Agency as set forth on the Housing Map. The Agency shall have the right to construct the number of Agency Affordable Units on an Agency Lot as set forth in Section 4.1(c) even if the actual number of Agency Affordable Units is more or less than the number of Subsidized Agency Affordable Units for that Agency Lot. If so, there will be no change in the number of Subsidized Agency Affordable Units for that Agency Lot unless agreed to by Developer and the Agency as set forth in clause (2) below or Developer elects to obtain Below-Market Rate Credits for the Additional Agency Affordable Units as set forth in Section 4.5(b).

(2) Revisions to Location; Number of Subsidized Agency Affordable Units. Developer or the Agency may request from time to time a revision to the location of any Agency Lot or the applicable number of Subsidized Agency Affordable Units, and any such request shall be subject to the Approval of both Developer and the Agency in their respective sole and absolute discretion.

(3) Alternative Lots. If Developer or the Agency is unable to obtain a Private Parcel that the Housing Map showed would contain an Agency Lot or if Developer cannot deliver an Agency Lot when required by the DDA (including this Below-Market Rate Housing Plan) as a result of a Material Breach by Developer, then the Agency shall have the right to select an alternative Lot within the same Major Phase (i) that supports not materially more than the same number of Subsidized Agency Affordable Units under an equivalent product type and density for the Agency Affordable Project and (ii) for which the Outside Date for Completion contained in the Schedule of Performance is not materially earlier.

(4) CALReUSE Grant. The Parties agree that the DDA (including this Below-Market Rate Housing Plan) serves as the “Regulatory Agreement” required by the California Pollution Control Finance Authority California Recycle Underutilized Sites (“**CALReUSE**”) Remediation Program Infill Grant Regulations (California Code of Regulations, Title 4, Division 11, Article 9, Section 8102.6(a)(29)). Notwithstanding anything to the contrary in this Below-Market Rate Housing Plan, to the extent required by the CALReUSE grant or under any agreement entered into in connection with the CALReUSE grant, the Lots located in the area identified on the Housing Map as the “**CALReUSE Infill Development Project**” shall be used for not less than one thousand one hundred twenty eight (1,128) Units, including (i) not fewer than two hundred twenty one (221) Agency Affordable Units comprised of (x) one hundred seventy seven (177) Agency Affordable Units that are Rental Units with an AMI Percentage that is

equal to no more than fifty percent (50%) and (y) forty four (44) Agency Affordable Units that are Rental Units with an AMI Percentage that is equal to no more than forty percent (40%), each of which shall remain Affordable for a continuous period of fifty-five (55) years after the initial lease, regardless of any termination of the DDA, and (ii) not fewer than nine hundred seven (907) additional Units (which may include Market Rate Units, Workforce Units, Inclusionary Units and/or Agency Affordable Units).

4.2 Completion of Infrastructure and Agency Dates. Developer and the Agency agree to work together and keep the other informed as to the expected dates for the Completion of Infrastructure for Agency Lots, the status of any pending tax credit applications, the expected date for the Commencement of Agency Affordable Projects, and the expected payment date of the Agency Subsidy under Section 2.6.

4.3 Transfer of Agency Lots.

(a) Timing; Title Defections. If Developer acquires title to an Agency Lot, then it shall Transfer such Lot to the Agency promptly following the date that it Completes the Infrastructure required for such Lot free and clear of liens, encumbrances, leases or other rights or possession, actual possession by any person, covenants, easements, taxes, assessments, liens and other limitations or title defects, other than Approved Title Exceptions (collectively, “**Title Defects**”). Notwithstanding the foregoing, (i) with respect to real property owned by the City, the Agency, the Navy or the Housing Authority on the Effective Date, Developer shall have no obligation to remove any Title Defect other than Title Defects caused by Developer or its Affiliates or agents, and (ii) Developer shall be required to remove any Title Defects caused by Developer or its Affiliates or agents on Agency Lots promptly following the Completion of Infrastructure required for such Agency Lot or upon the Agency’s later request, regardless of whether Developer ever owned or acquired a property interest in the Agency Lot. Developer’s removal of Title Defects as described above (or the provision of title insurance over such Title Defects Approved by the Agency) shall be a condition precedent to the Agency’s acceptance of the Agency Lot. If Developer fails for any reason to remove all Title Defects or to cause the title company to insure over such Title Defects as described above then, at the Agency’s option, the Agency may elect to (a) accept the Agency Lot with such Title Defects or (b) select an alternative Lot within the same Major Phase (i) that supports not materially more than the same number of Subsidized Agency Affordable Units under an equivalent product type and density for the Agency Affordable Project and (ii) for which the Outside Date for Completion contained in the Schedule of Performance is not materially earlier. No Agency Lot shall be subject to any CFD (capital or maintenance), Mello Roos or similar property-based assessment.

(b) Physical Condition of Agency Lots. Subject to the terms of the DDA, Developer shall prepare or deliver each Agency Lot in the condition required by the DDA (including the Infrastructure Plan), which means that each Agency Lot shall be (1) in the environmental regulatory condition required by the DDA, (2) graded and soil compacted, (3) served by Infrastructure as described in the Infrastructure Plan, and (4) in a condition to permit the Qualified Housing Developer to Commence the applicable Agency

Affordable Project. The Agency shall maintain all Agency Lots for which it holds title in a safe and orderly condition free from debris and unsightly vegetation.

4.4 Use of Agency Lots.

(a) By the Agency. The Agency Lots shall be used by the Agency only for Agency Affordable Projects. The Agency will not subordinate its fee interest in the Agency Lots to any financing lien; provided, however, the affordability restrictions may, in accordance with the requirements of CCRL section 33334.14 and in the Agency's sole discretion, be subordinated to construction and permanent financing related to the development of an Agency Affordable Project.

(b) By Developer. The Agency shall, upon Developer's reasonable prior request, execute a Permit to Enter to permit Developer or its agents or designees to temporarily access any Agency Lots without charge for purposes consistent with the DDA, including, but not limited to, use as a construction staging facility or marketing and sales center.

4.5 Approvals for Additional Agency Affordable Units.

(a) Additional Agency Affordable Use Requirements. The Agency shall have the right to construct or cause the construction of Agency Affordable Units on an Agency Lot in excess of the number of Subsidized Agency Affordable Units applicable to such Agency Lot (the "**Additional Agency Affordable Units**") or include within an Agency Affordable Project other ancillary uses permitted under the Redevelopment Requirements ("**Additional Agency Uses**"), if such Additional Agency Affordable Units or Additional Agency Uses, as applicable, will not (i) materially adversely affect Developer's development in the remaining portions of the Project Site, the Shipyard Site or the Candlestick Site as contemplated by the DDA with respect to density and intensity of development, (ii) require any material changes in the Infrastructure or the costs thereof, (iii) create any material adverse changes in traffic or other environmental considerations, including delays to Developer or Vertical Developer because of environmental review or compliance, (iv) decrease the number of Market Rate Units that can be developed by Developer and Vertical Developers within the applicable Sub-Phase or Major Phase or within the Project Site, the Shipyard Site or the Candlestick Site or (v) otherwise materially increase the cost to Developer or any Vertical Developer of performing its obligations under the DDA (collectively, the "**Additional Agency Affordable Use Requirements**"); provided that tenant-serving common areas that are (x) Community Facilities, as defined in the applicable Redevelopment Plan, (y) consistent with the Redevelopment Requirements and (z) typically included in Agency-sponsored multi-family dwellings (such as meeting rooms, children's activity or child-care rooms, social service rooms and computer rooms) shall not be considered Additional Agency Uses.

(b) Payment of Agency Subsidy for Additional Agency Affordable Units. Developer may, in its sole and absolute discretion, elect to pay the Agency Subsidy for any Additional Agency Affordable Units in accordance with Section 2.6. Upon such payment (or provision of security as set forth in Section 2.6), the Additional Agency

Affordable Units will become Subsidized Agency Affordable Units and the Agency Director and Developer shall revise the Housing Map to increase the number of Subsidized Agency Affordable Units applicable to such Agency Lot and remove an equal number of Subsidized Agency Affordable Units from an Agency Lot selected by the Agency Director for which Developer has not then obtained Unit Credits.

(c) Authorizations for Additional Agency Affordable Units. The Agency shall obtain all necessary Authorizations required for any such Additional Agency Affordable Units or Additional Agency Uses, as applicable, and shall notify Developer before applying for any such Authorizations. The Agency shall also provide, upon Developer's request, such reasonable documentation as may be needed, if any, to demonstrate satisfaction of the Additional Agency Affordable Use Requirements.

5. RECONSTRUCTION OF ALICE GRIFFITH SITE

5.1 Site Description. The development of the Alice Griffith Replacement Projects is anticipated to be conducted pursuant to the principles and goals articulated in the Alice Griffith MOU, Proposition G and the HOPE SF Principles. Approximately one thousand (1,126) new Units are anticipated to be constructed on the Alice Griffith Site pursuant to the Alice Griffith DDA and the DDA (including this Below-Market Rate Housing Plan), including the one-for-one replacement of each of the existing two hundred fifty six (256) Units at Alice Griffith, Agency Affordable Units, Inclusionary Units, Workforce Units and Market Rate Units, all as more particularly shown in the Development Plan, the Housing Map, the BVHP Redevelopment Plan and the Candlestick Design for Development. The Alice Griffith Replacement Projects and/or other new Affordable Units shall satisfy the requirements of CCRL section 33413(a) regarding existing Units at Alice Griffith that are destroyed or removed under the Alice Griffith DDA. Income levels served by the Alice Griffith Replacement Projects shall remain unchanged, subject to the Housing Authority's continued provision of rental subsidies. The redeveloped Alice Griffith Site is anticipated to include a centrally located park that may include community gardens, sports facilities, picnic areas and other recreational amenities, as more specifically described in the Alice Griffith DDA, the Development Plan, the BVHP Redevelopment Plan, the Candlestick Design for Development and the Parks and Open Space Plan.

5.2 Alice Griffith Replacement Projects. The locations of the Alice Griffith Lots as set forth on the Housing Map have been selected, and the number of Alice Griffith Replacement Units set forth on the Housing Map for each such Lot has been established, by Developer and the Agency but remains subject to the approval of HUD and the Housing Authority. The Transfer of properties to accommodate the Alice Griffith Replacement Projects is anticipated to occur under a disposition and development agreement and master development agreement, among, as applicable and as required by the Housing Authority and HUD, Developer, Alice Griffith Developer, the Agency and the Housing Authority (collectively, the "**Alice Griffith DDA**"), with the Housing Authority acquiring or retaining fee title to the Alice Griffith Lots. Developer, Alice Griffith Developer, the Housing Authority or the Agency may request from time to time a revision to the locations of the Alice Griffith Lots or the applicable number of Alice Griffith Replacement Units on such Lots, and any such request shall be subject to the approval of all of such parties. If Developer, Alice Griffith Developer, the Housing Authority or the Agency is unable to obtain an Alice Griffith Lot, then, as of the date of the Sub-Phase Application

applicable to such Alice Griffith Lot, the Housing Authority shall have the right, subject to the Approval of Developer (unless such failure was caused by a default of Developer or its Affiliates), to select an alternative Lot within the Alice Griffith Site that supports not materially greater than an equivalent number of Units under an equivalent product type and density for the Alice Griffith Replacement Project and for which the Outside Date for Completion contained in the Schedule of Performance is not materially earlier.

5.3 Alice Griffith DDA. The Alice Griffith DDA is anticipated to provide that:

(a) Predevelopment. Subject to the terms of the Alice Griffith DDA, Alice Griffith Developer shall perform all predevelopment work, at its sole cost, as may be necessary or appropriate so as to Commence the Alice Griffith Replacement Projects on or before the date set forth in the Alice Griffith Schedule of Performance. Without limiting the foregoing but subject to the Alice Griffith DDA, Alice Griffith Developer shall work diligently (i) with the City, the Agency, the Housing Authority and HUD to timely obtain any and all Authorizations, and (ii) to prepare detailed phasing plans and construction specifications, plans and documents, as and when needed to ensure that the Alice Griffith Replacement Units are Commenced and Completed in accordance with the Alice Griffith Schedule of Performance.

(b) Phases; Completion of Alice Griffith Replacement Project. Alice Griffith Developer will develop the Alice Griffith Replacement Projects, including two hundred fifty six (256) Alice Griffith Replacement Units and approximately two hundred forty eight (248) Agency Affordable Units, in approximately five (5) or six (6) distinct Alice Griffith Replacement Projects, the locations of which are identified on the Housing Map. Subject to the terms of the DDA and the Alice Griffith DDA, Developer shall Complete the Infrastructure and Alice Griffith Developer shall Commence and Complete the Alice Griffith Replacement Projects diligently in accordance with the Alice Griffith Schedule of Performance and in accordance with construction documents and agreements Approved by the Housing Authority the Agency Director on or before the dates set forth in the Alice Griffith Schedule of Performance.

(c) Alice Griffith Construction. Subject to the terms of the Alice Griffith DDA, Alice Griffith Developer shall comply with the Housing Authority's contracting requirements, including but not limited to its resident hiring and affirmative action requirements.

(d) Impact on Existing Alice Griffith Tenants. Alice Griffith Developer will attempt to minimize the impact of construction on the existing Alice Griffith residents consistent with performing its responsibilities under the Alice Griffith DDA. Subject to the terms of the Alice Griffith DDA, Alice Griffith Developer shall undertake commercially reasonable measures to minimize damage, disruption or inconvenience caused by construction work and make adequate provision for the safety and convenience of all persons affected by such work. Alice Griffith Developer, while performing any construction, shall undertake commercially reasonable measures in accordance with good construction practices to minimize the risk of injury to persons or damage to the Alice Griffith Site in accordance with the approved construction plans.

(e) Transfer of Lots; Timing; Title Defects. If Developer or Alice Griffith Developer acquires title to an Alice Griffith Lot, then it shall Transfer such Lot to Alice Griffith Developer or the Housing Authority, as applicable, promptly following the date on which it Completes the Infrastructure required for such Lot free and clear of all title defects except as approved by the Housing Authority or as described in the Alice Griffith DDA. No Alice Griffith Lot shall be subject to any CFD (capital or maintenance), Mello Roos or similar property-based assessment.

(f) Physical Condition of Alice Griffith Lots. Subject to the terms of the DDA and the Alice Griffith DDA, Developer shall prepare or deliver each Alice Griffith Lot in the condition required by the DDA (including the Infrastructure Plan), which means that each Alice Griffith Lot shall be (1) in the environmental regulatory condition required by the DDA, (2) graded and soil compacted, (3) served by Infrastructure as described in the Infrastructure Plan and (4) in a condition to permit Alice Griffith Developer to Commence the applicable Alice Griffith Replacement Project.

(g) Relocation. As required by Proposition G, the Alice Griffith DDA shall provide that the construction of the Alice Griffith Replacement Project shall ensure that eligible Alice Griffith residents have the opportunity to move to the new, upgraded units directly from existing Alice Griffith units without having to relocate involuntarily outside of the Alice Griffith Site. For purposes of the foregoing, “eligible Alice Griffith residents” means those residents legally residing at Alice Griffith who have not been evicted or who are not in the process of being evicted from their existing Alice Griffith unit. Without limiting the foregoing, if HUD or the Housing Authority makes tenant-based section 8 vouchers available to Alice Griffith residents, the parties will seek a modification to enable existing Alice Griffith residents to elect, in their sole discretion, whether to remain in their existing residences during construction and move directly to new Alice Griffith Replacement Units upon Completion, or, instead to use the available section 8 vouchers and temporarily relocate from their existing residences during construction until Completion of the Alice Griffith Replacement Units (the “**Relocation Option**”). Consistent with the above-stated relocation provisions and subject to the terms of the Alice Griffith DDA, Alice Griffith Developer shall relocate residents in accordance with a relocation plan Approved by the Housing Authority and the Agency. The relocation plan will meet all federal and state relocation requirements, and will include funding for a relocation specialist and relocation assistance for affected tenants, including moving services from the current Alice Griffith units to the Alice Griffith Replacement Units.

(h) Alice Griffith Purchase Option and Right of First Refusal. Subject to the agreement of the parties (including Alice Griffith Developer and the Housing Authority), the Alice Griffith DDA will include a purchase option and a right of first refusal for the benefit of the Housing Authority or its designee(s). Any such purchase option or right of first refusal will be subject to the approval of the tax credit investors.

(i) Rights to Alice Griffith Site Upon Completion of Alice Griffith Replacement Projects. Subject to the agreement of the parties (including Alice Griffith Developer and the Housing Authority), the Alice Griffith DDA will include that (i) upon

Substantial Completion of the Alice Griffith Replacement Projects by Developer and/or Alice Griffith Developer, the Housing Authority shall convey to Developer, on an “as is, where is” basis, fee title to the remaining portions of the Alice Griffith Site, at no additional cost to Developer, (ii) such conveyance shall be made regardless of whether the Agency has granted the Major Phase Approval or any Sub-Phase Approval for such remaining portions, (iii) no right of reverter or power of termination shall be placed upon such property, (iv) neither Developer nor Alice Griffith Developer shall be required to provide Adequate Security with respect to the Infrastructure for such property except as required by the CP/HPS Subdivision Code and (v) Developer shall have no right or obligation to develop such property under the DDA until receipt of the applicable Sub-Phase Approval and other conditions set forth in the DDA are satisfied.

5.4 Contributions for the Alice Griffith Replacement Projects.

(a) Developer and Alice Griffith Developer Payment Obligations. On the Alice Griffith Authorization Date for an Alice Griffith Lot, Developer shall provide Adequate Security for (i) the Alice Griffith Subsidy for each Alice Griffith Replacement Unit applicable to such Alice Griffith Lot and (ii) the Agency Subsidy for each Subsidized Agency Affordable Unit applicable to such Alice Griffith Lot. On the date of the closing of the construction loan for the applicable Alice Griffith Replacement Project, Developer shall provide to the Alice Griffith Replacement Project the Alice Griffith Subsidy for each Alice Griffith Replacement Unit and the Agency Subsidy for each Subsidized Agency Affordable Unit applicable to such Alice Griffith Replacement Project. Such Subsidies shall be used solely for developing the Alice Griffith Replacement Projects.

(b) Agency Payment Obligations. On or before the date of the construction loan closing for the applicable Alice Griffith Replacement Project, the Agency shall provide to the applicable Alice Griffith Replacement Project (in the form of a loan to the applicable tax credit partnership in keeping with standard Agency practices in form and substance Approved by the Agency, Developer and Alice Griffith Developer in their respective sole and absolute discretion) a proportional amount of the Agency Alice Griffith Subsidy for such Alice Griffith Replacement Project. The anticipated sources and uses of funds, including the proportional amount of the Agency Alice Griffith Subsidy, for each Alice Griffith Replacement Project is shown on Exhibit F-C. On or before the date of the construction loan closing for an Alice Griffith Replacement Project, the Agency shall provide to the applicable Alice Griffith Replacement Project (in the form of a loan as provided above) funds equal to the shortfall, if any, in the amount obtained by Alice Griffith Developer for the “Low-Income Housing Tax Credit Equity” and the “Affordable Housing Program – FHLB Loans” from the applicable amounts therefor as set forth in Exhibit F-C (collectively, the “**Tax Credits**”). The Tax Credits, and any funds provided by the Agency for any shortfalls thereof, shall be used solely for developing the Alice Griffith Replacement Projects.

(c) Cost Overruns.

(1) Prior to Commencement. The Alice Griffith DDA shall provide that the Agency and Developer shall contribute to an Alice Griffith Replacement Project any Cost Overruns applicable to such Alice Griffith Replacement Project in accordance with this Section 5.4(c)(1). “**Cost Overruns**” means any shortfalls in the funding for all of the Alice Griffith Replacement Projects based on the budget for such Alice Griffith Replacement Project as of the date of the applicable construction loan closing as compared to the “Total Development Cost” applicable to such Alice Griffith Replacement Project as set forth in Exhibit F-C. Cost Overruns shall be apportioned between the Agency and Developer according to the ratio of the number of Agency Affordable Units to Alice Griffith Replacement Units in the applicable Alice Griffith Replacement Project. For example, if an Alice Griffith Replacement Project has eighty (80) Units, including twenty (20) Agency Affordable Units and sixty (60) Alice Griffith Replacement Units, then the Agency shall be responsible for twenty five percent (25%) ($20/80 = 25\%$) of the Cost Overruns and Developer shall be responsible for seventy-five percent (75%) ($60/80 = 75\%$) of the Cost Overruns for such Alice Griffith Replacement Project.

(2) Cost Overruns – Following Commencement. The Agency and Developer anticipate that the required contingency reserve accounts as set forth in the budget for each Alice Griffith Replacement Project as of the date of the applicable construction loan closing will cover any change orders or increased costs following the date of the applicable construction loan closing, and thereafter such costs will be paid from reductions of Alice Griffith Developer’s development fee in keeping with the MOH Underwriting Guidelines. If construction-phase change orders or increased costs exceed the value of contingency reserves and the portion of Alice Griffith Developer’s development fee available under MOH Underwriting Guidelines, then Developer and the Agency shall provide the additional funds necessary to Complete the Alice Griffith Replacement Project in the same ratio as that applied to Cost Overruns as set forth in Section 5.4(c)(1).

(d) Funding Sources. All financing for the Alice Griffith Replacement Projects shall be provided in conformance with the MOH Underwriting Guidelines. If the Agency is able to procure funds from any source other than the Citywide Housing Fund (including but not limited to Hope VI or other federal, state or other local funds) to pay for the Agency Alice Griffith Subsidy or the Agency’s other payment obligations under Section 5.4(b) or (c), then such funds shall be applied first to the Agency’s payment obligations set forth in Section 5.4(b) and (c) and thereafter to Developer’s or Alice Griffith Developer’s payment obligations set forth in Section 5.4(a) or (c). The Agency shall use its good faith efforts to prioritize any application for the Tax Credits related to the Alice Griffith Replacement Projects, including at least two (2) nine percent (9%) tax credit allocations, and to cause the City and the Housing Authority to assist in and prioritize such applications.

(e) Anticipated Alice Griffith Funding. As of the Reference Date, the anticipated sources and uses of funds for the Alice Griffith Replacement Projects are shown in Exhibit F-C.

(f) Alice Griffith Liquidation. If the parties do not enter into the Alice Griffith DDA, then Developer shall make the Alice Griffith Liquidation Payment as and when required under section 6.2.3 of the DDA and Developer shall have no further obligations with respect to the Alice Griffith Site as set forth in the DDA.

6. OCCUPANCY PREFERENCES

6.1 Certificate of Preference.

(a) Applicability. Vertical Developers shall comply with the Certificate of Preference Program and cooperate with the Agency in implementing the same with respect to the initial rental or sale of each Below-Market Rate Unit by such Vertical Developers. The Certificate of Preference Program shall apply to each Below-Market Rate Unit for the length of the applicable affordability restrictions as applied to each such Unit. The primary purpose of the Certificate of Preference Program is to implement section 33411.3 of the CCRL by giving certain displaced households a priority in the renting or buying of Affordable Units. Only those households displaced by Agency action are eligible for a Certificate of Preference.

(b) Notification. Vertical Developers of Inclusionary Units shall include a Certificate of Preference notification period in its marketing plan so that the Agency can provide those holding a Certificate of Preference (as defined in the Certificate of Preference Program) with advance notice of the opportunity to purchase or rent the Inclusionary Unit, as applicable. Vertical Developers of Workforce Units shall provide the Agency with at least ninety (90) days' prior notice to the initial rental or sale of a Workforce Unit so that the Agency can provide those holding a Certificate of Preference with advanced notice of the opportunity to purchase or rent the Workforce Unit, as applicable. From the time of the Agency's confirmation of income eligibility for purchasers or renters of Inclusionary Units and the Workforce Administrator's confirmation of income eligibility for purchasers or renters of Workforce Units, eligible purchasers and renters shall have a period of sixty (60) days to enter into a lease, and ninety (90) days to enter into a purchase agreement and to close escrow, for the applicable Below-Market Rate Unit; provided, however, that such periods shall be extended if a Certificate of Occupancy has not been issued for the applicable Unit. If a Person holding a Certificate of Preference fails to demonstrate income eligibility or is unable to execute a lease or purchase agreement within the above time period, then the Vertical Developer may rent or sell the Unit under the priorities listed in Section 6.2.

6.2 Application of Preferences. Below-Market Rate Units shall be made available for rent or purchase to income-eligible persons and households in the following order of priority:

- (a) Hunters Point Certificate of Preference Holders;
- (b) Other Certificate of Preference Holders as set forth in Section 6.1(b);

(c) Rent burdened residents (persons paying more than fifty percent (50%) of their income for housing) and assisted residents (persons residing in public housing or project-based section 8 housing);

(d) San Francisco residents and workers; and

(e) Members of the general public.

6.3 Limitations. Any preference authorized under this Article 6 shall be permitted only to the extent that such preference is consistent with the nondiscrimination obligation that is described in the CCRL and that prohibits property owners and others from restricting the rental, sale, or lease of property on any basis listed in subdivision (a) or (d) of section 12955 of the California Government Code, as those bases are defined in sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of section 12955, and section 12955.2 of the California Government Code. Accordingly, any occupancy preference shall not have the purpose or effect of delaying or otherwise denying access to a housing development or unit based on race, color, religion, gender, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, or any other protected class characteristic of any member of an applicant household.

7. MISCELLANEOUS

7.1 Inconsistency. The introductory summary provided in this Below-Market Rate Housing Plan is not intended to, nor shall it, modify or be used to interpret the provisions of the DDA (including this Below-Market Rate Housing Plan). Each parenthetical reference related to a number of Units (e.g. “(or 3,345 of 10,500 Units)”) or amount of Subsidy (e.g. “(or 256 x \$90,000)”) in this Below-Market Rate Housing Plan and each of the numbers contained in the column titled “Number of Below-Market Rate Units” set forth in the Below-Market Rate Table is based on the Entitled Units as of the Reference Date and such parenthetical references and column do not, in and of themselves, imply an obligation to construct the referenced Units.

7.2 Non-Applicability of Costa Hawkins Act. The Parties understand and agree that the Costa-Hawkins Rental Housing Act (California Civil Code sections 1954.50 et seq.; the “**Costa-Hawkins Act**”) does not and in no way shall limit or otherwise affect the restriction of rental charges for the Below-Market Rate Units developed pursuant to the DDA (including this Below-Market Rate Housing Plan). This DDA falls within an express exception to the Costa-Hawkins Act because the DDA is a contract with a public entity in consideration for a direct financial contribution and other forms of assistance specified in Chapter 4.3 (commencing with section 65915) of Division 1 of Title 7 of the California Government Code. Separately and independently, the Costa-Hawkins Act does not supersede those provisions of the CCRL that authorize the Agency to impose inclusionary housing obligations on private entities (e.g. CCRL section 33413 (b)(2)(A)(i)). Accordingly, Developer, on behalf of itself and all of its successors and assigns, including all Vertical Developers, agrees not to challenge, and expressly waives, now and forever, any and all rights to challenge, Developer’s Below-Market Rate Housing Obligations, including but not limited to the requirements of this Below-Market Rate Housing Plan related to Inclusionary Units, under the Costa-Hawkins Act, as the same may be amended

or supplanted from time to time. Developer shall include the following language, in substantially the following form, in all Assignment and Assumption Agreements under the DDA:

“The DDA (including the Below-Market Rate Housing Plan) implements the California Community Redevelopment Law, Cal. Health & Safety Code §§ 33000 et seq. (“CCRL”) and includes regulatory concessions and significant public investment in the Project Site. The regulatory concessions and public investment include, without limitation, a direct financial contribution of net tax increment, the conveyance of real property without payment, and other forms of public assistance specified in California Government Code section 65915 et seq. These public contributions result in identifiable, financially sufficient and actual cost reductions for the benefit of Developer and Vertical Developers, as contemplated by California Government Code section 65915. In light of the Agency’s authority under the CCRL and in consideration of the direct financial contribution and other forms of public assistance described above, the parties understand and agree that the Costa-Hawkins Act does not and shall not apply to the Inclusionary Units developed at the Project Site under the DDA.”

The Parties understand and agree that the Agency would not be willing to enter into the DDA, and the City would not be willing to enter into the Tax Allocation Agreement, without the agreement and waivers as set forth in this Section 7.2.

7.3 No Third Party Beneficiary. Except to the extent set forth in the DDA, there are no express or implied third party beneficiaries to this Below-Market Rate Housing Plan.

7.4 Severability. If any provision of this Below-Market Rate Housing Plan, or its application to any Person or circumstance, is held invalid by any court, the invalidity or inapplicability of such provision shall not affect any other provision of this Below-Market Rate Housing Plan or the application of such provision to any other Person or circumstance, and the remaining portions of this Below-Market Rate Housing Plan shall continue in full force and effect. Without limiting the foregoing, in the event that any applicable law prevents or precludes compliance with any term of this Below-Market Rate Housing Plan, the Parties shall promptly modify this Below-Market Rate Housing Plan to the extent necessary to comply with such law in a manner that preserves, to the greatest extent possible, the benefits to each of the Parties. In connection with the foregoing, the Parties shall develop an alternative of substantially equal, but not greater, cost and benefit to Developer and any applicable Vertical Developer so as to realize from the Project substantially the same (i) overall benefit (from a cost perspective) to the public and (ii) overall benefit to Developer and any applicable Vertical Developer.

EXHIBIT F-A

Below-Market Rate Table

AMI Percentage	Type of Below-Market Rate Unit	Percentage of Total Units	Number of Below-Market Rate Units¹
0 – 60%	Alice Griffith Replacement Units	Alice Griffith Percentage	256
0 – 60%	Agency Affordable Units	Agency Percentage	1,388
80 – 100% ²	Inclusionary Units	3.45%	363
120%	Inclusionary Units	4.25%	446
140%	Workforce Units	4.25%	446
141% – 160% ³	Workforce Units	4.25%	446
Total Below-Market Rate Units		31.86%	3,345

¹ Assuming 10,500 Total Units.

² Units in this tier must be on average Affordable with an AMI Percentage equal to ninety percent (90%).

³ Units in this tier must be on average Affordable with an AMI Percentage equal to one hundred fifty percent (150%).

“**Alice Griffith Percentage**” means the number, expressed as a percentage, that is equal to two hundred fifty six (256) divided by the Total Units. For example, assuming ten thousand five hundred (10,500) Total Units, the Alice Griffith Percentage would equal two and forty for hundredths percent (2.44%) ($256/10,500 = 0.0244$).

“**Agency Percentage**” means the number, expressed as a percentage, that is equal to fifteen and sixty six hundredths percent (15.66%) *less* the Alice Griffith Percentage. For example, assuming ten thousand five hundred (10,500) Total Units, the Agency Percentage would equal thirteen and twenty two hundredths percent (13.22%) ($15.66\% - 2.44\% = 13.22\%$).

EXHIBIT F-B

Housing Map

[ATTACHED]

HOUSING MAP

EXHIBIT F-B

STADIUM ALTERNATIVE

Lot	Subsidized Agency Affordable Units	Alice Griffith Replacement Units
-----	------------------------------------	----------------------------------

Hunters Point North

4b	132	0
10a	89	0

Alice Griffith

1	59	66
2	50	50
7	62	0
8	12	12
12	47	49
14	12	12
15	11	11
16	57	56

Candlestick North

2b	131	0
5b	111	0
11a	141	0

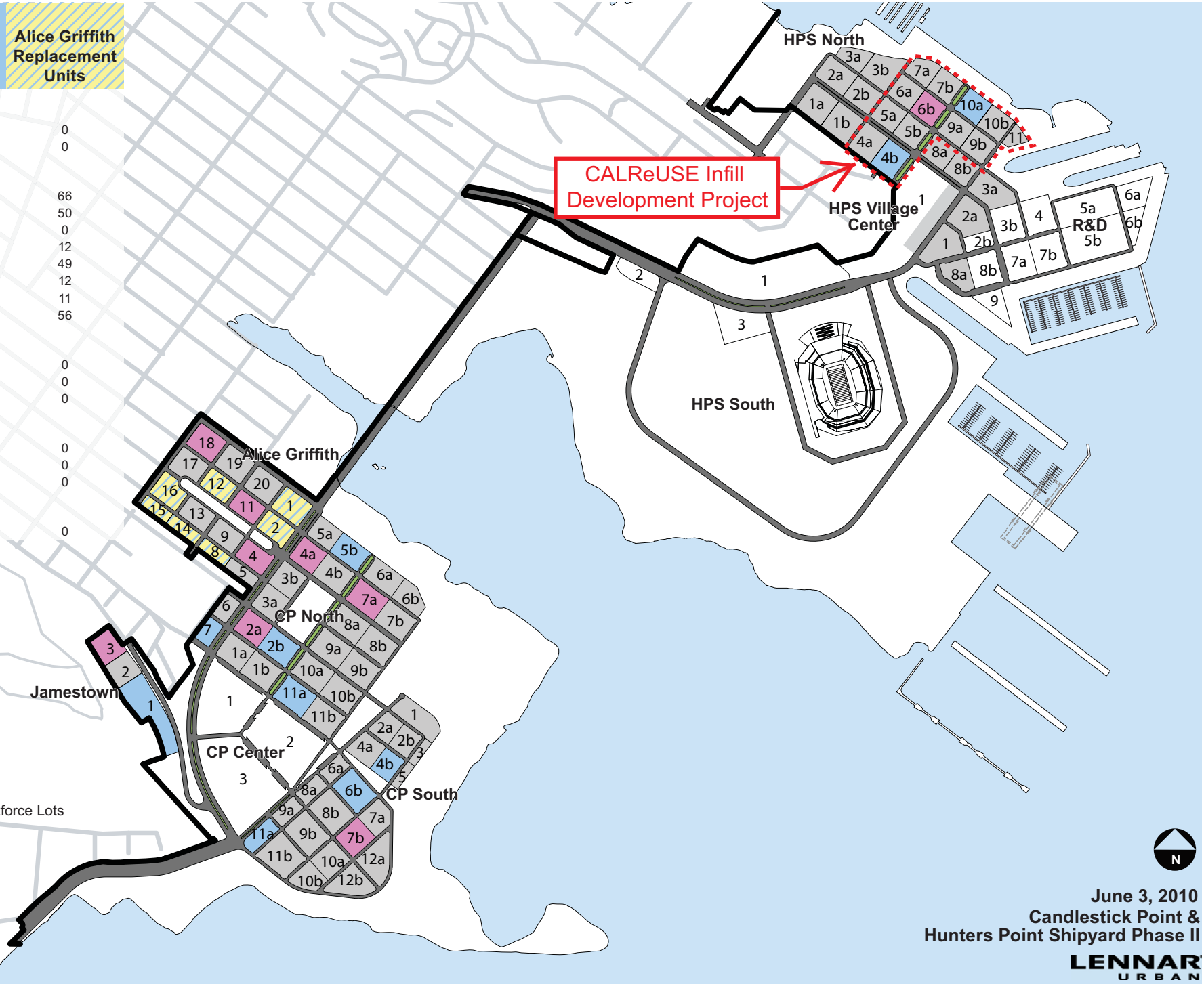
Candlestick South

4b	92	0
6b	161	0
11a	91	0

Jamestown

1	130	0
---	-----	---

-  Alice Griffith Lots
-  Agency Lots
-  Stand-Alone Workforce Lots
-  Market Rate Lots



CALReUSE Infill Development Project



June 3, 2010
Candlestick Point & Hunters Point Shipyard Phase II



HOUSING MAP

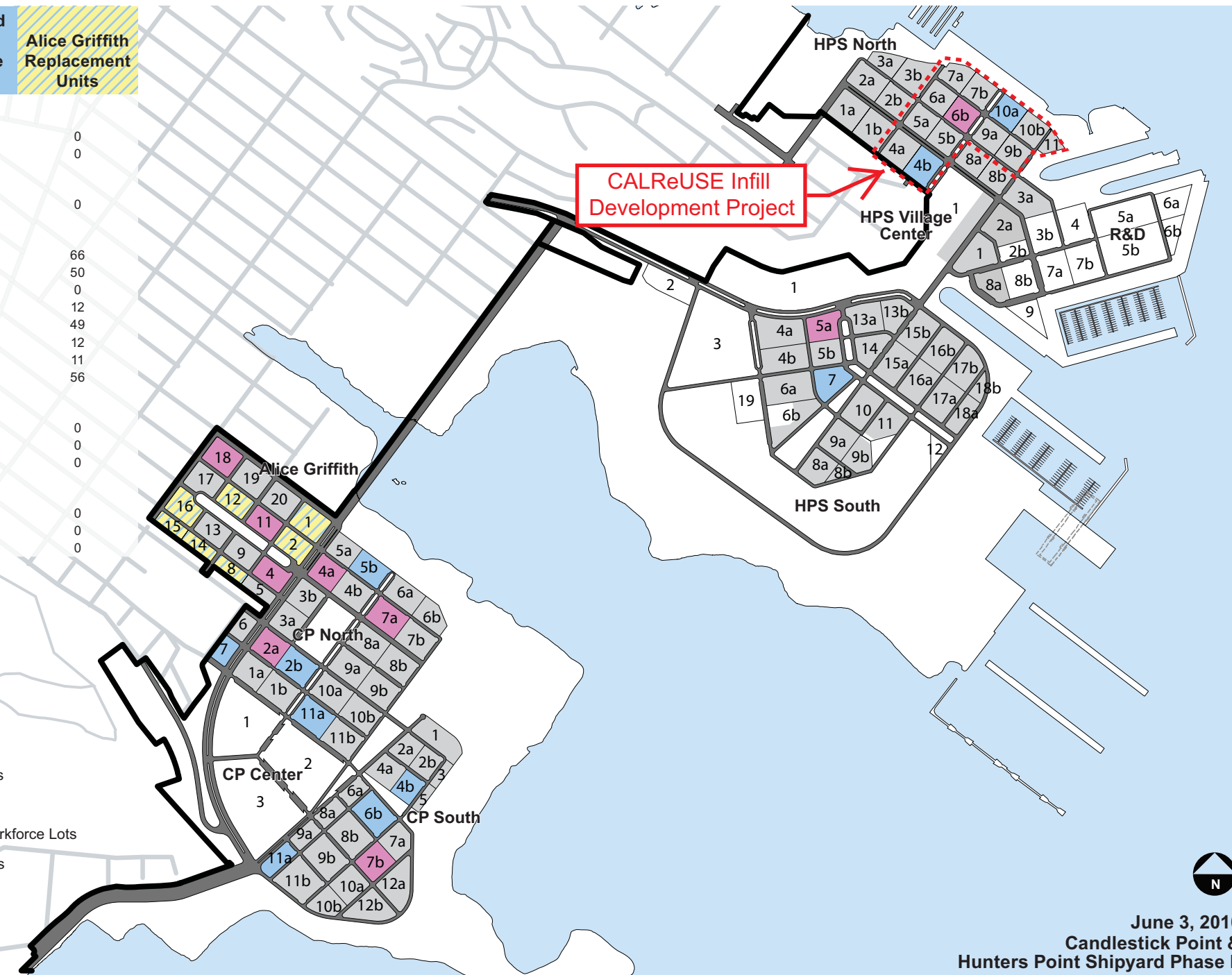
EXHIBIT F-B

NON-STADIUM ALTERNATIVE

Lot	Subsidized Agency Affordable Units	Alice Griffith Replacement Units
-----	------------------------------------	----------------------------------

Hunters Point North		
4b	132	0
10a	89	0
Hunters Point South		
7	130	0
Alice Griffith		
1	59	66
2	50	50
7	62	0
8	12	12
12	47	49
14	12	12
15	11	11
16	57	56
Candlestick North		
2b	131	0
5b	111	0
11a	141	0
Candlestick South		
4b	92	0
6b	161	0
11a	91	0

-  Alice Griffith Lots
-  Agency Lots
-  Stand-Alone Workforce Lots
-  Market Rate Lots



June 3, 2010
Candlestick Point & Hunters Point Shipyard Phase II



EXHIBIT F-C

Alice Griffith Replacement Projects Sources and Uses of Funds

Alice Griffith Lot	Number of Units	Alice Griffith Replacement Units	Subsidized Agency Affordable Units	Total Development Cost	Alice Griffith Subsidy	Agency Subsidy	Agency Alice Griffith Subsidy	Low-Income Housing Tax Credit Equity	Affordable Housing Program - FHLB Loans
1A	63	33	30	26,380,000	2,970,000	2,100,000	-	21,247,875	315,000
1B	62	33	29	26,080,000	2,970,000	2,030,000	-	21,247,875	310,000
2	100	50	50	38,916,000	4,500,000	3,500,000	16,041,000	14,375,000	500,000
12	96	49	47	37,066,500	4,410,000	3,290,000	15,203,200	13,683,300	480,000
8/14/15	70	35	35	28,728,500	3,150,000	2,450,000	12,210,500	10,568,000	350,000
16	113	56	57	44,697,000	5,040,000	3,990,000	18,562,500	16,539,500	565,000
Totals	504	256	248	201,868,000	23,040,000	17,360,000	62,017,200	97,661,550	2,520,000

EXHIBIT F-D

Alice Griffith Liquidation Amount Unit Credit Schedule

Upon making the Alice Griffith Liquidation Payments or providing Adequate Security as set forth in Section 6.2.3(b) of the DDA, Developer shall obtain Units Credits equal to and of the type set forth below:

	1st Liquidation Payment	2nd Liquidation Payment	3rd Liquidation Payment
Alice Griffith Replacement Units	85	85	86
Agency Affordable Units (60%)	82	83	83
Inclusionary Units (90%)	5	5	6
Inclusionary Units (120%)	6	6	7
Workforce Housing Units (140%)	46	47	47
Workforce Housing Units (150%)	47	47	47

EXHIBIT F-E

Form of Declaration of Restrictions for Rental Inclusionary Units

This document is exempt from payment of a recording fee pursuant to California Government Code Section 27383

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

**San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: Housing Division**

[Site Address/APN]

Recorder's Stamp

DECLARATION OF RESTRICTIONS FOR RENTAL INCLUSIONARY UNITS

This DECLARATION OF RESTRICTIONS FOR RENTAL INCLUSIONARY UNITS (this "**Declaration**") is made as of _____, 20__ (the "**Effective Date**") by and between Owner and the Agency. Owner holds fee title to that certain real property in the City with a street address of _____, San Francisco, California, and more particularly described on Exhibit A (the "**Property**"). Capitalized terms used in this Declaration have the meanings given to them in Section 1.

RECITALS

A. [The Property is in the City, within the Hunters Point Shipyard Redevelopment Project, and is subject to the provisions of the Hunters Point Shipyard Redevelopment Plan adopted by the Board of Supervisors of the City (the "**Board of Supervisors**") by Ordinance No. 285-97 on July 14, 1997, as amended by the Hunters Point Shipyard Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 211-10 on August 3, 2010 (as amended from time to time to the extent permitted under the DDA, the "**Shipyard Redevelopment Plan**").]

[The Property is in the City, within the Bayview Hunters Point Redevelopment Project, and is subject to the provisions of the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 25-69 on January 20, 1969, as amended by the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 280-70 on August 24, 1970, as amended by the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 475-86 on December 1, 1986, as amended by the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 417-94 on December 12, 1994, as amended by the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 113-06 on June 1, 2006 and as amended by the Board of Supervisors by Ordinance No. 210-10 on August 3, 2010 (as amended from time to time to the extent permitted under the DDA, the "**BVHP Redevelopment Plan**").]

C. The Agency and Developer have entered into the DDA and, with the approval of the Agency, Developer and Vertical Developer have entered into the Assignment and Assumption Agreement. The Below-Market Rate Housing Plan attached to and made part of the DDA governs the development of affordable housing units such as those within the Property. The DDA, including the Below-Market Rate Housing Plan, is on file with the Agency as public records. This Declaration is being executed and recorded in accordance with the DDA and partially satisfies the requirements therein.

B. Owner intends to construct on the Property _____ (____) Rental Inclusionary Units and _____ (____) Rental Market Rate Units. The location within the Property, the AMI Percentage and the Household Size of each Rental Unit, each as determined in accordance with the DDA and the Assignment and Assumption Agreement, is set forth in Exhibit A-1.

D. The Rental Inclusionary Units constitute a valuable community resource. To protect and preserve this resource, it is necessary, proper and in the public interest for the Agency to administer occupancy and rental controls by means of this Declaration, in conformance with the DDA.

AGREEMENT

NOW, THEREFORE, in consideration of the substantial economic benefits inuring to Owner and the public purposes to be achieved under the DDA (including the Below-Market Rate Housing Plan), Owner and Agency agree as follows:

Section 1. Definitions.

Terms not defined in this Declaration have the meanings given to them in the DDA.

“**Agency**” means the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, of the State of California.

“**AMI Percentage**” means the percentage multiple of AMI applicable to a Rental Inclusionary Unit as set forth in Exhibit A-1.

“**AMI**” means the unadjusted area median income provided by HUD that is specific to the metro fair market rent area that contains San Francisco as published annually by the Mayor’s Office of Housing and adjusted for household sizes. If data provided by HUD that is specific to the metro fair market rent area that includes San Francisco is unavailable, then AMI may be calculated by the Mayor’s Office of Housing using other publicly available and credible data as approved by the Agency.

“**Assignment and Assumption Agreement**” means the assignment and assumption agreement between Developer and Owner for a transfer of the rights and corresponding obligations applicable to the Property under the DDA.

“**Below-Market Rate Housing Plan**” means the plan attached to the DDA as Exhibit F, as such plan may be amended or supplemented from time to time in accordance with the terms of

the DDA. The DDA, including the Below-Market Rate Housing Plan, is on file with the Agency as public records.

“**City**” means, as the context requires, (i) the City and County of San Francisco, a charter city of the State, or (ii) the territorial jurisdiction of the foregoing.

“**DDA**” means that certain Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated for reference purposes as of June 3, 2010 and recorded in the Official Records of the City and County of San Francisco (the “**Official Records**”) on _____, 20__ as Document No. _____ at Reel _____, Image _____, between the Agency and Developer, including all incorporated exhibits and as amended from time to time.

“**Declaration**” is defined in the introductory paragraph.

“**Developer**” means CP Development Co., LP, a Delaware limited liability partnership, and its successors and assigns permitted in accordance with the terms of the DDA.

“**Eligible Occupant**” means, for any Rental Inclusionary Unit, a household whose Gross Annual Income does not exceed (i) AMI (as adjusted for the Household Size applicable to that Rental Inclusionary Unit as set forth in Exhibit A-1) *multiplied by* (ii) the AMI Percentage applicable to that Rental Inclusionary Unit as set forth in Exhibit A-1 *increased by* five percent (5%) (i.e., from seventy-five percent (75%) to eighty percent (80%)).

“**Gross Annual Income**” means pre-tax money earned annually by a household including overtime pay, commissions, dividends, and any other source of income.

“**Household Size**” means the household size applicable to a Rental Inclusionary Unit as set forth in Exhibit A-1, which will be used solely for the purpose of establishing rents and not for limiting occupancy of units.

“**HUD**” means the United States Department of Housing and Urban Development.

“**Income Certification**” means the form attached hereto as Exhibit B.

“**Income Recertification**” is defined in Section 4.2(a).

“**Occupant**” means the person occupying a Unit under a lease therefor.

“**Owner**” is defined in the introductory paragraph.

“**Parking Construction Cost**” means \$25,000 for a ground-level or above-ground Parking Space, and \$35,000 for a below-ground Parking Space, as the same may be adjusted (i) on June 3, 2015 and each fifth anniversary thereof with reference to the California Construction Cost Index as published by ENR.com (Engineering News Record), or an alternative construction cost index reasonably approved by Owner and the Agency Director.

“Parking Cost” means the Parking Construction Cost amortized on a straight-line basis over thirty (30) years, using the current (at the time the Parking Cost is required to be determined) ten- (10) year rolling average interest rate as determined based on data provided by Fannie Mae or Freddie Mac, or if such data is not provided by Fannie Mae or Freddie Mac, then based on data from an equivalent, nationally recognized mortgage financing institution reasonably approved by Owner and the Agency.

“Property” is defined in the introductory paragraph.

“Rent” means an annual rental charge (including the Utility Allowance applicable to the Household Size of such Rental Unit, if applicable) paid in equal monthly installments for (a) use and occupancy of the Unit and land and facilities associated therewith, (b) any separately charged fees or services assessed by Owner which are required of all tenants, other than security deposits, (c) utilities covered by the Utility Allowance and (d) any taxes or fees charged for use of the land and facilities other than by Owner.

“Rental Inclusionary Unit” means a Rental Unit for which the Rent does not exceed thirty percent (30%) of AMI (as adjusted for the Household Size applicable to that Rental Unit) *multiplied by the AMI Percentage applicable to that Rental Unit, less the Parking Cost.*

“Rental Market Rate Unit” means a Rental Unit that is not a Rental Inclusionary Unit and therefore has no restrictions under the DDA, the Assignment and Assumption Agreement or this Declaration with respect to rental charges or purchase prices or income restrictions for the Occupants or renters thereof.

“Rental Unit” means a Unit that is offered on a rental basis (i.e., not offered for purchase).

“Residential Project” means the Units and other uses constructed by Owner on the Property, in conformance with the DDA and Assignment and Assumption Agreement.

“Unit” means a building or portion thereof that contains living facilities designed for residential occupancy for thirty two (32) consecutive days or more, including provisions for sleeping, eating and sanitation, for not more than one family, and may include senior and assisted living facilities.

“Utility Allowance” means a dollar amount determined in a manner acceptable to the California Tax Credit Allocation Committee, which may include a dollar amount established periodically by the Housing Authority based on standards established by HUD for the cost of basic utilities for households, adjusted for Household Size. If such dollar amount is not available from the Housing Authority or HUD, then Owner may use another publicly available and credible dollar amount that is reasonably approved by the Agency.

Section 2. Rental Inclusionary Units.

2.1 Rental Inclusionary Units. The occupancy of all of the Rental Inclusionary Units shall be restricted to Eligible Occupants.

2.2 Term of Declaration. The Rental Inclusionary Units shall remain Rental Inclusionary Units for a continuous period of fifty-five (55) years after the initial lease of each Unit and shall thereafter be Rental Market Rate Units.

Section 3. Lease Terms and Rental Rates.

3.1 Lease Term. The lease term for each Rental Inclusionary Unit shall not exceed one (1) year.

3.2 Rental Rate. The Rent for a Rental Inclusionary Unit shall be calculated on the date of its initial rental by an Occupant and on the date of any renewal thereof based on the then-current AMI and Utility Allowance, the Parking Cost and the applicable AMI Percentage and Household Size.

Section 4. Income Certification for Tenants of Rental Inclusionary Units.

4.1 Initial Income Certification. Owner shall require all applicants for occupancy of a Rental Inclusionary Unit to submit an Income Certification at the time of such application. Owner shall make reasonable efforts to verify such Income Certifications, including without limitation calling such applicants' employers or other sources of income to confirm the income shown.

4.2 Household Income After Occupancy.

(a) Income Recertification. Owner shall require all Occupants applying for a renewal of the lease of a Rental Inclusionary Unit to submit a new Income Certification (an "**Income Recertification**") within sixty (60) days before the expiration date of the current lease, assuming a lease term of one year. Owner shall require all Occupants with leases of less than one year to submit an Income Recertification annually. Owner shall make reasonable efforts to verify such Income Recertifications, including without limitation calling such applicants' employers or other income sources to confirm the income shown.

(b) Income in Excess of 120% of AMI. If Owner receives an Income Recertification that demonstrates household income in excess of one hundred twenty percent (120%) of AMI, then the Occupant may renew the applicable then-current lease at the expiration thereof; provided, that the Occupant shall at the time of such renewal be informed that it is no longer eligible for a Rental Inclusionary Unit and may be subject to non-renewal of such lease at its next expiration. On or before the ninetieth (90th) day prior to the next expiration date of such lease, Owner shall designate the next available Unit of comparable size within the Residential Project as a replacement Rental Inclusionary Unit, using commercially reasonable efforts to match the location and characteristics of the replaced Rental Inclusionary Units. Owner shall then restrict the Rent on the replacement Rental Inclusionary Unit to the amount determined in accordance with Sections 3.2; the Unit occupied by the household that no longer qualifies for a Rental Inclusionary Unit under this Declaration shall become a Rental Market Rate Unit; and the Occupant of the replaced Rental Inclusionary Unit may execute a new lease on the Unit as a Rental Market Rate Unit. However, if Owner is unable to designate a

replacement Rental Inclusionary Unit on or before the expiration date of the lease, and the most recent Income Recertification shows that the household no longer qualifies for a Rental Inclusionary Unit under this Declaration, then Owner shall not renew the Occupant's lease on the Rental Inclusionary Unit and Owner shall lease the Rental Inclusionary Unit to an Eligible Occupant.

(i) Following a household's receipt of notice that its income exceeds one hundred twenty percent (120%) of AMI, thus disqualifying it for a Rental Inclusionary Unit, Owner shall keep the household reasonably informed of Owner's attempts to identify a replacement Rental Inclusionary Unit.

(c) Number of Rental Inclusionary Units. Subject to Section 4.2(b), at all times the number of Rental Inclusionary Units in the Residential Project must be at least the number specified in Recital B.

Section 5. Potential Increase of AMI Percentage for a Rental Inclusionary Unit.

If Owner has undertaken a good faith effort to rent a Rental Inclusionary Unit, and despite such good faith effort such Unit(s) have not been rented, as applicable, by the date that is ninety (90) days after all Rental Market Rate Units in the same Residential Project have been rented, then Owner may request that the Agency Director approve in his or her sole and absolute discretion an increase of the income qualifications applicable to such Unit(s) by an amount equal to no greater than twenty percent (20%) (i.e., from an AMI Percentage equal to eighty percent (80%) to not greater than one hundred percent (100%)), provided that (i) in no event shall the AMI Percentage be increased above one hundred twenty percent (120%), (ii) there shall be no increase in the rental charge of the Rental Inclusionary Unit(s) and (iii) the income qualifications adjusted pursuant to this Section 5.1 shall decrease to the original AMI Percentage for the Unit as set forth in Exhibit A-1 when the Occupant's lease is not renewed and the Unit is reoffered for rent.

Section 6. Records and Reporting Requirements for Rental Units.

6.1 Reports. Owner shall provide reports regarding the Rental Inclusionary Units to the Agency on a quarterly basis, commencing on the 15th of the month after issuance of a Certificate of Occupancy for the Residential Project, in the form attached hereto as Exhibit C, as well as any additional reports or information reasonably requested by the Agency as to the availability, maintenance and operation of the Rental Inclusionary Units. The report shall separately identify any replacement Rental Inclusionary Units, the Rental Inclusionary Units replaced and any households in the category described in Section 4.2(b) (households whose income has increased to the level that the household no longer qualifies for a Rental Inclusionary Unit under this Declaration).

6.2 Maintenance of Records. Owner shall maintain and retain records of all applications, Income Certifications, income verifications, leases, management actions, and rent rolls relating to the Rental Inclusionary Units for five (5) years. The Agency or its designee shall have the right to inspect and copy such records upon reasonable notice during regular business hours.

Section 7. Nondiscrimination.

7.1 Nondiscrimination. Owner herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of section 12955 of the Government Code, as those bases are defined in sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of section 12955, and section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Residential Project, nor shall Owner or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Residential Project. The foregoing covenants shall run with the land.

7.2 Senior Citizens. Notwithstanding Section 7.1, with respect to familial status, Section 7.1 shall not be construed to apply to housing for older persons, as defined in section 12955.9 of the Government Code. With respect to familial status, nothing in Section 7.1 shall be construed to affect sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of section 51 and section 1360 of the Civil Code and subdivisions (n), (o), and (p) of section 12955 of the Government Code shall apply to Section 7.1.

Section 8. Covenants.

The restrictions set forth in this Declaration shall run with the Property and shall be binding on and inure to the benefit of all parties having or acquiring any right, title or interest in the Property and to their successors and assigns.

Section 9. Remedies Cumulative.

Agency's rights and remedies, whether provided by law, in equity or by this Declaration, shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude the exercise of any other or further rights or remedies for the same or any other default or breach. No waiver with respect to the performance of any of Owner's obligations shall be effective except to the extent the particular obligation is expressly waived, nor shall it be a waiver with respect to any other rights or remedies of any other of Owner's obligations.

Section 10. Governing Law.

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

Section 11. Severability.

Invalidation of any provision of this Declaration, or of its application to any person, by judgment or court order, shall not affect any other provision of this Declaration or its application to any other person or circumstance, and the remaining portions of this Declaration shall continue in full force and effect, unless enforcement of this Declaration as invalidated would be

unreasonable or grossly inequitable under all relevant circumstances or would frustrate the fundamental purposes of this Declaration.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Owner and the Agency have executed this Declaration as of the Effective Date.

AGENCY:

OWNER:

REDEVELOPMENT AGENCY OF THE CITY
AND COUNTY OF SAN FRANCISCO,
A public body, corporate and politic, of the
State of California

By: _____

Name: Amy Lee

Title: Deputy Executive Director
Finance and Administration

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN FRANCISCO)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

(Seal)

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN FRANCISCO)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

(Seal)

EXHIBIT A

Property

[To be provided prior to recordation of Declaration.]

EXHIBIT A-1

**Distribution and Characteristics of Rental Inclusionary Units
and Rental Market Rate Units**

[To be provided prior to recordation of Declaration.]

EXHIBIT B

Form of Income Certification

[ATTACHED]

TENANT INCOME CERTIFICATION

Initial Certification Recertification Other _____

Effective Date: _____
 Move-in Date: _____
 (MM/DD/YYYY)

PART I - DEVELOPMENT

Property Name:
 Address:
 Bedrooms:

County:
 Unit Number: _____ #

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	Social Security or Alien Reg. No.
1			HEAD		
2					
3					
4					
5					
6					
7					

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$	\$	\$	\$

Add totals from (A) through (D), above

TOTAL INCOME (E):

\$

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset

TOTALS: \$

\$

Enter Column (H) Total
 If over \$5000 \$ _____ X

Passbook Rate
 2.00%

= (J) Imputed Income

\$

Enter the greater of the total of column I, or J: imputed income **TOTAL INCOME FROM ASSETS (K)**

\$

(L) Total Annual Household Income from all Sources [Add (E) + (K)]

\$

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ Signature	_____ (Date)	_____ Signature	_____ (Date)
_____ Signature	_____ (Date)	_____ Signature	_____ (Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 \$ 	Household Percentage of Area Median Income: _____ <input type="checkbox"/> 80% <input type="checkbox"/> 90% <input type="checkbox"/> 100% <input type="checkbox"/> 120% <input type="checkbox"/> 110% <input type="checkbox"/> ___%	RECERTIFICATION ONLY: Current Income Limit at 120% AMI, adjusted for Household Size: \$ _____ Household Income exceeds 120% at recertification: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Income Limit per Household Size Applicable to the Unit: \$ _____		
Household Income at Move-in: \$ _____	Household Size at Move-in: _____	

PART VI. RENT

Tenant Paid Rent \$ _____ Utility Allowance \$ _____ GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges, less the Parking Cost) \$ 	Other non-optional charges: \$ _____ Parking Cost: \$ _____ Unit Meets Rent Restriction at: 80% 90% 100% 120% 110% ____%
Maximum Rent Limit for this unit: \$ _____	

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of the Declaration of Restrictions for Rental Inclusionary Units to live in a unit in this Unit.

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

INSTRUCTIONS FOR COMPLETING

TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

- Move-in Date Enter the date the tenant has or will take occupancy of the unit.
- Effective Date Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
- Property Name Enter the name of the development.
- County Enter the county (or equivalent) in which the building is located.
- Address Enter the address of the building.
- Unit Number Enter the unit number.
- # Bedrooms Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member’s relationship to the head of household by using one of the following coded definitions:

- | | | | | | |
|---|---|-------------------|---|---|----------------------------|
| H | - | Head of Household | S | - | Spouse |
| A | - | Adult co-tenant | O | - | Other family member |
| C | - | Child | F | - | Foster child(ren)/adult(s) |
| L | - | Live-in caretaker | N | - | None of the above |

Enter the date of birth and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

- Column (A) Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.

- Column (B) Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
- Column (C) Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
- Column (D) Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
- Row (E) Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

- Column (F) List the type of asset (i.e., checking account, savings account, etc.)
- Column (G) Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
- Column (H) Enter the cash value of the respective asset.
- Column (I) Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
- TOTALS Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

- Row (K) Enter the greater of the total in Column (I) or (J).
- Row (L) Total Annual Household Income From all Sources – Add (E) and (K) and enter the total.

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

- Total Annual Household Income from all Sources Enter the number from item (L).
- Current Income Limit per Family Size Enter the Current Move-in Income Limit for the Household Size.
- Household income at move-in Household size at move-in For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.

Household Meets Income Restriction Check the appropriate box for the income restriction that the household meets according to what is required by Declaration of Restrictions for Rental Inclusionary Units for the project.

Current Income Limit at 120% For recertifications only. If the Gross Annual Income at recertification is greater than 120% of the current income limit, then the next available unit rule described in the Declaration of Restrictions for Rental Inclusionary Units must be followed.

Part VI - Rent

Tenant Paid Rent Enter the amount the tenant pays toward rent

Utility Allowance Enter the utility allowance. If the owner pays all utilities, enter zero.

Parking Cost Enter the amortized Parking Construction Cost defined in the Declaration of Restrictions for Rental Inclusionary Units

Other non-optional charges Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.

Gross Rent for Unit Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.

Maximum Rent Limit for this unit Enter the maximum allowable gross rent for the unit. Deduct the Parking Cost.

Unit Meets Rent Restriction at Check the appropriate rent restriction that the unit meets according to what is required by the Declaration of Restrictions for Rental Inclusionary Units for the project.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone with familiarity of the Declaration applicable to this Unit.

EXHIBIT C

Rental Inclusionary Unit Report

[ATTACHED]

RENTAL INCLUSIONARY UNITS -- DECLARATION OF RESTRICTIONS

Exhibit C

San Francisco Redevelopment Agency One South Van Ness Avenue, 5th Floor San Francisco CA 94103
 Email Completed Report To: garrett.smith@sfgov.org

Development Name: _____ Number of Unit Occupied: _____
 Owner: _____ Number of Units Vacant: _____
 Address: _____ Total Number of Unit in Development: _____
 Date of Initial Project Occupancy: _____
 For the Period Ending: _____

RENTAL INFORMATION								HOUSEHOLD INCOME INFORMATION							
Apt. No.	Name of Tenant(s)	Move-In Date	No. of Bdrms	AMI Percentage	Parking Cost	Utility Allowance	Total Monthly Tenant Rent	No. In Household	Household Size	Gross Annual Income	Date Income Certified, or Recertified	Current Max. Income Limit for Applicable AMI Percentage	Current Max. Rent	Does Household Income Exceed Max. Income Limits?	Gross Annual Income as percentage of AMI at Initial Move-In

EXHIBIT F-F

Form of Declaration of Restrictions for Sale Inclusionary Units

This document is exempt from payment of a recording fee pursuant to California Government Code Section 27383

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

**San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: Housing Division**

[Site Address/APN]

Recorder's Stamp

LIMITED EQUITY HOME OWNERSHIP PROGRAM

**DECLARATION OF RESTRICTIONS AND OPTION TO PURCHASE AGREEMENT
FOR SALE INCLUSIONARY UNITS**

This DECLARATION OF RESTRICTIONS AND OPTION TO PURCHASE AGREEMENT FOR SALE INCLUSIONARY UNITS (this "**Declaration**") is made as of _____, 20__ (the "**Effective Date**") by and between _____ as _____ [indicate manner in which owner takes title] ("**Owner**") and the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, of the State of California (the "**Agency**"). On the Effective Date, Owner is acquiring from Vertical Developer fee title to that certain real property in the City with a street address of _____, San Francisco, California, and more particularly described on Exhibit A (the "**Property**"). Capitalized terms used in this Declaration have the meanings given to them in Section 1.

RECITALS

- (a) The Agency has developed a program to provide home ownership opportunities to individuals and families with low and moderate incomes by offering homes for sale at prices which are below those otherwise prevailing in the market;
- (b) The Agency's intent is to preserve the affordability of such homes by restricting the resale price;
- (c) Such homes constitute a valuable community resource; and
- (d) It is necessary, proper and in the public interest for the Agency to protect and preserve this resource by administering occupancy and resale controls by means of this Declaration.

AGREEMENT

NOW, THEREFORE, in consideration of the substantial economic benefits inuring to Owner and the public purposes to be achieved under the affordable housing program, Owner and the Agency agree as follows:

Section 1. Affordable Purchase Price.

The “**Affordable Purchase Price**” for the Property is \$_____ [insert Affordable Purchase Price as determined under DDA]. This is the purchase price which is Affordable based on:

“ Affordable Interest Rate Determination Date ”	[insert Affordable Interest Rate Determination Date as determined under DDA]
“ AMI Percentage ”	[insert AMI Percentage as determined under DDA]
“ BMR Association Dues ”	[insert BMR Association Dues as determined under DDA]
“ Household Size ”	[insert Household Size as determined under DDA]
“ Parking Cost ”	[insert Parking Cost as determined under DDA]

Section 2. Definitions.

As used in this Declaration, the capitalized terms set forth below shall have the following meanings:

“**Addendum to Deed of Trust**” means the supplemental document to the Deed of Trust in a form attached hereto as Exhibit D, executed by a Qualified Purchaser in favor of the Agency.

“**Affordable**” means a purchase price that does not exceed (x) the amount determined using a five percent (5%) down payment and a commercially reasonable thirty (30) year fixed-rate mortgage loan with commercially reasonable points and fees and total annual payments for principal, interest, taxes and BMR Association Dues that are equal to thirty-three percent (33%) of AMI (as adjusted for the Household Size) *multiplied by* the AMI Percentage (y) less the Parking Cost. The interest rate for the mortgage loan that is used to calculate the purchase price shall be the higher of (1) the ten (10) year rolling average interest rate, as calculated by the Agency based on data provided by Fannie Mae or Freddie Mac, or if such data is not provided by Fannie Mae or Freddie Mac, then based on data from an equivalent, nationally recognized mortgage financing institution approved by the Agency, or (2) the current, commercially

reasonable rate available through an Agency-approved lender, in either case as in effect as of the Affordable Interest Rate Determination Date.

“**Affordable Interest Rate Determination Date**” is defined in Section 1.

“**Affordable Purchase Price**” is defined in Section 1.

“**Agency**” is defined in the introductory paragraph.

“**Agency Note**” is the promissory note executed by Owner in favor of the Agency, which is secured by a Deed of Trust executed by Owner in favor of the Agency, in the form attached hereto as Exhibit B.

“**AMI**” means the unadjusted area median income provided by HUD that is specific to the metro fair market rent area that contains the City as published annually by the Mayor’s Office of Housing and adjusted for household sizes. If data provided by HUD that is specific to the metro fair market rent area that contains the City is unavailable, then AMI may be calculated by the Mayor’s Office of Housing using other publicly available and credible data approved by the Agency.

“**AMI Percentage**” is defined in Section 1.

“**Broker**” means a real estate broker licensed by the State of California Department of Real Estate and approved by the Agency to assist Owner in identifying Qualifying Purchasers for the Transfer of the Property.

“**Buyer Acknowledgement**” means the document accepting the terms and conditions of the Loan Disclosure Information, as such acceptance document and Loan Disclosure Information are attached hereto as Exhibit F.

“**Capital Improvements**” is defined in Section 8.1.

“**Catastrophic Illness**” means an illness or injury that incapacitates Owner for an extended period of time, or that incapacitates a member of Owner’s family, which incapacity requires Owner to take time off from work for an extended period to care for that family member, and taking extended time off from work creates a financial hardship for Owner because he or she has exhausted all of his or her sick leave and other paid time off.

“**Certificate Holder**” means those households with a valid Certificate of Preference issued by the Agency that entitles the holder to receive preference in consideration for housing due to displacement by prior redevelopment activities.

“**City**” means, as the context requires, (i) the City and County of San Francisco, a charter city of the State, or (ii) the territorial jurisdiction of the foregoing.

“**Closing Costs**” means the reasonable and customary costs incurred by Owner in transferring the Property.

“**Damage**” means deficiencies in the Property occurring during Owner’s ownership of the Property, including without limitation: (1) violations of applicable building, plumbing, electric, fire or housing codes; (2) needed repair to appliances furnished to Owner upon purchase of the Property; (3) holes and other defects (except for holes from picture hangers) in walls, ceilings, floors, doors, windows, screens, carpets, drapes, countertops and similar appurtenances; and (4) repairs needed, as determined by the Agency, to put the Property into saleable condition, including without limitation cleaning and painting.

“**DDA**” means that certain Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated for reference purposes as of June 3, 2010 and recorded in the Official Records of the City and County of San Francisco (the “**Official Records**”) on _____, 20__ as Document No. _____ at Reel ____, Image ____, between the Agency and Developer, including all incorporated exhibits and as amended from time to time.

“**Declaration**” is defined in the introductory paragraph.

“**Deed of Trust**” means one or more Deeds of Trust on the Property in the form of Exhibit C executed by Owner in favor of the Agency.

“**Developer**” means CP Development Co., LP, a Delaware limited liability partnership, and its successors and assigns permitted in accordance with the terms of the DDA.

“**Domestic Partner**” means any person who has or enters into a domestic partnership currently registered with a governmental body pursuant to State or local law authorizing such registration.

“**Down Payment Assistance Loan**” is a loan of down payment funds made by the Agency to Owner for purchase of the Property.

“**Effective Date**” is defined in the introductory paragraph.

“**Event of Default**” are defined in Section 9.1.

“**Fair Market Value**” means the cash purchase price for the Property that a willing buyer would pay to a willing seller at the time of sale, neither being under a compulsion to buy or sell, as determined by an independent, MAI-certified appraiser who has experience in residential appraisals in the City.

“**Grant Deed**” is defined in Section 6.1(b).

“**Gross Annual Income**” means pre-tax money earned annually by a household including overtime pay, commissions, dividends, and any other source of income.

“**Household Size**” is defined in Section 1.

“**HUD**” means the United States Department of Housing and Urban Development.

“**Income Certification**” means the form attached hereto as Exhibit H.

“**Notice**” is defined in Section 12.4.

“**Notice of Proposed Transfer**” is defined in Section 5.1.

“**Occupancy Certificate**” is defined in Section 12.3.

“**Owner**” is defined in the introductory paragraph, and upon Owner’s death includes the personal representative administering Owner’s estate.

“**Owner’s Proceeds**” means the amount due to Owner upon Transfer of the Property to a Qualifying Purchaser or upon exercise of the Purchase Option, according to the terms of this Declaration.

“**Parking Cost**” is defined in Section 1.

“**Permitted Exceptions**” means those title exceptions that are listed on Exhibit E attached hereto.

“**Principal Residence**” means the location at which an individual resides for at least ten (10) months out of each calendar year or such shorter period of time as the Agency, in its sole discretion, shall determine.

“**Property**” is defined in the introductory paragraph.

“**Purchase Option**” is defined in Section 7.1.

“**Purchase Option Assignee**” is defined in Section 7.3.

“**Qualifying Purchaser**” means persons and families who are first time homebuyers as defined in Internal Revenue Service Code and approved by the Agency whose Gross Annual Income, adjusted for Household Size, does not exceed the Qualifying Purchaser AMI Percentage *multiplied by* AMI.

“**Qualifying Purchaser AMI Percentage**” means the AMI Percentage *increased by* five percent (5%) (i.e., from seventy five percent (75%) to eighty percent (80%)).

“**Repair Costs**” means the cost to repair Damage to the Property.

“**Resale Affordable Price**” is defined in Section 5.1.

“**Senior Lender**” means a bank, savings and loan association, insurance company, pension fund, publicly traded real estate investment trust, governmental agency, or charitable organization engaged in making loans which customarily makes residential purchase money loans and has loaned money to Owner or a Qualifying Purchaser to purchase or refinance the purchase of the Property.

“**Senior Lien**” means a single deed of trust for the purpose of securing a loan from the Senior Lender to finance or refinance the purchase of the Property.

“**Transfer**” means any voluntary or involuntary sale, assignment or transfer of any interest in the Property.

“**Unauthorized Transfer**” is defined in Section 9.1(a).

“**Vertical Developer**” means _____, and its successors and assigns permitted in accordance with the terms of the DDA.

Section 3. Related Documents.

3.1 Below-Market Rate Housing Plan. The Below-Market Rate Housing Plan attached to and made part of the DDA governs the development of affordable housing units such as the Property. The DDA, including the Below-Market Rate Housing Plan, is on file with the Agency as public records. This Declaration is being executed and recorded in accordance with the DDA and partially satisfies the requirements therein.

3.2 [Shipyard Redevelopment Plan. The Property is in the City, within the Hunters Point Shipyard Redevelopment Project, and is subject to the provisions of the Hunters Point Shipyard Redevelopment Plan adopted by the Board of Supervisors of the City (the “**Board of Supervisors**”) by Ordinance No. 285-97 on July 14, 1997, as amended by the Hunters Point Shipyard Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 211-10 on August 3, 2010 (as amended from time to time to the extent permitted under the DDA, the “**Shipyard Redevelopment Plan**”).]

[BVHP Redevelopment Plan. The Property is in the City, within the Bayview Hunters Point Redevelopment Project, and is subject to the provisions of the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 25-69 on January 20, 1969, as amended by the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 280-70 on August 24, 1970, as amended by the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 475-86 on December 1, 1986, as amended by the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 417-94 on December 12, 1994, as amended by the Hunters Point Redevelopment Plan adopted by the Board of Supervisors by Ordinance No. 113-06 on June 1, 2006 and as amended by the Board of Supervisors by Ordinance No. 210-10 on August 3, 2010 (as amended from time to time to the extent permitted under the DDA, the “**BVHP Redevelopment Plan**”).]

3.3 Agency Note and Deed of Trust. Owner executed the Agency Note dated _____, 20__, secured by the Deed of Trust and the Addendum to Deed of Trust.

Section 4. Affordable Restrictions.

4.1 Restrictions. Owner shall own and occupy the Property as Owner’s Principal Residence, and Owner shall not lease the Property, or any portion thereof, without the Agency’s prior written consent.

4.2 Term. This Declaration shall remain in effect for forty-five (45) years from the Effective Date until such time as the Property is Transferred pursuant to the terms of this Declaration (the “**Term**”), at which time a declaration with the same form and substance as this Declaration shall become effective for forty-five (45) years from the effective date of such declaration. Upon the expiration of this Declaration due to expiration of the Term (and not due to a Transfer), Owner must repay to the Agency the difference between the Resale Affordable Price and the Fair Market Value, as determined at the expiration of the Term. In lieu of this payment to the Agency, Owner may renew the Term for an additional forty-five (45) years.

4.3 Notice of Affordability Restrictions on Transfer of Property. Owner agrees and acknowledges that section 33334.3(f)(3) of the California Community Redevelopment Law requires the recording of the Notice of Affordability Restrictions on Transfer of Property, substantially in the form of Exhibit G attached hereto.

4.4 Owner Representations and Warranties. In applying to purchase the Property, Owner submitted an Income Certification for the purpose of establishing Owner’s Gross Annual Income. Owner acknowledges that reasonable efforts may be made to verify such Income Certification, including without limitation calling Owner’s employers or other sources of income to confirm the income shown. Owner represents and warrants to the Agency that the Income Certification and any financial and other information Owner previously provided to the Agency for the purpose of qualifying to purchase the Property was true and correct at the time it was given and remains true and correct as of the Effective Date.

Section 5. Transfer Procedures.

5.1 Notice of Proposed Transfer. Except as provided in Sections 5.5 and 5.6, if Owner desires to Transfer the Property, Owner shall deliver written notice to the Agency (the “**Notice of Proposed Transfer**”), and the Agency shall promptly thereafter calculate a purchase price for the Property that is Affordable using the Household Size, AMI Percentage and Parking Cost set forth in Section 1, the AMI in effect on the date of the Notice of Proposed Transfer, an Affordable Interest Rate Determination Date equal to the date of the Notice of Proposed Transfer and BMR Association Dues equal to the then-current annual contributions to the homeowners association(s) required to be made for the Property (the “**Resale Affordable Price**”) and shall thereafter promptly notify Owner of such Resale Affordable Price.

5.2 Priority to Certificate Holders. An Owner may transfer the Property only to a Qualifying Purchaser or the Agency. The Agency shall give notice to Certificate Holders who shall have priority in purchasing the Property over all other Qualified Purchasers, except for transferees under Section 5.5 and 5.6 and the Agency. If no Certificate Holders that are a Qualifying Purchaser express interest in the Property within _____ (__) days following the date of the Notice of Proposed Transfer, then Owner shall market the Property as set forth in Section 5.3.

5.3 Marketing the Property. Owner shall work with a Broker to locate a Qualifying Purchaser for Transfer of the Property at the Resale Affordable Price. Owner and Broker shall use diligence and good faith in marketing the Property as evidence by all of the following:

- Listing the Property on the MLS Listing;
- Advertising the Property in the Real Estate section of at least two (2) newspapers of general circulation in the City;
- Conducting at least two (2) open houses of the Property; and
- Requesting that the Agency list the Property on the Agency's website.

If Owner and Broker, acting diligently and in good faith, are unable to locate a Qualifying Purchaser after one hundred fifty (150) days from the date of the Agency's receipt of the Notice of Proposed Transfer, then the Qualifying Purchaser AMI Percentage shall be increased by an amount equal to fifty percent of the then-current Qualifying Purchaser AMI Percentage (i.e. from sixty percent (60%) to ninety percent (90%)), but not to exceed a Qualifying Purchaser AMI Percentage of one hundred twenty percent (120%). The Resale Affordable Price shall remain the same, unless adjusted pursuant to Section 6.4.

5.4 Inspection. Within thirty (30) days after the Agency's receipt of the Notice of Proposed Transfer, the Agency shall have the right to enter and inspect the Property solely to determine if any Damage exists; provided, however, that the Agency shall first give Owner twenty-four (24) hours prior written notice. In the event any Damage is noted, the Agency shall reasonably determine the Repair Costs and shall deliver written notice to Owner specifying the Damage and the Repair Costs. Owner shall either: (a) repair the Damage at Owner's cost, or (b) cause the escrow agent at closing to pay the Repair Costs to the Agency from Owner's Proceeds, as provided in Section 6.3. If Owner elects to repair the Damage, the Agency shall have the right to re-inspect the Property under the terms of this Section 5.4 after the repairs are complete. If the Agency determines in the Agency's sole discretion that Damage still remains, Owner shall cause the escrow agent at closing to pay the remaining Repair Costs to the Agency, but only to the extent such funds are available after payment of the Senior Lien. If Owner elects to repair the Damage, all repairs and the re-inspection shall be completed without extending the closing date, unless extended by mutual written agreement of both the Agency and Owner.

5.5 Transfer to Spouse or Domestic Partner. If an Owner marries or becomes a Domestic Partner after purchasing the Property, the spouse or Domestic Partner may become a co-Owner. An Owner intending to add a spouse or Domestic Partner as a co-Owner must present his or her marriage certificate or Domestic Partnership registration to the Agency for review, and the proposed co-Owner shall execute an addendum to this Declaration and any other Agency documents related to the Property by which the co-Owner shall assume the same rights and responsibilities with respect to those documents as Owner.

5.6 Transfer Upon Owner's Death.

(a) Upon Owner's death, the Property may be Transferred to any co-Owner previously approved by the Agency without further approval of the Agency, but such co-Owner shall notify the Agency within thirty (30) days of the Transfer.

(b) Upon the death of Owner and all Agency approved co-Owners, the Property may be Transferred by inheritance, will, or any other function of law to a Qualifying Purchaser. The proposed transferee shall submit an Income Certification and any other information reasonably requested by the Agency to verify that the proposed transferee is a Qualifying Purchaser. The Agency shall have forty-five (45) days after receipt of all required information to determine whether the proposed transferee is a Qualifying Purchaser. If the Agency determines that the proposed transferee is a Qualifying Purchaser, the Property may be Transferred to the proposed transferee for no consideration. The proposed transferee shall execute a new Declaration and any other Agency documents related to the Property by which the proposed transferee shall assume the same rights and responsibilities with respect to those documents as Owner. If the Agency determines that the proposed transferee is not a Qualifying Purchaser, the Property shall be Transferred pursuant to Sections 5.1–5.4, inclusive.

Section 6. Closing.

6.1 Conditions to Closing. Except as provided in Sections 5.5, 5.6 and Transfers by foreclosure or the Senior Lender’s acceptance of a deed in lieu of foreclosure, all Transfers shall take place through an escrow with an escrow company mutually acceptable to Owner and the transferee. It shall be a condition to such an escrow closing that the escrow agent involved in the closing has received the following:

(a) Written confirmation from the Agency of the Resale Affordable Price and either (i) the identity of the Qualifying Purchaser or (ii) notification that the Agency is exercising the Purchase Option;

(b) A standard title company form grant deed, executed and acknowledged by Owner (or the Agency as attorney in fact for Owner) granting the Property to the Qualifying Purchaser (“**Grant Deed**”), which shall be recorded in the City’s Official Records;

(c) A declaration with the same form and substance as this Declaration executed and acknowledged by the Qualifying Purchaser and the Agency, which shall be recorded in the City’s Official Records;

(d) An Agency Note secured by a Deed of Trust and Addendum to Deed of Trust, executed by the Qualifying Purchaser on the Agency’s standard forms, which Deed of Trust and Addendum shall be recorded in the City’s Official Records; and

(e) A signed copy of the Buyer Acknowledgement contained in the Loan Disclosure Information.

6.2 Closing Procedures For Sale to Qualifying Purchaser. At closing, Owner shall convey the Property to the Qualifying Purchaser by Grant Deed. Owner shall cause a mutually acceptable title company to issue to the Qualifying Purchaser a CLTA standard coverage owner’s form of title insurance policy in the amount of the Resale Affordable Price insuring title to the Property vested in the Qualifying Purchaser, subject only to standard printed form exceptions, the Deed of Trust and exclusions, liens for current taxes and assessments not yet due

or payable, the new declaration and such other matters as were exceptions to title as of the Effective Date or are accepted by the Qualifying Purchaser in writing, as set forth in the Permitted Exceptions attachment. All closing costs and title insurance premiums shall be paid pursuant to the custom in the City.

6.3 Owner's Proceeds. The value of the “**Owner's Proceeds**” from a Transfer of the Property shall be equal to:

- (a) The Resale Affordable Price;
- (b) Less the amount necessary to release the Senior Lien;
- (c) Less Closing Costs;
- (d) Less any Repair Costs due to the Agency pursuant to Section 5.4;
- (e) Plus the amortized value of Capital Improvements pursuant to Section 8.2.

6.4 Resale Affordable Price.

(a) Notwithstanding anything in this Declaration to the contrary, if the Resale Affordable Price is less than the original value of the Senior Lien, then the Agency may increase the AMI Percentage to a level sufficient to allow for a Resale Affordable Price which covers the original value of the Senior Lien, but not to exceed an AMI Percentage of one hundred twenty percent (120%). If, after adjustment of the Resale Affordable Price described above, if any, the Resale Affordable Price is less than the sum of the Affordable Purchase Price plus the Closing Costs, then the Agency through its Executive Director as authorized in Resolution No. 73-2000 dated May 23, 2000 shall deposit into escrow the funds necessary to cover Owner's original down payment funds and Closing Costs. Such deposit into escrow shall be in addition to the Agency's deposit into escrow of the amortized value of the Capital Improvements. After such adjustment, the value of Owner's Proceeds shall be calculated according to Section 6.3.

(b) Agency and Owner acknowledge that the Senior Lien holder will not release the Senior Lien unless it is repaid in full. If the Senior Lien holder does not release the Senior Lien because Owner has not or cannot fully repay it, then the sale will be cancelled or Owner will be in default under the Senior Lien.

Section 7. Purchase Option.

7.1 Grant of Option. Owner grants to the Agency an option to purchase the Property upon the occurrence of an Event of Default (the “**Purchase Option**”).

7.2 Exercise of Option. The Agency may exercise the Purchase Option as follows:

(a) If the Purchase Option is triggered as a result of an Event of Default under Sections 9.1(a)–(d), then the Agency may exercise the Purchase Option within ninety (90) days after the Agency gives written notice of default to Owner.

(b) If the Purchase Option is triggered as a result of Owner's default under the Senior Lien as defined in Section 9.1(e), then the Agency may exercise the Purchase Option by giving written notice to Owner and the Senior Lender at any time prior to five (5) business days before the date of a foreclosure sale, as the same may be postponed from time to time, under the Senior Lien pursuant to California Civil Code § 2924f. Though the Senior Lender shall not be required to do so, the Senior Lender shall endeavor to provide the Agency with a copy of any notice of default that it issues to Owner.

7.3 Assignment of Purchase Option. Prior to or after exercise of the Purchase Option, the Agency may assign the Purchase Option to a governmental agency, non-profit organization, or a Qualifying Purchaser ("**Purchase Option Assignee**"), who shall be subject to this Declaration.

7.4 Grant of Power of Attorney. Owner hereby grants to the Agency an irrevocable power of attorney coupled with an interest to act on Owner's behalf to execute, acknowledge and deliver any and all documents relating to the Purchase Option.

7.5 Non-Liability of the Agency. The Agency shall not be held liable by reason of its exercise or non-exercise of the Purchase Option.

Section 8. Capital Improvements; Maintenance.

8.1 Capital Improvements. A "**Capital Improvement**" is a permanent improvement to the Property made during Owner's ownership of the Property which: (a) has a value in excess of one-half of one percent (0.5%) of the Affordable Purchase Price but less than ten percent (10%) of the Affordable Purchase Price; (b) has a useful life of greater than five (5) years subsequent to the proposed Transfer by Owner; and (c) has been made with all required permits and approvals, including without limitation homeowner's association and governmental approvals obtained prior to the construction or installation of the Capital Improvement(s).

8.2 Credits for Capital Improvements. Owner shall receive credit at the time of Transfer for Capital Improvements made to the Property as follows:

(a) At least thirty (30) days prior to the date of Transfer, Owner shall deliver to the Agency a list of the Capital Improvement(s), if any, made to the Property. The Agency shall determine whether the proposed improvements qualify as Capital Improvement(s), as defined in Section 8.1.

(b) The value of Capital Improvements shall equal the sum of all Capital Improvements with each improvement amortized by a factor of seven percent (7%) per year from the date of the Capital Improvement's completion.

8.3 Maintenance. Owner shall not destroy or damage the Property, allow the Property to deteriorate, or commit waste on the Property. Owner shall maintain the Property in compliance with all applicable laws, ordinances and regulations and in a good and clean condition and all appliances and fixtures shall be in good working order.

Section 9. Default and Remedies.

9.1 Events of Default. The occurrence of any one of the following events or circumstances shall constitute an “**Event of Default**” by Owner under this Declaration.

(a) Owner has actually Transferred or attempted to Transfer the Property in violation of the covenants and restrictions contained in this Declaration (“**Unauthorized Transfer**”).

(b) The Agency has determined in the Agency’s sole discretion that the Property is not Owner’s Principal Residence.

(c) Owner fails to pay real estate taxes, assessments or homeowner’s association dues, when due or Owner fails to maintain insurance in such amounts as required under this Declaration; or Owner places any mortgages, encumbrances or liens upon the Property in violation of this Declaration; and such event or condition shall not have been cured within thirty (30) days following the date of written notice to cure by the Agency to Owner.

(d) Owner fails to perform any other agreements or obligations on Owner’s part to be performed under this Declaration, and such failure continues for thirty (30) days following the date of written notice to cure by the Agency to Owner, or in the case of a default not susceptible of cure within thirty (30) days, Owner fails to promptly commence such cure within thirty (30) days and thereafter fails to diligently prosecute such cure to completion.

(e) Owner causes or permits a default under the Senior Lien and fails to cure the same in accordance with the cure provisions in the Senior Lien.

(f) Owner is in default of a term of the Agency Note and/or the Deed of Trust.

9.2 Remedies. Upon the occurrence of an Event of Default by Owner, the Agency shall have the right to exercise any or all of the remedies set forth below:

(a) exercise the Purchase Option;

(b) institute an action for specific performance of the terms of this Declaration, for an injunction prohibiting a proposed Transfer in violation of this Declaration, or for a declaration that a Transfer is void;

(c) institute an action for foreclosure on its Deed of Trust and/or to accept a deed in lieu of foreclosure; and

(d) exercise all other remedies permitted by law or at equity.

Section 10. Lender Provisions.

10.1 Purposes of Financing. Subject to the Agency's prior written approval, Owner may encumber title to the Property for the sole purpose of securing (a) purchase money financing, (b) refinancing (but only up to the amount of the original financing), or (c) refinancing up to the amount of the original financing, plus fifty percent (50%) of the value of the Resale Affordable Price less the Affordable Purchase Price. Refinancing under clause (c) above shall be permitted only for making Capital Improvements to the Property, meeting post-secondary educational expenses incurred by a household member after the date of purchase, meeting the costs of an Owner's or Owner's immediate family member's Catastrophic Illness, or securing funds required to implement a dissolution of marriage or domestic partnership agreement. Owner shall not cause or permit any other mortgages, encumbrances or liens upon the Property. Owner shall submit to the Agency on an annual basis a certification that Owner has not refinanced the Property in violation of this Section 10.1.

10.2 Subordination. This Declaration shall be subordinate to the Agency-approved Senior Lien.

10.3 Default and Foreclosure. Owner shall provide a copy of any notice of default under the Senior Lien to the Agency within three (3) days of Owner's receipt. In the event of any default under the Senior Lien, the Agency, in addition to any other rights and remedies it may have under this Declaration, at law or in equity, shall have the right to:

- (a) cure such default pursuant to Section 10.4;
- (b) exercise its Purchase Option pursuant to Section 7.2(b); or
- (c) foreclose its Deed of Trust on the Property.

The Agency's rights under this Section 10.3 shall not prevent the Senior Lender from commencing a judicial or nonjudicial foreclosure of the Senior Lien. If the Agency, in its sole discretion, does not act pursuant to Section 10.3(a) or (b), and the Senior Lender acquires the Property through foreclosure or acceptance of a deed-in-lieu of foreclosure, future sales of the Property shall not be subject to the resale restrictions provided herein.

10.4 Right to Cure. Although the Agency has no obligation to do so, the Agency may perform any act required of Owner in order to prevent a default under, or an acceleration of the indebtedness secured by, the Senior Lien or the commencement of any foreclosure or other action to enforce the collection of such indebtedness. If the Agency elects to cure any such default, Owner shall pay the expenses incurred by the Agency in effecting any cure upon demand within thirty (30) days, together with the interest thereon at the maximum interest rate permitted by law. Failure of Owner to timely reimburse the Agency shall constitute an Event of Default under Section 9.1(d).

Section 11. Nondiscrimination.

11.1 Owner herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be

no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of section 12955 of the Government Code, as those bases are defined in sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of section 12955, and section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property herein conveyed, nor shall Owner or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property herein conveyed. The foregoing covenants shall run with the land.

11.2 Notwithstanding Section 11.1, with respect to familial status, Section 11.1 shall not be construed to apply to housing for older persons, as defined in section 12955.9 of the Government Code. With respect to familial status, nothing in Section 11.1 shall be construed to affect sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of section 51 and section 1360 of the Civil Code and subdivisions (n), (o), and (p) of section 12955 of the Government Code shall apply to Section 11.1.

Section 12. Miscellaneous.

12.1 Damage and Destruction; Condemnation; Insurance. If the Property is condemned or the improvements located on the Property are damaged or destroyed, all proceeds from insurance or condemnation shall be distributed in accordance with this Section 12.1, subject to the requirements of the Senior Lien. Insurance shall be maintained in the types and amounts required under the Senior Lien. Unless Owner, the Agency, and the Senior Lender otherwise agree in writing, insurance proceeds shall be applied to restore or repair the Property damaged. If Owner, the Agency and the Senior Lender determine that restoration or repair cannot be made, or if the Property is condemned, the insurance or condemnation proceeds shall first be allocated to pay the outstanding value of the Senior Lien and all associated fees of the Senior Lender, with the balance distributed between Owner and the Agency as follows. The proceeds attributable to the Property shall be multiplied by a fraction, the numerator of which shall be the Resale Affordable Price and the denominator of which shall be the Fair Market Value of the Property as of the date immediately prior to the damage, destruction or condemnation. The resulting amount shall be allocated to Owner and the balance shall be allocated to the Agency.

12.2 No Discrimination; Lead-Based Paint Prohibition. Owner shall comply with all applicable laws and regulations regarding non-discrimination and lead-based paint prohibitions.

12.3 Owner Occupancy Verification. By February 1 of each year the Agency shall provide Owner with a certificate confirming that the Property is Owner's Principal Residence (an "**Occupancy Certificate**") and Owner shall complete and return such certificate promptly following receipt thereof.

12.4 Notices. Any notice, demand or other communication required or permitted to be given under this Declaration (a "**Notice**") by either party to the other party shall be in writing and sufficiently given or delivered if transmitted by (a) registered or certified United States mail,

postage prepaid, return receipt requested, (b) personal delivery, or (c) nationally recognized private courier services, in every case addressed as follows:

If to the Agency: San Francisco Redevelopment Agency
 1 South Van Ness Avenue, 5th floor
 San Francisco, California 94103
 Attention: Executive Director

If to Owner: At the Property address

Any such Notice transmitted in accordance with this Section 12.4 shall be deemed delivered upon receipt, or upon the date delivery was refused. Any party may change its address for notices by written Notice given to the other party in accordance with the provisions of this Section 12.4.

12.5 Remedies Cumulative. Subject to applicable law, the Agency's rights and remedies, whether provided by law, in equity or by this Declaration, shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude the exercise of any other or further rights or remedies for the same or any other default or breach. No waiver with respect to the performance of any of Owner's obligations shall be effective except to the extent the particular obligation is expressly waived, nor shall it be a waiver with respect to any other rights or remedies of any other of Owner's obligations.

12.6 Attorneys' Fees for Enforcement. If any action or legal proceeding is instituted by Owner or the Agency arising out of this Declaration, the prevailing party therein shall recover reasonable attorneys' fees and costs in connection with such action or proceeding. For purposes of this Agreement, reasonable fees of any in-house counsel for the Agency shall be based on the fees regularly charged by private attorneys with an equivalent number of years of professional experience in the subject matter area of the law for which the Agency's in-house counsel's services were rendered who practice in law firms located within the City.

12.7 Integration. This Declaration constitutes an integration of the entire understanding and agreement of Owner and the Agency with respect to the subject matter hereof. Any representations, warranties, promises, or conditions, whether written or oral, not specifically and expressly incorporated in this Declaration, shall not be binding on any of the parties, and Owner and the Agency each acknowledge that they have not relied, in entering into this Declaration, on any representation, warranty, promise or condition, not specifically and expressly set forth in this Declaration. All prior discussions and writings have been, and are, merged and integrated into, and are superseded by, this Declaration.

12.8 Severability. In the event that any provision of this Declaration is determined to be illegal or unenforceable, such determination shall not affect the validity or enforceability of the remaining provisions hereof, all of which shall remain in full force and effect.

12.9 Successors and Assigns. This Declaration shall be binding upon and inure to the benefit of the successors and assigns of the Agency. The Agency may assign or transfer its rights under this Declaration upon thirty (30) days written notice to Owner. It is expressly

agreed by Owner that Owner may assign his or her rights to this Declaration only by Transfer pursuant to Section 5 or by the Agency's exercise of the Purchase Option pursuant to Section 7.

12.10 Headings. The headings within this Declaration are for the purpose of reference only and shall not limit or otherwise affect any of the terms of this Declaration.

12.11 Time for Performance. Time is of the essence in the performance of the terms of this Declaration. All dates for performance (or cure) shall expire at 5:00 p.m. on the performance or cure date. Any performance date which falls on a Saturday, Sunday or Agency holiday is automatically extended to the next Agency working day.

12.12 Amendments. Any modification or waiver of any provision of this Declaration or any amendment thereto must be in writing and signed by a person or persons having authority to do so, on behalf of both the Agency and Owner.

12.13 Controlling Agreement. Owner covenants that Owner has not executed and will not execute any other agreement with provisions contradictory to or in opposition to the provisions of this Declaration. Owner understands and agrees that this Declaration shall control the rights and obligations between Owner and the Agency.

12.14 Governing Law. This Declaration shall be governed by, and construed and enforced in accordance with, the internal laws of the state of California.

12.15 Recordation. Owner shall cause this Declaration to be recorded in the Official Records.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Owner and the Agency have executed this Declaration as of the Effective Date.

AGENCY:

OWNER:

REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN
FRANCISCO,
A public body, corporate and politic, of the
State of California

By: _____
Name: Amy Lee
Title: Deputy Executive Director
Finance and Administration

ALL SIGNATURES MUST BE NOTARIZED.

----- Attach All Purpose California Notary Acknowledgment -----

APPROVED AS TO FORM:

SAN FRANCISCO REDEVELOPMENT AGENCY

By: _____
James B. Morales
Agency General Counsel

EXHIBIT A

Property

[ATTACHED]

EXHIBIT B

Form of Agency Note

PROMISSORY NOTE SECURED BY DEED OF TRUST

Date: _____

San Francisco, California

THIS NOTE MAY NOT BE PREPAID

FOR VALUE RECEIVED, the undersigned _____ (“**Debtor**”), promises to pay to the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, of the State of California, (“**Holder**” or “**Agency**”), at 1 South Van Ness Avenue, 5th Floor, San Francisco, California 94103, or any other place designated in writing by Holder to Debtor, the amount calculated under the formula stated in this Promissory Note (this “**Note**”).

Debtor and Holder executed a Declaration of Restrictions and Option to Purchase Agreement for Sale Inclusionary Units dated the same date as this Note (the “**Declaration**”), which, in part, establishes the rights and obligations of the Debtor and Holder in the event Debtor desires to Transfer the real property described in the Declaration (the “**Property**”). “**Transfer**” means any voluntary or involuntary sale, assignment or transfer of any interest in the Property.

Debtor obtained a loan (“**Senior Lien**”) from _____ (“**Senior Lender**”), which loan is secured by a first deed of trust lien on the Property (“**First Deed of Trust**”). The Declaration and this Note are subordinate to the Senior Lien.

This Note is secured by a Second Deed of Trust, dated the same date as this Note, executed by Debtor in favor of Holder, with _____ as Trustee, which secures the payment of the debt evidenced by this Note, and all renewals, extensions and modifications of the Note (“**Agency’s Deed of Trust**”).

Capitalized terms used herein and not defined shall have the meanings set forth in the Declaration or in the Agency’s Deed of Trust, as applicable.

Upon Debtor’s actual, attempted or pending Transfer of the Property other than as permitted under the Declaration, or upon default under the Senior Lien (the “**Trigger Date**”), Debtor shall pay to Holder:

- a. The difference between (1) the Fair Market Value of the Property as of the Trigger Date and (2) the Resale Affordable Price as of the Trigger Date, had such Transfer been executed in accordance with the Declaration. Fair Market Value shall be determined by an appraisal of the Property. The appraiser shall be an independent, MAI-certified appraiser who has experience in residential appraisals in San Francisco, and shall be selected by Holder; plus

- b. Any amounts disbursed by Holder under Section 5 of the Agency's Deed of Trust to protect Holder's rights in the real property described in the Declaration and Agency's Deed of Trust; plus
- c. Commencing from the Trigger Date, interest on the amounts due at an annual rate of ten percent (10%), compounded annually.

With or without the filing of any legal action, proceeding or appeal, or appearance in any bankruptcy proceeding, Debtor agrees to pay on demand, together with interest at the above rate from the date of such demand until paid, all reasonable attorneys' fees, costs of collection, costs, and expenses incurred by Holder in connection with the defense or enforcement of this Note and the Agency's Deed of Trust.

No previous waiver and no failure or forbearance by Holder in acting with respect to the terms of this Note or the Agency's Deed of Trust shall constitute a waiver of any breach, default, or failure of condition under this Note, the Agency's Deed of Trust, or the Declaration. A waiver of any term of this Note, the Agency's Deed of Trust, or the Declaration must be made in writing, signed by both parties, and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this Note and the terms of any other document related to the debt evidenced by this Note, the terms of this Note shall prevail.

If this Note is executed by more than one person as Debtor, the obligations of each such person shall be joint and several, and each shall be primarily and directly liable hereunder. Debtor waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and late charges, and diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights or interest in or to properties securing payment of this Note.

Time is of the essence with respect to every provision in this Note. This Note shall be construed and enforced in accordance with the substantive and procedural laws of the State of California, except to the extent that Federal laws preempt the laws of the State of California, and all persons and entities in any manner obligated under this Note consent to the jurisdiction of any Federal or State Court within the State of California having proper venue and also consent to service of process by any means authorized by California or Federal law.

This Note shall be cancelled upon Debtor's Transfer of the Property in accordance with the Declaration.

Debtor – [Name]

EXHIBIT C

Form of Deed of Trust

DEED OF TRUST

This document is exempt from payment of a recording fee pursuant to California Government Code Section 27383

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

**San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: Housing Division**

[Site Address/APN]

Recorder's Stamp

SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

This SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS (this “**Deed of Trust**”), made on _____, 20____, between _____, (“**TRUSTOR**” or “**OWNER**”), whose address is _____, and _____, a corporation, (“**TRUSTEE**”), and the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, of the State of California, whose address is 1 South Van Ness Avenue, 5th Floor, San Francisco, California 94103 (“**AGENCY**” or “**BENEFICIARY**”),

WITNESSETH: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to TRUSTEE IN TRUST, WITH POWER OF SALE, that property in San Francisco County, California, described in Exhibit A attached hereto and made a part hereof,

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph (10) of the provisions incorporated herein by reference to collect and apply such rents, issues and profits.

For the Purpose of Securing: 1. Performance of each agreement of Trustor incorporated by reference or contained herein. 2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any extension or renewal thereof, executed by Trustor in favor of Beneficiary or order. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

INITIALS _____

To Protect the Security of this Deed of Trust, Trustor Agrees:

By the execution and delivery of this Deed of Trust and the note secured hereby, that provisions (1) to (14), inclusive, of the fictitious deed of trust recorded in Santa Barbara County and Sonoma County October 18, 1961, and in all other counties October 23, 1961, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, viz:

COUNTY	BOOK	PAGE
San Francisco	A332	905

which provisions, identical in all counties, (printed on the attached unrecorded pages) are hereby adopted and incorporated herein and made a part hereof as fully as though set forth herein at length; that Trustor will observe and perform said provisions; and that the references to property, obligations and parties in said provisions shall be construed to refer to the property, obligations, and parties set forth in this Deed of Trust.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at his address hereinbefore set forth.

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN FRANCISCO)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

(Seal)

DO NOT RECORD

The following is a copy of provisions (1) to (14), inclusive, of the fictitious deed of trust, recorded in each county in California, as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property on requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust. Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof,

and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

(6) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(7) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(8) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(9) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto". Five years after issuance of such full reconveyance, Trustee may destroy said note and this Deed (unless directed in such request to retain them).

(10) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such, rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(11) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand

for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

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

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

(12) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and pages where this Deed is recorded and the name and address of the new Trustee.

(13) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

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

REQUEST FOR FULL RECONVEYANCE

TO: _____, TRUSTEE:

The undersigned is the legal owner and holder of all indebtedness secured by the within Deed of Trust. All sums secured by said Deed of Trust have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated:

By: _____ By:

Please mail Reconveyance to:

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both original documents must be delivered to the Trustee for cancellation before reconveyance will be made.

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN FRANCISCO)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

(Seal)

EXHIBIT D

Form of Addendum to Deed of Trust

ADDENDUM TO DEED OF TRUST

This document is exempt from payment of a recording fee pursuant to California Government Code Section 27383

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

**San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: Housing Division**

[Site Address/APN]

Recorder's Stamp

ADDENDUM TO DEED OF TRUST

This ADDENDUM TO DEED OF TRUST (this "**Addendum**") is part of the Short Form Deed of Trust and Assignment of Rents dated _____, 20__ ("**Deed of Trust**"), to which it is attached, made on _____, 20__, between _____ ("**Trustor**" or "**Owner**"), whose address is _____, and _____, a corporation ("**Trustee**"), and the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, of the State of California whose address is 1 South Van Ness Avenue, 5th Floor, San Francisco, California 94103 ("**Agency**" or "**Beneficiary**"). The following provisions are made a part of the Deed of Trust:

Owner obtained a loan ("**Senior Lien**") from _____ ("**Senior Lender**"), which Loan is secured by a first deed of trust lien on the Property ("**First Deed of Trust**").

Owner and the Agency executed a Declaration of Restrictions and Option to Purchase Agreement for Sale Inclusionary Units dated the same date as the Deed of Trust (the "**Declaration**"). The Declaration establishes, in part, the rights and obligations of Owner and the Agency in the event of a Transfer of the Property. "**Transfer**" means any voluntary or involuntary sale, assignment or transfer of any interest in the Property.

Owner and the Agency also executed a Promissory Note Secured by Deed of Trust, dated the same date as the Deed of Trust and this Addendum to Deed of Trust, which is secured by the Deed of Trust (the "**Agency Note**").

Capitalized terms used herein and not defined shall have the meanings set forth in the Declaration.

COVENANTS. Owner and the Agency covenant and agree as follows:

1. **Prior Deeds of Trust; Charges; Liens.** Owner shall perform all of Owner's obligations under the First Deed of Trust, including Owner's covenants to make payments when due. Owner shall pay on time and directly to the person owed payment all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust.

Except for the Senior Lien, Owner shall promptly discharge any other lien which shall have attained priority over this Deed of Trust unless Owner: (a) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which, in the Agency's sole discretion, operate to prevent the enforcement of the lien; or (b) obtains from the holder of the lien an agreement satisfactory to the Agency in its sole discretion subordinating the lien to this Deed of Trust. Except for the Senior Lien, if the Agency determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, the Agency may give Owner a notice identifying the lien. Owner shall satisfy such lien or take one or more of the actions set forth above within ten (10) days of the giving of notice.

2. **Obligations Cancelled.** Upon a Transfer of the Property in accordance with the Declaration, Owner's obligations hereunder shall be cancelled, and the lien of this Deed of Trust shall be reconveyed.
3. **Sale of Note.** The Agency Note or a partial interest in the Agency Note (together with this Deed of Trust) may be sold one or more times without prior notice to Owner. If the Agency Note is sold, Owner will be given written notice of the sale in accordance with and containing any other information required by applicable law.

BY SIGNING BELOW, Owner accepts and agrees to the terms and covenants contained in this Deed of Trust.

Owner – [Name]

----- Space Below This Line for Acknowledgment -----

EXHIBIT E

Permitted Exceptions

[To be provided at the close of escrow for each Affordable Unit]

EXHIBIT F

LOAN DISCLOSURE INFORMATION

SAN FRANCISCO REDEVELOPMENT AGENCY

**LIMITED EQUITY
HOMEOWNERSHIP PROGRAM**

Loan Disclosure Information

MARCH 2010

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I M P O R T A N T

NOTE TO THE READER

The purpose of this document is to explain the San Francisco Redevelopment Agency’s Limited Equity Homeownership Program (“Program”). Homes sold through this Program are subject to price controls at resale, as well as other terms and restrictions that affect your rights as a homeowner. Some of the terms and provisions are complex, and require that you thoroughly understand them prior to your purchase of a home. **IF YOU DESIRE TO PARTICIPATE IN THE PROGRAM AND PURCHASE A HOME, YOU MUST ATTEST TO YOUR FULL UNDERSTANDING OF AND AGREEMENT TO ALL THE PROGRAM’S TERMS AND CONDITIONS BY SIGNING BELOW PRIOR TO CLOSING ESCROW.**

I, the undersigned, hereby acknowledge and accept all the terms and conditions contained in the Declaration of Resale Restrictions and Option to Purchase, the Promissory Note Secured by a

Deed of Trust, and the Short Form Deed of Trust and Assignment of Rents (“Agency Documents”), all of which I have agreed to comply with in return for purchasing my home at a below-market-rate price. I acknowledge that a staff member of the Redevelopment Agency of the City and County of San Francisco (“Agency”) explained the terms and provisions of the Agency Documents to me, and that I have had a chance to review this Limited Equity Homeownership Program Loan Disclosure Information document, which further explains the Agency Documents. I have also been provided enough time to seek an independent legal opinion about the Agency Documents and my purchase of the home, if I so chose.

I understand that by my execution of the Agency Documents, I agree that the resale price of my home will be restricted to a price that is affordable to a household of a predetermined size, earning a pre-determined percentage of Area Median Income (“AMI”), based on figures published by the Mayor’s Office of Housing, based on data published by the U.S. Department of Housing and Urban Development (or any government agency subsequently assuming this responsibility). I understand that the Agency will determine the resale affordable price applicable to my home when I notify the Agency of my intent to sell. I understand that fair market value will not determine the resale price of my home.

I further understand that the Agency’s calculation of the resale affordable purchase price for my home will consider, in addition to the current income for a pre-determined AMI level, an interest rate which is the higher of 1) the 10-year rolling average of rates as calculated by the Agency (or its successor) and based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage lending institution, or 2) the current, commercially reasonable rate available through an Agency-approved lender, as well as other current housing costs, such as insurance, HOA dues, and taxes. I know that any proceeds I receive from the sale of my home

will be affected by the value of these factors, since they will be used to calculate the resale affordable purchase price of my home.

I understand that the Agency imposes resale restrictions on homes that it subsidizes so that it can provide homeownership opportunities to many generations of low- and moderate-income families over time and that the equity I will be able to build in my home will be limited so that the Program is available to the next purchaser of my home. I understand that my ability to purchase my home at an affordable price is contingent upon my agreement to comply with the resale controls and Program restrictions.

PROPERTY ADDRESS:

SIGNED: _____ DATE:

PROGRAM SUMMARY

- The purpose of the San Francisco Redevelopment Agency's Limited Equity Homeownership Program ("Program") is to provide homeownership opportunities to low- and moderate-income households ("Eligible Buyers") who otherwise would not be able to purchase a home in San Francisco.
- To make homes affordable to Eligible Buyers, the Agency may sell land to developers at below-market-rate prices and/or provide construction funding. In return for this assistance, developers agree to sell the homes to Eligible Buyers. Eligible Buyers, in turn, purchase their homes at affordable prices and agree to comply with Program requirements.
- The Agency is able to offer the benefits of homeownership to many generations of Eligible Buyers through restrictions on resale prices, which limit the amount of equity that an Eligible Buyer is able to build. By limiting Eligible Buyers' equity, a given home can be resold at affordable prices again and again. Market fluctuations, which often result in prices beyond the affordability of low- and moderate-income households, do not affect limited equity resale affordable prices.

PROGRAM ELEMENTS

#1: Eligibility

To qualify as an Eligible Buyer, households must meet the following criteria:

- Household income (including income imputed from assets) within the AMI “target range” of low- to moderate-income buyers.
- Demonstrated ability to qualify for a mortgage, i.e., good credit, stable employment, and manageable debt.
- Savings available for a 5% down payment (up to 2% may be gift funds).
- First-time homeowner status.
- Commitment to use the property as the principal residence.

The San Francisco Mayor’s Office of Housing publishes AMI levels for San Francisco annually, based on data published by the U.S. Department of Housing and Urban Development. The AMI target ranges that determine a household’s eligibility to purchase will vary from development to development, based on the amount of subsidy provided by the Agency to the developer. The Agency will qualify all first-time homebuyers for both initial sales and for resales.

Documentation of household size and income and assets, such as W-2s, tax returns, bank statements, and deferred income balance statements, is required.

#2: Affordable Purchase Prices

When developers set affordable purchase prices for units they sell, they use very specific information, as described below:

- AMI level: Developers in contract with the Agency are obligated to sell their units at prices affordable to households within a certain AMI “target range.” For example, a developer in 2010 may be obligated to sell his/her units to households making between 75% and 100% of AMI. For a household of 3, this translates to incomes between \$65,325 and \$104,500.
- Household size: For the pricing calculation in Candlestick Point and Hunters Point Shipyard Phase 2, the Agency assumes a household size of one person for a one-bedroom unit in some cases, and, for all other units, one person more than the number of bedrooms. For example, a household of three people is assumed for a two-bedroom unit, four people for a three-bedroom, and so on. (For occupancy, the Agency requires a minimum of one person per bedroom. For example, a single person can apply for a studio or one-bedroom unit only. A two-person household could apply for a studio, one- or two-bedroom unit.)
- 33% “PITI”: Principal, interest, taxes, and homeowners’ insurance – total housing costs – are assumed to be 33% of a household’s gross monthly income.
- First mortgage interest rate: the Agency’s calculation assumes a fixed mortgage interest rate based on the higher of the following: 1) a 10-year rolling average of interest rates as calculated by the Agency, or 2) market conditions at the time the homes are offered for sale. The Agency will not permit a variable rate mortgage or an interest-only mortgage, as such financing instruments are contrary to the objectives of long-term affordability and stability of the first time homebuyer program.

- Owner down payment: The Agency assumes (and requires at a minimum) that the household will make a cash down payment of 5% of the affordable purchase price, 2% of which may be gift funds.

Once a developer knows, for each unit, what the applicable AMI level is, the household size, the cost of taxes and insurance, and the interest rate, s/he can set the affordable purchase price. For example, a two-bedroom unit assumes a household of three. If the developer's obligation calls for pricing at an AMI level of 95% (with income eligibility up to a maximum of 100% of AMI), the three-person household's income would be \$82,745 in 2010. 33% of that income level is \$27,305, or \$2,275 per month. This figure, \$2,275, is the target total monthly payment for housing costs for all households buying at this income level. If the household's HOA dues were \$400 per month, taxes were \$235 per month, and personal property insurance was \$50 per month, the total monthly income available to pay the first mortgage would be \$1,590 per month (i.e., \$2,275 - \$400 - \$235 - \$50 = \$1,590). Using a 7.5% interest rate on a 30-year, fixed-rate first mortgage, the supportable mortgage would be \$228,820. Assuming a 5% down payment (since the first mortgage would cover 95% of the purchase price), the affordable purchase price would be \$240,865.

#3: Resale Affordable Purchase Prices

When a household decides to sell its home, it notifies the Agency, and the Agency calculates the resale affordable purchase price, using the same AMI percentage and household size that were used to calculate the seller's affordable purchase price. To follow the example given above, the family of 3 earning 95% of AMI that bought its home for \$240,865 in 2010 might decide to sell the home five years later. The Agency will determine the resale price by taking the income for a

3-person household at 95% of AMI in 2015 and limiting payments for PITI to 33% of gross monthly income. The calculation will use the higher of the current mortgage interest rate or the then current 10-year rolling average of rates, and current HOA, tax, and insurance costs, and it will assume a 5% down payment by the new Eligible Buyer. So, for example, if the ten-year average interest rate increased .5% between 2010 and 2015, AMI increased 15%, and taxes and insurance increased 5%, the resale affordable purchase price would be \$273,950. After subtracting the cost of necessary repairs (if any) and closing costs, the seller would be entitled to the difference between the old affordable price and the new affordable price. The example is shown numerically below:

95% AMI, 3-person HH income, 2015 (2010 + 15%):	\$95,157
33% of gross income:	\$31,402
Per month:	\$2,617
Monthly HOA dues, taxes & insurance, 2010 (2010 + 5%)	(\$720)
Monthly income available for 1 st mortgage:	\$1,897
Mortgage (assuming 8% interest, 30-yr fixed)	\$260,255
5% Down payment:	\$13,695
Resale Affordable Purchase Price:	\$273,950

Resale Affordable Purchase Price:	\$273,950
Closing costs (6%)	(\$16,437)
Repayment of full 1 st mort + down payment:	(\$240,865)
Owner's new equity:	\$16,648
Plus principal paid on the mortgage:	\$11,595
Plus return of owner's down payment:	\$12,045
NET RETURN TO OWNER:	\$40,288

+ Amortized value of capital improvements, if any, and less any repair costs attributable to the owner.

By transferring this property from one 95% AMI household to another under the Program, the home remains affordable, the benefits of homeownership are passed along, and all owners have a chance to earn limited equity!

#4: Capital Improvements

As shown above, AMI levels and current housing costs such as interest rates and insurance costs determine affordable prices. Affordable purchase prices alone cannot, therefore, reflect improvements and upgrades that an owner has made to his/her unit, such as new floors and

countertops. To avoid discouraging owners from improving their properties, the Agency will allow owners to recover the depreciated value of approved capital improvements.

To qualify, each capital improvement must meet certain criteria:

- It must be a permanent improvement.
- It must have a value greater than 0.5% but less than 10% of the affordable purchase price originally paid by the owner.
- It must have a useful life longer than 5 years after the owner sells the home.
- It must have been installed with all required permits and approvals.

Owners wishing to sell and recover a portion of the cost of capital improvements must give the Agency a list of capital improvements and the date installed or completed, with invoices or other verifying documentation, at least thirty (30) days before the property is sold or transferred. The Agency must approve the capital improvements (i.e., make sure they meet the criteria described above), and will allow owners to recover the approved, depreciated amount at escrow closing. The credit for each capital improvement is depreciated by a factor of 7% per year from the date of the capital improvement's completion.

#5: Minimum Resale Value

As described above, the resale affordable purchase price is subject to variable factors that fluctuate over time, such as mortgage interest rates, taxes, and insurance costs. Because of the variability of these factors, *owners assume some risk when they purchase their homes!* For example, if the interest rate used in the pricing calculation increases from the time of initial

purchase to time of resale, and increases in AMI over that same time do not compensate for the interest rate increase, a resale affordable purchase price could actually be lower than the original price an owner paid. The Agency's use of the 10-year rolling average of interest rates is intended to minimize the interest rate risk at resale, but there is no guarantee that the available interest rates or the 10-year average will not increase over time. To further minimize the risk owners take when they participate in the Program, the Agency will increase the applicable AMI level on a resale, up to 120% of AMI, when the original AMI level applicable to that home does not result in a resale affordable price high enough to pay off the original value of the first mortgage.

If, after making this adjustment to ensure first mortgage payoff, the resultant resale affordable price is still not high enough to return an owner's original down payment funds and to cover standard closing expenses, the Agency will deposit funds into escrow to cover these expenses, as a credit to the owner.

The Agency's goal is to ensure that owners in the Program will recover at least the original purchase price of their home, so that their sale proceeds equal, at a minimum, the value of their down payment and any principal paid down on the first mortgage. The Agency also seeks to prevent closing costs from wiping out this minimum return, and will therefore cover closing costs as necessary.

But owners still assume risk! Owners are solely responsible for:

- Repair costs. When an owner notifies the Agency of its intent to sell, the Agency has the right to inspect the unit, determine if damage exists, and calculate the value of repair. If

the owner does not satisfactorily make the itemized repairs, owners will be held responsible for repair costs at the close of escrow.

- Payments due on junior liens and first mortgage equity refinancing. The Agency will only increase a resale affordable purchase price to the original value of the first mortgage. If the owner has refinanced the home and withdrawn equity, the owner is solely responsible for paying off the incremental value of the refinanced mortgage or new, junior liens.
- If the resale affordable purchase price produced using 120% of AMI is still insufficient to pay off the first mortgage, the owner is solely responsible for his/her mortgage debt beyond that adjusted resale affordable purchase price. Please note that the first mortgage lender will not release its lien unless the mortgage is repaid in full. If the first lender does not release its lien because the owner has not or cannot fully repay it, then the sale will be cancelled or the owner will be in default.

#6: Owner Refinancing

To protect its investment and to preserve the intent of the Program, the Agency must approve all refinancing agreements.

Owners can refinance up to the original value of their first mortgage in order to obtain a lower interest rate or withdraw principal paid down on the mortgage.

Owners may also refinance their homes to withdraw up to 50% of the difference between the resale affordable purchase price and their original affordable purchase price, for the following reasons only:

- To make capital improvements to the home;
- To pay for post-secondary educational expenses of a household member;
- To meet the cost of an owner's or owner's immediate family member's catastrophic illness; or
- To secure funds required to implement a marriage dissolution agreement or domestic partnership dissolution agreement.

The owner must submit documentation to the Agency verifying the use of funds for any of the four refinancing purposes above. Funds will not be released without evidence to the Agency's satisfaction.

#7: Permissible Transfers & Resales

Owners may only transfer their homes to other Eligible Buyers or to the Agency. Though each owner bears sole responsibility for finding an Eligible Buyer if s/he seeks to sell his/her unit, the Agency will attempt to assist owners in locating Eligible Buyers, whether through a mailing to interested persons, accessing a waiting list, or conducting a lottery. Once an owner identifies a potential buyer for his/her unit, only the Agency can certify that the buyer is actually an Eligible Buyer.

If an owner has conducted a good faith effort to sell his/her home and still cannot locate an Eligible Buyer after 150 days from the date s/he listed the property for sale, the Agency will authorize a 50% increase to the AMI level defining "Eligible Buyer" for that particular home. ("Good faith effort" means use of all standard marketing tools, such as a Multiple Listing Service

listing, advertised open houses, and other, additional advertising.) For example, if an owner's good faith effort to find an Eligible Buyer at 80% of AMI failed after 150 days, s/he could renew the search and include as potential buyers households earning up to 120% of AMI. The resale affordable purchase price would remain the same (i.e., based on the 80% AMI income), thus enhancing the home's marketability to the higher-income households.

#8: Agency Purchase Option

While the Agency may purchase the home as an Eligible Buyer (in a standard sale transaction), it retains an option to purchase the home in the event of owner default, under either the Agency Documents or the first mortgage.

#9: Owner Default and Agency Remedies

An owner is in default of the Agency Documents if any of the following occur:

- A transfer of the property in violation of the Declaration of Resale Restrictions and Option to Purchase;
- Use of the property other than as owner's principal residence (owners must certify that they occupy the home at least 10 months out of every 12 annually);
- Failure to pay required housing costs, such as taxes, homeowner dues, assessments, or insurance;
- Placement of any mortgages, liens or encumbrances on the property that the Agency has not approved;

- Any other violation of the Agency Documents; or
- A default on the first mortgage.

If an owner is in default and doesn't or can't cure the default within the times specified in the Agency Documents or first mortgage documents, the Agency can exercise its purchase option, commence an action for specific performance or an injunction to prevent an impermissible sale, foreclose on its deed of trust, and/or exercise any other remedy permitted by law.

#10: Agency Promissory Note and Deed of Trust

To protect its investment, the Agency requires that all owners execute a promissory note and deed of trust when they purchase their homes. Unlike standard promissory notes for conventional mortgages, the Agency promissory note has no face value and cannot be prepaid. Its purpose is to protect the Agency's investment if an owner defaults on the first mortgage or Agency obligations. An owner default "triggers" the promissory note and Agency deed of trust, which secures the promissory note against the property and is recorded to provide public notice of the owner's obligations under the Program. In the case of default, the promissory note states that the owner must pay the Agency the difference between the resale affordable purchase price and fair market value, in addition to any costs incurred by the Agency to enforce its rights and a default interest payment on the sum due. An independent appraiser will determine fair market value.

Financing for the 3-person, 95% AMI household can again illustrate the issue. This household had a resale affordable purchase price of \$273,950. If they defaulted on their loan, and fair

market value was, for example, \$700,000, they would owe the Agency \$426,050 (plus default-related costs) under the Agency's promissory note.

If an owner transfers his/her property according to the Program requirements and complies with all other Agency and first mortgage obligations, the Agency will simply terminate the promissory note and deed of trust at resale.

#11: Transfer by Marriage, Domestic Partnership, and Inheritance

If an owner marries or enters a domestic partnership, the spouse or partner can become a co-owner by executing an addendum to the Agency Documents. The addendum confers the same rights and obligations of the owner upon the spouse or partner.

Upon the death of a property owner or owners, the home can be transferred to an heir, as long as the heir is an Eligible Buyer approved by the Agency. If the heir does not qualify to occupy the home, the home must be sold according to the terms of the Agency Documents, and the owner's proceeds will transfer to the owner's estate.

#12: Term

The term of the Agency Documents – or the period of time that resale restrictions and all other Agency obligations apply – is 45 years. At the end of the term, owners are obligated to pay to the Agency the difference between the resale affordable purchase price and fair market value (both as calculated at the time the term ends). In lieu of this payment, an owner may opt to renew his/her agreements with the Agency for an additional 45-year term.

EXHIBIT G

Form of Notice of Affordability Restrictions

This document is exempt from payment of a recording fee pursuant to California Government Code Section 27383

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

**San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: Housing Division**

[Site Address/APN]

Recorder's Stamp

**NOTICE OF AFFORDABILITY RESTRICTIONS
ON TRANSFER OF PROPERTY
(Owner-Occupied Home)**

NOTICE IS HEREBY GIVEN, that the Redevelopment Agency of the City and County of San Francisco (the "**Agency**") to carry out certain obligations under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 *et seq.*) and the Redevelopment Plan for the [Bayview Hunters Point Redevelopment Project Area] [Hunters Point Shipyard Redevelopment Plan], has required _____, ("Owner") to enter into certain affordability covenants and restrictions entitled, Declaration of Restrictions and Option to Purchase Agreement for Sale Inclusionary Units (the "**Restrictions**"), with reference to certain real property (the "**Property**" or "**Unit**"), located at _____, **Unit #000**, in the City and County of San Francisco, Assessor's Parcel No. _____, **Lot 000**, and further described in Exhibit A, incorporated herein by reference.

The affordability covenants and restrictions contained in the Restrictions include without limitation and as further described in the Restrictions:

1. The affordability restrictions will expire 45 (forty-five) years from the date thereof.
2. _____ **Street, Unit #000, San Francisco, California** .
3. **Assessor's Block _____, Lot 000**. The land referred to is situated in the County of San Francisco, City of San Francisco, State of

California, and further described in Exhibit “A”, incorporated herein by reference.

4. The affordability covenants or restrictions include the following:
 - (a) Affordability of this unit is restricted to 00.00% of Area Median Income;
 - (b) Unit is designated for homeownership only and cannot be rented by Owners;
 - (c) Unit is to remain owner-occupied by the Owners;
 - (d) Restrictions on refinancing include the following:
 - 1) Owners can refinance up to the original value of their first mortgage in order to obtain a lower interest or withdraw principal paid down on their mortgage;
 - 2) Owners may also refinance to withdraw up to 50% of the difference between the resale affordable purchase price and their original affordable purchase price, for the following reasons only:
 - (i) To make capital improvements to the home;
 - (ii) To pay for post-secondary education expenses of a house hold member;
 - (iii) To meet the cost of an owner’s or owner’s immediate family member’s catastrophic illness; or
 - (iv) To secure funds required to implement a marriage dissolution agreement or domestic partnership dissolution agreement.
 - (e) Requirements at Resale: Owners may only transfer their homes to other Eligible Buyers or to the Agency. Though each owner bears sole responsibility for finding an Eligible Buyer if s/he seeks to sell his/her unit, the Agency will attempt to assist owners in locating Eligible buyers, whether through a mailing to interested persons, accessing a

waiting list, or conducting a lottery. Once an owner identifies a potential buyer for his/her unit, only the Agency can certify that the buyer is actually an Eligible Buyer.

(f) Notice is being recorded for notice only, and that the affordability covenants prevail if there is any conflict between the Notice and the recorded covenants.

5. The affordability covenants and Notice are being recorded concurrently.

This Notice of Affordability Restrictions on Transfer of Property (this “**Notice**”) is recorded for the purpose of providing notice only, and it in no way modifies the provisions of the Restrictions. In the event of any conflict between this Notice and the Restrictions, the terms of the Restrictions shall prevail.

The Restrictions have been recorded on _____, 2010, as Document/Instrument No. _____, and shall remain in effect until _____, 2055 [Date of expiration of Restrictions].

This Notice is being recorded and filed by the Agency in compliance with Health and Safety Code Sections 33334.3 and/or Section 33413, as amended effective this date, and shall be indexed against the Agency and Owner.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Notice on or as of the date first written above.

AGENCY:

OWNER:

REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN
FRANCISCO,
A public body, corporate and politic, of the
State of California

By: _____
Name: Amy Lee
Title: Deputy Executive Director
Finance and Administration

EXHIBIT H

Form of Income Certification

[ATTACHED]

<p style="font-size: 1.2em; margin: 0;">INCLUSIONARY PURCHASER</p> <p style="font-size: 1.2em; margin: 10px 0 0 0;">INCOME CERTIFICATION</p>	<p>Effective Date: _____ (MM/DD/YYYY)</p>
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PART I - DEVELOPMENT

Buyer Name:
Property Name:
Address and Unit Number:
Bedrooms:

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	Social Security or Alien Reg. No.
1			HEAD		
2					
3					
4					
5					
6					
7					

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$	\$	\$	\$

Add totals from (A) through (D), above TOTAL INCOME (E): \$

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset

	TOTALS:	\$	\$	
Enter Column (H) Total	Passbook Rate			
If over \$5000	\$ _____ X 2.00%	=	(J) Imputed Income	\$
Enter the greater of the total of column I, or J: imputed income TOTAL INCOME FROM ASSETS (K)				\$

(L) Total Annual Household Income from all Sources [Add (E) + (K)] \$

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud.

Signature (Date) Signature (Date)

Signature (Date) Signature (Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME
FROM ALL SOURCES:
From item (L) on page 1

\$

Household Percentage of
Area Median Income: _____

- 80% 90%
- 100% 120%
- 110% ___%

Current Income Limit per Household Size \$ _____
Applicable to the Unit: _____

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Income Certification is/are eligible under the applicable Declaration of Restrictions and Option to Purchase Agreement For Sale Inclusionary Units.

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

INSTRUCTIONS FOR COMPLETING

INCOME CERTIFICATION: *(To be completed by owner or an authorized representative.)*

Part I - Development Data

Effective Date	Enter the effective date of the certification.
Property Name	Enter the name of the development.
Address	Enter the address of the building.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member’s relationship to the head of household by using one of the following coded definitions:

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

- Column (A) Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
- Column (B) Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
- Column (C) Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
- Column (D) Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
- Row (E) Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

- Column (F) List the type of asset (i.e., checking account, savings account, etc.)
- Column (G) Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of certification).
- Column (H) Enter the cash value of the respective asset.
- Column (I) Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
- TOTALS Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

- Row (K) Enter the greater of the total in Column (I) or (J)
- Row (L) Total Annual Household Income From all Sources – Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Income Certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Income Limit for the Household Size.
Household Meets Income Restriction	Check the appropriate box for the income restriction that the household meets according to what is applicable to the Inclusionary Unit.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner’s representative to sign and date this document immediately following execution by the buyer(s).

EXHIBIT F-G

Terms for Declaration of Restrictions for Workforce Units

1. **Sale Units.** The Declaration of Restrictions for Sale Workforce Units shall be consistent with the following:

a) **Sale Within 2 Years.** If the Owner/Occupant desires to sell a Workforce Unit before twenty-four (24) months from the date of initial rental or sale of such Workforce Unit, then for a period of one hundred twenty (120) days the Owner/Occupant shall market the Workforce Unit to qualified purchasers. If the Owner/Occupant does not receive an offer within such one hundred twenty (120) day period from a qualified purchaser that is equal to or greater than the Current Workforce Price in effect as of the date of receipt thereof, then the Owner/Occupant may sell the Workforce Unit to a qualified purchaser at a purchase price that is equal to or lower than the Current Workforce Price in effect as of the date thereof. In either event, the entirety of Workforce Gain shall be paid to the Workforce Administrator.

b) **Sale Within 3 Years.** If the Owner/Occupant sells a Workforce Unit on a date that is on or after twenty four (24) months and before thirty six (36) months from the date of initial rental or sale of such Workforce Unit, then the Owner/Occupant may sell the Workforce Unit to any purchaser with no price restriction on the sale but the entirety of the Workforce Gain shall be paid to the Workforce Administrator.

c) **Sale Within 4 Years.** If the Owner/Occupant sells a Workforce Unit on a date that is on or after thirty six (36) months and before forty eight (48) months from the date of initial rental or sale of such Workforce Unit, then the Owner/Occupant may sell the Workforce Unit to any purchaser with no price restriction on the sale but two-thirds (2/3) of the Workforce Gain shall be paid to the Workforce Administrator.

d) **Sale Within 5 Years.** If the Owner/Occupant sells a Workforce Unit on a date that is on or after forty eight (48) months and before sixty (60) months from the date of initial rental or sale of such Workforce Unit, then the Owner/Occupant may sell the Workforce Unit to any purchaser with no price restriction on the sale but one-third (1/3) of the Workforce Gain shall be paid to the Workforce Administrator.

e) **Workforce Administrator; Use of Proceeds.** Upon the listing of any Workforce Unit for sale, the Owner/Occupant shall notify the Workforce Administrator and shall market the Workforce Unit to qualified purchasers in good faith in consultation with the marketing program established by the Workforce Administrator. Upon sale of the Workforce Unit, the proceeds paid to the Workforce Administrator pursuant to the above shall be used as follows: first, to the Workforce Administrator to pay for the costs of implementing, administering and monitoring the development of Workforce Units and the remainder paid to the Agency to be used for the development of Agency Affordable Units within the Project Site, with fifty percent (50%) of such amount being used as an off-set against any Agency Subsidy then or thereafter due.

f) Termination of Workforce Resale Declaration. The Declaration of Restrictions for Sale Workforce Units shall automatically terminate on the date that is five (5) years following the initial sale of the Workforce Unit.

2. Rental Units. The Declaration of Restrictions for Rental Workforce Units shall provide that the rental charges for Workforce Units shall be the Current Workforce Price until the earlier of the date (i) that the applicable Redevelopment Plan terminates, (ii) that is thirty (30) years following the initial rental of such Workforce Unit, or (iii) that the Agency Director Approves such termination under the provisions of section 3.7(b) of the Below-Market Rate Housing Plan.

3. Definitions.

“**Current Workforce Price**” means, as of a particular date, the purchase price or rental charge, as applicable, of a Workforce Unit that is Affordable with an AMI Percentage that is equal to that applicable to the Workforce Unit at the time of initial rental or sale thereof.

“**Workforce Gain**” means all of the sales proceeds received by the Owner/Occupant for a Workforce Unit less the sum of (i) the purchase price paid by that Owner/Occupant for the Workforce Unit, (ii) broker, escrow and closing costs and any additional third party costs reasonably approved by the Workforce Administrator in connection with the sale of the Workforce Unit, and (iii) the amortized cost of any capital improvements made by the Owner/Occupant during his or her period of ownership of the Workforce Unit, as documented by the Owner/Occupant and approved by the Workforce Administrator.

EXHIBIT F-H

Form of Housing Data Table

[ATTACHED]

HOUSING DATA TABLE

Major Phase:														
Sub-Phase:														
Block:														
Residential Project Lot Number	Residential Lot Location	Major Phase/Sub-Phase Order of Lot Transfer	Max Bldg Ht	Acres	Density	Total Unit Count	Number Mkt Rt Units	Number InclUnits @ 80%	Number InclUnits @ 90%	Number InclUnits @ 100%	Number InclUnits @ 120%	Number WkForce Units @ 140%	Number WkForce Units @ 150%	Number WkForce Units @ 160%
1														
2														
3														
4														
5														
Block Subtotal														

Major Phase:														
Sub-Phase:														
Block:														
Residential Project Lot Number	Residential Lot Location	Major Phase/Sub-Phase Order of Lot Transfer	Max Bldg Ht	Acres	Density	Total Unit Count	Number Mkt Rt Units	Number InclUnits @ 80%	Number InclUnits @ 90%	Number InclUnits @ 100%	Number InclUnits @ 120%	Number WkForce Units @ 140%	Number WkForce Units @ 150%	Number WkForce Units @ 160%
1														
2														
3														
4														
5														
Block Subtotal:														

PROJECT SUMMARY

						Total Unit Count	Number Mkt Rt Units	Number InclUnits @ 80%	Number InclUnits @ 90%	Number InclUnits @ 100%	Number InclUnits @ 120%	Number WkForce Units @ 140%	Number WkForce Units @ 150%	Number WkForce Units @ 160%
Major Phase/Sub-Phase Totals														
Major Phase/Sub-Phase Percentages of Total Units														
Current Total Unit Credits						Current Stand-Alone Workforce Credits								
Current Market Rate Credits						Status of Credited Stand-Alone Workforce Units								
Current Below Market Rate Credits						Sub-Phase Only: Workforce Administrator (if applicable)								

EXHIBIT F-I

Form of Project Housing Data Table

[ATTACHED]

PROJECT HOUSING DATA TABLE

Major Phase:																	
Sub-Phase:																	
Block:																	
Residential Lot Number	Owner	Lot Acreage	Total Unit Count	For-Sale or Rental	Max Building Height	Number InclUnits @ 80%	Number InclUnits @ 90%	Number InclUnits @ 100%	Number InclUnits @ 120%	Number WkForce Units @ 140%	Number WkForce Units @ 150%	Number WkForce Units @ 160%	Number 1-person 1BR Units	Parking Cost	Non-Residential Uses & SF	Est. Project Complete Date	
1																	
2																	
3																	
4																	
5																	
6																	

Major Phase:																	
Sub-Phase:																	
Block:																	
Residential Lot Number	Owner	Lot Acreage	Total Unit Count	For-Sale or Rental	Max Building Height	Number InclUnits @ 80%	Number InclUnits @ 90%	Number InclUnits @ 100%	Number InclUnits @ 120%	Number WkForce Units @ 140%	Number WkForce Units @ 150%	Number WkForce Units @ 160%	Number 1-person 1BR Units	Parking Cost	Non-Residential Uses & SF	Est. Project Complete Date	
1																	
2																	
3																	
4																	
5																	
6																	

Additional Data Required:

1) Building plans, showing, for Inclusionary Units:

- a. Location
- b. Unit Size
- c. Bedroom Count
- d. Unit amenities

2) For Stand-Alone Workforce Projects, a Schedule of Performance for Completion.

ATTACHMENT F-1

Certificate of Preference Program

[ATTACHED]

PROPERTY OWNER AND OCCUPANT PREFERENCE PROGRAM

(CERTIFICATE OF PREFERENCE PROGRAM)

**OF THE REDEVELOPMENT AGENCY
OF THE
CITY AND COUNTY OF SAN FRANCISCO**

**As amended and restated pursuant to
Agency Resolution No. 57-2008 (June 3, 2008)**

Effective October 1, 2008

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I. INTRODUCTION.

The Redevelopment Agency of the City and County of San Francisco (“Agency”) initially established a preference program for displaced residents and businesses in the 1960’s when the Agency was implementing its federally-funded urban renewal program.¹ The Agency created a program whereby displaced residents and businesses of certain project areas received “Certificates of Preference” and were thus entitled to a priority in the renting or buying of Agency-owned or approved property. The preference was in addition to other relocation benefits (i.e., fair market value for acquired property, relocation assistance, replacement housing units) that the displacees may have received; it was also subject to otherwise applicable eligibility requirements that the Agency imposed on the renting or buying of the property.

The Certificate of Preference Program has special significance in the Western Addition A-2 and Hunters Point Redevelopment Project Areas, which were subject to massive urban renewal programs that the federal government funded and that involved the widespread clearance and relocation of communities.² These programs were replicated across the country and caused wide-spread social, economic, cultural, political, and emotional upheaval that has been documented in the affected communities.³ In light of the unique social and individual losses associated with urban renewal, the Agency provides enhanced preferences to those who were directly or indirectly affected by the redevelopment activities in the Western Addition A-2 and Hunters Point Redevelopment Project Areas.

The Agency has statutory obligations under the California Community Redevelopment Law to provide preferences to low- and moderate-income displacees in Agency-assisted housing and to businesses for the purposes of reentering the project area.⁴ The Agency has fulfilled these obligations through this Certificate of Preference Program and through separately-adopted business re-entry policies that are part of redevelopment plan approvals.⁵ Historically, the Certificate of Preference Program has applied only in the Western Addition A-2,

¹ See Rules Governing Business Preferences for the Western Addition Redevelopment Project Area A-2, Agency Resolution No. 136-63 (Oct. 22, 1963); Property Owner and Occupant Preference Policy for Reestablishment in the Western Addition Redevelopment Project A-2, Agency Resolution No. 103-67 (July 25, 1967).

² The Agency redeveloped other older project areas that relied on urban renewal funds and that involved widespread acquisition and clearance of property, but some of these project areas have long expired, e.g., the Western Addition A-1 Redevelopment Project Area, or are subject to separate relocation policies that did not rely on the Certificate of Preference Program, e.g., Special Assistance Available to Businesses and Industries and Business Preference Rules for the Yerba Buena Center Redevelopment Project Area D-1, Agency Resolution No. 108-1965 (Aug. 17, 1965).

³ See generally M. Fullilove, Root Shock: How Tearing Up City Neighborhoods Hurts America, and What We Can Do About It (Ballantine Books 2004).

⁴ California Health and Safety Code, Section 33339.5 (Reentry in business in redeveloped areas); California Health and Safety Code, Section 33411.3 (Availability of low- and moderate-income units to displaced persons of low- and moderate-income).

⁵ See List of Separately-Adopted Business Preference and Re-Entry Policies, attached as Exhibit 1.

Hunters Point (Area A of the Bayview Hunters Point Redevelopment Plan), Stockton-Sacramento, and Bayview Industrial Triangle Redevelopment Project Areas,⁶ although the Rincon Point-South Beach Redevelopment Project Area also has its own Certificate of Preference Program.⁷ In other redevelopment project areas, the Agency did not use the Certificate of Preference Program, but implemented the separately-adopted business re-entry policies and directly relied on the statutory obligations to provide preferences to lower income displaced residents. Accordingly, the Certificate of Preference Program is only one means by which the Agency has fulfilled its statutory obligations to provide displaced persons with a priority in the renting or buying of property.

This Property Owner and Occupant Preference Program, as amended and restated, (“Amended and Restated Program”) codifies and clarifies recent amendments that the Agency Commission authorized in Agency Resolution No. 57-2008 (June 3, 2008).⁸ These amendments include extending the duration of certain residential certificates, expanding the housing opportunities for certain displacees who did not receive certificates at the time of displacement because they were not then eligible, e.g., minor children and adults who were not heads of the household, revising the appeals process when the Agency denies a certificate, providing an enhanced education and outreach program to identify displacees, and reaffirming existing policies that only persons displaced by Agency action are eligible for a certificate and that a displacee may establish eligibility even though his or her name does not appear on Agency records. In addition, the Agency Commission authorized Agency staff to continue exploring the future expansion of the certificate program to certain persons who did not live in the household at the time of displacement, but who may be the grandchildren of the original displaced heads of household, i.e., children of the persons who were children themselves at the time of displacement. The Agency Commission did not authorize an immediate expansion of the certificate program to include these “grandchildren;” rather it directed Agency staff to continue investigating, among other things, the feasibility of expanding eligibility in light of the supply of affordable housing and the ability of the Agency to meet existing demand. When Agency staff completes its review of the issues associated with the “grandchildren” expansion, it will make appropriate amendments to the program.

This Amended and Restated Program is divided into two separate sections: a program of preference for residential displacees and another program for business displacees. The residential program applies to all existing project areas, but has special provisions for certain project areas affected by urban renewal. The business program applies only to certain existing project areas that do not have a

⁶ The Stockton-Sacramento Redevelopment Project Area expired in 2004; under the terms of the then-existing Property Owner and Occupant Preference Program, certificates of preference from that project area expired two years later in 2006.

⁷ Property owner and occupant re-entry preference program for the Rincon Point-South Beach Redevelopment Project Area, Agency Resolution No. 330-1980 (Oct. 28, 1980).

⁸ Agency Resolution No. 57-2008 is attached as Exhibit 2.

separately-adopted business re-entry policy, namely the Western Addition A-2, Hunters Point (Area A of the Bayview Hunters Point Redevelopment Plan), and Bayview Industrial Triangle Redevelopment Project Areas. In all other project areas, separate re-entry policies remain in effect and are not affected by this Amended and Restated Program.

II. RESIDENTIAL CERTIFICATE OF PREFERENCE PROGRAM.

A. Purpose.

1. To give certain preferences in consideration for housing to persons displaced by Agency action or action on behalf of the Agency.
2. To give enhanced preferences in consideration for housing opportunities to those persons affected by urban renewal programs in the Western Addition A-2 and Hunters Point (Area A of the Bayview Hunters Point Redevelopment Plan (the “Urban Renewal Project Areas”).
3. To implement, for all project areas, statutory requirements under the Community Redevelopment Law (Health & Safety Code § 33411.3) requiring the Agency to give priority to displaced low- and moderate-income households in Agency-assisted housing and in other housing for low- and moderate-income households.
4. To supplement other rights and benefits that may be available to displaced persons, such as relocation benefits under the Relocation Assistance and Property Acquisition Guidelines, 25 Cal. Code of Regulations, Sections 6000 et seq.

B. Definitions.

1. “Agency-Assisted Housing Units” means those units that the Agency must make available to displaced persons under Section 33411.3 of the Health and Safety Code, i.e., low- or moderate-income housing units developed (i) with any Agency assistance, (ii) pursuant to Section 33413 of the Health and Safety Code, or (iii) in any redevelopment project area.
2. “Certificate” or “Certificate of Preference” is Agency documentation that a person or business is eligible for a preference described in this Program.
3. “Displaced Person” means a person who was a legal occupant of a building and who permanently moved him or herself from the property as a result of acquisition of the property (i) by the Agency, (ii) by a private entity under contract with or on behalf of

the Agency, or (iii) as a result of receipt of a notice of intention to acquire by the Agency. Displaced person also includes a person who moves as a result of the rehabilitation, demolition, or other displacing activity that the Agency or any person having an agreement with or acting on behalf of the Agency undertakes of real property on which the person is in lawful occupancy. A Displaced Person may be an owner or a tenant in lawful occupancy of the property from which he/she was displaced.

4. “Residential A Certificate Holder” means a Displaced Person who lived in an Urban Renewal Project Area and who is eligible to receive a Certificate of Preference based either: (i) on his or her status as a head of household at the time of displacement, or (ii) on his or her intent to live separate and apart from the household after displacement; and whose name appears on Agency records, e.g., the Site Occupant Record.
5. “Residential C Certificate Holder” means a Displaced Person who lived in an Urban Renewal Project Area and who is eligible to receive a Certificate based on his or her residency in a household at the time of Agency displacement, but who was ineligible for a Residential A Certificate of Preference. To qualify for a Residential C Certificate, the person’s name must appear on the Agency’s Site Occupant Record for a dwelling unit or the person must be able to prove, to the reasonable satisfaction of the Agency, that he or she resided in the household at the time of displacement.
6. “Residential G Certificate Holder” means a Displaced Person a) who is the head of household or who demonstrates to the reasonable satisfaction of the Agency that he or she intends to live separate and apart from the household after displacement; b) who lived in the City and County of San Francisco other than an Urban Renewal Project Area at the time of displacement; and c) who has not been provided by the Agency with permanently affordable replacement housing in an Agency-Assisted Housing Unit.
7. “Residential Certificate” means Agency documentation that a person is eligible for a Residential A, C, or G Certificate.
8. “Residential Certificate of Preference Holder” or “Residential Certificate Holder” means all classes of residential certificate holders, i.e., Residential A, C, and G Certificate Holders.
9. “Site Occupant Record” means the Agency’s record of the occupants of a building at the time of Agency displacement. The Agency or a designated agent of the Agency is responsible for

completing the Site Occupancy Record (“SOR”) for each displaced household.

10. “Urban Renewal Project Area” means the Western Addition A-2 or Hunters Point (i.e., Area A of the Bayview Hunters Point Redevelopment Project Area) Redevelopment Project Areas.
11. “Used” means a) in the case of a rental or purchase of a cooperative share, means the execution of a lease or rental agreement; or b) in the case of a purchase, the execution of a deed by the Agency or a third party pursuant to an agreement with the Agency requiring priority in sales to Certificate Holders.

C. Use of Residential Certificates.

A Residential Certificate entitles a Displaced Person, in accordance with the California Health and Safety Code Section 33411.3, to receive a priority in the renting or buying of an Agency-Assisted Housing Unit, subject to the following conditions:

1. The Displaced Person must meet the income eligibility and other requirements for the Agency-assisted housing unit.
2. Residential Certificate Holders are eligible to use a Certificate to receive a priority: 1) in the renting of, or buying of a cooperative share in, Agency-Assisted Housing Unit; and 2) in the buying of an Agency-Assisted Housing Unit. All classes of Residential Certificate Holders thus have the opportunity to exercise the Certificate twice: once for a rental or cooperative share opportunity and again for a homeownership opportunity, provided, however, that a person who is otherwise eligible for a Residential G Certificate Holder is not eligible for a Certificate if the Agency has provided the displaced household with affordable housing in an Agency-Assisted Housing Unit.
3. Residential Certificate Holders have the above-described preferences for the renting or buying of Agency-Assisted Housing Units in the following descending order of priority, provided, however, that a redevelopment plan or Agency Commission action may change this order of priority for a particular project area or project:
 - a. A Displaced Person with the earliest date of displacement.

- b. A Displaced Person seeking to use a Certificate for a housing development in the Project Area from which the person was displaced.
 - c. A Displaced Person seeking to use a Certificate for a housing development either in a Project Area from which the person was not displaced or in any other part of the City.
 - 4. The Certificate entitles the holder to preferential consideration only; the Residential Certificate Holder must still meet the otherwise applicable selection criteria on which the owner/agent shall make the final decision.
- D. Exercising Certificate Opportunities.
 - 1. As described in Section II.C.2 above, a Residential Certificate Holder has two opportunities to exercise a Certificate: once for rental or cooperative share opportunity and again for a homeownership opportunity. If the Residential Certificate Holder is successful in obtaining a unit through the use of the Certificate, he or she exercises (i.e., extinguishes) the right to use the Certificate for that particular type of housing, but may still use the certificate for a different tenure type.
 - a. In the case of a rental or cooperative share opportunity, to exercise a Residential Certificate means to secure successfully a tenancy in, or the purchase of a cooperative share in, an Agency-Assisted Housing Unit, as shown by the execution of a lease or other evidence of occupancy.
 - b. In the case of a homeownership opportunity, to exercise a Residential Certificate means to execute a deed and the closing of escrow for an Agency-Assisted Housing Unit.
 - 2. A Residential G Certificate is exercised if the Agency provides the Residential Certificate Holder with affordable housing in an Agency-Assisted Housing Unit.
- E. Application of Residential Certificate Program to a Particular Project.

The Agency shall require that developers and property managers of Agency-Assisted Housing Units extend preferences to Residential Certificate Holders upon initial occupancy of a housing project or upon the vacancy of previously-occupied units in the project. The terms and conditions by which the developer or property manager will implement

these preferences shall be consistent with this Amended and Restated Program and shall appear in the affirmative marketing plan or similar documents for the project.

F. Duration of the Effectiveness of the Residential Certificate.

A Residential Certificate remains effective until the Residential Certificate Holder has completely exercised his or her Certificate as described in Section II. D; provided, however, that Certificates that have not been fully exercised have the following time limitations:

1. The Residential A and C Certificates shall be valid until seven years after completion of an Urban Renewal Project Area (i.e., Jan. 1, 2016), unless the Agency Commission approves five year extensions of these Certificates. The Agency shall not approve more than two five-year extensions.
2. The Residential G Certificate shall be valid until five years after the Agency displacement.

III. BUSINESS CERTIFICATE OF PREFERENCE PROGRAM.

A. Purpose.

1. To give certain re-entry preferences in consideration for business opportunities to businesses displaced by Agency action or action on behalf of the Agency.
2. To implement, for those project areas without separately-adopted business re-entry policies,⁹ statutory requirements under the Community Redevelopment Law (Health & Safety Code § 33339.5) requiring the Agency to extend reasonable preferences to persons who were engaged in business in a redevelopment project area to reenter in business within the redeveloped area if they otherwise meet the requirements prescribed by the redevelopment plan.
3. To supplement other rights and benefits that may be available to displaced businesses, such as relocation benefits under the Relocation Assistance and Property Acquisition Guidelines, 25 Cal. Code of Regulations, Sections 6000 et seq.

⁹ Western Addition A-2, Hunters Point (Area A of the Bayview Hunters Point Redevelopment Project Area), and the Bayview Industrial Triangle Redevelopment Project Areas.

B. Definitions.

1. “Business Occupant” means: 1) the owner or renter of a building that was situated on real property in the Western Addition A-2, Hunters Point, or Bayview Industrial Triangle Redevelopment Project Areas and that was acquired by the Agency after the date of (i) the adoption of the redevelopment plans or (ii) the receipt of funds for acquisition of property for these project areas, whichever date occurred earlier; or 2) a tenant engaged in business in a building whose owner entered into an Owner Participation Agreement with the Agency to extensively rehabilitate the property and the tenant received the Agency’s Notice of Displacement that was required under the then-applicable federal regulations. Acquisition by the Agency includes both purchase and acquisition by eminent domain/condemnation.
2. “Business Certificate of Preference Holder” means a Business Occupant who was engaged in business in a building at the time the Agency acquired the property. To be eligible for a Business Certificate of Preference, a property owner must have been the owner of record that executed the grant deed to the Agency or the owner of record in the eminent domain at the time the Agency acquired the property. If the property owner was a corporation, partnership or other legal entity, the Certificate will be listed in the corporation or the partnership’s name. If there was more than one owner of record, only one certificate will be issued.
3. “Certificate” or “Certificate of Preference” is Agency documentation that a person or business is eligible for a preference described in this Program.
4. “Displaced Business” means a person who was a legal occupant of a building and who permanently moved his or her business from the property as a result of acquisition of the property (i) by the Agency, (ii) by a private entity under contract with or on behalf of the Agency, or (iii) as a result of receipt of a notice of intention to acquire by the Agency. Displaced business also includes a person who moves as a result of the rehabilitation, demolition, or other displacing activity that the Agency or any person having an agreement with or acting on behalf of the Agency undertakes of real property on which the person is in lawful occupancy. A Displaced Person may be an owner or a tenant in lawful occupancy of the property from which he/she was displaced.

C. Use of Business Certificates.

The Business Certificate Program applies only to the Western Addition A-2, Hunters Point, and Bayview Industrial Triangle Redevelopment Project Areas. Other redevelopment project areas have separate business re-entry and preference policies that implement Section 33339.5 of the California Health and Safety Code.¹⁰

1. Agency-Owned Property.

The Agency may offer property that it owns for purchase and development. The Agency selects developers of such parcels based on the extent to which the proposed development serves the needs of the Project Area and the City and County of San Francisco and satisfies the requirements of the request for proposals/ qualifications, if any. The Agency may extend preferences to Business Certificate Holders who were displaced from the project area in which the Agency-owned property is located. The major factors for evaluating proposals will include:

- a. Economic feasibility of the proposal.
- b. The financial capacity of the developer and the demonstrated ability of the development design team.
- c. The ability of the developer to proceed expeditiously with development of the site.
- d. Architectural quality and degree of compliance with design objectives of the offering.
- e. Other factors included in the offering.

When the Agency determines that proposals from applicants with Business Certificates and from those without Business Certificates are substantially equivalent, the Agency shall give preference to the proposal associated with the Business Certificate.

2. Rehabilitated Structures.

In the event the Agency acquires structures for rehabilitation, the Agency may sell these structures to the Business Certificate Holder who has the highest qualified bid, who complies with the terms of offering, and who was displaced from the project area in which the rehabilitated structure was located; provided, however that these

¹⁰ See List of Separately-Adopted Business Preference and Re-Entry Policies, attached as Exhibit 1.

Business Certificate Holders will not receive a preference in bidding on a residential rehabilitation offering unless there are at least two units and the property will be used to engage in business; and provided further that a Business Certificate of Preference Holder may not use priority to bid on rehabilitation offering if the intended use is for private residency.

3. Privately-Owned Commercial Space.

A Business Certificate only entitles the Business Certificate Holder who desires to rent business space from a private property owner to a preferential consideration if the space meets the requirements of the redevelopment plan and if the Agency has required the owner to provide a preference to Business Certificate Holders who were displaced from the project area in which the privately-owned commercial space is located. The owner of the business space makes the final determination on the business mix, rental rates and terms and conditions.

4. Priority of Business Certificates.

Business Certificate Holders have the above-described preferences; provided, however, that a redevelopment plan or Agency Commission action may change or eliminate the priority for a particular project area or project; and provided further that in situations where the Agency or private property owner receives applications from multiple Business Certificate Holders having equal qualifications, the Business Certificate Holder with the earliest date of displacement from the project area in which the business opportunity is located will receive priority.

D. Timing of Eligibility Determination.

When a Business Certificate is to be used for priority in preferential offerings, eligibility must be established and a certificate issued prior to the bid opening or the specified deadline for the development proposal.

E. Use of Business Certificates by Partnerships or Corporations.

1. A partnership or corporation in which a Business Certificate Holder has an ownership interest, may use the Certificate in the purchase of property provided:
 - a. The Business Certificate Holder owns outright, fifty-one percent (51%) or more of the partnership or corporation. If two or more Certificate Holders have an ownership interest in the partnership or corporation, the total percentages of ownership held by all the certificate holders must be at least 51%. In the event such partnership or corporation uses the certificate, each certificate holder, regardless of percentage of ownership, shall be deemed to have exercised his or her certificate.
 - b. The fifty-one percent (51%) or more ownership interest was not funded by a loan from the partnership, corporation, or any member or shareholder thereof and the Business Certificate Holder so declares in writing under penalty of perjury if required by the Agency.
 - c. The Business Certificate Holder must sign a non-collusion affidavit if persons other than Business Certificate Holders own the partnership or corporation.
 - d. The Business Certificate Holder shall not intend to sell his or her interest in the corporation or partnership at the time the Certificate is used and the Certificate Holder shall so declare in writing under penalty of perjury, if required by Agency.
 - e. The Business Certificate Holder shall not sell his or her interest in the corporation or partnership unless the Agency has issued a certificate of completion of new improvements and/or rehabilitation and the transfer or assignment complies with Agency anti-speculation restrictions or other conditions limiting transfer.

F. Limitations on Use of Certificate.

Business Certificate Holders may only use the Certificate. The Business Certificate of Preference cannot be used by any other person than the named recipient.

G. Exceptions to Preference.

The Agency may authorize an offering or commercial space that does not give priority to Certificate Holders, but the authorization must clearly state

that the Agency will not require preferences to holders of Business Certificates. However, persons who have, or are eligible to have, a certificate and who are successful in responding to a special disposition offering, either individually, jointly, or as members of a partnership or corporation, will be deemed to have exercised their certificate if they hold the minimum percentage of ownership specified in the special disposition.

H. Duration of the effectiveness of the Certificate.

Business Certificates shall be valid until two years after the completion of the Project Area from which the business was displaced.

IV. APPLICATION FOR AND NON-TRANSFERABILITY OF CERTIFICATES.

Application for all Certificates of Preference must be made to the Agency. A Certificate is not transferable voluntarily, by inheritance, by operation of law, or otherwise. A Certificate applicant is not entitled to certificate priorities until a Certificate has actually been issued. When a Certificate is requested and proof of eligibility cannot be established by Agency records, the burden shall be upon the applicant to supply the Agency with the necessary documentation.

V. REVIEW AND APPEALS PROCEDURE.

- A. Persons and Entities Entitled to Reconsideration (“Complainants”). A person or business who is denied a Certificate of Preference may seek reconsideration of the Agency’s decision within thirty days of receipt of the Agency’s written determination of denial by filing a written statement explaining the basis for the person’s eligibility for a Certificate of Preference. If a person has not received a written determination from the Agency within a reasonable period of time following the filing of an application for a Certificate of Preference, that person may also file for a reconsideration under this Section.
- B. Informal Settlement. The Agency shall schedule, within sixty (60) days of receipt of a request for reconsideration, an informal settlement meeting with the complainant to consider the request for reconsideration. At the meeting, the complainant shall personally present, to the Agency, any documentation or other information justifying the person’s eligibility for a Certificate of Preference under these Rules. The purpose of the meeting is to discuss the matter informally and attempt to settle without an appellate hearing. The Agency will prepare a summary of such informal discussion (the “Summary Statement”) no later than thirty (30) days from the date of the last meeting. The Summary Statement will specify the names of the participants, dates of meeting, the Agency’s decision regarding the complainant’s eligibility for a Certificate of Preference, and will specify the procedure by which an appellate hearing may be obtained if the

complainant is not satisfied. The Summary Statement shall either be delivered personally to the complainant or sent by regular mail to the complainant's address or such other address as the complainant specifies.

- C. Procedures to Obtain Administrative Review. A person that has received a Summary Statement affirming the Agency's denial of a Certificate of Preference may petition for administrative review ("Petitioner"). The Petitioner must submit a written request for administrative review to the Agency's Deputy Executive Director of Housing or his or her designee within fourteen (14) days from the date of the Summary ("Petition"). The Petition must provide the specific facts on which the complainant relies to establish eligibility for a Certificate of Preference.
- D. Hearing Officer. A neutral hearing officer shall conduct the administrative review. The hearing officer may not be a person who approved the decision to deny the Certificate of Preference or a subordinate of that person. As of the date of these amended rules, the Agency intends to use the Administrative Law Judges of the San Francisco Residential Rent Stabilization and Arbitration Board to review these matters.
- E. Scheduling of Hearing. The Hearing Officer shall hold the hearing within forty-five (45) days of the date of the filing of the Petition. The Agency shall ensure that written notice, by mail, of the date, time and place of the hearing is given at least ten (10) days prior to the date of the hearing. This notice shall also include these procedures governing the hearing.
- F. Postponements.
 - (a) The Hearing Officer may grant a postponement of a hearing only for good cause and in the interest of justice.
 - (b) "Good cause" shall include, but is not limited, to the following:
 - (1) the illness of a party, an attorney or other authorized representative of a party, or a material witness of a party;
 - (2) verified travel outside of San Francisco scheduled before the receipt of notice of the hearing; or,
 - (3) any other reason which makes it impractical to appear on the scheduled date due to unforeseen circumstances or verified pre-arranged plans which cannot be changed. Mere inconvenience or difficulty in appearing shall not constitute "good cause."

(c) Parties may agree to a postponement at any time. Where the parties have agreed to a postponement, the Hearing Officer shall be notified in writing at the earliest date possible.

(d) Requests for postponement of a hearing must be made in writing at the earliest date possible, with supporting documentation attached. The person requesting a postponement should notify the other parties of the request and provide them with any supporting documentation.

G. Absence of Parties.

If a party fails to appear at a properly noticed hearing or fails to file a written excuse for non-appearance prior to a properly noticed hearing, the Hearing Officer may, as appropriate: continue the case, decide the case on the record in accordance with these rules; dismiss the case with prejudice; or proceed to a hearing on the merits.

H. Conduct of Hearing.

(a) Oral evidence shall be taken only on oath or affirmation.

(b) Each party shall have these rights: to call and examine witnesses; to introduce exhibits; to cross-examine opposing witnesses on any matter relevant to the issues even though that matter was not covered in the direct examination; to impeach any witness regardless of which party first called him or her to testify; and to rebut the evidence against him or her. If a party does not testify in his or her own behalf he or she may be called and examined as if under cross-examination.

(c) The hearing need not be conducted according to technical rules relating to evidence and witnesses, except as hereinafter provided. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. In the absence of a timely and proper objection, relevant hearsay evidence is admissible for all purposes. Proffered hearsay evidence to which timely and proper objection is made is admissible for all purposes, including as the sole support for a finding, if (a) it would otherwise be admissible under the rules of evidence applicable in a civil action or (b) the Hearing Officer determines, in his or her discretion, that, based on all the circumstances, it is sufficiently reliable and trustworthy. The rules of privilege shall be effective to the extent that they are otherwise required by statute to be recognized at the hearing, and irrelevant and unduly repetitious evidence shall be excluded.

- I. Burden of Proof. In any proceeding before the Hearing Officer, the Petitioner shall have the burden of proving that he or she meets the eligibility requirements for a Certificate of Preference under these Rules.
- J. Stipulations. The parties, by stipulation in writing filed with the Hearing Officer, may agree upon the facts or any portion thereof involved in the hearing. The parties may also stipulate as to the testimony that would be given by a witness if the witness were present. The Hearing Officer may require additional evidence on any matter covered by stipulation.
- K. Record of Proceedings. All proceedings before the Hearing Officer shall be recorded by tape or other mechanical means.
- L. Personal Appearances and Representation by Agent. In any proceeding before the Hearing Officer, each party may appear personally or by an attorney, or by a representative designated in writing by the party, other than an attorney.
- M. Decisions of the Hearing Officer. The Hearing Officer shall make written findings of fact and a written decision as to whether the Petitioner is eligible for a Certificate of Preference. A copy of the decision will be sent to the Petitioner and the Agency.
 - (a) The decision of the Hearing Officer to issue a Certificate of Preference shall be binding on the Agency, and the Agency shall promptly issue a Certificate of Preference consistent with the Hearing Officer's decision.
 - (b) A decision by the Hearing Officer that the Petitioner is not entitled to a Certificate of Preference shall not affect any rights the Petitioner may have to a trial de novo or judicial review in any judicial proceedings which may thereafter be brought in the matter.

VI. OUTREACH.

The Agency shall provide outreach to persons who are potentially eligible Residential Certificate Holders. The Agency shall also provide education to Residential Certificate Holders on how to exercise a Certificate and information on location of the opportunities to exercise a Certificate for rental or ownership housing.

VII. REPORTING.

Agency staff shall annually report to the Agency Commission on the status of the Residential Certificate Program including but not limited to the number of outstanding certificates, the number of Residential Certificate Holders for which the Agency currently has addresses, the number of new certificates issued, and the number of Residential Certificate Holders exercised in the past 12 months to purchase or rent new housing.

VIII. PRIOR CERTIFICATES; EFFECTIVE DATE OF PROGRAM.

- A. All non-exercised, validly issued Certificates issued prior to the effective date of this program shall be honored. However, this Amended and Restated Program shall govern the manner of exercising and prioritizing.
- B. The effective date of this Amended and Restated Program is October 1, 2008.

IX. AMENDMENTS TO CERTIFICATE PROGRAM.

The Agency Commission or the Executive Director may amend, from time to time, this Amended and Restated Certificate Program.

LIST OF SEPARATELY-ADOPTED BUSINESS PREFERENCE AND
RE-ENTRY POLICIES

Business Occupant Re-Entry Policy, Bayview Hunters Point Redevelopment Project, Agency Resolution No. 34-2006 (March 7, 2006);

Rules Governing Participation by Property Owners and the Extension of Reasonable Preferences to Business Occupants in the Transbay Redevelopment Project, Agency Resolution No. 17-2005 (Jan. 25, 2005);

Amended Rules Governing Participation by Property Owners and the Extension of Reasonable Preferences to Business occupants for the South of Market Redevelopment Project, Agency Resolution No. 150-2005 (Oct. 4, 2005);

Business Reentry Preference Program for the Mission Bay North Redevelopment Project Area, Agency Resolution No. 187-98 (Sept. 17, 1998);

Business Reentry Preference Program for the Mission Bay South Redevelopment Project Area, Agency Resolution No. 192-98 (Sept. 17, 1998);

Business Occupant Re-Entry Preference Program, Hunters Point Shipyard Redevelopment Project, Agency Resolution No. 93-97 (June 17, 1997);

Property owner and occupant re-entry preference program for the Rincon Point-South Beach Redevelopment Project Area, Agency Resolution No. 330-1980 (Oct. 28, 1980);

Rules for Business Preference and Reentry for the Butchertown Redevelopment Project (“India Basin”), Agency Resolution No. 238-1968 (Dec. 10, 1968)

Special Assistance Available to Businesses and Industries and Business Preference Rules for the Yerba Buena Center Redevelopment Project Area D-1, Agency Resolution No. 108-1965 (Aug. 17, 1965)

RESOLUTION NO. 57-2008

Adopted as Amended at the Commission Meeting of June 3, 2008

**AUTHORIZING THE EXECUTIVE DIRECTOR 1) TO AMEND THE CERTIFICATE OF PREFERENCE PROGRAM BY EXTENDING THE PROGRAM'S TERMINATION DATE, EXPANDING BENEFITS TO EXISTING CERTIFICATE HOLDERS, AND AMENDING APPEAL PROCEDURES GOVERNING DENIAL OF CERTIFICATES, AND 2) TO DETERMINE THE TIMING AND APPROPRIATENESS OF A FUTURE EXPANSION OF ELIGIBILITY TO INCLUDE CERTAIN RELATIVES OF THE ORIGINAL DISPLACEDS;
ALL REDEVELOPMENT PROJECT AREAS AND CITYWIDE HOUSING**

BASIS FOR RESOLUTION

1. On October 22, 1963, the Redevelopment Agency of the City and County of San Francisco ("Agency") initially authorized, by Resolution No. 136-63, a business preference program for the Western Addition Redevelopment Project Area A-2. Its primary purpose was to enable business owners "to re-enter [the displaced] business in the redeveloped area." Rules Governing Business Preferences for the Western Addition Redevelopment Project Area A-2 (Oct. 22, 1963) ("1963 Rules") at page 1. This program implemented the then newly-adopted California Community Redevelopment Law requirement that redevelopment agencies extend reasonable preferences to businesses "to reenter in business within the redeveloped area." Cal. Health & Safety Code § 33339.5. In conformity with this statute, the Agency has approved, on numerous occasions since 1963, business reentry programs for particular project areas prior to the approval of new redevelopment plans.
2. On July 25, 1967, the Agency extended, by Resolution No. 103-67, the preference program to residential owners and occupants who were "obliged to move as a direct result of the operation of the [redevelopment] program" in the Western Addition Redevelopment Project Area A-2. The program established that "every A-2 owner or occupant will be afforded preferential consideration in the purchase of project land for the purpose of private development, or the rental of improved space within the new and rehabilitated structures on such land." The program authorized the issuance of certificates, which were "non-assignable and non-transferable" to "a property owner or occupant of Area A-2 prior to the date of the adoption of Agency Resolution No. 103-67." Certificates were valid for one year from date of issuance and could only be used once for "reestablishment." The minutes of the Agency Commission meeting on July 25, 1967 describe the program as "the first of its kind on the West Coast."

3. In 1969, the California Legislature amended the Community Redevelopment Law to require redevelopment agencies to provide low- and moderate-income households displaced by a redevelopment project with a priority in the renting and buying of affordable housing units that the agency develops. The Legislature amended this section in 1974, 1975, and 2002.
4. The statutory authorization for the certificate of preference program in housing is codified at Section 33411.3 of the Health and Safety Code. It requires the Agency to give “priority in renting or buying” to displaced, low- and moderate-income households “whenever all or any portion of a redevelopment project is developed with low- or moderate-income housing units and whenever any low- or moderate-income housing units are developed with any agency assistance.” To qualify, the lower income household must be “displaced by the redevelopment project.”
5. On April 18, 1978, the Agency Commission rescinded, by Resolution No. 76-78, prior versions of the Certificate Program and adopted a new policy that clarified the Agency’s rules and administration of the Certificate of Preference Program (“Certificate Program”). Memorandum, W. Hamilton to Agency Commissioners, No. 109-14078-002 (April 11, 1978). The 1978 policy established the framework for the current administration of the Certificate Program.
6. The 1978 policy made several changes including expanding the Certificate Program to include other project areas besides the A-2 Area; establishing that “only one certificate may be issued to a person or entity whether or not preference can be established on more than one basis;” and providing that a Certificate Holder could only use the certificate once to rent or to purchase units in assisted development unless a Certificate Holder who had used the certificate to rent subsequently used it to “upgrade” by purchasing an assisted unit.
7. The 1978 policy provided that a single certificate was available to the family unless the applicant determined “independent eligibility” by demonstrating that they were part of a separate family unit who lived in the same household at the time of displacement or that they intended to live separately apart from the family upon displacement. An individual or family received either: 1) a Residential Certificate A if they occupied a “Project Area building at the time it was acquired by the Agency,” or 2) a Residential Certificate B if they occupied a Project Area building after a certain date but before the Agency acquired the building.
8. The 1978 policy stated that “When a Certificate is requested and proof of eligibility cannot be established by Agency records, the burden shall be upon the applicant to supply the Agency with necessary documentation.” Section VII of Property Owner and Occupant Preference Program attached to Memorandum, W. Hamilton to Agency Commissioners (April 11, 1978).

9. In 1991, the Agency confirmed the applicability of the Certificate Program to all new housing developed within any redevelopment project areas and thereafter all developments assisted by tax increment funds were required to provide preferential consideration to the Certificate Holders.
10. On December 8, 1998, the Agency Commission authorized, by Resolution No. 253-98, the expansion of eligibility standards for the Certificate Program to include persons "who were minor children or adults in the household at the time of displacement and who appear in the Agency's Site Occupancy Records." Eligibility was limited to those persons whose names appeared on Agency records to ensure that a "preference" continued to provide meaningful opportunities only to persons whom the Agency could verify had been displaced. Agency staff estimated that the expanded eligibility could "translate to approximately 23,200 potential certificates." Memorandum, J. Morales to Agency Commissioners at page 2 (Dec. 1, 1998).
11. In new rules issued on June 1, 1999, the Agency established the Residential C Certificate Holder to describe the new class of eligible persons, but provided that this new certificate of preference was derivative of the original Residential A Certificate. In other words, the eligibility of the Residential C Certificate Holder was limited by the actions of the Residential A Certificate Holder in exercising the original certificate. If the Residential A Certificate Holder had used the certificate to rent, the Residential C Certificate Holder from that same displaced household could only use a certificate to obtain a preference in the purchase of an assisted unit. As with other Certificate Holders, the Residential C class had to meet income eligibility requirements for the low- and moderate-income housing that the Agency had assisted.
12. Since the beginning of 2007, the Agency Commission has received numerous memoranda from Agency staff and held several public hearings on the administration of the Certificate Program to consider how the Agency may improve it. See e.g., Memorandum, M. Rosen to Agency Commissioners, No. 118-41005-003 (Meeting of March 20, 2007); Memorandum, M. Rosen to Agency Commissioners, No. 118-35007-002 (May 31, 2007); and Memorandum, F. Blackwell to Agency Commissioners, No. 118-09908-002 (Jan. 29, 2008).
13. Agency wishes to modify immediately the Certificate Program by amending the rules to include the following:
 - a. Extending the time limit for the Residential Certificates (which under current rules will expire two years after the expiration of a particular project area) by an additional 15 years subject to Agency Commission review and approval of the Certificate Program at or before the fifth year and the tenth year of the extended term, and also requiring that Agency staff report annually to the Agency Commission on the effectiveness of the Certificate Program;
 - b. Providing an education and outreach program that fully informs the public about the eligibility and benefits under the Certificate Program;

- c. Reaffirming eligibility for Residential C Certificates to include persons who were not on the Site Occupant Record but who were members of the displaced households so long as they are able to prove that they resided in the household at the time of displacement;
 - d. Expanding housing opportunities for the existing group of Residential C Certificate Holders by allowing them to use the certificate for either assisted rental or assisted ownership units, regardless of whether the Residential A Certificate, upon which the Residential C Certificate was based, was exercised;
 - e. Clarifying and enhancing the appeals process to resolve disputes regarding certificate eligibility and extending the time for Agency written responses to informal settlement meetings; and
 - f. Reaffirming existing Agency policy that eligibility for certificates requires that Agency action or action on behalf of the Agency is the cause of the original displacement.
14. The Agency wishes to take additional steps to establish the basis for expanding eligibility for certificates of preference to those persons who did not live in the household at the time of displacement, but who are the children of the displaced household members that are eligible for the Residential C Certificate Holders. In most instances, the Residential C Certificate Holders are the children of the head of the displaced household, who had originally qualified for Residential A Certificates. This proposed expansion thus may provide housing opportunities for many of the grandchildren of the original displaced head of households and also retains a nexus to the original displacement and the harm associated with that displacement. The additional steps that the Agency will take prior to expanding eligibility to the children of the Residential C Certificate Holders include:
- a. Establishing the factual basis for the Agency to make findings that the expansion to the class of persons who did not reside in the displaced household, but whose parents were displaced nonetheless suffered economic, social and other harm because of the parents' displacement;
 - b. Conducting an extensive investigation and outreach effort to identify: 1) the remaining numbers of the Residential C Certificate Holders and their current addresses, and 2) their children, if any, who would be eligible under the expanded Certificate Program; and
 - c. Assessing whether the supply of newly-created affordable housing, and of existing affordable housing that becomes vacant upon turnover, is sufficient to meet the potential demands of existing Residential C Certificate Holders and those of an expanded class that includes the children of the Residential C Certificate Holders.

15. Authorization of the amendments to the Certificate Program does not constitute a project, pursuant to the California Environmental Quality Act Guidelines Section 15378(b)(5).

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized: 1) to amend immediately the Certificate of Preference Program by extending the program's termination date, expanding benefits to existing certificate holders, amending appeal procedures governing denial of certificates, and making other changes described above, and 2) to determine the timing and appropriateness of a future expansion of eligibility to include certain relatives of the original displacees.

APPROVED AS TO FORM:

A handwritten signature in black ink, appearing to read "James B. Morales", written over a horizontal line.

James B. Morales
Agency General Counsel

ATTACHMENT F-2

Alice Griffith MOU

[ATTACHED]

Memorandum of Understanding for the Proposed Redevelopment of Alice Griffith Public Housing

This Memorandum of Understanding (this "MOU"), dated as of July 8, 2010, is entered into by and among the Housing Authority of the City and County of San Francisco ("SFHA"), the San Francisco Mayor's Office of Housing ("MOH"), the San Francisco Office of Economic and Workforce Development ("OEWD"), and the Redevelopment Agency of the City and County of San Francisco (the "Agency").

I. Recitals

- A. On June 1, 2006, the City and County of San Francisco ("City") approved a Redevelopment Plan for the Bayview Hunters Point Redevelopment Project Area.
- B. The Alice Griffith Public Housing site, consisting of approximately 22.5 acres, is located at 207 Cameron Way, which lies within the Candlestick Point Activity Node of the Bayview Hunters Point Redevelopment Project Area. The site is currently improved with 256 public housing units and is owned and operated by SFHA ("Alice Griffith").
- C. In its March 23, 2007 document entitled "HOPE SF: Rebuilding Public Housing and Restoring Opportunity for its Residents," the HOPE SF Task Force ("Task Force") recommended to the Mayor and Board of Supervisors of the City that the City pursue the rebuilding of San Francisco's most distressed public housing sites, including Alice Griffith, while increasing affordable housing and ownership opportunities, improving the quality of life for existing residents, and bringing together in one community new housing units of different income levels and building types.
- D. The Board of Supervisors approved criteria and procedures for implementing HOPE SF, in accordance with the Task Force recommendations, in Resolution 556-07, and the SFHA Commission approved implementation of HOPE SF goals, specifically at Hunters View Public Housing.
- E. On May 1, 2007, Lennar-BVHP, LLC and Lennar Communities, Inc. (collectively and together with any of their respective successors, the "Developer") and the Agency executed the Second Amended and Restated Exclusive Negotiations and Planning Agreement for Phase 2 of the Hunters Point Shipyard ("HPSY-2 ENA"), which calls for the integrated planning and redevelopment of Candlestick Point and the Phase 2 Hunters Point properties ("Project Site"). The HPSY-2 ENA also recognized the opportunity to improve housing conditions for existing Alice Griffith residents through renovation or rebuilding as part of the Project Site redevelopment program, subject to SFHA and the U.S. Department of Housing and Urban Development ("HUD") approvals and extensive community review and input.

- F. In May 2007, the Board of Supervisors and the Mayor approved a resolution endorsing a Conceptual Framework for the integrated development of the Project Site with a major mixed-use project, including hundreds of acres of parks and open space, thousands of new units of housing, and a robust affordable housing program (the "Mixed-Use Project"). The City and the Agency confirmed their desire to work with SFHA, HUD, and Alice Griffith residents to pursue the improvement of Alice Griffith housing conditions through renovation or rebuilding as part of the Mixed-Use Project.
- G. In June 2008, the voters of the City adopted Proposition G, the Mixed-Use Development Project for Candlestick Point and Hunters Point Shipyard ("Proposition G"). Subject to consultation with Alice Griffith residents and approval by all applicable governmental agencies, Proposition G encouraged the one-for-one rebuilding of Alice Griffith units; retention of Alice Griffith affordability levels; and phasing of Alice Griffith's rebuilding so that tenants could move directly from their old units into the Replacement Units (as defined below) without having to relocate to any other area. The voters also encouraged the City, the Agency and other public agencies with applicable jurisdiction to proceed as expeditiously as possible to implement Proposition G.
- H. Proposition G acknowledges the Agency's ability to use its property tax increment not restricted to use within certain geographic boundaries ("City-wide Affordable Housing Fund") to help finance affordable housing in the Project Site.
- I. On February 24, 2010, at the request of SFHA, HUD issued an approval for noncompetitive procurement, allowing SFHA to contract with HPS Development Co. and CP Development Co., LP, affiliates of Developer, for the purpose of completing the demolition, disposition and mixed-finance development of Alice Griffith, including construction of all of the 256 (100%) Alice Griffith units with replacement units ("Replacement Units"). HUD's Mixed-Finance Statutes, 24 CFR 941, Part F, authorize the approved Developer affiliates to engage development team partners in accordance with the provisions therein, which engagement shall be subject to SFHA's review and approval (together, the "Alice Griffith Developer").
- J. The Agency, OEWD, MOH and SFHA (the "Parties"), subject to HUD approval, seek to pursue the revitalization of Alice Griffith pursuant to the principles and goals of HOPE SF and Proposition G, and in conjunction with ongoing work under the HPSY-2 ENA and the planning and implementation of the Mixed-Use Project.
- K. The Parties have agreed in principle that the most effective means of achieving the goals of HOPE SF and the rebuilding of Alice Griffith consistent with Proposition G and providing quality affordable housing to current Alice Griffith residents is to include the Alice Griffith rebuild as a part of the Mixed-Use Project and to pursue necessary HUD approvals for the proposed transfer of certain portions of the Alice Griffith property to Developer affiliates (the "SFHA Property") in exchange for

Developer contributions that equal or exceed the fair market value of the unimproved SFHA Property, as determined by an appraisal. The Developer's contributions shall include (i) gap financing for the construction of the Replacement Units; (ii) all necessary infrastructure to serve the Replacement Units; and (iii) the fee conveyance of real property to SFHA on which some of the Replacement Units will be located. The Parties anticipate that any such mutual transfers may occur in phases.

- L. It is the intention of the Parties that the larger, mixed-income, affordable rental developments within which the Replacement Units shall be built ("Affordable Developments") will be financed with low-income housing tax credits, and that these Affordable Developments shall be integrated within the larger Mixed-Use Project, as shall be further described in the Below-Market Rate Housing Plan, as defined in the Mixed-Use Project.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree and commit to the following principles, actions and responsibilities:

II. San Francisco Housing Authority

- A. SFHA agrees that the benefits it and Alice Griffith residents may receive in return for the fee transfer of the SFHA Property are:
 - 1. Fee simple ownership of new Candlestick Point parcels for construction of a portion of the Replacement Units, which parcels shall be approved by SFHA, in consultation with the Agency and the City, consistent with the goals of HOPE SF, Proposition G, and the Mixed-Use Project redevelopment program.
 - 2. Construction by Developer of infrastructure required for the Replacement Units, including, but not limited to, roads and transportation amenities, parkland, and utilities, as approved by the City and the Agency.
 - 3. Construction of new affordable housing by the Alice Griffith Developer, which shall be responsible for designing and constructing all of the Replacement Units and securing all required construction and permanent financing for the Replacement Units.
 - 4. Additional construction and permanent gap financing provided by Developer for the Replacement Units in an amount to be determined, but in no case less than the amount required to achieve, at minimum, equality between the fair market value of the SFHA Property and the fair market value of any property transferred to SFHA and the infrastructure constructed for the Replacement Units.

5. Following the close of the low-income housing tax credit compliance period, and subject to the approval of the Affordable Developments' commercial lenders and tax credit investors and any reasonable conditions they require, SFHA shall have an option to acquire the fee interest in the Affordable Developments for a purchase price equal to the greater of (a) the fair market value of the Affordable Developments or (b) the sum of the outstanding indebtedness plus taxes. In addition, SFHA shall have the right of first refusal with respect to the transfer of the Affordable Developments to third parties, assuming a minimum purchase in conformance with the United States Internal Revenue Code that poses no adverse tax consequences to the investors.
- B. SFHA shall approve the final valuation of the Replacement Unit parcels that it will acquire, the value of the infrastructure and other improvements provided by Developer for the Replacement Units, the additional gap funding provided by Developer and any other consideration for property exchange and financing assistance contemplated by this MOU.
- C. Subject to HUD and SFHA approval, the Mixed-Use Project will include construction of a portion of the Replacement Units on Alice Griffith. The Parties intend that SFHA will retain ownership of those parcels and lease them under long-term ground leases (under term(s) to be determined based on financing requirements), with leasehold estates transferred to the Alice Griffith Developer, to enable tax credit and/or tax-exempt bond financing, among other funding sources.
1. Lease values shall be based upon the fair market unimproved value of the land, and SFHA agrees that annual lease payments shall be paid to SFHA from residual receipts in proportion to SFHA's land value and contributions and other residual receipts funding provided for the site(s), as agreed to by the Parties.
- D. If SFHA agrees to move forward with a property exchange and the development of the Replacement Units as contemplated by this MOU, it shall use good faith efforts to obtain all HUD-related approvals required for the transfer of SFHA property and other transactions contemplated by this MOU, including, but not limited to:
1. Submission of one or more Demolition and/or Disposition Applications to HUD's Special Applications Center, in conformance with Section 18 of the Housing Act of 1937, 24 CFR Part 970, and other applicable regulatory provisions related to demolition and/or disposition of SFHA Property;
 2. Compliance with HUD's procurement standards set forth in 24 CFR Part 85, as applicable;
 3. Submission of a Tenant Sale Offer to existing Alice Griffith residents, as may be required by HUD;

4. Creation of a Tenant Relocation Plan, in consultation with the Agency, MOH, Developer, and its community partners, as may be required by HUD, the State of California, and any other public agency;
 5. Participation in the completion of all required environmental review; and
 6. Submission of the HUD Mixed-Finance Proposal(s) and other HUD required mixed-finance applications and documents.
- E. SFHA shall continually manage receipt and application of all HUD operating subsidies at the existing Alice Griffith site. If Replacement Units are completed, through a regulatory and operating agreement to be agreed upon, SFHA shall work together with the Alice Griffith Developer to continue operating subsidy management, whether Annual Contributions or Section 8 subsidies, and shall undertake all actions necessary to ensure their ongoing availability for all Alice Griffith units, whether at the existing Alice Griffith site, or for the Replacement Units constructed on the Replacement Unit parcels.
- F. SFHA intends to provide ongoing management, maintenance and repair of all existing units during the Replacement Units construction period, utilizing SFHA funding for such management.
- G. If the Replacement Units' construction phasing occurs in such a way as to restrict use of existing community rooms or other amenities used to provide services to Alice Griffith residents, SFHA will work with the City and the Agency to provide alternate spaces for the provision of services to Alice Griffith residents until the Replacement Units are fully completed.
- H. If the Mixed-Use Project redevelopment program requires a transfer of a portion of the Alice Griffith site before relocation of existing residents to the Replacement Units, the Developer and SFHA shall endeavor to mutually agree to a lease-back arrangement in which the existing residents will remain on the site after it has been conveyed to the Developer, and to provide necessary access and use of existing Alice Griffith property at no cost to SFHA so long as no residents are displaced.
- I. SFHA shall schedule resident meetings, in consultation with the Parties, to allow community review and input into the proposed redevelopment program for the Replacement Units.
- J. The Agency shall provide, or cause to be provided, predevelopment funding for project-specific costs incurred by SFHA, as agreed to by the Parties in a predevelopment budget.

III. San Francisco Mayor's Office of Housing

- A. MOH acknowledges that Alice Griffith is a HOPE SF site and, as the City agency leading the effort to implement HOPE SF objectives, MOH shall undertake all appropriate actions to facilitate the development of Alice Griffith according to the principles and goals of HOPE SF and Proposition G.
- B. The Parties agree that "community building" activities, including economic development, self-sufficiency and supportive services (collectively, "Community Services"), must be a core part of the revitalization effort in order to support the revitalization of the neighborhood and to assist current and future low-income residents gain self-sufficiency. MOH shall take the lead in implementing measures to ensure that Community Services at Alice Griffith are an integral part of its revitalization, and that members of the Alice Griffith community are included in this effort.
 - 1. MOH shall create, or cause to be created, both short- and long-term service plans specifically for Alice Griffith residents, and shall assume responsibility for coordinating their successful, long-term implementation. MOH shall coordinate with the San Francisco Human Services Agency, San Francisco Department of Children, Youth and Families, and any other appropriate City agency in the creation of these plans, their delivery, and their long-term operation.
- C. MOH shall facilitate the inclusion of Alice Griffith into HOPE SF programmatic communications, including, but not limited to, inclusion of the Alice Griffith development in the HOPE SF Newsletter currently produced by MOH, inclusion in any internet-based information posting any other HOPE SF-related communications, and participation of Alice Griffith residents in the HOPE SF Academy and HOPE SF Youth Leadership Academy programs.
- D. MOH shall create, or cause to be created, with participation of SFHA, a Needs Assessment/Survey of current Alice Griffith residents, including, but not limited to, information regarding household size, unit size, income level, immediate service needs and long-term projected service needs.
- E. MOH shall cooperate with SFHA, the Agency, and OEWD in the pursuit of any federal, state, and local funding that may be available for the Replacement Units' and Affordable Developments' construction.

IV. Office of Economic and Workforce Development

- A. Pursuant to the goals of HOPE SF and Proposition G, and in its role as the City's lead oversight agency for the Mixed-Use Project, OEWD shall provide communication and coordination between the Parties and other City agencies and private parties, as may be required.

1. OEWD coordination shall include, but not be limited to:
 - a. Facilitation of development team meetings for the Mixed-Use Project;
 - b. Facilitation of public meetings regarding broader redevelopment programs and goals at the Project Site;
 - c. Management of public information releases, communication methods and strategies; and
 - d. Discussions and negotiations with Candlestick Point landowners, as may be required.

V. San Francisco Redevelopment Agency

A. The Agency shall provide, or cause to be provided, predevelopment, construction, and permanent gap financing in the form of residual receipts loan(s) for the mixed-income, affordable developments that include the Replacement Units.

1. Such financing shall come from Developer equity required as part of Developer's development agreement with the Agency and/or Tax Increment revenues generated from the Hunters Point Shipyard and/or Candlestick Point and City-wide Affordable Housing Funds, to the extent available, as approved by the Agency.
2. Predevelopment funding shall include, but not be limited to:
 - a. The cost of creating a Survey/Needs Assessment for existing Alice Griffith tenants so that tenants' housing and service needs can be properly addressed.
 - b. The cost of completing a Relocation Plan that satisfies all local, state and federal relocation requirements related to the Replacement Units and demolition and disposition of the SFHA Property consistent with this MOU.

B. The Agency shall provide general project coordination and oversight to help ensure timely completion of critical path construction and financing milestones, including, but not limited to:

1. Assistance in evaluating predevelopment financing needs and potential funding sources.
2. Development of a projected capital budget and schedule for the Replacement Units' construction.

3. Oversight of the construction process as a project lender.
- C. The Agency shall coordinate with the San Francisco Planning Department and the Agency Commission regarding zoning and entitlement requirements and with the Department of Public Works, Public Utilities Commission, and other public agencies as needed regarding site improvement requirements.
 - D. The Agency shall coordinate all additional public approvals required for the Affordable Developments, including, but not limited to approvals of the Bayview Hunters Point Citizens Advisory Committee.
 - E. The Agency shall facilitate communication between the parties to this MOU, as well as communication between the parties to this MOU and the Alice Griffith tenants regarding the Affordable Developments, while acknowledging that MOH shall be the lead party with respect to the provision of Community Services for Alice Griffith tenants, as provided in Section III.B.
 - F. If any portion of the Affordable Developments, as approved by the Parties, is to be developed on Agency-owned land, then the Agency shall contribute the land to the Replacement Units' development program as part of the Agency's overall contribution to the project, for which the Agency shall be reimbursed on a proportional basis through project cash flow.

VI. Cooperation and Expedited Processing

- A. The Parties recognize the importance of citizen input in the planning of the Mixed-Use Project and the location of the existing Alice Griffith property in the Bayview Hunters Point Redevelopment Project Area. To promote community participation and to ensure openness and transparency in the development process, the Parties will consult with Alice Griffith residents and the Bayview Hunters Point Project Area Committee ("PAC") in the planning of the Affordable Developments and Alice Griffith replacement units program, and will update the community on the Affordable Developments' progress through regular presentations before Alice Griffith residents and the PAC.
- B. The Parties agree to cooperate with and assist each other in undertaking all planning efforts to accomplish the proposed transactions contemplated by this MOU in accordance with the goals of HOPE SF and Proposition G, including, but not limited to, tenant and community input and review, as described above. Subject to Paragraph IX below (CEQA and NEPA Review and Process), the Parties shall: (i) process all predevelopment actions reasonably necessary for the proposed construction of the Replacement Units in an effort to move forward in accordance with an agreed-upon schedule that expedites the revitalization efforts contemplated by this MOU; and (ii)

treat the proposed transactions contemplated by this MOU as a priority project, with a need for expeditious processing of planning and decision efforts.

- C. Any and all planning actions or proceedings undertaken by SFHA, the Agency and the City in accordance with this MOU shall be subject to approval as required under applicable laws and regulations, and any future discretionary approvals will be subject to the exercise of discretion by policy makers.

VII. Retention of Discretion

SFHA, the Agency and the City, including their respective boards, commissions, departments, and officials, each shall exercise its sole discretion over all matters relating to the Mixed-Use Project, the SFHA Property, the Replacement Unit parcels and the construction of the Replacement Units over which it has jurisdiction consistent with legal requirements, customary practices, and public health, safety, convenience and welfare, and each shall retain, at all times, its respective authority to take any action under its jurisdiction that is necessary to protect the health, safety, convenience and welfare of the public.

VIII. Working Group

The Parties agree to designate a project manager as a primary point of contact for such agency's work on the transactions contemplated by this MOU, and the Agency shall be responsible for coordinating such work. The Parties further agree to set a regular periodic meeting for coordinating all work and addressing Project issues as they arise.

IX. CEQA and NEPA Review and Process

Any project ultimately proposed by the Parties shall be subject to a process of thorough public review and input and all necessary and appropriate approvals; that process must include environmental review under the California Environmental Quality Act, as amended, ("CEQA"), and the National Environmental Policy Act, as amended, ("NEPA"), before SFHA, the City or the Agency may consider approving the project; the project will require discretionary approvals by a number of government bodies after public hearings and environmental review. Nothing in this MOU commits, or shall be deemed to commit, SFHA, the City, the Agency, or any other public agency to approve or implement any project, and they may not do so until environmental review of the project as required under applicable law has been completed; accordingly, the references to "the Mixed-Use Project" or the "Replacement Units" or the "Affordable Housing Developments" or the like in this MOU shall mean the proposed project subject to future environmental review and consideration by SFHA, the City, the Agency, and other public agencies; further, SFHA, the City, the Agency, and any other public agency with jurisdiction over any part of the proposed project each shall have the absolute discretion before approving the project to: (i) make such modifications to the project as may be necessary to mitigate significant environmental impacts; (ii) select other feasible alternatives to avoid or substantially reduce significant environmental impacts; (iii) require the implementation of specific measures to mitigate any specific impacts of the project; (iv) balance the benefits of the project against any significant environmental impacts

before taking final action if such significant impacts cannot otherwise be avoided; or (v) determine whether or not to proceed with the project.

X. Term

The term of this MOU shall begin on the date it is signed by all of the Parties and shall end on the earlier of (i) the date when the Parties enter into an agreement that, by its terms, terminates this MOU or the date on which the Parties complete the Replacement Units, or (ii) with respect to any party, the date on which such Party delivers written notice of termination of this MOU to the other Parties.

XI. Amendment

The parties acknowledge that this MOU is preliminary in its nature and that as planning for the Replacement Units and Affordable Developments proceeds, the parties may agree to amend this document to further clarify the terms defining the Replacement Units' development.

XII. Third Party Beneficiaries

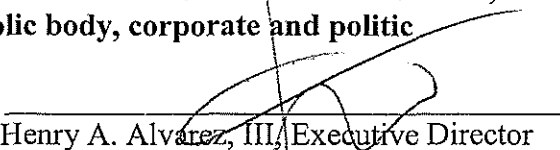
There are no intended third party beneficiaries of this MOU, including but not limited to the Developer or the Alice Griffith Developer.

XIII. Recitals

The recitals above are expressly made a part of this MOU and incorporated herein by this reference.

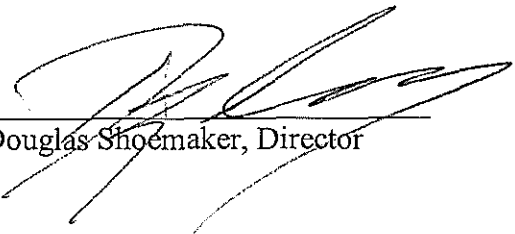
ACCORDINGLY, the Parties have duly executed and delivered this MOU as of the date first set forth above.

**HOUSING AUTHORITY OF THE CITY
AND COUNTY OF SAN FRANCISCO, a
public body, corporate and politic**

By: 
Henry A. Alvarez, III, Executive Director

Authorized by Housing Authority Commission Resolution No. 5501,
adopted July 8, 2010.


SAN FRANCISCO MAYOR'S OFFICE OF HOUSING

By: 
Douglas Shoemaker, Director

**SAN FRANCISCO OFFICE OF ECONOMIC
AND WORKFORCE DEVELOPMENT**

By: 
Michael Cohen, Director

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

By: 
Amy Lee, Deputy Executive Director
Finance and Administration

Handwritten initials and date:
AL
7/26/10

Authorized by Agency Resolution No. 93-2010,
Adopted July 6, 2010.

ATTACHMENT F-3

HOPE SF Principles

[ATTACHED]

**HOPE SF:
REBUILDING PUBLIC HOUSING AND
RESTORING OPPORTUNITY FOR ITS RESIDENTS**

**Summary of Task Force Recommendations to the
Mayor and Board of Supervisors**

March 23, 2007

INTRODUCTION

As a result of chronic underfunding by the federal government, the future of public housing in San Francisco and the nation is at risk. While we firmly believe that the federal government has a responsibility to increase the funding for public housing, San Francisco must take action quickly to ensure no loss of public housing in our city.

In the fall of 2006, Mayor Newsom and Supervisor Maxwell selected a broad-based task force to provide recommendations for addressing the conditions in San Francisco's most distressed public housing while also enhancing the lives of its current residents. This document outlines those recommendations and the Task Force's suggestions for crucial next steps to address these issues.

The Case for Immediate Action

The San Francisco Housing Authority (SFHA) owns and manages approximately 6,400 units of public housing. For the last two decades, funding for public housing has been in steady decline. Over the last six years severe cuts have caused both intense physical distress to housing conditions and serious social and economic consequences for residents.

In 2002, the SFHA commissioned an independent assessment of the physical needs of its properties, which revealed a backlog of immediate needs totaling \$195 million. It also was determined that an average of \$26.6 million per year in additional physical deterioration will occur in SFHA communities if the current problems are not addressed. To put that number in perspective, the federal government only allocates \$16 million per year to the SFHA to address these needs. As a consequence, if action is not taken to address these issues, the total cost over the next 30 years will total an estimated \$800 million.

This distressed public housing puts families, seniors and children at risk. The housing quality issues alone are reason to act. Deferred maintenance coupled with high vacancy rates exacerbate the security issues for residents and neighbors. Older housing is more likely to contribute to environmental health issues like asthma

From a quality of life perspective, the level of concentrated poverty that characterizes the current living conditions at many of these sites has been shown to hurt neighborhood vitality and limit educational and employment opportunities for children and families.

On a basic financial level, the City has an economic need to fix distressed public housing because the cost to maintain the current stock exceeds what is available. Simply paying for annual maintenance on SFHA properties will cost nearly \$10 million more per year than the SFHA receives from HUD. Finally, diverting money to fix highly distressed buildings makes it harder to keep decent buildings in good shape.

On a human level, we have a moral obligation to improve the living conditions within public housing and to create a climate that provides greater economic opportunity and more supportive family environments. And the commitment must be to both current and future residents.

Over the last decade, San Francisco has taken steps to address this situation. In partnership with private and non-profit developers, the SFHA revitalized six public housing communities in North Beach, the Mission District, and Hayes Valley. Using federal funding made available through the Department of Housing and Urban Development's HOPE VI program, SFHA has leveraged hundreds of millions of dollars in related public and private investments. All of these developments feature a mix of incomes and architecture that fits into the surrounding neighborhood.

Cuts to the HOPE VI program have severely limited local access to funds for public housing revitalization and created the necessity to find creative financial and programmatic solutions to the physical and social issues that currently exist.

Opportunity to Make Positive Change

In response to these conditions, the SFHA has done a strategic assessment of their long-term financial needs, revenues, and assets. As part of that analysis, the SFHA identified eight highly distressed public housing sites that are significantly less developed than their surrounding communities. These sites were developed in the 1940s and 1950s and the buildings are now falling apart.

The opportunity exists to rebuild these low-density public-housing sites as mixed-income communities at a scale similar to typical San Francisco neighborhoods and without displacing current residents. In practical terms, we can rebuild all 2,500 of the existing distressed and antiquated public housing units and add as many as 3,500 new market-rate and affordable homes.

In order to assess the viability of this approach, the Mayor and Board of Supervisors created the HOPE SF Task Force. The next section highlights the Task Force's recommended vision, principles, and funding scenarios.

TASK FORCE RECOMMENDATIONS: VISION, PRINCIPLES, AND FUNDING

The HOPE SF task force was charged with the development of recommendations on two fronts: The vision and principles that should drive the initiative and the menu of strategies for funding. Below is a summary of the group's recommendations.

HOPE SF Vision Statement:

Rebuild our most distressed public housing sites, while increasing affordable housing and ownership opportunities, and improving the quality of life for existing residents and the surrounding communities.

HOPE SF Principles:

1. Ensure No Loss of Public Housing:

- One for One Replacement Public Housing Units
- Make Every Unit Modern and of High Quality
- Commit to Minimize Displacement of Existing Residents
- Phase the Rebuilding of the Sites
- Emphasize On-Site Relocation

2. Create an Economically Integrated Community:

- Build a housing ladder that includes:
 - Public Housing
 - Affordable Housing
 - Market Rate Housing
- Emphasis on the Priority Needs for Family Housing

3. Maximize the Creation of New Affordable Housing:

- In addition to one for one replacement of public housing, create as much affordable rental and ownership housing as possible on the sites
- Fund the rebuilding of the public housing using profits from the market-rate housing

4. Involve Residents in the Highest Levels of Participation in Entire Project:

- Resident Engagement in Planning and Implementation
- Develop Mechanisms for Residents to Engage in the Process
- Resident-Driven Occupancy Criteria

5. Provide Economic Opportunities Through the Rebuilding Process:

- Connect Appropriate Job Training and Service Strategies such as CityBuild and Communities of Opportunity to the Development Process
- Create Viable Employment Opportunities (Jobs) for Existing Residents through the Development Process
- Take Advantage of Contracting Opportunities:
 - Existing Residents
 - Local Entrepreneurs
 - Small and Disadvantage Businesses

6. Integrate Process with Neighborhood Improvement Plans:

- School Improvement and Reform
- Parks Improvements
- Improved Transportation
- Enhanced Public Safety
- Neighborhood Economic Development

7. Create Environmentally Sustainable and Accessible Communities:

- Incorporate Green Building Principles
- Include Design Elements that Meet Long-Term Accessibility Needs

8. Build a Strong Sense of Community:

- Solicit Input from Entire Community in Planning and Development Process
- Include Current and Prospective Residents
- Reach Out to and Engage Neighbors

HOPE SF Funding Needs

The SFHA, the San Francisco Mayor’s Office of Housing and the San Francisco Redevelopment Agency have analyzed this rebuilding opportunity to determine the financial feasibility of the approach outlined by the Task Force. Below are the assumptions and resulting cost projects and financing gaps.

Key Financial Assumptions:

- All of the public housing would be rebuilt on-site;
- Rebuilding would occur in phases so that relocation could occur on-site;
- Market-rate housing would cross-subsidize the rebuilding of the public housing;
- The developments would be rebuilt to 40 units per acre or more depending on the density of the surrounding neighborhood; and
- The final mix of housing on the sites would be approximately 40% public housing, 40% market-rate and 20% affordable rental and ownership housing

To provide an example, using these assumptions, the estimated total development cost for Hunters View is \$300 million. By using cross-subsidies, leveraging State and Federal funding sources, and borrowing against the project’s future rents and sales income, the project can finance approximately \$250 million of its total cost. The remaining \$50 million is the local funding gap.

Below is a list of the eight most distressed developments and an estimate of the financing gap for each development based on the mixed-income scenario described above.

SFHA Development	Current # of SFHA units	Public Housing Gap (millions)	Affordable Housing Gap (millions)
Hunters View	267	\$30	\$20
Potrero Annex and Terrace	628	\$60	\$30
Sunnydale	767	\$90	\$60
Westbrook Apts.	306	\$30	\$20
Hunter's Pt	133	\$10	\$20
Westside Courts	136	\$25	\$10
Alice Griffith	256	\$25	\$20
Total	2493	\$270	\$180

TASK FORCE RECOMMENDATIONS: KEY NEXT STEPS

1. Expand the outreach and education process with public housing residents and other stakeholders.

- A. One of the core principles of the HOPE SF Task Force is the early and authentic involvement of residents in every step of the process. This involvement starts with a need to aggressively reach out to current public housing residents to inform them on the Task Force's recommendations, the benefits of the HOPE SF program, and possible funding scenarios.

There are strong and legitimate concerns among current residents about displacement and gentrification that could be associated with this project. While the Task Force has taken great care in developing principles for HOPE SF to address these concerns, rumors and myths dominate much of the current discourse regarding the rebuilding of public housing because not enough information is being provided on a consistent and timely basis. **The Task Force recommends the formation of outreach teams that are comprised of residents, city staff, and policy or issue experts to conduct outreach and hold meetings on HOPE SF.**

- B. Another important part of the public education and engagement process involves other community stakeholders. For both the development process and the community building goals to be successful, HOPE SF needs to engage beyond the boundaries of the public housing sites. As a first step, HOPE SF should create a set of materials that speak to a variety of target audiences – public housing residents, neighborhood residents, developers, businesses, and potential funders. These materials should be tailored for each audience so that we are explaining HOPE SF in terms most relevant to the groups involved.

2. Seek \$100 to \$200 million in new local funding for an aggressive first phase of HOPE SF.

- A. The Task Force recommends that the City and the San Francisco Housing Authority rebuild all of the distressed sites along the principles outlined above. Since it may not be possible to secure all of this funding at once, the Task Force proposes that the City seek at least \$100--\$200 million in new local funding for the first phase of HOPE SF. The Task Force further recommends that this funding be allocated for the following purposes:

- 2/3 of the funding should go to rebuild public housing (900-2000 units)
- 1/3 should fund modernization of other public housing sites (300-500 units) and new affordable homeownership and rental housing on the HOPE SF sites (200-400 units)

- B. The Task Force recommends that the City and the SFHA provide funding specifically for those SFHA sites with significant resident support and engagement. As such, the Task Force is not endorsing the redevelopment of any specific site as part of this funding. Once funding is identified for revitalization, there needs to be a thorough community process for individual SFHA sites as part of any funding decisions. Ultimately, HOPE SF should fund those sites with resident-endorsed development plans.
- C. The Task Force recommends a thorough analysis of the feasibility of the various funding options for securing this funding, including the possibility of a General Obligation bond. In light of the high bar that is set for the passage of a General Obligation Bond (66.66% for approval), the Task Force recommends polling and other methods to determine its feasibility. The feasibility assessment should also include outreach to elected officials, community members, commissions and civic groups to explain the vision and to develop their support for funding. Finally, the Task Force recommends that the Mayor and Board of Supervisors work together to pursue any and all funding opportunities including bonds, appropriations, special grants or any other mechanism that would assist in the rebuilding process.
- D. The Task Force also recommends that the City and San Francisco Housing Authority ultimately seek additional funds in the future to rebuild the remaining HOPE SF sites. While it may not be politically or financially possible to rebuild all sites immediately, the ultimate goal of the Task Force is that all of the distressed sites have the opportunity for revitalization funding.

3. **Secure funding for services, outreach, job training and school improvement independently of individual project financing.**

The Task Force has identified a number of key community concerns that need to be addressed either during or before the decision to rebuild any individual site. For example, outreach and engagement are clearly activities that need to come before a developer has been selected for redevelopment of a site. In the past, the San Francisco Redevelopment Agency has provided “Resident Capacity grants” to residents of properties at risk of losing their HUD subsidies. These grants provided residents with the ability to hire a development consultant and legal counsel to assist them in their decision making process. **The Task Force strongly believes that the success of HOPE SF depends on an informed and organized base of residents.**

Once the decision has been made to rebuild a site, job training and other services need to be in place so that residents are trained in advance of any construction work on a site. School improvement is also a long-term process that can’t be effectively pursued in reaction to a site development timeline. With this in mind, funding for these efforts should be pursued independently of projects in order for cases these activities to precede HOPE SF redevelopment. Ultimately HOPE SF will be judged by how the lives of public housing residents are affected by the overall community building process.

Public Housing Task Force members

Kevin Blackwell, San Francisco Safety Network
René Cazenave, Council of Community Housing Organizations (CCHO)
Gordon Chin, Chinatown Community Development Corporation (Norman Fong, alternate)
Gene Coleman, civic leader
Francee Covington, Commissioner, San Francisco Redevelopment Agency
Mark Dunlop, Commissioner, Human Rights Commission
Gen Fujioka, Asian Law Caucus
James Head, San Francisco Foundation
Aileen Hernandez, civic leader
Kenneth Johnson, resident, San Francisco Housing Authority
Sarah Karlinsky, San Francisco Planning and Urban Research
Angelo King, Chair, Bayview Project Area Committee (SFRA)
Brenda Kittrell, resident, San Francisco Housing Authority
Eddie Kittrell, resident, San Francisco Housing Authority
Millard Larkin, San Francisco Housing Authority Commission
Jim Lazarus, San Francisco Chamber of Commerce
David Lipsetz, Oakland Housing Authority
NTanya Lee, Coleman Advocates for Youth and their Families
Cynthia Morse, resident, San Francisco Housing Authority
Brad Paul, Evelyn and Walter Haas, Jr. Foundation
Reverend Calvin Jones, Providence Baptist Church
Mirian Saez, Treasure Island Development Authority
Lavelle Shaw, resident, San Francisco Housing Authority
Sara Shortt, Housing Rights Committee
Dorothy Smith, resident, San Francisco Housing Authority
Michael Theriault, San Francisco Building and Trades Council
Brook Turner, Coalition for Better Housing

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Barbara Smith, San Francisco Housing Authority
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