



office of

COMMUNITY INVESTMENT
and INFRASTRUCTURE

118-0012018-002

Agenda Item **No. 5(c)**
Meeting of August 7, 2018

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Executive Director

SUBJECT: Authorizing an Exclusive Negotiations Agreement and a Predevelopment Loan Agreement in an amount not to exceed \$4,000,000, with Shipyard 5254, L.P., a California Limited Partnership, for the development of approximately 100 affordable family rental housing units (including one manager's unit) at Hunters Point Shipyard Phase 1 Blocks 52 & 54; and adopting environmental review findings pursuant to the California Environmental Quality Act; Hunters Point Shipyard Redevelopment Project Area

EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure is implementing the affordable housing program in Phase 1 of the Hunters Point Shipyard Redevelopment Plan area ("Hunters Point Shipyard" or "HPS"). On March 20, 2018, the Commission on Community Investment and Infrastructure ("Commission") passed Resolution No. 7-2018, which approved the selection of McCormack Baron Salazar ("MBS") and Bayview Hunters Point Multipurpose Senior Services ("BHPMSS" collectively "Developer") as co-developers, Mithun | Solomon as architect, and the John Stewart Company as property manager. The proposed development will include approximately 100 affordable rental housing units (including one manager's unit) for very low income households at Hunters Point Shipyard Phase 1 Blocks 52 and 54 (the "Project"). The two Agency Lots are separated from each other by one existing market-rate development block (Block 53). However, by combining Blocks 52 and 54 into one project, OCII seeks to allow for greater operational and financial feasibility as well as to develop each of the blocks simultaneously and more quickly produce affordable housing units in furtherance of the late Mayor Lee's Executive Directive to expedite the delivery of housing in the City.

On June 15, 2018, the Citywide Affordable Housing Loan Committee considered and approved a loan request of \$4 million for predevelopment activities for the Project. The Developer is now seeking to enter into an Exclusive Negotiations Agreement and Predevelopment Loan Agreement in order to commence predevelopment activities.

London N. Breed
MAYOR

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EXECUTIVE DIRECTOR

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CHAIR

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Staff recommends entering into an Exclusive Negotiations Agreement and Predevelopment Loan Agreement in order to commence predevelopment activities.

DISCUSSION

Project Area Background

The Hunters Point Shipyard and Candlestick Point together form approximately 780 acres along the southeastern waterfront of San Francisco. The San Francisco Board of Supervisors originally adopted the HPS Redevelopment Plan in 1997 and amended it and the Bayview Hunters Point Redevelopment Plan (which covers Candlestick Point) in 2010 to provide for the integrated planning and development of the HPS and Candlestick Point. Properties within the Hunters Point Shipyard transfer from the U.S. Department of the Navy (the "Navy") to OCII after any necessary environmental remediation and a subsequent determination from federal, state and local regulators that the property is safe for its intended purpose. Phase 1 is located on Parcel A formerly owned by the Navy, and was for residential use and not used by the Navy for active military purposes. Parcel A did not require environmental remediation and was determined safe for development, and was transferred from the Navy to the former Redevelopment Agency in 2004.

The Phase 1 Disposition and Development Agreement, dated December 2003 ("Phase 1 DDA") between OCII and master developer, HPS Development Co, LP ("Master Developer" or "HPS Dev Co" an affiliate entity of Lennar Urban), implements the development on the Hilltop and Hillside areas of Phase 1 (described in more detail below). The Phase 1 DDA has been amended six times since its approval in 2003.

The Phase 1 development program includes the construction of infrastructure, 26 acres of parks and open space, and will include up to 1,428 housing units, of which a minimum of 27 percent and a maximum of 40 percent will be affordable. Phase 1 is divided into two areas, the Hilltop and Hillside, and the Blocks 52/54 Project is located on the Hilltop. Under the Phase 1 DDA, HPS Dev Co has built 439 units including 40 inclusionary units within market rate buildings across multiple blocks, and another 59 inclusionary units in a 100% affordable project on Block 49 (350 Friedell). Another 66 units including 3 inclusionary units are under construction. HPS Dev Co has built 47% of the infrastructure including 12 acres of park space and 40% of the roadways (which represents all of the necessary infrastructure for the Hilltop). OCII has not yet funded any stand-alone affordable housing, but will seek development teams and provide financing for a minimum of 218 units on designated stand-alone affordable housing sites ("Agency Lots") in Phase 1, including Blocks 52 and 54.

HPS Phase 1, Blocks 52/54 Affordable Housing RFP Summary

On September 21, 2017, OCII released an RFP offering two Agency Lots for development (two of the OCII stand-alone 100% affordable sites); this will be the first OCII-funded affordable housing developed on Agency Lots in Phase 1. Block 52 is bounded by Friedell Street to the northwest, Kirkwood Avenue to the southwest, Jerrold Avenue to the northeast, and currently, the private market-rate parcel to the southeast. See Attachment A. The adjacent market-rate developer is requesting to realign the mid-block break within Block 52 (Avocet Way) to the northwest of its current location (i.e., towards the OCII parcel). Under this proposal, the realigned Avocet Way would form the southeast property boundary of OCII's parcel on Block 52, and shift the current property boundary of the OCII-owned parcel approximately 26 feet to the southeast. This would add approximately 5,000 square-feet, resulting in a parcel of approximately 20,500 square feet. Block 54 is an approximately 19,660 square foot site

bounded by Friedell Street to the northwest, Innes Avenue to the southwest, Hudson Avenue to the northeast, and Avocet Way to the southeast. See Attachment A.

Extensive notification of the RFP was provided to community groups, developers, contractors (including Small Business Enterprises and minority- and woman-owned contractors), other community stakeholders through OCII's Citizens Advisory Committees email lists, Mayor's Office of Housing and Community Development's ("MOHCD") RFP/RFQ interest email list and newspaper advertising. The RFP was also available on OCII's website.

OCII received three complete submittals in response to the RFP. On March 20, 2018, the Commission approved the selection of the team led by MBS and BHPMSS as co-developers with Mithun | Solomon as architect and the John Stewart Company as property manager; the evaluation process is described in greater detail in the commission memorandum of the same date.

Upon completion of these projects, OCII's assets related to the sites will be transferred to MOHCD, which is the designated Housing Successor Agency under Dissolution Law. MOHCD reviewed the RFP, and participated on the evaluation panel, and will review on the Project's financial underwriting, funding, and disposition documents in order to ensure a smooth transition to MOHCD at project completion.

HPS Phase 1, Blocks 52/54 Program Overview

The Project will be comprised of a mix of one-, two-, three-, four- and five-bedroom units for very low income families earning up to 50% of the Area Median Income, as defined by the Mayor's Office of Housing and Community Development ("AMI"). Up to 30% of units will also be set aside for families earning up to 30% and 40% of AMI. Two (2) units will be set aside as Family Childcare Units and Project residents will have a first preference for those childcare slots. Community and management spaces are clustered in the larger Block 52, however Block 54 will also have shared courtyard and lounge spaces for its residents.

Concept Design

Block 52

A total of 56 units are provided in the Block 52 design, ranging in size from 1-bedroom to 5-bedroom units. A ground floor parking area within the building podium includes 33 parking spaces. A bike parking room is also included in the garage parking area with space for 36 bikes. Four- and 5-bedroom units face the courtyards with three of the units immediately adjacent to open space enabling young children to play within sight from their dwellings.

Block 52's community spaces will serve residents of both Block 52 and 54, and will animate the Friedell Street frontage and forecourt. The larger area on the north side of the court will house a community room with kitchen, a fitness room, the desk clerk, administrative offices and a small conference room. On the south side of the forecourt will be a teen room and tenant service offices. The remaining ground floor space at the northeast corner of the site will include a three-bedroom unit, accessed from both the forecourt and a stoop on Friedell Street. The front half of the forecourt at grade is open to the street and the rear portion is secured by a glass fence and gate. Circulation spaces behind the security fence are covered open-air galleries. There is no security fence at the front property-line, making the majority of the landscaped forecourt a fully accessible extension of the public realm.

The landscaped forecourt at grade joins the second floor podium garden and a fourth-floor roof terrace to give a lush sense of green space cascading down through the site to the street. The street-level forecourt also provides the potential for bio-retention planting. The fourth-floor courtyard provides a communal dining and gathering space

for residents within a garden setting. In the south courtyard, an informal children's play space is provided adjacent to the laundry facility, helping to activate both spaces as a family hub. The fourth floor courtyard takes advantage of strong solar exposure to create a garden with planting that provides year-round color and textural interest. Seating is nestled within the garden to encourage informal program among residents.

Block 54

A total of 44 units are provided in the Block 54 design, ranging in size from 1-bedroom to 5-bedroom units. A ground floor parking area within the building podium includes 27 parking spaces along with a bike parking room featuring parking space for 24 bikes.

Block 54 is a simple U-shape around a two-level courtyard, partially at grade and partially over a parking podium. Similar to Lot 52, visually linked green spaces on building roof terraces are visible from the forecourt. Similar to Lot 52, security barriers for the Lot 54 design are located to enable the majority of the landscaped forecourt to be an accessible extension of the public realm off of Friedell Street. Security is controlled at the lobby door to the south of the forecourt and at a gate located at the top of the grand stairs linking the street court with the 2nd floor podium terraces.

The landscaped street level courtyard includes an exterior stair that moves residents up into the private second level courtyard. The second floor podium terrace has a vine covered trellis with vines planted at grade also covering the parking podium. This space provides exterior circulation between the two U's of the building mass and incorporates flow-thru stormwater planting and a grand bench along the side of the space. The fifth level roof terrace repeats the trellis motif at the second level introducing additional open space, with perimeter buffer planting and seating.

Marketing and Leasing Preferences

All units will be restricted and affordable to households earning no more than 50% of the Area Median Income as defined by MOHCD. Occupancy priorities will follow the HPS Redevelopment Plan and the Phase 1 DDA, as follows: 1) Hunters Point Certificate of Preference Holders; 2) other Certificate of Preference Holders; 3) 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); 4) Displaced Tenant Housing Preference ("DTHP") certificate holders; 5) San Francisco residents or workers; and 6) members of the general public.

Predevelopment Loan

On June 15, 2018, the Citywide Affordable Housing Loan Committee approved a \$4,000,000 predevelopment loan request to commence predevelopment activities. Predevelopment activities include architect fees to develop the design through to construction drawings (to project entitlements), along with survey and engineering work, legal costs, due diligence studies, and developer fee.

The predevelopment loan terms include:

- 3% simple interest rate
- Earlier of 3-year term or start of construction
- Predevelopment loan converts to permanent loan at OCII construction loan closing, subject to future Commission approval

Additionally, the Developer will comply with the Bayview Hunters Point Employment and Contracting Policy, OCII Small Business Enterprise and Equal Opportunity policies and a maximum developer fee amount of \$500,000 will be available to the Developer during the predevelopment period.

A more thorough evaluation of the predevelopment funding request can be found in the attached Citywide Loan Committee Loan Evaluation (the "Loan Evaluation"; Attachment B). In particular, the Loan Evaluation includes several loan conditions to assist the Developer in achieving its due diligence during the ENA period. Specifically, staff is requesting the following:

1. Developer will assign a primary Project Manager no later than July 31, 2018.
2. Developer will evaluate the likelihood of securing AHSC funds and will work with OCII staff to determine the most appropriate financial plan with the goal of maximizing debt and minimizing OCII subsidy. Developer must include an analysis of the use of state tax credits for the Project. Developer will provide an analysis of potential sources and strategies (such as increasing Developer Fee consistent with MOHCD policy to increase equity to the Project) and provide a revised recommended financing plan by January 11, 2019.
3. Developer will work with OCII and MOHCD to evaluate costs and propose cost containment strategies as part of the schematic design submittal and throughout the design phase of the Project.
4. During the predevelopment period the Developer will refine the services plan and budget and provide an updated preliminary plan and budget consistent with the RFP response and anticipated resident needs to OCII staff by January 11, 2019.
5. Developer and architect will work to bring the unit size averages to within the preferred range during the predevelopment period.
6. Developer will work with OCII and MOHCD staff to establish an architecture and engineering fee that complies with current MOHCD standards and policy.
7. Developer will conduct ongoing outreach to the Hunters Point Shipyard community to solicit input, address concerns, and educate community members on various aspects of the project.

The Project's current estimated hard costs of \$645,772 per unit, compare well with recent MOHCD and OCII projects on a per bedroom and per square foot basis, and are relatively high on a per unit basis due to the larger unit sizes. A somewhat higher per unit cost may be warranted for this Project as it is comprised of two separate, non-contiguous buildings therefore it does not benefit from the same economies of scale as other similarly-sized projects do. The Developer will work with OCII during the predevelopment process to ensure the most efficient building design and costs. As such condition #3, above, will be closely adhered to during the predevelopment stage and OCII staff will work closely with the Developer team to continue to refine the design of the project and contain costs. See Attachment C for the Predevelopment Loan Agreement.

Exclusive Negotiations Agreement ("ENA")

The ENA enables the Developer to pursue predevelopment activities leading to the execution of a long-term ground lease for Blocks 52 and 54. Per the ENA, the Developer has paid to OCII the cash sum of One Thousand Dollars (\$1,000) as an earnest money deposit. An additional \$9,000 will be due to OCII at the time of the execution of the ENA. The total \$10,000 is considered the Performance Deposit, which will be held by OCII until construction completion. The term of the ENA is through January 17, 2020. The ENA allows for extension up to a maximum of 12 months to be approved by the Executive Director in the event the project incurs unexpected delays or must apply

for a later state funding round to maximize competitiveness for those funds (as further described in the Project Schedule section below). The ENA further defines a series of milestones that will result in the execution of a ground lease for the Site between OCII and the Developer ("Ground Lease"), subject to Commission approval. It also authorizes the OCII Executive Director to enter into an option to ground lease for the Site, a form of which is attached to the ENA Milestones include:

- submission of a preliminary financing plan which is acceptable to OCII;
- submission of schematic design drawings acceptable to OCII;
- identification of a general contractor and obtaining a cost estimate based on the schematic design acceptable to OCII; and,
- submission of design development documents and cost estimates.

The ENA is included with this memorandum as Attachment D.

Equal Opportunity Program and Compliance with OCII Policies

The Developer shall comply with the Bayview Hunters Point Employment and Contracting Policy, OCII's Nondiscrimination in Contracts, Minimum Compensation and Health Care Accountability policies and will work closely with contract compliance staff to comply with the Small Business Enterprise ("SBE") Program on this development.

During the construction phase of this project, the Developer is committed to meeting OCII's requirements and goals which include the 50% SBE construction subcontracting participation goal, payment of prevailing wages and the 50% local construction workforce hiring goal. In its competitive selection of a general contractor, the Developer will evaluate the possibility, to the extent practicable and economically feasible, of requiring a joint venture or similar partnership opportunity between the general contractor and an OCII-recognized SBE contractor looking to building capacity.

Community Outreach

Staff presented the RFP to the CAC Housing Subcommittee and to the full CAC in July and August 2017. In September 2017, staff convened an informational meeting about the RFP for Hilltop homeowners. Staff presented an update on the selection process to the CAC Housing Subcommittee in January 2018 and presented the developer selection recommendation to the full CAC in February 2018. The CAC voted to recommend that Commission select the MBS/BHPMSS team to develop Blocks 52/54. Once complete, Staff and the Developer will present the schematic design to the CAC for recommendation of approval to the OCII Commission. Staff and the selected development team will ensure outreach is provided to HPS Phase 1 neighbors and the broader HPS and BHVP community to inform them of any relevant CAC meetings discussing this Project.

Insurance Update

Recently OCII updated its insurance requirements to require prime design members of development teams to carry \$4,000,000 in professional liability insurance from the previous \$2,000,000 requirement. Prime design members includes associate architects and most project engineers. These contractors typically represent most of the SBE participation in our projects. Most of our SBEs do not currently carry this level of insurance as they have smaller portfolios than non-SBEs and no other funders, including the City, require it (of a sample size of 40 SBEs working or bidding on 2 of our projects, only 4 carried this level of insurance, no SBE associate architects carried this level of coverage). In order to implement the new requirements developers could either not select SBEs or OCII could pay the entire delta between the standard \$2,000,000 in professional liability coverage and OCII's \$4,000,000

requirement for the prime design members. Because this coverage cannot be obtained per occurrence and because no other public or private funders require this level of insurance, OCII would bear the entire cost of the added coverage for the portfolios of the prime design members, not just OCII projects. The delta alone would cost OCII about \$500,000 per project at a time when controlling cost is integral to the feasibility of our projects. OCII's insurance broker has recommended an alternative approach: rather than require that OCII-funded projects carry the increased professional liability coverage, to mitigate any added risk, OCII could increase its general liability coverage from \$10,000,000 to \$25,000,000 at a cost of \$30,000 to \$100,000. OCII's general liability policy expires in September 2018. Prior to that OCII staff will bring an update to proposed insurance requirements to Commission that allows OCII projects to maintain \$2,000,000 in professional liability insurance, while increasing OCII's general liability coverage. Staff proposes that in anticipation of this action, the HPS Block 52/54 Project be allowed to require \$2,000,000 in professional liability insurance. It is critical at this stage of predevelopment that the lower insurance requirement be in place as the development team is currently soliciting the prime design members.

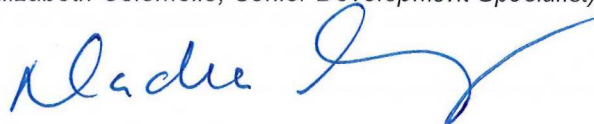
CALIFORNIA ENVIRONMENTAL QUALITY ACT

The San Francisco Redevelopment Agency Commission and the San Francisco Planning Commission adopted California Environmental Quality Act ("CEQA") findings and statements of overriding considerations upon certifying Final Environmental Impact Reports for Phase 1 of the Hunters Point Shipyard project ("Phase 1 EIR") in 2000 and the Candlestick Point Hunters Point Shipyard Phase 2 project ("Phase 2 EIR") in 2010. OCII staff has reviewed the Blocks 52/54 Exclusive Negotiations Agreement and Predevelopment Loan Documents and has found them to be to be within the scope of the Project analyzed in the Phase 1 EIR and its subsequent addenda. Staff recommends that the Commission adopt environmental findings requiring no additional environmental review beyond the Phase 1 and Phase 2 EIRs, and their addenda, pursuant to State CEQA Guidelines Sections 15180, 15162, 15163, and 15164.

Project Schedule and Next Steps

Per the ENA milestone schedule, a preliminary recommended financing plan will be submitted to OCII by January 2019. Going forward, a general contractor will be selected and schematic designs and a cost estimate will be submitted by October 2018. Staff expects to return to the Commission for schematic design approval in the Spring of 2019, and design development documents are expected by Summer 2019. Staff will return to Commission in Fall 2019 to seek approval for a permanent gap loan. Construction start is currently estimated for Spring 2020 and completion in Spring 2022.

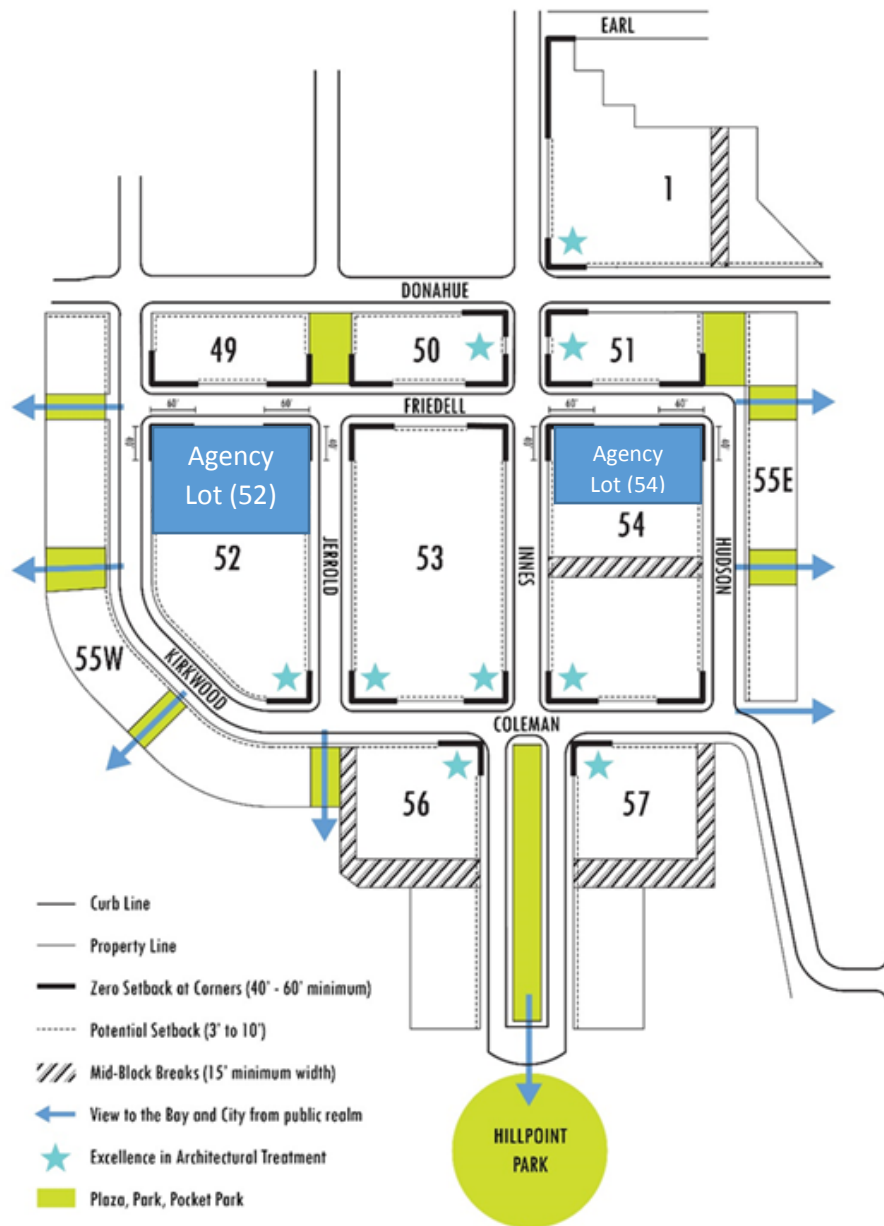
(Originated by Elizabeth Colomello, Senior Development Specialist)



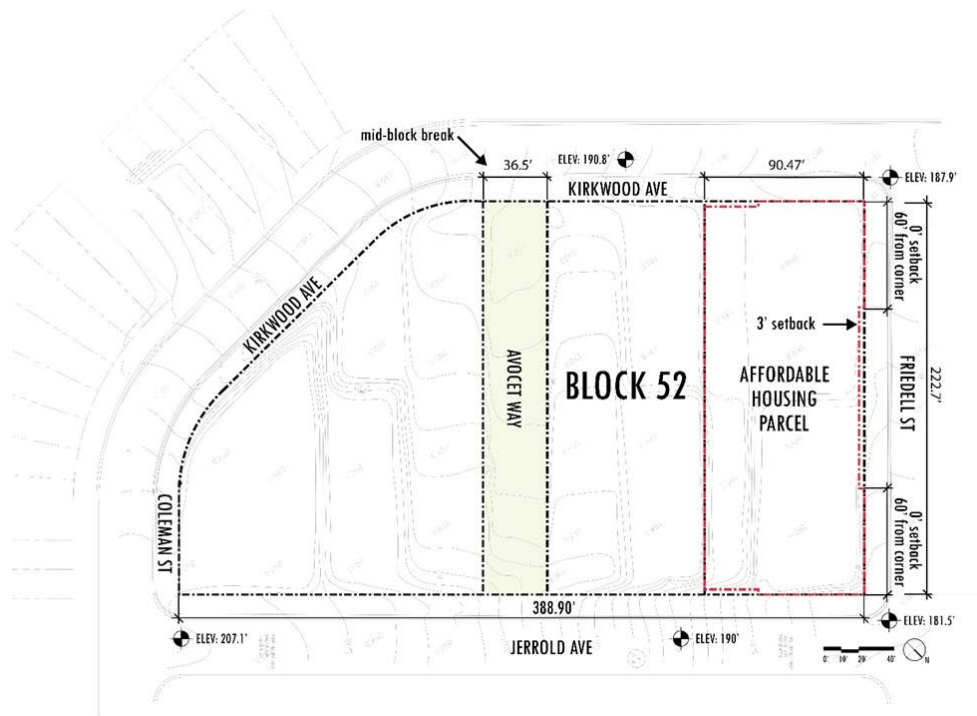
Nadia Sesay
Executive Director

- Attachment A: Location Map
- Attachment B: Loan Evaluation – June 15, 2018
- Attachment C: Predevelopment Loan Agreement
- Attachment D: Exclusive Negotiations Agreement

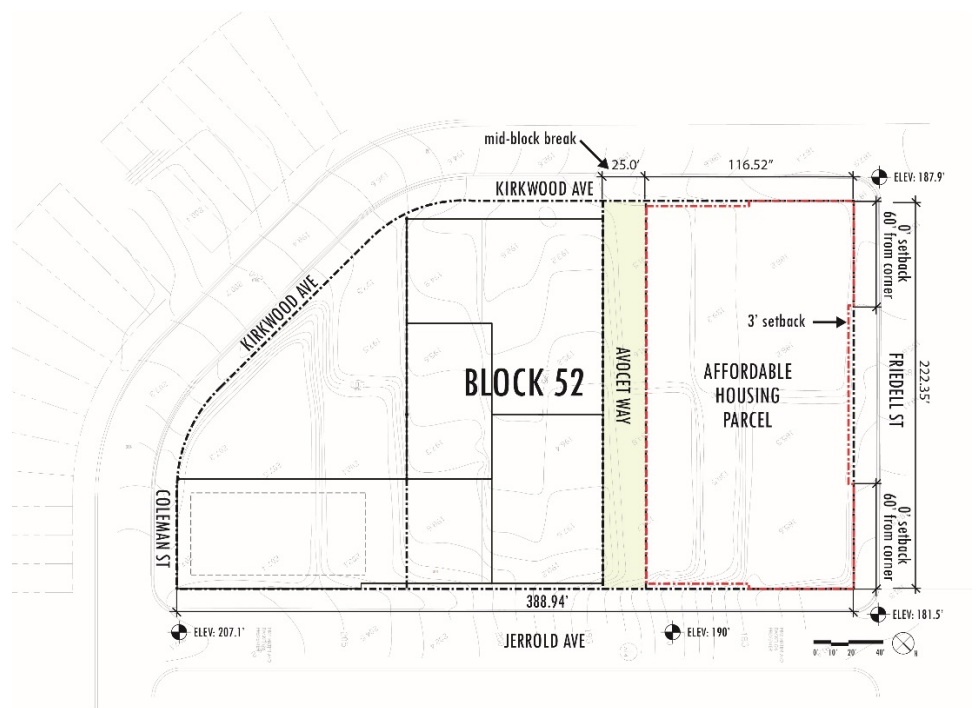
Hunters Point Shipyard Phase 1 Hilltop Parcels



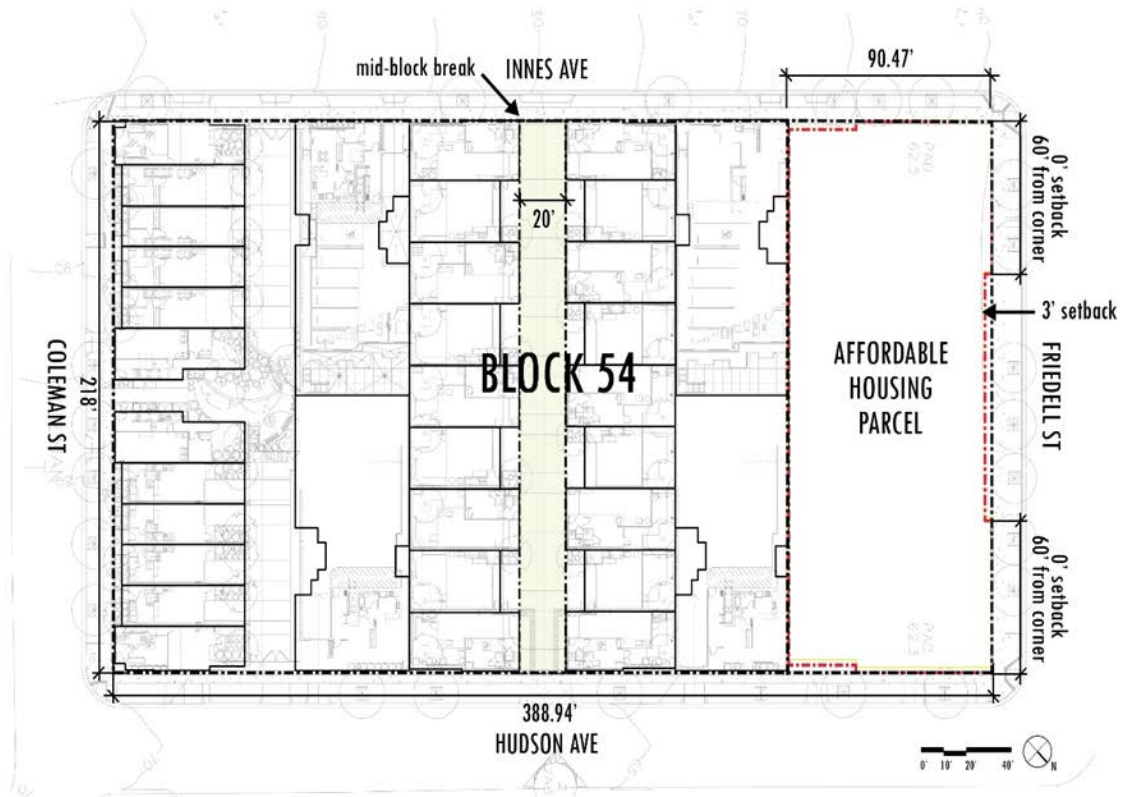
Block 52 Pre-Avocet Realignment



Block 52 Anticipated Avocet Realignment



Block 54



Citywide Affordable Housing Loan Committee

San Francisco Mayor's Office of Housing and Community Development
Department of Homelessness and Supportive Housing
Office of Community Investment and Infrastructure

Hunters Point Shipyard Phase 1 Blocks 52 & 54 \$4,000,000 Funding Amount Predevelopment

Evaluation of Request for:	Funding
Loan Committee Date:	June 15, 2018
Prepared By:	Elizabeth Colomello
FY 17/18 ROPS Line	395
Source of Funds Recommended:	Bond Proceeds
NOFA/PROGRAM/RFP:	RFP
Total Previous City Funds Committed:	\$0
Applicant/Sponsor Name:	McCormack Baron Salazar ("MBS") and Bayview Hunters Point Multipurpose Senior Services ("BHPMSS")

EXECUTIVE SUMMARY

Sponsor Information:

Project Name:	HPS Blocks 52 & 54	Sponsor(s):	MBS & BHPMSS
Project Address (w/ cross St):	351 & 151 Friedell St., 94124	Ultimate Borrower Entity:	TBD

Project Summary:

Hunters Point Shipyard (“HPS”) Blocks 52 & 54 (“Blocks 52/54” or the “Project”) will include approximately 100 one to five bedroom units serving households between 30% and 50% of AMI on two blocks in the Hunters Point Shipyard. On September 21, 2017, OCII released a Request for Proposals (“RFP”) offering Blocks 52/54 for development. On March 6, 2018, the OCII Commission selected MBS and BHPMSS as co-developers (together the “Developer”) for the Project. The Project will be located in the Hilltop neighborhood of HPS Phase I in the HPS Redevelopment Area. The Project represents approximately 100 of 218 units on 5 parcels to be funded by OCII. The Project fulfills the goals of the HPS Redevelopment Plan and the City’s Consolidated Plan. The Developer is currently seeking a predevelopment loan from OCII to begin design and planning for the Project.

Project Description:

Construction Type:	Type III wood-frame construction over a Type I concrete podium	Project Type:	New Construction
Number of Stories:	Both Blocks: 5 (4 over podium)	Lot Size (acres and sf):	Block 52: 25,100 sqft, .58 acres Block 54: 19,660 sqft, .45 acres
Number of Units:	Block 52: 56 units/Block 54: 44 units/Total: 100 units	Architect:	Mithun Solomon
Total Residential Area:	100,285 sf	General Contractor:	TBD
Total Commercial Area:	NA	Property Manager:	John Stewart Company
Total Building Area:	161,082 sf	Supervisor and District:	Supervisor Cohen. D 10
Land Owner:	OCII		
Total Development Cost (TDC):	\$76,388,100	Total Acquisition Cost:	\$0
TDC/unit:	\$763,881	TDC less land cost/unit:	\$763,881
Loan Amount Requested:	\$4,000,000	Request Amount / unit:	\$40,000
HOME Funds?	N		

PRINCIPAL DEVELOPMENT ISSUES

- **Development Costs and Per Unit subsidy.** Estimated development costs are somewhat high at \$764k/unit, though not the highest, among MOHCD and OCII projects in the pipeline. Maintaining a reasonable cost and minimizing OCII subsidy given the current financial climate with rising costs and more modest tax credit equity assumptions will be a challenge for this Project. Additionally, the Project will benefit from typical economies of scale for a 100-unit project related to soft costs, but because the Project consists of two building and includes a high proportion of larger family units (including some 4 and 5-BR units), hard cost economies of scale will not be maximized. For more details see Section 6.
- **Affordable Housing and Sustainable Communities Program (“AHSC”).** The current sources and uses proforma assumes a \$15M AHSC award. Given that AHSC funding rounds are highly competitive, it is likely that the Project will not be able to secure an AHSC award. The Developer is considering alternative financing scenarios that will, at least partially, mitigate the larger gap that will result if these funds are not available to the Project. The Developer will also aggressively pursue any appropriate sources that may become available through the State of California Department of Housing and Community Development during the predevelopment period. Without AHSC or any mitigating financing sources or plan, the gap would be approximately \$480,000, which is larger than any recent OCII or MOHCD project gaps. For more information see Section 6.2.1.
- **Site Control.** The proposed Project site includes an additional approximate 5,000 sqft of land being made available by the Master Developer due to a realignment of the neighboring market rate parcel. This realignment is not complete but anticipated to be complete by the end of the year. For more details see Section 3.1.

SOURCES AND USES SUMMARY

Predevelopment Sources	Amount	Terms	Status
OCII Loan	\$4,000,000	3 yrs @ 3% Def	This request
Total	\$4,000,000		
Permanent Sources	Amount	Terms	Status
OCII Loan	\$32,750,100	55 yrs @ 3% / Res Rec	Not Committed
Tax Exempt Permanent Loan	\$1,850,000	20 yrs @ 5.25% /Amortized	Not Committed
AHSC	\$15,000,000	55 yrs @ 3% / Res Rec	Not Committed
AHP	\$2,000,000	55 yrs @ 3% / Res Rec	Not Committed
Deferred Fee	\$385,000	Res Rec	Not Committed
Tax Credit Equity	\$24,403,000	\$1.01	Not Committed
Total	\$76,388,100		
Uses	Amount	Per Unit	Per SF
Acquisition	\$0	\$0.00	\$0
Hard Costs	\$64,577,156	\$645,771.56	\$401
Soft Costs	\$9,445,944	\$94,459.44	\$59
Developer Fee	\$2,365,000	\$23,650.00	\$15
Total	\$76,388,100	\$763,881	\$474

1. BACKGROUND

1.1. Project History Leading to This Request.

The Hunters Point Shipyard and Candlestick Point together form approximately 780 acres along the southeastern waterfront of San Francisco. The San Francisco Board of Supervisors originally adopted the HPS Redevelopment Plan in 1997 and amended it in 2010 along with the Bayview Hunters Point Redevelopment Plan (which covers Candlestick Point) to provide for the integrated planning and development of the HPS and Candlestick Point. Properties within the Hunters Point Shipyard transfer from the U.S. Department of the Navy (the “Navy”) to OCII after any necessary environmental remediation and determination from federal, state and local regulators that the property is safe for its intended purpose. Phase 1 is located on Navy Parcel A. By virtue of always being subject to residential uses during active military usage of the Shipyard, Parcel A did not require environmental remediation. Thus, it was determined safe for its intended use and transferred from the Navy to the former Redevelopment Agency in 2004.

The Phase 1 Disposition and Development Agreement, dated December 2003 (“Phase 1 DDA”) between OCII and master developer, HPS Development Co, LP (“Master Developer” or “HPS Dev Co” an affiliate entity of Lennar Urban), implements the development on the Hilltop and Hillside areas of Phase 1 (described in more detail below). The Phase 1 DDA has been amended six times since its approval in 2003.

Phase 1 is divided into two areas, the Hilltop and Hillside, and the Blocks 52/54 Project is located on the Hilltop. The Phase 1 development program includes:

- The construction of infrastructure, 26 acres of parks and open space; and
- The construction of up to 1,428 housing units, of which, a minimum of 27 percent and a maximum of 40 percent will be affordable; and
- The development of a minimum of 218 affordable units funded by OCII on 5 designated stand-alone affordable housing sites (“Agency Lots”) in Phase 1.

To date, Under the Phase 1 DDA, HPS Dev Co has achieved the following:

- Constructed 47% of the infrastructure including 12 acres of park space and 40% of the roadways; and
- Constructed 379 units including 40 inclusionary units within market rate buildings across multiple blocks, and another 59 inclusionary units in a 100% affordable project on Block 49 (350 Friedell); and
- Begun construction on another 66 units including 3 inclusionary units.

The proposed Project represents the first OCII-funded development on Agency Lots in the Shipyard.

1.2. Borrower/Grantee Profile. (See Attachment B for Borrower Org Chart; See Attachment C for Developer Resume and Attachment D for Asset Management Analysis)

BHPMSS and MBS will act as co-developers for the Project. BHPMSS is an established services provider in the neighborhood and acted as co-developer with MBS for the Dr. George W. Davis Senior Residences and Center.

MBS is developer for the re-envisioning and rebuilding of the Alice Griffith public housing site as a mixed-income community as part of the Mayor's HOPE SF program. Three phases of an anticipated total of six phases are complete and the fourth phase is under construction. MBS has partnered with a local non-profit for each phase, but has acted as lead developer for each phase and was responsible for master-planning activities related to the development.

BHPMSS will act as co-developer of the Project and Managing General Partner of the Limited Partnership ("LP") that will be established for the development and ownership of the Project. MBS will act as co-developer of the Project and act as General Partner of the LP. This is the same structure that was established for the development and ownership of Dr. George W. Davis Senior Residences and Center.

The John Stewart Company ("JSCo") will act as Property Manager for the Project. JSCo currently manages 39 properties in San Francisco including the nearby Hunters View HOPE SF site.

MBS is in the process of hiring a project manager (expected start date late July) who will act as primary Project Manager and spend 60% of their time on the project. Developer anticipates that the new staff will be on board by July 2018 and has been advancing the Project with current staffing appropriately to date. Mark Trainer, summer intern, will also be working on the project through August. Lauren Levrant, Vice President and Daniela Greville, Senior Vice President for MBS will spending 25% of their time overseeing the Project, Janet Brown, Housing Director for BHPMSS will be spending 15% of her time on the Project and Cathy Davis, Executive Director for BHPMSS will be spending 10% of her time on the Project. See Attachment C for resumes of key staff.

The borrower entity will be a Limited Partnership that will be formed prior to the execution of the predevelopment loan documents. At financial closing of the Project, it will consist of two general partner entities: one controlled by BHPMSS, and the other controlled by MBS, along with a limited partner.

2. SITE (See Attachment E for Site map with amenities)

Site Description	
Zoning:	Moderate Density Residential, governed by Hunters Point Shipyard Redevelopment Project Phase 1 Design for Development ("D4D")
Maximum units allowed by current zoning (N/A if rehab):	80 DU/acre (not including density bonus) The D4D density bonus allows up to an additional 25% density increase by permitting adjustments to requisite D4D Development Controls (e.g., height, bulk, mid-block break location/construction) that allow for the larger project/density.

Number of units added or removed (rehab only, if applicable):	N/A
Seismic (if applicable):	Seismic Zone 4
Soil type:	Published geologic maps of the site and vicinity indicate that Parcel "A" (which includes the Hilltop area) is underlain by serpentinite, Franciscan chert, Franciscan sandstone, and shale. These maps show the Quaternary slope wash and ravine fill in swales on the northern portions of the Hilltop site and the southwest corner of the Hillside area. According to existing reports the fill on the Hilltop site appears to have been placed to construct the existing building pads and roadways. The findings from subsurface exploration and the exploratory borings from maps and consultant studies in the 1990's through early 2000's indicate that the existing fills range up to about 15 feet in thickness. These existing fills generally include a mixture of native soil and bedrock derived materials as well as imported base rock type material. Minor amounts of broken glass and debris may also be present.
Environmental Review:	On June 3, 2010, the Former Redevelopment Agency Commission by Resolution No. 58-2010 and the Planning Commission by Motion No. 18096, acting as co-lead agencies, approved and certified the Environmental Impact Report for the HPS/CP Project. On the same date, both co-lead agencies adopted environmental findings, including the adoption of a mitigation monitoring and reporting program and a statement of overriding considerations, for the HPS/CP Project by Former Redevelopment Agency Commission Resolution No. 59-2010 and by Planning Commission Motion No. 18097. On July 14, 2010, the Board of Supervisors affirmed the certification and findings by Resolution No. 347-10 and found that various actions related to the HPS/CP Project complied with the California Environmental Quality Act ("CEQA"). Subsequent to the certification, the Commission and the Planning Commission approved Addenda 1 through 4 to the Environmental Impact Report for the HPS/CP Project analyzing certain HPS/CP Project modifications (together, the "HPS/CP EIR") If the alternative financing option including the CALHFA loan is pursued the Project will need to obtain NEPA clearance which is anticipated to take about 6 months and will be undertaken during predevelopment, if necessary.
Adjacent uses (North):	Residential
Adjacent uses (South):	Residential, Shipyard Redevelopment
Adjacent uses (East):	Residential, Shipyard Redevelopment
Adjacent uses (West):	Residential
Neighborhood Amenities within 0.5 miles:	Super Save Grocery is 1.2 miles away, India Basin Shoreline Park .4 miles away, Malcolm X Academy .7 miles away,

Public Transportation within 0.5 miles:	MUNI 19
Article 34:	Not exempt
Article 38:	Exempt
Accessibility:	Project will comply with TCAC requirements of a minimum of 10% of units with mobility/accessibility features, and 4% with H/V communication features
Green Building:	For AHSC points, project will target LEED Silver or Gold or equivalent Green Point Rated points. The RFP requires a Green Point Rating of at least 125.
Recycled Water:	Not exempt
Storm Water Management:	Not yet submitted

2.1. Environmental Issues.

- Phase I/II Site Assessment Status and Results. Not yet completed
- Potential/Known Hazards.
Some serpentinite rock contains the fibrous mineral chrysotile, which is considered an asbestos mineral. Generally, the amount of chrysotile in the rock is relatively low (less than one percent of the rock mass). Asbestos is considered hazardous when it becomes airborne. Prior to preparation of final grading plans, testing of the serpentinite rock should be performed to determine the chrysotile content of the rock and to develop recommendations to mitigate potential asbestos hazards, if needed. Typical mitigation measures include air quality monitoring during grading, extra dust control measures during grading, and capping of serpentinite areas with non-serpentinite material.

2.2. Adjacent uses and neighborhood amenities.

The Phase 1 DDA obligates HPS Dev Co to construct the infrastructure necessary to support the total vertical development of up to 1,600 housing units and 26 acres of open space and parks in HPS Phase 1. HPS Phase 1 is well underway. Horizontal infrastructure construction is complete. See Section 1.1 above for a description of the development completed and underway at on HPS Phase 1. A variety of transit options will be available for residents of Blocks 52/54, including the Geneva-Harney Bus Rapid Transit (“BRT”) line, which is expected to begin running in 2023. Prior to the BRT completion, the area is currently served by temporary transit improvements including shorter-haul shuttles. This will provide a connection between the Hilltop area and BART, Caltrain, etc. Additionally, pedestrian and bicycle options will be encouraged for the HPS area. These additional transportation options were developed in conjunction with the Planning Department and SFMTA to ensure a level and quality of transit service for the area.

2.3. Green Building.

The Developer currently estimates a 149 GPR rating for the Project. The Project will include the following features:

- Zero VOC paints and low formaldehyde finishes
- Low-emitting, environmentally preferred, durable flooring
- Composting and recycling on-site
- Energy star appliances, low flow fixtures
- High-efficiency lighting
- High content recycled material

3. OTHER ENTITLEMENTS ISSUES

3.1. Community Support.

Staff presented the RFP to the Hunters Point Shipyard Citizens Advisory Committee (“CAC”) Housing Subcommittee and to the full CAC in July and August 2017. In September 2017, staff convened an informational meeting about the RFP for Hilltop homeowners. Staff presented an update on the selection process to the CAC Housing Subcommittee in January 2018 and presented the developer selection recommendation to the full CAC in February 2018. The CAC voted to recommend that Commission select the MBS/BHPMSS team to develop Blocks 52/54 and, on March 20, 2018, the Commission voted to select the MBS/BHPMSS Team to develop the Project. Staff and the selected development team will continue to outreach to the community through the CAC throughout the development process.

Some of the neighbors on the Hilltop have expressed concerns regarding the height, and density of the Project and also regarding the parking ratio. We will expect the selected developer to work with these neighbors and respond to their concerns as much as is reasonable and practicable while still meeting the goals and requirements of the RFP.

4. DEVELOPMENT PLAN

4.1. Site Control. The lots are currently owned by OCII. The adjacent market-rate developer intends to submit an entitlement application which includes a request to realign the mid-block break within Block 52 (Avocet Way) to the northwest of its current location (i.e., towards the OCII parcel). Under this proposal, the realigned Avocet Way would form the southeast property boundary of OCII’s parcel on Block 52, and shift the current property boundary of the OCII-owned parcel approximately 26 feet to the southeast. This would result in an approximately 5,000 square-foot and up to a 20 unit increase to the parcel. This realignment will be accomplished through a lot-line adjustment to the current tentative subdivision map covering Block 52, processed jointly by the market-rate developer and OCII. If this proposal and subsequent lot-line adjustment are not approved, then the number of units that can be built on Block 52 will be reduced. The proposed parcel is approximately 20,500 square feet.

4.1.1. Proposed Property Ownership Structure. OCII will retain fee interest in the land and ground lease the residential parcel to the Limited Partnership, which will own the improvements.

4.2. Proposed Design.

The design team's stated intention was to use the modern language of their neighbors, both buildings embrace the vertical proportions of tall-ceilinged San Francisco row houses on narrow lots, with articulated massing, vertically gathered fenestration and color changes. The architectural character of the two buildings is similar to convey the feeling of a single cohesive community, though each building responds to particularities of its site in different ways.

Avg Unit SF by type:	1 BR 635 sqft 2 BR 870 sqft 3 BR 1165 sqft 4 BR 1453 sqft 5 BR 1771 sqft Note: All the bedroom types except the 2 BR units exceed OCII's suggested range (in part due to the early stage of development). Developer and architect will work to bring the unit size averages to within the preferred range during the predevelopment period.
Residential SF:	Block 52: 58,563 sq ft / Block 54: 41,722 sq ft
Circulation SF:	Block 52: 13,942 sq ft / Block 54: 11,338 sq ft
Parking Garage SF:	Block 52: 10,794 sq ft / Block 54: 9,769 sq ft
Common Area SF:	Block 52: 6,349 sq ft / Block 54: 2,303 sq ft (excludes mechanical)
Building Total SF:	Block 52: 93,136 sq ft / Block 54: 67,946 sq ft

Block 52

Community and management functions are located on Block 52 (the main community rooms, tenant services and management offices).

The front half of the forecourt at grade is open to the street and the rear portion is secured by a glass fence and gate. Circulation spaces behind the security fence are covered open-air galleries. There is no security fence at the front property-line, making the majority of the landscaped forecourt a fully accessible extension of the public realm.

The landscaped forecourt at grade joins the second floor podium garden and a fourth-floor roof terrace to give a lush sense of green space cascading down through the site to the street. The street-level forecourt also provides the potential for bio-retention planting. The fourth-floor courtyard provides a communal dining and gathering space for residents within a garden setting. In the south courtyard, an informal children's play space is provided adjacent to the laundry facility, helping to activate both spaces as a family hub. The fourth floor courtyard takes advantage of strong solar exposure to create a garden with planting that provides year-round color and textural interest. Seating is nestled within the garden to encourage informal program among residents.

Block 52 has generous community spaces, serving residents of both Block 52 and 54, and animating the Friedell Street frontage and forecourt. The larger area on the north side of the court houses a community room with kitchen, a fitness room, the desk clerk, administrative offices and a small conference room. On the south side of the forecourt are a teen room and tenant service offices. The remaining ground floor space at the northeast corner of the site is a three bedroom unit, accessed from both the forecourt and a stoop on Friedell Street.

A total of 56 units are provided in the Block 52 design, ranging in size from 1-bedroom to 5-bedroom units. A ground floor parking area within the building podium includes 33 parking spaces. A bike parking room is also included in the garage parking area with space for 36 bikes. Four - and 5-bedroom units face the courtyards with three of the units immediately adjacent to open space enabling young children to play within sight from their dwellings.

Block 54

Block 54 is a simple U-shape around a two-level courtyard, partially at grade and partially over a parking podium. Similar to Lot 52, visually linked green spaces on building roof terraces are visible from the forecourt.

Similar to Lot 52, security barriers for the Lot 54 design are located to enable the majority of the landscaped forecourt be an accessible extension of the public realm off of Friedell Street. Security is controlled at the lobby door to the south of the forecourt and at a gate located at the top of the grand stairs linking the street court with the 2nd floor podium terraces.

The landscaped street level courtyard includes an exterior stair that moves residents up into the private second level courtyard. The second floor podium terrace has a vine covered trellis with vines planted at grade also covering the parking podium. This space provides exterior circulation between the two U's of the building mass and incorporates flow-thru stormwater planting and a grand bench along the side of the space. The fifth level roof terrace repeats the trellis motif at the second level introducing additional open space, with perimeter buffer planting and seating.

A total of 44 units are provided in the Block 54 design, ranging in size from 1-bedroom to 5-bedroom units. A ground floor parking area within the building podium includes 27 parking spaces along with a bike parking room featuring parking space for 24 bikes.

4.3. Construction Supervisor/Construction Specialist's evaluation.

The submission of the Request for Proposal dated September 21, 2017, from the development team of McCormack Baron Salazar / Bayview Hunters Point Multipurpose Senior Services and Mithun | Solomon Architects, reflects the initial concept design and cost estimate for the project, in response to the RFP criteria. The team has just recently begun in earnest the process of refining the design, which should seek to respond to comments from the City and OCII staff and this loan evaluation. The concept design submitted, dated November 29, 2017 and described in the RFP narrative, seeks to address the goals and criteria

of the RFP. The development program includes 100 units of 1, 2, 3, 4 and 5 bedrooms with community space, teen room, fitness room, courtyard, services, amenities and retail.

The proposed construction budget reflects a total hard cost value of \$64,577,150 inclusive of the residential, parking, site improvements (no infrastructure), and bid and design contingencies (held by the developer). This total hard cost value reflects a cost of approximately \$401 per SF or \$645,772 per unit. The per unit cost is roughly 12% higher than the average construction costs for MOHCD and OCII funded projects in predevelopment, but this may be a reflection the lack of economies of scale related to the construction of 2 buildings vs one larger 100 unit building. Additionally, the costs per bedroom exceed the average construction costs for MOHCD and OCII funded projects in predevelopment by only 6%, reflecting the relatively high number of larger family units in this Project. Cost containment efforts will be critical during predevelopment and will require the effort of the OCII, the development team and OCII Construction Manager to continue to refine and contain costs. Construction is anticipated to commence in 2020.

4.4. Service Space. The proposed services space seem adequate for the target population. This will continue to be evaluated throughout the predevelopment process as the design is further developed.

4.5. Target Population. Up to 50% AMI families

4.6. Marketing & Occupancy Preferences

First preference to Agency Certificate of Preference Holders assuming such preference does not conflict with other financing sources necessary to complete this development. OCII staff will work with the selected Applicant teams to resolve potential occupancy conflicts and determine additional occupancy preferences and marketing requirements, if any. Preferences for the low-income family housing will be leased according to the bullets below. OCII reserves the right to add additional occupancy preferences, which reflect preferences applied by MOHCD in its affordable housing developments, at a later date.

- Certificate Holders (Property Owner and Occupant Preference Program, as amended and restated, codified and clarified recent amendments that the former Redevelopment Agency Commission authorized in Agency Resolution No. 57-2008 (June 3, 2008))
- Rent Burdened Residents (persons paying more than 50% of their income for housing); or Assisted Residents (persons residing in public housing or project-based Section 8 housing)
- Displaced Tenant Preference Program (if such preference does not conflict with other financing sources)
- San Francisco Residents or Workers
- Members of the General Public

These preference referrals must meet the Developer's established screening requirements for the project, and final selection will lie with the Developer. Any authorized preference shall be permitted only to the extent that such preference: (a) does not have the purpose or effect of delaying or otherwise denying access to a housing development or unit based on race, color, ethnic origin, gender, religion, disability, age, sexual orientation, or other protected characteristic of any member of an applicant household; and (b) is not based on how long an applicant has resided or worked in the area. OCII will work with the selected developer teams to resolve potential occupancy conflicts and determine additional occupancy preferences and marketing requirements and to ensure adherence to OCII occupancy preferences and marketing requirements. If more applicants apply than the number of units available, the Developer shall conduct a public lottery.

4.7. Relocation. N/A

5. DEVELOPMENT TEAM

Development Team			
Consultant Type	Name	SBE/LBE	Outstanding Procurement Issues
Architect	Mithun Solomon	N	N
Landscape Architect	TBD	TBD	N
JV/other Architect	TBD	TBD	N
General Contractor	TBD	TBD	N
Owner's Rep/Construction Manager	TBD	TBD	N
Financial Consultant	N/A	N/A	N
Legal	Klein Hornig Bocarsly Emden	N	N
Property Manager	John Stewart Co.	N	N(Development Team Member)
Services Provider	BHPMSS	N	N (Development Team Member/nonprofit)

6. FINANCING PLAN (See Attachment F for Cost Comparison of City Investment in Other Housing Developments; See Attachment G and H for Sources and Uses)

6.1. Proposed Predevelopment Financing

6.1.1. Predevelopment Sources Evaluation Narrative

The Proposed Predevelopment Loan is the only predevelopment source for the Project. No sums of money have yet been disbursed. However, the Project has incurred costs dating back to November 29, 2017. Staff recommends that the Loan Committee approve payment of costs dating back to the Commission on Community Investment and Infrastructure's approval of the predevelopment loan agreement and Exclusive Negotiations Agreement ("ENA") so long as these previously incurred costs are deemed acceptable and correspond to the predevelopment budget attached herein.

6.1.2. Predevelopment Uses Evaluation:

Predevelopment Budget

Underwriting Standard	Meets Standard? (Y/N)	Notes
Architecture and Engineering Fees are within standards	N	Budgeted architect fees are within standards, however the architect has requested a higher fee than what is budgeted. Developer will work with OCII and MOHCD staff to establish an architecture and engineering fee that is compatible with current MOHCD standards and policy and consistent with the Project budget.
Bid Contingency is at least 5% of total hard costs	Y	
Escalation amount is commensurate with time period until expected construction start, not to exceed 15%	Y	Escalation is not a separate line item however the, during predevelopment period OCII staff will work with developer and selected contractor to refine these numbers. Based on the construction specialist's review and comparable projects, the estimated costs are reasonable for this stage of development based on the anticipated construction start date.
Construction Management Fees are within standards	Y	
Developer Fee is within standards	Y	Total Dev Fee is \$2,365,000 Total At-Risk Dev Fee is \$1,000,000 It is anticipated that this Project will follow the updated Developer Fee policy. Therefore the max total fee to be the lesser of \$4M or 15% of eligible basis, instead of 10%.
Soft Cost Contingency is 10% per standards	Y	Soft Cost Contingency is 10% excluding interest and reserves.
Financing Costs are reasonable	Y	The Permanent Loan interest rate is estimated at 5.75%, which was increased 0.5% since the RFP based on the 10 Year Treasury rising since then. However, the tax credit Applicable Percentage rate has also increased since the RFP, offsetting some of this rate increase.
Other standard	Y	Other soft costs are reasonable.

6.2. Potential Permanent Financing: Permanent financing is being presented to demonstrate the project's overall feasibility but not intended to be presented for approval at this time.

6.2.1. Permanent Sources Evaluation Narrative:

- **OCII Base Funding** - The current budget assumes an OCII subsidy of \$32.7M or \$327,501 a unit. It is important to note that without HCD's AHSC funding, based on the current assumptions the financing gap would rise to \$47M or \$479,618 per unit, though the alternative scenarios described below could mitigate this increase in OCII funding. The OCII subsidy will be used during predevelopment and construction.
- **LIHTC Equity** - The Developer is projecting LIHTC equity in the amount of \$24.4M, or \$244,030 per unit. LIHTC equity is assumed to generate \$1.01 per credit, which is based on recent experience in San Francisco, which still remains a prime targeting for CRA-motivated investors. Although this is reasonable based on current comparables, the effects of tax reform are not yet fully understood and therefore may continue to result in adjustments to assumptions related to tax credit equity. Furthermore, the project is not located in a QCT or DDA for 2018, so the current proformas do not include a 30% basis boost. If it were, equity would increase by 30%. During the predevelopment period, OCII staff will track this issue closely and work with the Developer and its financial advisor to achieve the best possible tax credit pricing and other loan terms for the project with the goal of maximizing leveraged sources.
- **Permanent Loan:** The Project budget currently includes a first mortgage of \$1,850,000 with an interest rate of 5.75% and a 20 year amortization period. The project's DSCR ranges from 1.72 to 1.00x across a 20-year period. Staff believes that these are reasonable assumptions at this stage of development, but that the Project could potentially carry more debt. During the predevelopment period OCII staff will work with the Developer to refine these projections with the goal of maximizing permanent debt. OCII staff and the Developer will propose a scenario for approval of the gap loan that is based on the most current market conditions and Project-specifics.
- **HCD/AHSC:** The Developer is projecting an award of \$15M to be used on housing, or \$150,000 per unit. This assumes that the project will score competitively, that the affordable housing development can partner with MTA for a relevant nearby transit improvement project and that State funds will be available. Staff and the developer recognize that this source may not be viable for this project, and will further explore funding alternate scenarios, including those described below, to minimize the OCII subsidy for this project. If timing is consistent with prior rounds, applications would be due in January 2019 with awards in July 2019. Staff has included a loan condition that the Developer evaluate the competitiveness of this source of funds during the predevelopment period and continue to monitor the availability of these funds.
- **AHP:** At \$2,000,000 the Developer has assumed the maximum per unit subsidy for its AHP subsidy. Staff has included a loan condition that the Developer evaluate the competitiveness of this source of funds during the predevelopment period.

- **Bond-Financed Construction Loan:** The Developer is projecting a tax exempt bond-financed construction loan of \$41M at 3.5% interest for a 24 month term.
- **Alternative Scenarios:** As mentioned above the Developer included 2 financing scenarios in addition to the one described above in their response to the RFP:
 - *Scenario 2* assumes CalHFA is the Tax Exempt Bond Issuer and First Mortgage Lender. By using CalHFA the project will be eligible to apply for a subordinate loan of up to \$3,500,000. OCII and MOHCD staff will also evaluate and consider this permanent financing plan during the predevelopment period to determine its feasibility and if this financing plan will result in an OCII loan reduction that is greater than what the City would earn in bond fees for the Project if the City were the bond issuer.
 - *Scenario 3* assumes CalHFA is the Tax Exempt Bond Issuer and First Mortgage Lender and no income tiering to increase the first mortgage via higher revenue. This scenario is not preferred as the income tiering is critical to serving OCII preference populations in HPSY such as COP holders and rent-burdened households. However, staff and/or the Developer may recommend some adjustments to the income tiering as proposed in Scenarios 1 and 2 at the time of permanent financing based on updated needs and/or overall Project feasibility.

6.2.2. Permanent Uses Evaluation:

Development Budget		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Hard Cost per unit are within standards	Y	\$645,772/unit This estimate is high, though not the highest, compared to other projects currently in predevelopment. A somewhat higher per unit cost may be warranted for this Project as it is comprised of two separate, non-contiguous buildings therefore it does not benefit from the same economies of scale as other similarly-sized projects do. The Developer will work with OCII during the predevelopment process to ensure the most efficient building design and costs.
Construction Hard Cost Contingency is at least 5% (new construction) or 15% (rehab)	Y	Hard Cost Contingency is 5%
Architecture and Engineering Fees are within standards	N	See Section 6.1.2 above.

Construction Management Fees are within standards	Y	
Developer Fee is within standards, see also disbursement chart below	Y	Total Dev Fee is \$2,385,000 Total At-Risk Dev Fee is \$1,000,000 Total Deferred Developer Fee is \$385,000
Soft Cost Contingency is 10% per standards	Y	Soft Cost Contingency is 8.3% which is within our standard and anticipated to be sufficient.
Capitalized Operating Reserves are a minimum of 3 months	Y	Capitalized Operating Reserve is equal to 3 months
Capitalized Replacement Reserves are a minimum of \$1,000 per unit (Rehab only)	N/A	N/A

Developer Fee Disbursement Schedule		
Payment Milestone	% of Project Mgmt Fee	Amount
At Acquisition or closing of preconstruction financing	15%	\$150,000
At submission of Schematic Design	10%	\$100,000
At Commission approval of Schematic Design	10%	\$100,000
During or at the end of Predevelopment	15%	\$150,000
During or at End of Construction	35%	\$350,000
At Project Close Out	15%	\$150,000
At Risk		\$1,000,000
Deferred		\$385,000
Total Developer Fee	100%	\$2,385,000

7. PROJECT OPERATIONS (See Attachment I and J for Operating Budget and Proforma)

7.1. Annual Operating Budget. The annual operating budget is being presented to demonstrate the project's overall feasibility but not intended to be presented for their approval at this time.

7.2. Income

Unit Type	Proposed Number of Units	Proposed Avg. Sq. Feet	Max. Rent (at Target AMI)	Max. % AMI	Target % AMI	Rent or Operating Subsidies
1BR	5		\$693	50%	30%	none
1BR	6		\$923	50%	40%	none
1BR	24		\$1,154	50%	50%	none
2BR	1		Mgr	Mgr	Mgr	none
2BR	5		\$779	50%	30%	none
2BR	4		\$1,038	50%	40%	none
2BR	19		\$1,298	50%	50%	none
3BR	4		\$865	50%	30%	none
3BR	4		\$1,153	50%	40%	none
3BR	18		\$1,441	50%	50%	none
4BR	1		\$934	50%	30%	none
4BR	1		\$1,245	50%	40%	none
4BR	6		\$1,556	50%	50%	none
5BR	2		\$1,673	50%	50%	none
Total Units	100					

*2018 MOHCD rents

7.3. Annual Operating Expenses Evaluation.

Operating Proforma		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Debt Service Coverage Ratio is between minimum 1.10:1 and maximum 1.0:1 at year 17	N	DSC is 1.72:1 in Year 1, and 1.33:1 in Year 15, however this is necessary to maintain a DSCR above at or above 1:1 during the proposed 20 Year loan term-the DSCR drops to 1.00:1 in Year 20. Staff believes that these are reasonable assumptions at this stage of development, but that the Project could potentially carry more debt. OCII staff will work with the Developer to maximize permanent debt during the predevelopment period.
Debt Service Coverage Ratio stays above 1.00:1 for entirety of projected 20-year cash flow	Y	
Vacancy meets TCAC Standards	Y	Vacancy is 5%

Annual Income Growth is increased at 2.5% per year	Y	Income escalation factor is 2.5%
Annual Operating Expenses are increased at 3.5% per year	Y	Expenses escalation factor is 3.5%
Base year operating expenses per unit are reasonable per comparables	Y	Total Operating Expenses are \$10,028 per unit
Property Management Fee is at allowable HUD Maximum	Y	Total Property Management Fee is \$62,400 or \$52 PUPM
Property Management staffing level is reasonable per comparables	Y	• \$50,000 Property Manager, \$40,000 Occupancy • \$67,000 payroll for 1.5 FTE maintenance • \$82,000 assumed in maintenance/ground contracts
Asset Management and Partnership Management Fees meet standards	Y	Annual AM Fee is \$20,440/yr Annual PM Fee is \$20,440/yr
Replacement Reserve Deposits meet or exceed TCAC minimum standards	Y	Replacement Reserves are \$400 per unit per year
Limited Partnership Asset Management Fee meets standards	Y	

8. SUPPORT SERVICES

- 8.1. Services Plan. At this property, BHPMSS will staff two full time Case Managers. The Case Manager is creative in outreach strategies, diligent in following up with linkages and referrals, assertive in forming relationships with service providers in the community and consistent when working in partnership with BHPSS, the San Francisco Department of Public Health, and JSCo property management. BHPMSS' supportive services are based on providing compassionate, individualized, culturally and linguistically competent, and voluntary services designed to help families meet individual and community goals for self-sufficiency and well-being. Through their partnership with property management, the Resident Service Coordinator is able to work with families and individuals to continue to improve or maintain a higher quality of life and have access to quality housing and services.
- 8.2. Service Budget. The current operating budget includes 1 FTE Resident Services Coordinator. However, BHPMSS has proposed providing a wider array of services at the site, through partnerships with other local services providers including Hunters Point Family, Bayview Hunters Point Foundation, Young

Community Developers and Rafiki Wellness. During the predevelopment period the Developer will refine this plan and budget.

9. THRESHOLD ELIGIBILITY REQUIREMENTS

On September 21, 2017, OCII released an RFP offering two Agency Lots for development (two of the OCII stand-alone 100% affordable sites). This will be the first affordable housing developed on Agency Lots in Phase 1. Block 52 is bounded by Friedell Street to the northwest, Kirkwood Avenue to the southwest, Jerrold Avenue to the northeast, and currently, the private market-rate parcel to the southeast.

The Request for Proposals defined minimum threshold requirements to be considered for selection. All three respondents to the RFP satisfied the minimum requirements for review and consideration.

The RFP asked that applicant teams propose a high quality project that:

- maximizes affordable housing opportunities in the Project Area serving very low-income households at a variety of income levels;
- delivers a robust early outreach and marketing plan to maximize participation of households meeting Project Area occupancy preferences, including Certificate of Preference Holders, Rent Burdened households, and Displaced Tenants Housing Preference households; and
- effectively balances excellence in architectural design with feasible development costs.

Block 52/54 Program Requirement Summary	
Number of units	Approximately 100 assuming the realigned Block 52 described above
Area Median Income and General population	Up to 50% AMI families. Use of income tiers encouraged.
Unit mix	2 five-bedroom units* 8 four-bedroom units* Remaining mix of one, two and three bedroom units
Family Child Care units	2 units
Parking	Assume a .6:1 parking ratio

*OCII specified in the RFP that 8 four-bedroom and 2 five-bedroom units be included in the design submittals in order to comply with California Redevelopment Law's requirement that an exact unit mix be replicated within a neighborhood undergoing redevelopment. These 4- and 5-bedroom units are being built in to accommodate the replacement of similar sized units that currently exist in the Alice Griffith Public Housing project but cannot be accommodated within the Alice Griffith revitalization project currently underway. If necessary for Project feasibility, the number of 4 and 5 bedroom units in the Project may be reduced.

OCII received three submittals, all of which met the minimum threshold for completeness. The submittals are as follows (in alphabetical order):

- BRIDGE Housing (“BRIDGE”) and San Francisco Housing Development Corporation (“SFHDC”) as co-developers
 - o Architect: Pyatok
 - o Property Manager: BRIDGE
 - o Services Provider: SFHDC
- McCormack Baron Salazar (“MBS”) and Bayview Hunters Point Multipurpose Senior Services (“BHPMSS”) as co-developers
 - o Architect: Mithun | Solomon
 - o Property Manager: John Stewart Company
 - o Services Provider: BHPMSS
- Tenderloin Neighborhood Development Corporation (“TNDC”) and Young Community Developers (“YCD”) as co-developers
 - o Architect: Van Meter Williams Pollack and YA Studio
 - o Property Manager: TNDC
 - o Services Provider: TNDC/YCD

10. RANKING CRITERIA

All three teams were interviewed by an evaluation panel consisting of representatives from the OCII Housing and Design Review teams, MOHCD and the CAC. The evaluation panel selected the team including MBS and BHPMSS with John Stewart Company as Property Manager, design by Mithun | Solomon.

Ranking Criteria for the proposals is as follows:

<u>POINTS</u>		<u>CRITERIA</u>
50		Proposed Development Concept
	20	Proposed Massing Concept: strength and constructability of proposed massing concept, number of units, conformance with the Redevelopment Plan, Major Phase, and the Design for Development
	20	Financial Feasibility & Level of OCII Subsidy
	5	Proposed Services Plan
	5	Proposed Marketing Plan

50		Developer Team Experience and Capacity
	10	Developer experience marketing affordable housing comparable to the housing proposed in this RFP <i>and in accordance and in good standing with current OCII/MOHCD standards related to marketing and tenant selection</i>
	10	Developer experience with government assisted affordable housing programs and financing sources and/or “green” housing; Developer Workload Capacity. <i>Developer experience delivering affordable housing on budget (defined as maintaining or reducing a project’s per unit cost between RFP response, approval of a predevelopment loan/schematic design approval and construction loan closing).</i>
	5	Workforce and Contracting Action Plan
	10	Architect experience & capacity, including “green” housing <i>Architect experience delivering affordable housing on budget (defined as maintaining or reducing a project’s per unit cost between RFP response, approval of a predevelopment loan/schematic design approval and construction loan closing).</i>
	5	Services provider experience & capacity
	10	Property Manager experience & capacity, including retail operation
100	100	Total Points

Scoring for each of the proposals is as follows:

Applicant Team	Total Score	Average Score
MBS BHPMSS	579.0	96.5
TNDC YCD	542.0	90.3
BRIDGE SFHDC	489.0	81.5

The MBS/BHPMSS development concept proposal envisioned the following development program for Blocks 52/54:

MBS/BHPMSS Development Concept	
Number of Units	100 (including 1 manager’s unit)
Architect	Mithun Solomon
Services Provider	BHPMSS
Property Manager	John Stewart Company
Building Amenities	- Ground Level Courtyard - Open Air Lobby - Community Room with Kitchen - Fitness Room

	• Teen Room • Tenant Services Office and Conference Room • Podium Garden and Courtyard • Podium Laundry/Lounge adjacent to courtyard and “informal children’s play space”
--	---

11. STAFF RECOMMENDATIONS

11.1. Proposed Loan/Grant Terms

Financial Description of Proposed Loan	
Loan Amount:	\$4,000,000
Loan Term:	3 years or until rolled into a permanent loan for the Project.
Loan Maturity Date:	2021
Loan Repayment Type:	Deferred
Loan Interest Rate:	3% (This loan may be recast to conform with any future true debt test need for an interest rate between 0% and 3% to be determined prior to the permanent loan closing with approval of the OCII Executive Director.)

11.2. Recommended conditions prior to financing gap

- Developer will assign a primary Project Manager no later than July 31, 2019.
- Developer will evaluate the likelihood of securing AHSC funds and will work with OCII staff to determine the most appropriate financial plan with the goal of maximizing debt and minimizing OCII subsidy. [Developer must include an analysis of the use of state tax credits for the Project.](#) Developer will provide an analysis of potential sources and strategies (such as increasing Developer Fee consistent with MOHCD policy to increase equity to the Project) and provide a revised recommended financing plan by January 11, 2019.
- Developer will work with OCII and MOHCD to evaluate costs and propose cost containment strategies as part of the schematic design submittal and throughout the design phase of the Project.
- During the predevelopment period the Developer will refine the services plan and budget and provide an updated preliminary plan and budget consistent with the RFP response and anticipated resident needs to OCII staff by January 11, 2019.
- Developer and architect will work to bring the unit size averages to within the preferred range during the predevelopment period.

- Developer will work with OCII and MOHCD staff to establish an architecture and engineering fee that complies with current MOHCD standards and policy.
- Developer will conduct ongoing outreach to the Hunters Point Shipyard community to solicit input, address concerns, and educate community members on various aspects of the project.

12. LOAN COMMITTEE MODIFICATIONS

LOAN COMMITTEE RECOMMENDATION

Approval indicates approval with modifications, when so determined by the Committee.

☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.



Kate Hartley, Director
Mayor's Office of Housing

Date: 6/15/18

☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.



Kerry Abbott, Deputy Director of Programs
Department of Homelessness and Supportive Housing

Date: 6-15-18

☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.



Nadia Sesay, Executive Director FOR WASH STATE
Office of Community Investment and Infrastructure

Date: 6/15/18

- Attachments:
- A. Project Milestones/Schedule
 - B. Borrower Org Chart
 - C. Developer Resumes
 - D. Asset Management Analysis of Sponsor
 - E. Site Map with amenities
 - F. Elevations and Floor Plans, if available
 - G. Comparison of City Investment in Other Housing Developments
 - H. Predevelopment Sources and Uses
 - I. Development Budget
 - J. 1st Year Operating Budget
 - K. 20-year Operating Pro Forma

Attachment A: Project Milestones and Schedule

No.	Performance Milestone	Estimated or Actual Date	Contractual Deadline
A.	Prop I Noticing (if applicable)	<u>N/A</u>	
1	Predev Financing Commitment	<u>7/2018</u>	
2.	Site Acquisition		
3.	Development Team Selection	<u>3/2018</u>	
a.	Architect	<u>3/2018</u>	
b.	General Contractor	<u>8/2018</u>	<u>10/2018</u>
c.	Owner's Representative	<u>N/A</u>	
d.	Property Manager	<u>3/2018</u>	
e.	Service Provider	<u>3/2018</u>	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	<u>10/31/18</u>	<u>5/31/2019</u>
b.	Submittal of Design Development & Cost Estimate	<u>3/15/2019</u>	<u>9/15/2019</u>
c.	Submittal of 50% CD Set & Cost Estimate	<u>5/15/2019</u>	<u>11/15/2019</u>
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	<u>12/15/2019</u>	<u>6/15/2020</u>
5.	Environ Review/Land-Use Entitlements		
a.	CEQA Environ Review Submission		
b.	NEPA Environ Review Submission	<u>TBD 3/15/2018</u>	
c.	CUP/PUD/Variances Submission		
6.	Permits		
a.	Building / Site Permit Application Submitted	<u>3/15/2019</u>	<u>9/15/2019</u>
b.	Addendum #1 Submitted	<u>9/15/2019</u>	<u>3/15/2020</u>
c.	Addendum #2 Submitted	<u>9/15/2019</u>	<u>3/15/2020</u>
7.	Request for Bids Issued		
8.	Service Plan Submission		
a.	Preliminary	<u>1/11/2019</u>	<u>7/1/2020</u>
b.	Interim		
c.	Update	<u>4/1/2020</u>	<u>10/10/2020</u>
9.	Additional City Financing		
a.	Predevelopment Financing Application #2	<u>N/A</u>	

b.	Gap Financing Application	<u>7/15/2019</u>	<u>1/15/2020</u>
10.	Other Financing		
a.	AHSC Application ((tbd based on AHSC calendar)	<u>1/2019</u>	
b.	Construction Financing RFP	<u>10/15/2019</u>	<u>4/15/2020</u>
c.	AHP Application	<u>3/2019</u>	<u>3/2020</u>
d.	CDLAC Application CDLAC Award (based on 2018 dates)	<u>10/2019</u> <u>12/2019</u>	<u>7/2020</u> <u>9/20</u>
e.	TCAC Application TCAC Award (based on 2018 dates)	<u>10/2019</u> <u>12/2019</u>	<u>7/2020</u> <u>9/2020</u>
g.	Other Financing Application		
11.	Closing		
a.	Construction Closing	<u>4/1/2020</u>	
b.	Permanent Financing Closing	<u>12/1/2022</u>	
12.	Construction		
a.	Notice to Proceed	<u>4/1/2020</u>	
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	<u>4/1/2022</u>	
13.	Marketing/Rent-up		
a.	Early Outreach Plan Submission	<u>5/1/2020</u>	
b.	Marketing Plan Submission	<u>10/2021</u>	
c.	Commence Marketing	<u>1/1/2022</u>	
d.	95% Occupancy	<u>8/1/2022</u>	
14.	Cost Certification/8609	<u>4/1/2023</u>	
15.	Close Out MOH/OCII Loan(s)		

Attachment B: Borrower Org Chart

A Limited Partnership will be formed during predevelopment. BHPMSS or its affiliate to serve as Managing General Partner, MBS affiliate to serve as Administrative General Partner. Each entity will own .005% of the limited partnership that will own the improvements, pending investor requirements. MBS to serve as lead developer with BHPMSS as apprentice developer. It is anticipated the BHPMSS and MBS affiliates will remain in the partnership in their original capacities for the entire duration of the Project. BHPMSS to receive option and/or first right of refusal to purchase property after the 15-year compliance period.

Managing General Partner Roles and Responsibilities

Material participation in the operations and management of the partnership and the project, primarily responsible for on-going partnership management and applying for annual property tax exemptions in addition to:

- Participation in hiring and overseeing the work of all persons necessary to provide services for the management and operation of the partnership business;
- Execution and enforcement of all contracts executed by the partnership;
- Execution and delivery of all partnership documents on behalf of the partnership;
- Preparation of all reports to be provided to the partners or lenders in accordance with the terms of the partnership agreement;
- Coordination of all present and future development, construction, or rehabilitation of low-income housing property that is the subject of the partnership agreement;
- Monitoring compliance with all government regulations and files or supervising the filing of all required documents with government agencies;
- Borrowing money on behalf of the partnership, encumbering partnership assets, placing title in the in the name of a nominee to obtain financing, prepays in whole or in part, refinances, increases, modifies or extends any obligation.

Attachment C: Developer Resume

McCormack Baron Salazar. Founded in 1973, MBS's mission is to rebuild neighborhoods in central cities across the United States that have deteriorated through decades of neglect and disinvestment. McCormack Baron Salazar has completed a broad range of mixed-use, mixed-income development projects in over 26 cities nationwide, and has completed or has under construction over 17,000 housing units and over 1.3 million square feet of commercial uses across the country with development costs in excess of \$2.2 billion.

Senior Vice President, Finance. Daniela Greville. Daniela will serve as the project finance lead and oversee the project manager. Daniela has been with MBS since 2009 and has been involved in the financing and project management of a number of projects including five phases of Alice Griffith, Carroll Avenue Senior, and a number of projects in Texas and Southern California. Daniela began her affordable housing career working for AEGON USA Realty Advisors' Community Investments Group.

Vice President, Project Management. Lauren Levrant will assist the project manager on design and construction coordination. Lauren joined MBS in January 2017 and has overseen the master planning and predevelopment of Twin Rivers, a Sacramento CNI project.

Project Manager. The to-be hired project manager will work on all implementation activities associated with the project including design and construction coordination, working with public and private partners, and securing project financing.

Bayview Hunters Point Multipurpose Senior Services

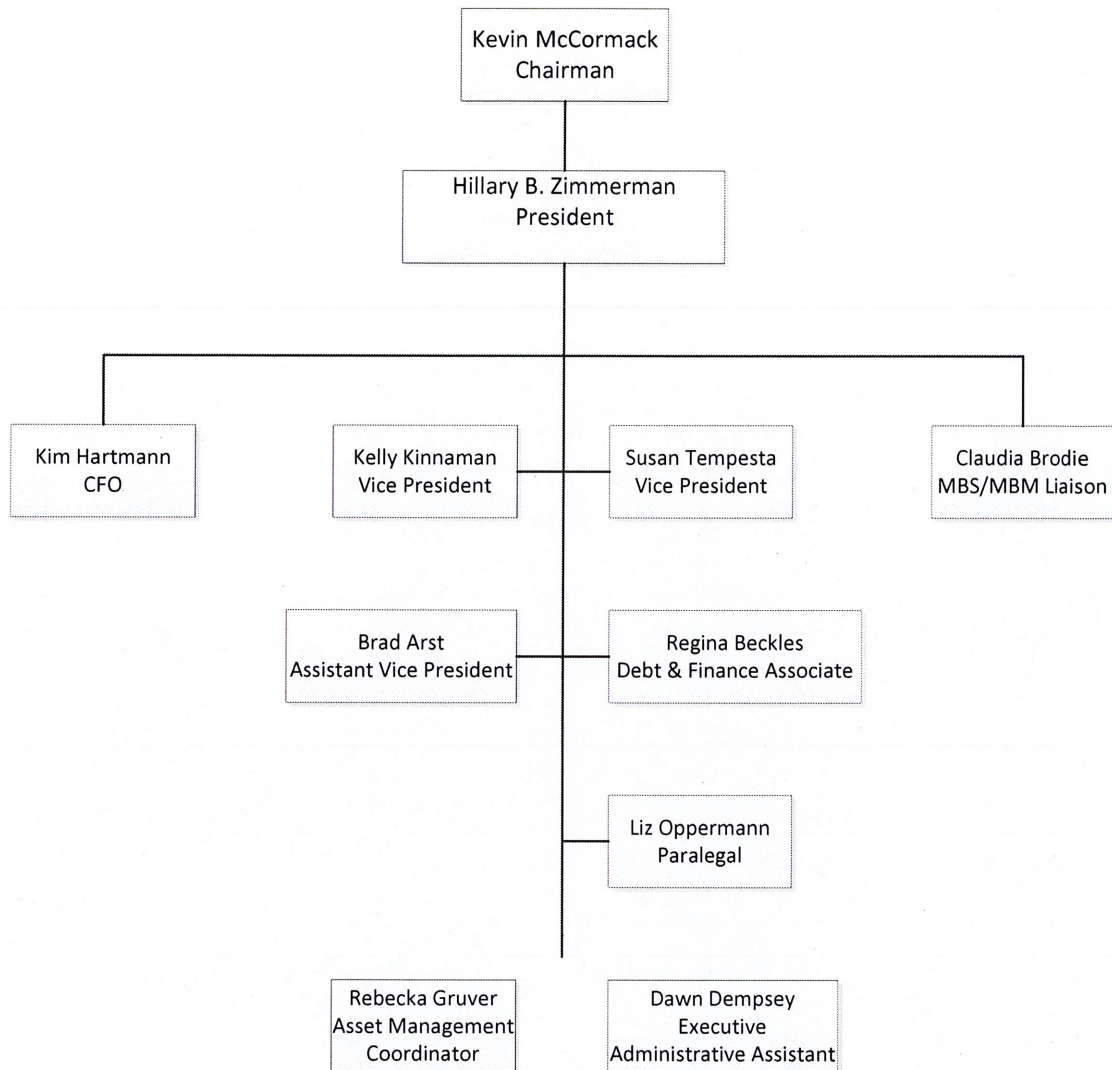
Bayview Hunters Point Multipurpose Senior Services (BHPMSS) was founded in 1971 to provide comprehensive services for low income, primarily African American seniors in Southeastern San Francisco and has grown to provide services in the Western Addition. With a budget of over \$4.3 million, BHPMSS operates 3 senior centers, an adult day health center, case management, housing advocacy, money management, central kitchen nutrition services, transitional housing and the only senior ex-offender program in the United States. BHPMSS is managing general partner a low income senior housing as well as a family housing complex.

Executive Director Cathy Davis, MSW. Cathy will work with the project management team to represent the community's interest in the design and construction of the project. She has been with BHPMSS for 39 years and is responsible for the agency's emphasis on housing advocacy. Cathy was an integral partner with McCormack Baron Salazar in the previous development of the Dr. George W. Davis Senior Residence. She will supervise her outreach team to inform the surrounding neighborhood and previous residents of the opportunity afforded by this new development. Their focus on finding and assisting Certificate of Preference Holders is unparalleled.

The BHPMSS Services Team, BHPMSS provides case management throughout its programs, including Dr. George W. Davis Senior Residence and Alice Griffith. Assisting low income clients in meeting the challenges they face to retain community, improve their health and gain access to services is the core of all of the agency's case management service model. A staff person to be selected after the housing is built will have access to other case managers at BHPMSS as well as the agency's community partners.

Attachment D: Asset Management Evaluation of Project Sponsor

MCCORMACK BARON ASSET MANAGEMENT



MCCORMACK BARON ASSET MANAGEMENT

MBAM team members have broad experience in housing development, finance, legal, property management and asset management. Our multi-disciplinary team approach to asset management is unique in the industry and results in the highest quality product for our clients and partners.

The financial team consists of Senior Vice President and Director with over 18 years of experience in real estate finance, investment, and asset management. Vice President and Regional Asset Manager, Assistant Vice President and Debt & Finance Associate and Administrative support staff. The financial team members hold professional industry designations including HCCP, CCIM, CPM as well as CPA and Broker licenses.

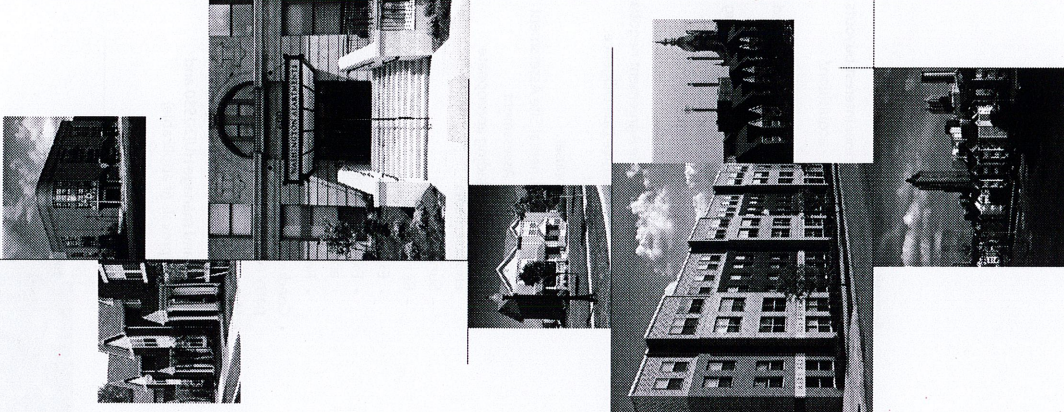
The legal team consists of President and General Counsel with over 30 years' experience in Real Estate Transactions/Real Estate Law and 28 years with Company. Two paralegals – corporate formation and document specialist and asset management coordinator. The team also manages and relies on outside counsel.

In addition, MBAM can access a broad range of experience and expertise of the McCormack Baron companies, including finance, compliance, management, and accounting. The McCormack Baron brand brings with it exceptional depth of services.

McCormack Baron Asset Management (MBAM) was created in 2003 to oversee and provide asset management services for McCormack Baron Salazar's portfolio consisting of over 100 LIHTC multifamily properties. Additionally, at the request of one of its major investment partners, MBAM currently acts as substitute general partner in over 200 LIHTC multifamily properties throughout the country. MBAM was the logical next step in the growth for the McCormack Baron Salazar and McCormack Baron Ragan companies, acting as the hub between the development and property management companies for both owned and fee-managed properties. MBAM has also begun an acquisition program which has significantly expanded its capabilities.

The primary goal of MBAM is to evaluate and monitor the financial performance, profitability and position of multifamily portfolios and to provide customized services to multifamily partnerships while working in concert with the property management companies. The primary objectives are to maximize the operating performance and the value of each property, to work with property management to reduce operating deficits, to function as the owner's representative, and to be cognizant of liabilities which could affect the owner.

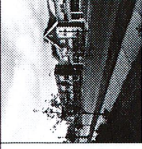
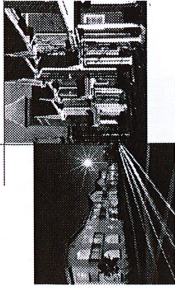
To achieve these goals and objectives, McCormack Baron Asset Management focuses on sound asset management principles found on the following pages:



MCCORMACK
BARON
ASSET MANAGEMENT

For more information, please contact Hillary B. Zimmerman hillary.zimmerman@mccormackbaron.com
720 Olive Street Suite 2500 St. Louis, Missouri 63101 (314) 335-2890 www.mccormackbaron.com

For more information, please contact Hillary B. Zimmerman hillary.zimmerman@mccormackbaron.com
720 Olive Street Suite 2500 St. Louis, Missouri 63101 (314) 335-2890 www.mccormackbaron.com



Financial

- Assess property and portfolio operating performance and recommend methods of improving performance
 - Quarterly Cash Flow and Portfolio Financial Review
- Review and approve annual operating and capital expense budgets and make recommendations to improve cash flow and value
- Review and approve replacement reserve reimbursements
- Establish measurable standards for property and portfolio performance
- Monitor real estate taxes and file tax appeals
- Review annual audited financial statements
- Monitor Watch-list properties
- Reduce exposure of ownership once credits and tax benefits have been delivered
- Review the physical conditions for unusual deterioration or mismanagement -
 - Analyze neighborhood, market conditions, trends and their impact on the property
 - Prepare annual report regarding the physical condition, risk and opportunities for select properties

Legal

- Manage and direct outside counsel in litigation matters
- Manage third party claims asserted against partnerships
- Assure conformance to provisions of partnership and management agreements
- Maintain over 1400 entities and annual filings with State Offices
- Oversee response and handling of housing discrimination complaints
- Assure conformance to Section 42 compliance
- Review and approve property contractual agreements
- Address and oversee response to IRS noncompliance notices (8823s)
- Oversee the HUD 2530 previous participation submissions
- Communicate with lenders, state housing agencies, local housing authorities, and non-profit partners

Acquisitions

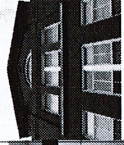
- Negotiate Limited Partner interest buyouts
- Initiate resyndication – acquisition/rehab process
- Manage potential acquisition sourcing and desktop review
- Prepare underwriting & financial modeling
- Prepare executive investment summary and present for Acquisition Committee Approval (Letter of Intent)
- Manage Purchase & Sale Agreement negotiations
- Manage comprehensive Due Diligence including review of:
 - Real Estate Appraisal
 - Phase I Environmental Site Assessment
 - Physical Needs Assessment
 - Title policy including appropriate endorsements
 - Survey updates
 - Review of:
 - Extended Use Agreement/ LURA
 - Existing promissory note and deed (if assumed)
 - Rent Rolls and historic financials
- Conduct property tours and manage third party consultants
- Manage post-closing transition to property and asset management oversight
- Review and manage HUD 2530 and HUD Approvals (if applicable)

Debt Services

- Analyze best financing strategy (i.e. refi, restructure, disposition)
- Refinance debt (assist in underwriting and closing)
- Monitor prepayment, lockout and maturity date tickler system
- Assist with loan conversion process
- Monitor debt to property NOI and coverage ratio
- Track HUD related properties
- Oversee HOPE VI Program and surplus cash calculations
- Respond to creditor inquiries

Dispositions

- Review broker opinion of value and related issues raised by buyers
- Provide and assist with buyer due diligence requests
- Review / comment on buyer purchase and sale agreement
- Coordinate third party inspections
- Collaborate with property management to optimize operations in year of sale
- Manage partnership wind-ups (i.e., final distributions, audit, tax, etc.)



Attachment D: Asset Management Evaluation of Project Sponsor

McCormack Baron Companies – Asset Management Overview

Number of projects and average number of units per project currently in sponsor's asset management portfolio:

McCormack Baron Asset Management (MBAM) was created in 2003 to oversee and provide asset management services for McCormack Baron Salazar's national affordable housing portfolio—now consisting of 124 projects (with an average of 102 units per project). In addition, MBAM currently serves as a substitute general partner in over 200 LIHTC multifamily properties throughout the country, and has also launched a program targeted at the acquisition and re-capitalization of existing assets.

Sponsor's current asset management staffing – job titles, FTEs, org chart, and status of each position (filled/vacant):

McCormack Baron Asset Management personnel work across the entire portfolio throughout the country to manage financial performance, financial reporting, and compliance (such as property tax filings). The financial team consists of a CFO, Vice President, and Assistant Vice President with years of experience in real estate finance, investing, and asset management, plus a Debt and Finance Associate and administrative support staff. The legal team consists of a President / General Counsel with over 30 years of experience in real estate transactions / real estate law (28 years with the company), as well as a paralegal and Asset Management Coordinator.

John Stewart Company (JSCo) will act as Property Manager. JSCo manages over 29,000 units in over 390 properties in California. The staffing at the project will include:

- 1 Property Manager;
- 1 Leasing Clerks/Occupancy Specialist;
- 1.5 Maintenance Techs, Custodians, Groundskeepers

Additionally, the project will support a Community Services Liaison.

Description of scope and range of duties of sponsor's asset management team:

Over the past 40 years, McCormack Baron Salazar has learned that simply building affordable housing is not enough to rebuild urban neighborhoods. MBS has an active ownership interest in the majority of its developments, meaning the firm's investment is for the long-term. Through MBS' asset management affiliate, McCormack Baron Asset Management, and the property manager John Stewart Company, MBS is able to ensure that the level of care, quality and commitment that went into the development of the property is maintained over time. JSCo will provide the following management services, in conjunction with reporting to MBAM.

- Compliance – We employ five full-time Compliance Department staff who review and approve resident files and provide valuable ongoing training in both areas. The Compliance staff also conducts regular spot audits of all communities to ensure ongoing compliance.
- Maintenance – We have extensive experience in long-term management and budgeting and with our knowledge of maintenance and operational requirements include maintenance work order systems, preventive maintenance plans and cost effective use of vendors and maintenance staff.
- Marketing and Waitlist management – Our approach to marketing and rent-up utilizes a range of targeted advertising and promotional activities selected to effectively reach potentially qualified applicants. In addition, we develop community based outreach programs in an effort to attract qualified potential tenants that meet the regulatory and preference requirements of the agencies funding the project.
- Accounting and financial reporting – We use MRI software for on and offsite accounting. We provide owners monthly accounting reports and operating budgets drafted sixty days prior to the end of the fiscal year. The accounting system for our portfolio meets all generally accepted accounting principles.

- Resident Services – We have invested a great deal in gaining expertise in this kind of community building. In many locations, our staff works closely with local governmental and community-based agencies to coordinate or enhance provision of these services for residents. The company's management style is flexible in order to meet the needs of the resident at the property including meeting with the residents to understand their needs and supporting resident organizations to help empower them to be an integral part of their community.

Description of sponsor's coordination between asset management and other functional teams, including property management, accounting, compliance, facilities management, etc.:

McCormack Baron Asset Management acts as the hub between McCormack Baron Salazar (the development company) and the property manager for both owned and fee-managed properties. While JSCo will be the Property Manager, MBAM's primary function is to evaluate and monitor the financial performance, profitability, and position of the multifamily properties under its umbrella.

Sponsor's budget for asset management team – shown as cost center for projects in SF:

San Francisco total units (operating, managed, and/or under construction) 1,170

Corporate Property Management \$190,427

General, LIHTC Compliance, Training \$260,378

MBAM Asset Management \$87,883

Total San Francisco Costs \$538,687

Number of projects expected to be in sponsor's asset management portfolio in 5 years and, if applicable, plans to augment staffing to manage the growing portfolio:

Across the country MBS projects to close at least 6 new development deals each year for the next 5 years. To support this work, it anticipates adding 3-5 new full-time Project Managers over the 5 years, with appropriate support staff. These Project Managers will include both senior-level and junior-level professionals, to ensure continuity of training and development. In addition, we anticipate adding 2 new full-time Asset Managers to MBAM over the 5 years, plus 1-2 Analysts, with appropriate support staff to manage the growing portfolio.

MCCORMACK BARON SALAZAR

San Francisco Owned and Managed Properties

Construction Start	Name and Location	Description	Commercial Square Footage	Dwelling Units/	Total Development Cost	First Mortgage	Equity	Private Foundations/ Corporations	Federal Grant Programs	Local Cities/ States	Community Partners
1. 1996	Hayes Valley (North) San Francisco, CA	Low Income & Very Low Tax Credit Housing		85	14,963,000	1,634,000	5,829,000	0	7,500,000	0	San Francisco Housing Authority
2. 1997	Hayes Valley (South) San Francisco, CA	Low Income & Very Low Tax Credit Housing		110	19,520,000	2,325,000	10,619,000	0	6,576,000	0	San Francisco Housing Authority
3. 2000	Plaza East San Francisco, CA	Low Income & Very Low Tax Credit Housing		193	36,711,000	0	22,946,000	0	13,765,000	0	San Francisco Housing Authority
4. 2001	Bernal Dwellings San Francisco, CA (MBM managed only)	Low Income & Very Low Tax Credit Housing		160							
5. 2014	Carroll Ave Seniors San Francisco, CA	Elderly section 8 Low Income Tax Credit Senior Center	14,000	121	54,947,000	8,950,000	21,225,000	0	0	24,772,000	City of San Francisco, Dept of HUD State of CA, SF Housing Authority, HNB
6. 2015	Candlestick Heights San Francisco, CA (MBM managed only)	Low Income & Very Low Tax Credit Housing		195							
7. 2015	Alice Griffith - phase 1 San Francisco, CA (Under Construction)	CNI - family Low Income Tax Credit		93	63,525,000	3,850,000	27,185,000	4,091,000	8,700,000	19,699,000	City of San Francisco, State of California, HUD CNI grant Lennar Housing - Master Developer
8. 2015	Alice Griffith - phase 2 San Francisco, CA (Under Construction)	CNI - family Low Income Tax Credit		91	62,946,000	3,800,000	27,130,000	4,015,000	8,400,000	19,601,000	City of San Francisco, State of California, HUD CNI grant Lennar Housing - Master Developer
9. 2016	Alice Griffith - Phase 3A San Francisco, CA (Under Construction)	CNI - family Mixed Income		82	55,833,000	5,000,000	25,143,000	3,534,000	4,250,000	17,906,000	City of San Francisco, State of California, HUD CNI grant Lennar Housing - Master Developer
10. 2016	Alice Griffith - Phase 3B San Francisco, CA (Under Construction)	CNI - family Mixed Income		40	33,814,000	2,700,000	27,057,000	2,166,000		1,891,000	City of San Francisco, State of California, HUD CNI grant Lennar Housing - Master Developer
TOTALS			14,000	1,170	\$ 342,259,000	\$ 28,255,000	\$ 167,134,000	\$ 13,806,000	\$ 49,191,000	\$ 83,869,000	

Attachment E: Site Map with amenities

The map illustrates the Market Square area in Detroit, Michigan, with various streets and landmarks labeled. Key streets include Market Street, Main Street, Grand Avenue, and Corktown Avenue. Landmarks such as Market Square Park, the Community Youth Academy, and the Market Square Fellowship Church are marked. The map also shows the location of Block 54 and Block 52, which are highlighted in red. The map is oriented with North at the top.

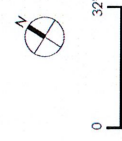
PARKS AND OPEN SPACE

* GROUND FLOOR NEIGHBORHOOD RETAIL /
MAKER PDR SPACE IS ALLOWED ON ALL BLOCKS,
PER THE D4D.

Attachment F: Elevations and Floor Plans

BLOCK 52 - GROUND FLOOR PLAN

A7: MASSING CONCEPT

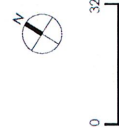


MCCORMACK
BARON
SALAZAR

MITHÜN | SOLOMON

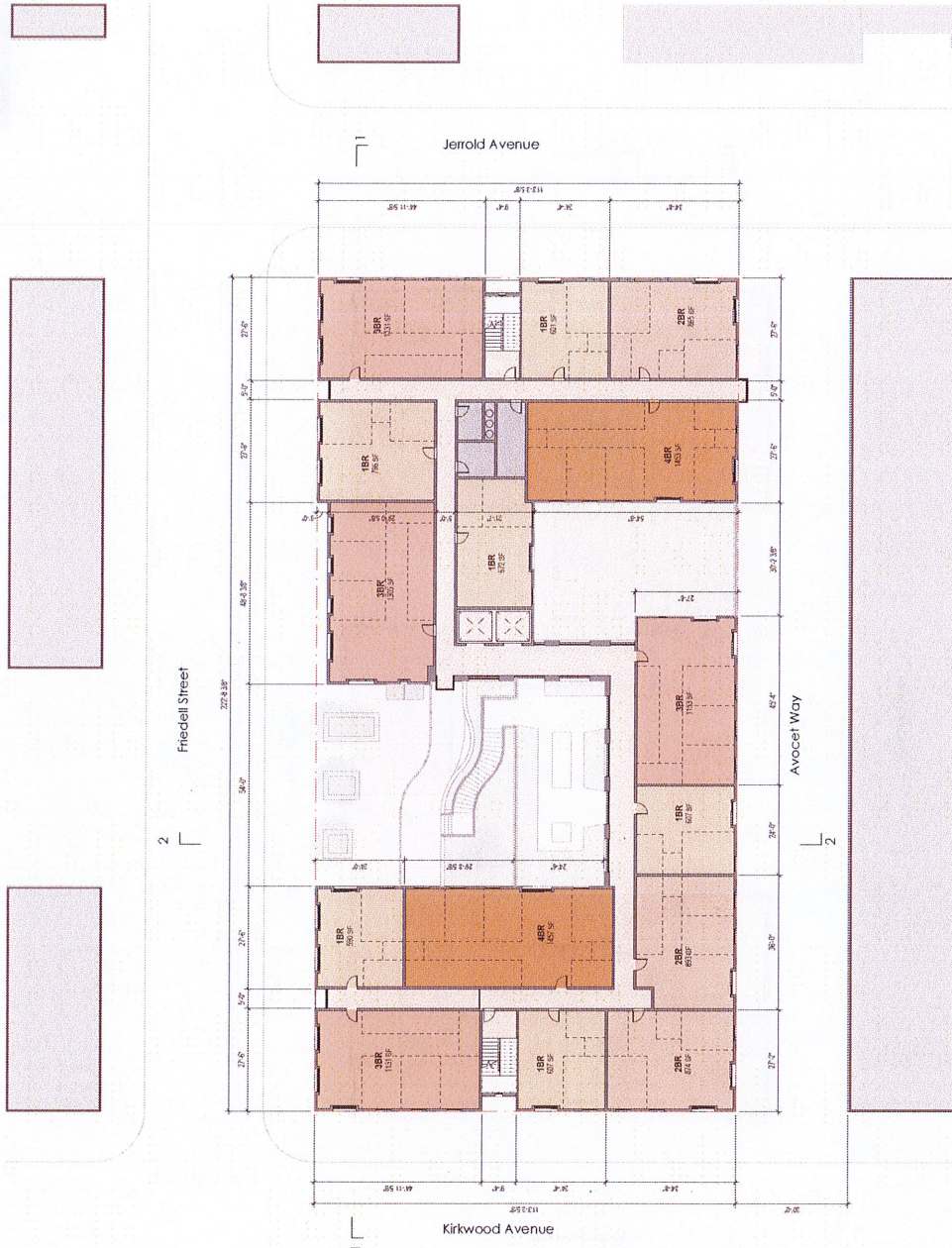
BLOCK 52 - SECOND FLOOR PLAN

A7. MASSING CONCEPT



MCCORMACK
BARON
SALAZAR

MITHUN | SOLOMON

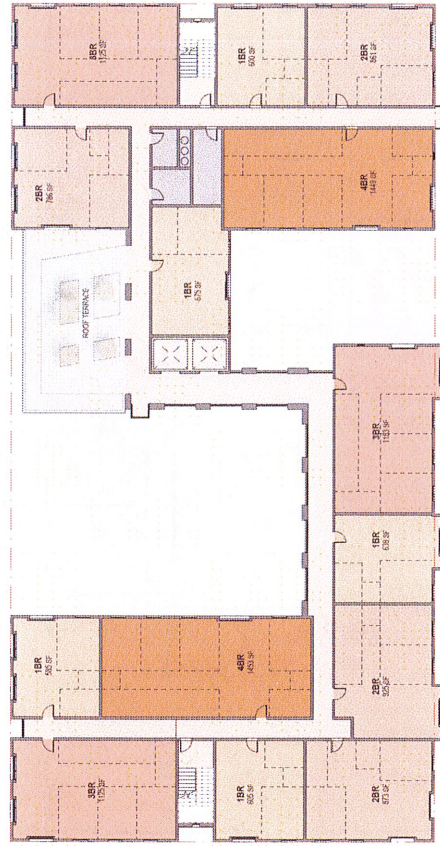


BLOCK 52 - FOURTH FLOOR PLAN

A7. MASSING CONCEPT

2

Friedell Street



1

Kirkwood Avenue

Avocet Way

2

MCCORMACK
BAYON
SALAZAR

HUNTER'S POINT SHIPYARD / BLOCKS 52 & 54 / NOVEMBER 29, 2017

MITHUN | SOLOMON

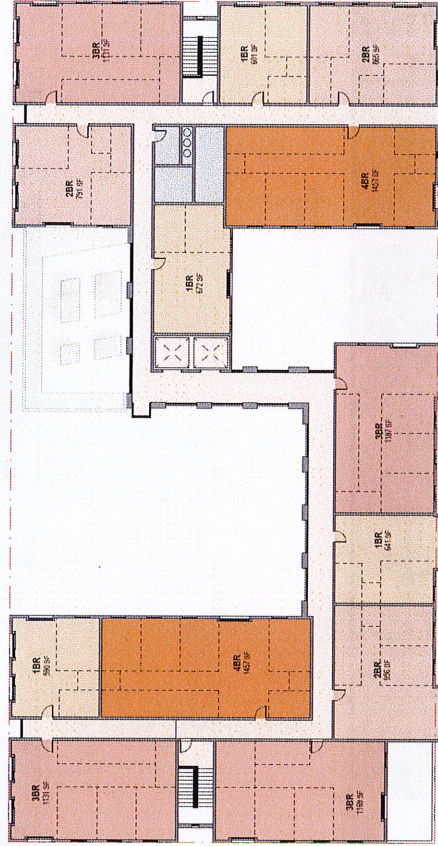
BLOCK 52 - FIFTH FLOOR PLAN

A7, MASSING CONCEPT

2

Friedell Street

6



Jerrold Avenue

Kirkwood Avenue

Avocet Way

2



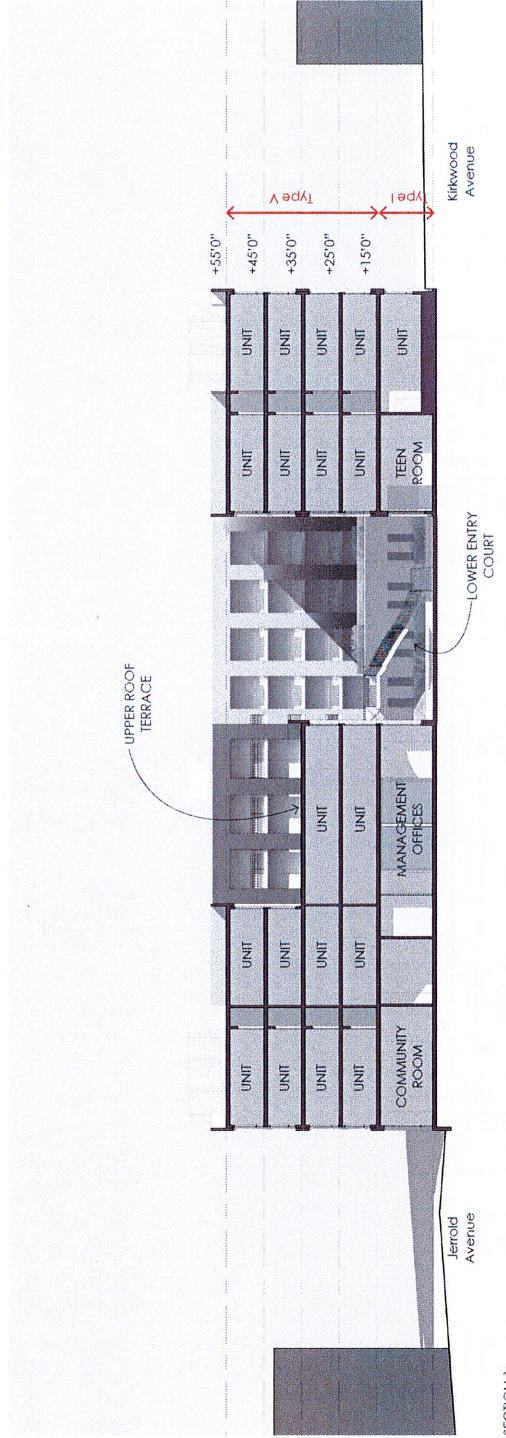
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MCCORMACK
BARON
SALAZAR

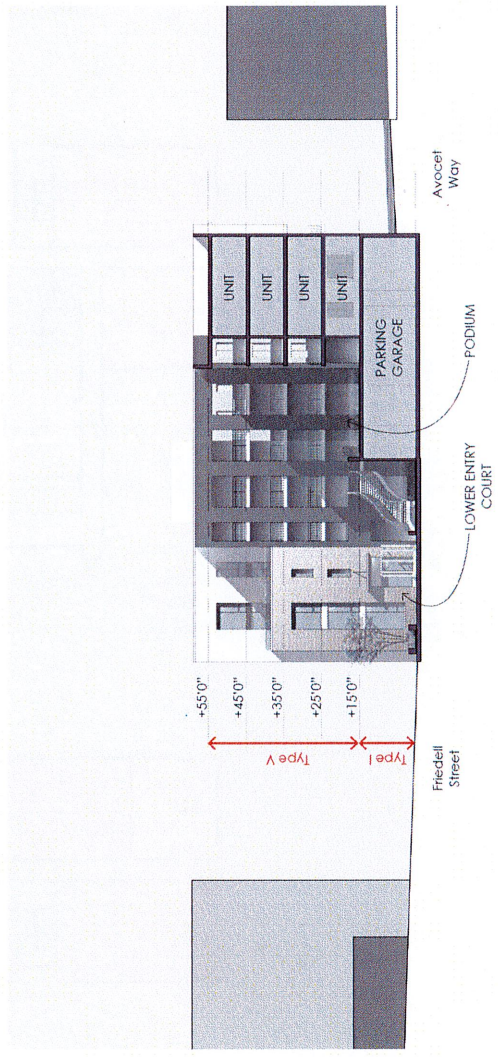
MITHUN | SOLOMON

BLOCK 52 - SECTIONS

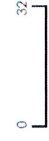
A7. MASSING CONCEPT



SECTION 1



SECTION 2



MCCORMACK
BARON
SALAZAR

MITHÜN | SOLOMON

BLOCK 52 - ELEVATIONS

A7. MASSING CONCEPT



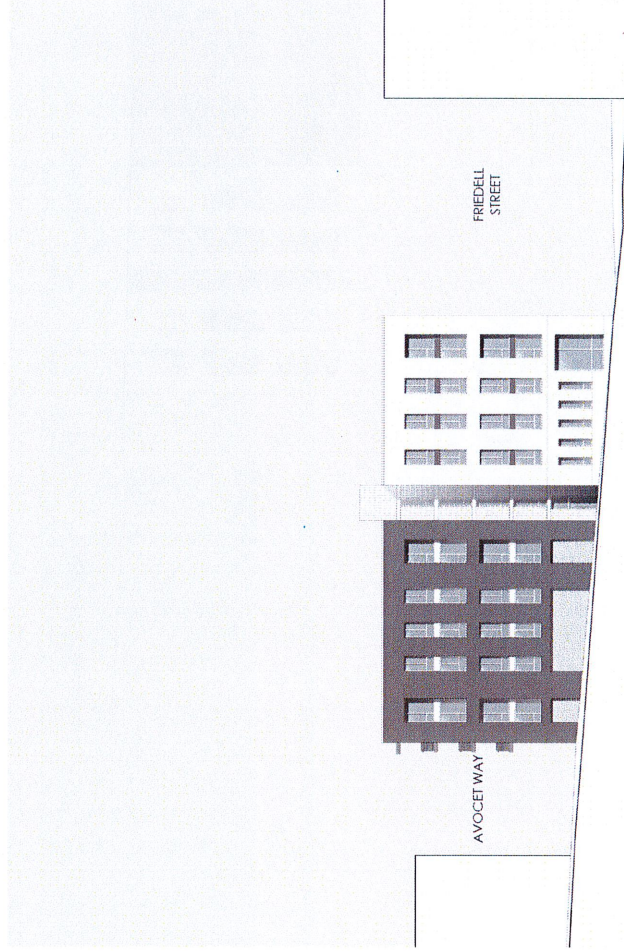
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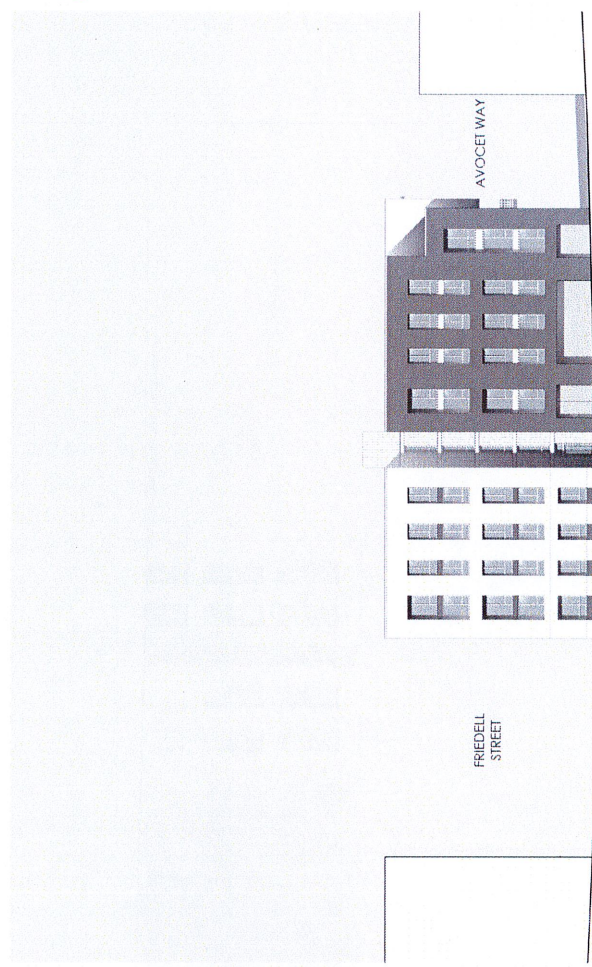
MITHÜN | SOLOMON

BLOCK 52 - ELEVATIONS

A7. MASSING CONCEPT



JERROLD AVENUE ELEVATION



KIRKWOOD AVENUE ELEVATION

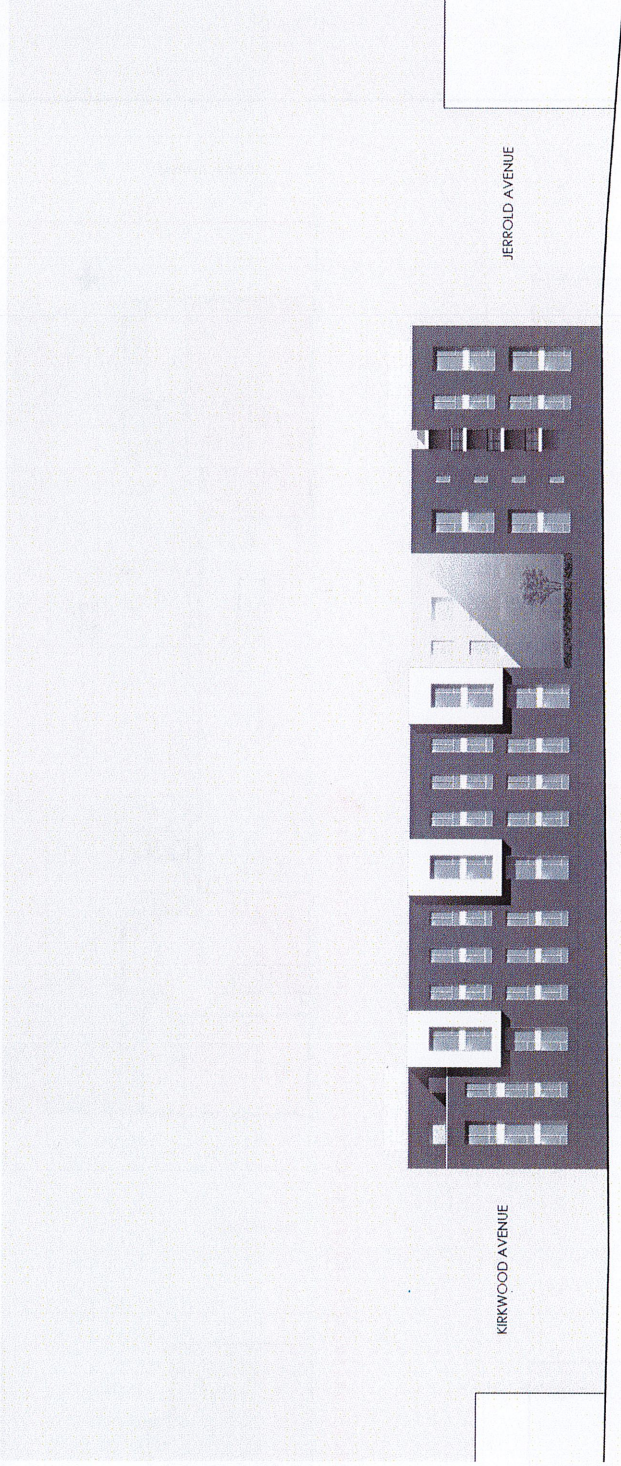
0 32'



MITHÜN | SOLOMON

BLOCK 52 - ELEVATIONS

A7 MASSING CONCEPT



AVOCET WAY ELEVATION

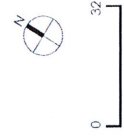
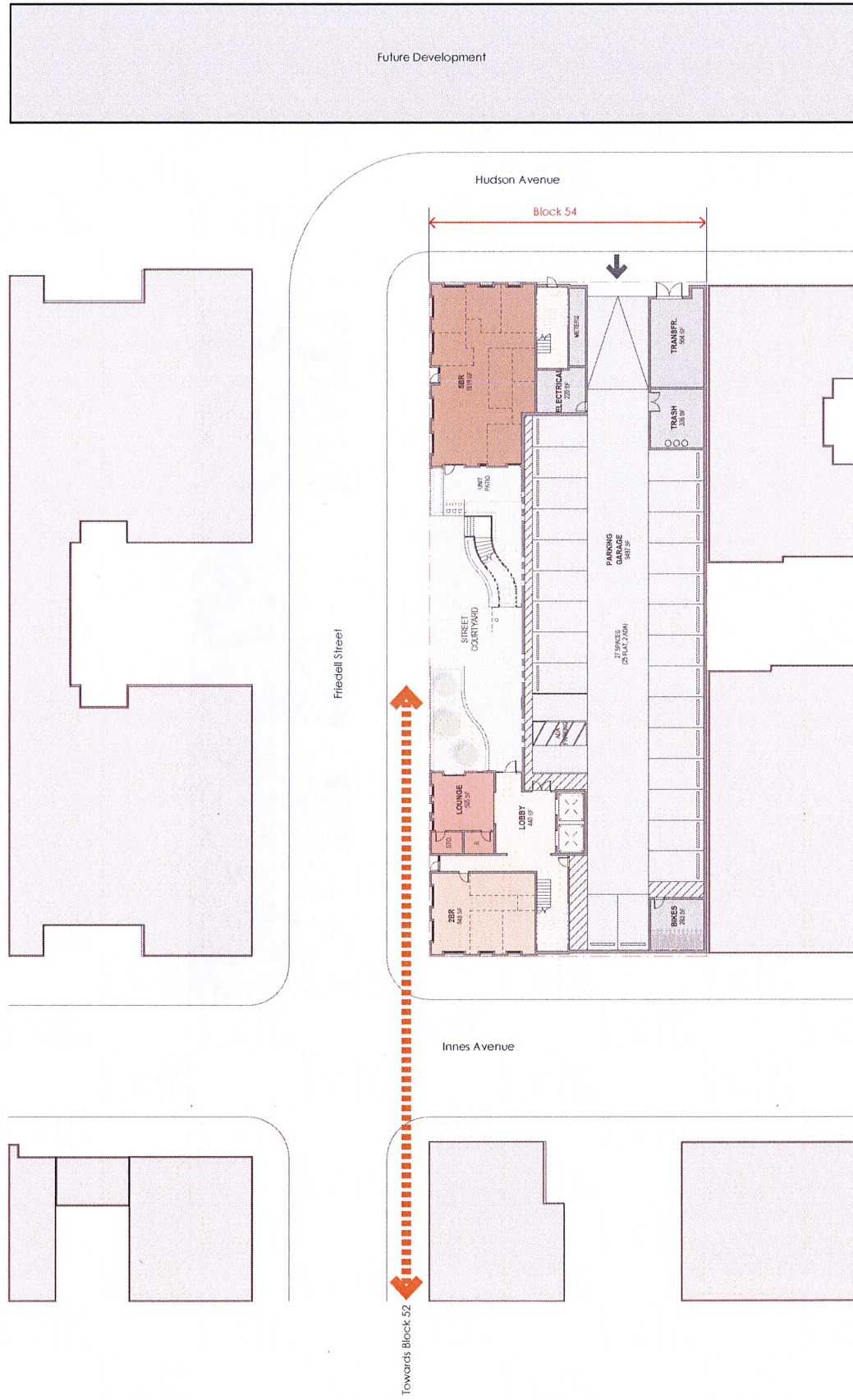
0 32'

MCCORMACK
BARON
SALAZAR

MITHÜN | SOLOMON

HUNTER'S POINT SHIPYARD / BLOCKS 52 & 54 / NOVEMBER 29, 2017

BLOCK PLAN - BLOCK 54

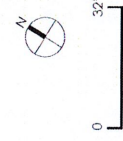
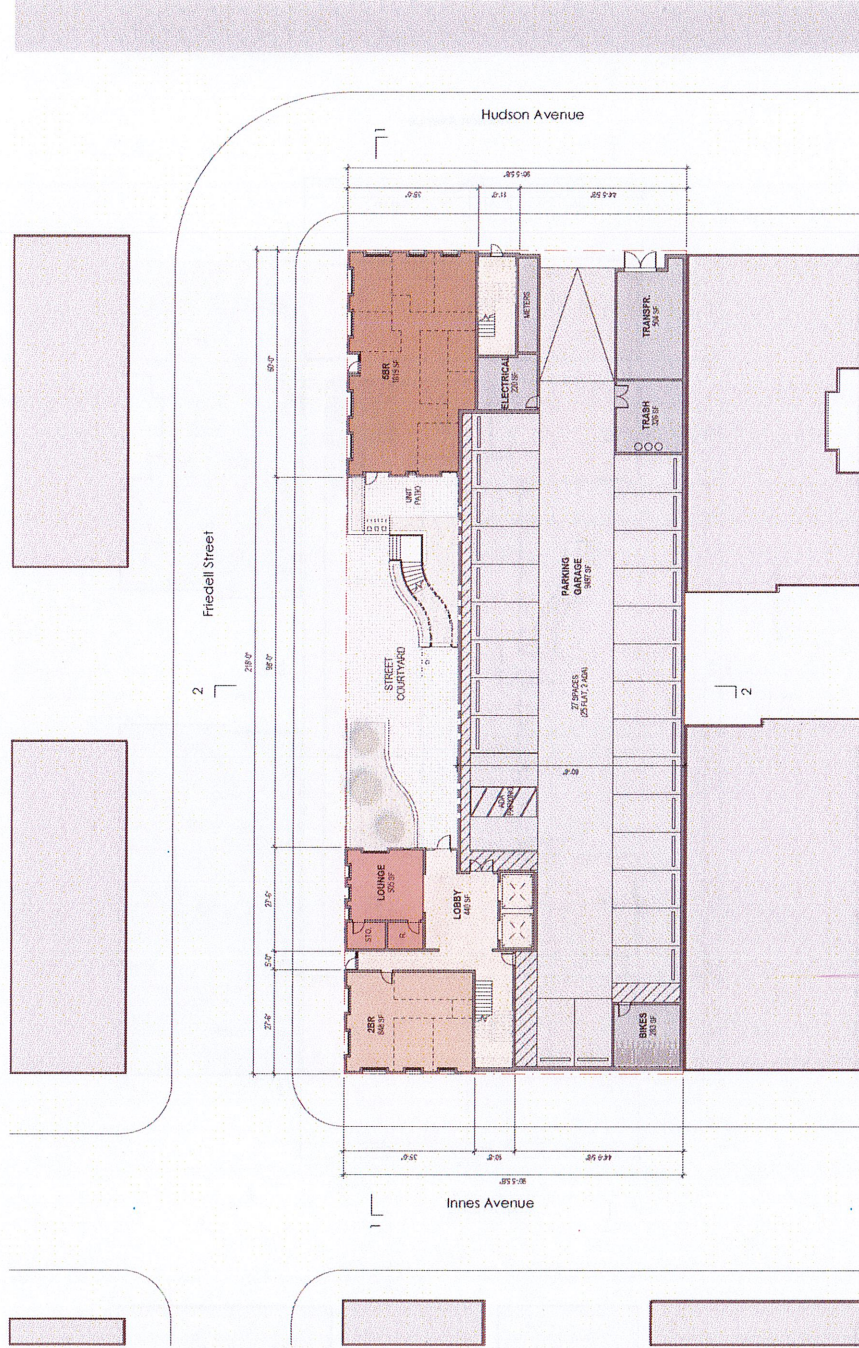


MCCORMACK
BARON
SALAZAR

MITHÜN | SOLOMON

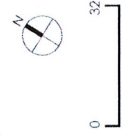
BLOCK 54 - GROUND FLOOR PLAN

A7. MASSING CONCEPT



MCCORMACK
BARON
SALAZAR

MITHÜN | SOLOMON

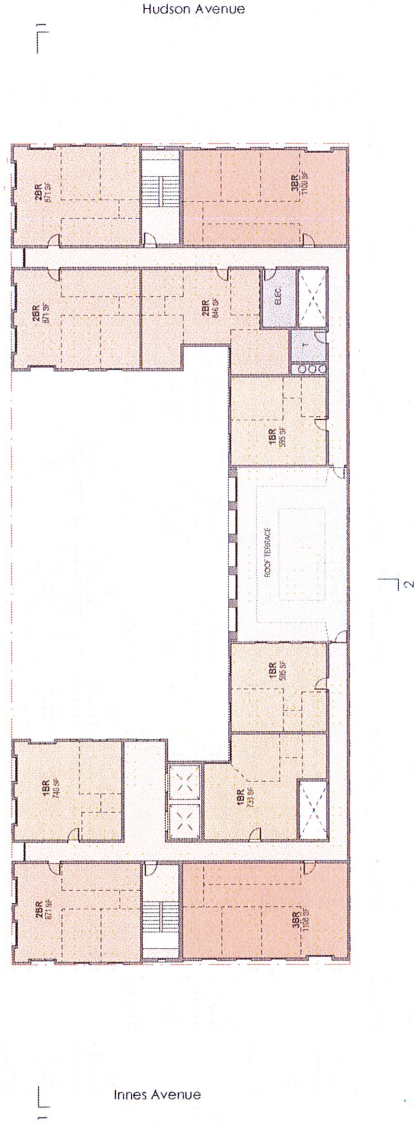




BLOCK 54 - 5TH FLOOR PLAN

A7 - MASSING CONCEPT

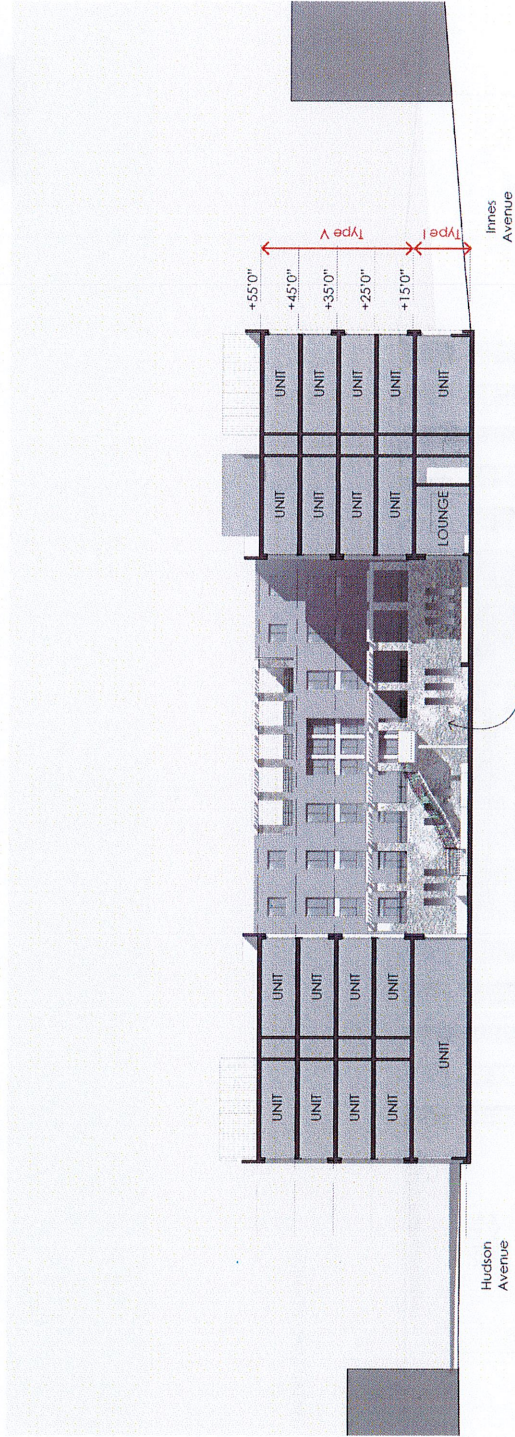
2
Friedel Street



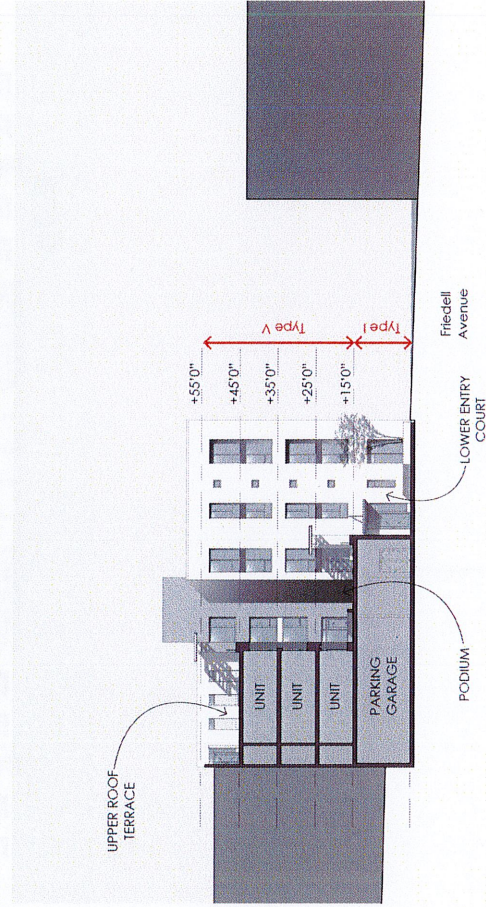
MITHUN | SOLOMON

BLOCK 54 - SECTIONS

A7. MASSING CONCEPT



SECTION 1



SECTION 2

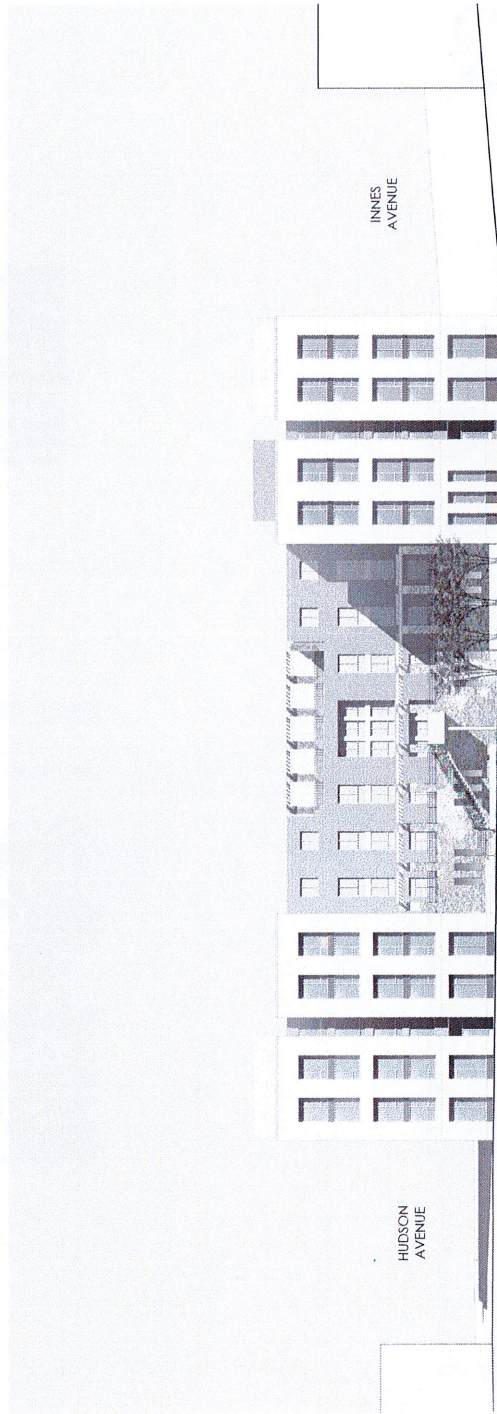
0 32'

MCCORMACK
BARON
SALAZAR

MITHÜN | SOLOMON

BLOCK 54 - ELEVATIONS

A7. MASSING CONCEPT



FRIEDEL STREET ELEVATION

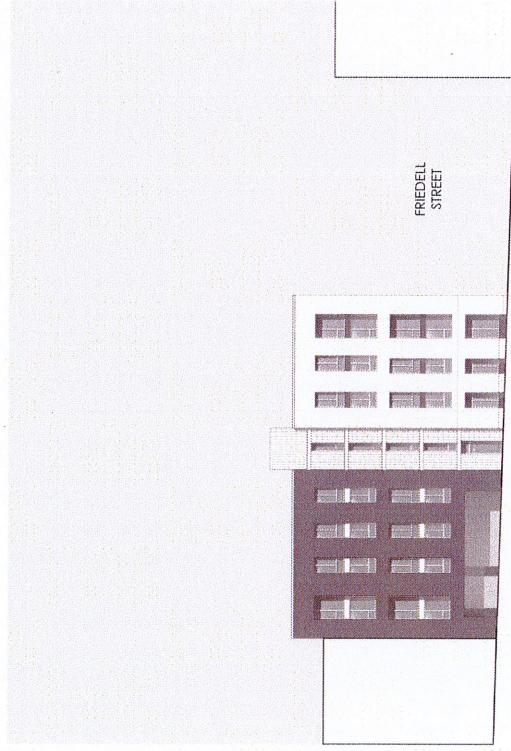
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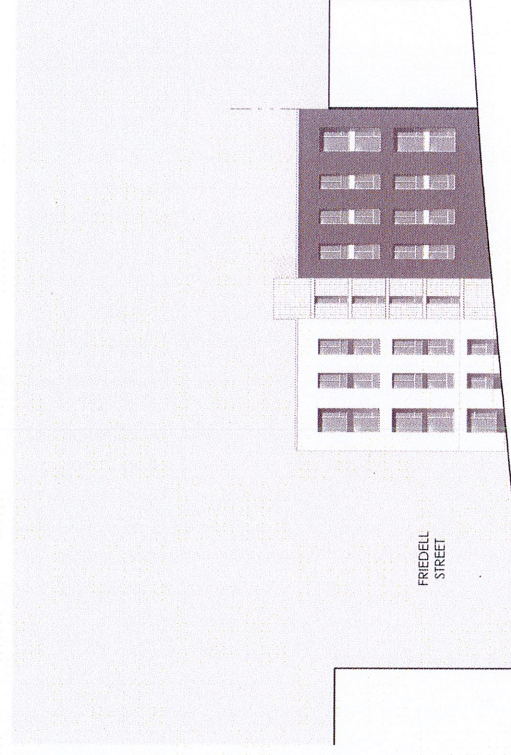
MITHÜN | SOLOMON

BLOCK 54 - ELEVATIONS

A7. MASSING CONCEPT



HUDSON AVENUE ELEVATION



INNES AVENUE ELEVATION

0 32'

MCCORMACK
BARON
SALAZAR

MITHUN | SOLOMON

Attachment G: Comparison of City Investment in Other Housing Developments

Attachment H: Predevelopment Sources and Uses

Application Date: 5/29/18
 Project Name: Shipyard Block 52-54
 Project Address: 151 & 351 Friedell St
 Project Sponsor: MBS & BHPMSS

Units: 100
 # Bedrooms: 178
 # Beds:

SOURCES	4,000,000						Total Sources	Comments
Name of Source:	MOHCDIOGH						4,000,000	

USES								
ACQUISITION								
Acquisition cost or value								
Legal Closing costs / Broker's Fee								
Holding Costs								
Transfer Tax								
TOTAL ACQUISITION	0	0	0	0	0	0	0	

CONSTRUCTION (HARD COSTS)								
Unit Construction/Rehab								0 Include FF&E
Commercial Shell Construction								0
Demolition								0
Environmental Remediation								0
Onsite Improvements/Landscaping								0
Offsite Improvements								0
Infrastructure Improvements								0 HOPE SF/OCH costs for streets etc.
Parking								0
CG Bond Premium/CG Insurance/CG Taxes								0
CG Overhead & Profit								0
CG General Conditions								0
Sub-total Construction Costs	0	0	0	0	0	0	0	0
Design Contingency (remove at 50)								0% up to \$50MM HC; 4% \$50-\$150MM; 3% \$150MM+
Bid Contingency (remove at bid)								0% up to \$50MM HC; 4% \$50-\$150MM; 3% \$150MM+
Plan Check Contingency (remove/reduce during Plan Review)								0% up to \$50MM HC; 3% \$50-\$150MM; 2% \$150MM+
Hard Cost Construction Contingency								0% new construction / 15% rehab
Sub-total Construction Contingencies	0	0	0	0	0	0	0	0
TOTAL CONSTRUCTION COSTS	0	0	0	0	0	0	0	0

SOFT COSTS								
Architecture & Design								
Architect design fees	2,140,000						2,140,000	See MOHCD AEE Fee Guidelines: http://afmohcd.org/documents-reports-and-forms
Design Subconsultants to the Architect (incl. Fees)								Included above (MEP; Civil, Structural, Lands, Green, etc.)
Architect Construction Admin								0
Remittances								0
Additional Services								0
Sub-total Architect Contract	2,140,000	0	0	0	0	0	2,140,000	
Other Third Party design consultants (not included under Architect contract)								Consultants not covered under architect contract, name consultant type and contract amount
Total Architecture & Design	2,140,000	0	0	0	0	0	2,140,000	

Engineering & Environmental Studies								
Survey	40,000						40,000	
Geotechnical studies	50,000						50,000	
Phase I & II Reports	70,000						70,000	
CEQA / Environmental Review consultants							0	
NEPA / 106 Review							0	
CNA/PSA (initial only)							0	
Other environmental consultants	20,000						20,000	Name consultants & contract amounts
Total Engineering & Environmental Studies	180,000	0	0	0	0	0	180,000	

Financing Costs								
Construction Financing Costs								
Construction Loan Origination Fee	100,000						100,000	Two parcels
Construction Loan Interest							0	
Title & Recording	15,000						15,000	
CDAC & CDAC fees	5,000						5,000	
Bond Issuer Fees	5,000						5,000	
Other Bond Cost of Issuance							0	
Other Lender Costs (specify)							0	
Sub-total Const. Financing Costs	125,000	0	0	0	0	0	125,000	
Permanent Financing Costs								
Permanent Loan Origination Fee	10,000						10,000	
Credit Enhance. & Appl. Fee							0	
Title & Recording							0	
Sub-total Perm. Financing Costs	10,000	0	0	0	0	0	10,000	
Total Financing Costs	135,000	0	0	0	0	0	135,000	

Legal Costs								
Borrower Legal fees								
Land Use / CEQA Attorney fees	125,000						125,000	
Tax Credit Counsel							0	
Bond Counsel							0	
Construction Lender Counsel							0	
Permanent Lender Counsel							0	
Other Legal (specify)							0	
Total Legal Costs	125,000	0	0	0	0	0	125,000	

Other Development Costs								
Appraisal	10,000						10,000	
Market Study	10,000						10,000	
Insurance							0	
Property Taxes							0	
Accounting / Audit							0	
Organizational Costs	5,000						5,000	
Crabtree / Permit Fees	500,000						500,000	
Marketing / Rent-up							0	
Furnishings							0	
PGE / Utility Fees	5,000						5,000	
TCAC App / Alloc / Monitor Fees	32,000						32,000	
Financial Consultant fees							0	
Construction Management fees / Owner's Rep	40,000						40,000	
Security during Construction							0	
Relocation							0	
Other (specify)							0	
Other (specify)							0	
Other (specify)							0	
Total Other Development Costs	602,000	0	0	0	0	0	602,000	

Soft Cost Contingency								
Contingency (Arch, Eng, Fin, Legal & Other Dev)	318,000	0	0	0	0	0	318,000	Should be either 10% or 5% of total soft costs
TOTAL SOFT COSTS	3,500,000	0	0	0	0	0	3,500,000	

RESERVES								
Operating Reserves							0	
Replacement Reserves							0	
Tenant Improvements Reserves							0	
Other (specify)							0	
Other (specify)							0	
Other (specify)							0	
TOTAL RESERVES	0	0	0	0	0	0	0	

DEVELOPER COSTS								
Developer Fee - Cash-out Paid at Milestones	500,000						500,000	
Developer Fee - Cash-out At Risk							0	
Developer Fee - GP Equity (also show as source)							0	
Developer Fee - Deferred (also show as source)							0	
Development Consultant Fees							0	Need MOHCD approval for this cost, N/A for most projects
Other (specify)							0	
TOTAL DEVELOPER COSTS	500,000	0	0	0	0	0	500,000	

TOTAL DEVELOPMENT COST	4,000,000	0	0	0	0	0	4,000,000	
Development Cost/Unit by Source	40,000	0	0	0	0	0	40,000	
Development Cost/Unit as % of TDC by Source	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	

Acquisition Cost/Unit by Source	0	0	0	0	0	0	0	
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Construction Cost (inc. Const. Contingency)/Unit By Source	0	0	0	0	0	0	0	
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Construction Cost (inc. Const. Contingency)/SF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
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City Subsidy/Unit	40,000							
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Tax Credit Equity Pricing	1.01							
Construction Bond Amount	4,100,000							
Construction Loan Term (in months)	24 months							
Construction Loan Interest Rate (as %)	3.50%							

Attachment I: Development Budget

Application Date: 5/29/18
 Project Name: Shipyard Block 52-54
 Project Address: 151 & 351 Friedel St
 Project Sponsor: MBS & BHPMS

Units: 100
 # Bedrooms:
 # Beds:

SOURCES	32,750,100	1,850,000	15,000,000	2,000,000	24,403,000	385,000	Total Sources	Comments
							76,388,100	

USES

ACQUISITION

USES	32,750,100	1,850,000	15,000,000	2,000,000	24,403,000	385,000	Total Sources	Comments
Acquisition cost or value							0	
Legal / Closing costs / Broker's Fee							0	
Holding Costs							0	
Transfer Tax							0	
TOTAL ACQUISITION	0	0	0	0	0	0	0	

CONSTRUCTION (HARD COSTS)

USES	32,750,100	1,850,000	15,000,000	2,000,000	24,403,000	385,000	Total Sources	Comments
Unit Construction/Rehab	16,174,000	1,850,000	15,000,000	2,000,000	12,892,948		47,916,948	Include FF&E
Commercial Shell Construction							0	
Demolition							0	
Environmental Remediation							0	
Onsite Improvements/Landscaping							0	
Offsite Improvements							0	
Infrastructure Improvements							0	MOHCD SF/OCU costs for streets etc.
Parking							0	
GC Bond Premium/GC Insurance/GC Taxes					1,313,916		1,313,916	2.7%
GC Overhead & Profit	2,000,000				2,876,296		4,876,296	10.2%
GC General Conditions							0	Included above
Sub-total Construction Costs	18,174,000	1,850,000	15,000,000	2,000,000	17,063,150	0	54,107,150	
Design Contingency (remove at DO)	2,465,000						2,465,000	5.1%
Bid Contingency (remove at bid)	2,465,000						2,465,000	5.1%
Plan Check Contingency (remove/reduce during Plan Review)	2,465,000						2,465,000	5.1%
Hard Cost Construction Contingency	1,500,000						1,500,000	6.4%
Sub-total Construction Contingencies	8,935,000	0	0	0	0	0	8,935,000	
TOTAL CONSTRUCTION COSTS	27,069,000	1,850,000	15,000,000	2,000,000	18,558,150	0	64,577,150	

SOFT COSTS

USES	32,750,100	1,850,000	15,000,000	2,000,000	24,403,000	385,000	Total Sources	Comments
Architecture & Design								
Architect design fees	2,140,000						2,140,000	See MOHCD A&E Fee Guidelines: http://almohcd.org/documents-reports-and-forms
Design Subconsultants to the Architect (incl. Fees)							0	
Architect Construction Admin							0	
Reimbursables							0	
Additional Services							0	
Sub-total Architect Contract	2,140,000	0	0	0	0	0	2,140,000	
Other Third Party design consultants (not included under Architect contract)							0	Consultants not covered under architect contract, name consultant type and contract amount
Total Architecture & Design	2,140,000	0	0	0	0	0	2,140,000	
Engineering & Environmental Studies								
Survey	40,000						40,000	Two Left
Geotechnical studies	421,500						421,500	Geotech, Utility Design, SWPPP, DDC/PIle and soil monitoring
Phase I & II Reports	70,000						70,000	Phase I, II, SMP, ADCP, MMRP reports
CEQA / Environmental Review consultants							0	
NEPA / 106 Review							0	OTBD if CAHFA is used (~\$50k)
CNA/PNA (rehab only)							0	
Other environmental consultants	90,000						90,000	reviews any soil disposals
Total Engineering & Environmental Studies	621,500	0	0	0	0	0	621,500	
Financing Costs								
Construction Financing Costs								
Construction Loan Origination Fee	100,000				207,500		307,500	
Construction Loan Interest					1,435,000		1,435,000	
Title & Recording	15,000				65,000		80,000	
CDLAP / LDRS fees							0	
Bond Issuer Fees							0	
Other Bond Cost of Insurance	150,000				153,600		303,600	
Other Lender Costs (specify)							81,250	Lender due diligence, monthly inspections
Sub-total Const. Financing Costs	265,000	0	0	0	1,642,350	0	2,207,350	
Permanent Financing Costs								
Permanent Loan Origination Fee					18,500		18,500	
Credit Enhance. & Appl. Fee	5,000						5,000	
Title & Recording							0	
Sub-total Perm. Financing Costs	5,000	0	0	0	18,500	0	23,500	
Total Financing Costs	270,000	0	0	0	1,660,850	0	2,230,850	
Legal Costs								
Borrower Legal fees	125,000				140,000		265,000	
Land Use / CEQA Attorney fees							0	
Tax Credit Counsel							0	
Bond Counsel					75,000		75,000	
Construction Lender Counsel					25,000		25,000	
Permanent Lender Counsel							0	
Other Legal (specify)							0	
Total Legal Costs	125,000	0	0	0	240,000	0	365,000	
Other Development Costs								
Appraisal	10,000						10,000	
Market Study	10,000						10,000	
Insurance	359,000				575,000		934,000	\$575k estimate for OCIP if needed
Property Taxes							0	
Accounting / Audit					30,000		30,000	
Organizational Costs					10,000		10,000	
Entitlement / Permit Fees	500,000				350,000		850,000	two buildings/permits, expeditor
Marketing / Rent-up					273,000		273,000	Marketing and Lease Up Expenses before stabilization
Furnishings	100,000				100,000		200,000	\$2,000/unit. See MOHCD UAF Guidelines on: http://almohcd.org/documents-reports-and-forms
PGE / Utility Fees							0	
TCAC App / Alloc / Monitor Fees	32,000				41,000		73,000	
Financial Consultant fees							0	
Construction Management fees / Owner's Rep.	38,500				100,000		138,500	Predev. and Construction
Security during Construction							0	
Relocation							0	
Other Consultants Section 3, Community Outreach					75,000		75,000	
Other temp/perm power, dust monitoring	275,000				200,000		475,000	
Other (specify)							0	
Total Other Development Costs	1,324,500	0	0	0	1,754,000	0	3,078,500	
Soft Cost Contingency								
Contingency (Arch, Eng, Fin, Legal & Other Dev)	700,100						700,100	Should be either 10% or 5% of total soft costs.
TOTAL SOFT COSTS	5,181,100	0	0	0	3,554,850	0	9,135,950	

RESERVES

USES	32,750,100	1,850,000	15,000,000	2,000,000	24,403,000	385,000	Total Sources	Comments
Operating Reserves					290,000		290,000	
Replacement Reserves							0	
Tenant Improvements Reserves							0	
Other (specify)							0	
Other (specify)							0	
TOTAL RESERVES	0	0	0	0	290,000	0	290,000	

DEVELOPER COSTS

USES	32,750,100	1,850,000	15,000,000	2,000,000	24,403,000	385,000	Total Sources	Comments
Developer Fee - Cash-out Paid at Milestones	500,000				1,500,000		2,000,000	
Developer Fee - Cash-out At Risk							0	
Developer Fee - GP Equity (also show as source)							0	
Developer Fee - Deferred (also show as source)						385,000	385,000	
Development Consultant Fees *							0	Need MOHCD approval for this cost, N/A for most projects
Other (specify)							0	
TOTAL DEVELOPER COSTS	500,000	0	0	0	1,500,000	385,000	2,385,000	

TOTAL DEVELOPMENT COST	32,750,100	1,850,000	15,000,000	2,000,000	24,403,000	385,000	Total Sources	Comments
Development Cost/Unit by Source	327,501	18,500	150,000	20,000	244,030	3,850	763,881	
Development Cost/Unit as % of TDC by Source	42.9%	2.4%	19.6%	2.6%	31.9%	0.5%	100.0%	

Acquisition Cost/Unit by Source	32,750,100	1,850,000	15,000,000	2,000,000	24,403,000	385,000	Total Sources	Comments
Construction Cost (inc Const Contingency)/Unit By Source	270,600	18,500	150,000	20,000	186,502	0	645,772	
Construction Cost (inc Const Contingency)/SF	168.04	11.48	93.12	12.42	115.83	0.00	400.90	

City Subsidy/Unit	327,501						Total Sources	Comments
Tax Credit Equity Pricing	1,011						1,011	
Construction Bond Amount:	41,000,000						41,000,000	
Construction Loan Term (in months):	24 months						24 months	
Construction Loan Interest Rate (as %):	3.50%						3.50%	

Attachment J: 1st Year Operating Budget

Application Date: 5/29/2018
 Total # Units: 100
 First Year of Operations (provide data assuming that Year 1 is a full year, i.e. 12 months of operations): 2022

Project Name: Shipyard Block 82-64
 Project Address: 151 & 351 Friedell St
 Project Sponsor: MBS & BHPMSS

INCOME	Total	Comments
Residential - Tenant Rents	1,337,268	Links from New Prop. Rent & Unit Mix Worksheet
Residential - Tenant Assistance Payments (Non-LOSP)	0	Links from New Prop. Rent & Unit Mix Worksheet
Commercial Space	0	0%
Residential Parking	0	Links from Utilities & Other Income Worksheet
Miscellaneous Rent Income	0	Links from Utilities & Other Income Worksheet
Supportive Services Income	0	0
Interest Income - Project Operations	0	Links from Utilities & Other Income Worksheet
Laundry and Vending	0	Links from Utilities & Other Income Worksheet
Tenant Charges	0	Links from Utilities & Other Income Worksheet
Miscellaneous Residential Income	0	Links from Utilities & Other Income Worksheet
Other Commercial Income	0	Links from Commercial Op. Budget Worksheet
Withdrawal from Capitalized Reserve (deposit to operating account)	0	
	1,337,268	Gross Potential Income
Vacancy Loss - Residential - Tenant Rents	(65,863)	Vacancy loss is 5% of Tenant Rents.
Vacancy Loss - Residential - Tenant Assistance Payments	0	#DIV/0!
Vacancy Loss - Commercial	0	Links from Commercial Op. Budget Worksheet
EFFECTIVE GROSS INCOME	1,270,405	PUPA: 12,704
OPERATING EXPENSES		
Management		
Management Fee	62,400	1st Year to be set according to HUD schedule
Asset Management Fee	20,440	
Sub-total Management Expenses	82,840	PUPA: 828
Salaries/Benefits		
Office Salaries	40,000	
Manager's Salary	50,000	
Health Insurance and Other Benefits	48,000	
Other Salaries/Benefits	above	
Administrative Rent-Free Unit		
Sub-total Salaries/Benefits	138,000	PUPA: 1,380
Administration		
Advertising and Marketing	5,000	
Office Expenses	50,000	
Office Rent		
Legal Expense - Property	20,000	
Audit Expense	17,500	
Bookkeeping/Accounting Services		
Bad Debts		
Miscellaneous		
Sub-total Administration Expenses	92,500	PUPA: 925
Utilities		
Electricity	60,000	
Water	60,000	
Gas	20,000	
Sewer	60,000	
Sub-total Utilities	200,000	PUPA: 2,000
Taxes and Licenses		
Real Estate Taxes		
Payroll Taxes		
Miscellaneous Taxes, Licenses and Permits	5,000	
Sub-total Taxes and Licenses	5,000	PUPA: 50
Insurance		
Property and Liability Insurance	60,000	
Fidelity Bond Insurance		
Worker's Compensation		
Director's & Officers' Liability Insurance		
Sub-total Insurance	60,000	PUPA: 600
Maintenance & Repair		
Payroll	87,000	11.5
Supplies	12,000	
Contracts	62,000	grounds, cleaning, etc.
Sidewalk and Trash Removal	38,000	
Security Payroll/Contract	33,000	cameras
HVAC Repairs and Maintenance		
Vehicle and Maintenance Equipment Operation and Repairs		
Miscellaneous Operating and Maintenance Expenses	70,000	elevators, pest, painting repairs, etc.
Sub-total Maintenance & Repair Expenses	282,000	PUPA: 2,820
Supportive Services	85,000	
Commercial Expenses	0	Links from Commercial Op. Budget Worksheet
TOTAL OPERATING EXPENSES	945,340	PUPA: 9,453
Reserves/Ground Lease Base Rent/Bond Fees		
Ground Lease Base Rent	15,000	Ground lease with MOHCD. Provide additional comments here, if needed.
Bond Monitoring Fee	2,500	
Replacement Reserve Deposit	40,000	
Operating Reserve Deposit		
Other Required Reserve 1 Deposit		
Other Required Reserve 2 Deposit		
Required Reserve Liquidity, Commercial	0	Links from Commercial Op. Budget Worksheet
Sub-total Reserves/Ground Lease Base Rent/Bond Fees	57,500	PUPA: 575
TOTAL OPERATING EXPENSES (w/ Reserves/Ground Lease Base Rent/Bond Fees)	1,002,840	PUPA: 10,028
NET OPERATING INCOME (INCOME minus OP EXPENSES)	267,565	PUPA: 2,676
DEBT SERVICE/MUST PAY PAYMENTS (hard debt/financed loans)		
Hard Debt - First Lender	155,863	First Mortgage. Provide additional comments here, if needed.
Hard Debt - Second Lender (HCD Program 0.42% pmt. or other 2nd Lender)	0	Provide additional comments here, if needed.
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)	0	Provide additional comments here, if needed.
Hard Debt - Fourth Lender	0	Provide additional comments here, if needed.
Commercial Hard Debt Service	0	Links from Commercial Op. Budget Worksheet
TOTAL HARD DEBT SERVICE	155,863	PUPA: 1,559
CASH FLOW (NOI minus DEBT SERVICE)	111,702	
USES OF CASH FLOW BELOW (This row also shows DSCR.)	1.72	
USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL		
Below the line: Asset Mgt Fee (see policy for limits)	20,440	2
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)	5,000	1
Other Payments		
Non-amortizing Loan Pmt - Lender 1 (select lender in comments field)		Provide additional comments here, if needed.
Non-amortizing Loan Pmt - Lender 2 (select lender in comments field)		Provide additional comments here, if needed.
Deferred Developer Fee (Enter amt <= Max Fee from cell 11.36)	28,468	Def. Develop. Fee split 33%. Provide additional comments here, if needed.
TOTAL PAYMENTS PRECEDING MOHCD	23,906	PUPA: 539
RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)	57,795	
Residual Receipts Calculation		
Does Project have a MOHCD Residual Receipt Obligation?	Yes	Project has MOHCD ground lease?
Will Project Defer Developer Fee?	No	
Max Deferred Developer Fee/Borrower % of Residual Receipts in Yr 1	33%	
% of Residual Receipts available for distribution to soft debt lenders in Yr 1	67%	
Soft Debt Lenders with Residual Receipt Obligations		
MOHCD/DCOL - Soft Debt Loans	All MOHCD/DCOL Loans payable from res. recs.	Total Principal Amt
MOHCD/DCOL - Ground Lease Value		\$32,750,000
HCD (soft debt loan) - Lender 1	Ground Lease	\$150,000
Other Soft Debt Lender - Lender 4	AHSC	\$15,000,000
Other Soft Debt Lender - Lender 5	AHP	\$2,000,000
		Distrib. of Soft Debt Loans
		65.63%
		0.30%
		0.00%
		30.06%
		4.01%
MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
MOHCD Residual Receipts Amount Due	25,404	67% of residual receipts, multiplied by 65.93% - MOHCD's pro rata share of all soft debt
Proposed MOHCD Residual Receipts Amount to Loan Repayment	25,404	100% of residual receipts, multiplied by 65.93% - MOHCD's pro rata share of all soft debt
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease	0	If applicable, MOHCD residual receipts and due LESS and proposed for loan repayment.
REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE	32,392	
NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
HCD Residual Receipts Amount Due	0	
Lender 4 Residual Receipts Due	11,658	67% of residual receipts, multiplied by 30.06% - AHSC's pro rata share of all soft debt
Lender 5 Residual Receipts Due	1,644	67% of residual receipts, multiplied by 4.01% - AHP's pro rata share of all soft debt
Total Non-MOHCD Residual Receipts Debt Service	13,302	
REMAINDER (Should be zero unless there are distributions below)	19,265	
Owner Distributions/Incentive Management Fee	19,265	100% of Borrower share of 33% of residual receipts
Other Distributions/Uses	0	
Final Balance (should be zero)	0	

Attachment K: 20-year Operating Proforma

1 of 2

Shinyard Block 52-54

Total # Units: 100

	Year 20
	2041
INCOME	
Residential - Tenant Rents	
Residential - Tenant Assistance Payments (Non-LOS?)	
Residential - Tenant Services	
Other Income	
Gross Potential Income	2,137,824
Vacancy Loss - Residential - Tenant Rents	na
Vacancy Loss - Residential - Tenant Assistance Payments	na
Vacancy Loss - Commercial	na
EFFECTIVE GROSS INCOME	2,030,533

OPERATING EXPENSES	
Management	3.5%
Administration	3.5%
Utilities	3.5%
Taxes and Licenses	3.5%
Insurance	3.5%
Repairs and Maintenance	3.5%
Supportive Services	3.5%
Commercial Expenses	3.5%
TOTAL OPERATING EXPENSES	1,817,417

Reserves/Lease Base Rent/Bond Fees	
Ground Lease Base Rent	15,000
Bond Monitoring Fee	2,500
Replacement Reserve Deposit	40,000
Other Hard Debt Service	0
Other Required Reserve 2 Deposit	0
Required Reserve Deposit, Commercial	0
Subtotal Reserves/Lease Base Rent/Bond Fees	57,500

TOTAL OPERATING EXPENSES (w/ Reserves/Lease Base Rent/Bond Fees)	1,874,917
NET OPERATING INCOME (INCOME minus OP EXPENSES)	166,016
DEBT SERVICE/MUST PAY PAYMENTS (Third debt/amortized loans)	
Hard Debt - First Lender	156,563
Hard Debt - Second Lender (HCD Program 0.42% front, or other 2nd Lender)	-
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)	-
Hard Debt - Fourth Lender	-
Commercial Third Debt Service	166,016
CASH FLOW (NOI minus DEBT SERVICE)	162

USES OF CASH FLOW BELOW (This row also shows DSCR.)	
USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL	
Unfunded Developer Fee (Either unit c. Max Fee from row 131)	3.5%
Unfunded MOHCD Residual Receipts Amount Due	3.5%
Investor Services Fee (aka 1-P Asset Mgt Fee) (see policy for units)	5,000
Other Payments	-
Non-amortized Loan Front - Lender 1	-
Non-amortized Loan Front - Lender 2	-
TOTAL PAYMENTS PRECEDING MOHCD	44,298

RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)	(44,144)
Does Project have a MOHCD Residual Receipt Obligation?	Yes
Residual Receipts Start or End Years - Lender/Owner	37% 131
MOHCD Residual Receipts Amount Due	65.93%
Unfunded MOHCD Residual Receipts Amount Due	-
Unfunded MOHCD Residual Receipts Amount Due	-
REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE	-

NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE	
HCD Residual Receipts Amount Due	0.00%
Lender 3 Residual Receipts Due	20.00%
Lender 5 Residual Receipts Due	4.00%
Total Non-MOHCD Residual Receipts Debt Service	-
REMAINDER (Should be zero unless there are distributions below)	-
Other Distribution/Uses	-
Final Balance (should be zero)	-

DEFERRED DEVELOPER FEE - RUNNING BALANCE	
RR Running Balance	800,000
OK Running Balance	-
Other Required Reserve 2 Running Balance	-
Developer Fee Remaining Balance	(56,259)

LOAN AGREEMENT

By and Between

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

and

Shipyard 5254, L.P., a California Limited Partnership

for

351 Friedell Street and 151 Friedell Street
(Hunters Point Shipyard Phase 1 Blocks 52 and 54)
\$4,000,000

Dated as of August 7, 2018

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EXHIBITS

A	Site Description
B-1	Table of Sources and Uses of Funds
B-2	Intentionally Omitted
B-3	Intentionally Omitted
C	Intentionally Omitted
D	Intentionally Omitted
E	Contract Compliance Policies
F	Insurance Requirements
G	Lobbying/Debarment Certification Form
H	Intentionally Omitted
I	Intentionally Omitted
J	Intentionally Omitted
K	Intentionally Omitted
L	Schedule of Performance
M	OCII Monthly Project Update Form
N	Developer Fee Schedule
O	Assignment of Work Product
P	Consent to Assignment of Work Product
Q	Promissory Note

LOAN AGREEMENT
351 Friedell Street and 151 Friedell Street
(Hunters Point Shipyard Phase 1 Blocks 52 and 54)
Hunters Point Shipyard Redevelopment Project Area

THIS LOAN AGREEMENT ("Agreement") is entered into as of August 7, 2018 by and between the **SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO**, hereafter referred to as the Office of Community Investment and Infrastructure, a public body, corporate and politic ("Successor Agency" or "OCII"), and Shipyard 5254, L.P., a California limited partnership (the "**Borrower**"), whose general partner MBS IGP, Inc., a Missouri corporation, an affiliate of McCormack Baron Salazar, Inc. a Delaware corporation, and Bayview Hunters Point Multipurpose Senior Services, Inc. ("**BHPMSS**"), a California nonprofit public benefit corporation, and their authorized successors and assigns.

RECITALS

A. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 *et seq.* the "**CRL**"), the Redevelopment Agency of the City and County of San Francisco (the "**Former Agency**") undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco ("City"), including the Hunters Point Shipyard ("**HPS**") Redevelopment Project.

B. Pursuant to California Health and Safety Code §§ 34170 *et seq.* (the "**Redevelopment Dissolution Law**") and San Francisco Ordinance No. 215-12 (Oct. 4, 2012) (establishing the Successor Agency Commission ("**Commission**") and delegating to it state authority under the Redevelopment Dissolution Law), the Successor Agency is responsible for implementing the HPS Redevelopment Project and fulfilling the enforceable obligations under the Hunters Point Shipyard Disposition and Development Agreement (the "**DDA**") between the Former Agency and HPS Development Co, LP (the "**Master Developer**") (Dec 2, 2003).

C. Under the DDA and its Affordable Housing Program, the Master Developer is required to deliver "finished lots" (i.e., subdivided land improved with streets, sidewalks, parks, open space and utilities) to be sold to various vertical developers or retained by OCII for the development of affordable housing. The DDA identifies the specific parcels that the Successor Agency intends to develop with affordable housing. OCII intends to provide financing to construct at least 218 affordable housing units on these parcels.

D. On September 21, 2017, OCII issued a Housing Development Request for Proposals (the "**RFP**") to develop and operate affordable rental housing units for families (the "**Project**") two parcels of land owned by OCII within Phase 1 of the on Hunters Point Shipyard Redevelopment Project Area, commonly referred to as Blocks 52 and 54.

E. On March 20, 2018, the Commission selected, by Resolution No. 07-2018, McCormack Baron Salazar ("**MBS**") and Bayview Hunters Point Multipurpose Senior Services ("**BHPMSS**") (collectively, "**Developer**") to develop the Project. MBS and BHPMSS submitted an application that was responsive to the RFP and included, among other things, income

targeting below 50% AMI. OCII and Borrower intend to execute an exclusive negotiations agreement (the “**ENA**”) substantially concurrently herewith, subject to approval of the ENA by the Commission. In selecting the Developer, OCII relied on, among other things, the Developer’s agreement to comply with all of OCII’s policies, including but not limited to insurance and indemnification requirements found in the RFP. Developer has formed a single-purpose entity, Borrower, to undertake construction of the Project, including engaging financing therefore.

F. On June 15, 2018, the Citywide Affordable Housing Loan Committee (the “**Loan Committee**”) reviewed OCII staff’s evaluation of the request for funding and recommended that OCII provide Borrower with a predevelopment loan of funds subject to certain terms and conditions that are included in this Agreement.

G. OCII has approved, by Resolution No. ____-2018, a loan to the Borrower (“**Loan**”) in an initial amount of Four Million Dollars (\$4,000,000.00) (the “**Funding Amount**”) to fund certain costs related to the Project. The Oversight Board of the City and County of San Francisco and the California Department of Finance have approved, under Redevelopment Dissolution Law, this expenditure in the Recognized Obligation Payment Schedule for July 1, 2017 to June 30, 2018 - Oversight Board Resolution No. 1-2017 (January 23, 2017), as amended by Oversight Board Resolution No. 3-2017 (September 8, 2017).

H. Under Redevelopment Dissolution Law, OCII must transfer completed affordable housing assets to MOHCD, as the Housing Successor designated under Board of Supervisors Resolution No. 11-12 (January 26, 2012) and Section 34176 of the California Health and Safety Code. If and when Borrower completes the Project and upon permanent financial conversion, OCII intends to transfer the affordable housing loan obligation, asset, and ground lease to MOHCD.

I. Borrower shall use the Funding Amount to pay for Predevelopment Activities associated with development of the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement, the parties agree as follows:

ARTICLE 1 DEFINITIONS.

1.1 Defined Terms. As used in this Agreement, the following words and phrases have the following meanings:

“**Accounts**” means all depository accounts, including reserve and trust accounts, required or authorized under this Agreement or otherwise by the OCII in writing. All Accounts must be maintained in accordance with Section 2.3.

“**Agreement**” has the meaning given in the first paragraph hereof.

"Agreement Date" means the date written in the first paragraph hereof.

"Authorizing Resolutions" means: (a) in the case of a corporation, a certified copy of resolutions adopted by its board of directors; (b) in the case of a partnership (whether general or limited), a certificate signed by all of its general partners; and (c) in the case of a limited liability company, a certified copy of resolutions adopted by its board of directors or members, satisfactory to OCII and evidencing Borrower's authority to execute, deliver and perform the obligations under the OCII Documents to which Borrower is a party or by which it is bound.

"Borrower" means Shipyard 5254, L.P., and their authorized successors and assigns.

"CFR" means the Code of Federal Regulations.

"Charter Documents" means: (a) in the case of a corporation, its articles of incorporation and bylaws; (b) in the case of a partnership, its partnership agreement and any certificate or statement of partnership; and (c) in the case of a limited liability company, its operating agreement and any LLC certificate or statement. The Charter Documents must be delivered to OCII in their original form and as amended from time to time and be accompanied by a certificate of good standing for Borrower issued by the California Secretary of State and, if Borrower is organized under the laws of a state other than California, a certificate of good standing issued by the Secretary of State of the state of organization, issued no more than ninety (90) days before the Agreement Date.

"City" means the City and County of San Francisco, a municipal corporation, represented by the Mayor, acting by and through MOHCD. Whenever this Agreement provides for a submission to the City or an approval or action by the City, this Agreement refers to submission to or approval or action by MOHCD unless otherwise indicated.

"CNA" means a 20-year capital needs assessment or analysis of replacement reserve requirements.

"Commission" has the meaning set forth in Recital B.

"Construction/Permanent Loan" has the meaning set forth in Section 3.2.

"CRL" has the meaning set forth in Recital A.

"Developer" has the meaning set forth in Recital E.

"Developer Fees" has the meaning set forth in Section 15.1.

"Disbursement" means the disbursement of all or a portion of the Funding Amount by OCII as described in Article 4.

"ENA" has the meaning set forth in Recital E.

"Environmental Activity" means any actual, proposed or threatened spill, leak, pumping, discharge, leaching, storage, existence, release, generation, abatement, removal, disposal, handling or transportation of any Hazardous Substance from, under, into or on the Site.

"Environmental Laws" means all present and future federal, state, local and administrative laws, ordinances, statutes, rules and regulations, orders, judgments, decrees, agreements, authorizations, consents, licenses, permits and other governmental restrictions and requirements relating to health and safety, industrial hygiene or the environment or to any Hazardous Substance or Environmental Activity, including the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (commonly known as the "Superfund" law) (42 U.S.C. §§ 9601 *et seq.*), the Resource Conservation and Recovery Act of 1976, as amended by the Solid Waste and Disposal Act of 1984 (42 U.S.C. §§ 6901 *et seq.*); the National Environmental Policy Act of 1969 ("NEPA") (24 CFR §§ 92 and 24 CFR §§ 58); the California Hazardous Substance Account Act (also known as the Carpenter-Presley-Tanner Hazardous Substance Account Law and commonly known as the "California Superfund" law) (Cal. Health & Safety Code §§ 25300 *et seq.*); and the Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as "Proposition 65") (Cal. Health & Safety Code §§ 25249.2 *et seq.*); and Sections 25117 and 25140 of the California Health & Safety Code.

"Event of Default" has the meaning set forth in Section 19.1.

"Expenditure Request" means a written request by Borrower for a Disbursement from the Funding Amount, which must certify that the Project costs covered by the Expenditure Request have been paid or incurred by Borrower.

"Funding Amount" has the meaning set forth in Recital G.

"GAAP" means generally accepted accounting principles in effect on the date of this Agreement and at the time of any required performance.

"Governmental Agency" means: (a) any government or municipality or political subdivision of any government or municipality; (b) any assessment, improvement, community facility or other special taxing district; (c) any governmental or quasi-governmental agency, authority, board, bureau, commission, corporation, department, instrumentality or public body; or (d) any court, administrative tribunal, arbitrator, public utility or regulatory body.

"Hazardous Substance" means any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any Governmental Agency to pose a present or potential hazard to human health or safety or to the environment. Hazardous Substance includes any material or substance listed, defined or otherwise identified as a "hazardous substance," "hazardous waste," "hazardous material," "pollutant," "contaminant," "pesticide" or is listed as a chemical known to cause cancer or reproductive toxicity or is otherwise identified as "hazardous" or "toxic" under any Environmental Law, as well as any asbestos, radioactive materials, polychlorinated biphenyls and any materials containing any of them, and petroleum, including crude oil or any fraction, and natural gas or natural gas liquids.

Materials of a type and quantity normally used in the construction, operation or maintenance of developments similar to the Project will not be deemed "Hazardous Substances" for the purposes of this Agreement if used in compliance with applicable Environmental Laws.

"**HUD**" means the United States Department of Housing and Urban Development acting by and through the Secretary of Housing and Urban Development and any authorized agents.

"**Indemnity**" shall have the meaning set forth in Article 23.

"**Laws**" means all statutes, laws, ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or Governmental Agency, including the CRL.

"**Loan**" has the meaning given in Recital G hereof.

"**Loan Closing**" means the date on which all conditions to closing of the loan under Section 4.3 have been met and Borrower.

"**Loan Committee**" has the meaning set forth in Recital F.

"**Loss**" or "**Losses**" includes any loss, liability, claims, damages, costs, expenses or charges, including reasonable attorneys' fees and costs, arising from all acts or omissions of Borrower or its officers, agents, or employees in rendering services under this Agreement.

"**Maturity Date**" has the meaning set forth in Section 3.1.

"**Median Income**" means area median income as determined by HUD for the San Francisco area, adjusted solely for household size, but not high housing cost area.

"**MOHCD**" means the Mayor's Office of Housing and Community Development or its successor.

"**Note**" means the promissory note executed by Borrower in favor of OCII in the original principal amount of the Funding Amount.

"**OCII**" means the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, commonly known as the Office of Community Investment and Infrastructure.

"**OCII Documents**" means this Agreement, the Note, and any other documents executed or, delivered in connection with this Agreement.

"**OCII Monthly Project Update**" has the meaning set forth in Section 10.2.

"**Opinion**" means an opinion of Borrower's California legal counsel, satisfactory to OCII and its legal counsel, that Borrower is a duly formed, validly existing California limited

partnership in good standing under the laws of the State of California, has the power and authority to enter into the OCII Documents and will be bound by their terms when executed and delivered, and that addresses any other matters OCII reasonably requests.

"Permitted Exceptions" means liens in favor of OCII, real property taxes and assessments that are not delinquent, and any other liens and encumbrances OCII expressly approves in writing in its escrow instructions.

"Project" means the development described in Recital D. If indicated by the context, "Project" means the Site and the improvements developed on the Site.

"Public Benefit Purposes" means activities or programs that primarily benefit low-income persons, are implemented by one or more nonprofit 501(c)3 public benefit organizations, or have been identified by OCII, a City agency or a community planning process as a priority need in the neighborhood in which the Project is located.

"Publication" means any report, article, educational material, handbook, brochure, pamphlet, press release, public service announcement, webpage, audio or visual material or other communication for public dissemination, which relates to all or any portion of the Project or is paid for in whole or in part using the Funding Amount.

"Schedule of Performance" means the schedule attached hereto as Exhibit L that sets forth Project tasks and milestones and the dates by which they will be completed.

"Section 8" means rental assistance provided under Section 8(c)(2)(A) of the United States Housing Act of 1937 (42 U.S.C. § 1437f) or any successor or similar rent subsidy programs.

"Table" or **"Table of Sources and Uses"** means a table of sources and uses of funds attached hereto as Exhibit B-1, including a line item budget for the use of the Funding Amount, which table may not be adjusted without OCII's prior written approval.

"Tenant" means any residential household in the Project.

"Unit" means a residential rental unit within the Project.

"Work Product" has the meaning set forth in Section 24.21.

1.2 Interpretation. The following rules of construction will apply to this Agreement and the other OCII Documents.

(a) The masculine, feminine or neutral gender and the singular and plural forms include the others whenever the context requires. The word "include(s)" means "include(s) without limitation" and "include(s) but not limited to," and the word "including" means "including without limitation" and "including but not limited to" as the case may be. No listing of specific instances, items or examples in any way limits the scope or generality of any language in this Agreement. References to days, months and years mean calendar days, months

and years unless otherwise specified. References to a party mean the named party and its successors and assigns.

(b) Headings are for convenience only and do not define or limit any terms. References to a specific OCII Document or other document or exhibit mean the document, together with all exhibits and schedules, as supplemented, modified, amended or extended from time to time in accordance with this Agreement. References to Articles, Sections and Exhibits refer to this Agreement unless otherwise stated.

(c) Accounting terms and financial covenants will be determined, and financial information must be prepared, in compliance with GAAP as in effect on the date of performance. References to any Law, specifically or generally, will mean the Law as amended, supplemented or superseded from time to time.

(d) The terms and conditions of this Agreement and the other OCII Documents are the result of arms'-length negotiations between and among sophisticated parties who were represented by counsel, and the rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not apply to the construction and interpretation of the OCII Documents. The language of this Agreement must be construed as a whole according to its fair meaning.

ARTICLE 2 FUNDING.

2.1 Funding Amount. OCII agrees to lend to Borrower a maximum principal amount of Four Million Dollars (\$4,000,000.00) (the "**Funding Amount**") in order to finance predevelopment costs associated with the Project and described in Exhibit B-1 ("**Predevelopment Activities**"). The Funding Amount will be disbursed according to the terms and subject to the conditions set forth in this Agreement.

2.2 Use of Funds. Borrower acknowledges that OCII's agreement to make the Loan is based in part on Borrower's agreement to use the Funds solely to finance Predevelopment Activities and agrees to use the Funds solely for that purpose in accordance with the approved Table of Sources and Uses. Predevelopment expenses incurred by Borrower beginning November 29, 2017 that are consistent with Exhibit B-1 are reimbursable to Borrower. Such expenses are subject to all conditions of a Expenditure Request, including review and approval by OCII in accordance with the terms of this Agreement. Borrower shall use the OCII contract compliance requirements for procurement activities, as further set forth in Exhibit E of this Agreement.

2.3 Accounts; Interest. Each Account to be maintained by Borrower under this Agreement must be held in a bank or savings and loan institution acceptable to OCII as a segregated account that is insured by the Federal Deposit Insurance Corporation or other comparable federal insurance program. With the exception of tenant security deposit trust accounts, any interest earned on funds in any Account must be used for the benefit of the Project.

2.4 Records. Borrower must maintain and provide to OCII upon request records that accurately and fully show the date, amount, purpose and payee of all expenditures from each Account authorized under this Agreement or by OCII in writing and keep all estimates, invoices, receipts and other documents related to expenditures from each Account. In addition, Borrower must provide to OCII promptly following Borrower's receipt, complete copies of all monthly bank statements, together with a reconciliation, for each Account until all funds (including accrued interest) in each Account have been disbursed for eligible uses.

2.5 Conditions to Additional Financing. The OCII may grant or deny any application by Borrower for additional financing for the Project in its sole discretion.

ARTICLE 3 TERMS.

Borrower's repayment obligations with respect to the Funding Amount will be evidenced and governed by the Note, which will govern in the event of any conflicting provision in this Agreement.

3.1 Maturity Date. Borrower must repay all amounts owing under the OCII Documents on the date that is the earliest to occur of: (i) the close of construction financing for the Project, or (ii) the date the Borrower and OCII execute a permanent loan agreement that incorporates the Loan Amount and all accrued interest, or (iii) three (3) years from the Agreement Date (the "**Maturity Date**"). Notwithstanding the foregoing, if Borrower's failure to close the construction financing by the Maturity Date is not caused by Borrower's acts or omissions, whether direct or indirect, and if Borrower has acted in good faith and no event has occurred and is continuing that constitutes or with the passage of time would constitute, an Event of Default under any of the OCII Documents, then in such an event, Borrower shall deliver to OCII all of the Work Product, the Note shall be deemed satisfied in full and Borrower shall be deemed to be released from all obligation or liability with respect to this Agreement and the Loan.

3.2 Construction/Permanent Loan. If (i) additional financing for the Project from OCII in the form of a construction and permanent loan is subsequently approved by OCII Commission (the "Construction/Permanent Loan"), (ii) forms of Construction and Permanent Loan documents are executed by OCII and the Borrower, and (iii) all or any portion of the Construction/Permanent Loan is funded; then (a) this Agreement shall be terminated; (b) the Note shall be cancelled, and (c) the outstanding balance of this Loan, including all accrued interest, shall be combined with the Construction/Permanent Loan for purposes of repayment and thereafter shall bear interest and be repaid in accordance with the terms of the Construction/Permanent Loan.

3.3 Interest. The outstanding principal balance of the Loan will bear simple interest at a rate of three percent (3%) per annum, as provided in the Note. If a construction/permanent loan for the Project from OCII is subsequently approved by the Commission, the parties acknowledge that the Borrower may request and OCII may approve a reduced interest rate in order to maintain Project feasibility.

3.4 Default Interest Rate. Upon the occurrence of an Event of Default under any OCII Document, the principal balance of the Loan will bear interest at the default interest compounded annual rate equal to the lesser of: (a) ten percent (10%); or (b) the maximum lawful rate of interest, with such default interest rate commencing as of the date an Event of Default occurs and continuing until such Event of Default is fully cured. In addition, the default interest rate will apply to any amounts to be reimbursed to the OCII under any OCII Document if not paid when due or as otherwise provided in any OCII Document.

3.5 Repayment of Principal and Interest. Subject to Section 3.1 above, the outstanding principal balance of the Loan will be due and payable on the Maturity Date according to the terms set forth in full in the Note.

3.6 Changes In Funding Streams. OCII's agreement to make the Loan on the terms set forth in this Agreement and the Note is based in part on Borrower's projected sources and uses of all activities associated with the Project, as set forth in the Table of Sources and Uses. Borrower covenants to give written notice to the OCII within thirty (30) days of any significant changes in budgeted funding or income set forth in documents previously provided to the OCII. OCII reserves the right to modify the terms of this Agreement based upon any significant changes in Borrower's projected sources or substantial increase in Borrower's uses of all funds for the Project to the extent Borrower has not provided additional Project sources sufficient to cover any reductions in sources or increase in uses, which sources and uses shall be acceptable to the OCII in its reasonable discretion..

3.7 Additional OCII Approvals. Borrower understands and agrees that neither entry by OCII into this Agreement nor any approvals given by OCII under this Agreement shall be deemed to imply that Borrower will be granted any required approvals from the Commission, or City departments, boards or commissions which have jurisdiction over the Property. By entering into this Agreement, OCII is in no way modifying or limiting the obligations of Borrower to develop the Property in accordance with all local laws. Borrower understands that any development of the Property shall require approvals, authorizations and permits from governmental agencies with jurisdiction over the Property. Notwithstanding anything to the contrary in this Agreement, no party is in any way limiting its discretion or the discretion of any department, board or commission with jurisdiction over the Project, including but not limited to a party hereto, from exercising any discretion available to such department, board or commission with respect thereto, including but not limited to the discretion to (i) make such modifications deemed necessary to mitigate significant environmental impacts, (ii) select other feasible alternatives to avoid such impacts, including the "No Project" alternative; (iii) balance the benefits against unavoidable significant impacts prior to taking final action if such significant impacts cannot otherwise be avoided, or (iv) determine not to proceed with the proposed Project.

3.8 Additional Borrower Covenants. There are no borrower covenants in addition to those specified in 4.5 Disbursements.

ARTICLE 4 CLOSING; DISBURSEMENTS.

4.1 Generally. Subject to the terms of this Agreement, OCII will make Disbursements in an aggregate sum not to exceed the Funding Amount to or for the account of Borrower in accordance with this Agreement and the approved line item budget contained in the Table of Sources and Uses. The disbursement schedule may be revised at the request of the Borrower, subject to the written approval of the OCII Executive Director prior to the Loan Closing if needed to ensure the repayment of the Loan complies with applicable financing requirements.

4.2 Closing. In the event Borrower does not satisfy all of the conditions to closing the Loan within a reasonable time, as determined by the OCII in its sole discretion, OCII may declare this Agreement to be null and void.

4.3 Conditions Precedent to Closing. OCII will authorize the close of the Loan upon satisfaction of the conditions in this Section.

(a) Borrower must have delivered to OCII fully executed (and for documents to be recorded, acknowledged) originals of the following documents, in form and substance satisfactory to the OCII: (i) the Note; (ii) this Agreement (in triplicate); (iii) the Opinion; (iv) the Authorizing Resolutions; and (v) any other OCII Documents reasonably requested by OCII.

(b) Borrower must have delivered to OCII Borrower's Charter Documents.

(c) Borrower must have delivered to OCII insurance certificates prior to closing and endorsements within 90 days post closing and before starting work, in addition to, if requested by OCII, copies of policies for all insurance required under Exhibit F of this Agreement.

4.4 Intentionally Omitted.

4.5 Disbursements. OCII's obligation to approve any expenditure of Funds after Loan Closing is subject to Borrower's satisfaction of the following conditions precedent.

(a) Borrower must have delivered to OCII an Expenditure Request in form and substance satisfactory to OCII, together with: (i) copies of invoices, contracts or other documents covering all amounts requested; (ii) a line item breakdown of costs to be covered by the Expenditure Request; and (iii) copies of checks issued to pay expenses covered in the previous Expenditure Request. Any request from Borrower to reallocate Funds between the line items or to change the budget limits for a line item from what is shown in the Table of Sources and Uses must be approved as follows: (1) except for funds moved from the contingency line item to another line item, a requested reallocation of Funds in an amount up to ten percent (10%) of the Loan Amount in the aggregate may be made with the express written approval of OCII's Housing Manager; and (2) except for funds moved from the contingency line item to another line item, a requested reallocation of Funds in an amount that exceed ten percent (10%) of the Loan Amount may be made only with the express written approval of the OCII Executive Director.

Reallocations of Funds from contingency line items to other line items shall not require the consent of OCII.

(b) No Event of Default, or event that with notice or the passage of time or both could constitute an Event of Default, may have occurred that remains uncured as of the date of the Expenditure Request.

(c) With respect to any Expenditure Request that covers rehabilitation or construction costs, Borrower must have certified to OCII that the Project complies with the labor standards set forth in Exhibit E, Section 1, if applicable.

4.6 Schedule of Performance. Borrower must perform in accordance with the Schedule of Performance (Exhibit L). The Schedule of Performance may be modified at the request of the Borrower; however, any modification to the Schedule of Performance shall be at the reasonable discretion of the OCII Executive Director and shall require amendment thereto. The OCII Executive Director may amend the Schedule of Performance (in his/her sole discretion) to allow the time of performance to be extended for up to six (6) months from the contractual date set forth in the Schedule of Performance. Any amendments to the Schedule of Performance allowing for extensions of performance beyond said six (6) month period will require approval of the Agency Commission.

4.7 Additional Terms and Conditions. During the predevelopment period and as described below, Borrower shall comply with the following loan conditions based on OCII's requirements and the Loan Committee's recommendations in reviewing and approving the Project's Loan Evaluation on June 15, 2018.

- (i) Borrower will assign a primary Project Manager no later than July 31, 2018.
- (ii) Borrower will evaluate the likelihood of securing AHSC funds and will work with OCII staff to determine the most appropriate financial plan with the goal of maximizing debt and minimizing OCII subsidy. Borrower must include an analysis of the use of state tax credits for the Project. Borrower will provide an analysis of potential sources and strategies (such as increasing Developer Fee consistent with MOHCD policy to increase equity to the Project) and provide a revised recommended financing plan by January 11, 2019.
- (iii) Borrower will work with OCII and MOHCD to evaluate costs and propose cost containment strategies as part of the schematic design submittal and throughout the design phase of the Project.
- (iv) Borrower will refine the services plan and budget and provide an updated preliminary plan and budget consistent with the RFP response and anticipated resident needs to OCII staff by January 11, 2019.

- (v) Borrower and architect will work to bring the unit size averages to within the preferred range during the predevelopment period.
- (vi) Borrower will issue a request for qualifications for a general contractor in accordance with OCII's Contract Compliance specifications, will obtain cost estimates from the selected contractor, and will work with their architectural team to ensure that the site's development costs are managed to OCII's approval. Borrower will cooperate with OCII and competitively solicit a general contractor with the intent of creating a joint venture or similar partnership opportunity, to the extent practicable and economically feasible, between a general contractor and an OCII-recognized SBE contractor. Furthermore, Borrower shall cooperate and require the general contractor to exercise good faith efforts to select subcontractors who either are SBEs or, if they are not SBEs, are willing to create joint ventures or similar partnership opportunities with SBEs.
- (vii) Borrower will work with the architect to establish an acceptable fee, subject to OCII approval, in keeping with the MOHCD Fee Proposal Guidelines for Architect and Engineering Basic Services.
- (viii) Borrower will conduct ongoing outreach to the Hunters Point Shipyard community to solicit input, address concerns, and educate community members on various aspects of the project.

4.8 Limitations on Approved Expenditures. OCII may refuse to approve any expenditure: (a) during any period in which an event that, with notice or the passage of time or both, would constitute an Event of Default remains uncured; or (b) for disapproved, unauthorized or improperly documented expenses. OCII is not obligated to approve expenditure of the full Funding Amount unless approved Expenditure Requests support disbursement of the full Funding Amount, and in no event may the aggregate amount of all Funds disbursed to Borrower under this Agreement exceed the Funding Amount.

ARTICLE 5 INTENTIONALLY OMITTED

ARTICLE 6 INTENTIONALLY OMITTED

ARTICLE 7 INTENTIONALLY OMITTED

ARTICLE 8 INTENTIONALLY OMITTED

ARTICLE 9 GOVERNMENTAL REQUIREMENTS.

9.1 Borrower Compliance. Borrower must comply, and where applicable, require its contractors to comply, with all applicable Laws governing the use of Funds for the design, construction, rehabilitation and/or operation of the Project, including without limitation the requirements of the CRL, Redevelopment Dissolution Law, Redevelopment Plan, OCII Policies, and those Laws set forth in Exhibit E. Borrower acknowledges that its failure to comply with

any of these requirements will constitute an Event of Default under this Agreement. Subject to Section 23.1, this Section does not prohibit Borrower from contesting any interpretation or application of Laws in good faith and by appropriate proceedings.

ARTICLE 10 PROJECT MONITORING, REPORTS, BOOKS AND RECORDS.

10.1 Generally.

(a) Borrower understands and agrees that it will be monitored by OCII from time to time to ensure that Borrower complies with all terms and conditions in this Agreement and all Laws. Borrower must cooperate with the monitoring by OCII and ensure full access to the Project (following Borrower's acquisition of a ground leasehold interest in the Project) and all information related to the Project as reasonably required by OCII.

(b) Borrower must keep and maintain books, records and other documents relating to the receipt and use of all Funds. Borrower must maintain records of all income, expenditures, assets, liabilities, contracts, operations, tenant eligibility and condition of the Project. All financial reports must be prepared and maintained in accordance with GAAP as in effect at the time of performance.

10.2 **Monthly Reporting.** Commencing on the Agreement Date, Borrower must submit monthly reports (the "**OCII Monthly Project Update**") describing progress toward developing the Project with respect to obtaining necessary approvals from other City departments, procuring architects, consultants and contractors, changes in scope, cost or schedule and significant milestones achieved in the past month and expected to be achieved in the coming month. The OCII Monthly Project Update must be submitted by email in substantially the form attached hereto as Exhibit M until the Project has finalized its Form 8609.

10.3 **Response to Inquiries.** At the request of OCII, its agents, employees or attorneys, Borrower must respond promptly and specifically to questions relating to the income, expenditures, assets, liabilities, contracts, operations and condition of the Project, the status of any mortgage encumbering the Project and any other requested information with respect to Borrower or the Project.

10.4 **Delivery of Records.** At the request of OCII, made through its agents, employees, officers or attorneys, Borrower must provide OCII within a reasonable period of time of no less than sixty (60) days from request therefor with copies of each of the following documents, certified in writing by Borrower to be complete and accurate:

(a) all tax returns filed with the United States Internal Revenue Service, the California Franchise Tax Board and/or the California State Board of Equalization on behalf of Borrower and any general partner or manager of Borrower;

(b) all certified financial statements of Borrower and, if applicable, its general partner or manager, the accuracy of which must be certified by an auditor satisfactory to OCII; and

(c) any other records related to Borrower's ownership structure and the use and occupancy of the Site.

10.5 Access to Other Project Books and Records. In addition to Borrower's obligations under Sections 2.4, 10.1, 10.2, and 10.3, any other obligations to provide reports or maintain records in any OCII Document, Borrower agrees that duly authorized representatives of OCII (which shall include MOHCD staff) will have access to and the right to inspect, copy, audit and examine all books, records and other documents Borrower is required to keep at all reasonable times, following reasonable notice, for the retention period required under Section 10.6.

10.6 Records Retention. Borrower must retain all records required for the periods required under applicable Laws.

ARTICLE 11 INTENTIONALLY OMITTED.

ARTICLE 12 INTENTIONALLY OMITTED.

ARTICLE 13 INTENTIONALLY OMITTED.

ARTICLE 14 INTENTIONALLY OMITTED.

ARTICLE 15 DEVELOPER FEES.

15.1 Amount. OCII has approved the payment of cash fees in an amount not to exceed Two Million Three Hundred Sixty-Five Thousand and No/100 Dollars (\$2,365,000.00), to be distributed to Developer for the development activities of the Project (“**Developer Fees**”). If approved by Loan Committee and Commission, this Developer Fee may be adjusted at the time of the execution of a permanent loan agreement for the Project to be consistent with MOHCD policy and to maximize leveraged sources for the Project. The cash amount available for the predevelopment period shall not exceed Five Hundred Thousand and No/100 Dollars (\$500,000.00). All Developer Fees will be paid in accordance with the Developer Fee Schedule attached hereto as Exhibit N. The parties acknowledge that the fee and equity amounts may be updated in connection with any gap financing provided by OCII.

ARTICLE 16 TRANSFERS.

16.1 Permitted Transfers/Consent. Borrower may not cause or permit any voluntary transfer, assignment or encumbrance of its interest in the Site or Project or of any ownership interests in Borrower, or lease or permit a sublease on all or any part of the Project, other than: (a) transfers of the general partnership or manager's interest in Borrower to a nonprofit public benefit corporation approved in advance by OCII; (b) transfers of a general partnership interest between or among wholly-owned affiliates of McCormack Baron Salazar, Inc.; or (c) removal of a general partner of Borrower in accordance with the terms of Borrower’s limited partnership agreement. Any other transfer, assignment, encumbrance or lease without OCII's prior written consent, which shall be made by the Executive Director in her sole discretion, will be voidable

and, at OCII's election, constitute an Event of Default under this Agreement. OCII's consent to any specific assignment, encumbrance, lease or other transfer will not constitute its consent to any subsequent transfer or a waiver of any of OCII's rights under this Agreement.

ARTICLE 17 INSURANCE AND BONDS.

17.1 **Borrower's Insurance.** Subject to approval by OCII's Deputy Director for Finance and Administration of the insurers and policy forms, Borrower must obtain and maintain, or cause to be obtained and maintained, insurance and bonds as set forth in Exhibit F throughout the term of this Agreement at no expense to OCII.

ARTICLE 18 GOVERNMENTAL APPROVALS.

18.1 **Compliance.** Borrower covenants that it has obtained or will obtain in a timely manner and comply with all federal, state and local governmental approvals required by Law to be obtained for the Project.

ARTICLE 19 DEFAULT.

19.1 **Event of Default.** Any material breach by Borrower of any covenant, agreement, provision or warranty contained in this Agreement or in any of the OCII Documents that remains uncured upon the expiration of any applicable notice and cure periods contained in any OCII Document will constitute an "**Event of Default**," including the following:

(a) Borrower fails to make any payment required under this Agreement within fifteen (15) days after the date when due; or

(b) intentionally omitted; or

(c) Borrower fails to perform or observe any other term, covenant or agreement contained in any OCII Document, and the failure continues for thirty (30) days after Borrower's receipt of written notice from OCII to cure the default, or, if the default cannot be cured within a 30-day period, Borrower will have sixty (60) days to cure the default, or any longer period of time deemed necessary by OCII, *provided that* Borrower commences to cure the default within the 30-day period and diligently pursues the cure to completion; or

(d) Any representation or warranty made by Borrower in any OCII Document proves to have been incorrect in any material respect when made; or

(e) Borrower is in default of its obligations with respect to the Ground Lease, once executed, or any funding obligation (other than the Loan) for the Project, and the default remains uncured following the expiration of any applicable cure periods; or

(f) Borrower is dissolved or liquidated or merged with or into any other entity; or, if Borrower is a corporation, partnership, limited liability company or trust, Borrower ceases to exist in its present form (unless otherwise approved pursuant to Article 16) and (where

applicable) in good standing and duly qualified under the laws of the jurisdiction of formation and California for any period of more than ten (10) days; or, if Borrower is an individual, Borrower dies or becomes incapacitated; or all or substantially all of the assets of Borrower are sold or otherwise transferred except as permitted under Section 16.1; or

(g) Without OCII's prior written consent as required under the terms of this Agreement, Borrower assigns or attempts to assign any rights or interest under any OCII Document, whether voluntarily or involuntarily, except as permitted under Section 16.1; or

(h) Without OCII's prior written consent, Borrower voluntarily or involuntarily assigns or attempts to sell, lease, assign, encumber or otherwise transfer all or any portion of the ownership interests in Borrower except as permitted under Article 16; or

(i) Without OCII's prior written consent, Borrower transfers, or authorizes the transfer of, funds in any Account required or authorized under this Agreement; or

(j) intentionally omitted; or

(k) Borrower is subject to an order for relief by the bankruptcy court, or is unable or admits in writing its inability to pay its debts as they mature or makes an assignment for the benefit of creditors; or Borrower applies for or consents to the appointment of any receiver, trustee or similar official for Borrower or for all or any part of its property (or an appointment is made without its consent and the appointment continues undischarged and unstayed for sixty (60) days); or Borrower institutes or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, rehabilitation or similar proceeding relating to Borrower or to all or any part of its property under the laws of any jurisdiction (or a proceeding is instituted without its consent and continues undismissed and unstayed for more than sixty (60) days); or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against the Site, the improvements or any other property of Borrower and is not released, vacated or fully bonded within sixty (60) days after its issue or levy; or

(l) Any material adverse change occurs in the financial condition or operations of Borrower, that has a material adverse impact on the Project that is not cured or addressed according to the time periods and conditions set forth in this Section 19.1(c); or

(m) intentionally omitted; or

(n) intentionally omitted; or

(o) Borrower is in default of its obligations with respect to any funding obligation (other than the Loan) for the Project, and the default remains uncured following the expiration of any applicable cure periods; or

(p) Borrower is in default of its obligations under any other agreement entered into with OCII or the City, including but not limited to the ENA, and the default remains uncured following the expiration of any applicable cure periods.

19.2 Remedies. During the pendency of an uncured Event of Default, OCII may exercise, in its sole discretion, any right or remedy available under this Agreement or any other OCII Document or at law or in equity. All of OCII's rights and remedies following an Event of Default are cumulative, including the following:

(a) OCII may declare the unpaid principal balance of the Note, together with default interest as provided in the Note and any other charges due under the Note and the other OCII Documents, immediately due and payable without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which Borrower expressly waives.

(b) OCII may terminate all commitments to make Disbursements, or, without waiving the Event of Default, OCII may determine to make further Disbursements upon terms and conditions satisfactory to OCII in its sole discretion.

(c) OCII may perform any of Borrower's obligations in any manner, in OCII's reasonable discretion.

(d) OCII may terminate this Agreement.

(e) OCII may apply to any court of competent jurisdiction for specific performance, or an injunction against any violation, of this Agreement or for any other remedies or actions necessary or desirable to correct Borrower's noncompliance with this Agreement.

(f) Upon the occurrence of an Event of Default described in Section 19.1(k), the unpaid principal balance of the Note, together with default interest as provided in the Note and any other charges due under the Note and the other OCII Documents, will become due and payable automatically.

(g) All costs, expenses, charges and advances of OCII in exercising its remedies or to protect the Project will be deemed to constitute a portion of the principal balance of the Note, even if it causes the principal balance to exceed the face amount of the Note, unless Borrower reimburses OCII within ten (10) days of OCII's demand for reimbursement.

(h) OCII may acquire any Work Product as described in Section 24.21 of this Agreement.

19.3 Force Majeure. The occurrence of any of the following events shall excuse performance of any obligations of OCII or Borrower to the extent that the events cause enforced delays in the performance of a party's obligations under this Agreement: strikes; lockouts; labor disputes; acts of God; inability to obtain labor, materials or reasonable substitutes for either; governmental restrictions, regulations or controls; judicial orders; enemy or hostile governmental actions; civil commotion; fire or other casualty and other causes beyond the control of the party

obligated to perform. The occurrence of a force majeure event will excuse Borrower's performance only in the event that Borrower has provided notice to OCII within thirty (30) days after the occurrence or commencement of the event or events, and Borrower's performance will be excused for a period ending thirty (30) days after the termination of the event giving rise to the delay.

ARTICLE 20 REPRESENTATIONS AND WARRANTIES.

20.1 Borrower Representations and Warranties. As a further inducement for OCII to enter into this Agreement, Borrower represents and warrants as follows:

(a) The execution, delivery and performance of the OCII Documents will not contravene or constitute a default under or result in a lien upon assets of Borrower under any applicable Law, any Charter Document of Borrower or any instrument binding upon or affecting Borrower, or any contract, agreement, judgment, order, decree or other instrument binding upon or affecting Borrower.

(b) When duly executed, the OCII Documents will constitute the legal, valid and binding obligations of Borrower. Borrower hereby waives any defense to the enforcement of the OCII Documents related to alleged invalidity of the OCII Documents.

(c) No action, suit or proceeding is pending or, to the best of the Borrower's knowledge, threatened that might affect Borrower or the Project adversely in any material respect.

(d) Borrower is not in default under any agreement to which it is a party, including any lease of real property.

(e) No Borrower, nor any of Borrower's principals or Borrower's contractors have been suspended or debarred by the Department of Industrial Relations or any Governmental Agency, nor has Borrower, any of its principals or its contractors been suspended, disciplined or prohibited from contracting with any Governmental Agency.

(f) All statements and representations made by Borrower in connection with the Loan remain true and correct as of the date of this Agreement.

(g) Borrower agrees to provide notice to OCII in accordance with Section 21.1 of the occurrence of any change or circumstance that: (a) will have a material adverse effect on the physical condition or intended use of the Project; (b) causes the Loan to be out of balance; or (c) will have a material adverse effect on Borrower's operation of the Property or ability to repay the Loan.

ARTICLE 21 NOTICES.

21.1 Written Notice. All notices required by this Agreement must be made in writing and may be communicated by personal delivery, facsimile (if followed within one (1) business day by first class mail), by nationally recognized courier that obtains receipts, or by United States certified mail, postage prepaid, return receipt requested. Any notice sent by email will be accompanied by a written notice and email notices will not be effective unless accompanied by a written notice. Delivery will be deemed complete as of the earlier of actual receipt (or refusal to accept proper delivery) or five (5) days after mailing, *provided that* any notice that is received after 5 p.m. on any day or on any weekend or holiday will be deemed to have been received on the next succeeding business day. Notices must be addressed as follows:

To OCII: Office of Community Investment and Infrastructure
Successor Agency to the San Francisco Redevelopment Agency
1 South Van Ness, 5th Floor
San Francisco, CA 94103
Attn: Executive Director

To OCII General Counsel: Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Attn: Agency General Counsel
Email: james.morales@sfgov.org

To MOHCD: Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Attn: Director

To City Attorney's Office: Deputy City Attorney
San Francisco City Attorney's Office
City Hall, Rm. 234
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102-4682
Attn: Heidi J. Gewertz

To Borrower: Shipyard 5254, L.P.
c/o McCormack Baron Salazar, Inc.
720 Olive Street, Suite 2500
St. Louis, MO 63101
Attn: President

Bayview Senior Services
1751 Carroll Street
San Francisco, CA 94124
Attn: Executive Director

or any other address a party designates from time to time by written notice sent to the other party in manner set forth in this Section.

22.1 Borrower's Representations. Intentionally omitted.

22.2 Covenant. Unless OCII otherwise consents in writing, at all times from and after the date of this Agreement, at its sole expense, Borrower must: (a) comply with all applicable Environmental Laws relating to the Site and the Project, and not engage in or otherwise permit the occurrence of any Environmental Activity in violation of any applicable Environmental Laws or that is not customary and incidental to the intended use of the Site, *provided that* nothing contained in this Section will prevent Borrower from contesting, in good faith and by appropriate proceedings, any interpretation or application of Environmental Laws; and (b) deliver to OCII, promptly following the occurrence of any such event, notice of the discovery by Borrower of any event rendering any representation contained in this Section incorrect in any respect if made at the time of such discovery.

ARTICLE 23 INDEMNITY.

23.1 Borrower's Obligations. To the fullest extent permitted by law, Borrower shall hold harmless, defend at its own expense, and indemnify OCII, the City, and their respective commissioners, officers, agents and employees (individually or collectively, an "**Indemnatee**") against any and all Losses, of every kind, nature and description directly or indirectly arising out of, or connected with Borrower's obligations under this Agreement, except to the extent caused by the willful misconduct or the gross negligence of the Indemnatee or by an Environmental Activity of a person or entity not caused or permitted by Borrower. For purposes of this Article, Losses will include, but not be limited to: (a) any default by Borrower in the observance or performance of any of Borrower's obligations under the OCII Documents (including those covenants set forth in Article 22 above); (b) any failure of any representation by Borrower to be correct in all respects when made; (c) injury or death to persons or damage to property or other Losses occurring on or in connection with Borrower's activities pursuant to this Agreement, whether caused by the negligence or any other act or omission of Borrower; (d) any claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or asserted against any Indemnatee that relates to or arises out of the OCII Documents, the Loan, the Predevelopment Activities or any transaction contemplated by, or the relationship between Borrower and OCII or Borrower and the City or any action or inaction by OCII or the

City under, the OCII Documents; (e) the occurrence of any Environmental Activity caused or permitted by Borrower on the Site or any failure of the Borrower to comply with all applicable Environmental Laws relating to the Project or the Site; (f) the occurrence, after the termination of this Agreement, of any Environmental Activity resulting directly or indirectly from any Environmental Activity caused or permitted by Borrower occurring from the date of this Agreement until the termination of this Agreement; (g) any liability of any nature arising from Borrower's contest of or relating to the application of any Law, including any contest permitted under Sections 9.1, 18.1 and 22.2; or (h) any claim, demand or cause of action, or any investigation, inquiry, order, hearing, action or other proceeding by or before any Governmental Agency, whether meritorious or not, that directly or indirectly relates to, arises from or is based on the occurrence or allegation of any of the matters described in clauses (a) through (h) above *provided that* no Indemnitee will be entitled to indemnification under this Section for -any Environmental Activity existing or occurring as of or prior to the date of this Agreement or for matters caused solely by its own gross negligence or willful misconduct. In the event any action or proceeding is brought against an Indemnitee by reason of a claim arising out of any Loss for which Borrower has indemnified the Indemnitees, and upon written notice from Indemnitee, Borrower shall at its sole expense answer and otherwise defend the action or proceeding using counsel approved in writing by the Indemnitee. Each Indemnitee shall have the right, exercised in its sole discretion, but without being required to do so, to defend, adjust, settle or compromise any claim, obligation, debt, demand, suit or judgment against the Indemnitee in connection with the matters covered by this Agreement. The provisions of this Section will survive the repayment of the Loan and/or termination of this Agreement. For purposes of this Section, "Borrower" shall include Borrower, its officers, employees, agents, contractors and/or subcontractors. OCII and the Borrower acknowledge and agree that prior to the Agreement Date, Borrower has not caused or permitted any Environmental Activity on the Project or the Site.

23.2 No Limitation. Borrower's obligations under Section 23.1 are not limited by the insurance requirements under this Agreement.

ARTICLE 24 GENERAL PROVISIONS

24.1 Intentionally Omitted

24.2 No Third Party Beneficiaries other than City. Nothing contained in this Agreement, nor any act of OCII, may be interpreted or construed as creating the relationship of third party beneficiary, limited or general partnership, joint venture, employer and employee, or principal and agent between OCII and Borrower or Borrower's agents, employees or contractors. Notwithstanding the forgoing, OCII and Borrower hereby acknowledge and agree that as the intended assignee of OCII's rights under the OCII Documents, the City is a third party beneficiary under the OCII Documents.

24.3 No Claims by Third Parties. Nothing contained in this Agreement creates or justifies any claim against OCII by any person or entity with respect to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the Project. Borrower must include this requirement as a provision in any contracts for the development of the Project.

24.4 Entire Agreement. This Agreement and its Exhibits incorporate the terms of all agreements made by OCII and Borrower with regard to the subject matter of this Agreement. No alteration or variation of the terms of this Agreement will be valid unless made in writing and signed by the parties hereto. No oral understandings or agreements not incorporated herein will be binding on OCII or Borrower.

24.5 OCII Obligations. OCII's sole obligation under this Agreement is limited to providing the Funds as described in this Agreement, up to the Funding Amount. Under no circumstances, including breach of this Agreement, will OCII be liable to Borrower for any special or consequential damages arising out of actions or failure to act by OCII in connection with any of the OCII Documents.

24.6 Borrower Solely Responsible. Borrower is an independent contractor with the right to exercise full control of employment, direction, compensation and discharge of all persons assisting in the performance contemplated under this Agreement. Borrower is solely responsible for: (a) its own acts and those of its agents, employees and contractors and all matters relating to their performance, including compliance with Social Security, withholding and all other Laws governing these matters and requiring that contractors include in each contract that they will be solely responsible for similar matters relating to their employees; (b) any losses or damages incurred by Borrower, any of its contractors or subcontractors and OCII and its officers, representatives, agents and employees on account of any act, error or omission of Borrower in the performance of this Agreement or any other OCII Document and the development and operation of the Project; and (c) all costs and expenses relating to Borrower's performance of obligations under the OCII Documents, the delivery to OCII of documents, information or items under or in connection with any of the OCII Documents and taxes, fees, costs or other charges payable in connection with the execution, delivery, filing and/or recording of any OCII Document or document required under any OCII Document.

24.7 No Inconsistent Agreements. Borrower warrants that it has not executed and will not execute any other agreement(s) with provisions materially contradictory or in opposition to the provisions of this Agreement.

24.8 Inconsistencies in OCII Documents. In the event of any conflict between the terms of this Agreement and any other OCII Document, the terms of this Agreement control unless otherwise stated; *provided, however*, that any provision in this Agreement in conflict with any Law will be interpreted subject to that Law.

24.9 Governing Law. This Agreement is governed by California law without regard to its choice of law rules.

24.10 Joint and Several Liability. If Borrower consists of more than one person or entity, each general partner or manager of Borrower is jointly and severally liable to OCII for the faithful performance of this Agreement.

24.11 Successors. Except as otherwise limited herein, the provisions of this Agreement bind and inure to the benefit of the undersigned parties and their heirs, executors, administrators, legal representatives, successors and assigns. This provision does not relieve Borrower of its obligation under the OCII Documents to obtain OCII's prior written consent to any assignment or other transfer of Borrower's interests in the Loan, the Site or the ownership interests in Borrower.

24.12 Attorneys' Fees. If any legal action is commenced to enforce any of the terms of this Agreement or rights arising from any party's actions in connection with this Agreement, the prevailing party will have the right to recover its reasonable attorneys' fees (including allocated fees of the City Attorney's Office) and costs of suit from the other party, whether incurred in a judicial, arbitration, mediation or bankruptcy proceeding or on appeal. For the purposes of this Agreement and to the extent that the City Attorney's Office represents OCII or the City as the successor to this Agreement, the reasonable fees of attorneys in the City Attorney's office will be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter of law for which the City Attorney's services were rendered, who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the City Attorney's Office. An award of attorneys' fees and costs will bear interest at the default rate under the Note from the date of the award until paid.

24.13 Severability. The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

24.14 Time. Time is of the essence in this Agreement. Whenever the date on which an action must be performed falls on a Saturday, Sunday or federal holiday, the date for performance will be deemed to be the next succeeding business day.

24.15 Further Assurances. Borrower agrees to: (a) pursue in an effective and continuous manner; (b) use best efforts to achieve; and (c) take all actions reasonably required by OCII from time to time to confirm or otherwise carry out the purpose of this Agreement.

24.16 Binding Covenants. Following the recordation of the Memorandum of Ground Lease, the provisions of the OCII Documents constitute covenants running with the land and will be binding upon Borrower and Borrower's successors and assigns, and all parties having or acquiring any right, title or interest in whatever form, including leasehold interests (other than Tenants and approved commercial tenants), in or to any part of the Property, except that the same will terminate and become void automatically at the expiration of the term of this Agreement. Any attempt to transfer any right, title or interest in the Property in violation of these covenants will be void.

24.17 Consent. Except as expressly provided otherwise, whenever consent or approval of a party is required in any OCII Document, that party agrees not to withhold or delay its consent or approval unreasonably.

24.18 Counterparts. This Agreement may be executed in any number of counterparts, all of which will constitute but one agreement.

24.19 Borrower's Personnel. The Project shall be implemented only by competent personnel under the direction and supervision of Borrower. Borrower must provide written notice of the replacement of: the manager, executive director, director of housing development, director of property management and/or any equivalent position of either member of the general partner or the manager of the general partner, within thirty (30) days after the effective date of such replacement.

24.20 Borrower's Board of Directors. Borrower or its managing general partner (or managing member of its managing general partner) shall at all times be governed by a legally constituted and fiscally responsible board of directors. Such board of directors shall meet regularly and maintain appropriate membership, as established in its bylaws and other governing documents, and shall adhere to applicable provisions of federal, state and local laws governing nonprofit corporations. Said board of directors shall exercise such oversight responsibility with regard to this Agreement as is necessary to ensure full and prompt performance by Borrower of its obligations under this Agreement.

24.21 Ownership of Results. Any interest of Borrower or any sub-borrower, in drawings, plans, specifications, studies, reports, memoranda, computation sheets, the contents of computer diskettes, or other documents or Publications prepared by or on behalf of Borrower or any sub-borrower in connection with this Agreement, the implementation of the Project, the services to be performed under this Agreement, or acquired through the use of any Loan proceeds ("**Work Product**"), is hereby pledged to OCII as security for Borrower's obligations under this Agreement and the Note, and upon an Event of Default, subject to all applicable notice and cure periods, shall become the property of and be promptly transmitted by Borrower to OCII. Notwithstanding the foregoing, Borrower may retain and use copies for reference and as documentation of its experience and capabilities. Borrower shall ensure that its architects and engineers execute an assignment of work product generally in the form attached hereto as Exhibit P, prior to or concurrent with execution of this Agreement.

This Agreement constitutes a security agreement under the California Uniform Commercial Code, as it may be amended from time to time, and Borrower authorizes OCII to file any financing statements OCII elects and deems necessary to perfect its security interest in the Work Product.

24.22 Works for Hire. If, in connection with this Agreement or the implementation of the Project, Borrower or any sub-borrower creates artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, source codes or any other original works of authorship or Publications, such creations shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such creations shall be the property of OCII. If it is ever determined that any such creations are not works for hire under applicable law, Borrower hereby assigns all copyrights thereto to OCII, and agrees to provide any material, execute such documents and take such other actions as may be necessary or desirable to effect such assignment. With the prior written approval of OCII, Borrower may retain and use copies of such creations for reference and as documentation of its experience and capabilities. Borrower shall use commercially reasonable efforts to obtain all

releases, assignments or other agreements from sub-borrowers or other persons or entities implementing the Project to ensure that OCII obtains the rights set forth in this Section.

24.23 Recourse. OCII's recourse against Borrower following an Event of Default is limited as set forth more specifically in the Note.

24.24 Assignment. OCII and Borrower hereby acknowledge and agree that, effective upon the completion of the Project, as determined by OCII and MOHCD, all of OCII's rights, interests and obligations under this Agreement shall be assigned to MOHCD. OCII and Borrower hereby agree to execute such further instruments and to take such further actions as may be reasonably required to carry out the intent of this Section 24.24. Upon assignment to MOHCD, all references herein to OCII shall be deemed references to MOHCD.

24.25 Exhibits. The following exhibits are attached to this Agreement and incorporated by reference:

EXHIBITS

A	Site Description
B-1	Table of Sources and Uses of Funds
B-2	Intentionally Omitted
B-3	Intentionally Omitted
C	Intentionally Omitted
D	Intentionally Omitted
E	Contract Compliance Policies
F	Insurance Requirements
G	Lobbying/Debarment Certification Form
H	Intentionally Omitted
I	Intentionally Omitted
J	Intentionally Omitted
K	Intentionally Omitted
L	Schedule of Performance
M	OCII Monthly Project Update Form
N	Developer Fee Schedule
O	Assignment of Work Product
P	Consent to Assignment of Work Product
Q	Promissory Note

[Remainder of page intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement at San Francisco, California as of the date first written above.

OCII:

Successor Agency to the Redevelopment
Agency of the City and County of San
Francisco, a public body, organized and
existing under the laws of the State of
California:

By: _____
Nadia Sesay
Executive Director

APPROVED AS TO FORM:

James B. Morales
OCII General Counsel

By: _____
Aaron J. Foxworthy
Deputy General Counsel

BORROWER:

SHIPYARD 5254, L.P.,
a California limited partnership

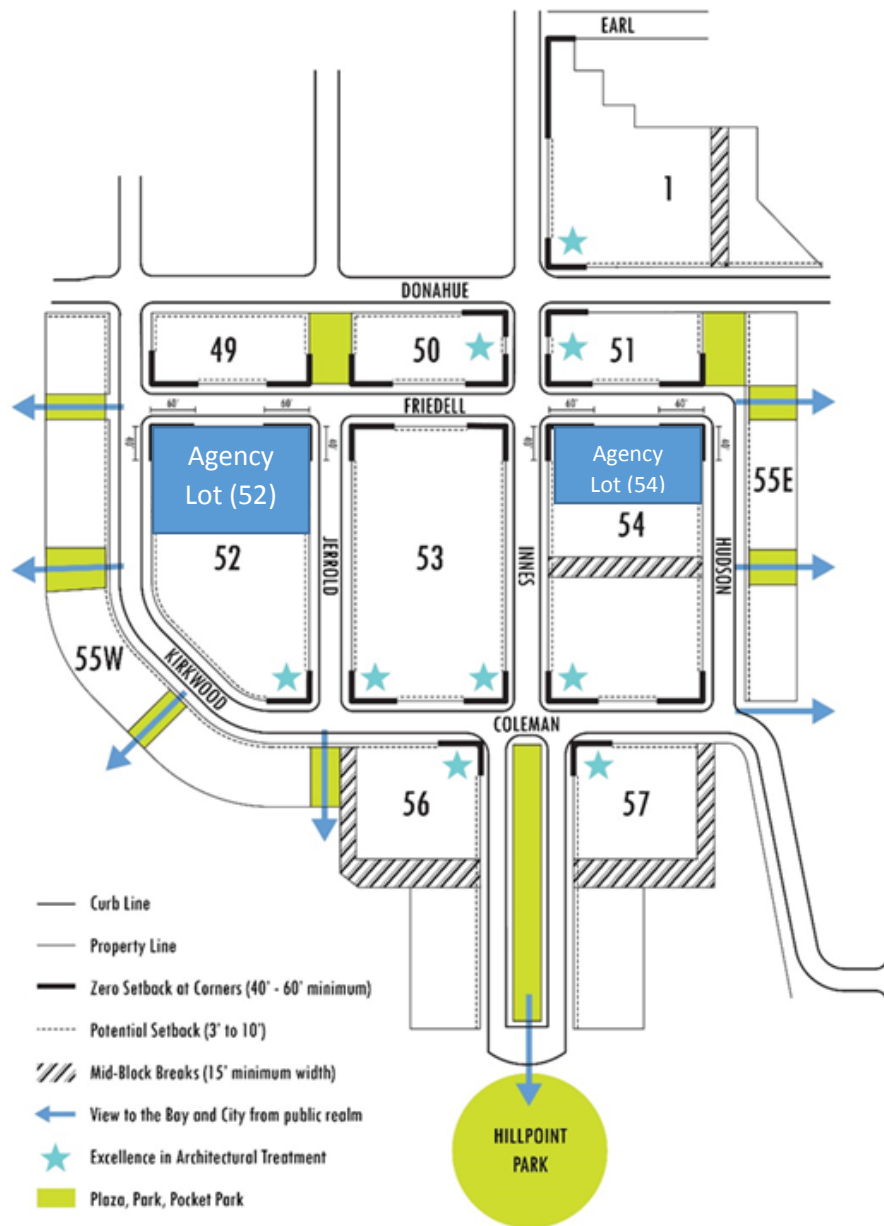
By: MBS IGP, Inc.,
a Missouri Corporation, its general partner

By: _____
Name:
Title:

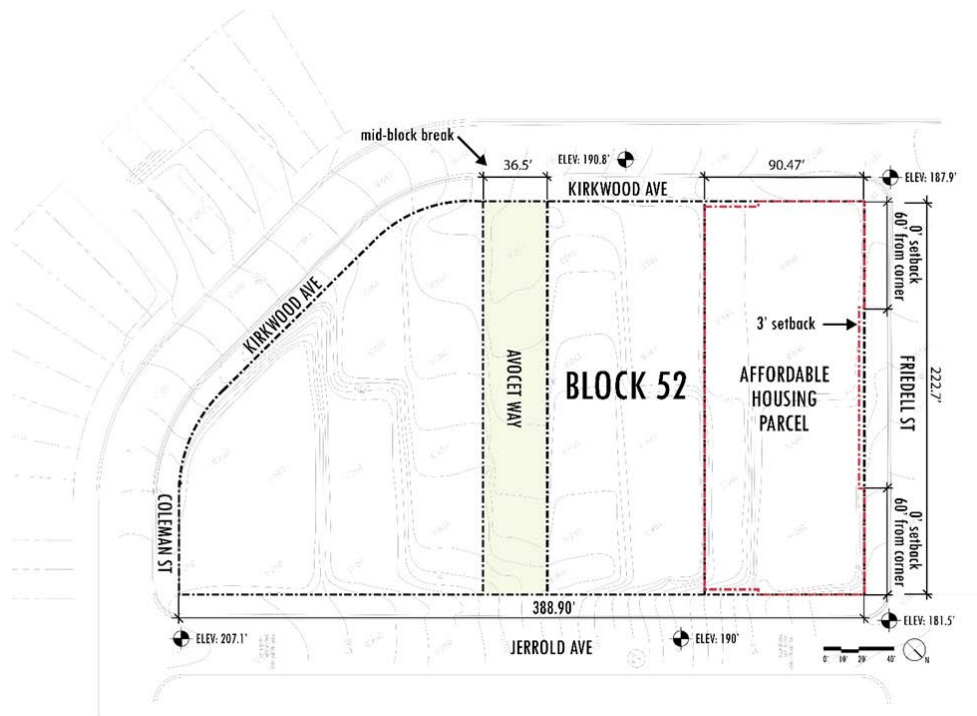
EXHIBIT A
Site Description

Real property in the City and County of San Francisco, State of California, described as follows:

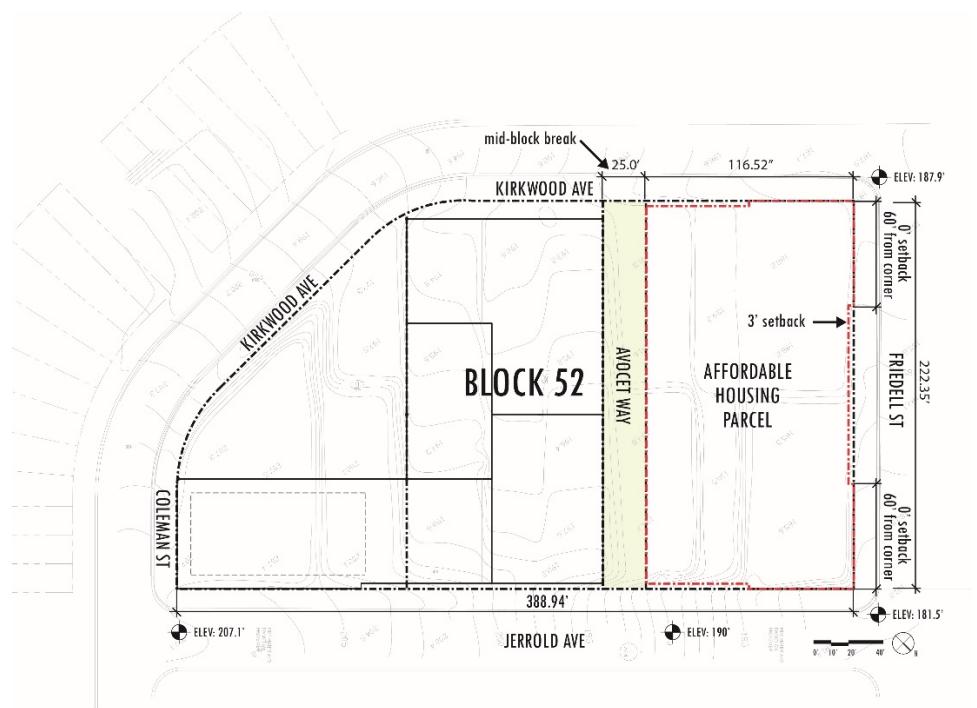
Hunters Point Shipyard Phase 1 Hilltop Parcels



Block 52 Pre-Avocet Realignment



Block 52 Anticipated Avocet Realignment



Block 54

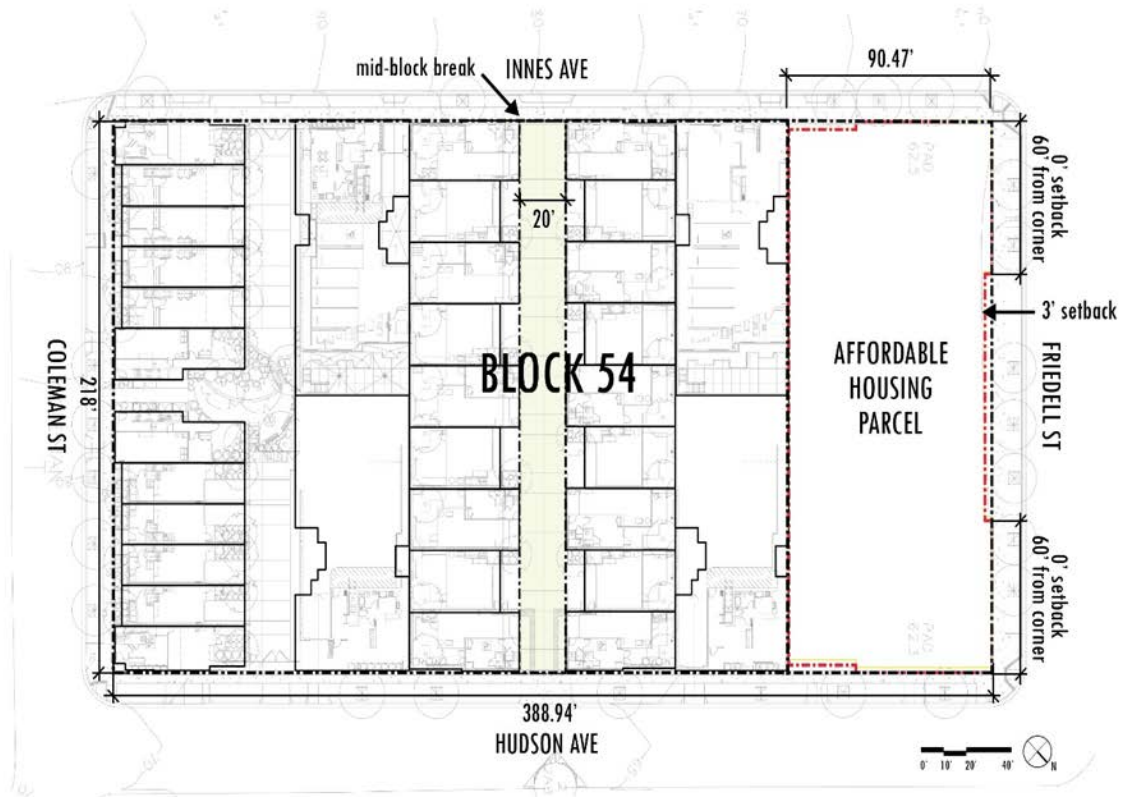


EXHIBIT B-1
Table of Sources and Uses of Funds

Application Date:
Project Name:
Project Address:
Project Sponsor:

5/29/18
Shipyards Block 52-54
151 & 351 Friedell St
MBS & BHPMSS

Units: 100
Bedrooms: 178
Beds:

							Total Sources	Comments
SOURCES	4,000,000	-	-	-	-	-	4,000,000	
Name of Sources: MOHCD/OCII								

USES

ACQUISITION

Acquisition cost or value							0	
Legal / Closing costs / Broker's Fee							0	
Holding Costs							0	
Transfer Tax							0	
TOTAL ACQUISITION	0	0	0	0	0	0	0	

CONSTRUCTION (HARD COSTS)

Unit Construction/Rehab							0	Include FF&E	Construction line item costs as a % of hard costs
Commercial Shell Construction							0		
Demolition							0		
Environmental Remediation							0		
Onsite Improvements/Landscaping							0		
Offsite Improvements							0		
Infrastructure Improvements							0	HOPE SF/OCII costs for streets etc.	
Parking							0		
GC Bond Premium/GC Insurance/GC Taxes							0		
GC Overhead & Profit							0		
CG General Conditions							0		
Sub-total Construction Costs	0	0	0	0	0	0	0		
Design Contingency (remove at DD)							0	5% up to \$30MM HC, 4% \$30-\$45MM, 3% \$45MM+	
Bid Contingency (remove at bid)							0	5% up to \$30MM HC, 4% \$30-\$45MM, 3% \$45MM+	
Plan Check Contingency (remove/reduce during Plan Review)							0	4% up to \$30MM HC, 3% \$30-\$45MM, 2% \$45MM+	
Hard Cost Construction Contingency							0	5% new construction / 15% rehab	
Sub-total Construction Contingencies	0	0	0	0	0	0	0		
TOTAL CONSTRUCTION COSTS	0	0	0	0	0	0	0		

SOFT COSTS

Architecture & Design

Architect design fees	2,140,000						2,140,000	See MOHCD A&E Fee Guidelines: http://sfmohcd.org/documents-reports-and-forms
Design Subconsultants to the Architect (incl. Fees)							0	included above (MEP, Civil, Structural, Lands, Green, etc)
Architect Construction Admin							0	
Reimbursables							0	
Additional Services							0	
Sub-total Architect Contract	2,140,000	0	0	0	0	0	2,140,000	
Other Third Party design consultants (not included under Architect contract)							0	Consultants not covered under architect contract; name consultant type and contract amount
Total Architecture & Design	2,140,000	0	0	0	0	0	2,140,000	

Engineering & Environmental Studies

Survey	40,000						40,000	
Geotechnical studies	50,000						50,000	
Phase I & II Reports	70,000						70,000	
CEQA / Environmental Review consultants							0	
NEPA / 106 Review							0	
CNA/PNA (rehab only)							0	
Other environmental consultants	20,000						20,000	Name consultants & contract amounts
Total Engineering & Environmental Studies	180,000	0	0	0	0	0	180,000	

Financing Costs

Construction Financing Costs

Construction Loan Origination Fee	100,000						100,000	Two parcels
Construction Loan Interest							0	
Title & Recording	15,000						15,000	
CDLAC & CDIAC fees	5,000						5,000	
Bond Issuer Fees	5,000						5,000	
Other Bond Cost of Issuance							0	
Other Lender Costs (specify)							0	
Sub-total Const. Financing Costs	125,000	0	0	0	0	0	125,000	

Permanent Financing Costs

Permanent Loan Origination Fee	10,000						10,000	
Credit Enhance. & Appl. Fee							0	
Title & Recording							0	
Sub-total Perm. Financing Costs	10,000	0	0	0	0	0	10,000	
Total Financing Costs	135,000	0	0	0	0	0	135,000	

Legal Costs

Borrower Legal fees	125,000						125,000	
Land Use / CEQA Attorney fees							0	
Tax Credit Counsel							0	
Bond Counsel							0	
Construction Lender Counsel							0	
Permanent Lender Counsel							0	
Other Legal (specify)							0	
Total Legal Costs	125,000	0	0	0	0	0	125,000	

Other Development Costs

Appraisal	10,000						10,000	
Market Study	10,000						10,000	
Insurance							0	
Property Taxes							0	
Accounting / Audit							0	
Organizational Costs	5,000						5,000	
Entitlement / Permit Fees	500,000						500,000	
Marketing / Rent-up							0	
Furnishings							0	\$2,000/unit; See MOHCD U/W Guidelines: http://sfmohcd.org/documents-reports-and-forms
PGE / Utility Fees	5,000						5,000	
TCAC App / Alloc / Monitor Fees	32,000						32,000	
Financial Consultant fees							0	
Construction Management fees / Owner's Rep	40,000						40,000	
Security during Construction							0	
Relocation							0	
Other (specify)							0	
Other (specify)							0	
Other (specify)							0	
Total Other Development Costs	602,000	0	0	0	0	0	602,000	

Soft Cost Contingency

Contingency (Arch, Eng, Fin, Legal & Other Dev)	318,000	0	0	0	0	0	318,000	Should be either 10% or 5% of total soft costs.	10.0%
TOTAL SOFT COSTS	3,500,000	0	0	0	0	0	3,500,000		

RESERVES

Operating Reserves							0	
Replacement Reserves							0	
Tenant Improvements Reserves							0	
Other (specify)							0	
Other (specify)							0	
Other (specify)							0	
TOTAL RESERVES	0	0	0	0	0	0	0	

DEVELOPER COSTS

Developer Fee - Cash-out Paid at Milestones	500,000						500,000	
Developer Fee - Cash-out At Risk							0	
Developer Fee - GP Equity (also show as source)							0	
Developer Fee - Deferred (also show as source)							0	
Development Consultant Fees							0	Need MOHCD approval for this cost, N/A for most projects
Other (specify)							0	
TOTAL DEVELOPER COSTS	500,000	0	0	0	0	0	500,000	

TOTAL DEVELOPMENT COST

	4,000,000	0	0	0	0	0	4,000,000	
Development Cost/Unit by Source	40,000	0	0	0	0	0	40,000	
Development Cost/Unit as % of TDC by Source	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	

Acquisition Cost/Unit by Source

	0	0	0	0	0	0	0	
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Construction Cost (inc Const Contingency)/Unit By Source

	0	0	0	0	0	0	0	
--	---	---	---	---	---	---	---	--

Construction Cost (inc Const Contingency)/SF

0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
------	------	------	------	------	------	------	------	--

City Subsidy/Unit

40,000

Tax Credit Equity Pricing:

1.01

Construction Bond Amount:

4,100,000

Construction Loan Term (in months):

24 months

Construction Loan Interest Rate (as %):

3.50%

EXHIBIT B-2
Intentionally Omitted

EXHIBIT B-3
Intentionally Omitted

EXHIBIT C
Intentionally Omitted.

EXHIBIT D
Intentionally Omitted.

EXHIBIT E

1. Equal Opportunity Policies. Borrower shall comply with OCII's Equal Opportunity Policies:

- (i) Small Business Enterprise (SBE) Policy (adopted by Resolution No. 43-2015, July 7, 2015);
- (ii) Bayview Hunters Point Employment and Contracting Policy;
- (iii) Prevailing Wage Policy (adopted by Resolution No. 327-1985 Nov. 12, 1985);
- (iv) Nondiscrimination in Contracts and Benefits (adopted by Resolution No. 175-1997);
- (v) Health Care Accountability Policy (adopted by Resolution No. 168-2001); and
- (vi) Minimum Compensation Policy (adopted by Resolution No. 168-2001).

Copies of the aforementioned policies are available on the OCII website at <http://sfocii.org/policies-and-procedures>

2. Environmental Review. The Project must meet the requirements of the California Environmental Quality Act (Cal. Pub. Res. Code §§ 2100 *et seq.*) and implementing regulations, and any other environmental reviews as required by any federal funding sources obtained, including the National Environmental Policy Act ("NEPA").

3. Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no employee, agent, consultant, officer or official of Borrower or OCII who exercises or has exercised any function or responsibilities with respect to activities assisted by Funds, in whole or in part, or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in or benefit from the activities assisted under this Agreement, or have an interest, direct or indirect, in any contract, subcontract or agreement with respect thereto, or in the proceeds thereunder either for himself/herself or for those with whom he/she has family or business ties, during his/her tenure and for one year thereafter. In order to carry out the purpose of this Section, Borrower must incorporate, or cause to be incorporated, in all contracts, subcontracts and agreements relating to activities assisted under the Agreement, a provision similar to that of this Section. Borrower will be responsible for obtaining compliance with conflict of interest provisions by the parties with whom it contracts and, in the event of a breach, Borrower must take prompt and diligent action to cause the breach to be remedied and compliance to be restored.

(b) Borrower represents that it is familiar with the provisions of Sections 1090 through 1097 and 87100 *et seq.* of the California Government Code, all of which relate to prohibited conflicts of interest in connection with government contracts. Borrower certifies that it knows of no facts that constitute a violation of any of these provisions and agrees to notify OCII immediately if Borrower at any time obtains knowledge of facts constituting a violation.

(c) In the event of any violation of the conflict of interest prohibitions, Borrower agrees that OCII may refuse to consider any future application for funding from Borrower or any entity related to Borrower until the violation has been corrected to OCII's satisfaction, in OCII's sole discretion.

4. Disability Access. Borrower must comply with all applicable disability access Laws, including the Americans with Disabilities Act (42 U.S.C. §§ 1201 *et seq.*), Section 504 of the Rehabilitation Act (29 U.S.C. § 794) and the Fair Housing Amendments Act (42 U.S.C. §§ 3601 *et seq.*). Borrower is responsible for determining which disability access Laws apply to the Project, including those applicable due to the use of Funds. In addition, before occupancy of the Project, Borrower must provide to OCII a written reasonable accommodations policy that indicates how Borrower will respond to requests by disabled individuals for accommodations in Units and common areas of the Project.

5. Lead-Based Paint. Borrower must satisfy the requirements of Chapter 36 of the San Francisco Building Code ("Work Practices for Exterior Lead-Based Paint") and the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§ 4821 *et seq.*) and implementing regulations at 24 CFR part 35. Borrower must also comply with the provisions contained in 17 CCR 350000 *et seq.*, and 8 CCR 1532.1 and all other applicable Laws governing lead-based hazards.

6. Relocation. Borrower must meet any applicable requirements of the California Relocation Assistance Act (Cal. Gov. Code §§ 7260 *et seq.*) and implementing regulations in Title 25, Chapter 6 of the California Administrative Code and similar Laws.

7. Non-Discrimination in OCII Contracts and Benefits Policy.

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

(b) Non-Discrimination in Benefits. Borrower does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco or where the work is being performed for OCII or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a Governmental Agency under state or local law authorizing such registration, subject to the conditions set forth in the Agency's Nondiscrimination in Contracts Policy, adopted by Agency Resolution 175-97, as amended from time to time.

8. Public Disclosure.

(a) Borrower understands and agrees that under the State Public Records Law (Cal. Gov. Code §§ 6250 *et seq.*) and the Agency Public Records Policy, this Agreement and any and all records, information and materials submitted to OCII or the City hereunder are public records subject to public disclosure. Borrower hereby authorizes OCII and the City to disclose any records, information and materials submitted to OCII or the City in connection with this Agreement as required by Law.

9. Limitations on Contributions. Through execution of this Agreement, Borrower acknowledges that it is familiar with section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the Agency for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) the Mayor or members of the Board of Supervisors, (2) a candidate for Mayor or Board of Supervisors, or (3) a committee controlled by such office holder or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Borrower acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Borrower further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Borrower's board of directors; Borrower's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Borrower; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Borrower. Additionally, Borrower acknowledges that Borrower must inform each of the persons described in the preceding sentence of the prohibitions contained in section 1.126.

Finally, Borrower agrees to provide to OCII the names of each member of Borrower's general partners' (or, if applicable, general partners' managing members) board of directors; Borrower's general partners' (or, if applicable, general partners'

managing members) chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Borrower's general partners (or, if applicable, general partners' managing members); any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Borrower.

EXHIBIT F
Insurance Requirements

Borrower must procure and maintain for the duration of the Contract, including any extensions, insurance against claims for injuries to person or damages to property which may arise from or in connection with the performance of the work under this Contract by the Borrower, its agents, representatives, employees or subcontractors. If the Borrower maintains additional coverages and/or higher limits than the minimums shown in this Exhibit F, OCII requires and shall be entitled to the additional coverage and/or the higher limits maintained by the Borrower. If and when the Borrower and OCII enter into a gap loan agreement and other agreements authorizing or funding the construction of the Project, OCII may adjust these insurance requirements to reflect the risks associated with construction-related activities.

B. Minimum Scope of Insurance. Coverage must be at least as broad as:

- (1) Insurance Services Office Commercial General Liability coverage (occurrence form CG 00 01), with additional insured endorsement.
- (2) Insurance Services Office Automobile Liability coverage, code 1 (form number CA 00 01- any auto if any autos are owned), with additional insured endorsement.
- (3) Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance, with waiver of subrogation.
- (4) Professional Liability Insurance appropriate to the Borrower's profession covering all negligent acts, errors and omissions.

C. Minimum Limits of Insurance. Borrower must maintain limits no less than:

- 1) General Liability:
 - a. \$2,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit must apply separately to this project/location or the general aggregate limit must be twice the required occurrence limit (\$4,000,000). Applicable Umbrella or Excess Liability limits may be used to meet the terms of this paragraph. Borrower should note that the General Liability coverage described herein is applicable only during the predevelopment phase and that OCII will require increased coverage during the construction period.
- 2) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage (if applicable).
- 3) Workers' Compensation and Employer's Liability: Workers' Compensation limits as required by the State of California and Employer's Liability limits of \$1,000,000 for bodily injury by accident and \$1,000,000 per person and in the annual aggregate for bodily injury by disease. (Required only if Borrower has employees).

4) Professional Liability: \$2,000,000 per claim/\$2,000,000 policy aggregate covering all negligent acts, errors and omissions of Developer's design team members (including all architects, engineers, and surveyors) under direct contract with Developer ("Prime Design Member"). Each Prime Design Member must submit proof of Professional Liability Insurance of \$2,000,000/\$2,000,000 covering negligent acts, errors, and omissions. If the Prime Design Members' insurance is "claims made" coverage, these minimum limits shall be maintained by the Prime Design Member for no less than ten years beyond the completion date of construction. Each Prime Design Member shall procure and maintain coverages against claims for injuries to person or damages to property which may arise from or in connection with the performance of the work under this Agreement by itself and its agents (including subcontractors and consultants), representatives, or employees for whom the Prime Design Member is legally liable. Each Prime Design Member is also required to assess the risks associated with work to be performed by agents under subcontract and to include in every subcontract the requirement that the agent maintain adequate insurance coverages with appropriate limits and endorsements to cover such risks. To the extent that any agent does not procure and maintain such insurance coverage, Prime Design Member shall assume any and all costs and expenses that may be incurred in fulfilling any indemnity obligations as to itself or any of its agents for whom the Prime Design Member is legally liable in the absence of coverage.

5) Crime Policy: Crime policy or fidelity bond covering Developer's officers and employees' against dishonesty with respect to the Funds under this Agreement, in the amount of \$1,000,000 each loss, with any deductible not to exceed \$10,000 including the OCII as an additional obligee or loss payee.

D. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by OCII. At the option of OCII, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects to OCII, the City and County of San Francisco and their respective commissioners, members, officers, agents and employees; or Borrower shall provide a financial guarantee satisfactory to OCII guaranteeing payment of losses and related investigations, claim administration and defense expenses.

E. Other Insurance Provisions. The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

- 1) The "Office of Community Investment and Infrastructure/Successor Agency to the Redevelopment Agency of the City and County of San Francisco, the City and County of San Francisco and their respective commissioners, members, officers, agents and employees" are to be covered as additional insureds as respects: liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the Borrower; and liability arising out of work or operations performed by or on behalf of the Borrower.
- 2) For any claims related to this Contract, the Borrower's insurance coverage must be primary insurance as respects to OCII, the City and County of San Francisco and their respective commissioners, members, officers, agents, and employees. Any insurance or self-insurance maintained by OCII, the City and County of San

Francisco and their respective commissioners, members, officers, agents or employees shall be in excess of Borrower's insurance and shall not contribute with it.

- 3) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to OCII, the City and County of San Francisco and their respective commissioners, members, officers, agents or employees.
- 6) Each insurance policy required by this clause must be endorsed to state that coverage will not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to OCII. Should the insurance carrier not be able to provide such notice, then the responsibility to provide the notice to OCII shall be borne by the policyholder.
- 7) Borrower hereby grants to OCII, and shall require its general contractor, all subcontractors and consultants to grant to OCII, a waiver of any right to subrogation which any insurer of said Borrower, contractor, subcontractor, or consultant may acquire against OCII by virtue of the payment of any loss under such insurance. Borrower agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not OCII has received a waiver of subrogation endorsement from the insurer.
- 8) If any of the required policies provide coverage on a claims-made basis:
 - a. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
 - b. Insurance must be maintained and evidence of insurance must be provided for at least five years after completion of the contract of work.
 - c. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Borrower must purchase "extended reporting" coverage for a minimum of five years after completion of contract work unless a longer period is specified in Section C above.

F. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise approved by OCII's Risk Manager.

G. Verification of Coverage. Borrower must furnish OCII with certificates of insurance and with original endorsements evidencing coverage required by this clause. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements may be on forms provided by OCII. All certificates and endorsements are to be received and approved by OCII before work commences. OCII reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by these specifications at any time.

H. Design Professionals, Subcontractors and Consultants Insurance. Borrower shall require and verify that its general contractor and all subcontractors and consultants (i) maintain workers' compensation, automobile liability, commercial general liability, and professional liability insurance in the amounts and in accordance with the requirements listed above, as applicable, unless otherwise approved under OCII's Risk Management Policy, and (ii) Borrower shall ensure that "Office of Community Investment and Infrastructure/Successor Agency to the Redevelopment Agency of the City and County of San Francisco, the City and County of San Francisco and their respective commissioners, members, officers, agents, and employees" are additional insureds on insurance required from subcontractors and consultants. Borrower must furnish OCII with general contractor's, architects' and engineers' certificates of insurance and original endorsements effecting coverage required by this paragraph.

I. Review. OCII reserves the right to modify the insurance coverage under this Section, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances consistent with OCII's Risk Management Policy. The insurance coverage required under this Section shall be evaluated by OCII for adequacy from time to time. OCII may require Developer to increase the insurance limits and/or forms of coverage in its reasonable discretion provided that such limits and/or coverage is generally available at commercially reasonable rates.

EXHIBIT G
Lobbying/Debarment Certification Form

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan or cooperative agreement.
2. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress or an employee of a member of Congress in connection with this federal contract, grant, loan or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.

This lobbying certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed under Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for such failure.

3. Neither the undersigned nor its principals is listed by the General Services Administration as debarred, suspended, ineligible or voluntarily excluded from receiving the Funds on the Agreement Date. The undersigned will review the list to ensure that any contractor or subcontractor who bids for a contract in excess of \$100,000 is not debarred, suspended, ineligible or voluntarily excluded from participating in federal programs and activities and will obtain the certification of each contractor or subcontractor whose bid is accepted that such contractor or subcontractor is not debarred, suspended, ineligible or voluntarily excluded from participating in federal programs and activities.

By:

By:

By: _____

EXHIBIT H
Intentionally Omitted.

EXHIBIT I
Intentionally Omitted

EXHIBIT J
Intentionally Omitted

EXHIBIT K
Intentionally Omitted

EXHIBIT L
Schedule of Performance

1. N o .	2. Performance Milestone	Estimated or Actual Date	Contractual Deadline
A.	Prop I Noticing (if applicable)	<u>N/A</u>	
3. 1	Predev Financing Commitment	<u>7/2018</u>	
2.	Site Acquisition		
3.	Development Team Selection	<u>3/2018</u>	
a.	Architect	<u>3/2018</u>	
b.	General Contractor	<u>8/2018</u>	<u>10/2018</u>
c.	Owner's Representative	<u>N/A</u>	
d.	Property Manager	<u>3/2018</u>	
e.	Service Provider	<u>3/2018</u>	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	<u>10/31/18</u>	<u>5/31/2019</u>
b.	Submittal of Design Development & Cost Estimate	<u>3/15/2019</u>	<u>9/15/2019</u>
c.	Submittal of 50% CD Set & Cost Estimate	<u>5/15/2019</u>	<u>11/15/2019</u>
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	<u>12/15/2019</u>	<u>6/15/2020</u>
5.	Environ Review/Land-Use Entitlements		
a.	CEQA Environ Review Submission		
b.	NEPA Environ Review Submission	<u>TBD 3/15/2018</u>	
c.	CUP/PUD/Variances Submission		
6.	Permits		
a.	Building / Site Permit Application Submitted	<u>3/15/2019</u>	<u>9/15/2019</u>
b.	Addendum #1 Submitted	<u>9/15/2019</u>	<u>3/15/2020</u>
c.	Addendum #2 Submitted	<u>9/15/2019</u>	<u>3/15/2020</u>
7.	Request for Bids Issued		
8.	Service Plan Submission		
a.	Preliminary	<u>1/11/2019</u>	<u>7/1/2020</u>
b.	Interim		
c.	Update	<u>4/1/2020</u>	<u>10/10/2020</u>
9.	Additional City Financing		

a.	Predevelopment Financing Application #2	<u>N/A</u>	
b.	Gap Financing Application	<u>7/15/2019</u>	<u>1/15/2020</u>
10.	Other Financing		
a.	AHSC Application (<u>tbd based on AHSC calendar</u>)	<u>1/2019</u>	
b.	Construction Financing RFP	<u>10/15/2019</u>	<u>4/15/2020</u>
c.	AHP Application	<u>3/2019</u>	<u>3/2020</u>
d.	CDLAC Application CDLAC Award (based on 2018 dates)	<u>10/2019</u> <u>12/2019</u>	<u>7/2020</u> <u>9/20</u>
e.	TCAC Application TCAC Award (based on 2018 dates)	<u>10/2019</u> <u>12/2019</u>	<u>7/2020</u> <u>9/2020</u>
g.	Other Financing Application		
11.	Closing		
a.	Construction Closing	<u>4/1/2020</u>	
b.	Permanent Financing Closing	<u>12/1/2022</u>	
12.	Construction		
a.	Notice to Proceed	<u>4/1/2020</u>	
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	<u>4/1/2022</u>	
13.	Marketing/Rent-up		
a.	Early Outreach Plan Submission	<u>5/1/2020</u>	
b.	Marketing Plan Submission	<u>10/2021</u>	
c.	Commence Marketing	<u>1/1/2022</u>	
d.	95% Occupancy	<u>8/1/2022</u>	
14.	Cost Certification/8609	<u>4/1/2023</u>	
15.	Close Out MOH/OCII Loan(s)		

EXHIBIT M
OCII Monthly Project Update Form

OCII MONTHLY PROJECT UPDATE FORM

Please complete this Monthly Project Update and email the Word document to the Project Manager, with a copy to Elizabeth Colomello (elizabeth.colomello@sfgov.org), by the first of each month. Please focus on the relevant sections of project progress, and anticipate approvals that will be needed over the next 2 – 3 months from other departments. Use as much space as you need.

I. THE PURPOSE OF THESE UPDATES IS TO TRACK PROJECT PROGRESS

1. *During the pre-construction*
2. *On non-construction issues during construction, and*
3. *After regular monthly construction meetings have ended*

Project Summary Information

Project:	
Sponsor:	
# Units:	
Target Population:	

1. Monthly Update

Month Covered:	Date of Report:
Completed by:	
Estimated Construction Start Date (if changed from previous update, please explain):	
Estimated Total Development Cost (if changed from previous update, please explain):	
Project's OCII gap commitment (excluding OCII funding committed to date):	
Expected date when OCII gap funding needed: Month: Year:	
Procurement and bidding (architect, consultants and contractors):	
Entitlements, permits and utilities (Planning /dept., DBI, SFFD, DPW, SFWD, MOD, PG&E and DRE)	
Any changes in the scope, cost, schedule or financing plan? (Attach updated budget and/or schedule, if any, that have occurred since prior month.)	

Significant milestones reached during the past month, and any planned to be reached during the coming month. Also include any projected milestones not reached during the last month and the reasons why. (Depending on the phase of the project, please cover efforts to obtain additional financing, relocation, planning, service planning, marketing and rent-up, etc., as applicable for the project.)

FOR OCII STAFF ONLY

Major issues, delays, etc.:

Items for discussion with Director:

EXHIBIT N

Developer Fee Schedule

Developer Fee Disbursement Schedule		
Payment Milestone	% of Project Mgmt Fee	Amount
At acquisition or closing of preconstruction financing	15%	\$150,000
During or at end of predevelopment	35%	\$350,000
By end of construction	50%	\$500,000
Total Project Management Fee	100%	\$1,000,000
Deferred Fee		\$365,000
At Risk Fee*		\$1,365,000
Total Cash Developer Fee		<u>\$2,365,000</u>
GP Equity		
Total Developer Fee		<u>\$2,365,000</u>

* Per MOHCD's Developer Fee Policy, the total Project Management fee will be \$1,000,000 and the total at risk fee will be \$1,365,000 (including the additional cash out allowed due to the project's larger size). The At Risk Fee will be held back from distribution in order to cover any cost overruns that exceed the contingency amounts held in the Sponsor's budget, per MOHCD's Developer Fee Policy.

EXHIBIT O
ASSIGNMENT OF WORK PRODUCT

Assignment of Architects and Engineers Agreement Plans and Specifications

FOR VALUE RECEIVED, **Shipyard 5254, L.P.**, a California limited partnership (“Borrower”) does hereby sell, assign, pledge, transfer and set over to the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public body, organized and existing under the laws of the State of California, (“Agency”) all of its rights, title and interest in and to that certain architect’s agreement (“Agreement”) entered into by and between Borrower and Mithun | Solomon and any other contracts entered into between Borrower and any licensed design profession or engineer (“Architect” or “Engineer”), and those certain Plans and Specifications and all amendments, modifications, supplements, general conditions and addenda thereto (“Plans”) prepared by the Architects and Engineers for the account of Borrower in connection with the development of approximately 100 units of affordable rental housing at 351 and 151 Friedell Street and known as Hunters Point Shipyard Blocks 52 and 54 (“Project”). The Agreement and the Plans are assigned as collateral security for certain indebtedness of Borrower to Agency evidenced by that certain Promissory Note of even date herewith in the principal amount of \$4,000,000.00.

Borrower and Architect or Engineer, by executing the Consent to this assignment, agree that Agency does not assume any of Borrower’s obligations or duties concerning the Agreement and the Plans, including, but not limited to, the obligation to pay for the preparation of the Agreement and the Plans, until and unless Agency shall exercise its right hereunder.

Borrower hereby irrevocably constitutes and appoints Agency as its attorney-in-fact to demand, receive, and enforce Borrower’s rights with respect to the Agreement and the Plans, to give appropriate receipts, releases and satisfactions for and on behalf of Borrower and to do any and all acts in the name of Borrower or in the name of Agency with the same force and effect as Borrower could do if this Assignment had not been made.

Borrower hereby represents and warrants to Agency that no previous assignment of its interest in the Agreement and the Plans has been made, and Borrower agrees not to assign, sell, pledge, transfer, mortgage or otherwise encumber its interest in the Agreement and the Plans so long as this Assignment is in effect.

This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, or successors in interest of the Borrower and Agency.

IN WITNESS WHEREOF, Borrower has caused this Assignment to be executed on _____, 2018.

BORROWER:

By: _____

EXHIBIT P
CONSENT TO ASSIGNMENT OF WORK PRODUCT
Consent to Assignment

FOR VALUE RECEIVED, **Shipyard 5254, L.P.**, a California limited partnership, ("Borrower") does hereby sell, assign, pledge, transfer and set over to the Successor Agency to the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public body, organized and existing under the laws of the State of California, ("Agency") all of its rights, title and interest in and to that certain architect's agreement ("Agreement") entered into by and between Borrower and Mithun | Solomon ("Architect") and any other contracts entered into between Borrower and any licensed design professional or engineer ("Architect" or "Engineer"), and those certain Plans and Specifications and all amendments, modifications, supplements, general conditions and addenda thereto ("Plans") prepared by the Architect(s), Engineer(s) and others for the account of Borrower in connection with the development of approximately 100 units of affordable rental housing at 351 and 151 Friedell Street and known as Hunters Point Shipyard Blocks 52 and 54 ("Project"). The Agreement and the Plans are assigned as collateral security for certain indebtedness of Borrower to Agency evidenced by that certain Promissory Note of even date herewith in the principal amounts of \$4,000,000.00.

The undersigned has prepared the Plans, hereby consents to the above Assignment hereby waives his/her lien rights, if any, for services rendered to date with respect to the Plans. The undersigned also agrees that in the event of a breach by Borrower of any of the terms and conditions of the Agreement or any other agreement entered into with the undersigned in connection with the Plans, that so long as Borrower's interest in the Plans is assigned to Agency, it will give written notice to Agency of such breach. Agency shall have sixty (60) days from the receipt of such notice of default to remedy or cure said default; however, nothing herein shall require the Agency to cure said default, but only gives it the option to do so.

The undersigned also agrees that in the event of default by Borrower under any of the documents or instruments entered into in connection with said Note, the undersigned, at Agency's request, shall continue performance under the Agreement in accordance with the terms hereof, provided that the undersigned shall be reimbursed in accordance with the Agreement for all services rendered on Agency's behalf including all services rendered on Borrower's behalf.

Dated: _____, 2018

ARCHITECT:

Mithun | Solomon

By: _____

Name: _____

Title: _____

(signatures continue on following page)

ENGINEER:

By: _____

Name: _____

Title: _____

EXHIBIT Q

Promissory Note

PROMISSORY NOTE

Principal Amount: \$4,000,000

San Francisco, CA

Date: August 7, 2018

FOR VALUE RECEIVED, the undersigned, **Shipyard 5254, L.P.**, a California limited partnership ("Maker"), hereby promises to pay to the order of the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, hereafter referred to as the Office of Community Investment and Infrastructure, a public body, organized and existing under the laws of the State of California ("OCII", including any successors or assigns), or holder (as the case may be, "Holder"), the principal sum of Four Million and No/100 Dollars (\$4,000,000.00) (the "Funding Amount"), or so much of the Funding Amount as may be disbursed from time to time pursuant to the Agreement described in **Section 1** below, together with interest thereon, as provided in this Note.

1. Agreement. This Secured Promissory Note ("Note") is given under the terms of a Loan Agreement by and between Maker and Holder (the "Agreement") dated as of the date set forth above, which Agreement is incorporated herein by reference. Definitions and rules of interpretation set forth in the Agreement apply to this Note. In the event of any inconsistency between the Agreement and this Note, this Note will control.

2. Interest. Interest will accrue on the principal balance outstanding under this Note from time to time at the rate of three percent (3%) per annum, simple interest, from the date of disbursement of funds by Holder through the date of full payment of all amounts owing under the OCII Documents. If a Construction/Permanent Loan for the Project from OCII is subsequently approved by the Commission, the parties acknowledge that the Borrower may request and OCII may approve a reduced interest rate in order to maintain Project feasibility.

3. Default Interest Rate. Upon the occurrence of an Event of Default under any OCII Document, interest will be deemed to have accrued on the outstanding principal balance of the Loan at a compounded annual rate equal to the lesser of: (a) ten percent (10%); or (b) the maximum lawful rate of interest, commencing on the date on which Maker receives written notice from Holder of the Event of Default through the earlier of: (x) the date on which the Event of Default is cured; or (y) the date on which all amounts due under the OCII Documents are paid to Holder. Maker acknowledges and agrees that the default interest that must be paid in the event of an Event of Default pursuant to this Section represents a reasonable sum considering all the circumstances existing on the date of this Note and represents a fair and reasonable estimate of the costs that will be sustained by Holder if Maker defaults. Maker further agrees that proof of actual damages would be costly and inconvenient and that default interest will be paid without prejudice

to Holder's right to collect any other amounts to be paid or to exercise any of its other rights or remedies under any OCII Document.

4. Repayment of Funding Amount. Maker must repay all amounts owing under the OCII Documents in accordance with and subject to Section 3.1 of the Agreement. All Payments will be applied to the following in the following order: (a) costs and fees incurred and unpaid; (b) accrued and unpaid interest; and (c) reduction of the principal balance of the Loan. The unpaid principal balance of the Loan, together with all accrued and unpaid interest and unpaid costs and fees incurred, will be due and payable on the Maturity Date, as such term is defined in the Agreement. Any Payment Date, including the Maturity Date, that falls on a weekend or holiday will be deemed to fall on the next succeeding business day.

If this Note becomes due and payable, and provided no Event of Default under any of the OCII Documents is then continuing, the Maker may satisfy this Note in full by either (i) making payment in full; or (ii) delivering to the Holder all of the following: (x) the Work Product, as such term is defined in the Agreement, (y) an absolute and unconditional assignment to the Holder of all of Maker's right, title and interest in and to said Work Product (which assignment shall be in the substantial form of the Assignment of Work Product attached as Exhibit O to the Agreement); and (z) the written consent to such assignment of any architect, engineer or other person or firm that has any right, title or interest in or to the Work Product, to the extent Maker is able to obtain such consent using commercially reasonable efforts.

5. Security. Maker's obligations under this Note are secured by, the pledge of Work Product given in the Assignment of Work Product and the Loan is non-recourse to such Maker, its partner and their members.

6. Terms of Payment.

6.1 All Payments must be made in currency of the United States of America then lawful for payment of public and private debts.

6.2 All Payments must be made payable to Holder and mailed or delivered in person to Holder's office at One South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, or to any other place Holder from time to time designates.

6.3 In no event will Maker be obligated under the terms of this Note to pay interest exceeding the lawful rate. Accordingly, if the payment of any sum by Maker pursuant to the terms of this Note would result in the payment of interest exceeding the amount that Holder may charge legally under applicable state and/or federal law, the amount by which the payment exceeds the amount payable at the lawful interest rate will be deducted automatically from the principal balance owing under this Note.

6.4 Maker waives the right to designate how Payments will be applied pursuant to California Civil Code Sections 1479 and 2822. Holder will have the right in its sole discretion to determine the order and method of application of Payments to obligations under this Note.

6.5 Subject to this Section, Holder will not seek or obtain judgment against Maker for the payment of any amounts due under this Note following a judicial or nonjudicial foreclosure of the Deed of Trust, or exercise of Holder's rights under the Assignment of Work Product, and Holder's sole recourse against Maker for any default under this Note will be limited to the collateral for the Loan, *provided, however*, that this Section will be deemed void and of no effect if Maker challenges Holder's right to foreclose following an Event of Default in any legal proceeding on the grounds that the OCII Documents are not valid and enforceable under California law. This provision does not limit in any way Holder's right to recover from Maker sums incurred by Holder as a result of Maker's fraud, willful misrepresentation, misapplication of funds (including Loan Funds and Rents (as defined in the Deed of Trust)), waste or negligent or intentional damage to the collateral for the Loan.

6.6 This Note may be prepaid in whole or in part at any time, and from time to time, without penalty provided that notice is given to Holder no later than ninety (90) days prior to prepayment.

7. Default.

7.1 Any of the following will constitute an Event of Default under this Note:

(a) Maker fails to make any Payment required under this Note within ten (10) days of the date it is due; or

(b) the occurrence of any other Event of Default under the Agreement or other instrument securing the obligations of Maker under this Note or under any other agreement between Maker and Holder with respect to the Loan subject to all applicable notice and cure rights.

7.2 Upon the occurrence of any Event of Default, without notice to or demand upon Maker, which are expressly waived by Maker (except for notices or demands otherwise required by applicable laws to the extent not effectively waived by Maker and any notices or demands specified in the OCII Documents), Holder may exercise all rights and remedies available under this Note, the Agreement or otherwise available to Holder at law or in equity. Maker acknowledges and agrees that Holder's remedies include the right to accelerate the Maturity Date by declaring the outstanding principal balance of the Loan, together with all accrued and unpaid interest and unpaid fees and costs incurred, due and payable immediately, in which case, the Maturity Date will be superseded and replaced by the date established by Holder.

8. Waivers.

8.1 Maker expressly agrees that the term of this Note or the date of any payment due hereunder may be extended from time to time with Holder's consent, and that Holder may accept further security or release any security for this Note, all without in any way affecting the liability of Maker.

8.2 No extension of time for any Payment made by agreement by Holder with any person now or hereafter liable for the payment of this Note will operate

to release, discharge, modify, change or affect the original liability of Maker under this Note, either in whole or in part.

8.3 The obligations of Maker under this Note are absolute, and Maker waives any and all rights to offset, deduct or withhold any Payments or charges due under this Note for any reason whatsoever.

9. Miscellaneous Provisions.

9.1 All notices to Holder or Maker must be given in the manner and at the addresses set forth in the Agreement, or to the addresses Holder and/or Maker hereafter designate in accordance with the Agreement.

9.2 In the event of any legal proceedings arising from the enforcement of or a default under this Note or in any bankruptcy proceeding of Maker, the non-prevailing party promises to pay all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the proceeding, as provided in the Agreement.

9.3 This Note may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

9.4 This Note is governed by and must be construed in accordance with the laws of the State of California, without regard to the choice of law rules of the State.

9.5 Time is of the essence in the performance of any obligations hereunder.

"MAKER"

By: _____

EXCLUSIVE NEGOTIATIONS AGREEMENT
351 Friedell Street and 151 Friedell Street
(Hunters Point Shipyard Phase 1 Blocks 52 and 54)
Hunters Point Shipyard Redevelopment Project Area

THIS EXCLUSIVE NEGOTIATIONS AGREEMENT (hereinafter “**ENA**” or “**Agreement**”) dated as of August 7, 2018, is made by and between the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, hereafter referred to as the Office of Community Investment and Infrastructure, a public body organized and existing under the laws of the State of California (“**OCII**” or “**Successor Agency**”) and SHIPYARD 5254, L.P., a California limited partnership (the “**Developer**”) whose general partner is MBS IGP, Inc., a Missouri corporation, an affiliate of McCormack Baron Salazar, Inc. a Delaware corporation (“**MBS**”), and Bayview Hunters Point Multipurpose Senior Services, Inc., a California nonprofit public benefit corporation (“**BHPMSS**”), and their authorized successors and assigns.

THIS AGREEMENT IS MADE WITH REFERENCE TO THE FOLLOWING FACTS AND CIRCUMSTANCES:

1. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 *et seq.* the “**CRL**”), the Redevelopment Agency of the City and County of San Francisco (the “**Former Agency**”) undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco (“**City**”), including the Hunters Point Shipyard (“**HPS**”) Redevelopment Project.

2. Pursuant to California Health and Safety Code §§ 34170 *et seq.* (the “**Redevelopment Dissolution Law**”) and San Francisco Ordinance No. 215-12 (Oct. 4, 2012) (establishing the Successor Agency Commission (“**Commission**”) and delegating to it state authority under the Redevelopment Dissolution Law), the Successor Agency is responsible for implementing the HPS Redevelopment Project and fulfilling the enforceable obligations under the Hunters Point Shipyard Disposition and Development Agreement (the “**DDA**”) between the Former Agency and HPS Development Co, LP (the “**Master Developer**”) (Dec 2, 2003).

3. Under the DDA and its Affordable Housing Program, the Master Developer is required to deliver “finished lots” (i.e., subdivided land improved with streets, sidewalks, parks, open space and utilities) to be sold to various vertical developers or retained by OCII for the development of affordable housing. The DDA identifies the specific parcels that the Successor Agency intends to develop with affordable housing. OCII intends to provide financing to construct at least 218 affordable housing units on these parcels.

4. On September 21, 2017, OCII issued a Housing Development Request for Proposals (the “**RFP**”) to develop and operate affordable rental housing units for families (“**Project**”) on two parcels of land owned by OCII within Phase 1 of the Hunters Point Shipyard Redevelopment Project Area (“**Site**”), depicted on Attachment 1 hereto.

5. On March 20, 2018, the Commission selected, by Resolution No. 07-2018, McCormack Baron Salazar and Bayview Hunters Point Multipurpose Senior Services to develop the Project.

Developer submitted an application that was responsive to the RFP. OCII and Developer intend to execute, subject to approval by the Commission, a predevelopment loan agreement substantially concurrently herewith. In selecting the Developer, OCII relied on, among other things, the Developers' agreement to comply with all of OCII's policies, including but not limited to insurance and indemnification requirements found in the RFP.

6. At its meeting on August 7, 2018, the Commission authorized OCII to negotiate and execute this ENA with Shipyard 5254, LP, a California limited partnership (the development entity formed by McCormack Baron Salazar and Bayview Hunters Point Multipurpose Senior Services for the Site, and herein the "**Developer**") to enable the Developer to pursue predevelopment activities for the construction and management of the Project. The ENA establishes a series of milestones intended to result in the execution of an option to ground lease agreement, and thereafter a long-term ground lease agreement for the Site between OCII and the Developer ("**Ground Lease**") after public hearing and consideration by the Commission.

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

1. Exclusive Right

For the Exclusive Negotiations Period set forth in Section 2 below, and subject to the terms and conditions of this Agreement, OCII and the Developer, acknowledging that time is of the essence, agree to negotiate diligently and in good faith with each other to enter into the Ground Lease providing for the ground lease of the Site to the Developer, sufficient to establish "site control" meeting the requirements of potential project lenders and the California Tax Credit Allocation Committee. OCII grants to the Developer the exclusive right to negotiate the Ground Lease (the "**Exclusive Right**") during the Exclusive Negotiations Period. OCII agrees not to solicit any other proposals or negotiate with any other developer with respect to the subject of the negotiations set forth herein.

The Developer and OCII acknowledge and agree that, under this Agreement, OCII is not committing itself or agreeing to: (a) enter into the Ground Lease or undertake any exchange or transfer of real property, any disposition of any real property interests to the Developer, (b) approve any land use entitlements, or (c) undertake any other acts or activities relating to the subsequent independent exercise of discretion by the Commission, OCII or any agency, commission or department of the City. This Agreement does not constitute the disposition of property or the transfer of OCII's or the City's exercise of control over the Site. However, this Agreement allows OCII to enter into an Option to Ground Lease, in the form attached hereto as Attachment 4, for the Project Site in her sole discretion should certain conditions be met, as described below in Section 6.

2. Term.

(a) The term of the Agreement shall be from August 7, 2018 until February 17, 2020 ("**Initial Term**"), unless extended or earlier terminated pursuant to the provisions herein (the

Initial Term, as modified by any extension or early termination, is the “**Exclusive Negotiations Period**”).

(b) If not otherwise terminated in accordance with its terms, this ENA shall terminate upon OCII’s execution of any Ground Lease approved by the Commission.

3. Negotiation Deposits; OCII/City Costs.

3.1 Negotiation Deposits.

(a) In connection with its selection by the Commission as the Developer of the Site, in response to the RFP, the Developer has paid to OCII the cash sum of One Thousand Dollars (\$1,000) as an earnest money deposit (the “**Deposit**”). The Developer will pay to OCII an additional sum of Nine Thousand Dollars (\$9,000) in cash (the “**Additional Deposit**”) at the time it executes the ENA. The Additional Deposit shall be combined with the Deposit to form the performance deposit (“**Performance Deposit**”). Except as provided in Sections 3.1(b) and 3.1(c), the Performance Deposit shall be held by OCII until completion of construction of the Project.

(b) Subject to Section 3.1(b) below, if the parties fail to reach agreement on the Ground Lease despite the Developer’s good faith negotiations or if the Ground Lease is not approved by the Commission, executed and delivered as contemplated hereby for any reason outside of the Developer’s control, and, in either instance, the Developer is not in default under this Agreement, then upon termination of this Agreement, OCII shall within 30 days return the Performance Deposit (together with interest actually accrued thereon) to the Developer.

(c) OCII shall retain the Performance Deposit, together with any and all accrued interest, if any of the following events occurs: (i) the Developer is in default under the terms of the ENA, and has not cured such default within the period allowed and OCII, in its sole discretion, has not expressly waived such default in writing, and the ENA is terminated; or (ii) the parties fail to reach agreement because in OCII’s reasonable judgment the Developer is not making a good faith effort to negotiate and fulfill its obligations under this ENA, or if the Ground Lease is not approved, executed and delivered as contemplated hereby for a reason reasonably determined by OCII to be within the Developer's control.

4. Extension of Exclusive Negotiations Period.

OCII may extend, in its sole discretion, the Exclusive Negotiations Period for any period up to a total of an additional 12 months beyond the initial term to permit the completion of the negotiations or milestones under the Schedule of Performance (defined below).

5. Obligations of the Developer.

5.1 Schedule of Performance; Scope of Development.

The Developer agrees that it shall diligently and in good faith negotiate with OCII the Ground Lease and related actions under this Agreement based on the development opportunity described in the RFP, the Schedule of Performance attached as Attachment 2 hereto, and the Scope of Development attached as Attachment 3 hereto. The Developer shall diligently pursue completion of milestones under the Schedule of Performance and additional benchmarks, if any,

under this ENA in a timely fashion. The Schedule of Performance may be modified at the request of the Developer, subject to the approval of OCII in its sole discretion, so long as the modification does not exceed the Exclusive Negotiations Period, as may be extended under Section 4 above.

5.2 Other Obligations of Developer.

(a) The Developer shall be required under this ENA to comply with applicable law and policies, including the requirements of all applicable City and OCII ordinances, resolutions, regulations or other regulatory approvals with respect to the planning, design, and approvals necessary for developing the Site. These requirements include, without limitation, OCII's Small Business Enterprise Program (including, but not limited to, the selection of consultants during the pre-development period), Labor Standards and Prevailing Wages Provisions, Minimum Compensation Policy, and Health Care Accountability Policy.

(b) In addition, the Developer shall comply with the terms of the DDA, the Hunters Point Shipyard Phase 1 Design for Development, and the Design Review and Document Approval Procedures and any amendments thereto. At the request of OCII and/or the City and at the Developer's sole expense, which funds may come from the Predevelopment Loan Agreement, the Developer shall prepare (or cause expert consultants approved by OCII to prepare) and submit all reports, studies or other information reasonably necessary to obtain regulatory approvals, excluding privileged attorney-client communications, or confidential or proprietary information.

(c) The Developer shall commit sufficient financial and personnel resources required to undertake and complete the development of the Project at the Site as a priority project and to fulfill the Developer's obligations under this Agreement in an expeditious fashion.

(d) In making any entry onto the Site, neither the Developer nor any of its agents, contractors or representatives shall interfere with or obstruct the permitted, lawful use of the Site by its tenants or occupants, if any, or the conduct of their business operations thereon, except as otherwise provided in the Predevelopment Loan Agreement.

5.3 Indemnity.

5.3.1 To the fullest extent permitted by law, and except as otherwise provided in the Predevelopment Loan Agreement, the Developer shall hold harmless, defend at its own expense, and indemnify OCII and the Commission, the City, and their respective commissioners, officers, agents and employees (individually or collectively, an "**Indemnified Party**") against any and all losses, of every kind, nature and description directly or indirectly arising out of, or connected with Developer's obligations under this ENA, except to the extent caused by the willful misconduct or the gross negligence of the Indemnified Party. For purposes of this Section, losses will include, but not be limited to: (a) any default by the Developer in the observance or performance of any of the Developer's obligations under the ENA (including, without limitation, those obligations set forth in Section 5.2 above), (b) any failure of any representation by the Developer to be correct in all material respects when made, (c) injury or death to persons or damage to property or other loss occurring on or in connection with the Developer's activities pursuant to this ENA, whether caused by the negligence or any other act or omission of the Developer and its officers, agents and employees, (d) any claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or

asserted against any Indemnified Party that relates to or arises out of the Developer's performance under the ENA or the development of the Site by the Developer, or any transaction contemplated by, or the relationship between the Developer and OCII under the ENA, (e) any failure of the Developer or its agents or contractors to comply with all applicable environmental requirements relating to the development of the Site, or (f) any claim, demand or cause of action, or any investigation, inquiry, order, hearing, action or other proceeding by or before any governmental agency, whether meritorious or not, which directly or indirectly relates to, arises from or is based on the occurrence or allegation of any of the matters described in clauses (a) through (e) above, with the exception of any environmental contamination or violations of any applicable environmental requirements occurring prior to the date of this Agreement, provided that no Indemnified Party shall be entitled to indemnification under this Section for matters caused solely by such Indemnified Party's gross negligence or willful misconduct. In the event any action or proceeding is brought against an Indemnified Party by reason of a claim arising out of any loss for which the Developer has indemnified the Indemnified Party, and upon written notice from such Indemnified Party, the Developer shall at its sole expense answer and otherwise defend such action or proceeding using counsel approved in writing by the Indemnified Party. The Indemnified Party shall have the right, exercised in its sole discretion, but without being required to do so, to defend, adjust, settle or compromise any claim, obligation, debt, demand, suit or judgment against the Indemnified Party in connection with the matters covered by this Agreement.

5.3.2 The Developer shall further indemnify the Indemnified Party against any losses resulting from release, spill or escape of Hazardous Materials (as defined below) on or about the Site caused by the Developer or its agents, contractors or representatives from and after the date of this Agreement; except for losses resulting from the gross negligence or willful misconduct of any of the Indemnified Parties. For purposes hereof, "Hazardous Material" means any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 et seq.) or under Section 25281 or 25316 of the California Health & Safety Code; any "hazardous waste" as defined in Section 25117 or listed under Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing improvements on the Site, or are naturally occurring substances on, in or about the Site; and petroleum, including crude oil or any fraction, and natural gas or natural gas liquids. OCII and Developer acknowledge and agree that prior to the Agreement Date, Developer has not caused or permitted any Environmental Activity on the Project or the Site.

5.3.3 The indemnity shall include, without limitation, the Developer's obligation to pay reasonable Attorney's Fees and Costs (as defined in Section 11.7) and fees of consultants and experts, laboratory costs, and related costs, as well as the Indemnified Party's costs of investigating any loss. The provisions of this Section 5.3 shall survive the termination of this Agreement.

5.4 Insurance.

(a) Developers' Insurance. Without in any way limiting the Developers' indemnification obligations under this Agreement, and subject to reasonable approval by OCII of the insurers and policy forms, Developer shall obtain and maintain, or cause to be obtained and maintained at no cost to OCII, the insurance described in this Section 5.4 during the Term, unless otherwise provided in this Agreement. If and when the Developer and OCII enter into the Ground Lease and other agreements authorizing or funding the construction of the Project, OCII may adjust these insurance requirements to reflect the risks associated with construction-related activities.

(b) Minimum Scope of Insurance. Coverage shall be at least as broad as:

(i.) Insurance Services Office Commercial General Liability coverage (occurrence form CG 00 01) or other form approved by OCII, with additional insured endorsement.

(ii.) Insurance Services Office Automobile Liability coverage, code 1 (form number CA 00 01 – “any auto” if any autos are owned) or other form approved by OCII, with additional insured endorsement.

(iii.) Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance and waiver of subrogation.

(iv.) Professional Liability Insurance: Developer must require that all architects, engineers, and surveyors that it directly contracts with for the Project have liability insurance covering their negligent acts, errors and omissions. Developer must provide OCII with copies of consultants' insurance certificates showing such coverage.

(c) Minimum Limits of Insurance. The Developer and/or its contractors and consultants shall maintain limits no less than:

(i.) General Liability: \$2,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit must apply separately to this project/location or the general aggregate limit must be twice the required occurrence limit (\$4,000,000). Applicable Umbrella or Excess Liability limits may be used to meet the terms of this paragraph. Developer should note that the General Liability coverage described herein is applicable only during the predevelopment phase and that OCII will require increased coverage during the construction period.

(ii.) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage, including owned (if applicable), hired and non-owned auto coverage.

(iii.) Workers' Compensation and Employer's Liability: Workers' Compensation limits as required by the State of California and Employers Liability with limits of

\$1,000,000 for bodily injury by accident and \$1,000,000 per person and in the annual aggregate for bodily injury by disease.

(iv.) Professional Liability Insurance: \$2,000,000 per claim/\$2,000,000 policy aggregate covering all negligent acts, errors and omissions of Developer's design team members (including all architects, engineers and surveyors) under direct contract with Developer ("Prime Design Member"). Each Prime Design Member must submit proof of Professional Liability Insurance of \$2,000,000/ \$2,000,000 covering negligent acts, errors, and omissions. If the Prime Design Members' insurance is "claims made" coverage, these minimum limits shall be maintained by the Prime Design Members for no less than ten years beyond the completion date of the construction. Each Prime Design Member shall procure and maintain coverages against claims for injuries to person or damages to property which may arise from or in connection with performance of the work under this Agreement by itself and its agents (including subcontractors and consultants), representatives, or employees for whom the Prime Design Member is legally liable. Each Prime Design Member is also required to assess the risks associated with work to be performed by agents under subcontract and to include in every subcontract the requirement that the agent maintain adequate insurance coverages with appropriate limits and endorsements to cover such risks. To the extent that any agent does not procure and maintain such insurance coverage, Prime Design Member shall assume any and all costs and expenses that may be incurred in fulfilling any indemnity obligations as to itself or any of its agents for whom the Prime Design Member is legally liable in the absence of coverage.

(v) Crime Policy. Crime policy or fidelity bond covering Developer's officers and employees' against dishonesty with respect to the Funds under the Predevelopment Loan Agreement, in the amount of \$1,000,000 each loss, with any deductible not to exceed \$10,000 including the OCII as additional obligee or loss payee.

(d) Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by OCII. At the option of OCII, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects to OCII, the City and County of San Francisco and their respective commissioners, members, officers, agents and employees; or Contractor shall provide a financial guarantee satisfactory to OCII guaranteeing payment of losses and related investigations, claim administration and defense expenses.

(e) Other Insurance Provisions. The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

(i.) The "Office of Community Investment and Infrastructure/Successor Agency to the Redevelopment Agency of the City and County of San Francisco, the City and County of San Francisco and their respective commissioners, members, officers, agents and employees" are to be covered as additional insureds as respects: liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the Developer; and liability arising out of work or operations performed by or on behalf of the Developer.

(ii.) For any claims related to this Contract, the Developer's insurance coverage must be primary insurance as respects to OCII, the City and County of San Francisco and their respective commissioners, members, officers, agents, and employees. Any insurance or self-insurance maintained by OCII, the City and County of San Francisco and their respective commissioners, members, officers, agents or employees shall be in excess of Developer's insurance and shall not contribute with it.

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

(iv.) Each insurance policy required by this clause must be endorsed to state that coverage will not be suspended, voided, canceled by either party, or reduced in coverage or in limits except after (30) thirty days prior written notice by certified mail, return receipt requested, has been given to OCII. Should the insurance carrier not be able to provide such notice, then the responsibility to provide the notice to OCII shall be borne by the policyholder.

(v.) Developer hereby grants to OCII, and shall require its general contractor, all subcontractors and consultants to grant to OCII, a waiver of any right to subrogation which any insurer of said Developer, contractor, subcontractor, or consultant may acquire against OCII by virtue of the payment of any loss under such insurance. Developer agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not OCII has received a waiver of subrogation endorsement from the insurer.

(viii.) If any of the required policies provide coverage on a claims-made basis:

a. The retroactive date must be shown and must be before the date of the contract or the beginning of contract work.

b. Insurance must be maintained and evidence of insurance must be provided for at least five years after completion of the contract work.

c. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Developer must purchase "extended reporting" coverage for a minimum of five years after completion of contract work unless a longer period is specified in this Section 5.4.

(f) Acceptability of Insurers. Insurance is to be placed with insurers with a current A. M. Best's rating of no less than A:VII, unless otherwise approved by OCII.

(g) Verification of Coverage. Developer must furnish OCII with certificates of insurance effecting coverage before or at the time of execution of this ENA. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be received and approved by OCII before work commences. OCII reserves the right to require complete, certified copies

of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

(h) Design Professionals, Subcontractors and Consultants Insurance. Developer shall require and verify that its general contractor and all subcontractors and consultants (i) maintain workers' compensation, automobile liability, commercial general liability, and professional liability insurance in the amounts and in accordance with the requirements listed above, as applicable, unless otherwise approved under OCII's Risk Management Policy, and (ii) Developer shall ensure that "Office of Community Investment and Infrastructure/Successor Agency to the Redevelopment Agency of the City and County of San Francisco, the City and County of San Francisco and their respective commissioners, members, officers, agents and employees" are additional insureds on insurance required from subcontractors and consultants. Developer must furnish OCII with general contractor's, architects' and engineers' certificates of insurance and original endorsements effecting coverage required by this paragraph

(i) Review. OCII reserves the right to modify the insurance coverage under this Section, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances consistent with OCII's Risk Management Policy. The insurance coverage required under this Section shall be evaluated by OCII for adequacy (i) if and when the Term of this Agreement is extended and (ii) if and when OCII and Developer enter into construction-related agreements, such as a Ground Lease. OCII may require Developer to increase the insurance limits and/or forms of coverage in its reasonable discretion provided that such limits and/or coverage is generally available at commercially reasonable rates.

5.5 Force Majeure

The occurrence of any of the following events shall excuse performance of such obligations of Developer as are rendered impossible to perform while such event continues: acts of god; strikes; lockouts; labor disputes; inability to obtain labor, materials or reasonable substitutes therefor; governmental restrictions (including changes in law), regulations or controls; judicial orders; enemy or hostile governmental actions; civil commotions; fire or other casualty; nonperformance by OCII which prevents the performance of Developer; and other causes beyond the control of the Developer. The occurrence of such events shall excuse performance only in the event that the Developer has provided written notice to OCII within thirty (30) days after the occurrence or commencement of the event of force majeure and such excuse shall terminate thirty (30) days after the termination of the event giving rise to the delay. However, under no circumstances shall this force majeure provision apply to Developer's indemnification and defense obligations under Section 5.3 and/or Developer's insurance obligations under Section 5.4 above.

6. Obligations of OCII.

Subject to the provisions of Section 8, OCII agrees as follows:

- (a) Subject to environmental review under the California Environmental Quality Act ("CEQA") and the National Environmental Protection Act ("NEPA"), as applicable, the public review process and all required

governmental approvals, as further provided in this Agreement, OCII shall use good faith efforts to diligently negotiate, prepare and submit for approval the Ground Lease.

- (b) OCII shall make available all studies and other documents in its possession as necessary to perform the Developer's due diligence investigations of the Site, provided that OCII makes no representations or warranties whatsoever regarding the completeness or accuracy of such information and the Developer must perform its own independent analysis.
- (c) OCII shall reasonably cooperate with the Developer in obtaining access to the Site from the Master Developer for the purpose of performing tests, surveys and inspections, and obtaining data necessary or appropriate to negotiate the Ground Lease provided, however, the Developer shall give prior written notice to OCII of any such entry. OCII shall provide the Developer with the same rights of access to the Site that OCII may have from time to time during the Exclusive Negotiations Period, subject to all applicable laws and regulations.
- (d) OCII shall reasonably cooperate with the Developer in the provision of information necessary for and assistance in the filing, processing and obtaining of land use entitlements and regulatory approvals, and, to the extent required by law, join with the Developer as a co-applicant in the filing for such approvals, but neither OCII nor the City shall be required to satisfy any conditions for any approval, except as may be specifically agreed to by OCII, or the City, as applicable.
- (e) OCII shall, in its reasonable discretion, enter into an Option to Ground Lease with Developer as provided in this Agreement, and generally in the form attached hereto as Attachment 4, if Developer is in conformance with the obligations described in Article 5 and if such Option is necessary to secure Project financing.

7. Non-Assignment.

7.1 Definitions.

For purposes of this Section and where such initially capitalized terms are elsewhere used in this Agreement, the following term shall have the meaning given below:

“Significant Change” means any dissolution, merger, consolidation or other reorganization, or any issuance, sale, assignment, hypothecation or other transfer of legal or beneficial interests in the Developer with the exception of (a) transfers of a general partnership interest between or among wholly-owned affiliates of MBS and (b) transfers of a general partnership interest to a wholly-owned affiliate of BHPMSS.

7.2 Non-Assignment.

OCII and the Developer acknowledge and agree that OCII is entering into this Agreement and granting the Exclusive Right to the Developer on the basis of the particular experience, financial capacity, skills and capabilities of the Developer and its members. The Exclusive Right

is personal to the Developer, is not assignable and the Agreement shall not be assigned or transferred except by the prior written consent of OCII, which may be given, withheld or conditioned in OCII's sole and absolute discretion.

8. Default and Remedies.

8.1 Events of Default by the Developer.

The occurrence of any of the following shall constitute an event of default on the part of the Developer after OCII gives notice of the default specifying in reasonable detail the basis for the determination of the default:

- (a) Failure to pay any sums due under this Agreement within thirty (30) days after written notice by OCII.
- (b) Failure to perform or abide by any material provision of this Agreement, including a performance milestone contained in the ENA Schedule of Performance, as it may be extended.
- (c) Any material breach of any representation and warranty made by the Developer under Section 9 or any other provision of this Agreement.
- (d) Any assignment, attempted assignment or Significant Change in violation of Section 7.2.
- (e) Any filing of a petition to have the Developer or MBS or BHPMSS adjudicated insolvent and unable to pay its debts as they mature or a petition for reorganization liquidation or arrangement under any bankruptcy or insolvency law, or any assignment for the benefit of creditors, or seeking appointment of a trustee, receiver, liquidator of the Developer or any substantial part of the Developer's assets, if such petition is not dismissed within sixty (60) days.
- (f) The debarment or prohibition of the Developer from doing business with any federal, state or local governmental agency, or any debarment or prohibition of any affiliate of the Developer from doing business with any federal, state or local governmental agency to the extent such debarment or prohibition of the affiliate could affect the redevelopment of the Site as contemplated hereby.
- (g) Failure to procure or maintain any of the insurance coverage required hereunder so that there is a lapse in required coverage and such breach is not cured within two (2) days.
- (h) The occurrence of an event of default and the continuation thereof beyond any and all applicable notice and cure periods under the terms of the Predevelopment Loan Agreement.
- (i) Failure to notify OCII of any material adverse change in the financial condition of the Developer that affects the Developer's ability to complete the Project.

8.2 Remedies of OCII.

(a) In the event of a default by the Developer, except as otherwise provided in this ENA, the Developer shall have thirty (30) days from the receipt of written notice from OCII to cure such default, or, if such default cannot reasonably be cured within such 30-day period, the Developer shall commence action to cure such failure within such 30-day period and diligently and continuously prosecute such action to completion, but in any event no longer than 90 days from the receipt of written notice from OCII to cure such default.

(b) If, after the time provided in Section 8.2(a) above, Developer has not cured the default, OCII may exercise any or all of the following exclusive remedies available to it under this Agreement: (i) terminating the ENA, (ii) retaining the Performance Deposit; and/or (iii) exercising its rights under the Work Product security described below in Section 8.2 (c). If OCII chooses to terminate the ENA, OCII shall provide written notice to Developer of such termination, the ENA shall be terminated as of the date of the notice, and neither party shall have any rights against or liability to the other, except those provisions that are specified to survive such termination shall remain in full force and effect.

(c) Plans, Specifications, Reports and Studies. If OCII terminates this ENA, then subject to the proprietary rights of their authors (which Developer shall require to be released upon receipt of payment) and any confidentiality agreements and privileges recognized by applicable law, the Developer shall deliver to OCII copies of any and all reports, studies, document lists and plans regarding the redevelopment of the Site in the Developer's possession or prepared by or on behalf of the Developer (the Developer's "**Work Product**"). The Developer shall deliver its Work Product within ten (10) days after written demand from OCII, which obligation shall survive the termination of this Agreement. OCII may use the Work Product for any purpose relating to the Site, provided that OCII shall release the Developer and the Developer's contractor, architect, engineer and other consultants from any losses arising out of the OCII's use of such documents except to the extent that OCII retains any of them and they agree to such continued liability. The Developer and OCII acknowledge that the Work Product also serves as security pursuant to the Predevelopment Loan Agreement and that the provisions of Sections 3.1 and 24.21 of the Predevelopment Loan Agreement shall govern the assignment of the Work Product to OCII.

8.3 Termination and Developer's Risk.

8.3.1. Generally.

The Developer acknowledges and agrees that, except as otherwise provided under the Predevelopment Loan Agreement, it is proceeding at its own risk and expense until such time as the Ground Lease is approved and without any assurance that the Ground Lease will be approved.

8.3.2. Composition of Site.

Developer acknowledges that as of the date of the ENA, Master Developer, not OCII, holds fee title to that portion of the Site identified in Attachment 1 as the "Additional Parcel." Developer further acknowledges that OCII is in negotiations with the Master Developer for the donation of Additional Parcel, which Master Developer has proposed to donate for development of affordable housing in return for a density bonus on its Master Developer's remaining real property. It is OCII's and Developer's intent that for purposes of this Agreement, the Site is assumed to include the Additional Parcel, but that Developer is proceeding at its own

risk and expense until such time as the Commission, in its sole discretion, accepts the donation of the Additional Parcel, without any assurance that such donation will be approved.

8.4 Damages.

The parties have agreed that OCII's actual damages in the event of a failure to approve, execute and deliver the Ground Lease due to a default by the Developer would be extremely difficult or impracticable to determine. After negotiation, the parties have agreed that, considering all the circumstances existing on the date of this ENA, the amount of the Performance Deposit together with all accrued interest thereon, as herein provided, is a reasonable estimate of the damages that OCII would incur in such event.

IF THE PARTIES DO NOT REACH AGREEMENT ON THE GROUND LEASE OR THE GROUND LEASE IS NOT APPROVED, EXECUTED AND DELIVERED AS CONTEMPLATED HEREBY DUE, IN EITHER INSTANCE, TO ANY DEFAULT BY THE DEVELOPER UNDER THIS ENA, THEN, WITHOUT LIMITING ANY OF ITS OTHER REMEDIES HEREUNDER, AT LAW OR IN EQUITY, OCII SHALL BE ENTITLED TO RETAIN THE PERFORMANCE DEPOSIT, TOGETHER WITH ALL ACCRUED INTEREST THEREON, AS HEREIN PROVIDED, AS LIQUIDATED DAMAGES. BY PLACING THEIR RESPECTIVE INITIALS BELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS ENA WAS MADE, THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION.

INITIALS: OCII _____ Developer _____

9. Representations and Warranties of the Developer.

9.1 Representations and Warranties.

The Developer represents, warrants and covenants as follows:

(a) Valid Existence; Good Standing. Developer is a California Limited Partnership duly organized and validly existing under the laws of the State of California. The Developer has all requisite power and authority to own its property and conduct its business as presently conducted. The Developer has made all filings and is in good standing in the jurisdiction of the State of California.

(b) Authority. The Developer has all requisite power and authority to execute and deliver this Agreement and the agreements contemplated by this Agreement and to carry out and perform all of the terms and covenants of this Agreement.

(c) No Limitation on Ability to Perform. Neither the Developer's partnership agreement or any other agreement or law in any way prohibit, limit or otherwise affect the right or power of the Developer to enter into and perform all of the terms and covenants of this Agreement. The Developer is not a party to or bound by any contract, agreement, indenture, trust agreement, note, obligation or other instrument, which could prohibit, limit or otherwise affect the same. No consent, authorization or approval of, or other action by, and no notice to or filing with, any governmental authority, regulatory body or any other person or entity is required for the due execution, delivery and performance by the Developer of this Agreement or any of the terms and covenants contained in this Agreement. There are no pending or threatened suits or proceedings or undischarged judgments affecting the Developer before any court,

governmental agency, or arbitrator which might materially adversely affect the enforceability of this Agreement, the ability of the Developer to perform the transactions contemplated by this Agreement or the business, operations, assets or condition of the Developer.

(d) Valid Execution. The execution and delivery of this Agreement and the agreements contemplated hereby by the Developer have been duly and validly authorized by all necessary actions. This Agreement will be a legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms. The Developer will provide to OCII a written resolution of the Developer authorizing the execution of this Agreement and the agreements contemplated by this Agreement.

(e) Defaults. The execution, delivery and performance of this Agreement do not and will not violate or result in a violation of, contravene or conflict with, or constitute a default under (A) any agreement, document or instrument to which the Developer may be bound or affected, (B) any law, statute, ordinance, regulation, or (C) the partnership agreement of the Developer.

(f) Meeting Financial Obligations; Material Adverse Change. The Developer is meeting its current liabilities as they mature; no federal or state tax liens have been filed against it; and the Developer is not in default or claimed default under any agreement for borrowed money. The Developer shall immediately notify OCII of any material adverse change in the financial condition of the Developer that affect the Developer's ability to complete the Project and such material adverse change shall constitute a default under this Agreement, subject to the cure and remedy provisions of Section 8.

(g) Conflicts of Interest. The Developer is familiar with conflict of interest requirements and contribution limits, including (i) Section 87100 *et seq.* of the California Government Code, which provides that no member, official or employee of OCII, may have any personal interest, direct or indirect, in this Agreement nor shall any such member, official or employee participate in any decision relating to this Agreement which affects her or his personal interest or the interests of any corporation, partnership or association in which she or he is interested directly or indirectly and (ii) OCII's Personnel Policy, which prohibits former OCII employees and consultants from working on behalf of another party on a matter in which they have participated personally and substantially unless OCII consents to such scope of work; and (iii) section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with OCII for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) the Mayor or members of the Board of Supervisors, (2) a candidate for Mayor or Board of Supervisors, or (3) a committee controlled by such office holder or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Developer acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Developer further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Developer's board of directors; Developer's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Developer; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Developer. Additionally, Developer acknowledges that Developer must inform each of the

persons described in the preceding sentence of the prohibitions contained in section 1.126. As to the provisions referred to in clauses (i) and (iii), the Developer does not know of any facts that constitute a violation of such provisions. As to the policy in clause (ii), the Developer has disclosed to OCII in writing any and all personnel or consultants covered by such policy as of the date of this Agreement, and concurrently herewith the Commission has elected to waive or not to waive the conflict as to such specific personnel or consultants.

(h) Skill and Capacity. The Developer has the skill, resources and financial capacity to acquire, manage and fully redevelop the Site consistent with the development opportunity described in the RFP.

(i) Consultants. As of the date of this Agreement, the Developer has retained the following consultants in connection with the proposed redevelopment of the Site: Mithun | Solomon (planning and architecture) and The John Stewart Company (Property Management). The Developer shall promptly notify OCII of the termination of any consultant previously approved by OCII, and the Developer shall, to the extent required to fulfill its obligations under this Agreement, replace such consultant with a new consultant reasonably approved by OCII. In addition, the Developer shall promptly notify OCII of the addition of any new consultant associated with the Project. Nothing herein shall limit the provisions of subsection (g) above regarding conflicts of interest.

(j) Not Prohibited from Doing Business. The Developer (nor any affiliates of any of the foregoing) have been debarred or otherwise prohibited from doing business with any local, state or federal governmental agency.

(k) Business Licenses. The Developer has obtained all licenses required to conduct its business in the City and is not in default of any fees or taxes due to the City.

(l) No Claims. The Developer does not have any claim, and shall not make any claim, against OCII and the City, or either of them, or against the Site, or any present or future interest of OCII or the City therein, directly or indirectly, by reason of: any aspect of the RFP or the developer selection process; any statements, representations, acts or omissions made by OCII's and/or City's respective officers, commissioners, employees or agents with regard to any aspect of the negotiations under this Agreement; and OCII's exercise of discretion, decision and judgment in conformance with this Agreement.

9.2 Continued Accuracy.

If at any time during the Exclusive Negotiations Period any event or circumstance occurs that would render materially inaccurate or misleading any of the foregoing representations or warranties, the Developer shall immediately notify OCII thereof. It will be an event of default without the requirement of OCII notice specified in Section 8.1, above, if the Developer does not cure such inaccuracy within ten (10) days from the date on which the Developer was obligated to notify OCII and OCII shall have the rights and remedies provided in this Agreement, at equity and in law.

9.3 Survival.

The representations and warranties in this Section 9 shall survive any termination of this Agreement.

10. Notices.

A notice or communication under this Agreement by either party to the other shall be sufficiently given or delivered if dispatched by hand or by registered or certified mail, postage prepaid, addressed as follows:

- (i) In the case of a notice or communication to OCII:

Office of Community Investment and Infrastructure
Successor Agency to the San Francisco Redevelopment Agency
1 South Van Ness, 5th Floor
San Francisco, CA 94103
Attn: Executive Director

OCII General Counsel:
Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Attn: James B. Morales
james.morales@sfgov.org

- (ii) And in the case of a notice or communication sent to the Developer:

McCormack Baron Salazar, Inc.
720 Olive Street, Suite 2500
St. Louis, MO 63101
Attn: President

Bayview Senior Services
1751 Carroll Street
San Francisco, CA 94124
Attn: Executive Director

With a copy to: Klein Hornig
101 Arch Street, Suite 1101 Boston, MA 02110
Attn: Daniel Rosen

For the convenience of the parties, copies of notice may also be given by email.

Every notice given to a party hereto, pursuant to the terms of this Agreement, must state (or must be accompanied by a cover letter that states) substantially the following:

- (a) the Section of this Agreement pursuant to which the notice is given and the action or response required, if any;
- (b) if applicable, the period of time within which the recipient of the notice must respond thereto;

- (c) if approval is being requested, shall be clearly marked “Request for Approval under the Hunters Point Shipyard Redevelopment Project Area, 351 Friedell Street and 151 Friedell Street, Exclusive Negotiations Agreement;” and
- (d) if a notice of disapproval or an objection, which requires reasonableness, shall specify with particularity the reasons therefor.

Any mailing address or email address may be changed at any time by giving written notice of such change in the manner provided above at least ten (10) days prior to the effective date of the change. All notices under this Agreement shall be deemed given, received, made or communicated on the date personal receipt actually occurs or, if mailed, on the delivery date or attempted delivery date shown on the return receipt.

11. General Provisions.

11.1 Amendments.

This Agreement may be amended or modified only by a written instrument executed by OCII and the Developer.

11.2 Severability.

If any provision of this Agreement, 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 Agreement or the application of such provision to any other person or circumstance, and the remaining portions of this Agreement shall continue in full force and effect, unless enforcement of this Agreement as so modified by and in response to such invalidation would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the fundamental purposes of this Agreement. Without limiting the foregoing, in the event that any applicable federal or state law prevents or precludes compliance with any material term of this Agreement, the parties shall promptly modify, amend or suspend this Agreement, or any portion of this Agreement, to the extent necessary to comply with such provisions in a manner which preserves to the greatest extent possible the benefits to each of the parties to this Agreement and to the Developer before such conflict with federal or state law. However, if such amendment, modification or suspension would deprive OCII or the Developer of the substantial benefits derived from this Agreement or make performance unreasonably difficult or expensive, then the affected party may terminate this Agreement upon written notice to the other party. In the event of such termination, neither party shall have any further rights nor obligations under this Agreement except as otherwise provided herein.

11.3 Non-Waiver.

No waiver made by either party with respect to the performance, or manner or time of performance, or any obligation of the other party or any condition to its own obligation under this Agreement will be considered a waiver with respect to the particular obligation of the other party or condition to its own obligation beyond those expressly waived to the extent of such waiver, or a waiver in any respect in regard to any other rights of the party making the waiver or any other obligations of the other party.

11.4 Non-Liability.

No member, official, agent or employee of OCII or the City will be personally liable to the Developer, or any successor in interest (if and to the extent permitted under this Agreement), in an event of default by OCII or for any amount that may become due to the Developer or successor or on any obligations under the terms of this Agreement. No director, officer, agent or employee or affiliate of the Developer or Developer's affiliates will be personally liable to OCII in an event of default by the Developer or for any amount that may become due to OCII or on any obligations under the terms of this Agreement.

11.5 Successors and Assigns; Third Party Beneficiary.

This Agreement shall inure to the benefit of and bind the respective successors and assigns of OCII and the Developer, subject to the limitations on assignment by the Developer set forth in Section 7 above. This Agreement is for the exclusive benefit of the parties hereto and not for the benefit of any other person and shall not be deemed to have conferred any rights, express or implied, upon any other person.

11.6 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of California. As part of the consideration for OCII's entering into this Agreement, the Developer agrees that all actions or proceedings arising directly or indirectly under this Agreement may, at OCII's sole option, be litigated in courts located within the County of San Francisco, State of California, and the Developer expressly consents to the jurisdiction of any such local, state or federal court, and consents that any service of process in such action or proceeding may be made by personal service upon the Developer wherever the Developer may then be located, or by certified or registered mail directed to the Developer at the address set forth in this Agreement.

11.7 Attorneys' Fees and Costs.

If either party fails to perform any of its respective obligations under this Agreement or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Agreement, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party on account of such default or in enforcing or establishing its rights under this Agreement, including, without limitation, court costs and reasonable Attorneys' Fees and Costs (as defined below). Any such Attorneys' Fees and Costs incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such Attorneys' Fees and Costs obligation is intended to be several from the other provisions of this Agreement and to survive and not be merged into any such judgment. For purposes of this Agreement, the reasonable fees of attorneys of OCII counsel shall be based on the fees regularly charged by private attorneys who have the equivalent number of years of experience in the relevant subject matter and who practice in law firms in the City.

"Attorneys' Fees and Costs" means any and all attorneys' fees, costs, expenses and disbursements, including, but not limited to, expert witness fees and costs, travel time and associated costs, transcript preparation fees and costs, document copying, attachment preparation, courier, postage, facsimile, long-distance and communications expenses, court costs and the costs and fees associated with any other legal, administrative or alternative dispute

resolution proceeding, fees and costs associated with execution upon any judgment or order, and costs on appeal.

11.8 Interpretation of Agreement.

(a) Attachments. Whenever an “Attachment” is referenced, it means an attachment to this Agreement unless otherwise specifically identified. All such Attachments are incorporated herein by reference.

(b) Captions. Whenever a section, article or paragraph is referenced, it refers to this Agreement unless otherwise specifically identified. The captions preceding the articles and sections of this Agreement have been inserted for convenience of reference only. Such captions shall not define or limit the scope or intent of any provision of this Agreement.

(c) Words of Inclusion. The use of the term “including,” “such as” or words of similar import when following any general term, statement or matter shall not be construed to limit such term, statement or matter to the specific items or matters, whether or not language of non-limitation is used with reference thereto. Rather, such terms shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such statement, term or matter.

(d) References. Wherever reference is made to any provision, term or matter “in this Agreement,” “herein” or “hereof” or words of similar import, the reference shall be deemed to refer to any and all provisions of this Agreement reasonably related thereto in the context of such reference, unless such reference refers solely to a specific numbered or lettered, section or paragraph of this Agreement or any specific subdivision thereof.

(e) Recitals. In the event of any conflict or inconsistency between the recitals and any of the remaining provisions of this Agreement, the remaining provisions of this Agreement shall prevail.

(f) No Presumption Against Drafter. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. In addition, each party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law (including California Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to affect the purposes of the parties and this Agreement.

11.9 Entire Agreement.

This Agreement, including the Attachments, contains all the representations and the entire agreement between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, agreements, warranties or representations relating to such subject matter are superseded in total by this Agreement. No prior drafts of this Agreement or changes from those drafts to the executed version of this Agreement shall be introduced as evidence in any litigation or other dispute resolution proceeding by either party or any other person and no court or other body shall consider those drafts in interpreting this Agreement.

11.10 Time for Performance.

(a) Expiration. All performance dates, including cure dates, expire at 5:00 p.m., San Francisco, California time, on the performance or cure date.

(b) Weekends and Holidays. A performance date, which falls on a Saturday, Sunday, or City holiday is deemed extended to the next working day.

(c) Days for Performance. All periods for performance specified in this Agreement in terms of days shall be calendar days, and not business days, unless otherwise expressly provided in this Agreement.

(d) Time of the Essence. Time is of the essence with respect to each provision of this Agreement, including, without limitation, each milestone set forth in the attached Schedule of Performance.

11.11 Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

11.12 Approvals and Consents.

Unless this Agreement otherwise expressly provides, all actions, approvals, consents or determinations to be made by or on behalf of (i) OCII under this Agreement shall be made by the OCII's Executive Director or her designee and (ii) the Developer under this Agreement shall be made by the President of MBS and Executive Director of BHPMSS (the "**Developer Representative**") or such other employee or agent of the Developer as the Developer may designate or as may be authorized to act as the Developer Representative for a particular matter. Unless otherwise herein provided, whenever approval, consent or satisfaction is required of a party pursuant to this Agreement, it shall not be unreasonably withheld or delayed. The reasons for disapproval shall be stated in reasonable detail in writing. Approval by the Developer or OCII to or of any act or request by the other shall not be deemed to waive or render unnecessary approval to or of any similar or subsequent acts or requests.

11.13 Real Estate Commissions.

The Developer and OCII each represents to the other that it engaged no broker, agent or finder in connection with this Agreement or the transactions contemplated hereby. In the event any broker, agent or finder makes a claim, the party through whom such claim is made agrees to indemnify the other party from any Losses arising out of such claim.

11.14 Survival.

Following expiration of the Exclusive Negotiations Period, this Agreement shall be deemed terminated and of no further force and effect except for any provision which, by its express terms, survives the expiration or termination of this Agreement. Upon termination of this Agreement (other than a termination due to a default by OCII), the Developer shall furnish copies of all Work Product to OCII as provided in Section 8.2(c).

11.15 Nondiscrimination and Small Business Enterprise Policy.

(a) There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, creed, national origin or ancestry, sex, gender identity, age, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status) in the performance of this Agreement. The Developer will ensure that

applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, creed, national origin or ancestry, sex, gender identity, age, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status). Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; selection for training, including apprenticeship; and provision of any services or accommodations to clients or the general public.

(b) The Developer will, in all solicitations or advertisements for employees placed by it or on its behalf, state it is an equal opportunity employer.

(c) The Developer will cause the foregoing provisions to be inserted in all subcontracts for any work covered by this Agreement so that such provisions will be binding upon each subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

(d) If the Developer intends to utilize subcontractors in the provision of services under this Agreement, it must consult with OCII's Contract Compliance Division and comply with OCII's Bayview Hunters Point Employment and Contracting Policy ("BVHP-ECP") and Small Business Enterprise ("SBE") Programs Small Business Enterprise Policy.

(e) The Developer agrees not to discriminate in the provision of benefits between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, and shall comply fully with all provisions of the OCII's Nondiscrimination in Contracts Policy, adopted by Resolution No. 175-97, as such Policy may be amended from time to time.

(f) The Developer shall provide all services to the public under this Contract in facilities that are accessible to persons with disabilities as required by state and federal law.

11.16 Compliance With Minimum Compensation Policy And Health Care Accountability Policy.

The Developer agrees, as of the date of this Agreement and during the term of this Agreement, to comply with the provisions of OCII's Minimum Compensation Policy and Health Care Accountability Policy (the "**Policies**"), adopted by Resolution 168-2001, as such policies may be amended from time to time. Such compliance includes providing all "Covered Employees," as defined under Section 2.7 of the Policies, a minimum level of compensation and offering health plan benefits to such employees or to make payments to the City and County of San Francisco's Department of Public Health, or to participate in a health benefits program developed by the City and County of San Francisco's Director of Health.

11.17 Relationship of the Parties.

The subject of this Agreement is a private development with neither party acting as the agent of the other party in any respect. None of the provisions in this Agreement shall be

deemed to render OCII a partner in the Developer's business, or joint venturer or member in any joint enterprise with the Developer.

11.18 Cooperation.

In connection with this Agreement, the Developer and OCII shall reasonably cooperate with one another to achieve the objectives and purposes of this Agreement. In so doing, the Developer and OCII shall each refrain from doing anything that would render its performance under this Agreement impossible and each shall do everything that this Agreement contemplates that the Party shall do to accomplish the objectives and purposes of this Agreement.

(signatures begin on following page)

IN WITNESS WHEREOF, OCII and the Developer have duly executed and delivered this Agreement as of the date first written above.

OCII, as Successor Agency to the
Redevelopment Agency of the City and
County of San Francisco, a public body,
organized and existing under the laws of the
State of California:

DEVELOPER:

SHIPYARD 5254, L.P.,
a California limited partnership

By: MBS IGP, Inc.,
a Missouri Corporation, its general partner

By: _____
Nadia Sesay
Executive Director

By: _____
Name:
Title:

APPROVED AS TO FORM:

James B. Morales
Agency General Counsel

By: _____
Aaron J. Foxworthy, Deputy General Counsel

Authorized by OCII Resolution No. ____-2018, adopted August 7, 2018.

EXCLUSIVE NEGOTIATIONS AGREEMENT

LIST OF ATTACHMENTS

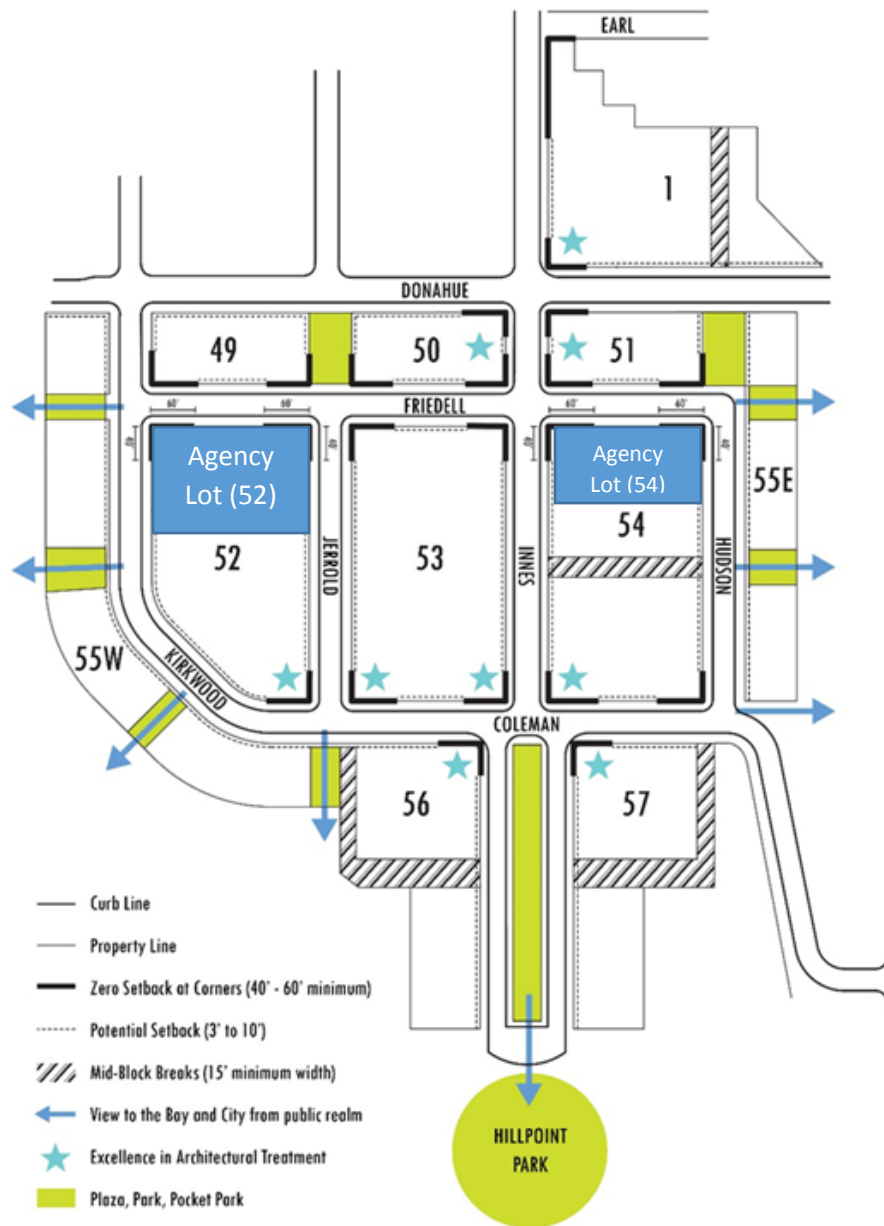
ATTACHMENT 1	Site Description
ATTACHMENT 2	ENA Schedule of Performance
ATTACHMENT 3	ENA Scope of Development
ATTACHMENT 4	Form of Option to Ground Lease

ATTACHMENT 1

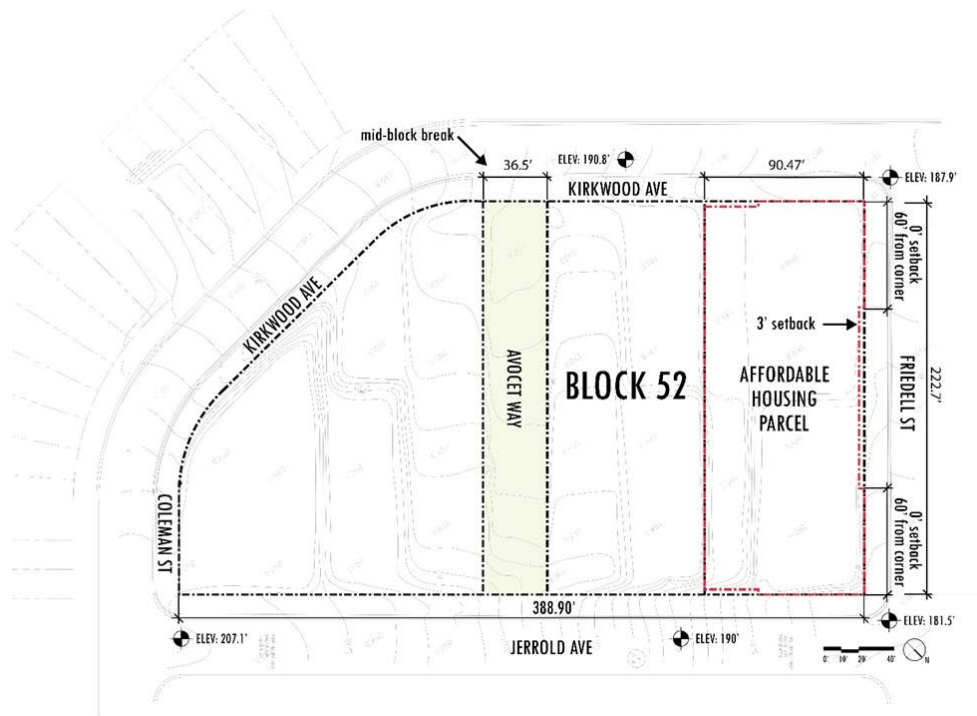
Site Description

The Site is composed to two separate parcels of land within Phase 1 of the Hunters Point Shipyard Redevelopment Project Area, depicted on the attached drawings.

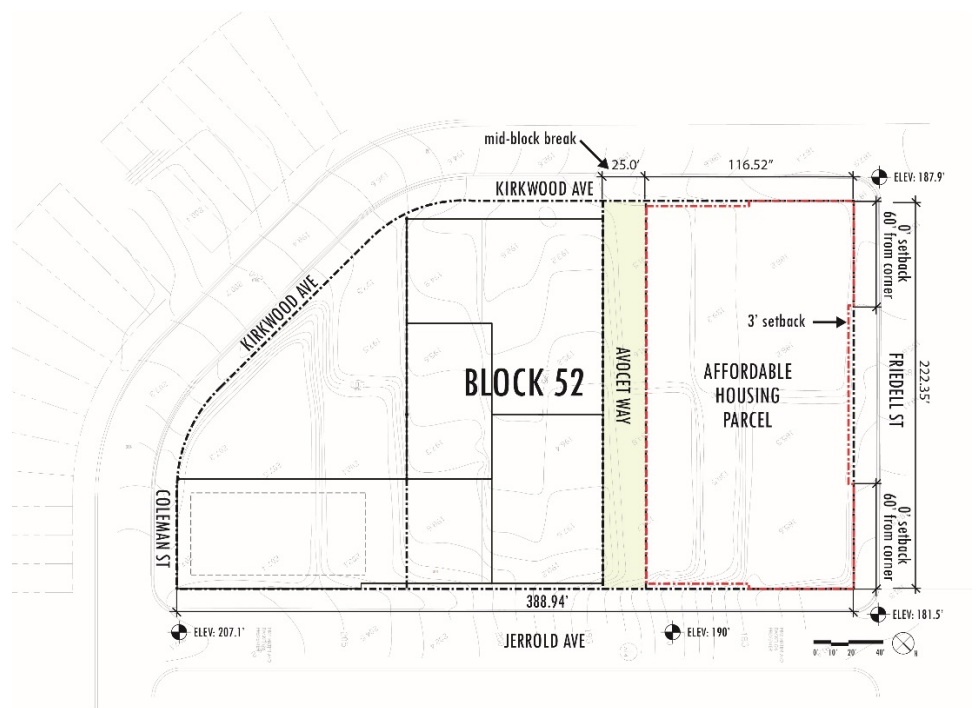
Hunters Point Shipyard Phase 1 Hilltop Parcels



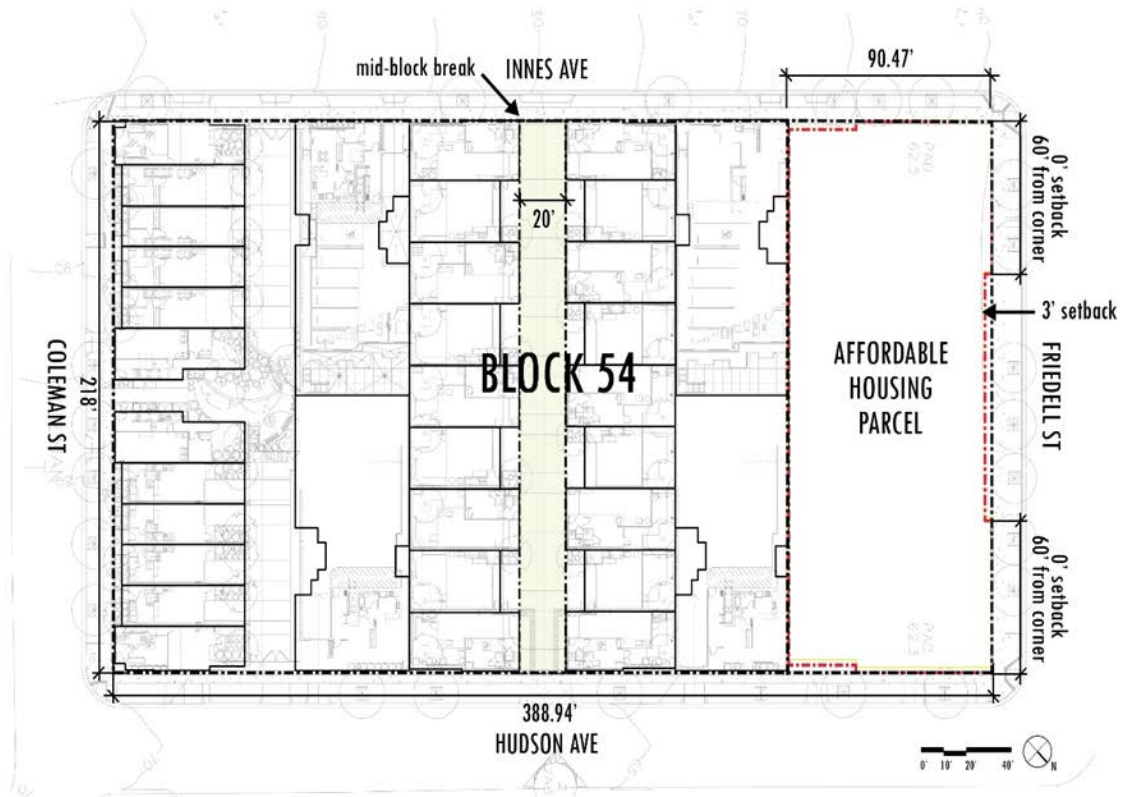
Block 52 Pre-Avocet Realignment



Block 52 Anticipated Avocet Realignment



Block 54



ATTACHMENT 2

ENA Schedule of Performance

No.	Task¹	Deadline	Completed
1.	Submit a preliminary financing plan acceptable to OCII.	1/11/2019	
2.	Submit schematic design drawings acceptable to OCII. The submission shall include the items specified in Attachment 3.	5/31/2019	
3.	Identify a general contractor and obtain a cost estimate based on the schematic design acceptable to OCII.	10/1/2018	
4.	Submit design development documents and cost estimates. The submission shall include the items specified in Attachment 3 unless otherwise amended.	9/15/2019	
5.	Execution of Option to Enter into Ground Lease for CDLAC Application	7/1/2020	
6.	Execution of Ground Lease Agreement.	10/1/2020	

ATTACHMENT 3

ENA Scope of Development

The development will include construction of approximately 100 units of affordable rental housing. Units will be affordable to households earning up to 50% of area median income (as defined by MOHCD). Units will be comprised of approximately one third one bedroom units, one third two bedroom units and one third 3, 4, and 5 bedroom units (no more than 2 five bedroom units and five four bedroom units), and 1 one-bedroom manager's unit. Unit sizes will be approximately:

- 500 to 550 square feet for one-bedroom/one-bathroom units
- 800 to 900 square feet for two-bedroom/one-bathroom units
- 1,000 to 1,100 square feet for three bedroom/one and a half- or two-bathroom units
- 1,200 to 1,400 square feet for four bedroom/two bathroom units
- 1,475 to 1,650 square feet for five bedroom/two bathroom units

The Project will include on-site light supportive services and property management. Services may include, but are not limited to, information and referral, resident engagement, behavioral health services, housing retention, youth services, employment training, and employment services. The specific nature and extent of supportive services shall be determined by the sponsor in cooperation with OCII.

Development amenities will include:

- Property management suite;
- Tenant Services Office and Conference Room;
- Large resident courtyards and garden;
- Community room with kitchen;
- Resident lounges;
- Teen Room;
- Fitness Room;
- Shared laundry rooms;
- Bicycle parking.

ATTACHMENT 4

OPTION TO GROUND LEASE AGREEMENT

OPTION TO GROUND LEASE AGREEMENT

This Option to Ground Lease Agreement (the "**Agreement**") is entered into as of this ____ day of _____, 20____ ("**Effective Date**"), by and between SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, hereafter referred to as the Office of Community Investment and Infrastructure, a public body, organized and existing under the laws of the State of California (the "**Successor Agency**" or "**OCII**") and **Shipyard 5254, L.P.**, a California limited partnership, ("Optionee") and its permitted assignees hereunder, with reference to the following facts:

RECITALS

A. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 *et seq.* the "**CRL**"), the Redevelopment Agency of the City and County of San Francisco (the "**Former Agency**") undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco ("City"), including the Hunters Point Shipyard ("**HPS**") Redevelopment Project.

B. Pursuant to California Health and Safety Code §§ 34170 *et seq.* (the "**Redevelopment Dissolution Law**") and San Francisco Ordinance No. 215-12 (Oct. 4, 2012) (establishing the Successor Agency Commission ("**Commission**") and delegating to it state authority under the Redevelopment Dissolution Law), the Successor Agency is responsible for implementing the HPS Redevelopment Project and fulfilling the enforceable obligations under the Hunters Point Shipyard Disposition and Development Agreement (the "**DDA**") between the Former Agency and HPS Development Co, LP (the "**Master Developer**") (Dec 2, 2003).

C. Under the DDA and its Affordable Housing Program, the Master Developer is required to deliver "finished lots" (i.e., subdivided land improved with streets, sidewalks, parks, open space and utilities) to be sold to various vertical developers or retained by OCII for the development of affordable housing. The DDA identifies the specific parcels that the Successor Agency intends to develop with affordable housing. OCII intends to provide financing to construct at least 218 affordable housing units on these parcels (the "**Agency Housing Parcels**").

D. OCII is the fee owner of the Agency Housing Parcels.

E. The Optionee is a limited partnership comprised of its general partners, MBS IGP, Inc., an affiliate of McCormack Baron Salazar, a Missouri corporation, and Bayview Hunters Point Multipurpose Senior Services, Inc. ("**BHPMSS**"), a California nonprofit public benefit corporation. The Optionee desires to develop the Property with approximately 100 multifamily units available to very low-income families, including certain ancillary uses ("**Project**") on that certain real property more particularly described in Exhibit A hereto ("**Property**").

F. The Optionee intends to develop the Project with 4% Low Income Housing Tax Credits, tax-exempt bonds, local funds, and other sources, as necessary.

G. In order to apply for Project financing, Optionee desires to obtain from OCII, and OCII desires to grant to Optionee, upon the specific terms and conditions set forth in this Agreement, the exclusive right and option to ground lease the Property.

Now, therefore, in consideration of recitals hereof and the mutual promises contained in this agreement, the parties agree as follows:

AGREEMENT

SECTION 1. Grant of Option. OCII grants to Optionee the option to ground lease the Property for the consideration and under the terms and conditions set forth in this Agreement (the "**Option**").

SECTION 2. Term of Option: Exercise.

a. Term and Extension of Term. The term of the Option shall be for a period commencing on the Effective Date and ending on 11:59 P.M. on February 7, 2020, unless earlier terminated in accordance with the provisions of this Agreement (the "**Initial Term**"). So long as the Optionee is not then in default under this Agreement or any other agreements with OCII, Optionee may request up to two extensions of the Initial Term, of up to six months each, by giving written notice, accompanied by payment of One Dollar (\$1.00) (the "**Extension Payment**"), to OCII, at any time prior to the expiration of the Initial Term. The extension is subject to the approval of the OCII Executive Director. Any such approved extension shall commence on 12:01 A.M. on the day immediately following the expiration of the Initial Term and shall end no later than 11:59 P.M. on August 7, 2020 for the first extension and no later than 11:59 P.M. on February 17, 2021 for the second extension. The Initial Term, plus any extension, is referred to herein as the "**Term**". During the Term, Optionee and OCII staff agree to negotiate in good faith to complete all of the terms and conditions of a ground lease of the Property from OCII to Optionee consistent with this Agreement (upon completion of such negotiations, the "**Ground Lease**"). The final terms of the Ground Lease must be agreed to by Optionee and OCII, and approved by the Commission, before Optionee's exercise of the Option.

b. Exercise of Option. At any time following approval of the Ground Lease by the Commission and before the expiration of the Term, so long as the Optionee is not then in default under this agreement or any other agreements with OCII, Optionee may exercise the Option by giving written notice to OCII (the "**Option Notice**").

c. Expiration. The Agreement shall automatically expire, and be of no further force or effect, upon the effective date of the Ground Lease. If the expiration date of the Term falls on a Saturday, Sunday or legal holiday in the State of California, then the expiration date shall be extended to 11:59 P.M. on the immediately following business day. Upon termination of the Option and a written request by OCII, Optionee shall sign and deliver a quitclaim deed or such other document as may be reasonably required by OCII to evidence the termination of the Option.

SECTION 3. Option Consideration. The Option is granted in consideration of Optionee's obligation to negotiate in good faith for the Ground Lease and for the advancement of

the Project. The Option consideration is related to the Option only and in no way relates to Ground Lease payments that will be owed to OCII. In addition, concurrently with the execution of this Agreement, Optionee shall pay and deliver to OCII \$100 as separate and independent consideration (“**Independent Consideration**”) for OCII’s execution of this Agreement. The Independent Consideration is non-refundable to Optionee in the event this Agreement terminates prior to Optionee’s execution of the Option.

SECTION 4. Ground Lease of the Project Property. OCII staff shall prepare the initial form of ground lease substantially in the form used by OCII for projects in which OCII is the fee owner of a particular property that will be developed for affordable housing. The Ground Lease shall be in accordance with the following:

a. Term of Ground Lease. The Ground Lease shall become effective immediately following the full execution by the parties and shall end between fifty-five and seventy-five (75) years from the date of construction completion of the Project (as determined by the parties during negotiation of the ground lease term), provided that the tenant shall have an option to extend the term for an additional period that, in aggregate, does not exceed a total of ninety nine (99) years, for no additional consideration (but rent shall continue during any extended term as set forth below).

b. Taxes and Assessments. The tenant shall be responsible for the payment of any and all property taxes and assessments levied against the leasehold estate and the Property during the entire term of the Ground Lease subject to any abatement available therefrom.

c. Project Use. The Property shall be used during the term of the Ground Lease only for affordable housing, specifically the construction, operation, maintenance and repair or reconstruction of a multifamily residential development with approximately 141 units available to extremely low income and low income households as well as certain ancillary uses. The maximum rent and income levels shall be set at no greater than 60% of area median income, defined as the area median income as determined by the United States Department of Housing and Urban Development for the San Francisco area, adjusted solely for household size, but not high housing cost area. If required by the Project’s tax credit investor based on the Project’s residual analysis test, and if approved by the OCII Executive Director in his or her reasonable discretion, the Ground Lease may permit increases in the maximum rent and income levels after the 55th year of the Ground Lease term, but such increases shall be limited only to the extent necessary to satisfy the tax credit investor’s residual analysis test.

d. Rent. The tenant shall pay the landlord annual rent in the amount of ten percent (10%) of the land value of the Property (as determined by a MAI appraiser selected by, and at the sole cost of, the tenant, and set in the Ground Lease), consisting of \$15,000 in base rent and the remainder in residual rent. The residual rent shall be payable only to the extent proceeds are available from the Project. The annual rent shall be adjusted on the fifteenth (15th) anniversary of the expiration of the first full calendar year of the lease term, and every fifteen (15) years thereafter, and shall be equal to ten percent (10%) of then appraised value of the land as determined by a MAI appraiser selected by, and at the sole cost of, the tenant. Any such adjustment shall be made to the residual rent and not the base rent. If required

by the Project's tax credit investor based on the Project's residual analysis test, and if approved by the MOHCD Director in his or her reasonable discretion, residual rent shall only be payable after full repayment of any residual-receipts loan provided by OCII.

e. Construction and Operation of the Project. The tenant shall be responsible, at its sole cost, for construction, operation, and maintenance of the Project during the Ground Lease term.

f. Title to the Property. The Ground Lease shall provide that OCII will own fee title to the land comprising the Property, and the Optionee will own fee title to all improvements constructed or otherwise located on the land, during the Ground Lease term.

g. Disposition of Improvements at End of Lease. At the end of the Ground Lease term, fee title to all the improvements shall vest in OCII without further action of any party, without any obligation by OCII to pay any compensation therefor to the tenant and without the necessity of a deed from the tenant to OCII.

h. Mortgagee Protections. The Ground Lease shall include standard mortgagee protection provisions.

i. Defaults; Right to Cure. OCII will provide any notice of any defaults under the Ground Lease to the tenant's limited partners and lenders, and allow any such parties the right to cure a default by the tenant under the Ground Lease. Pursuant to the terms of the Ground Lease, OCII shall not be entitled to terminate the Ground Lease following any uncured default by the tenant during the fifteen (15) year tax credit compliance period for the Project, except if such default is failure to pay rent.

j. Encumbrances. The Ground Lease will permit the tenant to encumber its leasehold interest in the Property to secure any loans deemed necessary by the tenant, as approved by OCII. Any funds from a loan secured by the Property must be used in or on the Property.

SECTION 5. Closing.

a. Expenses. All expenses, fees or costs (except attorneys' fees and costs) incurred in connection with the Ground Lease of the Property, including but not limited to city and county documentary transfer tax, conveyance taxes, recording charges (if any), and costs of title insurance shall be borne by the Optionee. Each party shall bear its own attorneys' fees and costs incurred in connection with negotiation and execution of this Agreement and the Ground Lease.

b. Proration of Taxes. Real property taxes on the Property shall be prorated as of the date of closing of the Ground Lease.

c. Title Insurance. The closing of the Ground Lease shall be conditioned on the issuance to the tenant of an ALTA leasehold policy of title insurance, from a title company chosen by the tenant, insuring the tenant's leasehold interest in the Property

subject only to reasonable exceptions approved by the tenant.

SECTION 6. Notices. All notices or other communications made pursuant to this Agreement shall be in writing and shall be deemed properly delivered, given or served to the parties at the following addresses when (i) mailed by certified mail, postage prepaid, return receipt requested; (ii) sent by express delivery service, charges prepaid with a delivery receipt; or (iii) personally delivered when a delivery receipt is obtained:

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

OCII General Counsel: Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Attn: James B. Morales

Optionee: Shipyard 5254, L.P.
c/o McCormack Baron Salazar, Inc.
720 Olive Street, Suite 2500
St. Louis, MO 63101
Attn: President

Bayview Senior Services
1751 Carroll Street
San Francisco, CA 94124
Attn: Executive Director

With a copy to:
Klein Hornig
101 Arch Street, Suite 1101
Boston, MA 02110
Attn: Daniel Rosen

All notices so delivered, mailed or sent shall be deemed received as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused or the date the notice was returned as undeliverable. Either party may change its address for the purposes of this paragraph by giving prior written notice of the change to the other party in the manner provided in this Section 6. Any notice required under this Agreement that is sent by a Party shall be sent to, or contemporaneously copied to, all of the other Parties.

SECTION 7. Assignment of Option. Without the prior written consent of OCII, Optionee may assign its rights and obligations under this Agreement to any limited liability company in which Optionee, or its corporate affiliate is the managing general partner, or

a limited partnership in which Optionee or its corporate affiliate is a general partner. All other transfers by Optionee shall require the prior written consent of OCII in its sole discretion.

SECTION 8. Binding Effect. This Agreement and its terms and conditions shall bind upon and inure to the benefit of the parties to this Agreement and their respective successors and permitted assigns.

SECTION 9. Time. Time is of the essence of this Agreement.

SECTION 10. Further Documents. Upon the reasonable request of the other party, each party will execute, acknowledge and deliver or cause to be executed, acknowledged and delivered, such further instruments and documents as may be reasonably necessary in order to carry out the intent and purpose of this Agreement, including escrow instructions.

SECTION 11. Commission. Each party to this Agreement represents to the other party that it has not engaged or used the services of any person, firm or corporation that may claim a broker's commission or finder's fee upon execution of this Agreement or the Ground Lease, and each party to this Agreement agrees to hold the other party harmless from any loss, damage, expense or liability, including attorney's fees, resulting from any claim by any person, firm or corporation based upon its having acted as broker or finder on behalf of said indemnifying party.

SECTION 12. Captions. The captions of the paragraphs of this Agreement are for convenience and reference only, and the words contained in the captions shall in no way be held to explain, modify, amplify or aid in the interpretations, constructions or meaning of the provisions of this Agreement.

SECTION 13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

SECTION 14. Entire Agreement; Signatures. This Agreement contains the entire agreement between the parties respecting the matters set forth, and supersedes all prior agreements between the parties respecting the matters set forth.

SECTION 15. Attorneys' Fees. In any action between Optionee and OCII to enforce or interpret any of the terms of this Agreement, the prevailing party shall be entitled to recover costs of suit and expenses including, without limitation, reasonable attorneys' fees.

SECTION 16. Effective Date. Notwithstanding anything to the contrary contained herein, this Agreement shall not be effective until the date on which the Commission enacts a resolution approving and authorizing this Agreement and the transactions contemplated hereby, following execution of this Agreement by both parties.

(signatures begin on next page)

IN WITNESS WHEREOF, Optionee and OCII have executed this Agreement as of the date first written above.

OCII:

Office of Community Investment
and Infrastructure, Successor Agency
to the Redevelopment Agency of the
City and County of San Francisco,
a public body, organized and existing
under the laws of the State of
California

By: _____

Nadia Sesay
Executive Director

OPTIONEE:

SHIPYARD 5254, L.P.,
a California limited partnership

By: MBS IGP, Inc.,
a Missouri Corporation, its general partner

By: _____
Name:
Title:

APPROVED AS TO FORM:

By: _____

James B. Morales
General Counsel

EXHIBIT A

Property Description

Real property in the City and County of San Francisco, State of California, described as follows:

[To be inserted]

EXHIBIT B-2

Site Plan