MEMORANDUM

To: Office of Community Investment and Infrastructure as Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency)  
Attn: Christine Maher and Courtney Pash

From: Keyser Marston Associates, Inc.  
A. Jerry Keyser  
Timothy C. Kelly

Date: May 10, 2013

Subject: Peer Review of Financial Feasibility Report for 706 Mission Street

Introduction to Peer Review

In order to assist the City of San Francisco in making environmental findings pursuant to the California Environmental Quality Act, Economic + Planning Systems, Inc. (EPS) has prepared a report that addresses the financial feasibility (Feasibility Report) of the proposed 706 Mission Street, the Mexican Museum and Residential Tower Project (Project). The Feasibility Report also addresses the project alternatives (the Project Alternatives) identified in the Environmental Impact Report (EIR) prepared for the Project. The EPS study was commissioned by the Project’s sponsor, 706 Mission Street Co, LLC (Project Sponsor or Developer).

The Project is to be built on a site that today is partly owned by the Project Sponsor and partly owned by the Successor Agency. The Successor Agency will sell its parcel, long identified as the future home of the Mexican Museum (Museum Site), to the Project Sponsor in accordance with an amended and restated May 4, 2010 Exclusive Negotiation Agreement (ENA) and accompanying Term Sheet (attached herein: Appendix D of the Final Amended and Restated ENA May 4, 2010, and this ENA supplant a July 15, 2008 ENA). Terms contained in the Term Sheet are material to the Feasibility Report and are accounted for in the analyses.
As seller of a portion of the Project’s site, the Successor Agency has commissioned Keyser Marston Associates, Inc. (KMA) to undertake a peer review of the Feasibility Report (Peer Review).

Peer Review Conclusions and Methodology

The May 8, 2013 EPS report provides descriptions and financial feasibility analyses of the Project and the Project Alternatives. The analyzed Project Alternatives are the Existing Zoning Alternative, Separate Building Alternative, Increased Residential Density Alternative, and Reduced Shadow Alternative. On page one of the Feasibility Report is the following statement: “EPS has determined that the (Proposed) Project is financially feasible. The Separate Buildings Alternative is also financially feasible, while the other Project Alternatives are not financially feasible because in those cases, project costs plus developer targeted return exceed project revenues.”

It should be noted that EPS utilized a static pro forma to analyze feasibility of the Project and Project Alternatives. This methodology is useful in comparing across alternatives and for purposes of identifying project feasibility since all alternatives have the same approach in evaluating feasibility. It should be noted that even if the feasibility analysis determines that an alternative is feasible from the perspective of development economics, a financial lender will need to separately evaluate feasibility based on lending criteria.

This Peer Review, based on the analysis review and qualifying factors presented in this document, finds that the conclusions by EPS appear reasonable as they apply to the Project and the Project Alternatives.

The methodology utilized in this peer review is as follows:

- Confirm understanding of the project analyzed in the EIR and the terms specified in the Term Sheet or transaction that will materially affect its economic feasibility;
- Confirm understanding of the Project Alternatives and transaction terms that can be expected to materially affect each alternative’s economic feasibility;
- Evaluate the financial pro forma analysis approach used by EPS in its determination of the financial feasibility of the Project and Project Alternatives, including specifically:
  - The assumptions, metrics and methodologies used to support the revenue findings of the pro forma, including the analysis of market context and key pricing factors;
- The assumptions and rationale for costs attributed to the Project (and the Alternatives) and basis for quantifying the costs utilized;
- The conclusion of the analysis based on the revenues and costs, including the developer’s targeted return. If the revenues are equal or exceed costs as defined, the Project is deemed financially feasible. If revenues are less than the costs as defined, the developer would not be able to earn the targeted returns and the project is considered infeasible and not likely to be developed.

Understanding of Project Analyzed in the EIR and Transaction Terms in the Term Sheet that will Materially Affect Economic Feasibility

An overview is presented in this Peer Review. More complete descriptions are provided in the Feasibility Report and in the EIR.

The Project consists of the following components:

(a) on the vacant Museum Site adjacent to Jessie Square, a residential tower of approximately 520 feet and 47 stories high would be developed and would contain a portion of a Mexican Museum on the lower floors;

(b) restoration of the historically important Aronson Building at 706 Mission Street, at the corner of Mission and Third Streets and adjacent to the site for the tower. The Aronson Building would be connected to the tower, and contain the remaining portion of the Mexican Museum on its lower floors;

(c) the Mexican Museum facility, with approximately 52,000 gross sq. ft. of museum space on the lower floors of the tower and the Aronson Building, and a small (less than 5,000 sq. ft.) retail component in the Aronson Building;

(d) purchase of the existing Jessie Square Garage, which includes additional area on the garage’s mezzanine level; and

(e) a “residential flex” option in which the upper floors of the Aronson Building are all residential, and an “office flex” in which the upper floors remain office. In both options, the upper floors of the tower are all residential. The residential flex option contains approximately 441,000 sq. ft. of net residential area spread between both the tower and Aronson building. The office option contains over 394,000 sq. ft. of net residential area in just the tower, and about 52,000 sq. ft. of net office space in just the Aronson Building.
Terms of the transaction between the Project Sponsor and the Successor Agency that could materially impact economic feasibility are in summary:

(a) Restoration of the Aronson Building.
(b) Developer construction and conveyance at no cost a minimum 35,000 net sq. ft. shell for the Mexican Museum;
(c) Developer contribution of $5 million to an operating endowment for the Mexican Museum;
(d) Developer purchase of the Jessie Square Garage at a value that enables defeasance of the outstanding bonds issued for that garage and the required payment due the City under the Cooperation and Tax Increment Reimbursement Agreement between the City and the Successor Agency.
(e) Developer must meet the city’s affordable housing in lieu payment requirement of 20% and in addition to the 20% requirement pay an 8% greater affordable housing in-lieu fee to the Successor Agency.
(f) Developer must provide annual funding for maintenance of Yerba Buena Gardens.
(g) Successor Agency will convey the Museum Site and the Jessie Square Garage to the Developer for nominal consideration.

Understanding of Project Alternatives in the EIR and Transaction Terms in the Term Sheet that will Materially Affect One or More of the Alternatives and its Economic Feasibility

Alternative A assumes “No Project” and is therefore not evaluated by EPS or this Peer Review.

Alternative B is the “Existing Zoning Alternative” which consists of a new 196 foot tall (13 story) residential building connected to the adjacent Aronson Building. In the residential flex option, approximately 133,000 sq. ft. of net residential area will be spread between the two buildings. In the office flex option, residential will be limited only to the 706 Mission tower and contain roughly 93,000 sq. ft. of net sellable area, and the Aronson building would contain over 44,000 sq. ft. of net office space. Transaction terms assumed for this alternative that are different from the Project are:
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1. Developer’s cost and shell responsibility for the Mexican Museum would be reduced to about 45,000 gross sq. ft.

2. No purchase of the Jessie Square Garage would occur and therefore no private parking space available for purchase by residential tenants.

Alternative C is labeled the “Separate Building Alternative.” The new tower building parameters would remain consistent with the Project’s office flex option, with a slightly reduced net residential area. There would be no physical connection to the Aronson Building, which would contain only office space. The restoration upgrade scope of Aronson would be reduced and there would be a small reduction in space for the Mexican Museum. The Museum would be located totally within the 706 Mission tower.

Alternative D, the “Increased Residential Density Alternative” would be similar to the Project except the number of residential units would be increased in both the residential and office flex options and, as a result, the average unit size would decrease.

Alternative E is the “Reduced Shadow Alternative,” which would reduce the height of the tower from 520 feet (47 stories) to 351 feet (27 stories). The height reduction eliminates about 200,000 sq. ft. of net residential area in the residential flex option as compared to the Project, bringing the net total down to just below 242,000 sq. ft. In the office flex option, the net residential area is reduced by about 193,000 sq. ft. to just under 202,000 sq. ft. In the office flex option, the office space will also be reduced to less than 45,000 net sq. ft. As part of the reduction in net residential area, the total number of units and average unit size will be reduced. The only other material change that would impact economic feasibility is that the amount of space dedicated to the Mexican Museum would be reduced to 45,000 gross sq. ft. (and 4,800 gross sq. ft. of ground floor retail could potentially be part of the museum).

The Transaction assumes the Project will be developed under the City’s Special Use District which will allow development of the Project without the purchase of Transferable Development Rights (TDRs) which otherwise would be required to achieve intended density.

Review of Financial Feasibility Analysis Approach

EPS developed financial models to simulate the development economics of the Project and four of the Project Alternatives under consideration in the EIR. It consists of a static pro forma based on development costs and revenue estimates specific to each of the alternatives, resulting in a “Project Residual” that can be compared across the alternatives. If the Project Residual is negative, a property owner or developer will not
have economic incentive to develop the property and the project is therefore deemed to be infeasible. Those alternatives resulting in positive Project Residuals after accounting for developer targeted return are considered to be feasible. It should be noted that even if this analysis determines that the Project or an alternative is feasible from the perspective of development economics, a financial lender will need to separately evaluate feasibility based on lending criteria.

Keyser Marston’s opinion is that the EPS analytic approach is reasonable.

Review of Methodology, Assumptions, Metrics Used to Estimate Revenue

The pro forma analyses prepared by EPS provide an estimate of potential revenues associated with the Project and each alternative under near term market conditions. Revenues are estimates provided by the Project Sponsor based on pricing trends in the marketplace and construction costs based on an estimate from Webcor Builders, a highly respected company with significant construction experience in the neighborhood.

In all alternatives, the dominant generator of revenue results is from the sale of residential units and associated, unbundled parking spaces. Added to the residential sales revenue projections is the capitalized value of net parking income for the public parking spaces (except for the existing zoning alternative where the developer does not purchase parking) and, in the office flex options, capitalized value of net income from office reuse of the Aronson Building. In all alternatives where office and residential are presented as optional uses of the Aronson Building, residential produces somewhat greater revenues, but these revenue differences are small relative to the total revenues produced by the new building.

Residential revenue assumptions used by EPS are reasonable and are based on the following:

To estimate per square foot prices for the Project and the Project Alternatives, EPS reviewed publicly available condominium sales data in San Francisco, including project-specific sales data at other luxury condominium developments in the project vicinity, taking as many project similarities and dissimilarities into account as possible. This research was used to confirm the average price per square foot estimates provided by the Project Sponsor.

In the pro formas, residential revenue calculations are based on a weighted-average price per square foot that varies by flex option and by EIR alternative to reflect variations in height and unit configuration, which affect views.
Many of the residential units, depending on the floor level and orientation of the unit, would offer premium views. Due to existing development surrounding the site of the Project and the geographic location within the city, views (and therefore view premiums) would likely vary significantly by floor level and unit orientation. Below is a breakdown of segmentation by floor and estimates of correlated view premiums and other factors addressed in the EPS analysis such as size and quality of units and parking availability:

<table>
<thead>
<tr>
<th>Proposed Project: Tower</th>
<th>Average Price per Square Foot (Excluding Parking)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floors 5-10</td>
<td>$1,150</td>
</tr>
<tr>
<td>Floors 11-25</td>
<td>$1,200</td>
</tr>
<tr>
<td>Floors 26-33</td>
<td>$1,275</td>
</tr>
<tr>
<td>Floors 34-44</td>
<td>$1,400</td>
</tr>
<tr>
<td>Floors 45-47</td>
<td>$1,800</td>
</tr>
</tbody>
</table>

The Project Sponsor projects the weighted average price per square foot for the Project to be $1,283 for the residential flex option (which is the tower and the Aronson Building) and $1,304 for the office flex option (which is the tower only). By comparison, the average price per square foot for the Reduced Shadow Alternative is projected to $1,179 for the residential flex option and $1,195 for the office flex option. Pricing excludes parking. KMA accepts the projected prices per net square foot as reasonable.

Analysis of revenue by floor segmentation is presented in Appendix D of the Feasibility Report. It should be noted that the total gross building areas for the Project and the Project Alternatives stated in Appendix D vary from gross building areas stated in Table 6 and Appendix A. However, the purpose of Appendix D is to determine the average weighted pricing for the residential component and the weighted average pricing is then multiplied by the net square footage of saleable area in Appendix A to calculate the sales revenue. Since the average pricing determined in Appendix D is based on a proportion of the building areas by grouping of floors, any adjustments in the gross building areas by floor segment in Appendix D should not have a material change on the weighted average price projections per square foot.

In accepting these projected prices as reasonable, this Peer Review acknowledges three important factors pointed out in the EPS document. The first of these factors is that – while currently prices are dramatically higher than just two years ago – over the past 15 years, the San Francisco condominium market has experienced numerous peaks and valleys. Also, high end condominium units built in conjunction with branded luxury hotels can command premiums. However, this Project is not a hotel branded project. Finally,
there is often a significant price differential, especially in luxury product, between resale prices and developer sale prices. These factors are appropriately addressed in the Feasibility Report.

Based on the support data and market context information, the Project pro forma in our judgment reasonably assumes a weighted-average sales per square foot for developer sold units of $1,283 for the Project (residential flex option) with the average per square foot pricing by floor ranging from $1,100 for the units in the Aronson Building to $1,800 for the unfinished penthouse units that command premium views to the north in the tower. Per EPS, these prices are higher than what the San Francisco condominium market has previously experienced for developer-sold, luxury condominium units even in hotel branded buildings that have included parking in the vicinity of the Project.

As stated previously, residential sale revenue is the dominant revenue source for the Project and Project Alternatives. Therefore, this peer review focused on the evaluation of the methodology, assumptions and metrics used to support the residential revenue findings, but also reviewed the same factors for projections of revenue from parking, and office in the case of office reuse of the Aronson Building. While some details are subject to discussion, this peer review finds that the variations in the factors used would not materially affect the overall conclusions. For example, the financial model is a pretax credit model (note: the site does not qualify for New Market Tax Credits, although the Aronson Building rehabilitation might enable the developer to qualify for historic preservation income tax credits and be another revenue source).

Resulting overall revenues are projected from a high of over $550 million for the Project and to a low of under $150 million for a project consistent with the existing zoning alternative but project costs will be dramatically different for various alternatives as discussed next.

**Review of Methodology, Assumptions, Metrics Used to Estimate Costs**

Direct construction cost estimates were prepared by Webcor Builders and provided to EPS. For all Project Alternatives, the estimates reflect LEED Silver compliance for the residential space and LEED Gold compliance for the Mexican Museum space and potential office space. The estimates include construction of the core and shell for the Museum, building a special curtain wall exterior for the Museum and certain other costs that may be considered fixed, such as demolition of the Aronson building annexes, hardscape and landscape improvements, utility setup and preconstruction charges and initial on site environmental work. Paraphrasing Webcor’s words, in options with less gross and net area, there is less cost associated with fewer residential units and floor
area but that reduction in costs does not offset the remaining costs associated with the lower floor levels and below grade costs that do not vary. In other words, it is reasonable to expect a higher per sq. ft. construction cost for the Existing Zoning and Reduced Shadow alternatives – which is what the Webcor estimates indicate, a conclusion which this Peer Review finds reasonable.

In addition to fixed costs to the Developer of the base, core and shell of the Mexican Museum, the Developer has other fixed costs, which include: indirect costs associated with construction of space for the Mexican Museum, contribution of a $5 million operating endowment to the Mexican Museum (assumed for all alternatives), and for all alternatives except the Existing Zoning Alternative, a $39.4 million payment for the acquisition of the Jessie Square Garage (whereas the Museum Site will be conveyed to Developer for nominal consideration).

The payment for the acquisition of the Jesse Street Garage includes the Developer taking responsibility to pay off the full outstanding amount of the Jessie Square Garage bond debt and to pay amounts required under a Cooperation and Tax Increment Reimbursement Agreement between the City and the Successor Agency. The two amounts will result in developer payments of approximately $39.4 million as of June 1, 2013.

Additional costs pertinent to financial feasibility are the Developer’s costs for acquisition of the Aronson Building and the predevelopment EIR and entitlement costs. The Term Sheet requires the Developer to restore the Aronson Building as part of the Project and KMA’s understanding is that the building was purchased to assist in the public goal of upgrading and completing development of the entire project site. Per Project Sponsor, the Aronson Building acquisition cost is $23.5 million. Predevelopment EIR and entitlement costs are approximately $9.38 million. These costs are factored in the Feasibility Report.

Of course, the EPS pro formas also include indirect and certain operating cost estimates; these estimates as a whole appear reasonable. Finally, certain other project costs are appropriately noted, including specific City-required affordable housing in-lieu fees, an additional 8% affordable in-lieu fee required by the Term Sheet, and annual contributions to the maintenance of Yerba Buena Gardens.

**Review of Conclusion of the Analysis Based on the Revenues and Costs Utilized**

The methodology utilized by EPS is reasonable. The assumptions and metrics used for revenues and costs have been subject of the Peer Review contained in this document.
Again, the methodology is to relate projected revenue to costs. If the revenues equal or exceed costs plus developer targeted returns, the project is termed financially feasible. If revenues are less than costs and targeted return, the project is considered not likely to be developed, i.e., not feasible.

A restatement of the EPS conclusions is:

- Proposed Project is feasible and likely to be developed
- No Project Alternative – not analyzed
- Existing Zoning Alternative – not feasible
- Separate Buildings Alternative – feasible
- Increased Residential Density Alternative – not feasible
- Reduced Shadow Alternative – not feasible

This Peer Review, based on the analysis review and qualifying factors presented in this document, finds that the conclusions of the Feasibility Report appear reasonable as they apply to the Project and the alternatives.

**Assumptions and Limiting Conditions**

- This report is not a feasibility analysis of any real property interests.
- The analysis provided in the report represents KMA’s best and unbiased professional judgment; other analysts may, however, reach different conclusions. Therefore, the report provides one perspective on potential feasibility.
- As agreed with the client, the report precludes any primary surveys or data collection. Although the information provided was from sources KMA deems reliable and has been checked for reasonableness, KMA cannot verify its accuracy.
- As agreed with the client, information regarding the physical and economic characteristics for the Project and each of the project Alternatives was based on information provided to us by the Project Sponsor, its consultants, and EPS.
- KMA makes no representations regarding matters related to title, entitlements, and legal matters of all kinds, soils conditions, toxics, environmental issues and other factors that may affect feasibility.
AMENDED AND RESTATED EXCLUSIVE NEGOTIATION AGREEMENT

Exhibit D

Term Sheet

A. Terms Related to the Project

1. **The Site.** The Site on which the Project will be built consists of two components: (a) the portion owned by the Developer, which is more particularly described on Exhibit A-1 and depicted in Exhibit A-2 to the Exclusive Negotiation Agreement (the “Agreement”) (the “Developer Property”), and (b) the portion owned by the Agency, which is more particularly described on Exhibit B-1 and depicted in Exhibit B-2 to the Agreement (the “Agency Property”) (together, the “Site”). In addition, the Project will include a second Agency-owned property, the Jessie Square Garage, defined below, and which is more particularly described on Exhibit C-1 and depicted in Exhibit C-2 to the Agreement.

2. **Agency Property.** The Agency shall convey the Agency Property to the Developer for nominal consideration (e.g., $1.00) in addition to the consideration provided by Developer’s performance of its other obligations as described herein. Additionally, the Developer shall be responsible for paying any and all costs associated with this transaction, including, but not limited to, all escrow and title fees, and any environmental investigations and/or mitigations that may be required. The Agency is selling this Property on an “as-is” basis, with Developer to rely solely on the results of its investigations.

3. **The Project.** The Project, which the Developer shall construct on the Site, shall consist of the following: (a) approximately 390,000 net square feet of residential, office and/or hospitality uses in a tower of approximately 550 feet in height (excluding penthouse), (b) a cultural component between 35,000 and 40,000 net square feet fronting Jessie Square (the “Cultural Component”), (c) a rehabilitated historically important Mercantile Building (the “Mercantile Building”), (d) additional retail and/or cultural uses on the ground floor of the Mercantile Building, and (e) the purchase of the existing 460-space Jessie Square Garage and the additional parking area on the garage’s mezzanine level (the “Jessie Square Garage”) (collectively, the “Project”).

4. **Rehabilitation of the Historically Important Mercantile Building.** Developer agrees to rehabilitate the historically important Mercantile Building in consultation with the Agency, San Francisco Heritage, and the San Francisco Historic Preservation Commission, and incorporate it into the overall design and development program of the Project.

5. **Affordable Housing Requirement.** Developer agrees to comply with the City’s Residential Inclusionary Affordable Housing Program (the “Inclusionary Program”), as set forth in City Planning Code Sections 315 through 315.9, through the payment of an in-lieu fee per unit equal to the per unit fees established by the Inclusionary Affordable Housing Program. The amount of the fee required under the Inclusionary Program (the “City Fee”) shall be calculated
and paid in accordance with the Inclusionary Program. If the City Fee (currently 20%) is based on an affordable housing requirement of less than 28% of the units in the Project, Developer agrees to pay to the Agency an additional fee equal to the total amount of fees that would be due under the Inclusionary Program for 28% of the units in the Project less the City Fee (the “Agency Fee”). In the event that the City adopts an alternative means of complying with an affordable housing percentage requirement under the Inclusionary Program, and Developer utilizes such alternative means of compliance, then, for the purposes of calculating the Agency Fee hereunder, the City Fee paid shall be deemed to be based upon the equivalent affordable housing percentage requirement under the Inclusionary Program. For example, if the City allows payment of a transfer tax instead of the current 20% inclusionary fee and Developer elects that option, Developer will be deemed to have paid a 20% City Fee and therefore will owe an 8% Agency Fee. The Agency Fee, if any, shall be calculated at the time that the City Fee is calculated and shall be paid as follows: (i) twenty percent (20%) of the Agency Fee shall be paid upon the issuance of the first building permit for the Project; (ii) forty percent (40%) of the Agency Fee shall be paid upon the issuance of the temporary certificate of occupancy for the Project, and (iii) the remaining forty percent (40%) of the Agency Fee shall be paid on the one year anniversary of the date of issuance of the temporary certificate of occupancy for the Project.

6. World-class Architect. Developer shall retain internationally known, Mexican architect Enrique Norton (Ten Arquitectos), Handel Architects, or other world-class architecture firms acceptable to the Agency, to design components of the Project.

7. Sustainable Design. Developer shall design and construct the Project to a minimum of Leadership in Energy and Environmental Design (“LEED”) Silver standards (or such higher and additional requirements as adopted by the City and County of San Francisco), and shall secure U.S. Green Building Council certification of this standard.

8. Compliance with Agency Policies. The Transaction Documents will require the Developer to comply with applicable Agency policies and programs, including, but not limited to, policies regarding small business enterprises, construction workforce, equal benefits, minimum compensation, healthcare accountability, and prevailing wages. Notwithstanding the foregoing, in the event of a conflict between City policies, rules, or regulations and Agency policies, rules, or regulations, the City’s policies, rules, or regulations, whether generally applicable or applied as a condition of approval to the Project, shall prevail.

B. Terms Related to the Cultural Component

1. Developer Builds Core and Shell. Developer shall be responsible, in consultation with the Agency, for constructing the base, core and shell of the Cultural Component, which shall (a) be not less than 35,000 net square feet, (b) front Jessie Square, and (c) be integrated into the Project in a thoughtful and efficient manner. The specifications for the base, core and shell of the Cultural Component shall be included in the Purchase Agreement and associated design documents.

2. Conveyed to Agency at no Cost. Developer agrees to convey the Cultural Component to the Agency at no cost once construction of the Cultural Component has been completed.
3. **Endowment Contribution.** Developer agrees to contribute $5.0 million to an operating endowment for the Cultural Component to help support its ongoing operations. Developer shall contribute (i) the first $2.5 million no later than six months after issuance of the first temporary certificate of occupancy for a residential unit(s) in the Project, and (ii) the second $2.5 million no later than closing of the sale of residential units representing 50% of the total number of residential units in the Project, but in no event later than 24 months after contribution of the first $2.5 million.

4. **Use and Common Area Maintenance Charges.** Use of the Cultural Component shall be determined by the Agency and the Cultural Component shall pay its pro-rata share of all common area maintenance charges associated with the Project, subject to the Agency’s review of the overall operating budget for the Project.

5. **Lease or Operating Agreement.** The Agency shall enter into a lease or operating agreement with the Mexican Museum or similar institution for the use of the Cultural Component.

6. **Tenant Improvements.** The Agency and the Mexican Museum, or other cultural institution if applicable, shall be responsible for financing all the tenant improvements associated with the Cultural Component.

C. **Terms Related to the Jessie Square Garage**

1. **Jessie Square Garage.** For the purposes of this Project, the “Jessie Square Garage” is comprised of (a) the existing 460-space garage and (b) the area below the existing Jewish Museum and adjacent to the mezzanine level of the existing garage.

2. **Purchase Price.** Developer agrees to purchase the Jessie Square Garage from the Agency for the value of the full outstanding amount of the bond debt (approximately $43 million), through payoff or defeasance of the existing bonds. Developer shall also pay all costs associated with the payoff or defeasance, including any costs borne by the Agency and the City and County of San Francisco to complete the payoff or defeasance. To the extent the cost of payoff or defeasance of the existing bonds exceeds the fair market value of the Jessie Square Garage, such excess cost shall be considered part of the consideration paid by Developer for other rights being acquired from Agency by Developer.

3. **Conveyance on an “as-is” Basis.** The Jessie Square Garage shall be delivered to the Developer in an as-is condition, and the Developer shall pay for any costs associated with the Jessie Square Garage, including, but not limited to: (a) costs to determine the feasibility of any part of the Jessie Square Garage for parking, (b) costs to upgrade any part of the Jessie Square Garage to make it suitable for parking, and (c) costs related to any impacts to the above-ground Jewish Museum caused by any of Developer’s upgrades or improvements to the Jessie Square Garage. Developer shall be responsible for obtaining all approvals required for any upgrades or improvements to the Jessie Square Garage. The Agency shall be released from any and all environmental, construction and other ongoing liabilities for the Jessie Square Garage.
4. **Conveyance.** The Developer shall purchase the Jessie Square Garage from the Agency, and the Agency shall convey the Jessie Square Garage to the Developer.

5. **Number of Private Parking Spaces.** Developer shall be entitled to dedicate the use of the lower two levels of the Jessie Square Garage to serve private Project-related uses, for a total of approximately 250 spaces.

6. **Number of Public Parking Spaces.** The Developer shall maintain the upper level and mezzanine of the Jessie Square Garage for public use, for a total of at least 210 spaces, subject to the terms of the Agency’s existing agreements with the Jewish Museum and St. Patrick’s Church. No monthly parking shall be allowed in the area of the Jessie Square Garage reserved for public parking. The rates charged to the public at the Jessie Square Garage shall be similar to those charged at other public parking garages in the City and County of San Francisco.

D. **Other Terms**

1. **Gardens Management, Operations and Security.** Developer shall contribute to the Gardens Management, Operations and Security ("GMOS") account on an ongoing annual basis, in the following amounts: (1) at the initial rate of $1.50 per square foot of the Project’s above-grade net leasable building area devoted to commercial uses, exclusive of the Cultural Component, subject to annual increases based on the annual Consumer Price Index for the San Francisco-Oakland-San Jose Metropolitan Statistical Area (the "CPI") not to exceed 5% per annum and (2) at the initial rate of $1.25 per square foot of the Project’s above-grade net residential saleable area, subject to annual increases based on the annual CPI not to exceed 3% per annum. The GMOS obligations relating to the residential area shall be disclosed in the DRE disclosure packages for the Project. Agency and Developer shall discuss what lien rights and requirements will be transferred to the homeowners to secure the GMOS payment obligations.

2. **Exhibits.** The following exhibits to the Agreement are incorporated into this Term Sheet:

   - **Exhibit A-1:** Developer Property Legal Description
   - **Exhibit A-2:** Developer Property Site Map
   - **Exhibit B-1:** Agency Property Legal Description
   - **Exhibit B-2:** Agency Property Site Map
   - **Exhibit C-1:** Jessie Square Garage Legal Description
   - **Exhibit C-2:** Jessie Square Garage Site Map
   - **Exhibit E:** Performance Benchmarks
   - **Exhibit F:** Small Business Enterprise Program Agreement