STAFF REPORT FOR CALENDAR ITEM NO.: 9
FOR THE MEETING OF: August 13, 2020

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Authorizing the Executive Director to execute an Agreement for Purchase and Sale of Real Estate (PSA) between the TJPA and Successor Agency to the San Francisco Redevelopment Agency for the sale to Successor Agency of those portions of Transbay Blocks 2 and 3 previously acquired by the TJPA from private parties (Block 3739, Lots 002, 004, 006, and 007) ("Private Parcels"), and directing staff to proceed with execution of the PSA and with closing on the sale of the Private Parcels pursuant to the PSA.

EXPLANATION:

Transbay Blocks 2, 3, and 4 comprise the site of the former Temporary Terminal, bounded by Howard, Folsom, Main, and Beale Streets. The majority of the site is former state-owned parcels transferred to the TJPA from Caltrans (Block 3739, Lot 008) (also known as Parcels O, O', and O"). The 4 odd-shaped remainder parcels that make up Transbay Blocks 2 and 3 (Block 3739, Lots 002, 004, 006, and 007), which are illustrated on the enclosed map, were acquired by the TJPA from private property owners and are known as the "Private Parcels."

The TJPA acquired all of the land that makes up the site, built the Temporary Terminal, and used the site for temporary bus operations from 2010 to 2019. With the opening of the new transit center, the transit operators that used the Temporary Terminal have moved to the new facility and the TJPA no longer requires the site for its project. The next step is to convey the property that makes up Transbay Blocks 2, 3, and 4 to Successor Agency so it can implement the long-planned redevelopment of the parcels.

<u>Background</u>

In 2003, Caltrans, the TJPA, and the City and County of San Francisco ("City") entered the Cooperative Agreement, which provides for the transfer of state-owned parcels from Caltrans to the City and the TJPA to advance the Transbay Program, including much of the Temporary Terminal site.

In 2005 and 2006, the Redevelopment Agency of the City and County of San Francisco ("Redevelopment Agency") approved a Transbay Project Area Redevelopment Plan ("Redevelopment Plan") for the Transbay neighborhood and identified the potential for transit-oriented development on certain parcels in the plan area, including the Temporary Terminal site.

The Redevelopment Plan and subsequent planning documents prepared by Successor Agency anticipate that the Temporary Terminal site will be divided into 3 redevelopment blocks as follows:

- Transbay Block 2: Southern about one-third of the site for 100% affordable housing development and associated public right-of-way. Use of the site for this purpose is important to Successor Agency's ability to meet the state law mandate that 35% of all new housing in the Redevelopment Plan area be affordable.

- Transbay Block 3: Middle about one-third of the site for public park/open space and associated public right-of-way. Successor Agency will arrange for the design, construction, ownership, and operation of the park.

- Transbay Block 4: Northern about one-third of the site for mixed market-rate and affordable housing development. Consistent with this plan, in 2016, Successor Agency entered an option agreement with F4 Transbay Partners LLC (the purchaser of the Parcel F development site), granting the developer an option to negotiate a Disposition and Development Agreement (DDA) with Successor Agency and acquire the Block 4 site, with the purchase price remitted to the TJPA. The outside date for exercise of the option was recently extended to January 1, 2021, in light of force majeure caused by the COVID-19 pandemic.

In 2008, the Redevelopment Agency, the City, and the TJPA entered an Option Agreement for the Purchase and Sale of Real Property, pursuant to which the City and the TJPA granted an irrevocable option to the Redevelopment Agency to acquire certain former state-owned parcels for assembly, parcelization, and development consistent with the requirements of the Redevelopment Plan. The Redevelopment Agency (and now the Successor Agency) is generally required to transfer the former state-owned parcels to third party developers and allocate the Gross Sales Proceeds from the sale of the parcels, as well as all Net Tax Increment attributable to the former state-owned parcels, to the TJPA for development of the new transit center.

With the completion of the TJPA's use of the Temporary Terminal site, Successor Agency plans to seek its Commission's approval to exercise its right under the Option Agreement to acquire the former state-owned parcels that make up Transbay Blocks 2, 3, and 4. The TJPA Board approved the Option Agreement in 2005. The Option Agreement dictates the procedures, terms, and conditions for Successor Agency to exercise its option and acquire the former state-owned parcels. Assuming Successor Agency gives proper notice of exercise of its option, the Option Agreement requires the TJPA to quitclaim these former state-owned parcels to Successor Agency; no further action by the TJPA Board is required as to the former state-owned parcels.

As described above, while the majority of the Temporary Terminal site is made up of former state-owned parcels, the TJPA purchased from private property owners the Private Parcels—4 odd-shaped remainder parcels that make up Transbay Blocks 2 and 3 (Block 3739, Lots 002, 004, 006, and 007). Successor Agency also requires title to these remnant parcels to regularize and develop Transbay Blocks 2 and 3 consistent with the Redevelopment Plan. The TJPA and Successor Agency negotiated a PSA to describe the terms and conditions for the TJPA to transfer the Private Parcels to Successor Agency.

Key Terms for Conveyance of 4 Private Parcels

The key terms and conditions under the PSA governing the TJPA's conveyance of the 4 Private Parcels to Successor Agency are:

- Purchase Price: Successor Agency retained Clifford Advisory Services to appraise the Private Parcels. The appraiser determined that the value of the Private Parcels is zero, as reflected in the appraisal report dated July 2, 2020 ("Appraisal"), based on the conclusion that the highest and best use of the Private Parcels is for affordable housing, public park, and associated public right-of-way. The City Department of Real Estate confirmed its view that Successor Agency's appraisal instructions are appropriate for the transaction and sale of the Private Parcels from the TJPA to Successor Agency.

- Declaration of Restrictions: As a condition of Caltrans's release of its power of termination over the former state-owned parcels that make up Transbay Blocks 2 and 3, it requires Successor Agency to record declarations of covenants against the former state-owned parcels restricting the uses of the parcels to affordable housing, public park, and associated public right-of-way purposes. The PSA similarly requires Successor Agency to record site restrictions against the Private Parcels, ensuring that the parcels are dedicated to affordable housing, public park, and public right-of-way uses contemplated by Successor Agency and the TJPA at the time of transfer of the parcels. Successor Agency may not use the Private Parcels for other purposes without amending or terminating the declaration, which will be within the TJPA's discretion.

- As Is Sale: Similar to the terms for Caltrans's conveyance of the former state-owned parcels, the TJPA will convey the Private Parcels to Successor Agency in their "as is" condition, without any representations or warranties about the property conditions. Among other things, Successor Agency (or its successor) will be responsible for the cost of demolition of the Temporary Terminal improvements.

- City License Agreement: If the April 14, 2020 license agreement with the City is still in effect at the time of closing, the TJPA would assign the license to Successor Agency. Successor Agency would assume all of the rights and obligations of the TJPA under the license.

- Concurrent Conveyance of Former State-Owned Parcels: Successor Agency requires that the TJPA convey the former state-owned parcels under the Option Agreement concurrent with the TJPA's conveyance of the Private Parcels under the PSA, and that Caltrans release its power of termination of the former state-owned parcels at that time. The TJPA, Successor Agency, and Caltrans have been cooperating to ensure this condition is timely satisfied.

- Timing: The TJPA is prepared to convey the former state-owned parcels promptly upon OCII's delivery of its notice of exercise of its option under the Option Agreement. The TJPA is likewise prepared to convey the Private Parcels immediately. Successor Agency requires its Commission's approval of the PSA. The PSA provides that, for the PSA to take effect, it must be fully executed within 60 days after TJPA Board's approval, and requires that closing occur no later than 6 months after the TJPA Board's approval.

- Closing Costs and Expenses: Successor Agency bears all costs and expenses related to closing, including title premium, escrow fees, and closing costs.

Environmental Review

In 2004, the Commission of the Redevelopment Agency adopted Resolution No. 45-2004, certifying the Final Environmental Impact Statement/Environmental Impact Report ("Final EIS/EIR") for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project ("Transbay Project"), which included the Redevelopment Plan, and the Board of Supervisors affirmed, by Motion No. 04-67, the certification of the Final EIS/EIR.

In 2004, the TJPA Board adopted Resolution No. 04-004, making certain findings, Statement of Overriding Considerations, and Mitigation Monitoring and Reporting Program for the Transbay Project under the California Environmental Quality Act ("CEQA"). The TJPA has subsequently adopted several addenda to the Final EIS/EIR, determining in each case that modifications to the project would not require subsequent environmental review and would not require major revisions to the Final EIS/EIR. Most recently, the TJPA adopted a Supplemental EIS/EIR.

Because the conveyance of the Private Parcels is an undertaking pursuant to and in furtherance of the Redevelopment Plan, and is within the scope of the project analyzed in the Transbay Program Final EIS/EIR, and because there have been no changes to Transbay Block 2 and 3 or new information regarding new significant effects or a substantial increase in the severity of previously identified significant effects of the project, and no substantial changes in circumstances under which the project will be undertaken, no additional environmental review is required. Any subsequent development of the Private Parcels shall be subject to Successor Agency's completion of any environmental review required under CEQA, as reasonably determined by Successor Agency.

RECOMMENDATION:

Staff recommends that the TJPA Board authorize the Executive Director to execute an Agreement for Purchase and Sale of Real Estate (PSA) between the TJPA and Successor Agency to the San Francisco Redevelopment Agency for the sale to Successor Agency of those portions of Transbay Blocks 2 and 3 previously acquired by the TJPA from private parties (Block 3739, Lots 002, 004, 006, and 007) ("Private Parcels"), substantially in the form of the enclosed draft agreement; to direct staff to proceed with execution of the PSA and with closing on the sale of the Private Parcels pursuant to the PSA; and to make related findings under CEQA.

ENCLOSURES:

1. Resolution
2. Map of Private Parcels
3. Successor Agency Appraisal and City Department of Real Estate Concurrence
4. Purchase and Sale Agreement

TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS

Resolution No. _____________

WHEREAS, The Transbay Joint Powers Authority (TJPA) is a joint powers agency organized and existing under the laws of the State of California to design, build, and operate the Transbay Transit Center Program (Transbay Program); and

WHEREAS, The TJPA acquired all of the land that comprises the site of the former Temporary Terminal, bounded by Howard, Folsom, Main, and Beale Streets, built the Temporary Terminal, and used the site for temporary bus operations during the construction of the new transit center from 2010 to 2019; and

WHEREAS, With the opening of the new transit center, the transit operators that used the Temporary Terminal have moved to the new facility, and TJPA no longer requires the Temporary Terminal site for its project; and

WHEREAS, In 2003, Caltrans, the TJPA, and the City and County of San Francisco ("City") entered the Cooperative Agreement, which provides for the transfer of state-owned parcels from Caltrans to the City and the TJPA to advance the Transbay Program, including much of the Temporary Terminal site; and

WHEREAS, In 2005 and 2006, the Redevelopment Agency of the City and County of San Francisco ("Redevelopment Agency") approved a Transbay Project Area Redevelopment Plan ("Redevelopment Plan") for the Transbay neighborhood and identified the potential for transit-oriented development on certain parcels in the plan area, including the Temporary Terminal site; and

WHEREAS, The Redevelopment Plan and subsequent planning documents prepared by Successor Agency anticipate that the Temporary Terminal site would eventually be divided into 3 redevelopment blocks as follows: Transbay Block 2 (southern about one-third) for 100% affordable housing development and associated public right-of-way; Block 3 (middle about one-third) for park/open space and associated public right-of-way; and Block 4 (northern about one-third) for mixed market-rate and affordable housing development, and which site is subject to an option agreement with a private developer to acquire and develop the property; and

WHEREAS, In 2008, the Redevelopment Agency, the City, and the TJPA entered an Option Agreement for the Purchase and Sale of Real Property, pursuant to which the City and the TJPA granted an irrevocable option to the Redevelopment Agency to acquire certain former state-owned parcels for assembly, parcelization, and development consistent with the requirements of the Redevelopment Plan. The Redevelopment Agency (and now the Successor Agency) is generally required to transfer the former state-owned parcels to third party developers and allocate the Gross Sales Proceeds from the sale of the parcels, as well as all Net Tax Increment attributable to the former state-owned parcels, to the TJPA for development of the new transit center; and

WHEREAS, With the completion of the TJPA's use of the Temporary Terminal site, Successor Agency plans to seek its Commission's approval to exercise its right under the Option Agreement to acquire the former state-owned parcels that make up Transbay Blocks 2, 3, and 4 (Block 3739, Lot 008) (also know as Parcels O, O', and O"); and

WHEREAS, Successor Agency also requires title to 4 odd-shaped remainder parcels that the TJPA purchased from private property owners (Block 3739, Lots 002, 004, 006, and 007) ("Private Parcels") to regularize and develop Transbay Blocks 2 and 3 consistent with the Redevelopment Plan; and

WHEREAS, TJPA and Successor Agency negotiated an Agreement for Purchase and Sale of Real Estate pursuant to which TJPA would convey the Private Parcels to Successor Agency at no cost based on Successor Agency's appraisal. The appraisal determined that the value of the Private Parcels is zero based on the conclusion that the highest and best use of the Private Parcels is for is for affordable housing, public park, and associated public right-of-way; and

WHEREAS, TJPA's agreement to convey the Private Parcels at no cost is conditioned on, among other things, Successor Agency's agreement to record site restrictions against the Private Parcels, ensuring that the parcels are dedicated to affordable housing, public park, and public right-of-way uses contemplated by parties at the time of transfer of the parcels; and

WHEREAS, In 2004, the Commission of the Redevelopment Agency adopted Resolution No. 45-2004, certifying the Final Environmental Impact Statement/Environmental Impact Report (the "Final EIS/EIR") for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project ("Transbay Project"), which included the Transbay Redevelopment Plan, and the Board of Supervisors affirmed, by Motion No. 04-67, the certification of the Final EIS/EIR; and

WHEREAS, In 2004, the TJPA Board adopted Resolution No. 04-004, making certain findings, Statement of Overriding Considerations, and Mitigation Monitoring and Reporting Program for the Transbay Project under the California Environmental Quality Act ("CEQA"). The TJPA has subsequently adopted several addenda to the Final EIS/EIR, determining in each case that modifications to the project would not require subsequent environmental review and would not require major revisions to the Final EIS/EIR. Most recently, the TJPA adopted a Supplemental EIS/EIR; and

WHEREAS, The conveyance of the Private Parcels is an undertaking pursuant to and in furtherance of the Redevelopment Plan, and is within the scope of the project analyzed in the Transbay Program Final EIS/EIR. as supplemented; and

WHEREAS, There have been no changes to Transbay Block 2 and 3 or new information regarding new significant effects or a substantial increase in the severity of previously identified significant effects of the project, and no substantial changes in circumstances under which the project will be undertaken; and

WHEREAS, The TJPA has considered and reviewed the Final EIS/EIR, addenda, and Supplemental EIS/EIR, has made documents related to the implementing actions, the Final

EIS/EIR, addenda, and Supplemental EIS/EIR available for review by the Board and the public, and these files are part of the record before the Board; and

WHEREAS, The Final EIS/EIR findings and statement of overriding considerations adopted in accordance with CEQA by the TJPA Board on April 22, 2004 were and remain adequate, accurate and objective and are incorporated herein by reference as applicable to the implementing actions; now, therefore, be it

RESOLVED, That the TJPA Board authorizes the Executive Director to execute an Agreement for Purchase and Sale of Real Estate between the TJPA and Successor Agency to the San Francisco Redevelopment Agency for the sale to Successor Agency of those portions of Transbay Blocks 2 and 3 previously acquired by the TJPA from private parties (Block 3739, Lots 002, 004, 006, and 007) ("Private Parcels") in substantially the form presented to the Board; and, be it

FURTHER RESOLVED, That the TJPA Board authorizes the Executive Director to take all actions and execute all documents as he deems reasonable necessary to implement and effectuate the above approval, and proceed with closing on the sale of the Private Parcels pursuant to the Agreement; and, be it

FURTHER RESOLVED, That the TJPA Board finds and determines that the authorization and execution of the Agreement is an implementing action within the scope of the project analyzed in the Final EIS/EIR, addenda, and Supplemental EIS/EIR and require no additional environmental review pursuant to State CEQA Guidelines Sections 15180, 15168, 15162 and 15163 for the following reasons:

1. The implementing actions are within the scope of the project analyzed in the Final EIS/EIR, addenda, and Supplemental EIS/EIR, and no major revisions are required due to the involvement of new significant environmental effects or a substantial increase in the severity of significant effects previously identified in the Final EIS/EIR; and

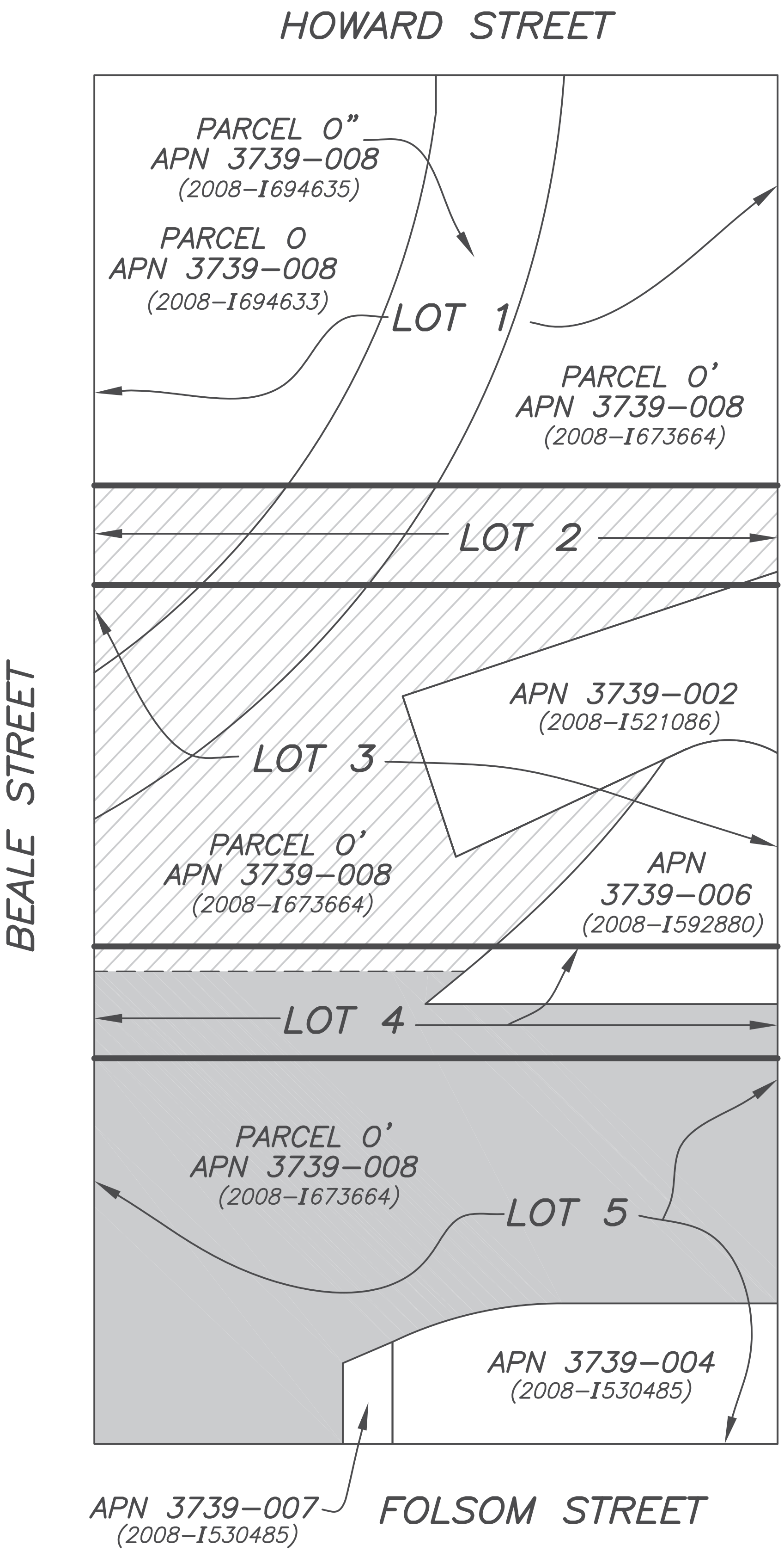
2. No substantial changes have occurred with respect to the circumstances under which the project analyzed in the Final EIS/EIR, addenda, and Supplemental EIS/EIR was undertaken that would require major revisions to the Final EIS/EIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the Final EIS/EIR; and

3. No new information of substantial importance to the project analyzed in the Final EIS/EIR, addenda, and Supplemental EIS/EIR has become available which would indicate that (a) the implementing actions will have significant effects not discussed in the Final EIS/EIR; (b) significant environmental effects will be substantially more severe; (c) mitigation measures or alternatives found not feasible which would reduce one or more significant effects have become feasible; or (d) mitigation measures or alternatives which are considerably different from those in the Final EIS/EIR will substantially reduce one or more significant effects on the environment; and, be it

FURTHER RESOLVED, That the Final EIS/EIR findings and statement of overriding considerations adopted in accordance with CEQA by the TJPA Board on April 22, 2004 were and remain adequate, accurate and objective. The Board has reviewed and considered the CEQA findings that it previously adopted, and they are incorporated herein by reference.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of August 18, 2020.

Secretary, Transbay Joint Powers Authority



LOT NOTE

LOTS 1-5 SHOWN HEREON ARE FUTURE LOTS TO BE CREATED BY FINAL TRANSFER MAP 10327

LEGEND

APN — ASSESSOR'S PARCEL NUMBER

BLOCK/EXISTING LOT LINE

FUTURE LOT LINE

AREA COVERED BY POWER OF TERMINATION DOCUMENT (2018-K671709)

AREA COVERED BY POWER OF TERMINATION DOCUMENT (2018-K671710)

FUTURE LOT	PROPOSED USE
2	PUBLIC STREET
3	PARK
4	PUBLIC STREET
5	AFFORDABLE HOUSING

SUBJECT: **EXHIBIT B**

BY DR	CHKD. DR	DATE 7-10-20	NOT TO SCALE	SHEET 1 OF 1	JOB NO. S-9847

MARTIN M. RON ASSOCIATES, INC.
LAND SURVEYORS

859 HARRISON STREET
SAN FRANCISCO, CA. 94107
(415) 543-4500

S-9156/DWG/S-9847 LOT PLATS.DWG

OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

108-0142020-014

June 26, 2020

Mark Zabaneh, P.E.
Executive Director
Transbay Joint Powers Authority
425 Mission St., Suite 250 (2nd Floor/Beale Street Elevators)
San Francisco, CA 94105

RE: Appraisal Instructions – Property Conveyance within Transbay Redevelopment Area (APNs 3739, Lots 002, 004, 006 and 007)

Dear Mr. Zabaneh,

By this letter, OCII confirms that the appraisal instructions attached hereto are consistent with OCII's methods of valuation of other redevelopment property, which are primarily performed under the criteria of State Health and Safety Code Section 33433. Please let me know if I can be of further assistance.

Sincerely,

Hilde Myall
Development Services Manager

Enclosures: Appraisal Instructions for Block 3739, Lots 002, 004, 006 and 007, between OCII and Clifford Advisory, March 19th, 2020.

One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

415 749 2400

www.sfocii.org

London N. Breed, Mayor
Naomi M. Kelly, City Administrator

City and County of San Francisco
REAL ESTATE DIVISION
Andrico Q. Penick
Director of Real Estate

June 25, 2020

Mark Zabaneh, P.E.
Executive Director
Transbay Joint Powers Authority
425 Mission St., Suite 250 (2nd Floor/Beale Street Elevators)
San Francisco, CA 94105

RE: Appraisal Instructions – Property Conveyance within Transbay Redevelopment Area (APNs 3739, Lots 002, 004, 006 and 007)

Dear Mr. Zabaneh,

I have reviewed the attached appraisal instructions from the Office of Community Investment and Infrastructure, dated March 19th, 2020, and find that they are appropriate appraisal instructions for the circumstances and transaction in question. Please let me know if I can be of further assistance.

Sincerely,

Andrico Q. Penick
Director of Property

Enclosures: Appraisal Instructions for Block 3737, Lots 002, 004, 006 and 007, between OCII and Clifford Advisory, March 19th, 2020.

EXHIBIT 1
APPRAISAL INSTRUCTIONS

March 19, 2020

John C. Clifford, MAI
Clifford Advisory, LLC
558 Presidio Blvd., Suite B, #29525
San Francisco, CA 94129

VIA ELECTRONIC TRANSMITTAL

Re: Appraisal Instructions – Property Conveyance within Transbay Redevelopment Area - San Francisco

Dear Mr. Clifford:

This instruction letter is delivered at the direction of 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 (the "Successor Agency" or "OCII").

The Transbay Joint Powers Authority ("TJPA") holds certain property within the Transbay Redevelopment Project Area in San Francisco (consisting of formerly state-owned parcels and formerly private parcels, as further identified below). OCII plans to request that TJPA convey these properties to the Successor Agency for redevelopment purposes.

You are hereby instructed to prepare and deliver a written full narrative appraisal to determine the as-is value, based on the restricted uses and development costs, for the following TJPA-owned properties:

The Subject Properties: Block 3739, Lots 002, 004, 006, and 007

Subject Properties (APN)	**Agency Block** (see below for definition)
Block 3739/004 Block 3739/007 Block 3739/006 (portion)	Block 2
Block 3739/002 Block 3739/006 (portion)	Block 3

<u>Assessor's Block 3739</u>

As of 2008, TJPA had obtained fee title to the entirety of Assessor's Block 3739. This Assessor's Block consists of five Assessor's Lots: the four Subject Properties and a large Lot (3729/008), which makes up the remaining portion of the Block. TJPA acquired Assessor's Lot 3739/008 under a 2003 Cooperative Agreement between the State of California ("Caltrans"), TJPA and the City and County of San Francisco. Lot 3729/008 was a Caltrans-owned parcel that was subject to certain recorded deed restrictions to generate funding for, and facilitate the development of, a new Transbay Transit Center. The Successor Agency has the exclusive and irrevocable option to acquire Lot 3729/008 under that certain Option Agreement for the Purchase and Sale of Real Property by and between the City and County of San Francisco, the TJPA, and the former Redevelopment Agency, dated January 31, 2008.

TJPA acquired the above-referenced Subject Properties from private owners, **See Attachment 1, Map,** so that it could assemble all of the parcels on Assessor's Block 3739 for the construction and operation of a temporary terminal site during the development of the Transbay Transit Center. Recently, the TJPA discontinued use of the temporary terminal site when the Transbay Transit Center permanently opened.

The zoning controls of the Redevelopment Plan and the Development Controls and Design Guidelines for the Transbay Redevelopment Project (DCDG) divide Assessor's Block 3739 into three "**Agency Blocks**", which reflect the required configuration for master development of the blocks. **See Attachment 2, Map.** As shown in the table above and in **Attachment 2**, the Subject Properties make up portions of Agency Block 2 and Agency Block 3, which will be redeveloped as affordable housing and public open space, respectively (and as described further below).[1] Thus, for the purpose of the appraisal, you should consider the parcels grouped into these two Agency Blocks.

The Redevelopment Plan and Affordable Housing Requirement

In June 2005, the San Francisco Board of Supervisors adopted the Redevelopment Plan and established the Transbay Redevelopment Project Area (the "Project Area"). The purpose of the Redevelopment Plan is to transform a blighted neighborhood into a high-density, transit oriented neighborhood by, among other things: assembling lands within the Project Area (in particular Caltrans lands remaining from the now-demolished Transbay Bus Terminal and associated highway on- and off-ramps); generating funding for public infrastructure improvements, including the construction of the new Transbay Transit Center; and providing a significant amount of new affordable housing consistent with statutory requirements. Section 5027.1 (b) of the California Public Resources Code (which is incorporated into the Redevelopment Plan), mandates: a) that "at least 25 percent of all dwelling units developed with the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60 percent of the area median income," b) "that at least an additional 10 percent of all dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120 percent of the area median income," and c) that these units remain affordable for the longest feasible time, but no less than fifty-five years for rental units and forty-five years for owner-occupied units (the "Transbay Affordable Housing Obligation"). To achieve the Transbay Affordable Housing Obligation given the previous amount of affordable housing built in the Project Area, the TJPA and Successor Agency agreed that Block 2 must be 100% affordable to low income households (at or below 60% area median income as published by the Mayor's Office of Housing and Community Development ("MOHCD") https://sfmohcd.org/limits-affordable-rental-projects-under-contract-mohcd, and that any assumption that it could be developed with market rate development "would be inconsistent with applicable state law and the Cooperative Agreement." Letter, Mark Zabaneh, TJPA, and Nadia Sesay, Successor Agency, to James Davis, Caltrans, re: Approval of Transfer and Relinquishments of Power of Termination for Certain Remaining Parcels Under the Cooperative Agreement (July 10, 2018) (the "Joint TJPA-OCII Letter").

The Redevelopment Plan establishes the land use controls for the Project Area, and divides the Project Area into two sub-areas: Zone One, in which the DCDG defines the development standards, and Zone Two, in which the San Francisco Planning Code applies. OCII has land use jurisdiction over development

[1] The third Agency Block, referred to as Block 4, is not subject to this appraisal.

in Zone One; the Planning Department has land use jurisdiction over Zone Two under a delegation agreement with OCII. The Subject Properties are located in Zone One.

Block 2: Affordable Housing Redevelopment

Block 2 is comprised of Block 3739, Lots 004, 007, and portions of Lot 006 and Lot 008. For Block 2, you shall take into consideration the limitations established by the existing zoning and land use controls of the Redevelopment Plan and the DCDG, which requires "the assembly of these small irregular parcels and the remaining parcels into blocks and lots that are suitable for development," and further requires that each individual block "will be master planned and master developed." DCDG at page 14. Under the DCDG, the vertical development area on the site is bifurcated by an at-grade mid-block pedestrian mews. The western portion of the site ("2 West") allows maximum heights in established developable areas of 50 feet and 85 feet, while the eastern portion of the site ("2 East") allows maximum heights in developable areas of 50 feet, 85 feet, and 165 feet. The appraisal shall reflect that, to fulfill the Transbay Affordable Housing Obligation, Block 2 must be a 100% affordable housing program and any revenues generated from the site will subsidize the affordable housing. Redevelopment cost estimates are to be provided during the valuation process.

Example of Possible Block 2 Affordable Housing Detail under Current Zoning

	2 East	2 West
Estimated Unit count[1]	169	78
Population served[1]	Low-income seniors age 62+; 20% of senior units designated for formerly homeless senior households	Low-income families; 20% designated for formerly homeless households
Income restrictions[2]	Tiered income levels up to 80% of area median income (as established by the San Francisco Mayor's Office of Housing and Community Development) ("AMI"), provided that the average AMI of all affordable units is at or below 60% AMI	

[1] *Estimated unit counts are based on a fit test for Block 2 completed by SOM architects in 2016.*
[2] *Income restrictions are based on established OCII/MOHCD policy for affordable housing projects.*

Block 3: Park / Open Space

Block 3 is comprised of Block 3739, Lot 002 and portions of Lot 006 and Lot 008. The valuation of Block 3 shall consider the limitations established by the Redevelopment Plan and the DCDG, which established zoning for Block 3 as **a public park**. Redevelopment Plan, Exhibit 4, Zone One Plan Map; DCDG, Map 3, at page 15. Redevelopment cost estimates are to be provided during the valuation process.

Extraordinary Assumptions:

The TJPA and the Successor Agency previously agreed that prior development within the Project Area generated "surplus" value from formerly Caltrans-owned parcels because they had higher levels of unrestricted, market-rate housing than would have been required under the Transbay Affordable Housing Obligation. Joint TJPA-OCII Letter at page 4. In light of this surplus value, the TJPA and OCII assumed that Agency Blocks 2 and 3 would be developed for 100% affordable housing and open space, respectively. Id. In response, Caltrans did not require any payment for Blocks 2 and 3, but required, subject to a Power of Termination, that the former Caltrans-owned portions of Agency Blocks 2 and 3, which is Lot 008 of Block 3739, be developed into affordable housing, a public park, and related and ancillary facilities and improvements. Notice of Exercise of Power of Termination and Objection to the Recording of a Relinquishment of Power of Termination (Redevelopment Block 2) dated September 10, 2018 and recorded September 11, 2018 as Document No. 2018-K671710 in the Official Records of San Francisco County: Notice of Exercise of Power of Termination and Objection to the Recording of a Relinquishment of Power of Termination (Redevelopment Block 3) dated September 10, 2018 and recorded September 11, 2018 as Document No. 2018-K671709 in the Official Records of San Francisco County, (the "Caltrans Restrictions"). Accordingly, for purposes of this appraisal, you **should assume the Subject Properties are restricted to affordable housing, a public park, and related public rights of way (which are consistent with the Redevelopment Plan, DCDG, and the Caltrans Restrictions).**

In estimating the value of the Subject Properties, you shall consider **them as a part of a master planned community in an urban setting** and assume that the **sites are clean of toxic contamination, vacant of any existing improvements, and are ready for development.**

Lastly, to consider along with the valuation of the land itself, the **Successor Agency will supply cost assumptions you can rely upon to forecast costs of redevelopment the Subject Properties.** However, even if there is zero residual value after accounting for estimated redevelopment costs, please specify the applicable value determination for each of the Subject Properties.

Administrative Notes:

The appraisal report shall be prepared in (1) full compliance with the requirements of the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation and (2) the Code of Professional Ethics, including the Standards of Professional Appraisal Practice established by the Appraisal Institute.

A draft of such appraisal report shall be delivered to the Successor Agency for review within forty (40) days of the date of your acceptance of this Appraisal Instruction Letter. The final appraisal report shall (1) be delivered within thirty (30) days of the date of your acceptance of this Appraisal Instruction Letter, and (2) explicitly state that it may be used and relied upon by the Successor Agency and the TJPA.

Please counter-sign this Appraisal Instruction Letter below and deliver it to the Successor Agency, thereby (a) acknowledging your receipt of this Appraisal Instruction Letter, and (b) accepting the terms and conditions of this Appraisal Instruction Letter.

If you have any questions of the Successor Agency regarding this Appraisal Instruction Letter, please contact Hilde Myall at (415) 749-2468.

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Sincerely,

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: Hilde Myall

Name: Hilde Myall
Its: Development Services Manager
Date: April 10, 2020

ACCEPTED AND AGREED:

CLIFFORD ADVISORY, LLC
By: John C. Clifford

Name: John C. Clifford
Title: Manager
Date: 4/13/20

CLIFFORD
ADVISORY
LLC

Real Estate Valuation ■ Arbitration

APPRAISAL REPORT

TRANSBAY
BLOCK 2 (portions)
AND
BLOCK 3 (portions)
SITES
And
Adjacent Rights-of-Way
San Francisco, CA

Prepared For

Office of Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency
of the City and County of San Francisco

July 2020

John C. Clifford, MAI

CLIFFORD
ADVISORY
LLC
Real Estate Valuation

July 2, 2020

Ms. Hilde Myall
Real Estate & Development Services Manager
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

RE: **Appraisal Report**
TRANSBAY BLOCK 2 Site (portions)
TRANSBAY BLOCK 3 Site (portions)
And
Adjacent Rights-of-Way
San Francisco, CA

Ms. Myall,

Subsequent to your request and authorization, I have completed an appraisal to estimate the Market Value of portions of two blocks referred to as Transbay Block 2 and Block 3, and adjacent right-of-way parcels. The valuations presented herein are based on Appraisal Instructions discussed herein and included in the appendix of the report.

Transbay Block 2 and 3 support proposed uses within a larger San Francisco County Assessor parcel identified as Block 3739. Block 3739 includes five parcels identified as APN 3739-002, -004, -006, -007 and-008. Assessor Block 3739 is framed by Folsom, Main, Beale and Howard Street. Transbay Block 2 forms the south face of Assessor Block 3739. Transbay Block 3 forms the center of Assessor Block 3739. Transbay Block 4 forms the north face of Assessor Block 3739, but it is excluded from the subject valuation.

The subject properties include portions of Transbay Block 2 and Transbay Block 3 that include four San Francisco County Assessor parcels. The two subject parcels identified as APN 3739-004 and APN 3739-007 are within the boundaries of Transbay Block 2, and the two subject parcels identified as APN 3739-002 and APN 3739-006 are within the boundaries of Transbay Block 3. Future development of Transbay Block 2 and Transbay Block 3 is limited by the existing zoning and land use controls of the Transbay Redevelopment Plan. The Appraisal Instruction for the valuation of Block 2 identifies its required use is to support a 100% affordable housing project. The development includes two buildings, referred to as "2 East" and "2 West" with the former intended to serve for seniors and the latter to provide family housing. Development of Transbay Block 3 will support a future public park.

The highest and best use of the subject APN 3739-004 and APN 3739-007 parcels is concluded to support the proposed affordable housing projects slated for Transbay Block 2, defined as the Larger Parcel. Accordingly, their value contribution is based on the value of the Transbay Block 2 site slated for affordable housing development. The highest and best use of the subject APN 3739-002 and APN 3739-006 parcels is concluded to support the proposed public park slated for Transbay Block 3, defined as the Larger Parcel. Accordingly, their value contribution is based on the value of the Transbay Block 3 park site.

558 Presidio Blvd. #29525 ■ San Francisco, California 94129 ■ (415) 269-0370 ■ Fax (415) 891-8833
john.clifford@cliffordadvisory.com

In addition to the affordable housing and park development on Transbay Blocks 2 and 3, respectively, the subject properties include the proposed extension and construction of Clementina Street and Tehama Streets to the south and north of Block 3, respectively. Clementina Street straddles the subject property APN 3739-006 and as well as a portion the non-subject APN 3739-008 parcel. Tehama Street relies on a tangential point on the subject property APN 3739-002, and as well as a portion the non-subject APN 3739-008 parcel.

The intended public use of the park and the streets (public rights of way) represent non-economic uses. Their uses are tantamount to infrastructure improvements serving a larger neighborhood area where their underlying land value has been transferred to enhance the value of adjoining blocks and parcels supporting vertical development that benefit from public use and supporting infrastructure assets. In addition, For Block 2 the appraiser investigated comparable market data to support the value conclusion by a Development Approach.

In order to appraise the property, I have completed an inspection of the subject properties, and observed trends of land uses in the area. Based upon the analysis presented herein the estimated Market Value of the Fee Simple Interest in the subject properties, as of July 1, 2020, is:

Transbay Block	Subject 3739-002 SF	Subject 3739-004 SF	Subject 3739-006 SF	Subject 3739-007 SF	TOTAL SF	USE	VALUE CONCLUSION
Larger Parcel Block 2	0	8411	0	734	9145	(2) Affordable Multi-Family Projects	No Positive Value
Larger Parcel Block 3	9108	0	6018	0	15126	PARK	No Positive Value
Clementina	0	0	2958	0	2958	STREET	No Positive Value
Tehama	44	0	0	0	44	STREET	No Positive Value

The narrative appraisal report contains 45 pages, plus the addenda. The valuation stated herein is subject to the conditions and assumptions stated on the following pages, Including the Certificate of Appraisal (Exhibit B) and the Appraisal Assumptions and Limiting Conditions (Exhibit C). The valuation and report is intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP). Further, the appraisal is subject to the requirements of the Code of Ethics and the Standards of Professional Conduct of the Appraisal Institute.

Respectfully submitted,
CLIFFORD ADVISORY, LLC

John C. Clifford

John C. Clifford, MAI
SCGREA Certificate No. AG007177

I. INTRODUCTION

A. Appraisal Problem

The subject properties are identified by the Office of Community Investment and Infrastructure (OCII), the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, as portions of two blocks referred to as Transbay Block 2 and Transbay Block 3, and adjacent right-of-way parcels. Transbay Block 2 and 3 support proposed uses within a larger San Francisco County Assessor parcel identified as Block 3739.

Block 3739 includes five San Francisco County Assessor parcels identified as APN 3739-002, -004, -006, -007 and-008. All five parcels are under the same ownership[1], Transbay Joint Powers Authority, a joint powers agency under California Government Code Sections 6500 et. seq. Assessor Block 3739 is framed by Folsom, Main, Beale and Howard Street. Transbay Block 2 forms the south face of Assessor Block 3739. Transbay Block 3 forms the center of Assessor Block 3739. Transbay Block 4 forms the north face of Assessor Block 3739, but it is excluded from the subject valuation.

A summary of **Assessor Block 3739** parcels is presented below.

Transbay Block	3739-002 SF	3739-004 SF	3739-006 SF	3739-007 SF	3739-008 SF	Total SF
Block 4	0	0	0	0	45377	**45377**
Tehama	44	0	0	0	10957	**11000**
Block 3	9108	0	6018	0	24835	**39961**
Clementina	0	0	2958	0	9417	**12375**
Block 2	0	8411	0	734	33481	**42627**
Total	**9151**	**8411**	**8977**	**734**	**124066**	**151340**

The subject properties include portions of Assessor Block 3739 that are contained within Transbay Block 2 and Transbay Block 3 that include four San Francisco County Assessor parcels. The two subject parcels identified as APN 3739-004 and APN 3739-007 are within the boundaries of Transbay Block 2, and the two subject parcels identified as APN 3739-002 and APN 3739-006 are within the boundaries of Transbay Block 3. The subject property valuations are based on Appraisal Instructions discussed herein and included in the appendix of the report. The Street parcels also rely on APN 3739-002 and APN 3739-006

A summary of the **subject properties** that support to the functional utility and prescribed uses for Transbay Block 2 and Transbay Block 3, and adjacent streets is presented below.

Transbay Block	Subject 3739-002 SF	Subject 3739-004 SF	Subject 3739-006 SF	Subject 3739-007 SF	TOTAL SF	USE
Larger Parcel Block 2	0	8411	0	734	9145	(2) Affordable Multi-Family Projects
Larger Parcel Block 3	9108	0	6018	0	15126	PARK
Clementina	0	0	2958	0	2958	STREET
Tehama	44	0	0	0	44	STREET

Future development of Transbay Block 2 and Transbay Block 3 is limited by the existing zoning and land use controls of the Transbay Redevelopment Plan. The Appraisal Instruction for the valuation of Block 2 identifies its required use is to support a 100% affordable housing project. The development includes two buildings, referred to as "2 East" and "2 West" with the former intended to serve for seniors and the latter to provide family housing. Further, the Appraisal Instruction for the valuation of Block 3 identifies its required use to support a future public park. The proposed development adjacent to Transbay Block 2 and Transbay Block 3 includes the construction of Clementina and Tehama streets that traverse the block from Beale to Main and flank Block 3 on the south and north, respectively.

The highest and best use of the subject APN 3739-004 and APN 3739-007 parcels is concluded to support the proposed affordable housing projects slated for Transbay Block 2, defined as the Larger Parcel[1]. Accordingly, their value contribution is based on the value of the Transbay Block 2 site slated for affordable housing development. The highest and best use of the subject APN 3739-002 and APN 3739-006 parcels is concluded to support the proposed public park slated for Transbay Block 3, defined as the Larger Parcel[1]. Accordingly, their value contribution is based on the value of the Transbay Block 3 park site.

In addition to the affordable housing and park development on Transbay Blocks 2 and 3, respectively, the subject properties include the proposed extension and construction of Clementina Street and Tehama Streets to the south and north of Block 3, respectively. Clementina Street straddles the subject property APN 3739-006 and as well as a portion the non-subject APN 3739-008 parcel. Tehama Street relies on a tangential point on the subject property APN 3739-002, and as well as a portion the non-subject APN 3739-008 parcel.

The intended public use of the park and the streets (public rights of way) represent non-economic uses. Their uses are tantamount to infrastructure improvements serving a larger neighborhood area where their underlying land value has been transferred to enhance the value of adjoining blocks and parcels supporting vertical development that benefit from public use and supporting infrastructure assets. In addition, For Block 2 the appraiser investigated comparable market data to support the value conclusion by a Development Approach.

It is understood the background for the Appraisal Instruction is based on at least two letters provided to the appraiser dated February 9, 2018 and July 10, 2018 presented in the appendix of this report. The TJPA and the Successor Agency previously agreed that prior development within the Transbay Project Area generated "surplus" value from formerly Caltrans-owned parcels because they had higher levels of unrestricted, market-rate housing than would have been required under the Transbay Affordable Housing Obligation. In light of this surplus value, the TJPA and OCII assumed that Agency Block 2 would be developed for 100% affordable housing (and related public rights of way). Both letters are co-signed by the Executive Directors of the OCII and TJPA. It is noted these letters (and the Appraisal Instruction) rely on interpretation and application of legal citations and agreements. The intended users of this report are required to review the content of these letters. Any interpretation and application of stated legal principles is beyond the scope of the appraiser's expertise, other than to conclude there appears to be reasonable probable support for reliance on the qualified appraisal instruction.

Please refer to the following aerial photographs and graphic illustrations that further identify the subject property.

---

[1] The concept of the Larger Parcel is applicable when tracts or parcels of land are under the beneficial control of a single individual or entity and have the same, or an integrated highest and best use. Transbay Block 2 and Block 3 development potential is established by Development Controls and Design Guidelines (DCDG) for the Transbay Redevelopment Project. The Appraisal Instruction for the valuation of Block 2 (that includes subject APN 3739-004 and APN 3739-007 parcels) identifies its required use is to support a 100% affordable housing project, and for the valuation of Block 3 (that includes subject APN 3739-002 and APN 3739-006 parcels) identifies its required use is to support a public park. Other factors related to the subject parcels size and irregular shape also contribute to their integrated highest and best use.

B. Valuation Subject To Hypothetical Conditions and Extraordinary Assumptions

The value estimate is made as of a current date and under major assumptions that are relied upon for the valuation of the subject property. These may include hypothetical conditions and extraordinary assumptions that have been made for the purpose of this analysis as defined by USPAP. The definitions are provided below.

> HYPOTHETICAL CONDITION: that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about the physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions, trends, or the integrity of data used in an analysis.
>
> EXTRAORDINARY ASSUMPTION: Extraordinary assumptions presume as fact otherwise uncertain information about the physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of the data used in an analysis.

The use of any hypothetical conditions or extraordinary assumptions in this report may affect the assignment results.

For the valuation of the subject properties, no Hypothetical Conditions or Extraordinary Assumptions are considered.

C. Appraisal Standards

This appraisal is intended to conform to the requirements of the following:

- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute of which the appraiser is a member;
- Applicable state appraisal regulations,
- Uniform Standards of Professional Appraisal Practice (USPAP)

The underlying premise of USPAP Standard 1 is to assure that an opinion of value is credible and developed in a competent manner, considering all pertinent factors that could influence value. Other relevant USPAP standards include (but may not be limited to):

1. Standard Rule 1-3(a) requires the market value be based upon a highest and best use analysis (and its provision to consider legally permitted uses that support the highest value).
2. The Appraisal Instruction states conditions for the analysis are based on the following. Future development of Block 2 is limited to 100% affordable housing uses (and related public rights of way) that have a significant impact on the determination of highest and best use and valuation of Transbay Block 2. Future development of Transbay Block 3 is limited to support a future public park (and related public rights of way). The non-economic impact of the public use has a significant impact on the determination of highest and best use and valuation of Transbay Block 3.
3. Standard Rule 1-3a requires the appraisal to consider the effect on use and value based on the physical adaptability of the real estate.
4. Standard Rule 1-4f requires the appraisal to consider and analyze the effect on value, if any, of anticipated public or private improvements, located on or off the site, to the extent that market actions reflect such anticipated improvements as of the effective appraisal date.

D. Scope of Appraisal Development and Reporting Process

The appraisal is being prepared in accordance with the *Uniform Standards of Professional Appraisal Practice.*

The reporting format of this document is referred to as an Appraisal report, in accordance with the requirements identified in Standard Rule 2-2(b) of the *Uniform Standards of Professional Appraisal Practice.* It is intended to provide a summary overview of the Subject property, substantive valuation issues, and data relied upon in the formation of an opinion of Market Value. The report format had been mutually agreed-upon by the client prior to completion of this assignment. Additional supporting documentation and analyses, as appropriate, are retained in the appraiser's file.

In preparing this appraisal, the appraiser **inspected** the subject site and evaluated its required physical, legal and market characteristics; attempted to gather and confirm competitive market area data for competitive sale transactions and applied market data in a Sales Comparison Approach; gathered and confirmed competitive market area data for competitive development trends, marketing and sales data, investment yield data, and applied market data in an Income Approach. Further, elements of a Cost Approach analysis is completed.

The scope of inspection consisted of offsite and on-site site observation of the site by John C. Clifford, MAI on several occasions during Spring 2020 but last on July 1, 2020. The effective date of the valuation is July 1, 2020.

The *scope of comparative data verification* included a review of county recording data and online services such as CoStar. Each comparable sale was viewed and photographed by the appraiser. Verifications of sales with either principals or brokers were made. The comparables cited herein should be construed as being a pertinent sampling, which were selected based upon physical and location similarities relative to the subject property and the credibility of the data.

The physical and transaction data cited have been developed from sources that are assumed to be accurate. In California, the specific terms of sale are not required to be disclosed. Accordingly, circumstances may arise wherein this type of data may not be available. The quality and extent of the verification process should be carefully considered by the reader/client when forming an opinion as to the credibility of the individual comparables, as well as the cumulative database.

The geographic scope of research was basically focused on the City of San Francisco. The following scope of resources was used in the development of the Market Value opinions expressed herein. The appraiser has developed a physical profile of the subject property based upon a personal inspection, combined with information provided by the City Planning and OEWD files and supplemented by developer's proposals and other property data.

Sources used in the process of analyzing the property included

- On-site inspection
- Assessor's maps
- Zoning and General Plan maps and ordinances for San Francisco
- Flood hazard maps
- Fault zone maps
- Interviews with various project management representatives, in-house and private project consultants, and public officials

Sources used in the process of estimating value for the subject included:

- CoStar Comps, Inc.
- SFARMLS (multiple listing service)
- Assessor's records
- Confirmation of sales with brokers and principals

E. Competency Provision

The appraiser possesses the knowledge and required ability to appraise the subject property and has appraised this property type before both within its competitive market area and in other San Francisco Bay Area locations. Please refer to the Addenda for a summary of the appraiser's experience.

F. Intended Use and Users of the Appraisal Report

The contents and conclusions presented in this report are prepared for the exclusive use of the Office of Community Investment and Infrastructure ("OCII"), and the Transbay Joint Powers Authority ("TJPA"). It is understood OCII and TJPA may rely on the analysis and value conclusions presented herein to determine the property's fair market value for potential ownership transfer. It is the client's responsibility to read this report and to inform the appraiser of any errors or omissions of which the client is aware prior to utilizing this report or making it available to any third party. No duplication is permitted without the written authorization of John C. Clifford, MAI. Please refer to Item 18 of the Assumptions and Standard Limiting Conditions for further clarification.

G. Definition of Market Value

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

H. Exposure Time

Exposure time is the appraiser's opinion of the amount of time the subject property would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It answers the question, "how long would this property have been offered on the market before it would have as of the effective date of value?" Exposure Time is distinguished from the marketing period. The marketing period is the estimated time that it would take to consummate the sale after the effective date of the appraisal. Market sales and conversations with brokers have indicated that properly priced development sites would require a 6 to 12-month marketing periods. Given the current market environment, balanced by the appeal of the subject's location and affordable use, a 6-9 month marketing and exposure period is concluded.

I. Property Rights Appraised

The primary purpose of the appraisal is to estimate the Market Value of the Fee Simple Interest in the subject properties as described herein.

Fee Simple is defined by the Appraisal Institute as an absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

J. Current Property Conditions and Valuation Date

CURRENT VALUE refers to an estimate of the market value of a property that reflects the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications on the date of inspection (other than noted).

In the case of the subject property it refers to a large partially developed site formerly used as the Transbay Temporary Terminal supporting surface storage of mass transit bus vehicles and passenger use.

The Appraisal Instruction states the subject properties shall be considered as a part of a master planned community in an urban setting and assume that the sites are clean of toxic contamination, vacant of any existing improvements, and are ready for development. Future uses for the subject properties are prescribed to support affordable housing development, a public park and adjacent streets, as set forth herein.

The effective date of value is July 1, 2020.

K. Ownership History

Ownership of the subject properties (APN 3739-002, -004, -006, -007) is vested in the Transbay Joint Powers Authority, a joint powers agency under California Government Code Sections 6500 et. seq. ("TJPA"). Since 2008 TJPA holds certain property within the Transbay Redevelopment Project Area in San Francisco (consisting of formerly state-owned parcels and formerly private parcels). TJPA acquired the subject properties from private owners so that it could assemble all of the parcels on Assessor's Block 3739 for the construction and operation of a temporary terminal site during the development of the Transbay Transit Center. TJPA acquired Assessor's Lot 3739/008 under a 2003 Cooperative Agreement between the State of California ("Caltrans"), TJPA and the City and County of San Francisco. Lot 3739/008 was a Caltrans-owned parcel that was subject to certain recorded deed restrictions to generate funding for and facilitate the development of a new Transbay Transit Center. The Successor Agency has the exclusive and irrevocable option to acquire Lot 3739/008 under that certain Option Agreement for the Purchase and Sale of Real Property by and between the City and County of San Francisco, the TJPA, and the former Redevelopment Agency, dated January 31, 2008. Recently, the TJPA discontinued use of the temporary terminal site when the Transbay Transit Center permanently opened. OCII, as the SFRA successor, has assumed the rights and obligations under a related Option Agreement. TJPA now intends to convey to these properties to the Office of Community Investment and Infrastructure (OCII) that is the Successor Agency for redevelopment purposes. No other ownership transfers have occurred in the prior 3 years.

L. Title and Legal

The appraiser was provided Preliminary Title Reports (PTR's) prepared by Chicago Title Company, dated December 6, 2019. Unless otherwise noted, it appears and is assumed there exist no conditions of title that would have a detrimental effect on the utility, marketability or value of the subject property. Please refer to Item 2 of the appraisal Assumptions and Limiting Conditions. Copies of the PTR's are presented in the appendix of the report.

II. PROPERTY DESCRIPTION

A. City Description

The subject property is located in the City and County of San Francisco. San Francisco is the business and cultural epicenter of the San Francisco Bay Area. The city covers the tip of a peninsula on the west side of San Francisco Bay, encompassing approximately 47 square miles. The City has been fully developed since a post World War II building boom swallowed the last of its sand dunes in the western portion of the city. Virtually any new development requires re-use of existing parcels. The geographic constraints of the city have resulted in a far higher density of development than in other portions of the Bay Area (where development has, for the most part, been consistent with national suburban development patterns and land for additional development still exists).

San Francisco has a well-developed transportation infrastructure. However, due to its location at the tip of a peninsula, access to San Francisco from the north and east is constrained by geography. From the north, the Golden Gate Bridge provides the only access point for vehicular traffic. However, an extensive public bus system serving Marin and Sonoma counties increases the efficiency of that transportation corridor, and commuter access is also provided by ferry services that connect Marin County to downtown San Francisco. From the east, the Bay Bridge provides the only access for vehicular traffic, supplemented by commuter rail service (BART) and ferry services. Two freeways, Hwy 101 and Interstate 280, provide access to San Francisco from the south. Public transportation into San Francisco from the south is provided by BART, which serves northern San Mateo county, a regional bus system, and a commuter rail system.

Within San Francisco, the San Francisco Municipal Railway provides a comprehensive network of rail and bus links covering the entire city. Light rail service provides excellent access to the downtown core for commuters from branch lines which link directly with the most densely populated residential areas of the city. The rail system is in the midst of an expansion, with extensions now linking the North Waterfront and South of Market Street neighborhoods via rail lines on the Embarcadero waterfront. San Francisco has convenient access to two major airports, Oakland International Airport and San Francisco International Airport. BART currently provides convenient access to Oakland International via a bus link, and to San Francisco International Airport.

The principal economic activities include high technology, manufacturing, finance, and transportation. The current 2020 population within San Francisco proper is approximately 879,166 a 10.5% increase over 2010. San Francisco is known around the world for its numerous cultural assets. The volume and variety of cultural opportunities throughout the Bay Area make San Francisco one of the most stimulating artistic environments in the country. San Francisco is the financial center of the West and gateway to Asia.

San Francisco is considered one of the most desirable real estate markets in the nation due to its superb accessibility, outstanding amenities, unparalleled intellectual capital, and high concentration of industry-leading companies. The onset of Great Recession officially began in December 2007 but its impact on San Francisco's economy was not evident until the credit markets crashed in October 2008. Over the next 18 months more than 41,000 private sector jobs were lost resulting in the highest unemployment rate in more than 20 years recorded, even worse than following the dot.com bust. Four years later, the 10.1% unemployment rate has declined to less than 3%. During the depths of the recession, a significant number of the City's largest and most prominent tenants shed millions of square feet of office space no longer needed following work force consolidation or ceased operations. Vacancy rates skyrocketed to a peak level of 17.8% in 2Q10 that resulted from more than 3.7 million square feet flooding the market. Consequently, rental rates plummeted approximately 30% to $31.37/SF/YR from $42.75/SF/YR and experienced ongoing pressure from an abundant sublease market and a lack of tenant demand. As of 4Q19, vacancy levels in the Central Business District overall have declined to approximately 3.6% just prior to the corresponding date of valuation. During this period average asking rental rates have risen by over 100% ranging from approximately $75/SF/YR - $9/SF/YR in the Financial District, and higher in the SOMA Financial District boundaries now dominated by technology tenants. The SOMA submarket reports full service office rents that ranges up to $86.30/SF/YR - $92.65, averaging $92.15/SF/YR, and investment levels both in terms of volume and prices is unprecedented.

While the aforementioned recession was costing millions of people their jobs in finance and professional services, a new growth industry was gaining momentum as companies such as Facebook and Apple revolutionized the way people socialize and communicate. As a result of this progression, a growing cluster of start-ups began to emerge focusing on mobile, cloud, and social technologies that have since propelled the recovering economy into a more efficient era for growth. San Francisco has been a direct beneficiary of this movement as a city that fosters innovation. Again it became the epicenter for start-ups and their highly skilled and educated workforce. What started with a murmur of activity in 2010 eventually led to a market-moving momentum that has propelled San Francisco to become the top, or among one of the top five commercial real estate office markets and sparked the development of several million square feet of office space.

California and in most other parts of the country struggled to spur an economic recovery, while San Francisco emerged as an outlier: growth within technology and other creative industries. Companies and start-ups wishing to capitalize on a rich talent pool in San Francisco began to migrate north from Silicon Valley as it is reported the veteran tech market began to feel too old and suburban for the young, creative class. Working in close proximity to like-minded entrepreneurs became a necessity for this growing cluster of start-ups as the generational pull toward status updates, twitter posts, and shared property became a way of life that inspired cross-collaboration and crowd-sourcing. What resulted from the rise of tech growth in 2010 was far greater than anticipated. Quickly identified as the only industry driving growth in the Bay Area, technology companies began to expand exponentially as start-ups gained momentum. By mid-2012, high-technology employment in San Francisco had surpassed the dot.com peak by nearly 10,000 jobs and continues to expand. Meanwhile, growth among the city's core office users has remained flat, with financial and professional services industries are still awaiting a complete jobs recovery. Legal services emerged from the recession virtually unchanged, but growth has been flat for more than 20 years. While employment figures on an absolute basis have made a complete recovery in San Francisco, the composition has shifted significantly – perhaps permanently – a sign of the evolving workforce and the millennials driving these trends.

San Francisco is one of the most dynamic centers in the country with over 30 international financial institutions, seven Fortune 500 companies (McKesson, Wells Fargo, GAP, PG&E, URS, Char1es Schwab, and Levi Strauss) and a large support infrastructure of professional services firms, including law, public relations, architecture, and graphic design. In addition to established corporations, San Francisco is home to globally-recognized, innovative technology companies, many of whom are headquartered in San Francisco or have established a significant footprint in the Central Business District. These companies include Google, Apple, Facebook, Amazon, Salesforce, Autodesk, Twitter, Square, Meraki (Cisco), Yahoo!, Oracle, CNET Networks, and Zynga. Several of these technology companies feature headquarters in San Francisco. Others run shuttles from SF to their Silicon Valley headquarters As these companies grow or new ones develop the demand to live in SF will continue to grow exponentially over time.

More than 60,000 other businesses reside in San Francisco because of its diverse industries, productive and creative people, and the economic value of a San Francisco location brings to employees, residents, and tourists. The Moscone Convention Center containing 1.5 million SF is 100% booked for the next 10 years. It and the City host more than 10 million tourists and conventioneers who rank San Francisco as their top choice for work and play. On the following page, various economic indicators are summarized and reported by the San Francisco Controller's Office. It reveals the economic outlook for San Francisco and the Bay Area are positive and improving.

San Francisco's long-term fundamentals are undeniably stable, with major international corporations, banks, financial services and venture capital firms establishing offices here in recognition of the Bay Area's growing concentration of high technology, software and media companies, as well as the world's leading biotechnology and life sciences companies. In addition to the high growth of innovative, technology-based firms, San Francisco maintains a historically solid base of traditional business services companies, including law firms, financial service firms, insurance companies which have deep ties to the City.

Recent development in San Francisco attests to the vitality and dynamic growth potential of the local economy. Currently, major projects continue forward that include Mission Bay, Transbay Transit Center, Hunters Point Shipyard Candlestick Point, and Treasure Island. These are coming to fruition that should have a positive effect on the financial future of San Francisco. Other waterfront development at Mission Rock and Pier 70 are in conceptual stages of development as well. Major public projects recently completed include the 3-year expansion project at SFMOMA, the opening of the California Pacific Medical Center's Cathedral Hill campus, the completion of the UCSF Medical Center at Mission Bay, and the largest of its kind, a near-billion dollar 9-story acute care and trauma center at San Francisco General Hospital. One of the most significant projects recently completed comprises the GSW Arena project. GSW Arena LLC (GSW) is an affiliate of Golden State Warriors, LLC, which owns and operates the Golden State Warriors National Basketball Association (NBA) team. Vertical development has been completed on its multi-purpose event center that includes a variety of mixed uses, including office, retail, open space and structured parking on an approximately 11-acre site within the Mission Bay Redevelopment Plan Area of San Francisco. The event center hosted the Golden State Warriors basketball team for its inaugural 2019-20 the NBA season, that can provide a year-round venue for a variety of other uses, including concerts, family shows, other sporting events, cultural events, conferences and conventions. Development of the project was somewhat controversial located at the southern perimeter of the Mission Bay project area, proximate to the new UCSF Medical Center and Pier 70 due to traffic and circulation impacts.

San Francisco is an important business, financial and cultural center for the nation's western region, with an influence that extends across the country and around the world. A strong and sustained economic recovery had occurred and its long-term outlook was deemed favorable. However, in San Francisco, like in all other parts of the state, the US and the world, a public health emergency emerged in late February 2020.

Known as the COVID-19 pandemic, its spread has wreaked havoc on virtually all social and economic activity. The human toll from the COVID-19 pandemic continues to rise around the world. As authorities implement social distancing restrictions to mitigate the spread of the coronavirus, the associated economic costs are becoming more apparent. How the economy will fare over the next several quarters remains highly uncertain that clouds the economic outlook. This uncertainty has impeded the proper functioning of the financial system. Using its emergency powers, the Federal Reserve set up facilities to increase liquidity in several segments of the financial system, including money market mutual funds, the commercial paper market, and the corporate bonds markets, among others. The Fed also resumed buying Treasury securities and agency mortgage-backed securities and reduced the federal funds rate to near zero. The current financial conditions are also extremely challenging for small-medium size businesses. Payroll reductions at small and medium-size businesses could have a large impact on the labor market, as these businesses account for 47% of total employment. With social distancing measures and shelter-in-place orders, firms have had to rapidly shed workers on an extraordinary scale. Payrolls contracted and the unemployment rate rose from 3.5% to 4.4%. However, this captures only part of the worsening of labor market conditions as unemployment claims surged to unprecedented levels. Hence, the unemployment rate is likely to rise much more in the following months, as premature re-opening of some consumer businesses has spawned another spike for infection rates potentially triggering re-closure. The impact on real estate values and demand for office and commercial facilities is yet difficult to discern, but job and income losses does not bode well and weakens demand for market rate housing resources.

B. Neighborhood Description

The subject neighborhood is most importantly influenced by its location within Transbay Redevelopment Plan Area boundaries. The neighborhood is sandwiched between the Financial District, Rincon Hill and the Yerba Buena Redevelopment Plan Areas. It is also proximate to the San Francisco Giants Oracle Park baseball stadium, as well as Union Square. This location and submarket area have attracted unprecedented development interest due to the flexible large scale and landmark design characteristics allowed under the Transbay Redevelopment Plan.

The Transbay Redevelopment Project Area, created in 2005, was intended to alleviate blight within a large portion of the city's southern Financial District through a wide variety of projects and activities. The project area is approximately 40 acres in size and bounded by Mission Street in the north, Main Street in the east, Folsom Street in the south, and Second Street in the west. Prior to the new development activity that includes redevelopment of the Transbay Transit Center infrastructure, the Project Area was then composed of older transportation-related infrastructure, a large number of vacant parcels, and commercial uses.

The most significant feature of the Project Area is the replacement of the former Transbay Terminal and its ramps that comprised an underutilized and outmoded transportation facility with serious structural, health and safety deficiencies. The new Transbay Transit Center is funded with an approximate $430 million tax increment that is expected to be generated over the life of the Redevelopment Plan, after the Agency meets its obligations to make payments to affected taxing entities. Approximately $178 million of the net tax increment will be pledged to the Transbay Joint Powers Authority to help pay the cost of rebuilding the Transbay Terminal into a regional transit hub. The new terminal replaces the existing loop ramp system with a set of stacked ramps on the west side of the station and will include an extension of the Peninsula Corridor rail line to a new terminus underneath the station that will accommodate Caltrain commuter service and eventual high-speed rail service to destinations throughout California. The initial plan anticipated that funding for the new terminal will be generated by the sale of vacant parcels currently owned by the by the State of California to private developers. The remaining cost of the new terminal will be paid through a combination of federal, state, regional, and local sources. By state law, 35% of new housing units built in the Project Area must be affordable to very low to moderate-income households.

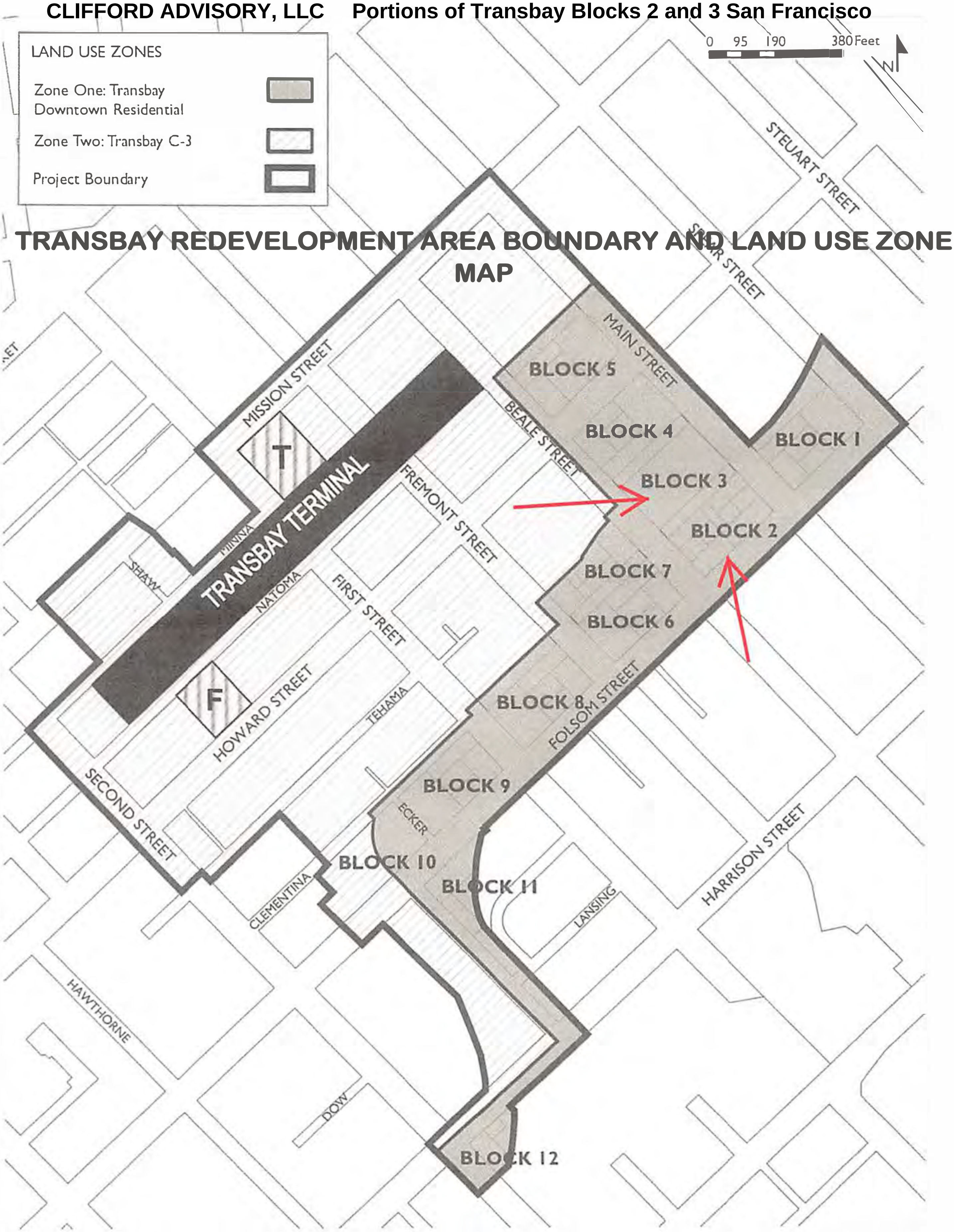
The Transbay concept plan includes high-density, transit-oriented residential development along Folsom Street and between 2nd and Beale Streets, as well as office and hotel space surrounding the new terminal. The 40-acre redevelopment area surrounding the Transit Center has been developed to redefine the city's skyline. At the same time, the concept plan embodies a balanced approach to density, with fewer, taller towers far enough apart to allow sunlight and open space in the new neighborhood, and controls to ensure that ground-floor space is activated. The concept plan also incorporates significant new public improvements, including a major new public park, new pedestrian-oriented alleyways and widened sidewalks. The first phase of construction for the Transbay Transit Center Program commenced in December 2008 with the groundbreaking of the Temporary Terminal (on the subject properties). Construction of the new Transit Center began in 2011 and was scheduled to be completed in 2017 but did not until 2018.

Subsequently major development in both Zone 1 and Zone 2 of the plan area has been completed. Zone 2 supports the Transbay Center that include several prominent major projects:

Project:	Salesforce Tower
Location:	415 Mission Street
Developer:	Boston Properties & Hines
General Contractor:	Clark Construction Group/Hathaway Dinwiddie

Salesforce Tower officially opened May 2018, eclipsing the Transamerica Pyramid for the position of San Francisco's tallest skyscraper. The pinnacle of the 1,070 foot tower is capped by an art display made of LED

TRANSBAY REDEVELOPMENT AREA BOUNDARY AND LAND USE ZONE MAP



lights, which flicker with imagery against the night sky. The 61-stories below offer 1.4 million square feet of space stocked with amenities and built with all union labor under a Project Labor Agreement.

Project:	181 Fremont
Location:	181 Fremont
Developer:	Jay Paul Company
General Contractor:	Level 10

When opened in Spring 2018, the $850 million mixed-use tower adjacent to the Transbay Transit Center took its place as the tallest residential building on the West Coast. Instantly filling up the first 34 floors with tech tenants, and with only 55 original owners, Park 181 is also billed as one of the most luxurious properties west of the Mississippi. The property's three-bedroom penthouse sold for $15 million.

Project:	**Millennium Tower**
Location:	**301 Mission Street**
Developer:	**Mission Street Development LLC**
General Contractor:	**Webcor**

The Millennium Tower project is a mixed-use, primarily residential development, that it is the tallest residential building in San Francisco. The blue-gray glass, late-modernist buildings are bounded by Mission, Fremont, and Beale Streets, and the north end of the Transbay Transit Center site. Opened to residents on April 23, 2009, 301 Mission includes two buildings: a 12-story tower located on the northeast of the property, and Millennium Tower, a 58-story, 645-foot-tall. In total, the project has 419 residential units, with 53 of those units in the smaller tower. The tower's highest level, 58 floors is listed as the 60th, because floors 13 and 44 are missing for superstitious reasons. Resident services include a private concierge and access to the 20,000-square-foot Owner's Club Level, which features amenities such as a private lounge, wine cellar, and fitness center. In May 2016, residents were informed the main tower was both sinking and tilting, resulting in several lawsuits concerning repair costs and whether the tilt had been withheld from buyers. The litigation action is pending.

The subject location is in Zone 1 and similarly has been developed with similar major projects on adjacent Blocks 1, 5, 6 and 7.

Location:	**Block 1 – 160 Folsom**
Developer:	**Tishman Speyer**
General Contractor:	**LendLease**

Transbay Block 1, at 160 Folsom Street, is a thirty-nine story, 393-unit, OCII-sponsored affordable housing project featuring 237 market rate condominiums and 156 condominiums affordable to families earning 80% to 120% of area median income (AMI). The site also contains 6-story and 8-story podiums. The project includes three rooftop decks and a central courtyard for use by all tenants. The building is currently targeting LEED Gold status as it seeks to reach exceptional sustainability marks. 160 Folsom Street is one of the centerpieces of the Transbay Redevelopment Project Area, as it sits directly adjacent to the San Francisco Bay. Studio Gang Architects has created an architectural design that takes elements of the bay window and incorporates them into the tower's structure. The developer Tishman Speyer has prioritized affordable housing within TB 1 providing 40% of the units designated below market rate (BMR).

Project:	**Block 5 - Park Tower**
Location:	**Howard and Beale**
Developer:	**A joint venture of the John Buck Company and Golub & Company**
General Contractor:	**Clark Construction Group**

Park Tower at Transbay is a 43-story, 605-foot office skyscraper located on Block 5 of the San Francisco Transbay development plan at the corner of Beale and Howard Streets. The 743,000 square feet office building in the Transbay Transit District made headlines when it leased the entirety of its available space to Facebook prior to its opening.

Location: **Blocks 6/7 – 280 Beale**
Developer: **Golub & Company Mercy Housing**
General Contractor: **Cahill**

Transbay Block 6 at 280 Beale is one component of the Transbay Blocks 6/7 development. Another component is the Solaire, a development located on Block 6 with 409 market-rate apartments in a 32-story residential tower and 7 townhomes. 280 Beale is an eight story, 70-unit, OCII-sponsored affordable housing project featuring 70 apartments affordable to families earning 50% or below of area median income (AMI). The project includes a community room available for use by all tenants and publicly open space. A solar hot water heating system and a vegetated roof are among the building's sustainable design features. On Transbay Block 7, 255 Fremont / 222 Beale, is a 120-unit, OCII-sponsored affordable housing project featuring serving families between 40% and 50% of the area median income (AMI). Transbay Blocks 6/7 is the first collaborative venture of affordable and market rate housing built in the Transbay neighborhood with Mercy Housing California developing the affordable housing and Golub & Company developing the Solaire.

The immediate vicinity of the subject Transbay neighborhood has become San Francisco's newest and most attractive project area (among several others) with appealing amenities such as Salesforce Park and the Transit Center. The new development and growth in and surrounding Transbay has created a favorable environment for business employment, market and affordable housing and open space for a variety of families and household types. Given the scarcity of housing in San Francisco, and based on community and municipal support, affordable housing and open space is deemed to be the highest and best use given low vacancy rates and increasing rents in the neighborhood.

C. Site Descriptions

1. Introduction

The subject properties comprise numerous San Francisco County Assessor parcels contained within Redevelopment Agency Blocks identified as Transbay Block 2 and Transbay Block 3 that make up the majority of land within the larger San Francisco County Assessor parcels Block 3739. These Block and parcel references are further defined to assist the reader in understanding the highest and best use conclusions and subject valuations.

The immediate vicinity of the subject neighborhood is identified as the San Francisco County Assessor's Block 3739 that consists of five Assessor's Lots. Block 3739 is bounded by Beale Street on the west, Howard Street on the north, Main Street on the east and Folsom Street on the south. Block 3739 includes five San Francisco County Assessor parcels identified as APN 3739-002, -004, -006, -007 and-008. All five parcels are under the same ownership; Transbay Joint Powers Authority, a joint powers agency under California Government Code Sections 6500 et. seq. The continuity of ownership is an important element in determining what is referred to as the Larger Parcel and the highest and best use of the four subject parcels.

The identification and square foot size characteristics for the individual parcels within **Assessor Block 3739** and the aggregate are summarized below.

BLOCK 3739 SUMMARY

Transbay Block	3739-002 SF	3739-004 SF	3739-006 SF	3739-007 SF	3739-008 SF	Total SF
Block 4	0	0	0	0	45377	**45377**
Tehama	44	0	0	0	10957	**11000**
Block 3	9108	0	6018	0	24835	**39961**
Clementina	0	0	2958	0	9417	**12375**
Block 2	0	8411	0	734	33481	**42627**
Total	**9151**	**8411**	**8977**	**734**	**124066**	**151340**

As listed Transbay Block 2 forms the south face of Assessor Block 3739. Transbay Block 3 forms the center of Assessor Block 3739. Transbay Block 4 forms the north face of Assessor Block 3739, but it is excluded from the subject valuation.

Please refer to the following aerial photographs and graphic illustrations that further identify the location and configuration of the above parcel references.

In its entirety **Transbay Block 2** includes San Francisco County Assessor parcels APN 3739-004, APN 3739-007 and the southern area of APN 3739-008. However, only APN 3739-004 and APN 3739-007 form the subject property. In its entirety **Transbay Block 3** includes San Francisco County Assessor parcels APN 3739-002, APN 3739-006 and the central area of APN 3739-008. However, only APN 3739-002 and APN 3739-006 form the subject property. The subject **Clementina Street** includes the southern perimeter of APN 3739-006 and the central area of APN 3739-008. The subject **Tehama Street** includes the central area of APN 3739-008, and a small tangential point of APN 3739-002.
The subject properties exclude Block 4 forming the north perimeter of the Block 3739 that is slated to support the proposed Block 4 joint venture market rate and affordable housing development by Hines and Mercy Housing.

The subject parcels are summarized below.

SUMMARY OF SUBJECT PROPERTIES

Transbay Block	Subject 3739-002 SF	Subject 3739-004 SF	Subject 3739-006 SF	Subject 3739-007 SF	TOTAL SF	USE
Larger Parcel Block 2	0	8411	0	734	9145	(2) Affordable Multi-Family Projects
Larger Parcel Block 3	9108	0	6018	0	15126	PARK
Clementina	0	0	2958	0	2958	STREET
Tehama	44	0	0	0	44	STREET

2. *Transbay Block 2 – Larger Parcel*

Block 2 is framed by Folsom, Main, Beale and Clementina Streets within the Zone 1 of the Redevelopment Plan for the Transbay Redevelopment Project. Transbay Block 2 is a level rectangular site bordered on the north by the proposed extension of Clementina that links it to the Transbay Block 3 park feature to the north. The proposed development characteristics for Transbay Block 2 are presented later in the report.

In its entirety **Transbay Block 2** includes San Francisco County Assessor parcels APN 3739-004, APN 3739-007 and the southern area of APN 3739-008. However, only APN 3739-004 and APN 3739-007 comprise the subject property.

The subject San Francisco County Assessor parcel APN 3739-004 is an irregular rectangular shaped parcel forming the corner of Main and Folsom that was once improved with a 2-story commercial building now demolished for use of the site as the Temporary Terminal. Adjacent to it, the subject San Francisco County Assessor parcel APN 3739-007 is a small (sub-standard) mid-block irregular rectangular shaped parcel improved with a 2-story commercial building now demolished to support the former use of the site as the Temporary Terminal.

The combined area of the two subject parcels totals 9,145 SF and is slated to support a 100% affordable housing project. However, as these subject parcels are adjacent to the southern area of APN 3739-008 that is under the same ownership (and control) and that is also slated to support the same affordable housing use, their singular development maximizes their utility forming a Larger Parcel[2] that in total contains 42,467 SF. Therefore, the highest and best use of the subject parcels is for their contribution to the Larger Parcel that forms the basis for their valuation.

3. *Transbay Block 3 – Larger Parcel*

Block 3 is framed by Main, Beale, Clementina and Tehama Streets within the Zone 1 of the Redevelopment Plan for the Transbay Redevelopment Project. The Block 3 site is level and rectangular served by all adjacent utility services to support public park improvements as planned with good access fronting Main and Beale Streets. Block 3 is bordered on the south by the proposed extension of Clementina Street and adjacent to the Block 2 affordable housing development. Block 3 is bordered on the north by the proposed extension of Tehama. The proposed development characteristics for Transbay Block 3 are presented later in the report.

In its entirety **Transbay Block 3** includes San Francisco County Assessor parcels APN 3739-002, APN 3739-006 and the central area of APN 3739-008. However, only APN 3739-002 and APN 3739-006 comprise the subject property.

The subject San Francisco County Assessor parcels APN 3739-002 and APN 3739-006 are irregular rectilinear shaped mid-block parcels fronting Main Street that were once improved with a 2-story commercial building now demolished to support the former use of the site as the Temporary Terminal.

The combined area of the two subject parcels totals 15,126 SF and are slated to support a public park. However, as these subject parcels are adjacent to the central area of APN 3739-008 that is under the same ownership (and control) and that is also slated to support a public park use, their singular development maximizes their utility forming a Larger Parcel that in total contains 39,961 SF. It is noted that on their own each of these three parcels are highly irregular in shape and without a combined use, none of the sites form a cohesive or efficient shape. Therefore, the highest and best use of the subject parcels is for their contribution to the Larger Parcel that forms the basis for their valuation.

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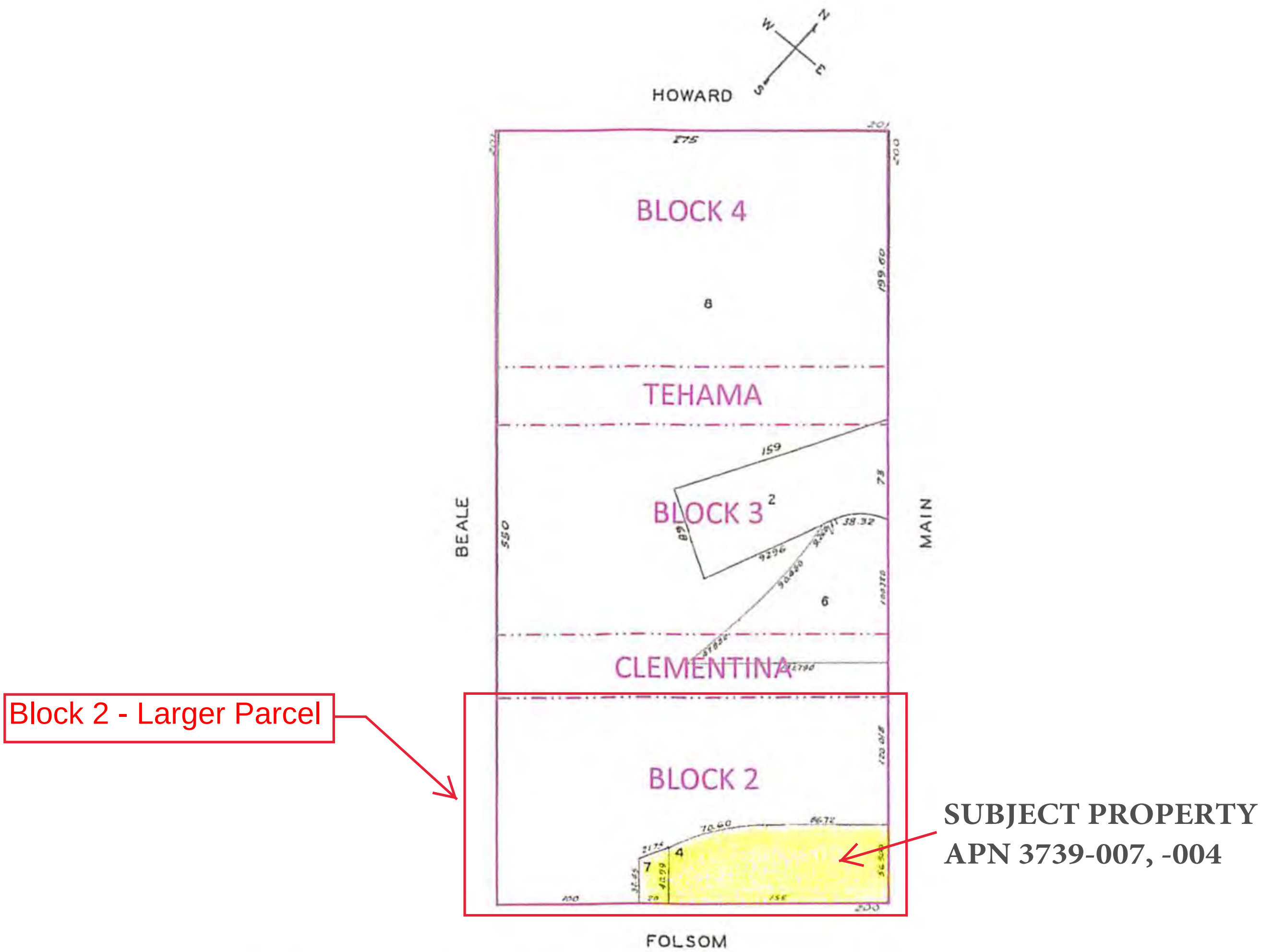
[2] The concept of the Larger Parcel is applicable when tracts or parcels of land are under the beneficial control of a single individual or entity and have the same, or an integrated highest and best use. Transbay Block 2 and Block 3 development potential is established by Development Controls and Design Guidelines (DCDG) for the Transbay Redevelopment Project. The Appraisal Instruction for the valuation of Block 2 (that includes subject APN 3739-004 and APN 3739-007 parcels) identifies its required use is to support a 100% affordable housing project, and for the valuation of Block 3 (that includes subject APN 3739-002 and APN 3739-006 parcels) identifies its required use is to support a public park. Other factors related to the subject parcels size and irregular shape also contribute to their integrated highest and best use.

ATTACHMENT 2

Transbay Redevelopment Blocks 2-3-4/
Assessor's Block 3739*

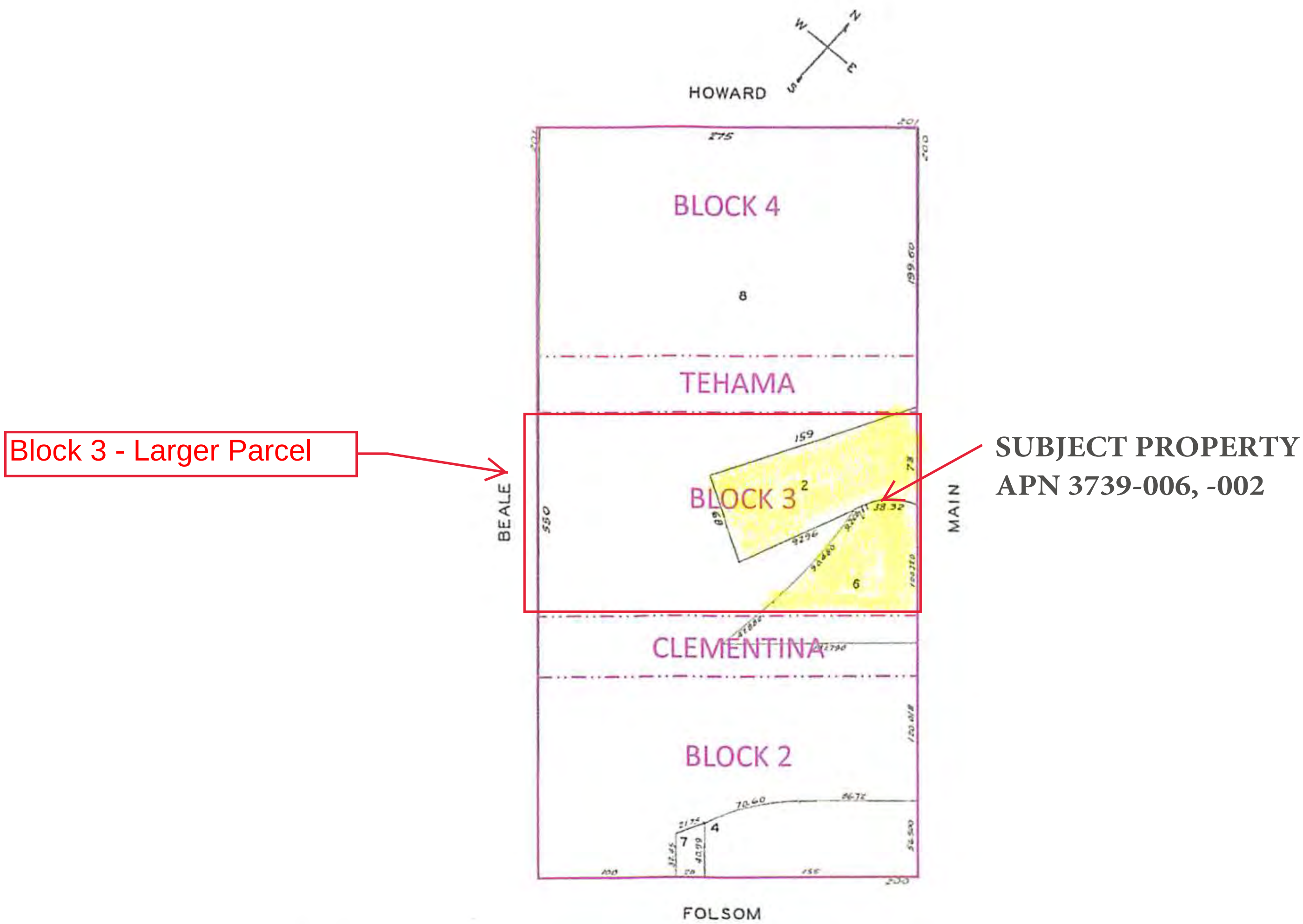


*For Informational Purposes Only – Not Drawn to Scale

PARCEL MAP AND LOCATION OF SUBJECT PROPERTIES

ATTACHMENT 2

Transbay Redevelopment Blocks 2-3-4/
Assessor's Block 3739*



For Informational Purposes Only – Not Drawn to Scale

PARCEL MAP AND LOCATION OF SUBJECT PROPERTIES

4. Clementina Street and Tehama Street

In addition to the subject properties supporting affordable housing and park development on Transbay Blocks 2 and 3, respectively, the subject properties include the proposed extension and construction of Clementina Street and Tehama Streets to the south and north of Block 3, respectively. Redevelopment of large blocks typically include redesign for cross-block vehicular and pedestrian access. Clementina Street straddles the subject property APN 3739-006 and as well as a portion the non-subject APN 3739-008 parcel. Tehama Street relies on a tangential point on the subject property APN 3739-002, and as well as a portion the non-subject APN 3739-008 parcel.

Like the subject parcels associated with the use and development potential of Transbay Block 2 and Transbay Block 3, the three parcels referenced above are all under the same ownership, and their combined uses support a compatible design for the overall development of Assessor Block 3739.

The proposed street improvements slated for Clementina and Tehama are illustrated below from the images of similar City and County of San Francisco Department of Public Works (DPW) street improvements on Clementina extending west from Beale Street to Fremont Street, and another image of a private section of Clementina Street extending immediately west from Beale Street across from Transbay Block 2. The subject streets are designed to DPW standards but are envisioned to be more highly improved to reflect the environmental character of the image of the private section of Clementina Street, as they both flank the proposed public park slated for Transbay Block 3.

The intended public use of the park and the streets (public rights of way) represent non-economic uses. Their uses are tantamount to infrastructure improvements serving a larger neighborhood area where their underlying land value has been transferred to enhance the value of adjoining blocks and parcels supporting vertical development that benefit from public use and supporting infrastructure assets.

5. Topography and Utilities

The properties within Assessor Block 3739 (including Transbay Block 2 and Transbay Block 3) are currently level at grade with the surrounding street pattern and neighborhood. As infill development sites each is adequately served by surrounding infrastructure and public/private utilities including water, sewer, storm drainage, natural gas and electricity, and telecom to support their intended use.

6. Soils and Geotechnical Considerations

For this analysis, no geotechnical data was provided for the proposed residential development to be constructed on Block 2, public park improvements on Block 3, and street improvements on Clementina and Tehama. It is assumed Soils and Geotechnical Considerations are adequate to support their planned development.

7. Seismic Conditions

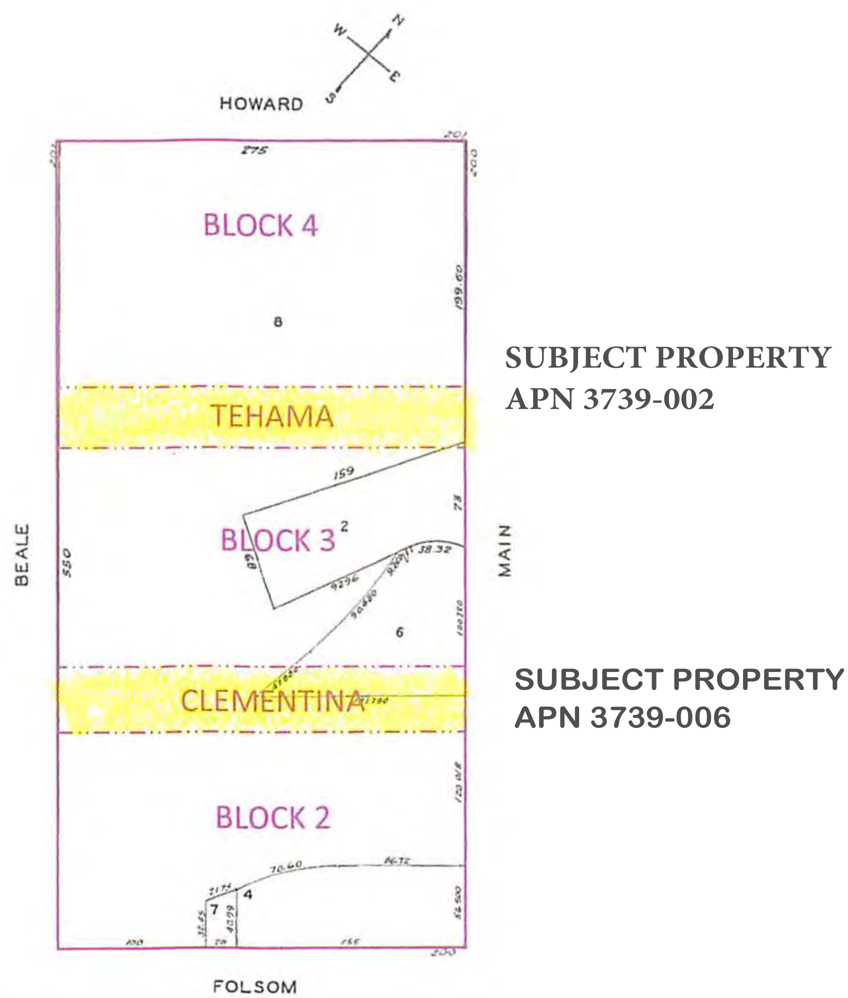
There are reportedly no active faults on the subject property. However, San Francisco is well known for its risks and principal seismic hazards is ground shaking and potential for localized liquefaction.

8. Environmental Contamination and Conditions

The subject's historical uses are described above. The appraiser is not aware that other sites in the vicinity have been exposed to contamination conditions. In estimating the value of the subject properties, the Appraisal Instruction states they shall be considered as a part of a master planned community in an urban setting and assume that the sites are clean of toxic contamination, vacant of any existing improvements, and are ready for development.

ATTACHMENT 2

Transbay Redevelopment Blocks 2-3-4/
Assessor's Block 3739*



**For Informational Purposes Only – Not Drawn to Scale*

PARCEL MAP AND LOCATION OF SUBJECT PROPERTIES

9. Zoning

The Redevelopment Plan establishes the land use controls for the Transbay Project Area and divides it into two sub-areas: Zone 1, in which the Development Controls and Design Guidelines (DCDG)[3] defines the development standards, and Zone 2, in which the San Francisco Planning Code applies. OCII has land use jurisdiction over development in Zone One; the Planning Department has land use jurisdiction over Zone 2 under a delegation agreement with OCII. The subject properties are located in Zone 1.

Future development of Block 2 is limited by the existing zoning and land use controls of the Redevelopment Plan and the DCDG. Block 2 will support two future development pads referred to by the orientation in the block as "East" and "West". Under the DCDG, the vertical development area on the site is bifurcated by an at-grade mid-block pedestrian mews. The western portion of the site ("2 West") allows maximum heights in established developable areas of 50 feet and 85 feet, while the eastern portion of the site ("2 East") allows maximum heights in developable areas of 50 feet, 85 feet, and 165 feet. The Appraisal Instruction for Block 2 sets forth a 100% affordable housing use limitation slated for both "2 East" and "2 West" has a significant impact on the valuation of the subject property. The economic impact and valuation of the affordable use limitation is presented herein.

It is understood the background for the Appraisal Instruction is based on at least two letters provided to the appraiser dated February 9, 2018 and July 10, 2018 presented in the appendix of this report. The TJPA and the Successor Agency previously agreed that prior development within the Transbay Project Area generated "surplus" value from formerly Caltrans-owned parcels because they had higher levels of unrestricted, market-rate housing than would have been required under the Transbay Affordable Housing Obligation. In light of this surplus value, the TJPA and OCII assumed that Agency Block 2 would be developed for 100% affordable housing (and related public rights of way). Both letters are co-signed by the Executive Directors of the OCII and TJPA. It is noted these letters (and the Appraisal Instruction) rely on interpretation and application of legal citations and agreements. The intended users of this report are required to review the content of these letters. Any interpretation and application of stated legal principles is beyond the scope of the appraiser's expertise, other than to conclude there appears to be reasonable probable support for reliance on the qualified appraisal instruction.

Future development of Block 3 is limited as well by the Redevelopment Plan and the DCDG. Block 3 will support a future public park (and related public rights of way). The aforementioned comments for Block 2 apply to the analysis prepared for Block 3 as set forth in the Appraisal Instruction. The non-economic impact of the public use limitation is presented herein for it in addition to the related public rights of way.

The stated uses under the Appraisal Instruction are deemed to represent the Highest and Best Use of the subject properties.

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[3] The Development Controls and Design Guidelines for the Transbay Redevelopment Project (the "Development Controls and Design Guidelines") is a companion document to the Redevelopment Plan for the Transbay Redevelopment Project (the "Plan"). The Plan, as approved by the San Francisco Board of Supervisors, establishes the Goals and Objectives and the basic land use standards for the Transbay Redevelopment Project Area (the "Project Area"). These Development Controls and Design Guidelines and the San Francisco Planning Code (the "Planning Code") provide legislated development requirements and specific design recommendations that apply to all development within the Project Area. The Transbay Redevelopment Project Area Design for Development (the "Design for Development") is another companion document to the Plan that contains broad conceptual frameworks for land use, urban form, streets and public spaces within the Project Area. The Design for Development provides conceptual frameworks for development in the Project Area. The Plan, the Development Controls and Design Guidelines, and the Planning Code are designed to guide development in the Project Area toward the vision contained in the Design for Development, and thus are the controlling documents for all development. The Development Controls and Design Guidelines supersede the Planning Code unless otherwise noted in this document. In the event of any conflict between the Development Controls and Design Guidelines and the Plan, the Plan shall control. The Design for Development is not a controlling document. The Redevelopment Agency (the "Agency") may also enter into disposition and development agreements, loan agreements, grant agreements or other agreements related to development projects within the Project Area. Such agreements may contain additional controls and guidelines specific to the development site as well as design review and document approval procedures.

10. Special Tax Districts

The subject properties are located the East Cut Community Benefit District ("ECCBD"), formerly known as the Greater Rincon Hill Community Benefit District Engineer's Report[4], the GRHCBD will provide activities either currently not provided or are above and beyond what the City of San Francisco provides. Every individual assessed parcel within the GRHCBD receives special benefit from the activities identified under Section B of this Report. Only the assessed parcels within the CBD receive the special benefit of these proposed activities; parcels contiguous to and outside the GRHCBD and the public at large may receive a general benefit, as outlined in Section D. The cost to provide general benefits, if any, will be funded from sources other than special assessments.

Greater Rincon Hill GRHCBD determined the priority for improvements and activities that the GRHCBD should provide. The primary needs as determined by the property owners are: Public Safety and Cleanliness, Parks and Greenspace Maintenance, and Communication and Development. All of the GRHCBD's activities and improvements are to enhance and not replace or duplicate City-provided services. Assessments will fund supplemental activities and improvements to each parcel within the GRHCBD boundary above and beyond the activities each parcel receives from the City through payment of its general property taxes. The special benefit from the GRHCBD activities and improvements must affect the individual assessable parcel in a way that is particular and distinct from its effect on other parcels and that real property in general and the public at large do not share.

The duration of the GRHCBD is fifteen (15) years, commencing July 1, 2015. An estimated budget for the GRHCBD improvements and activities is set forth in Section F. By vote of the GRHCBD Board of Directors, the budget may be increased by the amount of increase in the Bay Area Consumer Price Index (CPI), up to a maximum of 3% per year (no planned increase for FY 20-21); and an additional 5% for new development, for a total maximum assessment increase of 8% annually. Funding for the GRHCBD improvements and activities will be derived from a property-based assessment of each specially benefitted parcel in the GRHCBD in proportion to the benefit received.

The amount of special assessment is based on the following formulas,

> Block 2: It is the sum of lot and building square footage x $.06428 (the affordable housing rate).
> Block 3: It is the sum of lot size and building square footage x $.08571.

In addition, the subject properties are subject to Communities Facilities District No. 90-1. However, it is noted that for Block 3; Parcels owned by a public agency and used for a public purpose are exempt. For Block 2, starting in 2010, the special tax is $16.10 per dwelling unit on each parcel, adjusted annually by CPI. It is reported property owners may apply for an exemption for units occupied by senior citizens representing the intended use of the East Building. Finally, the subject properties are not subject the Transbay CFD No. 2014-1 special tax.

11. Conclusion

Transbay Blocks 2 and 3 represent infill potential development site that could fulfill the objectives of the Transbay Redevelopment area's objectives by addressing housing shortages and could provide financial returns to the City. Most importantly, its proximity to BART, MUNI, and other modes of transportation renders the location of Block 2 and 3 ideal from a transportation perspective and preferred for development investment. Future residents of Block 2 can easily travel to any part of San Francisco and many parts of the Bay Area via BART, Muni, or other modes of transportation.

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[4] A complete copy of the GRHCBD Engineer's Report is retained in the appraiser's work files. The Report contains 8 sections labeled A – H. Section B, D and F are particularly relevant for the subject outlining the term and special benefits they receive.

D. Proposed Development

1. Transbay Block 2 – Vertical Development

As set forth in the appraisal instruction, the valuation of Block 2 identifies its required use to support a 100% affordable housing development. Under the Transbay Development Controls and Design Guidelines ("DCDG"), the vertical development area on the Block 2 site is bifurcated by an at-grade mid-block pedestrian mews. The western portion of the site ("2 West") allows maximum heights in established developable areas of 50 feet and 85 feet, while the eastern portion of the site ("2 East") allows maximum heights in developable areas of 50 feet, 85 feet, and 165 feet. The 100% affordable housing use limitation is slated for both "2 East" and "2 West" indicating the former will serve for senior affordable housing and the latter for family affordable housing. These are further defined with the Block 2 East rental project targeting Low-income seniors age 62+ (including 20% of senior units designated for formerly homeless senior households) and the Block 2 West rental project targeting Low-income families (including 20% designated for formerly homeless households). The targeted tiered income levels up to 80% of area median income (as established by the San Francisco Mayor's Office of Housing and Community Development) (" AMI") are allowable, provided that the average AMI of all affordable units is at or below 60% AMI.

The client has provided two development scenarios for Block 2 that vary only slightly.

Scenario 1

	Block 2 West: Family Project	Block 2 East: Senior Project	Total	Notes
Program				
Residential SF	64,500	91,300	155,800	
Other SF	36,025	80,910	116,935	Retail, common spaces, circulation, utility
Total Square Feet (Gross)	**100,525**	**172,210**	**272,735**	
Unit Mix				
1-bed (550 sf)	19	166	185	Assumed all 1-beds for senior analysis, however, this project will include some studios
2-bed (850 sf)	39	0	39	
3-bed (1,100 sf)	19	0	19	
Total Units	**77**	**166**	**243**	
AMI Levels (MOHCD, 2019)				
Unrestricted (manager)	1	1	2	AMIs for this general analysis only. Actual AMIs will range from 30% to 80%. Per OCII/MOHCD policy, averages for each project will be at or below 60%. Senior project is likely to average lower.
55%	76	0	76	
50%	0	82	82	
40%	0	83	83	

Scenario 2

	Block 2 West: Family Project	Block 2 East: Senior Project	Total	Notes
Program				
Residential SF	64,500	93,500	158,000	
Other SF	36,025	78,710	114,735	Retail, common spaces, circulation, utility (does not include basement SF)
Total Square Feet (Gross)	**100,525**	**172,210**	**272,735**	
Unit Mix				
1-bed (550 sf)	20	170	190	Assumed all 1-beds for senior analysis, however, this project will include some studios
2-bed (850 sf)	38	0	38	Unit count increases in Scenario 2 because utilities and bike parking can move to basement level
3-bed (1,100 sf)	20	0	20	
Total Units	**78**	**170**	**248**	
AMI Levels (MOHCD, 2019)				
Unrestricted (manager)	1	1	2	AMIs for this general analysis only. Actual AMIs will range from 30% to 80%. Per OCII/MOHCD policy, averages for each project will be at or below 60%. Senior project is likely to average lower.
55%	77	0	77	
50%	0	84	84	
40%	0	85	85	

As shown **Scenario 1** contains a total of 243 units, including (166) 1-BR senior units in the 16-story East Building, and (77) 1, 2 and 3 BR family units in the 8-story West Building. **Scenario 2** contains a total of 248 units, including (170) 1-BR senior units in the 16-story East Building and (78) 1, 2 and 3 BR family units in the 8-story West Building. Each scenario is developed within a gross building area of 272,735 square feet. According to OCII representatives, the approximate ground floor levels in each building contains 3,100 SF of rentable commercial area in the East building and 4,800 SF of rentable commercial area in the West Building. The selection of the building scenario has yet to be determined. Based on the intended 100% affordable use, neither scenario contributes "positive value" for the Block 2 site. So for purposes of the analysis, the appraiser selects **Scenario** 1 for its contributory valuation to the Block 2 site. As shown the target 40% - 50% AMI for its resident population. This is significant in order to qualify for 4% and 9% Low Income Housing Tax Credit programs, that require units to average 60% AMI or lower.

2. *Transbay Block 3 – Horizontal Development*

The Block 3 "Transbay Park" is a significant public amenity within the Transbay Redevelopment Project Area and was first conceptualized in the Transbay Redevelopment Plan and its accompanying documents. Specifically, the DCDG establishes the zoning for Block 3 as a public park. Redevelopment Plan, Exhibit 4, Zone One Plan Map; DCDG, Map 3, The future public park improvements will be entitled by OCII, in collaboration with SFPW, who will act as OCII's contractor for design and construction. OCII and SFPW initiated public outreach and design work on Transbay Park in early 2020. The Block 3 Park encompasses approximately one acre and is envisioned to include a plaza, a children's play area, and green open spaces to serve persons of all ages.

Due to the high density of the surrounding uses, the Transbay Park will serve as the neighborhood "living room." The Transbay Park design goals include creating facilities that maximize utilization by surrounding residents, workers and visitors; providing a play element for young children; and minimizing maintenance costs through sustainable design. The programming is anticipated to include a mix of active recreation and passive open space and shall include uses for children ages 1-12. Ideally, the project would be energy and water net zero. Upon completion of the Transbay Park Project, OCII will transfer the park to the City and County of San Francisco. The San Francisco Public Works Department manager estimates the cost to design the Block 3 park, Clementina Street, and Tehama Street, and to construct the park and Clementina Street at $25 million.

The intended public use of the park represents a non-economic use, and the impact of the public use limitation on their contributory value is presented herein.

3. *Proposed Development – Clementina Street and Tehama Street*

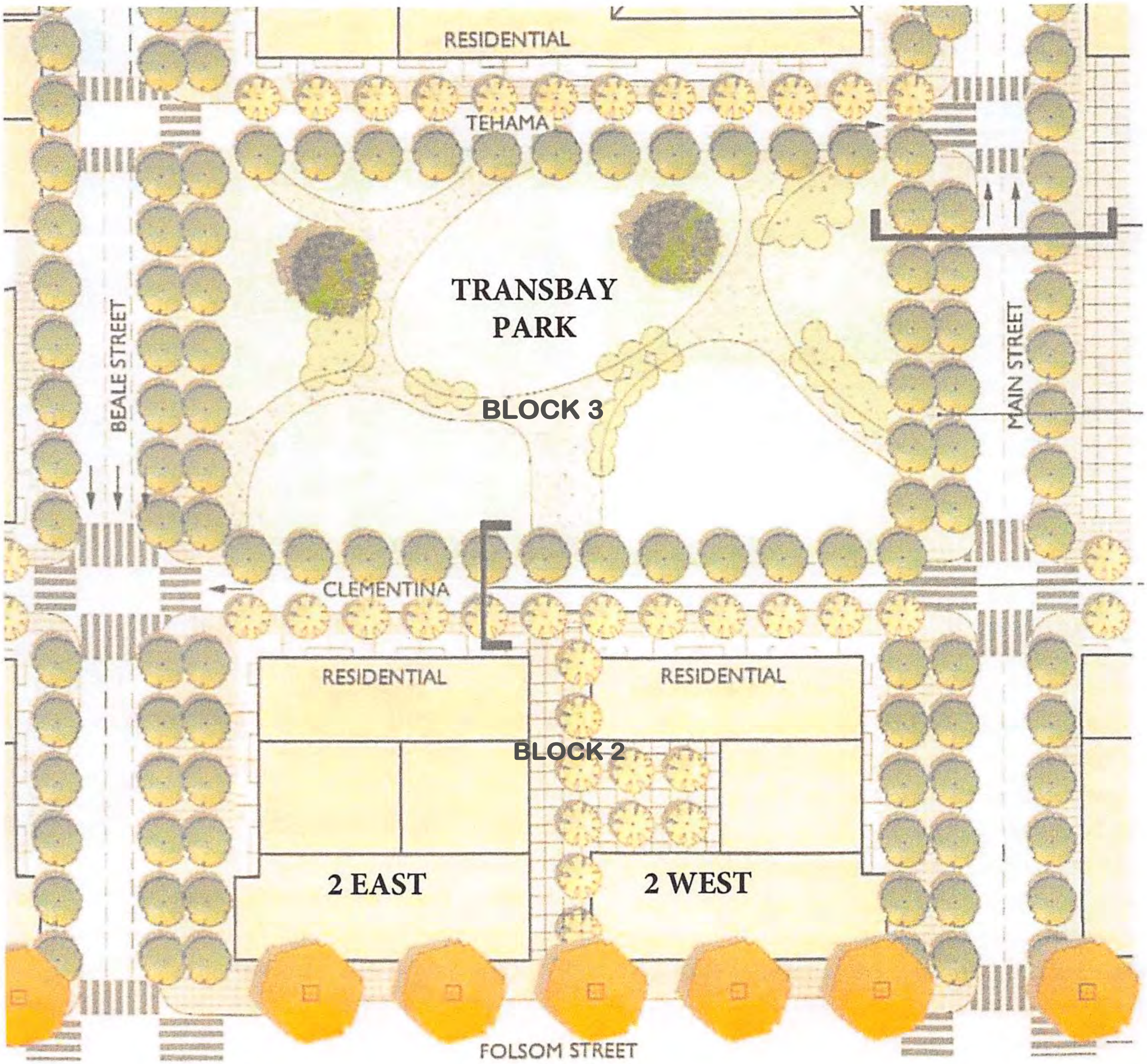
The proposed street improvements slated for Clementina and Tehama are illustrated below from the images of similar City and County of San Francisco Department of Public Works (DPW) street improvements on Clementina extending west from Beale Street to Fremont Street, and another image of a private section of Clementina Street extending immediately west from Beale Street across from Transbay Block 2. The subject streets are designed to DPW standards but are envisioned to be more highly improved to reflect the environmental character of the image of the private section of Clementina Street, as they both flank the proposed public park slated for Transbay Block 3.

The intended public use of the streets (public rights of way) represent non-economic uses, and the impact of the public use limitation on their contributory value is presented herein.

4. *Conclusion - Proposed Development*

Exhibit A illustrates the proposed use and development for Block 3, Clementina and Tehama Streets, (and as well the orientation of the "East" and "West" building on Block 2. No details have been provided as to the proposed site improvements, or street improvements, other than as illustrated. However, these uses are deemed public use characteristics, and do not represent economic uses. Their uses are tantamount to infrastructure improvements serving

EXHIBIT A


RESIDENTIAL
TEHAMA
TRANSBAY
PARK
BLOCK 3
BEALE STREET
MAIN STREET
CLEMENTINA
RESIDENTIAL
RESIDENTIAL
BLOCK 2
2 EAST
2 WEST
FOLSOM STREET

VIEW OF CLEMENTINA STREET - WEST OF BLOCK 2

VIEW OF TEHAMA STREET - WEST OF BLOCK 3

VIEW OF CLEMENTINA STREET (PRIVATE) WEST OF BLOCK 2 a larger neighborhood area where their underlying land value has been transferred to enhance the value of adjoining blocks supporting vertical development that benefit from public use and supporting infrastructure assets. In this way and at many large projects like Transbay, such as Pier 70, Treasure Island, Balboa Reservoir, The Shipyard, Mission Bay, etc., the land required to required support streets and parks results from master planning and is obtained as an exaction during the entitlement process. Consequently, the subject site encompassing Block 3, Clementina Street and Tehama Street, lacking economic uses, do not contribute positive land value.

E. Legal Description

A legal description for the subject parcels is presented in the Preliminary Title Reports in the appendix.

F. Taxes & Assessments

Since passage of Proposition 13 (Jarvis Gann Initiative) in 1978, Article XIII A of the California State Constitution, requires that real property taxes are limited to 1% of Market Value, as of a specified base year. The base year valuation is the Assessor's 1975 Market Value estimate, unless there is a transfer of ownership (sale), new construction, or the property is leased on a long-term basis. Whenever this occurs, the property is reassessed at full Market Value. If a reassessment is not triggered, the assessed value is trended upward at a maximum of 2% annually. Furthermore, Proposition 13 limits annual taxes to 1%, plus an amortized amount for voter approved bonded indebtedness, of the assessed value. Taxes are levied annually for each fiscal year from July through June. They are paid in semi-annual installments being delinquent in December and April, respectively. Under public ownership the site is currently exempt. However, under the premise of market value, that assumes a transfer of ownership, the subject property may be reassessed to its market value. However, the continued public ownership of Block 3 will exempt it from ad valorem taxes, and Block 2 supporting 100% affordable housing development will also be tax exempt (noting the ground floor retail units may be assessed).

III. Market Analysis - Affordable Housing

1. Introduction

California and in particular San Francisco is facing an affordable housing crisis. While large scale market rate development approval offers significant economic and profit potential for its sponsors, the actual economic burden associated with satisfying affordable requirements is significant as well. The economic burden is due to non-market formulated rental and ownership pricing, based on low-moderate income levels, that does not provide any positive land value since just the high cost of vertical construction of affordable units greatly exceeds the value resulting from such formulated pricing. Thus, there is no contributory value provided by the land required to support affordable units. The value and cost deficit is further dependent on the level of Area Median Income (AMI) targeting potential consumers.

Consequently, in order to mitigate crisis conditions development of affordable housing is achieved in two primary ways. First, development potential of undeveloped land in San Francisco suitable for housing must satisfy its affordable housing requirements. Secondly, unused public land has the potential to promote affordable housing development throughout the state. However, the biggest challenge is financial, how to support development by relying of a variety of financial tools available through public subsidy or tax credits, or private contribution as part of the overall development plan.

The affordable housing requirements for new development in San Francisco have changed recently with the 2016 voter approval of Proposition C. The past and current requirements are outlined below.

Across California, public agencies control significant amounts of unused land that have remained dormant for decades, but are strategically located next to transit, schools, and job opportunities. California's surplus land laws already require such land to be prioritized for purposes of affordable housing, but a narrow scope and lack of clarity within the law prevents surplus land from being used more effectively. Enacted in 1968, the Surplus Land Act requires all local agencies to prioritize affordable housing, as well as parks and open space, when disposing of surplus land. Before local agencies may dispose of surplus land, they are required to give notice to local public entities and organizations involved in affordable housing development. If a preferred entity expresses interest, the parties must enter into good faith negotiations to determine a sales price or lease terms. In 2014, the act was amended to better define a qualified proposal for affordable housing, prioritize proposals providing the most units at the deepest affordability, and provide more realistic timeframes to make offers and negotiate, as well as require that any housing developed on surplus public land provide a minimum number of units affordable.

2. *Affordable Housing Requirements – Competitive San Francisco Sites*

The City and County of San Francisco's Until 2017, required compliance with Section 415 of the Planning Code regarding inclusionary housing requirements. New development mandated that not less than **12%** of **onsite** units would be affordable to low-to-moderate income households, or **20% offsite** units would be provided, or an in-lieu fee would be paid. However, the 2016 voter approval of Proposition C increased the affordable housing requirement under Section 415 of the Planning Code. The increase was raised significantly to **25%** at various AMI levels, although additional legislation exempted projects that were in the pipeline before Jan. 12, 2016 from the 25% requirement. Proposition C also established that the Board of Supervisors could modify the requirements without voter approval in the future. Afterward the BOS directed the Controller's office to conduct a financial feasibility study to identify the maximum feasible requirements. Subsequently a nearly year-long debate ensued and ultimately in Spring 2017 the San Francisco Board of Supervisors agreed to modify the requirement as follows.

New Inclusionary Requirements

Projects with an EEA accepted on or after January 12, 2016 are subject the provisions of Section 415 as amended. Key provisions of the current Inclusionary Program include:

1. **Inclusionary requirements.** For small projects of 10-24 units, all inclusionary units will be provided at 55% of AMI for rental projects, or 80% of AMI for ownership projects. For large projects of 25 or more units, inclusionary units will be provided at three income tiers – at 55%, 80%, and 110% of AMI for rental projects or at 80%, 105%, and 130% for ownership projects. In addition, large rental projects are subject to different rates than ownership projects, as follows:

	Rental Projects	Ownership Projects
Small Projects (10-24 units)		
On-Site	12%	12%
Fee/Off-Site	20%	20%
Large Projects (25+ units)		
On-Site	18%	20%
Fee/Off-Site	30%	33%

2. **Schedule of annual increases.** On-Site requirements for both small and large projects will increase annually on a set schedule beginning on January 1, 2018. For small projects, the rate will increase by 0.5 percentage points until the rate is 15.0%. For large projects, the rate will increase by 1.0 percentage point on January 1, 2018 and January 1, 2019; beginning January 1, 2020 the rate will increase by 0.5 percent points per year until the rate is 24.0% for rental projects or 26.0% for ownership projects. The Fee and Off-Site requirements are not subject to the schedule of annual increase.

   Note that a project's requirement will be determined based on the EEA accepted date and a project will have 30 months from the time of project entitlement to obtain a site or building permit, excepting time for litigation and appeals, or the requirement will be reset to the rate in effect at that time. Please refer to the Inclusionary Program Compliance Affidavit for a detailed list of the future requirements to be in effect by year.

It is interesting to note, however, that many fewer multi-family or mixed-use land sales have occurred since the adoption of these new requirements that may demonstrate the development community's response and value impact for these new higher requirements. The prolific level of historic land sales activity are those that faced the prior affordable housing requirement 12% (on-site) and 20% (off-site) requirement, noting the vast majority of the projects opted to satisfy their requirement on-site (12%). The higher requirements have resulted in declining residential land acquisitions.

In terms of preservation of existing affordable units, several large San Francisco multi-family projects were developed that relied upon issuance of bonds secured by deeds of trust and that were also co-insured by the Secretary of Housing and Urban Development acting through the Federal Housing Administration ("FHA") pursuant to Section 244 of the National Housing Act of 1934. Use of the bonds required the project to comply with numerous affordability obligations to occupants of low or moderate income typically no longer than 30 years from issuance of the first Certificate of Occupancy. Similarly, under the terms of Owner Participation Agreements a percentage of dwelling units were required to be offered to low income and moderate-income households for a period of no more than 21.5 years or separately until mortgage revenue bond financing matured and owners could impose market rate obligations. Several of these projects are terming out from their 21.5 – 30 year obligations. Rather than to let the low-income rental covenants lapse on those projects soon to mature, the Mayor's Office has extended or made permanent their affordability by acquiring continued occupancy rights based on the economic differential between market and affordable rent levels projected over time.

3. *Affordable Housing Requirements – San Francisco Public Land for Housing*

The City od San Francisco established a Public Land for Housing program in 2014 (formerly the Public Sites Program), wherein City agencies examined underutilized City-owned sites for housing potential. The interagency committee site selection process was informed by the general plan, Planning Code section 101.1(b), the Surplus City Property Ordinance (San Francisco Administrative Code chapter 23A), San Francisco Charter section 8A.115 (the Transit First Policy), the San Francisco Health Care Services Master Plan, San Francisco Municipal Transportation Agency's (SFMTA's) Real Estate & Facilities Vision for the 21st Century, the SFPUC Land Use Framework, and the City & County of San Francisco Consolidated Plan.

In November 2015, the San Francisco electorate approved Proposition K. The ballot measure expanded allowable uses of surplus public land to include affordable housing. Under Proposition K, surplus property developments with 200 or more units would allow mixed-income projects and would also require at least 33% of the housing in each such development to be made permanently affordable to low- and moderate-income households. Most recently, among other state and local legislative actions to mitigate the crisis that precede it, AB 1486 was passed by voter approval and took effect January 1, 2020. The legislation clarifies and strengthens provisions in the Surplus Land Act that promotes the use of public land for affordable housing projects.

To combat San Francisco's affordability challenges San Francisco Planning and the Mayor's Office of Economic and Workforce Development are collaborating with the City's enterprise agencies to redevelop publicly-owned land into housing. Using innovative strategies, these development opportunities seek to provide revenue to the enterprise agency while creating other vital public benefits such as affordable housing. By structuring these projects as public-private partnerships, the City can create critical wide-reaching public benefits such as parks and open space, jobs, and affordable housing.

San Francisco voters approved the creation of the City's Housing Trust Fund in 2012 and have approved several bond programs to fund affordable housing, including a $600 million General Obligation Affordable Housing Bond (Proposition A) in November 2019. Over one-third of the funds from Proposition A are dedicated to the construction, acquisition, and rehabilitation of permanently affordable rental housing serving individuals and families earning from 0% to 80% Areawide Median Income (AMI), and one-quarter of the funds are dedicated to the construction of new affordable senior housing, representing $370 million in bond funding for these two purposes. The development of affordable housing meets several of the Proposition A funding priorities including new construction in an area with limited affordable housing production (including for seniors), proximity to transit, and the ability to leverage non-City funding as further described below.

4. Low Income Housing Tax Credit (LIHTC) program

In support of achieving significant affordable housing access to various financing instruments and available programs like those noted above; public subsidy and eligibility for Low Income Housing Tax Credits is available to contribute to the sources and uses of funds to support a project site's financial feasibility and valuation.

The federal Low Income Housing Tax Credit (LIHTC) program provides a federal tax credit incentive for the construction and rehabilitation of apartments that are rented to lower income (LI) households at affordable rents. LI households are defined as households with incomes at or below 80 percent (%) of AMI, although a key focus of the LIHTC program is to serve households with incomes at or below 60% AMI.

The State of California receives an annual allocation of tax credits from the federal government, and the California Tax Credit Allocation Committee (CTCAC) administers the federal LIHTC program, awarding tax credits to developers of affordable rental housing through a competitive process. California also has a companion state tax credit program to augment the federal tax credits, which is also administered by CTCAC.[5] Both the federal and state LIHTC programs were created to promote private investment in affordable rental housing for LI households (LIHTC projects).[6]

In California, LI projects that receive an allocation of federal and/or state tax credits must remain affordable to LI households for 55 years. CTCAC verifies that the developers have met all the requirements of the program and ensures the continued affordability and habitability of these developments for 55 years.

The federal LIHTC program is designed to subsidize a portion of the cost of an LI housing unit. Two types of federal tax credits are allocated to LI projects under LIHTC:[7]

- The "9% tax credit" contributes to a higher share of project cost based on a 70% present value credit (PVC), and since 2015, Congress has specified that the minimum tax credit rate should be at least 9%.[8] The 9% tax credit is for non-federally subsidized buildings, and a limited amount of these tax credits are allocated annually to California based on a population. CTCAC awards these credits through a competitive process twice annually based on how well projects score based on a robust set of scoring criteria.

- The "4% tax credit," which is specified in federal tax code as the 30% PVC, is dedicated to the acquisition and rehabilitation of projects or provided to projects that are funded tax-exempt bonds. Each month, the Internal Revenue Service publishes the credit percentages that apply to LIHTC projects that are placed in service that month. In January 2020, the rate was 3.18%, and the rate has trended downward since the beginning of 2019. In California, 4% tax credits derive from a project's use of tax-exempt bond authority that is allocated by the California Debt Limit Allocation Committee (CDLAC) and are limited only by the amount of bond cap allocated to California by Congress. As demand for tax exempt bonds and 4% tax credits for LI projects has increased in California, receiving an allocation of credits has become more competitive but typically most projects are anticipated to receive 4% tax credits although it may require submittal in more than one application round. This appraisal

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[5] California Assembly Bill 101 (AB 101) provides $500 million additional state low income housing tax credits for 4% credit new construction multifamily housing projects that can begin construction within 180 days from award (4% + state credit NC).

[6] https://www.treasurer.ca.gov/ctcac/program.pdf

[7] https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work

[8] The LIHTC statute originally specified that the IRS would periodically reset the specified credit percentages to maintain the present value of the 10-year stream of tax credits at either 70% or 30% of the qualified basis. The Protecting Americans from Tax Hikes ("PATH") Act of 2015 permanently extended a minimum 9% tax credit rate for non-federally subsidized new buildings eligible for 70% PVC.

assumes that affordable housing projects on Block 2 would receive an allocation of tax exempt bonds and 4% tax credits. [9]

The tax credit rate (e.g. 3.18% in January 2020 for 4% tax credits) refers to the percentage that is multiplied against a project's "qualified basis" to determine the amount of annual federal credits that can be awarded to a project by CTCAC. Project owners can take the annual tax credit each year for ten years. The qualified basis equals the fraction of the eligible cost[10] of a LI rental development that is rented to tenants meeting the LI income tests.

As described earlier, California has a state tax credit program to augment the federal tax credit program. These are one-time credits taken over four years (not ten years like federal tax credits). According to CTCAC, 85% of the state credits are integrated with 9% tax credit projects and awarded through the same competition while 15% of the state credits are reserved for 4% tax credit projects, and applicants compete for these state credits in a separate competition.[11] Given this, the appraisal does not assume that a typical affordable apartment under the 100% scenario would receive an allocation of 9% or state tax credits, although these types of tax credits are included as potential public subsidy sources that could help fund a portion of the development, as further described below.

Developers and their intermediaries raise private capital for LI projects through the syndication and sale of these tax credits to investors. The amount of investment capital that can be raised is based on a marketplace that constantly changes depending on the demand for tax credits from potential investors, which are typically large corporations, and their long term return expectations.[12]

Typically, investors do not expect their equity investment in a LI project to produce income but rather use the tax credits and other tax benefits (such as depreciation) to offset their income tax liabilities.[13] Investors often use an internal rate of return calculation to establish how much they are willing to pay for the tax credits, which takes into account the time horizon for the tax credits (i.e. ten years for federal credits, potential tax losses, project income and the investor's applicable tax rate.

Historically, the LIHTC investor base across the United States has migrated from individuals purchasing tax credits for under $.70 per tax credit to corporations purchasing tax credits for $.75 to $.80 per tax credit and to large financial institutions that have been willing to pay more than $.90 per tax credit.[14] According to the Affordable Housing Investors Council (AHIC), which represents many of the nation's largest financial institutions, their members represent more than 80% of the tax credit market. For financial institutions, LIHTC projects are a main component of Community Reinvestment Act (CRA) compliance and represent a significant share of construction and permanent lending activity.[15]

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[9] It is possible that pay-in ratios may be volatile due economic impacts resulting from the onset of COVID-19 pandemic.

[10] Some development costs associated with LI projects are not eligible for tax credits, such as land and related costs, syndication and partnership related costs, lease-up costs, tax exempt bond issuance costs, and other costs to secure financing. Based on a review of recent pro-formas for affordable apartment developments, the eligible basis is typically about 95% of development costs excluding land, but the percentage of development costs that are eligible will range depending on the size of the project and the development costs.

[11] https://www.treasurer.ca.gov/ctcac/program.pdf

[12] An Introduction to the Low-Income Housing Tax Credit, Congressional Research Service, Updated February 27, 2019.

[13] In addition to tax credits, investors receive tax benefits related to any tax losses generated through the project's operating costs, interest on its debt, and deductions such as depreciation. Although investment arrangements vary, limited partner investors typically calculate their investment yield based only the value of the tax credit stream and their share of property losses, particularly depreciation. The developer (sponsor), who maintains a minimal ownership stake as a General Partner, is responsible for the operation of the development, meeting debt obligations and remaining in compliance with LITHC income and rent restrictions.

[14] https://www.jchs.harvard.edu/sites/default/files/disruption_of_the_lihtc_program_2009_0.pdf

[15] https://ahicorg.starchapter.com/images/downloads/ahic_comment_letter_re_cra_anpr_11.19.18.pdf

In the past two decades, tax credit pricing in San Francisco has typically ranged from about $0.85 to $1.05 per tax credit, with the highest pay-in ratios associated with periods of high investor demand from large financial institutions and strong economic performance in the United States. In times of economic distress, investor demand and tax credit pricing can decline significantly, although the federal government could mitigate these negative impacts on pricing as it did in 2009 as part of the American Recovery and Reinvestment Act.

5. Public Subsidies

The appraisal of the subject properties does not address the availability of public subsidy but mentions it only as another financing program to contribute to the sources and uses of funds to support a project's financial feasibility. It is noted the largest source of public subsidy for Transbay Block 2 will likely be what was formerly known as the 20% housing set-aside tax increment, and the non-housing tax increment for Transbay Block 3. The following funding sources could be leveraged to assist the development.

- **Park Bond Proceeds**– California voters have approved several GO bonds to fund parks over the past two decades, with the most recent being Proposition 68, a $4.1 billion GO bond that was approved on June 5, 2018 to fund statewide programs for drought alleviation, water, parks, climate, coastal protection, and outdoor access. Proposition 68 funds, like prior GO bonds, are awarded to park projects across California based on applications submitted to and evaluated by the Office of Grants and Local Services (OGLS) of the California Department of Parks and Recreation in conformance with statutory requirements. Since 2000, OGLS has administered approximately $3 billion in grant funding throughout California for parks.

- **Infill Infrastructure Grant Program (IIG)** – The IIIG program provides grant funding for infrastructure improvements for new infill residential developments that are competitively awarded through an annual Notice of Funding Availability (NOFA) administered by the California Housing and Community Development Department (HCD). For qualifying infill areas, the minimum program grant award is $2 million in urban areas and is limited to $7.5 million for any qualifying project and $30 million to any qualifying infill area.
- **Affordable Housing and Sustainable Communities Program (AHSC)** – The AHSC program provides loan or grant funds for affordable housing developments, housing-related infrastructure, sustainable transportation infrastructure, transportation-related amenities and program costs that support infill, compact development and reduce greenhouse gas (GHG) emissions. Funding for the AHSC Program is provided from the Greenhouse Gas Reduction Fund (GGRF), an account established to receive Cap-and-Trade auction proceeds and administered by the California Strategic Growth Council. AHSC funds are competitively awarded through an annual NOFA process implemented by HCD. The minimum program grant award is at least $1 million, and the maximum loan or grant award is $30 million.
- **Multifamily Housing Program (MHP)** – Low-interest, long-term deferred-payment permanent loans are provided under MHP for rental developments that are affordable to lower income households. Eligible costs include the cost of new construction, service facilities integrally linked to the assisted housing units (such as childcare), real property acquisition, necessary on-site and off-site improvements, reasonable fees, consulting costs, and capitalized reserves. Projects are not eligible to receive MHP Loans if they receive 9 percent federal low income housing tax credits. The maximum MHP loan under the January 2020 NOFA is limited to $20 million per project.
- **Additional Low Income Housing Tax Credit Allocation** – California has a state tax credit program to augment the federal low income housing tax credit program, and affordable apartment developments.

6. Conclusion

In order to estimate the contributory value of the subject Block 2 site, slated to support 100% affordable housing at 50%-60% AMI levels, the analysis that follows examines various financing instruments and available programs like those noted above, to determine support for the site's financial feasibility and valuation.

IV. HIGHEST AND BEST USE

Highest and Best Use is defined as that use which is physically possible, legally permitted, economically feasible and produces the highest return or value.

For the purposes of the valuation, these factors are discussed within the context of the physical condition of the properties and the analysis of their limited use under the Appraisal Instructions and the DCDG. Each of the Highest and Best Use factors is related, but none more significantly than the legal constraints.

Based upon the appraiser's analysis of these factors, it is the appraiser's opinion that the proposed 100% affordable housing use set forth under the Appraisal Instruction for Transbay Block 2 represents its Highest and Best Use. Therefore the highest and best use of the subject APN 3739-004 and APN 3739-007 parcels is concluded to support the proposed affordable housing projects slated for Transbay Block 2, defined as the Larger Parcel. Accordingly, their value contribution is based on the value of the Transbay Block 2.

Based upon the appraiser's analysis of these factors, it is the appraiser's opinion that the proposed public park use set forth under the Appraisal Instruction for Transbay Block 3 represents its Highest and Best Use. Therefore, the highest and best use of the subject APN 3739-002 and APN 3739-006 parcels is concluded to support the proposed public park slated for Transbay Block 3, defined as the Larger Parcel. Accordingly, their value contribution is based on the value of the Transbay Block 3 park site.

Similarly, future use and development of the subject APN 3739-002 and APN 3739-006 parcels slated to support the construction of public rights-of-way, namely, Tehama Street and Clementina Street, respectively. The impact of the public use limitation on their contributory value is presented herein.

This opinion is supported by the following:

1. The uses are physically possible. The location with respect to identity, topography, available utilities, exposure, transportation facilities, and traffic patterns is conducive for these uses.

   Regarding Transbay Block 3 the combined area of the two subject parcels totals 15,126 SF and are slated to support a public park. However, as these subject parcels are adjacent to the central area of APN 3739-008, it is noted that on their own each of these three parcels are highly irregular in shape and without a combined use, none of the sites form a cohesive or efficient shape.

   Regarding development of Clementina Street and Tehama Street redevelopment of large blocks typically include redesign for cross-block vehicular and pedestrian access.

1. The uses are legal. The Appraisal Instruction for Block 2 sets forth a 100% affordable housing use. The 100% affordable housing use limitation is slated for both “2 East” and “2 West” and has a significant impact on the valuation of the subject property. It is understood the background for the Appraisal Instruction is based on at least two letters provided to the appraiser dated February 9, 2018 and July 10, 2018 presented in the appendix of this report. The TJPA and the Successor Agency previously agreed that prior development within the Transbay Project Area generated "surplus" value from formerly Caltrans-owned parcels because they had higher levels of unrestricted, market-rate housing than would have been required under the Transbay Affordable Housing Obligation. In light of this surplus value, the TJPA and OCII assumed that Agency Block 2 would be developed for 100% affordable housing (and related public rights of way). Both letters are co-signed by the Executive Directors of the OCII and TJPA.

2. Such uses for the sites have good potential to be well-supported, which is shown by similar affordable housing projects and public infrastructure improvements including parks and streets. In terms of economic feasibility,

however, the Development Approach method of valuation provides a detailed analysis of non-market formulaic income and market-based cost factors such that potential vertical development costs exceed revenues or financing resources (sources and uses of funds) to determine whether there is any contributory value provided by the land. In the restricted use analysis, no positive land value is supported. Typically, when infeasibility is indicated, an alternative land use is considered. However, the restricted use analysis does not support economic feasibility, but otherwise will rely on public subsidy or tax advantaged investment to minimize the required financial deficit.

3. For Block 2 and Block 3 there are no other economic uses allowed for the required analysis that would provide a higher level of income or otherwise enhance the value of the property.

V. VALUATION ANALYSIS

A. Valuation Methodology

The valuation methodology is dictated by the Highest and Best Use conclusion.

The valuation of Block 2 identifies its required use to support a 100% affordable housing that includes two buildings. Development of Block 3 is limited to support a public park use, flanked by two proposed streets that traverse the block and provide access to each Block and comprise the balance of the land under appraisal.

The economic burden is due to non-market formulated rental and ownership pricing, (based on low-moderate income levels), that does not provide any positive land value since just the high market-rate cost of vertical construction of affordable units greatly exceeds the value resulting from such formulated pricing. Thus, there is no contributory value provided by the land required to support affordable units. The value and cost deficit are further dependent on the level of Area Median Income (AMI) targeting potential consumers.

The economic burden of affordable units is offset in projects that combine market rate and affordable units when the density mix of market rate and affordable units is properly balanced, and sufficient profit incentive is achievable. This is not the case for the subject program which has an average affordability at or below 60% AMI. There are no recent truly comparable land sales, particularly facing similar use with all units subject to restricted income potential and extensive market-rate development costs. Thus, the most appropriate methodology for estimating the market value of the subject site is the **Development Approach**, to determine if any positive land value is indicated.

The Development Approach method, (also referred to as a *Land Residual* valuation) of valuation best provides a detailed analysis of potential income and cost factors to determine if potential development costs exceed revenues or financing resources (sources and uses of funds), and thus determine whether there is any contributory value provided by the land. When it does not, the project must rely on public subsidy or tax advantaged investment to minimize the required financial deficit

Block 3 is flanked on the south by Clementina and Tehama to the south and north, respectively. The intended public use of the park and the streets (public rights of way) represent non-economic uses. These uses are deemed public uses and do not represent economic uses. Their uses are tantamount to infrastructure improvements serving a larger neighborhood area where their underlying land value has been transferred to enhance the value of adjoining blocks supporting vertical development that benefit from public use and supporting infrastructure assets.

B. Development Approach – Block 2

1. Introduction

A summary of the subject valuation analysis is presented on **Table 4** that outlines the valuation components that determine the contributory value of the land, if any. However, the analysis progresses through **Tables 1 – 3** as follows:.

Table 1 – Summary of Comparable Project Costs to support estimate of subject project costs
Table 2 – Summary of Comparable Commercial Rental Units to support project commercial income potential
Table 3 – Analysis of Low Income Housing Tax Credit Eligibility
Table 4 – Site Valuation Summary includes projected scheduled unit rent levels, opex, projected NOI to support conventional financing, and determination of project deficit, absent public subsidy, or residual land value.

Typically, when all costs of production are in balance, market-based factors determine project feasibility and probable success and support to determine Highest and Best Use.

The proposed Block 2 development faces extraordinary costs to complete vertical construction. At the same time its income potential is artificially suppressed to satisfy the goal of providing affordable housing resources. Unless there are offsetting operating sources (net income) or other sources and uses of funds to support vertical construction, there exists no support for positive land value (as affordable housing costs exceed value based on their net income potential). In this case the sources of funds are limited to potential income to support conventional financing or tax advantaged resources to attract investment. The fixed elements of project feasibility are typically first dependent on market-based income and construction costs, and only if there exists residual net income (and its associated value) or financing sources to support development, can the site provide any contributory value. When income potential is suppressed or artificially set there is only one other element of prospective development that can be elastic in solving for project feasibility. It is the contributory value of the land since construction costs are always market-based.

In the case of the subject valuation, the project's feasibility analysis must reckon with artificial non-market income[16] potential combined with market-based costs. When both factors are not market based, only the land component can absorb the impact. In the analysis that follows, prevailing (market-based) development costs are estimated on **Table 1**, along with the projects non-market net income potential, and the financing it can support, along with tax advantaged resources (based on the affordable use), summarized on **Table 3** and **4** that can attract investment. If the value associated with these financial sources exceed costs, land value is supported. If not, there is no market recognition of land value, and projects like the subject are dependent on public or private subsidy to support their development as indicated on **Table 4**.

2. *Prevailing Construction Costs*

Cost factors for new housing construction is difficult to ascertain under current market conditions for several reasons. New market construction starts have declined in the past two years for a variety of reasons. Foremost is the continued precipitous annual rise in construction costs that weaken or eliminate project feasibility. Secondly, the City's adoption of greater affordable housing requirements, mentioned previously, compound project feasibility for those sites acquired after the 2017 adoption (and that were not grandfathered), and there are several projects that began construction several years ago that are now nearing completion rendering market conditions more competitive and impacting speculative starts.

In discussing prevailing cost data many developers and construction cost estimators are reluctant to either disclose proprietary data, request it not be disclosed, or hedge their report as subject to uncertainty, volatility and change. For this analysis the appraiser relies on recent cost data associated with valuation assignments on large projects such as approved and proposed development at Pier 70, India Basin, Potrero Power Plant, Alameda Point and discussions with developer representatives at Build, Inc., Associated Capital, and a variety of architectural professionals including Van Meter Williams and Pollock, assisting the RCP development team including Avalon Bay and Bridge Housing. In addition, the appraiser has reviewed reported construction budgets compiled by Cahill Contractors and a summary of affordable housing costs compiled by the Mayor's Office of Housing and Community Development.

In addition, the San Francisco Mayor's Office of Housing and Community Development has compiled a record of construction costs required to develop a variety of affordable housing projects over the past 5-7 years. A summary of these costs are presented on **Table 1**. A review of these figures reveals the precipitous rise in construction costs as mentioned previously, and provide a reliable indication of approximate costs required to complete the proposed subject development on Block 2.

The appraiser acknowledges prevailing costs vary between mid-rise and high-rise construction costs, with those summarized on **Table 1** reflect Type III and V projects designed for 4 – 9 story construction, while the subject "2 East" project rises to 16-stories. It faces more expensive costs related to life-safety and structural components. However, the reported prevailing cost data provides a sufficient index for all prevailing wage vertical construction costs in order to support an estimate for the subject that reflects an overall blended rate for the 8-story "2 West" building and the 16-story "2 East"

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16 Affordable housing rental prices are indexed and qualified to Area Median Income levels not prevailing market rent levels.

PREVAILING COST COMPARABLES TABLE 1

ADDRESS	STATUS	DATE	# OF STORIES	# OF UNITS	SF	ALL COSTS	$/SF		$/UNIT
1189 4TH STREET	COMPLETE	10/13	VA III/Pod	150	221,414	$74,506,246	$337		$496,708
474 NATOMA	COMPLETE	12/13	IB VB/IA	80	76,117	$31,537,842	$414		$394,223
235 BROADWAY	COMPLETE	1/15	III	75	85,010	$41,445,588	$488		$552,608
280 BEALE	COMPLETE	7/15		70	54,897	$28,734,410	$523		$410,492
					437,438	$176,224,086	$403		
1036 MISSION	COMPLETE	10/18	9	88	99417	$47,330,673	$476		$537,849
222 Beale	COMPLETE	10/18	4-8	120	123251	$76,614,400	$622		$638,453
626 Mission Bay	COMPLETE	11/18	III	143	171799	$94,154,046	$548		$658,420
95 LAGUNA	COMPLETE	5/19	7	79	67101	$43,687,393	$651		$553,005
222 TAYLOR	COMPLETE	6/19	9	113	129526	$71,075,490	$549		$628,987
455 Fell	COMPLETE	7/19	8	108	113245	$66,648,743	$589		$617,118
25th/Connecticut	COMPLETE	9/19	4-6	72	115521	$72,560,304	$628		$1,007,782
					819,860	$472,071,049	$576	43%	
						COST DELTA 2018-19 VS 2013-15			
1150 Third	COMPLETE	1/20	V / I	119	124200	$78,805,171	$635		$662,228
490 S. VAN NESS	COMPLETE	4/20	7	81	80624	$57,041,804	$708		$704,220
2060 FOLSOM	U/C 2020	U/C 2020	9	127	167458	$91,755,832	$548		$722,487
1950 MISSION	U/C 2020	U/C 2020	9	157	161574	$151,578,292	$938		$965,467
1990 Folsom	U/C 2020	U/C 2020	8	143	153887	$99,376,844	$646		$694,943
735 DAVIS	U/C 2020	U/C 2020	5-6	53	47400	$40,896,054	$863		$771,624
88 BROADWAY	U/C 2021	U/C 2021	5-6	125	148979	$97,220,162	$653		$777,761
691 CHINA BASIN	U/C 2021	U/C 2021	III & V	152	185148	$121,124,534	$654		$796,872
					1,069,270	$737,798,693	$690	20%	
						COST DELTA 2020 VS 2018-19			
BLOCK 2		OCII ESTIMATE		243	272735	$180,222,290	$661		$741,656

ESTIMATED PROJECT COST - "2 EAST" AND "2 WEST

		# OF UNITS	SF	ALL COSTS	$/SF	$/UNIT
BLOCK 2	**APPRAISAL**	**243**	**272735**	**$184,000,000**	**$675**	**$757,000**

TABLE 2 - COMPARABLE COMMERCIAL LEASE TRANSACTIONS

	LOCATION	TENANT	SF	START	TERM	$/SF/MO	ESCALATION	EXPENSES	TI'S	COMMENTS
1	250 Beale	Philz Coffee	2163	7/2/15	10.42 Yrs	$4.00	Ann 2.5%	NET	$23.12	(3) 5 Yr options BLOCK 6 - Corner Unit
2	220 Beale	Transbay Child Develop. Ctr.	4343	11/1/17	15 Yrs	$1.00	None	NET	Shell	(1) 15 Yr Option Non-Profit
3	203 Berry	Mission Bay Optometry	1680	3/1/19 3/20/09	5 Yr Renewal	$4.00	Ann 2.5%	NET	$45.24	'19 is 1st 5 Yr Option (1) 5 Yr option
4	207 Berry	/ulberry Cleane	768	8/1/18	5 Yrs	$4.62	Ann 3%	NET	None	(1) 5 Yr Option
5	215 King	Orange Theory Fitness	2680	6/1/17	10 Yrs	$3.25	Ann 3%	NET	$40.00	
6	333 Brannan	Rooh Restaurant	3548	11/1/15	10 Yrs	$4.00	Ann 3%	NET	$140.00	
7	680 2nd	Slice House	1943	6/1/19	5 Yrs	$3.69	Ann 2.5%	NET	None	

Low Income Housing Tax Credits Analysis

TABLE 3

TOTAL PROJECT COSTS	SEE TABLE 1	757,000

Low Income Housing Tax Credits

Threshold Basis Calculation		Threshold	Basis	Basis for 100%
Unit Type	Unit Mix %	Basis Limit	Adjustment	Affordable
Studio	0.0%	440,603	36.00%	0
1-Bedroom	76.1%	508,011		525,990
2-Bedroom	16.0%	612,800		133,757
3-Bedroom	7.8%	784,384		83,409
				$ 743,156
Is Threshold Basis Greater than Eligible Basis? If so, use Eligible Basis				

Eligible Basis Calculation		
Total Development Costs	$ 743,156	
Percentage of Non-Eligible Costs	5.00%	
Eligible Costs	705,998	*@ 95.00%*
Max Allowable Eligible Basis	*Lesser of Threshold or Eligible Basis*	
Eligible Basis (per Affordable Unit)	**$ 705,998**	

Tax Credit Yield Calculation (Per Affordable Unit)		
Eligible Basis (per Affordable Unit)	**$**	**705,998**
Applied Tax Credit Basis (New Const.)		705,998
Less Voluntary Reduction in Basis		0
High Cost Multiplier		130%
Adjusted Eligible Basis		917,798
Applicable Fraction		100%
Total Qualified Basis		917,798
Credit Rate (Jan. 2020)		3.18%
Annual Federal Credits		29,186
Pricing Per Tax Credit (Jan. 2020)	$	1.00
Tax Credit Period (Years)		10
Tax Credit Yield per Unit	**$**	**291,860**
# of UNITS		**243**
TOTAL Tax Credit Yield	**$**	**70,921,918**

building. The data on **Table 1** indicates an average cost factor of approximately $690/SF for all hard and soft costs, excluding land, for numerous projects recently completed or under construction. Further consideration is given to the relatively small average 550 SF unit size in the subject's 16-story senior project at " 2 East", and then somewhat larger than typical 883 SF average unit size in the subject's 8-story 2 West building. In the final analysis, the appraiser concludes an overall average unit cost of approximately $675/SF applied to the combined project area. In doing so, the appraiser concludes a conservative project cost estimate that would serve to best support the subject land value contribution. As presented on **Table 1**, the estimated Block 2 project cost totals approximately **$184,000,000**.

The next step in the valuation process is to determine what financial sources of funds are available to support the project costs, and the required underlying land value that supports it, if any.

3. *Sources and Uses of Funds*

The Sources and Uses of funds available to support the aforementioned project costs are dependent on the project's gross income pro-forma and net income potential to service available conventional financing resources, and access to various financing instruments and available programs[17]. As described previously, these include eligibility for Low Income Housing Tax Credits and public subsidy to contribute support for project site's financial feasibility and valuation.

The projects gross income potential is generated from the affordable rental units and the ground floor commercial premises. The Scenario 1 development option for Block 2 East includes a 166-unit rental project for low-income seniors age 62+ (with 20% of senior units designated for formerly homeless senior households) and Block 2 West includes a 77 unit rental project for low-income families (with 20% designated for formerly homeless households).

Residents with tiered income levels up to 80% of area median income qualify as established by the San Francisco Mayor's Office of Housing and Community Development), provided that the overall average AMI of all affordable units is at or below 60% AMI, with the further qualification the senior project will target AMI level less than 60%. Having an average AMI level at or below 60% AMI allows the project to be competitive for 4% Low Income Housing Tax Credits. Referring to **Table 1**, rental unit income is projected based on the San Francisco Mayor's Office of Housing and Community Development schedule (presented in the appendix of the report). The projection uses a 60% rent level for the family project and 50% AMI rent level for the senior project as noted.

Referring to **Table 4**, the analysis is presented in 5 sections.

Section 1 summarizes the salient property characteristics required for the analysis ranging from unit mix, residential and commercial unit size and total project square footage, lot size, that are required to address income, operating expenses, special taxes, etc.

Section 2 summarizes the projected unit type income factors used in:

Section 3 to derive the projects gross and net income potential that is relied upon in:

Section 4 to quantify the project's qualification for conventional financing support.

Section 5 combines the project costs (outflows) with its income potential (inflows) from potential sources and use of funds (financing and tax credits), to determine if there is any residual income (value) that is attributable to the site. The calculation of the project's eligibility for 4% Low Income Housing Tax Credits is presented on **Table 3**.

[17] Available programs to support of achieving significant affordable housing.

Based on unit type summary shown in **Section 1**, the respective affordable monthly rent levels average $1,231 for the "2 East" senior units, and range from $,1478 to $1,848 for the "2 West" family units, averaging $1,663/mo as shown in **Section 2**. The combined average monthly rent for both 2 East and "2 West" is $1,368, and totals $3,988,764 annually as shown in **Section 3**.

Section 2 continues with estimated commercial rental income based on the commercial rent survey presented on **Table 2**. The survey includes a variety of small – medium ground floor commercial premises located nearby the subject location including Comparable 1 and 2 located across the street from the subject Building "2 East", or in similar mixed use projects nearby in the popular North of Channel neighborhood of Mission Bay proximate to the Giants baseball stadium (Comparables 3 – 5). Somewhat closer to the subject Comparables 6 and 7 represent small ground floor restaurant tenants. It is noted Comparable 2 represents the location of a non-profit child care facility commanding $1/SF/MO, a rate likely to be achieved at the subject ground floor commercial premises in the family building "2 West". However, again for purposes of projecting the maximum potential income to best support the subject land value contribution, a prevailing commercial rental rate of $4/SF/MO is projected for it and the other commercial premises in the senior building "2 East". The combined commercial monthly rent for both 2 East and "2 West" is $31,600, and totals $379,200 annually as shown in **Section 3.** The projected gross residential and commercial income totals $4,367,964. Next allowances deducted for vacancy for each type of residential and commercial use is based on prevailing occupancy levels reported citywide and in particular for affordable projects. Management and operating expenses are estimated at $12,000/unit/year based on reported expense rates incurred by similar affordable projects located as follows:

500 Turk	108 units	Tenderloin Neighborhood Development Corporation
691 China Basin	152 Units	Mercy Housing
11 Innes	73 Units	Mercy Housing

The operating and management expense rates include providing support services typically required for eligibility for low income housing tax credit programs.

In addition to prevailing operating expenses, the subject location requires payment of Special Taxes within the Transbay neighborhood. The East Cut CBD tax is based on the sum of the lot size and building square footage, with no building slated for Block 3, while CFD No. 90-1 requires a tax based on the number of dwelling units, with exemption available for units occupied by seniors. The project is not taxed by the Transbay CFD No. 2014-1.

Total projected operating expenses approximate $2,937,511 and when deducted yield in a net operating income (NOI) for the project as shown in **Section 3.**

Section 4 provides an analysis of potential conventional financing supported by the project's NOI. Prevailing underwriting criteria is used to determine the available cash flow to service potential debt obligation using a 1.15 debt coverage ratio, amortization period of 35 years and interest rate of 6%. It is reported these LIHTC projects are underwritten with somewhat higher risk assessment that accounts for the interest rate above prevailing market underwriting factors. Using the aforementioned underwriting criteria, the project appears qualified for approximately $16.8 million in debt financing.

Next the appraisal assumes the developer would apply for and receive 4% tax credits. Rental income is based on allowable rents according to CTCAC are based on 2019 income levels. Development cost assumptions were developed based on confidential or proprietary financial information from developers, architects and contractors for multifamily affordable housing subject to prevailing wages, and based on data compiled by MOHCD regarding hard and soft construction costs for affordable multifamily, that includes new construction projects as of, as summarized on **Table 1.**

The appraisal estimates that the developer could leverage about **$292,000/unit** in private tax credit investor equity from the sale of federal low-income housing tax credits for affordable apartments on Block 2. This estimate was developed based a typical 4% tax credit yield for a multifamily new construction as shown on **Table 3.** The estimate depends on the

TABLE 4 - BLOCK 2 SITE VALUATION (PROJECT COSTS - ELIGIBLE FINANCING - LIHTC)

	SECTION 1	A		B		A + B
		EAST		**WEST**		**TOTAL**
PROPERTY CHARACTERISTICS		**SENIORS 50% AMI**		**FAMILY 60% AMI**		
TOTAL SF		**172210**		**100525**		**272735**
Residential		91300		64500		155800
Other		80910		36025		116935
# of Stories		16		8		
# of UNITS		**166**	**SF**	**77**	% Mix	**243**
1BR		166	550	19	76%	185
2BR		0	850	39	16%	39
3BR		0	1100	19	8%	19
AVG UNIT SF		550		838		641
Commercial SF	child care & retail	3100		4800		7900
Est. Lot Size						42625
Lot & Bldg Sq Ft.						315360

PROJECTED INCOME FACTORS	SECTION 2	A		B	A + B
BUJILDING		**EAST**		**WEST**	**TOTAL**
RENT $/UNIT/MO		**SENIORS 50% AMI**		**FAMILY 60% AMI**	**$/MO**
1BR		$1,231		$1,478	
2BR		$0		$1,663	
3BR		$0		$1,848	
50% - 60% AMI					
1 BR RENT $/MO		$204,346		$28,082	$232,428
2 BR RENT $/MO		$0		$64,857	$64,857
3 BR RENT $/MO		$0		$35,112	$35,112
$/MO					$332,397
AVERAGE RENT $/UNIT/MO		$1,231		$1,663	**$1,368**
RETAIL RENT			$/SF/MO		
RETAIL $/Unit/MO - $/SF/MO		$12,400	$4	$19,200	$31,600
			See Table 2		

PROJECTED GROSS INCOME, EXPENSES AND NET OPERATING INCOME				
Projected Gross Income	SECTION 3			**$/YR**
RENTAL UNITS				$3,988,764
COMMERCIAL INCOME				$379,200
TOTAL INCOME				**$4,367,964**
LESS VACANCY				
RENTAL UNITS	2%			-$79,775
COMMERCIAL INCOME	5%			-$18,960
TOTAL VACANCY	-2.3%			**-$98,735**
EFFECTIVE GROSS INCOME				$4,269,229
LESS EXPENSES		**$/UNIT/YR**		
OPEX & MANAGEMENT		$12,000		-$2,916,000
SPECIAL TAXES				
East Cut		$0.064	/ SF	-$20,271
CFD 90-1		$16.10	/ Unit	-$1,240
TOTAL EXPENSES				-$2,937,511
NET OPERATING INCOME				**$1,331,718**

ELIGIBLE Permanent Financing	SECTION 4		
NET OPERATING INCOME		$1,331,718	
DCR		115%	
DEBT SERVICE $		$1,158,015	
INTEREST RATE		6%	
AMORT. PERIOD		35	
LOAN AMOUNT		$16,789,192	**$16,789,192**

IMPUTED LAND VALUE	SECTION 5	
TOTAL PROJECT CONSTRUCTION COSTS - SEE TABLE 1	SEE TABLE 1	-$184,000,000
PERMANENT FINANCING - SEE BLUE SECTION	SEE BLUE SECTION	$16,789,192
ESTIMATED LIHTC	SEE TABLE 3	$70,921,918
PROJECT DEFICIT - before any value attributed to LAND		**-$96,288,890**
BLOCK 2 LAND VALUE CONCLUSION		**NO POSITIVE VALUE**

percentage of development costs included in determining an eligible basis, the applicable LIHTC rate for 4% tax credit (30% PVC) projects, the amount of investor pay-in per tax credit, and the amount of developer fee assumed in the development budget.

The approximate $292,000/unit projection of private tax credit investor equity per unit is based on the following key assumptions:

- A January 2020 tax credit rate of 3.18%.
- The eligible basis is approximately $705,998 per affordable unit, which assumes that about 95% of development costs are eligible.
- The project qualifies for a 130% high cost multiplier.
- The tax credit pricing $1.00 per tax credit over the 10-year period.

The total tax credit for the 243-unit project amounts to approximately $71 million.

Now referring to **Section 5** on **Table 4**, the contributory the value of the subject site associated with these financial sources exceed project costs by an approximate **deficit of $96.3 million**. Therefore, with such a financial deficit there is no market recognition of contributory land value, and the project is otherwise dependent on public or private subsidy (like those sources identified previously) to support the proposed development. Therefore, it is concluded there is no positive land value contributed by the subject Block 2.

C. Valuation Comments for Block 3 and Clementina and Tehama Streets

Block 3 is flanked by Clementina and Tehama to the south and north, respectively. The intended pubic use of the park and the streets (public rights of way) represent non-economic uses. These uses are deemed public uses and do not represent economic uses. Their uses are tantamount to infrastructure improvements serving a larger neighborhood area where their underlying land value has been transferred to enhance the value of adjoining blocks supporting vertical development that benefit from these public uses and supporting infrastructure assets.

The San Francisco Public Works Department manager estimates the cost to design the Block 3 park, Clementina Street, and Tehama Street, and to construct the park and Clementina Street at $25 million. The appraiser concludes there is no known public park open space uses on Block 3 that can economically support such a cost, other than to satisfy the intended goals of the redevelopment plan.

D. Valuation Comments for Subject Properties

The highest and best use of the subject APN 3739-004 and APN 3739-007 parcels is concluded to support the proposed affordable housing projects slated for Transbay Block 2, defined as the Larger Parcel. Accordingly, their value contribution is based on the value of the Transbay Block 2 site slated for affordable housing development. The highest and best use of the subject APN 3739-002 and APN 3739-006 parcels is concluded to support the proposed public park slated for Transbay Block 3, defined as the Larger Parcel. Accordingly, their value contribution is based on the value of the Transbay Block 3 park site.

In addition to the affordable housing and park development on Transbay Blocks 2 and 3, respectively, the subject properties include the proposed extension and construction of Clementina Street and Tehama Streets to the south and north of Block 3, respectively. Clementina Street straddles the subject property APN 3739-006 and as well as a portion the non-subject APN 3739-008 parcel. Tehama Street relies on a tangential point on the subject property APN 3739-002, and as well as a portion the non-subject APN 3739-008 parcel.

The intended public use of the park and the streets (public rights of way) represent non-economic uses. Their uses are tantamount to infrastructure improvements serving a larger neighborhood area where their underlying land value has been transferred to enhance the value of adjoining blocks and parcels supporting vertical development that benefit from public use and supporting infrastructure assets.

Based upon the analysis presented herein the estimated Market Value of the Fee Simple Interest in the subject properties, as of July 1, 2020, is:

Transbay Block	Subject 3739-002 SF	Subject 3739-004 SF	Subject 3739-006 SF	Subject 3739-007 SF	TOTAL SF	USE	VALUE CONCLUSION
Larger Parcel Block 2	0	8411	0	734	9145	(2) Affordable Multi-Family Projects	No Positive Value
Larger Parcel Block 3	9108	0	6018	0	15126	PARK	No Positive Value
Clementina	0	0	2958	0	2958	STREET	No Positive Value
Tehama	44	0	0	0	44	STREET	No Positive Value

VI. APPENDIX

EXHIBIT B

A. Appraisal Certification Statement

The appraiser certifies that, to the best of his knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The appraiser has no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- The appraiser has no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The appraiser's engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The appraiser's compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The appraiser has made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The appraiser has not completed a prior appraisal of the subject property in the prior three years.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, the appraiser has completed the continuing education program of the Appraisal Institute.

John C. Clifford

Signature

JOHN C. CLIFFORD, MAI

SCGREA - Certificate No. AG007177

7/2/20

Date

EXHIBIT C

Assumptions and Standard Limiting Conditions

This appraisal is subject to the following limiting conditions.

1. The legal description and area dimensions furnished the appraiser is assumed to be correct. No survey of the boundaries of the property was completed.

2. No responsibility for matters legal in character is assumed, nor is any opinion as to title rendered, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, except where noted, and the property is appraised as though free and clear, under responsible ownership and competent management. It is specifically noted the appraisal assumes the property will be competently managed, leased and maintained by financially sound owners over a reasonable period of ownership.

3. Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.

4. No opinion is intended to be expressed on matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.

5. The exhibits in this report are included to assist the reader in visualizing the property. No survey of the property has been made and no responsibility in connection with such matters is assumed.

6. The distribution or allocation, if any, of the total valuation of this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

7. The statements of value and all conclusions shall apply as of the date shown herein.

8. No responsibility for economic or physical factors is assumed which may affect the opinions herein stated, which may be present or occur at some date after the date of value.

9. An inspection, as far as possible, by observation, the land has been made; however, it was impossible to personally inspect conditions beneath the soil; therefore, no representations are made as to these matters unless specifically considered in the appraisal. Further, no opinion is expressed as to the value of sub-surface oil, gas, or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

10. This appraisal is predicated on the assumption that the existence of hazardous material, which may or may not be present in, on or near the property, was not observed by the appraiser, unless otherwise stated. The appraiser has no knowledge of the existence of such materials in, on or near the property. The appraiser, however, is not qualified to detect such substances, and assumes no responsibility for such conditions, or for engineering or other inspections which might be required to discover such factors. The presence of asbestos or other potentially hazardous materials may affect the value of the property. The value estimate herein is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such condition, or for any expertise or knowledge required to discover them.

11. No engineering survey has been made by us. Except as specifically stated, data relative to size and area were taken from sources considered reliable. Furthermore, no warranty is implied with regard to physical or structural or operational deficiencies which are not disclosed to the appraiser and noted herein.

12. The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein. The appraiser assumes that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. The appraiser assumes that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

13. Information, estimates, and opinions contained in this report are obtained from sources considered reliable and where feasible, has been verified. However, no liability can be assumed for information supplied by others.

14. The right to make such adjustments to the valuation herein reported is reserved, as may be required by the consideration of additional data or more reliable data that may become available.

15. All projections of income and expenses in this report are estimates of current market expectations, not predictions of the future. No warranty or representation is made that these projections will materialize. Where Discounted Cash Flow Analyses have been completed, the discount rates utilized to bring forecast future revenues back to estimates of present value, reflect both the appraiser's market investigations of yield anticipations and judgment as to the risks and uncertainties in the subject property and the consequential rates of return required to attract an investor under such risk conditions.

16. The appraiser may not be required to give testimony or to appear in court or any governmental or other hearing by reason of this appraisal, unless prior arrangements have been made.

17. The liability of John C. Clifford, MAI and CLIFFORD ADVISORY, LLC is limited to the Client only and to the amount of fee actually paid for services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of any one other than the Client, the Client shall make such party aware of all assumptions and limiting conditions of the assignment and related discussions. John C. Clifford, MAI and CLIFFORD ADVISORY, LLC is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property, physical, financially and/or legally. Any claims or damages made against the Appraiser by the Client will be limited to the amount paid by the Client to the Appraiser for the appraisal report or services. Client waives all other claims to consequential or special damages arising from the use of the report, and agrees to hold harmless CLIFFORD ADVISORY, LLC from any liability, loss, or expense incurred by the client in such action, regardless of its outcome.

18. The appraiser has no present or contemplated future interest in the property which is not specifically disclosed in this report.

19. This report shall be used for its intended purpose only and by the parties to whom it is addressed as of the current date of valuation. Possession of this report does not carry with it the right of publication, or duplication. One of the signatories of this appraisal is a member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member or candidate to control the use and distribution of each appraisal signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal was prepared may distribute copies of this report, in its entirety, to such third parties as may be selected by the party for whom this report was prepared; however, selected portions of this appraisal shall not be given to third parties without the prior written consent of the signatories of this report. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the author. This applies particularly to value conclusions, the identity of the appraiser or firm with which is connected, and any reference to the Appraisal Institute, or MAI designation.

21. Information regarding any earthquake and flood hazard zones for the subject property was provided by outside sources. Accurately reading flood hazard and earthquake maps, as well as tracking constant changes in the zone designations, is a specialized skill and outside the scope of the services provided by this appraisal assignment. No responsibility is assumed by the appraisers in the misinterpretation of these maps. It is strongly recommended that any lending institution reverify earthquake and flood hazard locations for any property for which they are providing a mortgage loan.

Valuation Subject To Hypothetical Conditions and Extraordinary Assumptions

The value estimate is made as of a current date and under major assumptions that are relied upon for the valuation of the subject property. These may include hypothetical conditions and extraordinary assumptions that have been made for the purpose of this analysis as defined by USPAP. The definitions are provided below.

> HYPOTHETICAL CONDITION: that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about the physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions, trends, or the integrity of data used in an analysis.
>
> EXTRAORDINARY ASSUMPTION: Extraordinary assumptions presume as fact otherwise uncertain information about the physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of the data used in an analysis.

The use of any hypothetical conditions or extraordinary assumptions in this report may affect the assignment results.

For the valuation of the subject properties, no Hypothetical Conditions or Extraordinary Assumptions are considered.

EXHIBIT 1

APPRAISAL INSTRUCTIONS

March 19, 2020

John C. Clifford, MAI
Clifford Advisory, LLC
558 Presidio Blvd., Suite B, #29525
San Francisco, CA 94129

VIA ELECTRONIC TRANSMITTAL

Re: Appraisal Instructions – Property Conveyance within Transbay Redevelopment Area - San Francisco

Dear Mr. Clifford:

This instruction letter is delivered at the direction of 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 (the "Successor Agency" or "OCII").

The Transbay Joint Powers Authority ("TJPA") holds certain property within the Transbay Redevelopment Project Area in San Francisco (consisting of formerly state-owned parcels and formerly private parcels, as further identified below). OCII plans to request that TJPA convey these properties to the Successor Agency for redevelopment purposes.

You are hereby instructed to prepare and deliver a written full narrative appraisal to determine the as-is value, based on the restricted uses and development costs, for the following TJPA-owned properties:

The Subject Properties: Block 3739, Lots 002, 004, 006, and 007

Subject Properties (APN)	**Agency Block** (see below for definition)
Block 3739/004 Block 3739/007 Block 3739/006 (portion)	Block 2
Block 3739/002 Block 3739/006 (portion)	Block 3

<u>Assessor's Block 3739</u>

As of 2008, TJPA had obtained fee title to the entirety of Assessor's Block 3739. This Assessor's Block consists of five Assessor's Lots: the four Subject Properties and a large Lot (3729/008), which makes up the remaining portion of the Block. TJPA acquired Assessor's Lot 3739/008 under a 2003 Cooperative Agreement between the State of California ("Caltrans"), TJPA and the City and County of San Francisco. Lot 3729/008 was a Caltrans-owned parcel that was subject to certain recorded deed restrictions to generate funding for, and facilitate the development of, a new Transbay Transit Center. The Successor Agency has the exclusive and irrevocable option to acquire Lot 3729/008 under that certain Option Agreement for the Purchase and Sale of Real Property by and between the City and County of San Francisco, the TJPA, and the former Redevelopment Agency, dated January 31, 2008.

TJPA acquired the above-referenced Subject Properties from private owners, **See Attachment 1, Map,** so that it could assemble all of the parcels on Assessor's Block 3739 for the construction and operation of a temporary terminal site during the development of the Transbay Transit Center. Recently, the TJPA discontinued use of the temporary terminal site when the Transbay Transit Center permanently opened.

The zoning controls of the Redevelopment Plan and the Development Controls and Design Guidelines for the Transbay Redevelopment Project (DCDG) divide Assessor's Block 3739 into three "**Agency Blocks**", which reflect the required configuration for master development of the blocks. **See Attachment 2, Map**. As shown in the table above and in **Attachment 2**, the Subject Properties make up portions of Agency Block 2 and Agency Block 3, which will be redeveloped as affordable housing and public open space, respectively (and as described further below).[1] Thus, for the purpose of the appraisal, you should consider the parcels grouped into these two Agency Blocks.

The Redevelopment Plan and Affordable Housing Requirement

In June 2005, the San Francisco Board of Supervisors adopted the Redevelopment Plan and established the Transbay Redevelopment Project Area (the "Project Area"). The purpose of the Redevelopment Plan is to transform a blighted neighborhood into a high-density, transit oriented neighborhood by, among other things: assembling lands within the Project Area (in particular Caltrans lands remaining from the now-demolished Transbay Bus Terminal and associated highway on- and off-ramps); generating funding for public infrastructure improvements, including the construction of the new Transbay Transit Center; and providing a significant amount of new affordable housing consistent with statutory requirements. Section 5027.1 (b) of the California Public Resources Code (which is incorporated into the Redevelopment Plan), mandates: a) that "at least 25 percent of all dwelling units developed with the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60 percent of the area median income," b) "that at least an additional 10 percent of all dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120 percent of the area median income," and c) that these units remain affordable for the longest feasible time, but no less than fifty-five years for rental units and forty-five years for owner-occupied units (the "Transbay Affordable Housing Obligation"). To achieve the Transbay Affordable Housing Obligation given the previous amount of affordable housing built in the Project Area, the TJPA and Successor Agency agreed that Block 2 must be 100% affordable to low income households (at or below 60% area median income as published by the Mayor's Office of Housing and Community Development ("MOHCD") https://sfmohcd.org/limits-affordable-rental-projects-under-contract-mohcd, and that any assumption that it could be developed with market rate development "would be inconsistent with applicable state law and the Cooperative Agreement." Letter, Mark Zabaneh, TJPA, and Nadia Sesay, Successor Agency, to James Davis, Caltrans, re: Approval of Transfer and Relinquishments of Power of Termination for Certain Remaining Parcels Under the Cooperative Agreement (July 10, 2018) (the "Joint TJPA-OCII Letter").

The Redevelopment Plan establishes the land use controls for the Project Area, and divides the Project Area into two sub-areas: Zone One, in which the DCDG defines the development standards, and Zone Two, in which the San Francisco Planning Code applies. OCII has land use jurisdiction over development

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[1] The third Agency Block, referred to as Block 4, is not subject to this appraisal.

in Zone One; the Planning Department has land use jurisdiction over Zone Two under a delegation agreement with OCII. The Subject Properties are located in Zone One.

Block 2: Affordable Housing Redevelopment

Block 2 is comprised of Block 3739, Lots 004, 007, and portions of Lot 006 and Lot 008. For Block 2, you shall take into consideration the limitations established by the existing zoning and land use controls of the Redevelopment Plan and the DCDG, which requires "the assembly of these small irregular parcels and the remaining parcels into blocks and lots that are suitable for development," and further requires that each individual block "will be master planned and master developed." DCDG at page 14. Under the DCDG, the vertical development area on the site is bifurcated by an at-grade mid-block pedestrian mews. The western portion of the site ("2 West") allows maximum heights in established developable areas of 50 feet and 85 feet, while the eastern portion of the site ("2 East") allows maximum heights in developable areas of 50 feet, 85 feet, and 165 feet. The appraisal shall reflect that, to fulfill the Transbay Affordable Housing Obligation, Block 2 must be a 100% affordable housing program and any revenues generated from the site will subsidize the affordable housing. Redevelopment cost estimates are to be provided during the valuation process.

Example of Possible Block 2 Affordable Housing Detail under Current Zoning

	2 East	**2 West**
Estimated Unit count[1]	169	78
Population served[1]	Low-income seniors age 62+; 20% of senior units designated for formerly homeless senior households	Low-income families; 20% designated for formerly homeless households
Income restrictions[2]	Tiered income levels up to 80% of area median income (as established by the San Francisco Mayor's Office of Housing and Community Development) ("AMI"), provided that the average AMI of all affordable units is at or below 60% AMI	

[1] Estimated unit counts are based on a fit test for Block 2 completed by SOM architects in 2016.
[2] Income restrictions are based on established OCII/MOHCD policy for affordable housing projects.

Block 3: Park / Open Space

Block 3 is comprised of Block 3739, Lot 002 and portions of Lot 006 and Lot 008. The valuation of Block 3 shall consider the limitations established by the Redevelopment Plan and the DCDG, which established zoning for Block 3 as **a public park**. Redevelopment Plan, Exhibit 4, Zone One Plan Map; DCDG, Map 3, at page 15. Redevelopment cost estimates are to be provided during the valuation process.

Extraordinary Assumptions:

The TJPA and the Successor Agency previously agreed that prior development within the Project Area generated "surplus" value from formerly Caltrans-owned parcels because they had higher levels of unrestricted, market-rate housing than would have been required under the Transbay Affordable Housing Obligation. Joint TJPA-OCII Letter at page 4. In light of this surplus value, the TJPA and OCII assumed that Agency Blocks 2 and 3 would be developed for 100% affordable housing and open space, respectively. Id. In response, Caltrans did not require any payment for Blocks 2 and 3, but required, subject to a Power of Termination, that the former Caltrans-owned portions of Agency Blocks 2 and 3, which is Lot 008 of Block 3739, be developed into affordable housing, a public park, and related and ancillary facilities and improvements. Notice of Exercise of Power of Termination and Objection to the Recording of a Relinquishment of Power of Termination (Redevelopment Block 2) dated September 10, 2018 and recorded September 11, 2018 as Document No. 2018-K671710 in the Official Records of San Francisco County: Notice of Exercise of Power of Termination and Objection to the Recording of a Relinquishment of Power of Termination (Redevelopment Block 3) dated September 10, 2018 and recorded September 11, 2018 as Document No. 2018-K671709 in the Official Records of San Francisco County, (the "Caltrans Restrictions"). Accordingly, for purposes of this appraisal, **you should assume the Subject Properties are restricted to affordable housing, a public park, and related public rights of way (which are consistent with the Redevelopment Plan, DCDG, and the Caltrans Restrictions)**.

In estimating the value of the Subject Properties, you shall consider **them as a part of a master planned community in an urban setting** and assume that the **sites are clean of toxic contamination, vacant of any existing improvements, and are ready for development.**

Lastly, to consider along with the valuation of the land itself, the **Successor Agency will supply cost assumptions you can rely upon to forecast costs of redevelopment the Subject Properties**. However, even if there is zero residual value after accounting for estimated redevelopment costs, please specify the applicable value determination for each of the Subject Properties.

Administrative Notes:

The appraisal report shall be prepared in (1) full compliance with the requirements of the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation and (2) the Code of Professional Ethics, including the Standards of Professional Appraisal Practice established by the Appraisal Institute.

A draft of such appraisal report shall be delivered to the Successor Agency for review within forty (40) days of the date of your acceptance of this Appraisal Instruction Letter. The final appraisal report shall (1) be delivered within thirty (30) days of the date of your acceptance of this Appraisal Instruction Letter, and (2) explicitly state that it may be used and relied upon by the Successor Agency and the TJPA.

Please counter-sign this Appraisal Instruction Letter below and deliver it to the Successor Agency, thereby (a) acknowledging your receipt of this Appraisal Instruction Letter, and (b) accepting the terms and conditions of this Appraisal Instruction Letter.

If you have any questions of the Successor Agency regarding this Appraisal Instruction Letter, please contact Hilde Myall at (415) 749-2468.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Sincerely,

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: Hilde Myall

Name: Hilde Myall
Its: Development Services Manager
Date: April 10, 2020

ACCEPTED AND AGREED:

CLIFFORD ADVISORY, LLC

By: John C. Clifford

Name: John C. Clifford
Title: Manager
Date: 4/13/20

Office of Community Investment and Infrastructure

Transbay Joint Powers Authority

February 9, 2018

By Email

Bijan Sartipi
District Director
California Department of Transportation
District 4
111 Grand Avenue, Oakland, CA 94623-0440

Re: Approval of Transfer and Relinquishments of Power of Termination for Certain Remaining Parcels under the Cooperative Agreement

Dear Mr. Sartipi:

Thank you for meeting with us in late September to discuss the remaining, formerly-state owned parcels subject to the 2003 Cooperative Agreement (the "Cooperative Agreement") between the California Department of Transportation ("Caltrans"), the Transbay Joint Powers Authority ("TJPA"), and the City and County of San Francisco ("City"). These parcels consist of some or all of parcels A', A", C, D, E, G, H', I, I", O, O' O", Q, R, and T, as designated in the Cooperative Agreement (the "Remaining Cooperative Agreement Parcels").

As we explained, the Office of Community Investment and Infrastructure ("OCII") and the TJPA seek transfer of the final three parcels (parcels C and Q), and relinquishment of the State's Powers of Termination from all of the Remaining Cooperative Agreement Parcels. *See* Zabaneh/Sesay letter dated September 18, 2017, attached as Exhibit A. This request is consistent with the Cooperative Agreement, in light of the imminent start of bus operations at the new transit center and the planned uses of the Remaining Cooperative Agreement Parcels. This letter provides additional information about the fair market value that the TJPA has received to date from previous sales of Cooperative Agreement parcels and explains that some of that value must be imputed to the Remaining Cooperative Agreement Parcels that are necessary for compliance with applicable law.

The "Applicable Law" Includes Zoning and Affordability Requirements.

Under the Cooperative Agreement, Caltrans conveyed parcels to the TJPA and City for transit center construction and for other development to create funding for the transit center. The Cooperative Agreement included twenty-five (25) parcels that were transferred either to the TJPA or the City (the "Cooperative Agreement Parcels").

Many of these parcels were irregularly-shaped because they were the sites of the demolished State highway and thus required, for development purposes, parcelization and land assembly that would be undertaken by the San Francisco Redevelopment Agency ("SFRA"). As a result, in 2008, the City, TJPA and the SFRA entered into an Option Agreement whereby the SFRA obtained an irrevocable and exclusive option to acquire twenty-two (22) of the Cooperative Agreement Parcels for the purpose of preparing the parcels for development and offering them for development. OCII, as the SFRA successor, has assumed the rights and obligations under the Option Agreement.

The Cooperative Agreement essentially required that the sale of Cooperative Agreement Parcels, other than for the transit center, result in "Gross Sales Proceeds" to pay the capital costs of the transit center. Gross Sales Proceeds means the proceeds that are the result of "good faith effort[s] to obtain the fair market value from [a] third party for such State-owned Parcels, <u>in light of applicable laws</u>." [emphasis added] Cooperative Agreement, § I.I at p. 9. The Cooperative Agreement contemplated that the City would adopt a redevelopment plan in which the SFRA would establish a development program, financing mechanism, and zoning to facilitate and fund the transit center construction.

In the same month that the parties entered into the Cooperative Agreement (July 2003), the Governor signed Assembly Bill No. 812 (chapter 99, statutes 2003, *codified at* Cal. Public Resources Code § 5027.1), which required thirty-five percent (35%) of the housing developed under a Transbay redevelopment plan to be affordable housing (the "State Affordability Requirement"). Assembly Bill No. 812 is attached as Exhibit B. (In June 2003, the State Senate had amended Assembly Bill No. 812 to include the State Affordability Requirement.) Thus, the determination of Gross Sales Proceeds in light of "applicable law" for the development of the Cooperative Agreement Parcels includes the SFRA's (and, now, OCII's) obligation to comply with the State Affordability Requirement.

In 2006, the City adopted the Transbay Redevelopment Plan ("Plan"), which divided the Project Area into two land use zones: Zone 1 consists mostly of the Cooperative Agreement Parcels and is subject to OCII jurisdiction; Zone 2 consists primarily of private property and is under the jurisdiction of the San Francisco Planning Department. The Plan establishes zoning regulations, tax increment financing, and a development program, including the construction of the transit center, high-density residential towers, and open space.

Under the Plan, the Transbay Project Area would become the densest neighborhood in San Francisco. To increase its attractiveness to future residents (and thus to investors), the Plan calls for creating a livable urban community that not only had prime access to the downtown and the waterfront, but also well-designed streets and an open space network, including a central public park. The Transbay Development Controls and Design Guidelines ("Development Controls"), a companion document to the Plan, provide specific land uses and legislated development requirements for the Cooperative Agreement Parcels. The Development Controls thus also constitute "applicable law" governing development of the Cooperative Agreement Parcels and which affect the determination of Gross Sales Proceeds.

The Development Controls establish an approximately one acre site (Block 3, consisting of portions of parcels O, O', and O" as well as property the TJPA acquired from a private property owner with other sources of funds) and a one-quarter acre site (Block 10, consisting of parcel I") for new public parks. Excerpts of the Development Controls are attached as Exhibit C. Although this zoning for public parks (the "applicable law") reduces the value of Block 3 and 10, it also allowed increased density on other Cooperative Agreement Parcels that resulted in significant sales proceeds for the transit center.

OCII/TJPA Have Mitigated the Impact of "Applicable Law" on Fair Market Value.

The State Affordability Requirement had the potential to reduce the value of development in Zone 1 because the fair market value of permanently affordable housing is negligible. Furthermore, the zoning in the Plan and Development Controls reduces the values of particular sites because of the designated uses, such as public open space. In spite of these constraints, OCII, at the request of the TJPA, sought to maximize the fair market value of the Cooperative Agreement Parcels when the TJPA had the greatest need for transit center construction funding. By concentrating the market-rate development in these earlier offerings, OCII took advantage of the real estate boom that emerged in San Francisco after the Great Recession and maximized the revenue from the sale and development of the parcels for the benefit of the transit center.

In our September 2017 letter, we explained that the TJPA/OCII team has sold all or portions of fourteen Cooperative Agreement Parcels, generating more than $640 million in immediate funding and close to $2 billion in future property and special taxes for the construction of the transit center and the Downtown Extension which will bring Caltrain and future California High Speed Rail to the transit center when completed. By analyzing the specific development programs for these transactions, we can demonstrate that OCII/TJPA increased land proceeds at a time when the TJPA needed funding the most. Development of some of the affordable housing and open space was deferred until the transit center was complete and appropriate sites became available for these uses.

The results of the OCII/TJPA efforts are reflected in the attached Exhibit D "State Parcels Status" showing that OCII has sold all or portions of fourteen Cooperative Agreement Parcels (making up 8 redevelopment blocks) for a total of $640,269,092 and has entered into an option on another site that may provide another $45,000,000. Of the eight redevelopment blocks that OCII has sold, a total of 1,987 units have been, or will be constructed, of which 570 (or 29%) are permanently affordable. If these eight redevelopment blocks had been used to satisfy the State Affordability Requirement (by imposing 35% affordability), OCII estimates that the value of the Cooperative Agreement Parcels would have been reduced, in the aggregate, by $145,959,277.

The additional $145,959,277 that the TJPA received is value that should be imputed to Blocks 2 and 12 (portion of parcel O' and Q, respectively). To meet the State Affordability Requirement, these blocks will be developed with stand-alone, 100 percent affordable housing projects. As a result, there will not be any Gross Sales Proceeds for Blocks 2 and 12. As with other OCII stand-alone, 100 percent affordable housing projects, OCII will execute long-term ground leases with the developers of Blocks 2 and 12 to ensure the permanent affordability of the projects. Moreover, OCII will record declarations of restrictions on the sites requiring that the sites be developed for, and occupied by, income-eligible low- and moderate- income households.

Transfer and Relinquishment of the Power of Termination on Remaining Parcels Is Appropriate Upon Completion of the Transit Center.

The Cooperative Agreement provides that Caltrans will retain a Power of Termination over every transferred parcel to assure that the TJPA develops the transit center by the Project Completion Date. The Cooperative Agreement further provides that the Power of Termination survives OCII's exercise of its option to take a parcel from the City or the TJPA. Unless Caltrans objects, the Cooperative Agreement provides that the Power of Termination will expire and Caltrans will record a Relinquishment of the Power of Termination on the parcels under two circumstances: 1) when a parcel for development is sold and the Gross Sales Proceeds are deposited for the benefit of the transit center; and 2) when the Project Completion Date has passed or "actual passenger bus service has commenced at the New Transbay Terminal." Cooperative Agreement, Section III. G. at p. 18-19. The trigger for Caltrans's release of its Power of Termination will soon be satisfied.

As to parcels A', A", D, E, G, H', I, Q, and T (southern portion), the TJPA has (or will) build permanent infrastructure on the parcels that is necessary to the operation of the Transbay Program (note that Parcel Q is the planned site for ventilation shafts required for the Downtown Extension component of the Program). Thus, once actual passenger bus service commences at the new transit center, the Cooperative Agreement contemplates that Caltrans will record a Relinquishment of its Power of Termination.

The Remaining Cooperative Agreement Parcels also will not be sold and will not generate Gross Sales Proceeds. Parcel C is a narrow remnant and parcel R is a sharply steep slope; neither is developable for housing or commercial purposes. OCII plans to put these parcels to a public use consistent with the Plan. Portions of parcels O, O', and O" (Block 3) and all of parcel I" (Block 10) will be developed for public parks. Portions of parcel O' (Block 2) and all of parcel Q (Block 12) will be developed with 100 percent affordable housing projects (note that parcel Q's housing project will be co-located with the DTX vent infrastructure to maximize the benefit of the parcel). Because these parcels will not be sold and will not generate Gross Sales Proceeds, once actual passenger bus service commences at the new Transit Center, the Cooperative Agreement contemplates that Caltrans will record a Relinquishment of its Power of Termination.

OCII/TJPA therefore request that Caltrans transfer the final three parcels and relinquish the power of termination over the Remaining Cooperative Agreement Parcels upon commencement of bus service at the transit center, which is anticipated to be in June 2018.

OCII/TJPA is requesting that Caltrans commit now to relinquishment subject to the condition subsequent of the commencement of transit center bus service. This is necessary to provide certainty to the OCII and the TJPA that the Remaining Cooperative Agreement Parcels will become available, at no cost or risk, for the required transit center infrastructure, affordable housing, public open space, and related public purposes. In particular, OCII must prepare a budget, financing plan, and state-approved expenditure schedule for the next fiscal year that cover pre-development costs for these remaining parcels. OCII seeks certainty that these sites will be available.

Please contact one of us if you have any questions or seek additional information. If you have no additional questions, please indicate Caltrans' agreement to transfer of the three remaining parcels and Relinquishments of the Power of Termination for the Remaining Cooperative Agreement Parcels upon the commencement of bus service at the transit center by signing below and returning the original to us.

Sincerely,

Mark Zabaneh
Executive Director
TJPA

Nadia Sesay
Executive Director
OCII

I, Bijan Sartipi, Caltrans District Director, hereby acknowledge that Caltrans will transfer the remaining three parcels (Parcel C, R, and Q) and relinquish the Power of Termination on parcels A', A", C, D, E, G, H', I, I", O, O' O", Q, R, and T, as designated in the Cooperative Agreement upon commencement of bus service at the new transit center.

Signature: ______________________ Date: ______________

Exhibits:
Exhibit A: Letter from Mark Zabaneh/Nadia Sesay to Bijan Sartipi dated September 18, 2017
Exhibit B: Assembly Bill 812 (2003)
Exhibit C: Transbay Development Controls and Design Guidelines excerpt
Exhibit D: State Parcels Status

5

Office of Community Investment and Infrastructure
Transbay Joint Powers Authority

July 10, 2018

By Email

Mr. James Davis
Acting District Director
California Department of Transportation, District 4
111 Grand Avenue
Oakland, CA 94623-0440

Re: Approval of Transfer and Relinquishments of Power of Termination for Certain Remaining Parcels Under the Cooperative Agreement

Dear Mr. Davis:

This letter responds to Bijan Sartipi's letter dated March 30, 2018 in which he addressed the February 9, 2018 joint request of the Transbay Joint Powers Authority ("TJPA") and the Office of Community Investment and Infrastructure ("OCII") relative to parcels covered under the 2003 Cooperative Agreement between the California Department of Transportation ("Caltrans"), the City and County of San Francisco ("City"), and the TJPA.

Caltrans, the City, OCII, and the TJPA should be proud of their cooperation over the last 15 years to deliver the requirements of state law (California Public Resources Code section 5027.1) and the Cooperative Agreement. With the delivery of the new Transit Center and the start of bus operations at the new facility, a critical milestone under the Cooperative Agreement is nearing; we look forward to continuing to work with Caltrans as we close out certain items related to that milestone and agree on the procedures for the remaining work contemplated by the parties but which is not yet complete.

A. Parcels required for construction of the new Transit Center.

We appreciate the confirmation in Mr. Sartipi's letter that Caltrans is prepared to relinquish its reversionary interests in Parcels E, G, H', I, and the remaining, southern portion of Parcel T because they have been developed with the new Transit Center and related facilities, in satisfaction of the Cooperative Agreement.[1] Mr. Sartipi's letter omits reference to Parcels A', A", and D, which have also

[1] We note that Mr. Sartipi's letter also confirms Caltrans's intention to release the power of termination for Parcel F. Caltrans already released that interest, however, when the TJPA sold the parcel for development and deposited the Gross Sales Proceeds into the trust account, per the Cooperative Agreement. Thus, no further action by Caltrans is required relative to Parcel F.

been developed with the new Transit Center and related facilities and are eligible for Caltrans's release under the Cooperative Agreement. We assume this omission was inadvertent and we request Caltrans's confirmation that it is prepared to release its reversionary interest for these parcels as well.

The TJPA is nearly complete with construction of the new Transit Center and related improvements, and the TJPA expects actual passenger bus service to commence at the new Transit Center on August 12, 2018. Thus, as contemplated in the Cooperative Agreement, the TJPA will work with your staff to record releases of Caltrans's reversionary interests on these parcels effective as of that date.

B. Parcels required for public parks.

We also appreciate the confirmation in Mr. Sartipi's letter that Caltrans will relinquish its reversionary interests in former Caltrans parcels utilized for all public parks after each such park is constructed. That commitment covers Parcel R, which Mr. Sartipi's letter indicates Caltrans is prepared to transfer; we will work with your staff to transfer the parcel and record Caltrans's release at the same time as the parcels used for the new Transit Center.

Caltrans's commitment also covers (1) Parcel I", which is currently, temporarily being used for construction of the new Transit Center and is expected to be developed with its final park purpose in 2023, and (2) the mid-block portions of Parcels O, O', and O" (also referred to as Block 3), which are currently, temporarily being used for operation of the Temporary Terminal, and are expected to be developed with their final park purpose in 2023. We think the Cooperative Agreement would allow Caltrans to release its reversionary interest in these parcels in the near term, with the start of bus operations at the new Transit Center. Failing that, we'd like to discuss with Caltrans the mechanics for confirming and documenting the agreement between the parties for release of the reversionary interest in these parcels in the future.

C. Parcels required for construction of the Downtown Rail Extension.

As Caltrans knows, Parcel Q is required for construction of the vent structures necessary for the Downtown Rail Extension (DTX). Although construction of the DTX has not yet started, the project (including use of the Parcel Q site) is in the final phase of the preliminary engineering design and is expected to commence final engineering design shortly. We appreciate Caltrans's confirmation that it will transfer and relinquish its reversionary interest in this parcel under the same terms as provided for all other parcels under the Cooperative Agreement. We think the Cooperative Agreement at Section II.A. provides for transfer of Parcel Q now, and we are uncertain of the basis for Caltrans to decline to transfer the parcel until the TJPA is ready for construction of the DTX (so long as the TJPA complies with the Cooperative Agreement requirements, including those in Section II.C relative to deposit of interim lease revenues in the Public Transportation Account). Nonetheless, we'd like to discuss with Caltrans the mechanics for documenting an alternate agreement between the parties for proposed transfer of the parcel and release of the reversionary interest in the future.

D. Parcels required for affordable housing.

TJPA and OCII requested that Caltrans release its power of termination on one of the remaining developable parcels subject to the Cooperative Agreement -- the most southerly portion of Parcels O, O', and O" (also referred to as Block 2). As described in detail below, in an effort to meet state law mandates in Public Resources Code section 5027.1, OCII seeks to develop projects on these parcels with 100% of the residential units restricted to low- and moderate-income households. Mr. Sartipi's letter suggests that Caltrans will only relinquish its reversionary interest in these parcels upon payment of "full market value (not affordable value)." We interpret Mr. Sartipi's letter to suggest that TJPA and OCII must deposit into the trust account the market value of the parcels assuming they could be developed with a market rate housing development, rather than the value of the parcels as developed with the planned 100% affordable housing development. We believe that such a condition would be inconsistent with applicable state law and the Cooperative Agreement.

California Public Resources Code section 5027.1 requires that 35% of all residential units in the Transbay Project Area shall be affordable to low- and moderate-income households (the "State Affordability Requirement"). In 2003, when the State approved the Cooperative Agreement and the legislature adopted the State Affordability Requirement, the City-wide local zoning laws required private residential development to include only 12% of the total units as affordable inclusionary units (the "City Inclusionary Zoning"). See San Francisco Ordinance No. 37-02 (April 5, 2002).[2]

In adopting the State Affordability Requirement, the Legislature is presumed to have been aware of the limits of the City Inclusionary Zoning and did not intend to supersede the City Inclusionary Zoning. In a different context, the California Supreme Court reviewed the constitutionality of local inclusionary requirements and noted "that the California Legislature is unquestionably aware of these numerous local mandatory inclusionary housing ordinances and that the existing state legislation is neither inconsistent with nor intended to preempt these local measures." California Building Industry Assoc. v. City of San Jose (2015) 61 Cal. 4th 435, 446.

In light of these legal constraints and in response to the question in Mr. Sartipi's letter, neither the City nor OCII had the authority to compel private property owners in the Transbay Project Area to comply with the 35% State Affordability Requirement; the maximum affordability that could be required was the 12% City Inclusionary Zoning. Accordingly, the only way to comply with the State law requiring 35% affordability in the Transbay Project Area as a whole is to construct higher levels of affordable housing on the former Caltrans parcels subject to the Cooperative Agreement.

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[2] Since then, the City has incrementally increased this percentage and, for larger private developments, the current percentage is 18% for rental and 20% for homeownership projects. San Francisco Planning Code § 415.6. The City adopted these percentage requirements after studying the impact of the inclusionary requirements on the economic feasibility of private development. See Section 2, Findings, San Francisco Ordinance No. 208-17.

As Caltrans is aware, many of the former state-owned parcels sold to date have included more than the 12% City Inclusionary Zoning but less than the 35% State Affordability Requirement. This approach has generated greater value from the former Caltrans parcels than would have been generated had each of these developments contained 35% affordability. In particular, as explained in our February 9, 2018 letter, we estimate that we have deposited into the trust account an additional $145,959,277 in Gross Sales Proceeds over the amount that otherwise would have been deposited had TJPA and OCII imposed the 35% State Affordability Requirement on each of the former Caltrans parcels sold to date. This surplus deposit into the trust account should be "credited" toward what inevitably will be the reduced Gross Sales Proceeds that will be generated by Block 2.

Mr. Sartipi's letter also raises questions about revenues received from Cooperative Agreement parcels (Block 11A, 2 and 12) wherein non-profit developers and property managers have entered, or will enter, into long-term ground leases with OCII/City that place affordability restrictions on 100% of the units. Block 11A (the Rene Cazenave Apartments) was completed in 2013 and is a 100% affordable project consisting of 120 housing units for the formerly homeless. The City receives a land lease rent of $1 per year from Community Housing Partners, the non-profit entity managing the project. The City funds all operating deficits for the project which has averaged $850,000 per year since the project opened in 2013, and will not be any less in the foreseeable future. Blocks 2 and 12 have yet to be developed, but OCII is currently drafting an RFP to solicit an affordable housing partner to develop approximately 250 affordable family and supportive housing units on Block 2. Block 12 will not be developed for many years, pending construction of the DTX. While these 100% affordable housing parcels will have a long-term ground lease like Block 11A, these projects will not provide lease revenue to the City.

We welcome the opportunity to meet with you and further discuss the path forward relative to the former Caltrans parcels required for public parks, the DTX, and the affordable housing project on Block 2. We will be reaching out to your assistant to schedule a meeting shortly.

Sincerely,

Mark Zabaneh	Nadia Sesay
Executive Director	Executive Director
Transbay Joint Powers Authority	Office of Community Investment and Infrastructure

SECTION B: IMPROVEMENTS and ACTIVITIES

Through an extensive series of property owner meetings the Greater Rincon Hill GRHCBD steering committee collectively determined the priority for improvements and activities that the GRHCBD should provide. The primary needs as determined by the property owners are:

- Public Safety and Cleanliness,
- Parks and Greenspace Maintenance, and
- Communication and Development.

Based upon these findings, the following improvement and activity categories are recommended for the GRHCBD. The following narrative provides recommendations for the GRHCBD's first year of operation. Final programs and budgets will be subject to the review and approval of the GRHCBD Board of Directors and San Francisco Board of Supervisors.

PUBLIC SAFETY

CBD Community Guides

One of the most important special benefit services provided by the CBD will be crime deterrence. The CBD's Community Guides program will use a three-pronged crime prevention approach that focuses on public safety, outreach to those in need of social services, and hospitality/customer service.

Under the CBD's management plan, approximately 4.2 full-time-equivalent Community Guides will patrol the District. Precise scheduling of the Community Guides will be determined by the CBD Owners' Association (the "District non-profit corporation") Board of Directors and Executive Director. Services are being budgeted for seven days a week, 7 AM to 7 PM. The Community Guides will be on foot or bicycle, depending on the level of pedestrian traffic.

Community Guides are specially trained to constructively engage with individuals in need on the street and connect them to local services. The Guides will patrol streets in the District to address nuisance behaviors and public disruption while providing a sense of safety and well-being to residents, workers, and visitors.

Specifically, CBD Community Guides:

- act as "eyes and ears" for the community, safety agencies, and service providers;
- add a uniformed presence in the neighborhood to prevent undesirable behavior;
- assist pedestrians with directions and information;
- maintain open communications with police and safety agencies;
- help connect individuals in need of assistance to local service providers and refer those in need to social services.

The Community Guides will be connected to a central dispatch office by electronic device. Dispatch will be available Sunday through Thursday, 7:00 AM to 11:00 PM, and from 7:00 AM Friday to 7:00 AM Sunday. Property and business owners, residents, and visitors can rely on Community Guides to handle their questions and concerns.

Private Security Services

In addition to the Community Guides, whose role is deterrence but not enforcement, the CBD budget includes funding for San Francisco Patrol Specials.

The San Francisco Patrol Specials are already in use in a portion of the Rincon Hill. The Patrol Specials are a neighborhood force authorized in the City Charter (San Francisco Administrative Code, Section 10B), with uniformed officers appointed and regulated by the Police Commission after an initial security review by SFPD. Hourly rates for services are principally paid by private clients, including CBDs, with additional payment to the City for general program administration regarding standards of professional performance (but not for day-to-day operations). Thus, the nature of the Patrol Specials is both quasi-private and quasi-public.

The force has been in operation in the City of San Francisco since 1847. By current City Code, the force provides patrols on the streets of San Francisco as well as at fixed locations, and also provides a range of other safety services as requested by private clients such as CBDs.

San Francisco Patrol Special services will be determined by the CBD's needs and retained pursuant to a negotiated contract. The geographically-delineated CBD is the "beat" where Patrol Specials will serve. Patrol Specials will concentrate on order maintenance, rapid response, and early intervention in quality-of-life matters. CBD services have been budgeted seven days a week, 4 PM to 7 AM. Patrol Special services will be connected to the District's central dispatch office by electronic device, and after hours by a special phone number for CBD property owners.

In addition to providing safety services through the Community Guides program and Patrol Specials, the GRH Owners' Association will work closely with the San Francisco Police Department and County Sheriff's Department and advocate for sufficient police coverage in the Greater Rincon Hill CBD to improve general safety. In order to educate the community on crime prevention methods, the GRH Owners' Association will partner with community-based organizations such as San Francisco SAFE, a non-profit that guides residents, business owners, and community members to improve the quality of life in their neighborhoods.

Since City Park will be managed and operated by TJPA, the CBD will not be responsible for maintaining its security. However, TJPA Transit Center and City Park security staff will work closely with the CBD's Community Guides, private security services, and Dispatch personnel as part of the District's overall effort to ensure that neighborhood security issues are properly abated.

CLEANING and MAINTENANCE

By local ordinance (Public Works Code Section 706), property owners, not the City, are responsible for maintenance, repair, and replacement of sidewalks fronting their parcels. The CBD will provide cleaning and maintenance services within the public rights-of-way and sidewalks on behalf of the District's individual parcel owners. However, major repairs and replacement of streetscape amenities, fixtures, furniture, and sidewalk paving materials will continue to be the responsibility of individual parcel owners. For services such as trash removal, the CBD will provide services above and beyond the baseline level of service provided by the City and County of San Francisco and its franchisee.

The CBD will determine the precise scheduling of approximately 6.2 full-time-equivalent workers on the neighborhood's streets – the "Clean Team" – to provide:

- sidewalk sweeping and steam cleaning;
- trash can topping (monitoring of public trash receptacles for overflow and trash removal);
- weeding of tree basins, sidewalk cracks, and landscape planters;
- reporting of bulky items for removal by the Department of Public Works;
- spot cleaning of street furniture, fixtures, and equipment;
- minor repair and maintenance of streetscape amenities, furniture, and fixtures;
- graffiti abatement (on call 7 days a week).

Sidewalk sweeping is budgeted for at least once daily throughout the District. Similarly, the frequency of steam cleaning is budgeted twelve times per year throughout the District.

The CBD's Clean Team will respond to all maintenance requests received by the District's central dispatch office. The dispatch office will log all requests and route them to the appropriate CBD or City department and follow up with the individuals who asked for service. Dispatch will be on-call Sunday through Thursday, 7:00 AM to 11:00 PM, and from 7:00 AM Friday to 7:00 AM Sunday.

Table 1 summarizes the GRHCBD's planned services and approximate number of staff required to provide them:

Greater Rincon Hill CBD Services Plan Summary

Services	Staff*
Safety (Community Guides)	4.2 full-time equivalent
Special Patrol	5.25 full-time equivalent or as needed
Cleaning and Maintenance	6.2 full-time equivalent
Dispatch	3.2 full-time equivalent

Communication and Development	Included as part of approximately 3 full-time equivalent staff: Executive Director plus support staff.

PARKS and GREENSPACE

The Greater Rincon Hill CBD will maintain all greenspaces, parks, rain gardens, sidewalk landscaping, parklets, and street trees within the District's boundaries. Parks and greenspace maintenance services will occur at varying frequencies, such as daily, weekly, monthly, or on an as-needed basis.

Greenspace services include, but are not limited, to:

- street tree maintenance, pruning, and replacement;
- tree, shrub, and ground maintenance;
- gardening and weeding;
- irrigation systems management and repair;
- arborist and horticultural consultation;
- pest control;
- plant, tree, and shrub replacement;
- trash off-haul;
- pavement and pathway repairs and care;
- facilities and minor capital improvements, such as fencing, play equipment, and lighting elements;
- emergency repair of fixtures, furniture, and equipment.

The GRHCBD will operate the District's special benefit parks in conjunction with their public owners (OCII, the City, and/or TJPA). In addition to overseeing maintenance services, park operations managed by the District will include security and safety services, enforcing hours of operation, park promotion and neighborhood outreach, planning and management of events, award of contracts and concessions, and financial oversight. For City Park, TJPA will pay for and provide security services as part of the TJPA's overall security program for the Transbay Transit Center.

The GRHCBD budget includes the cost of park utilities (water and electric) for all parks and parklets in the District. While the CBD will manage the public parks within its boundaries, it will not own them, so the District will not incur insurance costs or liability.

Parks planned for the CBD include Emerald Park, Guy Place Park, Essex Hillside, Under-Ramp Park, Transbay Park, City Park, numerous parklets, rain gardens, and street trees.

2019
MAXIMUM MONTHLY RENT BY UNIT TYPE
derived from the
Unadjusted Area Median Income (AMI)
for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco
Published by the San Francisco Mayor's Office of Housing and Community Development

		SRO	STUDIO	1BR	2BR	3BR	4BR	5BR
20% OF MEDIAN	Max Gross Rent	$323	$431	$493	$554	$616	$665	$714
25% OF MEDIAN	Max Gross Rent	$404	$539	$616	$693	$770	$831	$893
30% OF MEDIAN	Max Gross Rent	$485	$646	$739	$831	$924	$998	$1,071
35% OF MEDIAN	Max Gross Rent	$565	$754	$863	$970	$1,078	$1,164	$1,250
40% OF MEDIAN	Max Gross Rent	$647	$863	$985	$1,109	$1,231	$1,330	$1,429
50% OF MEDIAN	Max Gross Rent	$808	$1,078	$1,231	$1,386	$1,540	$1,663	$1,786
55% OF MEDIAN	Max Gross Rent	$889	$1,185	$1,355	$1,524	$1,694	$1,829	$1,964
60% OF MEDIAN	Max Gross Rent	$969	$1,293	$1,478	$1,663	$1,848	$1,995	$2,143
65% OF MEDIAN	Max Gross Rent	$1,051	$1,401	$1,601	$1,801	$2,001	$2,161	$2,321
70% OF MEDIAN	Max Gross Rent	$1,132	$1,509	$1,724	$1,940	$2,155	$2,328	$2,500
72% OF MEDIAN	Max Gross Rent	$1,163	$1,551	$1,773	$1,995	$2,216	$2,394	$2,571
75% OF MEDIAN	Max Gross Rent	$1,212	$1,616	$1,848	$2,079	$2,309	$2,494	$2,679
80% OF MEDIAN	Max Gross Rent	$1,293	$1,724	$1,970	$2,218	$2,463	$2,660	$2,858
90% OF MEDIAN	Max Gross Rent	$1,455	$1,940	$2,216	$2,494	$2,771	$2,993	$3,214
100% OF MEDIAN	Max Gross Rent	$1,616	$2,155	$2,463	$2,771	$3,079	$3,325	$3,571
105% OF MEDIAN	Max Gross Rent	$1,697	$2,263	$2,586	$2,910	$3,233	$3,491	$3,750
110% OF MEDIAN	Max Gross Rent	$1,778	$2,370	$2,709	$3,049	$3,386	$3,658	$3,929
120% OF MEDIAN	Max Gross Rent	$1,940	$2,586	$2,955	$3,325	$3,695	$3,990	$4,285
130% OF MEDIAN	Max Gross Rent	$2,101	$2,801	$3,201	$3,603	$4,003	$4,323	$4,643
135% OF MEDIAN	Max Gross Rent	$2,182	$2,909	$3,325	$3,741	$4,156	$4,489	$4,821
140% OF MEDIAN	Max Gross Rent	$2,263	$3,018	$3,448	$3,880	$4,310	$4,655	$5,000
150% OF MEDIAN	Max Gross Rent	$2,424	$3,233	$3,694	$4,158	$4,619	$4,988	$5,358
175% OF MEDIAN	Max Gross Rent	$2,828	$3,771	$4,310	$4,850	$5,388	$5,819	$6,250
200% OF MEDIAN	Max Gross Rent	$3,233	$4,310	$4,925	$5,543	$6,158	$6,650	$7,143

Allowable Annual Rent Increase for existing tenants in projects governed by the above MOHCD Rent Limits:	4.00%

These maximum gross rents apply to units for which the owner pays the cost of all utilities. To calculate the maximum rent when the tenant pays for some or all of the utilities, or "net rent," 1) determine which utilities will be the tenant's responsibility, 2) look up the corresponding utility allowances in the chart below, 3) calculate the total of those allowances and 4) subtract the total from the maximum gross rent. The following example is for a 3 BR unit restricted to households with incomes at or below 60% AMI and for which the tenants will have to pay the cost of electricity and gas cooking and the owner will pay for heat and hot water.

Cooking - Natural Gas - 3BR	$8	Maximum Gross Rent - 3BR - 60% AMI	$1,848
Other Electricity - 3BR	$68	Total Utility Allowance	-$76
Total Utility Allowance	$76	Maximum Net Rent	$1,772

2019 Utility Allowance Chart
Allowances for Tenant-Furnished Utilities

Utility or Service		Monthly Dollar Allowances					
		STUDIO	1BR	2BR	3BR	4BR	5BR
Heating	a. Natural Gas	22	26	29	33	35	38
	c. Electric	22	27	34	42	50	58
Cooking	a. Natural Gas	4	4	7	8	11	12
	b. Electric	9	10	15	19	24	28
Other Electric		26	32	48	68	88	108
Water Heating	a. Natural Gas	8	10	15	19	23	27
	b. Electric	21	24	31	38	44	51

Utility Allowances as published by the San Francisco Housing Authority, effective 10/1/2018 for New Admissions and on 1/1/2019 for other transactions.

	SRO	STUDIO	1BR	2BR	3BR	4BR	5BR
FAIR MARKET RENT:	$1,552	$2,069	$2,561	$3,170	$4,153	$4,392	$5,051

Source: HUD, effective 4/15/2019
https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2019_code/2019summary.odn

	SRO	STUDIO	1BR	2BR	3BR	4BR	5BR
SFHA Payment Standard:	$1,661	$2,215	$2,748	$3,433	$4,477	$4,780	$5,496

*As published by the San Francisco Housing Authority, effective 5/1/2019 for HCV New Admissions and all other applicable transactions.
http://sfha.org/Leased%20Housing%20Documents/2%20FY2019%20Payment%20Standards%20and%20Income%20Limits.pdf

	STUDIO	1BR	2BR	3BR	4BR	5BR
LOW HOME RENTS	$1,283	$1,375	$1,650	$1,906	$2,126	$2,346
HIGH HOME RENTS	$1,650	$1,769	$2,126	$2,447	$2,710	$2,971

https://www.hudexchange.info/resource/reportmanagement/published/HOME_RentLimits_State_CA_2019.pdf

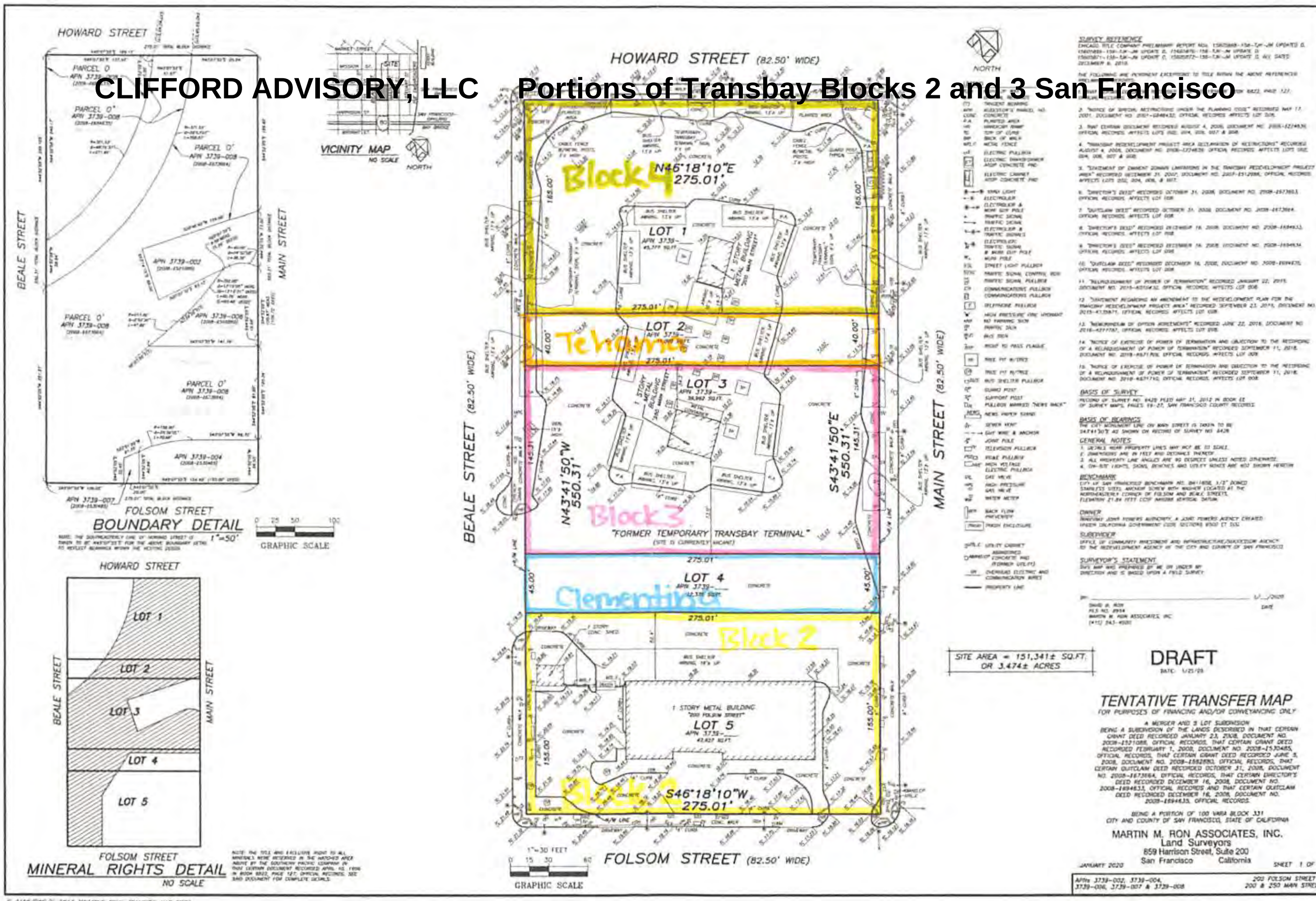
Allowable annual rent increase for project governed by HOME Rent requirements:	11.66%

Maximum Annual Increase of Gross Rent for projects that are subject to limits set by the San Francisco Rent Board:	2.6%

https://sfrb.org/sites/default/files/Document/Form/571%20Allowable%20Annual%20Increases%2019-20.pdf

Assumptions/Notes:
1. Rents Calculated at 30% of corresponding monthly income limit amount.
2. Utility Allowances as published by the San Francisco Housing Authority, effective 10/1/2018 for New Admissions and on 1/1/2019 for other transactions.
For more information, see: http://sfha.org/Leased%20Housing%20Documents/3%20Utility%20Allowance%202019.pdf.
3. Occupancy Standard is one person per bedroom plus one additional person.
4. Maximum Rents are derived via application of MOHCD AMI Hold Harmless Policy, effective 05/03/2019, see https://tinyurl.com/SFAMIHoldHarmless

Effective Date: 05/03/2019



HOWARD STREET (82.50' WIDE)
FOLSOM STREET (82.50' WIDE)
BEALE STREET (82.50' WIDE)
MAIN STREET (82.50' WIDE)
Block 4
Tehama
Block 3
Clementina
Block 2
LOT 1
LOT 2
LOT 3
LOT 4
LOT 5
N46°18'10"E 275.01'
S46°18'10"W 275.01'
N43°41'50"W 550.31'
S43°41'50"E 550.31'
"FORMER TEMPORARY TRANSBAY TERMINAL"
VICINITY MAP
BOUNDARY DETAIL
MINERAL RIGHTS DETAIL
SITE AREA = 151,341± SQ.FT. OR 3.474± ACRES
DRAFT
TENTATIVE TRANSFER MAP
MARTIN M. RON ASSOCIATES, INC.
Land Surveyors
859 Harrison Street, Suite 200
San Francisco California

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

Issuing Policies of Chicago Title Insurance Company

Order No.: 15605871-156-TJK-JM

TO:

Chicago Title Company
One Embarcadero Center, **Suite 250**
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

Title Officer: Jeff Martin

Escrow Officer: Terina J. Kung
One Embarcadero Center, Suite 250
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

ATTN: **Terina J. Kung**

PROPERTY ADDRESS: Lot 007, Block 3739, San Francisco, CA

PRELIMINARY REPORT – UPDATE D

In response to the application for a policy of title insurance referenced herein, ***Chicago Title Company*** *hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

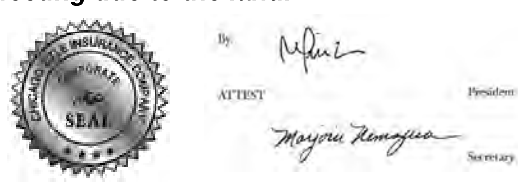
The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company, a Florida corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Chicago Title Company

By: ______________________
Authorized Signature



1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

PRELIMINARY REPORT – UPDATE D

EFFECTIVE DATE: **December 6, 2019 at 7:30 a.m.**

ORDER NO.: 15605871-156-TJK-JM

The form of policy or policies of title insurance contemplated by this report is:

ALTA Extended Owners Policy (6-17-06)
ALTA Extended Loan Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

   A FEE

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

   Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

   See Exhibit A attached hereto and made a part hereof.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, IN THE COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHERLY CORNER OF THE PARCEL OF LAND DESCRIBED IN DIRECTOR'S DEED NO. 12875-DD TO JOHN A. MOROSI, ET AL, RECORDED SEPT 23, 1959, IN VOLUME A-34, PAGE 578, OFFICIAL RECORDS OF THE CITY AND COUNTY OF SAN FRANCISCO; THENCE ALONG THE SOUTHWESTERLY LINE OF SAID PARCEL, NORTH 44° 52' 05" WEST, 40.99 FEET TO THE MOST WESTERLY CORNER OF SAID PARCEL; THENCE SOUTH 22° 01' 25" WEST, 21.75 FEET TO A LINE PARALLEL WITH AND DISTANT 20.00 FEET SOUTHWESTERLY, AT RIGHT ANGLES, FROM THE LINE DESCRIBED ABOVE, WITH THE LENGTH OF 40.99 FEET; THENCE ALONG SAID PARALLEL LINE, SOUTH 44° 52' 05" EAST, 32.45 FEET TO THE SOUTHEASTERLY LINE OF PARCEL 1 OF THE LANDS DESCRIBED IN DEED NO. 12875 TO THE STATE OF CALIFORNIA, RECORDED APRIL 7, 1954, IN VOLUME 6353, PAGE 393, OFFICIAL RECORDS OF THE CITY AND COUNTY OF SAN FRANCISCO; THENCE ALONG SAID SOUTHEASTERLY LINE, WHICH IS ALSO THE NORTHWESTERLY LINE OF FOLSOM STREET, NORTH 45° 07' 55" EAST, 20.00 FEET TO THE POINT OF BEGINNING.

APN: **Lot 007, Block 3739**

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area:	1016
Tax Identification No.:	Lot 007, Block 3739
Fiscal Year:	2019-2020
1st Installment:	$31.32, Paid
2nd Installment:	$31.32, Open
Exemption:	$0.00
Land:	$0.00
Improvements:	$0.00
Personal Property:	$0.00
Bill No.:	128729

The lien of the assessment shown below, which assessment is or will be collected with, and included in, the property taxes shown above.

Assessment:	GTR Rincon Hill CBD
Amount:	$62.64

2. The Land lies within the boundaries of a Mello Roos Community Facilities District ("CFD"), as follows:

CFD No:	90-1
For:	School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

Further information may be obtained by contacting:

Chief Financial Officer
San Francisco Unified School District
135 Van Ness Ave. – Room 300
San Francisco, CA 94102
Phone (415) 241-6542

3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District (CFD) as follows:

CFD No.:	2014-1
For: Transbay	Transit Center
Recording Date:	January 22, 2015
Recording No.:	2015-K010238-00, Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

Reference is also made to the boundary Map of the CFD recorded July 29, 2014, in Book 001, Pages 75 and 76 of the Book of Maps of Assessment and Community Facilities District in the Office of the Assessors-Recorders Office.

EXCEPTIONS
(Continued)

4. Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.

5. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

6. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

   Redevelopment Agency: Transbay Redevelopment Project Area
   Recording Date: August 4, 2006
   Recording No: 2006-I224836, Book J197, Page 575, of Official Records

   “Declaration of Restrictions" thereunder, recorded August 4, 2006, Instrument No. 2006-I224839-00, Official Records.

   Statement Regarding Amendment to the Redevelopment Plan for the Transbay Redevelopment Project Area, recorded September 23, 2015, Instrument No. 2015-K135871-00, of Official Records.

7. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

   Recording Date: August 4, 2006
   Recording No: 2006-I224839, Book J197, Page 578, of Official Records

8. Matters contained in that certain document

   Entitled: Statement of Eminent Domain Limitations in the Transbay Redevelopment Project Area
   Dated: December 12, 2007
   Executed by: Redevelopment Agency of the City and County of San Francisco
   Recording Date: December 31, 2007
   Recording No: 2007-I512986-00, Reel J547, Image 0280, of Official Records

   Reference is hereby made to said document for full particulars.

9. The search did not disclose any open mortgages or deeds of trust of record, therefore the Company reserves the right to require further evidence to confirm that the property is unencumbered, and further reserves the right to make additional requirements or add additional items or exceptions upon receipt of the requested evidence.

EXCEPTIONS
(Continued)

10. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

    The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

    The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

11. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

12. The Company will require that an Owner's Affidavit be completed by the party(s) named below before the issuance of any policy of title insurance.

    Party(s): Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

    The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.

13. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

END OF EXCEPTIONS

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

Issuing Policies of Chicago Title Insurance Company

Order No.: 15605869-156-TJK-JM

Title Officer: Jeff Martin

TO:

Chicago Title Company
One Embarcadero Center, **Suite 250**
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

Escrow Officer: Terina J. Kung
One Embarcadero Center, Suite 250
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

ATTN: **Terina J. Kung**

PROPERTY ADDRESS: Lot 004, Block 3739, San Francisco, CA

PRELIMINARY REPORT – UPDATE D

In response to the application for a policy of title insurance referenced herein, ***Chicago Title Company*** *hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company, a Florida corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Chicago Title Company

By: ______________________
Authorized Signature

CHICAGO TITLE INSURANCE COMPANY
CORPORATE SEAL

By: President

ATTEST Secretary

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

PRELIMINARY REPORT – UPDATE D

EFFECTIVE DATE: **December 6, 2019 at 7:30 a.m.**

ORDER NO.: 15605869-156-TJK-JM

The form of policy or policies of title insurance contemplated by this report is:

ALTA Extended Owners Policy (6-17-06)
ALTA Extended Loan Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

   A FEE

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

   Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

   See Exhibit A attached hereto and made a part hereof.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, IN THE COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHEASTERLY LINE OF PARCEL 1 OF THAT CERTAIN TRACT OF LAND CONVEYED TO THE STATE OF CALIFORNIA BY DEED RECORDED April 7, 1954, IN VOLUME 6353, PAGE 393, OFFICIAL RECORDS OF THE CITY AND COUNTY OF SAN FRANCISCO, SAID NORTHEASTERLY LINE BEING THE SOUTHWESTERLY LINE OF MAIN STREET, DISTANT ALONG SAID NORTHEASTERLY LINE SOUTH 44° 52' 05" EAST, 81.00 FEET FROM THE MOST NORTHERLY CORNER OF SAID PARCEL 1; THENCE SOUTH 45° 07' 55" WEST, 86.72 FEET; THENCE ALONG A TANGENT CURVE TO THE LEFT WITH A RADIUS OF 158.00 FEET, THROUGH AN ANGLE OF 25° 36' 05", AN ARC LENGTH OF 70.60 FEET; THENCE SOUTH 44° 52' 05" EAST, 40.99 FEET TO THE SOUTHEASTERLY LINE OF SAID PARCEL 1; THENCE ALONG SAID SOUTHEASTERLY LINE, LAST SAID LINE BEING THE NORTHWESTERLY LINE OF FOLSOM STREET, NORTH 45° 07' 55" EAST, 155.00 FEET TO SAID NORTHEASTERLY LINE OF PARCEL 1; THENCE ALONG LAST SAID LINE, NORTH 44° 52' 05" WEST, 56.50 FEET TO THE POINT OF BEGINNING.

APN: **Lot 004, Block 3739**

CLIFFORD ADVISORY, LLC Portions of Transbay Blocks 2 and 3 San Francisco

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area:	1016
Tax Identification No.:	Lot 004, Block 3739
Fiscal Year:	2019-2020
1st Installment:	$364.16, Paid
2nd Installment:	$364.16, Open
Exemption:	$0.00
Land:	$0.00
Improvements:	$0.00
Personal Property:	$0.00
Bill No.:	128727

The lien of the assessment shown below, which assessment is or will be collected with, and included in, the property taxes shown above.

Assessment:	GTR Rincon Hill CBD
Amount:	$728.32

2. The Land lies within the boundaries of a Mello Roos Community Facilities District ("CFD"), as follows:

CFD No:	90-1
For:	School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

Further information may be obtained by contacting:

Chief Financial Officer
San Francisco Unified School District
135 Van Ness Ave. – Room 300
San Francisco, CA 94102
Phone (415) 241-6542

3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District (CFD) as follows:

CFD No.:	2014-1
For:	Transbay Transit Center
Recording Date:	January 22, 2015
Recording No.:	2015-K010238-00, Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

Reference is also made to the boundary Map of the CFD recorded July 29, 2014, in Book 001, Pages 75 and 76 of the Book of Maps of Assessment and Community Facilities District in the Office of the Assessors-Recorders Office.

EXCEPTIONS
(Continued)

4. Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.

5. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

6. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

Redevelopment Agency:	Transbay Redevelopment Project Area
Recording Date:	August 4, 2006
Recording No:	2006-I224836, Book J197, Page 575, of Official Records

"Declaration of Restrictions" thereunder, recorded August 4, 2006, Instrument No. 2006-I224839-00, Official Records.

Statement Regarding Amendment to the Redevelopment Plan for the Transbay Redevelopment Project Area, recorded September 23, 2015, Instrument No. 2015-K135871-00, of Official Records.

7. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date:	August 4, 2006
Recording No:	2006-I224839, Book J197, Page 578, of Official Records

8. Matters contained in that certain document

Entitled:	Statement of Eminent Domain Limitations in the Transbay Redevelopment Project Area
Dated:	December 12, 2007
Executed by:	Redevelopment Agency of the City and County of San Francisco
Recording Date:	December 31, 2007
Recording No:	Reel J547, Image 0280, of Official Records

Reference is hereby made to said document for full particulars.

9. The search did not disclose any open mortgages or deeds of trust of record, therefore the Company reserves the right to require further evidence to confirm that the property is unencumbered, and further reserves the right to make additional requirements or add additional items or exceptions upon receipt of the requested evidence.

EXCEPTIONS
(Continued)

10. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

    The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

    The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

11. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

12. The Company will require that an Owner's Affidavit be completed by the party(s) named below before the issuance of any policy of title insurance.

    Party(s): Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

    The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.

13. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

END OF EXCEPTIONS

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

Issuing Policies of Chicago Title Insurance Company

Order No.: 15605870-156-TJK-JM

Title Officer: Jeff Martin

TO:

Chicago Title Company
One Embarcadero Center, **Suite 250**
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

Escrow Officer: Terina J. Kung
One Embarcadero Center, Suite 250
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

ATTN: **Terina J. Kung**

PROPERTY ADDRESS: Block 3739 Lot 6, San Francisco, CA

PRELIMINARY REPORT – UPDATE D

In response to the application for a policy of title insurance referenced herein, ***Chicago Title Company*** *hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company, a Florida corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Chicago Title Company

By: ______________________
Authorized Signature

By President
ATTEST Secretary

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

PRELIMINARY REPORT – UPDATE D

EFFECTIVE DATE: **December 6, 2019 at 7:30 a.m.**

ORDER NO.: 15605870-156-TJK-JM

The form of policy or policies of title insurance contemplated by this report is:

ALTA Extended Owners Policy (6-17-06)
ALTA Extended Loan Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

   A Fee

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

   Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

   See Exhibit A attached hereto and made a part hereof.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, IN THE COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE NORTHEASTERLY LINE OF PARCEL 2 OF SAID STATE'S TRACT (6353 OR 393), SAID LINE BEING THE SOUTHWESTERLY LINE OF MAIN STREET, DISTANT THEREON SOUTH 44° 52' 05" EAST, 15.66 FEET FROM THE MOST NORTHERLY CORNER OF SAID PARCEL 2; THENCE SOUTH 45° 07' 55" WEST, 141.79 FEET; THENCE FROM A TANGENT THAT BEARS NORTH 6° 23' 50" EAST, ALONG A CURVE TO THE LEFT WITH A RADIUS OF 917.00 FEET, THROUGH AN ANGLE OF 2° 59' 30", AN ARC LENGTH OF 47.88 FEET TO A POINT OF COMPOUND CURVATURE; THENCE FROM A TANGENT THAT BEARS NORTH 3° 24' 20" EAST, ALONG A CURVE TO THE LEFT WITH A RADIUS OF 392.00 FEET, THROUGH AN ANGLE OF 13° 13' 31", AN ARC LENGTH OF 90.48 FEET TO THE PROPERTY LINE COMMON TO THE LANDS, NOW OR FORMERLY, OF THE STATE OF CALIFORNIA, AND OF THE SOUTHERN PACIFIC COMPANY; THENCE ALONG SAID COMMON PROPERTY LINE; NORTH 20° 07' 32" EAST, 9.26 FEET, AND ALONG A TANGENT CURVE TO THE RIGHT WITH A RADIUS OF 40.00 FEET, THROUGH AN ANGLE OF 54° 52' 58", AN ARC LENGTH OF 38.32 FEET TO THE NORTHEASTERLY LINE OF SAID STATE'S TRACT (6822 OR 127); THENCE ALONG LAST SAID NORTHEASTERLY LINE AND SAID NORTHEASTERLY LINE OF STATE'S TRACT (6353 OR 393), SAID NORTHEASTERLY LINE BEING THE SAID SOUTHWESTERLY LINE OF MAIN STREET, SOUTH 44° 52' 05" EAST, 100.72 FEET TO THE POINT OF COMMENCEMENT.

EXCEPTING FROM THE PORTION THEREOF NOT A PART OF SAID PARCEL 2, THE TITLE AND EXCLUSIVE RIGHT TO ALL OF THE MINERALS AND MINERAL ORES OF EVERY KIND AND CHARACTER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED UPON, WITHIN OR UNDERLYING SAID PROPERTY, OR THAT MAY BE PRODUCED THEREFROM, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ALL PETROLEUM, OIL, NATURAL GAS AND OTHER HYDROCARBON SUBSTANCES, AND PRODUCTS DERIVED THEREFROM, TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS BENEATH THE SURFACE OF SAID LAND TO EXPLORE FOR, EXTRACT, MINE AND REMOVE THE SAME, AND TO MAKE SUCH USE OF SAID PROPERTY BENEATH THE SURFACE AS IS NECESSARY OR USEFUL IN CONNECTION THEREWITH, WHICH USE MAY INCLUDE LATERAL OR SLANT DRILLING, BORING, DIGGING OR SINKING OF WELLS, SHAFTS OR TUNNELS; BUT WITHOUT THE RIGHT TO DRILL, DIG OR MINE THROUGH THE SURFACE OF SAID PROPERTY IN THE EXERCISE OF SAID RIGHTS, AND WITHOUT THE RIGHT TO DISTURB THE SURFACE OF SAID LAND, OR OTHERWISE DEVELOP THE SAME IN SUCH MANNER AS TO ENDANGER THE SAFETY OF ANY HIGHWAY STRUCTURES THAT MAY BE CONSTRUCTED ON SAID PROPERTY, AS EXCEPTED IN THE DEED FROM SOUTHERN PACIFIC RAILROAD COMPANY, A CALIFORNIA CORPORATION, TO STATE OF CALIFORNIA, DATED April 25, 1955, RECORDED April 10, 1956 (6822 OR 127).

APN: **Lot 006, Block 3739**

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area:	1016
Tax Identification No.:	Lot 006, Block 3739
Fiscal Year:	2019-2020
1st Installment:	$384.26, Paid
2nd Installment:	$384.26, Open
Exemption:	$0.00
Land:	$0.00
Improvements:	$0.00
Personal Property:	$0.00
Bill No.:	128728

The lien of the assessment shown below, which assessment is or will be collected with, and included in, the property taxes shown above.

Assessment:	GTR Rincon Hill CBD
Amount:	$768.52

2. The Land lies within the boundaries of a Mello Roos Community Facilities District ("CFD"), as follows:

CFD No:	90-1
For:	School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

Further information may be obtained by contacting:

Chief Financial Officer
San Francisco Unified School District
135 Van Ness Ave. – Room 300
San Francisco, CA 94102
Phone (415) 241-6542

3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District (CFD) as follows:

CFD No.:	2014-1
For:	Transbay Transit Center
Recording Date:	January 22, 2015
Recording No.:	2015-K010238-00, Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. THE tax may not be prepaid.

Reference is also made to the boundary Map of the CFD recorded July 29, 2014, in Book 001, Pages 75 and 76 of the Book of Maps of Assessment and Community Facilities District in the Office of the Assessors-Recorders Office.

EXCEPTIONS
(Continued)

4. Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.

5. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

6. Notice of Special Restrictions under the City Planning Code of the City and County of San Francisco upon the terms and conditions contained therein

   Recording Date: May 17, 2001
   Recording No.: 2001-G948432-00, Reel H890, Image 372, of Official Records

   Reference is made to said document for full particulars.

7. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

   Redevelopment Agency: Redevelopment Plan for the Transbay Project Area
   Recording Date: August 4, 2006
   Recording No: 2006-I222836, Book J197, Page 575, of Official Records

   "Declaration of Restrictions" thereunder, recorded August 4, 2006, Instrument No. 2006-I224839-00, Official Records.

   Statement Regarding Amendment to the Redevelopment Plan for the Transbay Redevelopment Project Area, recorded September 23, 2015, Instrument No. 2015-K135871-00, of Official Records.

8. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

   Recording Date: August 4, 2006
   Recording No: 2006-I222839, Book J197, Page 578, of Official Records

EXCEPTIONS
(Continued)

9. Matters contained in that certain document

Entitled:	Statement of Eminent Domain Limitations in the Transbay Redevelopment Project Area
Dated:	December 12, 2007
Executed by:	Redevelopment Agency of the City and County of San Francisco
Recording Date:	December 31, 2007
Recording No:	2007-I512986-00, of Official Records

Reference is hereby made to said document for full particulars.

10. The search did not disclose any open mortgages or deeds of trust of record, therefore the Company reserves the right to require further evidence to confirm that the property is unencumbered, and further reserves the right to make additional requirements or add additional items or exceptions upon receipt of the requested evidence.

11. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

    The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

    The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

12. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

13. The Company will require that an Owner's Affidavit be completed by the party(s) named below before the issuance of any policy of title insurance.

    Party(s): Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

    The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.

14. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

END OF EXCEPTIONS

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

Issuing Policies of Chicago Title Insurance Company

Order No.: 15605868-156-TJK-JM

TO:

Chicago Title Company
One Embarcadero Center, **Suite 250**
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

Title Officer: Jeff Martin

Escrow Officer: Terina J. Kung
One Embarcadero Center, Suite 250
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

ATTN: **Terina J. Kung**

PROPERTY ADDRESS: **Block 3739 Lot 2, San Francisco, CA**

PRELIMINARY REPORT – UPDATE D

In response to the application for a policy of title insurance referenced herein, ***Chicago Title Company*** *hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company, a Florida corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Chicago Title Company

By: ______________________
Authorized Signature

CHICAGO TITLE INSURANCE COMPANY CORPORATE SEAL

By: President

ATTEST: Secretary

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

PRELIMINARY REPORT – UPDATE D

EFFECTIVE DATE: **December 6, 2019 at 7:30 a.m.**

ORDER NO.: 15605868-156-TJK-JM

The form of policy or policies of title insurance contemplated by this report is:

ALTA Extended Owners Policy (6-17-06)
ALTA Extended Loan Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

   A Fee

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

   Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

   See Exhibit A attached hereto and made a part hereof.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, IN THE COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE SOUTHWESTERLY LINE OF MAIN STREET, DISTANT THEREON SOUTH 44° 52' 05" EAST, 199.60 FEET FROM THE SOUTHEASTERLY LINE OF HOWARD STREET; THENCE SOUTH 26° 45' 45"WEST, 159 FEET; THENCE SOUTH 63° 14' 15" EAST, 68.00 FEET; THENCE NORTH 20° 07' 32' EAST, 102.22 FEET; THENCE NORTHEASTERLY ALONG A TANGENT CURVE TO THE RIGHT WITH A RADIUS OF 40 FEET, THROUGH AN ANGLE OF 54° 52' 58", AN ARC LENGTH OF 38.32 FEET TO THE AFORESAID LINE OF MAIN STREET; THENCE ALONG LAST SAID LINE, NORTH 44° 52' 05" WEST, 73.00 FEET TO THE POINT OF COMMENCEMENT.

APN: Lot 002 Block 3739

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area:	1016
Tax Identification No.:	Lot 002, Block 3739
Fiscal Year:	2091-2020
1st Installment:	$409.16, Paid
2nd Installment:	$409.16, Open
Exemption:	$0.00
Land:	$0.00
Improvements:	$0.00
Personal Property:	$0.00
Bill No.:	128726

The lien of the assessment shown below, which assessment is or will be collected with, and included in, the property taxes shown above.

Assessment:	GTR Rincon Hill CBD
Amount:	$818.32

2. The Land lies within the boundaries of a Mello Roos Community Facilities District ("CFD"), as follows:

CFD No:	90-1
For:	School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

Further information may be obtained by contacting:

Chief Financial Officer
San Francisco Unified School District
135 Van Ness Ave. – Room 300
San Francisco, CA 94102
Phone (415) 241-6542

3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District (CFD) as follows:

CFD No.:	2014-1
For:	Transbay Transit Center
Recording Date:	January 22, 2015
Recording No.:	2015-K010238-00, Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

Reference is also made to the boundary Map of the CFD recorded July 29, 2014, in Book 001, Pages 75 and 76 of the Book of Maps of Assessment and Community Facilities District in the Office of the Assessors-Recorders Office.

EXCEPTIONS
(Continued)

4. Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.

5. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

6. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

Redevelopment Agency:	Transbay Redevelopment Project Area
Recording Date:	August 4, 2006
Recording No:	2006-I224836, Book J197, Page 575, of Official Records

"Declaration of Restrictions" thereunder, recorded August 4, 2006, Instrument No. 2006-I224839-00, Official Records.

Statement Regarding Amendment to the Redevelopment Plan for the Transbay Redevelopment Project Area, recorded September 23, 2015, Instrument No. 2015-K135871-00, of Official Records.

7. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date:	August 4, 2006
Recording No:	2006-I224839, Book J197, Page 578, of Official Records

8. Matters contained in that certain document

Entitled:	Statement Of Eminent Domain Limitations In The Transbay Redevelopment Project Area
Dated:	December 12, 2007
Executed by:	Redevelopment Agency of the City and County of San Francisco
Recording Date:	December 31, 2007
Recording No:	2007-I512986-00, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(Continued)

9. The search did not disclose any open mortgages or deeds of trust of record, therefore the Company reserves the right to require further evidence to confirm that the property is unencumbered, and further reserves the right to make additional requirements or add additional items or exceptions upon receipt of the requested evidence.

10. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

    The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

    The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

11. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

12. The Company will require that an Owner's Affidavit be completed by the party(s) named below before the issuance of any policy of title insurance.

    Party(s): Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

    The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.

13. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

END OF EXCEPTIONS

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

Issuing Policies of Chicago Title Insurance Company

Order No.: 15605872-156-TJK-JM

Title Officer: Jeff Martin

TO:

Chicago Title Company
One Embarcadero Center, Suite 250
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

Escrow Officer: Terina J. Kung
One Embarcadero Center, Suite 250
San Francisco, CA 94111
(415) 291-5100
(415) 896-9423

ATTN: **Terina J. Kung**

PROPERTY ADDRESS: Block 3739, Lot 008, San Francisco, CA

PRELIMINARY REPORT – UPDATE D

In response to the application for a policy of title insurance referenced herein, ***Chicago Title Company*** *hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company, a Florida corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Chicago Title Company

By: ____________________
Authorized Signature

1200 Concord Ave., #400, , Concord, CA 94520
Phone: (925) 288-8000 ● Fax:

PRELIMINARY REPORT – UPDATE D

EFFECTIVE DATE: **December 6, 2019 at 7:30 a.m.**

ORDER NO.: 15605872-156-TJK-JM

The form of policy or policies of title insurance contemplated by this report is:

ALTA Extended Owners Policy (6-17-06)
ALTA Extended Loan Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

   A Fee

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

   Transbay Joint Powers Authority, a joint powers agency created under California Government Code Sections 6500 et seq.

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

   See Exhibit A attached hereto and made a part hereof.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, IN THE COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL O:

All that parcel of land described as "Parcel No.1" (State Parcel No.395) and conveyed to the State of California by the Indenture between Southern Pacific Company and the State of California, recorded October 15, 1937, in Volume 3210, Page 111, Official Records of the City and County of San Francisco and described therein as follows:

COMMENCING at the point of intersection of the Northeasterly line of Beale Street and the Southeasterly line of Howard Street; running thence Northeasterly along said line of Howard Street 137 feet 6 inches; thence at a right angle Southeasterly 15 feet; thence Southeasterly and Southerly along a curve to the right, having a radius of 321 feet 6-3/8 inches, through an angle of 48°26'37", a distance of 271 feet 10-1/4 inches to a point on the Northeasterly line of Beale Street, distant thereon 240 feet 2 inches Southeasterly from the Southeasterly line of Howard Street; thence northwesterly along said line of Beale Street 240 feet 2 inches to the point of commencement.

BEING all of Beach and Water Lots. Nos. 400 and 401 and part of Beach and Water Lots Nos. 402, 407, 412 and 415 in 100 Vara Block No.331.

APN: Lot 008, Block 3739, (Portion)

PARCEL O':

All those parcels of land (State Parcel No. 12875) conveyed to the State of California by instrument recorded April 7, 1954, in Volume 6353 at Page 393, Official Records of the City and County of San Francisco, and that portion of that parcel of land described as "PARCEL 1" (State Parcel No. 12874) and conveyed to the State of California by the Indenture between Southern Pacific Company and the State of California, recorded April 10, 1956, in Volume 6822, Page 127, Official Records of the City and County of San Francisco, lying Easterly of the following described lines:

BEGINNING at a point on the Southeasterly line of Howard Street, distant thereon North 45°07'55" East, 189.17 feet from the Northeasterly line of Beale Street; thence from a tangent that bears South 40°59'58" East, along a curve to the right with a radius of 371.53 feet, through an angle of 56°53'07", an arc distance of 368.87 feet to a point on said Northeasterly line of Beale Street.

EXCEPTING THEREFROM that parcel of land conveyed by Deed (State Parcel No. 12874-DD) to Leonard E. Kingsley, et al, recorded November 25, 1959, in Volume A-58 at Page 855, Official Records of said county and described therein as follows:

A portion of those certain tracts of land conveyed to the State of California by indenture recorded April 10, 1956 in Volume 6822, Page 127 and by Deed recorded April 7, 1954 in Volume 6353, Page 393, both Official Records of the City and County of San Francisco, said portion being more particularly described as follows:

COMMENCING at a point on the Northeasterly line of Parcel 2 of said State's tract (6353 OR 393), said line being the Southwesterly line of Main Street, distant thereon S. 44°52'05" E., 15.66 feet from the most Northerly corner of said Parcel 2; thence S. 45°07'55" W., 141.79 feet; thence from a tangent that bears N. 6°23'50" E., along a curve to the left with a radius of 917.00 feet, through an angle of 2°59'30", an arc length of 47.88 feet to a point of compound curvature; thence from a tangent that bears N. 3°24'20" E., along a curve to the left with a radius of 392.00 feet, through an angle of 13°13'31", an arc length of 90.48 feet to the property line common to the lands, now or formerly, of the State of California and of the Southern Pacific Company; thence along said common property line: N. 20°07'32" E., 9.26 feet and along a tangent curve to the right with a radius of 40.00 feet, through an angle of 54°52'58", an arc length of 38.32 feet to the Northeasterly line of said State's tract (6822 OR 127);

EXHIBIT A
(Continued)

thence along last said Northeasterly line and said Northeasterly line of State's tract (6353 OR 393), said Northeasterly lines being the said Southwesterly line of Main Street, S. 44°52'05" E., 100.72 feet to the point of commencement.

ALSO EXCEPTING THEREFROM that parcel of land conveyed by Deed (State Parcel No. 12875-DD) to John A. Morosi, et al, recorded September 23, 1959, in Volume A-34 at Page 578, Official Records of said county and described therein as follows:

COMMENCING at a point on the Northeasterly line of Parcel 1 of that certain tract of land conveyed to the State of California by Deed recorded April 7, 1954 in Volume 6353, Page 393, Official Records of the City and County of San Francisco, said Northeasterly line being the Southwesterly line of Main Street, distant along said Northeasterly line S. 44°52'05" E., 81.00 feet from the most Northerly corner of said Parcel 1; thence S. 45°07'55" W., 86.72 feet; thence along a tangent curve to the left with a radius of 158.00 feet, through an angle of 25°36'05", an arc length of 70.60 feet; thence S. 44°52'05" E., 40.99 feet to the Southeasterly line of said Parcel 1; thence along said Southeasterly line, last said line being the Northwesterly line of Folsom Street, N. 45°07'55" E., 155.00 feet to said Northeasterly line of Parcel 1; thence along last said line N. 44°52'05" W., 56.50 feet to the point of commencement.

ALSO EXCEPTING THEREFROM that parcel of land conveyed by Deed (State Parcel No. 12875-DD-1) to John Morosi, et al, recorded August 10, 1961, in Volume A302 at Page 320, Official Records of said county and described therein as follows:

COMMENCING at the most Southerly corner of the parcel of land described in Director's Deed No. 12875-DD to John A. Morosi, et al, recorded September 23, 1959 in Volume A-34, page 578, Official Records of the City and County of San Francisco; thence along the Southwesterly line of said parcel, N. 44°52'05" W., 40.99 feet to the most Westerly corner of said parcel; thence S. 22°01'25" W., 21.75 feet to a line parallel with and distant 20.00 feet Southwesterly, at right angles, from the line described above with the length of 40.99 feet; thence along said parallel line, S. 44°52'05" E., 32.45 feet to the Southeasterly line of PARCEL 1 of the lands described in Deed No 12875 to the State of California, recorded April 7, 1954 in Volume 6353, Page 393, Official Records of the City and County of San Francisco; thence along said Southeasterly line, which is also the Northwesterly line of Folsom Street, N. 45°07'55" E., 20.00 feet to the point of commencement.

APN: Lot 008, Block 3739, (Portion)

Parcel O":

That portion of that parcel of land described as "PARCEL 1" (State Parcel No.12874) and conveyed to the State of California by the Indenture between Southern Pacific Company and the State of California, recorded April 10, 1956, in Volume 6822, Page 127, Official Records of the City and County of San Francisco, included within the following described lines:

BEGINNING at the point of intersection of the northeasterly line of Beale Street and the southeasterly line of Howard Street; thence along said Southeasterly line of Howard Street, North 45°07'55" East, 189.17 feet; thence leaving said Southeasterly line of Howard Street, from a tangent that bears South 40°59'58" East, along a curve to the right with a radius of 371.53 feet, through an angle of 56°53'07", an arc distance of 368.87 feet to a point on said Northeasterly line of Beale Street; thence along said Northeasterly line of Beale Street, North 44°52' 05" West, 299.10 feet to the point of beginning.

APN: Lot 008, Block 3739 (Portion)

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area:	1016
Tax Identification No.:	Lot 008, Block 3739
Fiscal Year:	2019-2020
1st Installment:	$7,800.05,Paid
2nd Installment:	$7,800.05, Open
Exemption:	$0.00
Land:	$0.00
Improvements:	$0.00
Personal Property:	$0.00
Bill No.:	128730

The lien of the assessment shown below, which assessment is or will be collected with, and included in, the property taxes shown above.

Assessment:	GTR Rincon Hill CBD
Amount:	$15,600.10

2. The Land lies within the boundaries of a Mello Roos Community Facilities District ("CFD"), as follows:

CFD No:	90-1
For:	School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

Further information may be obtained by contacting:

Chief Financial Officer
San Francisco Unified School District
135 Van Ness Ave. – Room 300
San Francisco, CA 94102
Phone (415) 241-6542

3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District (CFD) as follows:

CFD No.:	2014-1
For:	Transbay Transit Center
Recording Date:	January 22, 2015
Recording No.:	2015-K010238-00, Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

EXCEPTIONS
(Continued)

Reference is also made to the boundary Map of the CFD recorded July 29, 2014, in Book 001, Pages 75 and 76 of the Book of Maps of Assessment and Community Facilities District in the Office of the Assessors-Recorders Office.

4. Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.

5. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

6. RESERVATION OF EXCLUSIVE RIGHT TO ALL OF THE MINERALS AND MINERAL ORES OF EVERY KIND AND CHARACTER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED UPON, WITHIN OR UNDERLYING SAID PROPERTY OR THAT MAY BE PRODUCED THEREFROM, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ALL PETROLEUM, OIL, NATURAL GAS AND OTHER HYDROCARBON SUBSTANCES AND PRODUCTS DERIVED THEREFROM, TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS BENEATH THE SURFACE OF SAID LAND TO EXPLORE FOR, EXTRACT, MINE AND REMOVE THE SAME AND TO MAKE SUCH USE OF SAID PROPERTY BENEATH THE SURFACE AS IS NECESSARY OR USEFUL IN CONNECTION THEREWITH, WHICH USE MAY INCLUDE LATERAL OR SLANT DRILLING, BORING, DIGGING OR SINKING OF WELLS, SHAFTS OR TUNNELS, PROVIDED THAT THERE SHALL BE DRILLING, DIGGING OR MINING THROUGH THE SURFACE OF SAID PROPERTY IN THE EXERCISE OF SAID RIGHTS AND SHALL NOT DISTURB THE SURFACE OF SAID LAND OR OTHERWISE DEVELOP THE SAME IN SUCH MANNER AS TO ENDANGER THE SAFETY OF ANY HIGHWAY STRUCTURES THAT MAY BE CONSTRUCTED ON SAID PROPERTY AS RESERVED IN THE DEED DATED APRIL 25, 1955, FROM THE SOUTHERN PACIFIC COMPANY, A DELAWARE CORPORATION, TO THE STATE OF CALIFORNIA APRIL 10, 1956, SERIES NO. 65828, IN 6822 O.R. 127.

   (AFFECTS PREMISES DESCRIBED IN SAID DEED)

7. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

   Recording Date: April 10, 1956
   Recording No: Book 6822, Page 127, of Official Records

8. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

   Redevelopment Agency: Transbay Redevelopment Project Area
   Recording Date: August 4, 2006
   Recording No: 2006-I224836, Book J197, Page 575, of Official Records

EXCEPTIONS
(Continued)

"Declaration of Restrictions" thereunder, recorded August 4, 2006, Instrument No. 2006-I224839-00, Official Records.

Statement Regarding Amendment to The Redevelopment Plan for the Transbay Redevelopment Project Area, recorded September 23, 2015, Instrument No. 2015-K135871-00, Official Records.

9. Matters contained in that certain document

Entitled: Director's Deed
Dated: October 21, 2008
Executed by: State of California Department of Transportation
Recorded: October 31, 2008, as Instrument No. 2008-I673663-00, Official Records.

Reference is hereby made to said document for full particulars.

10. Matters contained in that certain document

Entitled: Quitclaim Deed
Dated: October 21, 2008
Executed by: City and County of San Francisco, a municipal corporation
Recorded: October 31, 2008, as Instrument No. 2008-I673664-00, Official Records.

Reference is hereby made to said document for full particulars.

11. Matters contained in that certain document

Entitled: Director's Deed
Dated: December 8, 2008
Executed by: State of California Department of Transportation
Recorded: December 16, 2008, as Instrument No. 2008-I694633-00, Official Records.

Reference is hereby made to said document for full particulars.

12. Matters contained in that certain document

Entitled: Director's Deed
Dated: December 8, 2008
Executed by: State of California Department of Transportation
Recorded: December 16, 2008, as Instrument No. 2008-I694634-00, Official Records.

Reference is hereby made to said document for full particulars.

13. Matters contained in that certain document

Entitled: Quitclaim Deed
Dated: December 8, 2008
Executed by: City and County of San Francisco, a municipal corporation
Recorded: December 16, 2008, as Instrument No. 2008-I694635-00, Official Records.

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(Continued)

14. An option to purchase said Land with certain terms, covenants, conditions and provisions as set forth therein.

Dated:	January 31, 2008
Optionor:	Transbay Joint Powers Authority, a joint powers authority
Optionee:	The Successor Agency to the Redevelopment Agency of the City and County of San Francisco, also known as Office of Community Investment and Infrastructure
Disclosed by:	Memorandum of Option Agreements

A sub-option to purchase said Land with certain terms, covenants, conditions and provisions as set forth therein.

Dated:	June 22, 2016
Sub-Optionor:	Transbay Joint Powers Authority, a joint powers authority and The Successor Agency to the Redevelopment Agency of the City and County of San Francisco, also known as Office of Community Investment and Infrastructure
Sub-Optionee:	F4 Transbay Partners LLC, a Delaware limited liability company
Disclosed by:	Memorandum of Option Agreement
Recording Date:	June 22, 2016
Recording No.:	2016-K277787, of Official Records
Affects:	A portion of the Land described herein.

15. Matters contained in that certain document

Entitled:	Relinquishment of Power of Termination
Dated:	December 23, 2014
Executed by:	State of California Department of Transportation
Recorded:	January 22, 2015, Instrument No. 2015-K010430-00, Official Records.

Reference is hereby made to said document for full particulars.

16. Matters contained in that certain document

Entitled:	Notice of Exercise of Power of Termination and Objection to the Recording of a Relinquishment of Power of Termination
Dated:	September 10, 2018
Executed by:	Department of Transportation City and County of San Francisco and the Transbay Joint Powers Authority
Recording Date:	September 11, 2018
Recording No:	2018-K671709-00, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(Continued)

17. Matters contained in that certain document

Entitled:	Notice of Exercise of Power of Termination and Objection to the Recording of a Relinquishment of Power of Termination
Dated:	September 10, 2018Executed by: City and County of San Francisco and the Transbay Joint Powers Authority
Recording Date:	September 11, 2018
Recording No:	2018-K671710-00, of Official Records

Reference is hereby made to said document for full particulars.

18. Information has been provided to the Company which discloses that a work of improvement is contemplated, in progress or recently completed. To assist the Company in determining if it can give the priority coverage contained within the policy contemplated by this report, please provide the following:

a) Current Financial Statement and/or Current Loan Application.
b) Project Cost Breakdown.
c) Completed Loss of Priority Questionnaire. (This form furnished by the Company.)
d) A fully executed Indemnity Agreement. (This form furnished by the Company.)
e) If work has commenced prior to the recordation of the Construction Deed of Trust, there will be further requirements and the closing of the transaction could be delayed.
f) Copy of current appraisal
g) Copy of loan agreement and disbursement schedules
h) Name of Fund Control/Disbursement Agent

Work may include, among other things, any preparation of the site for the planned construction, delivery of construction materials or equipment and any labor furnished.

The Company reserves the right to add additional items and/or make further requirements after review of the requested documentation.

19. If a work of improvement was recently completed or will be completed prior to the close of this transaction, the Company will require that a valid Notice of Completion be recorded. This notice must be signed by an owner of the property and must be recorded within 15 days of the actual completion date.

20. The search did not disclose any open mortgages or deeds of trust of record, therefore the Company reserves the right to require further evidence to confirm that the property is unencumbered, and further reserves the right to make additional requirements or add additional items or exceptions upon receipt of the requested evidence.

21. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

EXCEPTIONS
(Continued)

22. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

23. The Company will require an ALTA/NSPS LAND TITLE SURVEY. If the owner of the Land the subject of this transaction is in possession of a current ALTA/NSPS LAND TITLE SURVEY, the Company will require that said survey be submitted for review and approval; otherwise, a new survey, satisfactory to the Company, must be prepared by a licensed land surveyor and supplied to the Company prior to the close of escrow.

    The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

24. Information in the possession of the Company indicates that a division of land has occurred or is contemplated in the current transaction involving the Land described in this report. Such contemplated division of land appears to fall within the guidelines necessitating approval by the City, County or other applicable government agency. As a prerequisite to the issuance of any title insurance under this application, at least one of the following requirements must be accomplished to the Company's satisfaction:

    A Final Map has been recorded in compliance with the County of San Francisco related ordinances/requirements.

    Evidence of compliance or waiver from the County of San Francisco.

    Other evidence, satisfactory to the Company, indicating compliance or non-violation must be furnished.

    The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

25. The Company will require that an Owner's Affidavit be completed by the party(s) named below before the issuance of any policy of title insurance.

    Party(s): Transbay Joint Powers Authority, a California Joint powers agency

    The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.

26. The Company will require, for its review, an insurable legal description for the Land the subject of this transaction. If a survey is being furnished, the survey must be prepared by a licensed State of California registered land surveyor.

    The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

EXCEPTIONS
(Continued)

27. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

END OF EXCEPTIONS

CLIFFORD ADVISORY

Real Estate Valuation ▪ Arbitration

QUALIFICATIONS
OF
JOHN C. CLIFFORD, MAI

Mr. John C. Clifford is a designated member of the Appraisal Institute (MAI) and is qualified by the State of California as a Certified General Appraiser. The following is a brief resume of his background and experience.

Experience

Mr. Clifford is the principal of CLIFFORD ADVISORY, LLC and has provided real estate appraisal, arbitration and consultation services since 1982. He has performed a wide variety of appraisal and valuation consulting assignments.

Based in San Francisco, Mr. Clifford has benefited from the unique opportunity to analyze many complex properties including:

Complex Properties

- **San Francisco Giants AT&T Baseball Stadium**
- **Treasure Island**
- **Mission Bay MXU Development Project**
- **Hamilton Army Air Field (HAAF)**
- **Hunters Point Naval Shipyard**
- **Ferry Building - Embarcadero**
- **Fisherman's Wharf Restaurants**
- **United Airlines Maintenance Facility**

Arbitration

- **400,000 SF - Pacific Bell**
  370 Third Street, SOMA
- **200,000 SF - Heller Ehrman**
  333 Bush Street, Financial District
- **500,000 SF - Nordstroms Centre**
  Union Square District
- **Pier 41 - Fisherman's Wharf**

Valuation property types include major high-rise office and mixed-use retail/office projects, retail projects, biotech facilities, medical office buildings, regional malls, neighborhood shopping centers, hotels and restaurants, industrial and manufacturing buildings and facilities, high-rise and suburban multi-family residential projects, subdivision analysis, special purpose properties, recreational properties, vacant land and open space.

Mr. Clifford has provided litigation support in numerous condemnation valuation assignments, and has testified as a qualified expert witness in the Superior Court of the State of California, U.S. Bankruptcy Court, and before various quasi-judicial and municipal hearings.

Condemnation	Client
• Moscone West Convention Center Site	City of San Francisco
• Transbay Terminal Project Sites	City of San Francisco
• San Francisco Cable Car Line	City of San Francisco
• The Rock	City of San Francisco
• Richmond Parkway	Property Owner
• Golden Gate Ministorage vs. The State of California	Property Owner

Mr. Clifford participated in a landmark inverse condemnation land use case which upheld the use of public agency purchases as comparables following the 1987 revision to the State's evidence code (*City and County of San Francisco v. Golden Gate Heights Inv*. (1993) 14 Cal.App.4th 1203).

Other major assignments demonstrating the extent of his experience are listed as follows:

- **Genentech Research Facility**
- **Biorad Research Facility**
- **Port Sonoma-Marin Marina**
- **Marin County Civic Center**
- **Sea Cliff Sinkhole Properties**
- **Hamilton Airfield Reuse Plan**
- **Wal-Mart Distribution Facility**
- **Silverado Country Club**
- **Renaissance Estates Golf & SFR Community**
- **Fountaingrove Ranch Golf & SFR Community**
- **Northeast Ridge Subdivision**
- **Lagoon Valley MXU Golf, SFR, Business Park**
- **Bel Marin Keys Unit 5**
- **AT&T Cable Franchise – Possessory Interest**

After earning his MAI designation in 1983, he established an appraisal and consulting practice. As his practice and reputation has grown, he now maintains offices in San Francisco and Mill Valley, California.

Development Consulting

Mr. Clifford is a specialist in evaluating real estate economic feasibility, completing land use entitlement processes, and formulating development strategies. He successfully processed tentative and final subdivision maps, secured development financing and acted as project manager in the construction and marketing of the 100-unit Cotati Station project in Sonoma County.

Education and Professional Affiliation

Mr. Clifford graduated from Indiana University in 1974, Bloomington, Indiana, with a Bachelor of Arts degree.

During the years 1979 through 1983, Mr. Clifford completed a curriculum of study in the understanding and application of the theory and practice of appraisal principles. The course subjects include appraisal and economic theory, real property law, finance, and professional ethics, and are presented by the Appraisal Institute, which ultimately awards the MAI (Member of the Appraisal Institute) designation. After satisfying the additional five years of experience requirements, demonstration reports, and successfully completing a Comprehensive Exam, he was awarded the MAI designation in 1983.

AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE

by and between

THE TRANSBAY JOINT POWERS AUTHORITY, a California joint powers agency,
as Seller

and

THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO,
as Buyer

For the sale and purchase of

Block 3739, Lots 002, 004, 006, and 007
San Francisco, California

[insert Effective Date of Agreement]

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LIST OF EXHIBITS

AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE
(BLOCK 3739, LOTS 002, 004, 006, and 007, City and County of San Francisco)

THIS PURCHASE AND SALE AGREEMENT ("**Agreement**") dated for reference purposes only as of _____________, 2020 is by and between the TRANSBAY JOINT POWERS AUTHORITY, a California joint powers agency ("**TJPA**" or "**Seller**"), and 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, commonly known as the Office of Community Investment and Infrastructure ("**Successor Agency**" or "**Buyer**").

RECITALS:

A. In furtherance of the objectives of the Community Redevelopment Law of the State of California, the Redevelopment Agency of the City and County of San Francisco ("**Former Agency**") undertook a program to redevelop and revitalize blighted areas in San Francisco and in connection therewith adopted a redevelopment project area known as the Transbay Redevelopment Project Area ("**Project Area**").

B. The Board of Supervisors of the City and County of San Francisco ("**City**"), approved, by Ordinance No. 124-05 (June 21, 2005) and by Ordinance No. 99-06 (May 9, 2006), a Redevelopment Plan for the Project Area ("**Redevelopment Plan**") and vested the Former Agency with the responsibility for carrying out the Redevelopment Plan.

C. The purpose of the Redevelopment Plan is to transform a blighted neighborhood into a high-density, transit-oriented neighborhood by, among other things: assembling lands within the Project Area, in particular State property remaining from the now-demolished Transbay Bus Terminal and associated highway on- and off-ramps ("**State-Owned Parcels**"); generating funding for public infrastructure improvements, including the construction of the new Transbay Transit Center; and providing a significant amount of new affordable housing consistent with statutory requirements that 35 percent of all new housing in the Project Area be permanently affordable to income-eligible households. Cal. Public Resources Code § 5027.1 (b) ("**Transbay Affordable Housing Obligation**").

D. The TJPA was formed in 2001 as a joint powers agency to plan and construct the Transbay Transit Center to replace the former Transbay Bus Terminal, to serve Caltrain, high speed rail, and local and regional bus lines. By statute, the TJPA has exclusive control with respect to all matters concerning the financing, design, development, construction, and operation of the new Transbay Transit Center. Cal. Public Resources Code § 5027.1(a).

E. In 2003, the TJPA, the City, and the State, acting by and through its Department of Transportation ("**Caltrans**"), entered into a Cooperative Agreement, which sets forth the process for the transfer of the State-Owned Parcels to the TJPA and the City ("**Cooperative Agreement**"). In 2005, the TJPA and the Former Agency entered into the Transbay Redevelopment Project Implementation Agreement ("**Implementation Agreement**") which requires the Former Agency to prepare and sell certain of the State-Owned Parcels and to implement the Redevelopment Plan, including the Transbay Affordable Housing Obligation. In 2008, the TJPA, the City and the Former Agency entered into a Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement ("**Pledge Agreement**"), which describes the City's and the Former Agency's irrevocable pledge to the TJPA of (i) net tax increment revenues attributable to all of the State-Owned Parcels, and (ii) Gross Sales Proceeds (as defined in the Pledge Agreement) from the conveyance of all or a portion of any State-Owned Parcel, for costs associated with construction and design of the Transbay Transit Center. In 2008, the TJPA, the City and the Former Agency entered into an Option Agreement for the Purchase and Sale of Real Property ("**Option Agreement**"), which sets forth the process for the transfer to the Former Agency of certain of the State-Owned Parcels and provides that the Gross Sales Proceeds may include consideration of Transbay Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably effect the fair market value.

F. On February 1, 2012, California law dissolved all redevelopment agencies, including the Former Agency, pursuant to California Health and Safety Code Sections 34170 et seq. ("**Redevelopment Dissolution Law**"). By operation of law, the assets and obligations of the Former Agency were transferred to Successor Agency.

G. On April 15, 2013, the California Department of Finance ("**DOF**") finally and conclusively determined, under Cal. Health & Safety Code § 34177.5 (i), that the Pledge Agreement, Implementation Agreement and Transbay Affordable Housing Obligation are continuing enforceable obligations of Successor Agency under the Redevelopment Dissolution Law.

H. To permit the demolition of the former Transbay Bus Terminal and the construction of the new Transbay Transit Center, the TJPA constructed a temporary bus terminal on Transbay Blocks 2, 3, and 4 ("**Temporary Terminal**") for bus service during the construction period. The Temporary Terminal site is bordered by Howard, Main, Folsom, and Beale Streets in the City and County of San Francisco. A portion of Transbay Blocks 2 and 3, and all of Transbay Block 4 consist of State-Owned Parcels (Assessor Parcel Block 3739, Lot 008), which the TJPA acquired from Caltrans pursuant to the Cooperative Agreement. The remainder of the land within Transbay Blocks 2 and 3 (Assessor Parcel Block 3739, Lots 002, 004, 006, and 007) was purchased by the TJPA from private owners in 2008 and is more particularly described in **<u>Exhibit A</u>**, attached hereto, which is incorporated herein by reference ("**Property**"). The Property is generally depicted on **<u>Exhibit B</u>**, attached hereto, which is incorporated by reference herein.

I. The assembly of the State-Owned Parcels and the Property is necessary for future development required under the Redevelopment Plan and the Development Controls and Design Guidelines for the Transbay Redevelopment Project. These land use controls require Transbay Block 3 (comprised of State-Owned Parcels and a portion of the Property) to be a "New Public Park" and a "New Street" and require Transbay Block 2 (comprised of State-Owned Parcels and a portion of the Property) to be a residential use and a "New Street." See Zone One Plan Map (Exhibit 4) of the Redevelopment Plan.

J. Under the Redevelopment Plan, Pledge Agreement, Implementation Agreement, and Option Agreement, Successor Agency has been obligated, among other things, to assist the TJPA in funding the construction of the Transbay Transit Center and to fulfill the Transbay Affordable Housing Obligation. To maximize the proceeds and tax increment for the Transbay Transit Center during critical, early phases of its construction, Successor Agency deferred development of some affordable housing and open space and approved lucrative private development on certain State-Owned Parcels. The Successor Agency estimated that this approach of maximizing market-rate development in early stages of plan implementation generated over $100 million more in sales proceeds than if Successor Agency had required the State-Owned Parcels (making up 8 redevelopment blocks) to each satisfy the Transbay Affordable Housing Obligation (by imposing 35% affordability for each project). Letter, Mark Zabaneh, TJPA, and Nadia Sesay, Successor Agency, to Bijan Sartipi, Caltrans, Re: Approval of Transfer and Relinquishments of Power of Termination for Certain Remaining Parcels under the Cooperative Agreement (Feb. 9, 2018).

K. The construction of the Transbay Transit Center started in 2010 and Phase One was completed in 2019. Following the completion of Phase One of the Transbay Transit Center, the TJPA closed the Temporary Terminal. As a result, the State-Owned Parcels within Transbay Blocks 2, 3, and 4 became available for acquisition by Successor Agency under the Option Agreement. The private parcels acquired by the TJPA and used for the Temporary Terminal, including the Property, also were no longer required by the TJPA.

L. The TJPA and Successor Agency jointly requested that Caltrans release its power of termination for the State-Owned Parcels within Transbay Block 2 and Transbay Block 3. Subsequently, Caltrans recorded a Notice of Exercise of Power of Termination and Objection to Recording of a Relinquishment of Power of Termination ("**Caltrans Notice**") on the State-Owned Parcels within Transbay Blocks 2 and 3, effective January 1, 2024, unless prior to that date the TJPA, Successor Agency, or a successor in interest to those State-Owned Parcels causes the recordation of irrevocable declarations of site restrictions that require the completion of affordable housing and public park on Transbay Blocks 2 and 3, respectively, by January 1, 2028, and meet certain other conditions.

M. Concurrent with the transfer of the State-Owned Parcels (Assessor Parcel Block 3739, Lot 008) from the TJPA to Successor Agency under the Option Agreement, Successor Agency intends to record irrevocable declarations of site restrictions requiring the completion of affordable housing and a public park on Transbay Blocks 2 and 3, respectively, and, in consideration thereof and consistent with the Caltrans Notice, Caltrans will relinquish its power of termination on those State-Owned Parcels.

N. Under this Agreement, the TJPA will sell, and Successor Agency will purchase, the Property concurrently with the transfer of the State-Owned Parcels in Transbay Block 2, Block 3 and Block 4 (Assessor Parcel Block 3739, Lot 008) under the Option Agreement. Successor Agency now desires to complete development on the State-Owned Parcels and the Property that is consistent with the Redevelopment Plan, Option Agreement and Transbay Affordable Housing Obligation.

O. Successor Agency retained Clifford Advisory Services to appraise the Property and has determined that the value of the Property is zero, as reflected in the appraisal report dated July 2, 2020 ("**Appraisal**"). The City Department of Real Estate has reviewed the appraisal instructions and confirmed by that certain letter dated June 25, 2020 that they are appropriate for the transaction and sale of the Property from the TJPA to Successor Agency.

ACCORDINGLY, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the TJPA and Successor Agency hereby agree as follows:

1. SALE AND PURCHASE

Subject to the terms, covenants and conditions set forth herein, the TJPA agrees to convey to Successor Agency, and Successor Agency agrees to accept from the TJPA, the Property, together with all improvements and fixtures located on or in the Property (including any and all buildings and structures located on or in the Property) and all of the TJPA's rights, privileges, and easements incidental or appurtenant to the Property (including, without limitation, any and all minerals, oil, gas, and other hydrocarbon substances on and under the Property; any and all development rights, air rights, water, water rights, riparian rights, and water stock relating to the Property; and any and all of the TJPA's right, title and interest in and to all roads and alleys adjoining or servicing the Property).

2. CONSIDERATION

2.1 Purchase Price.

The purchase price for the Property is Zero Dollars ($0.00) (the "Purchase Price"). Successor Agency shall pay the Purchase Price on or before the Closing (as defined hereinbelow). Successor Agency shall deposit in escrow with Chicago Title Company, One Embarcadero Center, Suite 250, San Francisco (the "Title Company"), the Purchase Price and all other sums payable by Successor Agency hereunder. All sums payable hereunder shall be paid in immediately available funds of lawful money of the United States of America.

2.2 Irrevocable Declaration of Restrictions.

As further consideration, Successor Agency shall provide an irrevocable declaration of restrictions for the benefit of the TJPA and the TJPA's adjacent property in the form of **Exhibit D-1** and **Exhibit D-2** ("**Declaration of Restrictions**"), to be recorded against the Property at Closing.

3. TITLE

3.1 Conditions of Title

At the Closing the TJPA shall convey, by quitclaim deed, in the form of **Exhibit C** attached hereto ("**Deed**"), the Property to Successor Agency. Title to the Property shall be subject to the following permitted conditions: (a) liens of local real estate taxes and assessments, (b) the April 14, 2020 license agreement between the TJPA and the City ("**City License Agreement**"), which, if still in effect, will be assigned to Successor Agency at Closing, (c) subject to Section 5.6, all other existing exceptions and encumbrances, whether or not disclosed by a current preliminary title report or the public records or any other documents reviewed by Successor Agency, and any other exceptions to title which would be disclosed by an accurate and thorough investigation, survey, or inspection of the Property, (d) matters affecting the State-Owned Parcels adjacent to the Property, including, without limitation, the right of State to terminate the interest in the State-Owned Parcels as described in the Caltrans Notice, and (e) all other items affecting the Property of which Successor Agency has actual or constructive notice or knowledge. All of the foregoing exceptions to title shall be referred to collectively as the "**Conditions of Title**." Without limiting the foregoing, Successor Agency acknowledges receipt of preliminary reports issued by the Title Company under Order Nos. 15605868-156-TJK-JM, 15605869-156-TJK-JM, 15605870-156-TJK-JM, and 15605871-156-TJK-JM, dated May 15, 2019, as may be updated prior to closing, covering the Property (collectively, "**Title Reports**") and approves all of the exceptions contained therein.

3.2 Buyer's Responsibility for Title Insurance

Successor Agency understands and agrees that the right, title and interest in the Property shall not exceed that vested in the TJPA, and the TJPA is under no obligation to furnish any policy of title insurance in connection with this transaction. Successor Agency recognizes that any fences or other physical monument of the Property's boundary lines may not correspond to the legal description of the Property. The TJPA shall not be responsible for any discrepancies in the parcel area or location of the property lines or any other matters which an accurate survey or inspection might reveal. It is Successor Agency's sole responsibility to obtain a survey from an independent surveyor and a policy of title insurance from a title company, if desired.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Seller

The TJPA represents and warrants to and covenants with Successor Agency as of the Effective Date and as of the Closing Date:

(a) The TJPA is organized and existing under the laws of California, in good standing in California and has all requisite power and authority to execute and deliver this Agreement. Any option, right of first refusal, right of first opportunity or similar right granted to or in favor of any third party to acquire fee title in any portion of the Property shall be unconditionally terminated, released and discharged on or before the Closing Date. Persons signing this Agreement for the TJPA have all requisite power and legal authority to do so.

(b) There are now, and at the time of Closing will be, no leases or other occupancy agreements to which the TJPA is a party affecting any of the Property that have not been disclosed to Successor Agency. To the TJPA's knowledge, there are no pending or threatened suits or proceedings to which the TJPA is a party, or any undischarged judgments against the TJPA, before any court, governmental agency, or arbitrator which might materially adversely affect the enforceability of this Agreement, or the ability of the TJPA to perform the transactions contemplated by this Agreement.

4.2 Representation and Warranties of Buyer

Successor Agency represents and warrants to and covenants with the TJPA as of the Effective Date and as of the Closing Date: Successor Agency has all requisite power and authority to execute and deliver this Agreement and carry out and perform all of the terms and covenants of this Agreement. Persons signing this Agreement for Successor Agency have all requisite power and legal authority to do so.

4.3 Buyer's Independent Investigation

(a) Successor Agency represents and warrants to and covenants with the TJPA that Successor Agency has performed a diligent and thorough inspection and investigation of each and every aspect of the Property, either independently or through Agents of Successor Agency's choosing ("**Property Conditions**"), including without limitation all matters relating to title, access, survey matters, applicable laws, regulations, permit requirements, restrictions, covenants, taxes, assessments, the physical condition of the Property (including the presence of any Hazardous Materials), suitability for intended uses, economics, and development potential. Except as expressly stated in Section 4.1, the TJPA makes no representations or warranties whatever with respect to the Property Conditions, which Successor Agency accepts at its sole risk.

(b) On April 20, 2004, a Final Environmental Impact Statement/Environmental Impact Report was certified by the City, the Former Agency, and the Peninsula Corridor Joint Powers Board. Any subsequent development of the Property shall be subject to Successor Agency's completion of any environmental review required under the California Environmental Quality Act, as reasonably determined by Successor Agency.

4.4 Hazardous Substance Disclosure

(a) "**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 any material or substance defined as a "hazardous substance," or "pollutant," or "contaminant" under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 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 such materials are part of the structure of any existing improvements on the Property or are naturally occurring substances on, in or about the Property; and petroleum, including crude oil or any fraction, and natural gas or natural gas liquids.

(b) California law requires sellers to disclose to buyers the presence or potential presence of certain Hazardous Materials. Accordingly, Successor Agency is hereby advised that occupation of the Property may lead to exposure to Hazardous Materials such as, but not limited to, gasoline, diesel and other vehicle fluids, vehicle exhaust, office maintenance fluids, tobacco smoke, methane and building materials containing chemicals, such as formaldehyde. Successor Agency accepts at its sole risk these and any other known or unknown Hazardous Materials that may be present in, on, under, above or about the Property.

(c) This Section 4.4 shall survive the Closing.

4.5 Entry and Indemnity

Successor Agency is hereby granted the right to access the Property prior to the Closing for the purpose of obtaining data and making surveys and tests necessary for its acceptance of the Property; provided, however, that such right to enter shall be subject to, and shall not be in conflict with, the TJPA's obligations under the City License Agreement. In connection with any entry by Successor Agency or its Agents onto the Property, Successor Agency shall give the

TJPA reasonable advance written notice of such entry and shall conduct such entry and any inspections in connection therewith so as to minimize, to the extent possible, interference with uses being made of the Property and otherwise in a manner and on terms and conditions acceptable to the TJPA. All entries by Successor Agency or its Agents onto the Property to perform any testing or other investigations which could affect the physical condition of the Property (including, without limitation, soil borings) or the uses thereof will be made only pursuant to the terms and conditions of a permit to enter in form and substance satisfactory to the TJPA, including as to insurance and indemnity provisions. Without limiting the foregoing, prior to any entry to perform any on-site testing, Successor Agency shall give the TJPA written notice thereof, including the identity of the company or persons who will perform such testing, the precise time and location of the testing, and the proposed scope of the testing. The TJPA shall have the right to approve, disapprove, or condition and limit the proposed testing, in the TJPA's sole discretion, within ten (10) business days after receipt of such notice and subject to any additional notice requirements of any existing leases on the Property. If Successor Agency or its Agents take any sample from the Property in connection with any approved testing, Successor Agency shall provide to the TJPA a portion of such sample being tested to allow the TJPA, if it so chooses, to perform its own testing. The TJPA or its representative may be present to observe any testing or other inspection performed on the Property. Successor Agency shall promptly deliver to the TJPA copies of any reports relating to any testing or other inspection of the Property performed by Successor Agency or its Agents. Successor Agency shall comply with all laws, ordinances, rules, regulations, orders and the like in connection with any entry onto or testing of the Property.

Successor Agency shall maintain, and shall require that its Agents maintain, public liability and property damage insurance in amounts and in form and substance adequate to insure against all liability of Successor Agency and its Agents, arising out of any entry or inspection of the Property in connection with the transaction contemplated hereby, and Successor Agency shall provide the TJPA with evidence of such insurance coverage prior to entry on the Property.

To the fullest extent permitted under law, Successor Agency shall indemnify, defend and hold harmless the TJPA, its Agents, and each of them, from and against any liabilities, costs, damages, losses, liens, claims and expenses (including, without limitation, reasonable fees of attorneys, experts and consultants and related costs) arising out of or relating to any entry on, under or about the Property by Successor Agency and/or its Agents or their activities during any entry on, under, or about the Property in performing the inspections, testing or inquiries provided for in this Agreement, whether prior to the date of this Agreement or during the term hereof, including, without limitation, any injuries or deaths to any persons (including, without limitation, Successor Agency's Agents) and damage to any property, from any cause whatsoever. The foregoing indemnity shall survive the Closing, or, if the sale is not consummated, the termination of this Agreement.

4.6 “As-Is” Purchase

SUCCESSOR AGENCY SPECIFICALLY ACKNOWLEDGES AND AGREES THAT THE TJPA IS SELLING AND SUCCESSOR AGENCY IS PURCHASING THE TJPA’S INTEREST IN THE PROPERTY ON AN “AS-IS WITH ALL FAULTS” BASIS. SUCCESSOR AGENCY IS RELYING SOLELY ON ITS INDEPENDENT INVESTIGATION AND NOT ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM THE TJPA OR ITS AGENTS AS TO ANY MATTERS CONCERNING THE PROPERTY, ITS SUITABILITY FOR SUCCESSOR AGENCY’S INTENDED USES OR ANY OF THE PROPERTY CONDITIONS. THE TJPA DOES NOT GUARANTEE THE LEGAL, PHYSICAL, GEOLOGICAL, ENVIRONMENTAL OR OTHER CONDITIONS OF THE PROPERTY, NOR DOES IT ASSUME ANY RESPONSIBILITY FOR THE COMPLIANCE OF THE PROPERTY OR ITS USE WITH ANY STATUTE, ORDINANCE, RESOLUTION OR REGULATION. IT IS SUCCESSOR AGENCY’S SOLE RESPONSIBILITY TO DETERMINE ALL BUILDING, PLANNING, ZONING AND OTHER REGULATIONS RELATING TO THE PROPERTY AND THE USES TO WHICH IT MAY BE PUT. SUCCESSOR AGENCY AGREES THAT NEITHER THE TJPA NOT ANY OF ITS AGENTS HAVE MADE, AND GRANTOR DISCLAIMS, ANY REPRESENTATION OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY CONDITIONS.

4.7 Release and Indemnification of the TJPA

As part of its agreement to purchase the Property in its “As-Is With All Faults” condition, Successor Agency, on behalf of itself and its successors and assigns, waives any right to recover from, and forever releases and discharges, the TJPA, its Agents, and their respective heirs, successors, legal representatives and assigns, from any and all demands, claims, legal or administrative proceedings, losses, liabilities, damages, penalties, fines, liens, judgments, costs or expenses whatsoever (including, without limitation, attorneys’ fees and costs), whether direct or indirect, known or unknown, foreseen or unforeseen (collectively, “**Losses**”), and agrees to indemnify, protect, defend, and hold harmless the TJPA and the TJPA’s Agents from and against any and all Losses, that may arise on account of or in any way be connected with (i) this transaction (including without limitation any costs arising from litigation challenging this Agreement, the approval thereof, or the transaction contemplated hereunder, which the TJPA shall have no obligation to defend), (ii) Successor Agency’s and its Agents’ future use of the Property, and (iii) the physical, geological or environmental condition of the Property, including, without limitation, any Hazardous Material in, on, under, above or about the Property. The foregoing does not, however, release or require indemnification against the TJPA for: (A) any claims by third parties (or any right of Successor Agency to seek indemnity or contribution for such third party claims) that arise (A) from a personal injury or any damage occurring prior to the Closing Date (“**Transfer of Possession Date**”), including any claims arising from a Hazardous Material released by the TJPA in, on, under, above, or about the Property where the alleged injury develops and manifests prior to the Transfer of Possession Date, but excluding all other claims arising from any Hazardous Material, or (B) any claims by Successor Agency resulting from the breach of this Agreement by the TJPA.

In connection with the foregoing release, Successor Agency expressly waives the benefits of Section 1542 of the California Civil Code, which provides as follows:

> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN TO HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.**

BY PLACING ITS INITIALS BELOW, SUCCESSOR AGENCY SPECIFICALLY ACKNOWLEDGES AND CONFIRMS THE VALIDITY OF THE RELEASES MADE ABOVE AND THE FACT THAT SUCCESSOR AGENCY WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THE ABOVE RELEASES.

INITIALS: SUCCESSOR AGENCY:________________

The foregoing release and indemnity shall survive the Closing.

5. ESCROW AND CLOSING

5.1 Escrow

Within ten (10) days after the Effective Date (as defined in Section 8.16 below), Successor Agency and the TJPA shall deposit an executed counterpart of this Agreement with the Title Company, and this instrument shall serve as the instructions to the Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. The TJPA and Successor Agency agree to execute such supplementary escrow instructions as may be appropriate to enable the Title Company to comply with the terms of this Agreement; provided, however, in the event of any conflict between the provisions of this Agreement and any supplementary escrow instructions, the terms of this Agreement shall control.

5.2 TJPA's Conditions Precedent

The following are conditions precedent to the TJPA's obligation to sell the Property to Successor Agency ("**TJPA's Conditions Precedent**"):

(a) Successor Agency shall have performed all of its obligations hereunder.

(b) All of Successor Agency's representations and warranties shall be true and correct.

(c) Successor Agency shall have deposited into escrow the entirety of the Purchase Price and all other funds and documents required to be deposited by Successor Agency under Section 5.8.

(d) The parties shall have closed escrow under the Option Agreement on the transfer of the State-Owned Parcels lying within Transbay Block 2, Block 3 and Block 4, prior to or concurrently with the Closing.

5.3 Failure of the TJPA's Conditions Precedent

Each of the TJPA's Conditions Precedent is intended solely for the benefit of the TJPA. If any of the TJPA's Conditions Precedent are not satisfied as provided above by the Closing Date, the TJPA may, at its option, terminate this Agreement.

5.4 Successor Agency's Conditions Precedent

The following are conditions precedent to Successor Agency's obligation to purchase the Property from the TJPA ("**Successor Agency's Conditions Precedent**"):

(a) The TJPA shall have performed all of its obligations hereunder.

(b) All of the TJPA's representations and warranties shall be true and correct.

(c) The TJPA shall have deposited into escrow all of the documents required to be deposited by the TJPA under Section 5.8.

(d) Issuance by Title Company (or agreement of Title Company to issue upon payment by Successor Agency of all required premiums) of a CLTA Owner's policy or, at Successor Agency's option, an ALTA extended coverage Owner's Policy of Title Insurance (Form B-1970 or equivalent satisfactory to Successor Agency) insuring Successor Agency as owner of fee simple title to the Property, for a face amount equal to the______________, plus all closing costs, subject only to the exceptions and exclusions contained in such policy and permitted as Conditions of Title under Section 3.1 hereof, and including such endorsements as Successor Agency may reasonably request.

(e) The absence of any condemnation, environmental or other pending formal governmental proceedings in respect of the Property which would materially and adversely affect Successor Agency's intended uses of the Property or the value of the Property.

(f) The absence of any pending or threatened legal challenge to this Agreement.

(g) Caltrans shall have deposited with Title Company into an escrow account for the State-Owned Parcels the following:

(i) One (1) duly executed counterpart Declaration of Site Restrictions for the Relinquishment of Power of Termination for the Transbay Block 2 portion and Block 3 portion of the Caltrans Parcel ("**DOSR**").

(ii) Duly executed and acknowledged Caltrans Relinquishment of Power of Termination Quitclaim Deeds for the Transbay Block 2 portion and Block 3 portion of the Caltrans Parcel ("**Caltrans Relinquishment**"); and

(iii) Escrow instructions from Caltrans to Title Company authorizing Title Company to record the Caltrans Relinquishment in the Official Records of the City and County of San Francisco immediately following, and subject only to, the recordation of the DOSR.

(h) The TJPA shall have complied with all of the TJPA's obligations under the Option Agreement pertaining to the transfer of the State-Owned Parcels lying within Transbay Block 2, Block 3 and Block 4, prior to or concurrently with the Closing.

5.5 Failure of Successor Agency's Conditions Precedent

Each of Successor Agency's Conditions Precedent is intended solely for the benefit of Successor Agency. If any of Successor Agency's Conditions Precedent are not satisfied as provided above by the Closing Date, Successor Agency may, at its option, terminate this Agreement.

5.6 [intentionally omitted]Error! Bookmark not defined.

5.7 Closing Date

The closing hereunder ("**Closing**") shall be held, and delivery of all items to be made at the Closing under the terms of this Agreement shall be made, at the offices of the Title Company on the date 180 days after the date on which the TJPA Board approves the Agreement, or such other date and time as Successor Agency and the TJPA may mutually agree upon in writing (the "**Closing Date**"). The Closing Date may not be extended without the prior written approval of both the TJPA and Successor Agency.

5.8 Deposit of Documents and Funds

(a) At or before the Closing, the TJPA shall deposit into escrow the following items:

(i) a certified copy of the resolution authorizing and approving TJPA's conveyance of the Property to Successor Agency in accordance with this Agreement duly adopted by the TJPA's Board of Directors;

(ii) the duly executed and acknowledged Deed conveying TJPA's interest in the Property to Successor Agency subject to the Conditions of Title;

(iii) a duly executed and notarized counterpart of the Declarations of Restrictions;

(iv) a duly executed counterpart of an assignment and assumption agreement for the City License Agreement, if applicable;

(v) an original executed Transfer Tax Affidavit; and

(vi) a closing statement, acceptable to Successor Agency, executed by the TJPA's Executive Director or designee.

(b) At or before the Closing, Successor Agency shall deposit into escrow the following items:

(i) a certified copy of the resolution authorizing and approving Successor Agency's purchase of the Property from the TJPA in accordance with this Agreement duly adopted by the Successor Agency's Commission;

(ii) the Purchase Price and all other funds necessary to close this transaction;

(iii) the duly executed original of the Successor Agency's Certificate of Acceptance of the Property to be attached to and recorded with the Deed;

(iv) a duly executed and notarized Declarations of Restrictions;

(v) a duly executed counterpart of an assignment and assumption agreement for the City License Agreement, if applicable;

(vi) an original executed Preliminary Change of Ownership Report; and

(vii) a closing statement, acceptable to the TJPA, executed by Successor Agency's Development Services Manager.

(c) The TJPA and Successor Agency shall each deposit such other instruments as are reasonably required by the Title Company or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof.

(d) The TJPA shall deliver to Successor Agency a set of keys to the Property, if any, no later than the Closing Date.

5.9 Prorations

Any real property taxes and assessments; water, sewer and utility charges; amounts payable under any service contracts; annual permits and/or inspection fees (calculated on the basis of the period covered); and any other expenses normal to the operation and maintenance of the Property, shall all be prorated as of 12:01 a.m. on the date the Deed is recorded, on the basis of a three hundred sixty-five (365)-day year. The TJPA and Successor Agency hereby agree that if any of the above described prorations cannot be calculated accurately on the Closing Date, then the same shall be calculated as soon as reasonably practicable after the Closing Date and either party owing the other party a sum of money based on such subsequent proration(s) shall promptly pay said sum to the other party.

5.10 Loss

(a) The TJPA shall give Successor Agency notice of the occurrence of damage or destruction of, or the commencement of condemnation proceedings affecting, all or any portion of the Property. In the event that all or any portion of the Property is condemned, or destroyed, or damaged by fire or other casualty prior to the Closing, then Successor Agency may, at its option to be exercised within ten (10) days of the TJPA's notice of the occurrence of the damage or destruction or the commencement of condemnation proceedings, terminate this Agreement. If Successor Agency fails to give the TJPA notice within such ten (10)-day period that Successor Agency will terminate this Agreement, then Successor Agency shall be deemed to have elected not to terminate and the parties shall proceed to Closing pursuant to the terms of this Agreement.

5.11 Monetary Encumbrances; New Contracts Affecting the Property; Termination of Existing Contracts.

(a) After the Effective Date, the TJPA shall not enter into any new lease, license, or occupancy agreement, or any amendment of an existing lease, license, or occupancy agreement, affecting the Property which has a term longer than thirty (30) days in duration without the prior written consent of Successor Agency, which consent shall not be unreasonably withheld, conditioned, or delayed. If the TJPA enters into any such lease, license, or occupancy agreement, the TJPA shall deliver to Successor Agency, within five (5) days of execution thereof, written notice together with copies of the agreement and any other pertinent correspondence or documents relating thereto. Other than City License Agreement, which, if still in effect, shall be assigned by the TJPA to Successor Agency at Closing, the TJPA shall terminate prior to the Closing, at no cost or expense to Successor Agency, any and all of the TJPA's management agreements, leases, contracts that permit any third party to enter on or use the Property or other occupancy agreements affecting the Property that Successor Agency does not agree to assume in writing prior to the Closing.

6. EXPENSES

6.1 Expenses

Successor Agency shall pay any transfer taxes applicable to the sale, personal property taxes, escrow fees, title insurance premiums, survey, and recording charges and any other costs and charges of the escrow for the sale.

6.2 Brokers

The parties represent and warrant to each other that no broker or finder was instrumental in arranging or bringing about this transaction and that there are no claims or rights for brokerage commissions or finder's fees in connection with the transactions contemplated by this Agreement. If any person brings a claim for a commission or finder's fee based on any contact, dealings, or communication with Successor Agency or the TJPA, then the party through whom such person makes a claim shall defend the other party from such claim, and shall indemnify the indemnified party from, and hold the indemnified party against, any and all costs, damages, claims, liabilities, or expenses (including, without limitation, reasonable attorneys' fees and disbursements) that the indemnified party incurs in defending against the claim. The provisions of this Section shall survive the Closing, or, if the purchase and sale is not consummated for any reason, any termination of this Agreement.

7. DEFAULT AND REMEDIES

In the event that either party fails to perform such party's obligations hereunder (except as excused by the other party's default), the party claiming default will make written demand for performance. If either party fails to comply with such written demand within ten (10) days after receipt thereof, the party claiming default will have the option to waive such default, to demand specific performance or to terminate this Agreement. The parties shall not be entitled to damages of any kind (excepting monies required to be paid under this Agreement, including without limitation any indemnification obligation), and hereby waive any claim thereto. The remedies provided in this Section are in addition to, and cumulative with, any other remedies provided in this Agreement.

On any termination prior to Closing provided for in this Agreement, the parties will be discharged from any further obligations and liabilities under this Agreement, except as otherwise provided in Sections 4.5 (Entry and Indemnity), 6.2 (Brokers), or 8.4 (Authority of Parties), or as otherwise expressly provided herein.

8. GENERAL PROVISIONS

8.1 Notices

Any notices required or permitted to be given under this Agreement shall be in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, or (c) by U.S. Express Mail or commercial overnight courier that guarantees next day delivery and provides a receipt, and such notices shall be addressed as follows:

TJPA:

Transbay Joint Powers Authority
425 Mission Street, Suite 250
San Francisco, CA 94105
Attn: Executive Director

with a copy to:

Shute, Mihaly & Weinberger, LLP
396 Hayes Street
San Francisco, CA 94110
Attn: William J. White

SUCCESSOR AGENCY:

Successor Agency to the Redevelopment Agency of the City and County of San Francisco
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Attn: Nadia Sesay
Executive Director

with a copy to:

Successor Agency to the Redevelopment Agency of the City and County of San Francisco
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94102
Attn: James Morales,
General Counsel

or such other address as either party may from time to time specify in writing to the other party. Any notice shall be deemed given when actually delivered if such delivery is in person, two (2) days after deposit with the U.S. Postal Service if such delivery is by certified or registered mail, and the next business day after deposit with the U.S. Postal Service or with the commercial overnight courier service if such delivery is by overnight mail.

8.2 Successors and Assigns

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, legal representatives, administrators and assigns. Successor Agency's rights and obligations hereunder shall not be assignable without the prior written consent of the TJPA; provided, however, even if the TJPA approves any such proposed assignment, in no event shall Successor Agency be released of any of its obligations hereunder.

8.3 Amendments

This Agreement may be amended or modified only by a written instrument signed by Successor Agency and the TJPA.

8.4 Authority of Parties

Successor Agency and the TJPA each represent and warrant to the other that this Agreement and all documents executed by each party which are to be delivered to the other party at Closing: (a) are or at the time of Closing will be duly authorized, executed and delivered by such party; (b) are or at the time of Closing will be legal, valid and binding obligations of such party; and (c) do not and at the time of Closing will not violate any provision of any agreement or judicial order to which such party is a party or to which such party is subject. Notwithstanding anything to the contrary in this Agreement, the foregoing representations and warranties and any and all other representations and warranties of the parties contained herein or in other agreements or documents executed by the parties in connection herewith, shall survive the Closing Date.

8.5 Governing Law

This Agreement shall be governed by, subject to, and construed in accordance with the laws of the State of California. Venue for all actions or proceedings arising directly or indirectly under this Agreement shall be in the City and County of San Francisco, California.

8.6 Merger of Prior Agreements

This Agreement, together with the exhibits hereto, contain any and all representations, warranties and covenants made by Successor Agency and the TJPA and constitutes the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Agreement together with the exhibits hereto.

8.7 Parties and Their Agents

As used herein, the term "**Agents**" when used with respect to either party shall include the agents, employees, officers, board, commission, board members, commissioners, contractors, subcontractors, and representatives of such party.

8.8 Interpretation of Agreement

The article, section and other headings of this Agreement and the table of contents are for convenience of reference only and shall not affect the meaning or interpretation of any provision contained herein. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa, and each gender reference shall be deemed to include the other and the neuter. 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 effect the purposes of the parties and this Agreement.

8.9 Attorneys' Fees

If either party hereto 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 hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. For purposes of this Agreement, the reasonable fees of attorneys of the TJPA shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the TJPA attorneys' 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 TJPA's attorneys' office.

8.10 Time of Essence

Time is of the essence with respect to the performance of the parties' respective obligations contained herein.

8.11 No Merger

The obligations contained herein shall not merge with the transfer of title to the Property but shall remain in effect until fulfilled.

8.12 Non-Liability of Officials, Employees and Agents of the TJPA and Successor Agency

Notwithstanding anything to the contrary in this Agreement, no Agent of the TJPA shall be personally liable to Successor Agency, its successors and assigns, in the event of any default or breach by the TJPA or for any amount which may become due to Successor Agency, its successors and assigns, or for any obligation of the TJPA under this Agreement.

Notwithstanding anything to the contrary in this Agreement, Agent of Successor Agency shall be personally liable to the TJPA, its successors and assigns, in the event of any default or breach by Successor Agency or for any amount which may become due to the TJPA, its successors and assigns, or for any obligation of Successor Agency under this Agreement.

8.13 Public Records

Successor Agency and the TJPA understand and agree that under the State Public Records Law (Gov. Code Section 6250 et seq.) and Successor Agency Public Records Policy, this Agreement and any and all records, information, and materials submitted to the TJPA and Successor Agency hereunder are public records subject to public disclosure.

8.14 No Joint Venture

The relationship between the TJPA and Successor Agency hereunder is solely that of transferor and transferee. None of the terms or provisions hereof shall be deemed to create a partnership between the TJPA and Successor Agency, nor shall it cause them to be considered joint venturers or members of any joint enterprise.

8.15 No Recording

Neither this Agreement nor any memorandum or short form thereof may be recorded by Buyer.

8.16 Effective Date; Termination

As used herein, the term "**Effective Date**" shall mean the date on which the Agreement has been fully executed by both parties, following the authorization by the TJPA Board of Directors and the Successor Agency Commission approving and authorizing this Agreement and the transactions contemplated hereby. If the Agreement has not been fully executed within sixty (60) days of its approval by the TJPA Board of Directors, the Agreement shall be void an of no force or effect, unless the Parties otherwise agree in writing.

8.17 Counterparts; Electronic Signatures

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Unless otherwise prohibited by law, the parties agree and intend that an electronic copy of the signed Agreement and an electronically signed Agreement has the same force and legal effect as if the Agreement had been executed with an original ink signature.

8.18 Non-Waiver

No waiver made by a party with respect to the performance, or manner or time of performance, or any obligation of another party or any condition to its own obligation under this Agreement will be considered a waiver with respect to the particular obligation of the 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.

8.19 No Third-Party Beneficiaries

The parties intend that the rights, obligations, and covenants in this Agreement shall be exclusively enforceable by the parties. There are no third-party beneficiaries to this Agreement.

The parties have duly executed this Agreement as of the respective dates written below.

SELLER:

THE TRANSBAY JOINT POWERS AUTHORITY, a California joint powers agency

By:_________________________________
Mark Zabaneh
Executive Director

APPROVED AS TO FORM:

SHUTE, MIHALY & WEINBERGER LLP

By:_________________________________
WILLIAM J. WHITE
Attorneys for the TJPA

Transbay Joint Powers Authority
Board of Directors

Resolution
No.:______________________________
Adopted: ________________________
Attest: ________________________

____
Secretary, TJPA Board

BUYER:

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

By:_________________________________
JAMES B. MORALES,
General Counsel

Chicago Title Insurance Company agrees to act as Escrow Agent in accordance with the terms of this Agreement and to act as the “reporting person” for the transaction pursuant to Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder. Chicago Title Insurance Company’s failure to execute below shall not invalidate this Agreement .

ESCROW AGENT: CHICAGO TITLE INSURANCE COMPANY

By: ______________________________

Its: ______________________________

Date: ______________________________

<u>EXHIBIT A</u>

LEGAL DESCRIPTION OF THE PROPERTY

All that certain real property located in the City and County of San Francisco, State of California, described as follows:

EXHIBIT B

ILLUSTRATIVE PLAT OF THE PROPERTY

EXHIBIT C

FORM OF QUITCLAIM DEED

WHEN RECORDED RETURN TO:

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

MAIL TAX STATEMENTS TO:

Same as above.

The undersigned hereby declares this instrument to be exempt from Documentary Transfer Tax (CA Rev. & Tax Code §11922 and S.F. Bus. & Tax Reg Code § 1105) and recording fees per Government Code §27383 and §27388.1.

APN: Block 3739, Lots 002, 004, 006, and 007 Space Above for Recorder's Use

QUITCLAIM DEED

FOR GOOD AND VALUABLE CONSIDERATION, receipt and adequacy of which are hereby acknowledged, the TRANSBAY JOINT POWERS AUTHORITY, a California joint powers agency, ("**TJPA**"), pursuant to Resolution No. _______________, adopted by the TJPA Board of Directors on _______________, 20__, does hereby

RELEASE, REMISE AND QUITCLAIM to SUCCESSOR AGENCY OF 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, and its successors and assigns, any and all right, title and interest the TJPA may have in and to the real property located in the City and County of San Francisco, State of California, described on Exhibit A attached hereto and made a part hereof, together with any and all rights, privileges, easements incidental or appurtenant thereto, and any improvements constructed on the Property.

IN WITNESS WHEREOF, the TJPA has executed this instrument as of the _____ day of _______________, 20__.

THE TRANSBAY JOINT POWERS AGENCY, a California joint powers agency

By: __________________________________

Mark Zabaneh
Executive Director

APPROVED AS TO FORM:

SHUTE MIHALY & WEINBERGER, LLP

By: __________________________________

William J. White
Attorneys for the TJPA

[Legal description, acceptance, and acknowledgement to be attached to final deed]

EXHIBIT D-1

FORM OF DECLARATION OF SITE RESTRICTIONS – TRANSBAY BLOCK 2

WHEN RECORDED RETURN TO:

Transbay Joint Powers Authority
425 Mission St., Suite 250
San Francisco, CA 94105
Attn: Executive Director

The undersigned hereby declares this instrument to be exempt from Documentary Transfer Tax (CA Rev. & Tax Code §11922 and S.F. Bus. & Tax Reg Code § 1105) and recording fees per Government Code §27383 and §27388.1.

APN: Block 3739, Lots 004 and 007 Space Above for Recorder's Use Only

DECLARATION OF SITE RESTRICTIONS

THIS DECLARATION OF SITE RESTRICTIONS ("**Declaration**") is made as of the_____day of______, 20_, by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("**Successor Agency**"), hereinafter called the "**Owner**," in favor of the Transbay Joint Powers Authority, a California joint powers agency, and its successors in interest (the "**TJPA**"). The conditions, covenants, and restrictions stated herein shall bind Owner and its successors and assigns and shall be enforceable by the TJPA.

The following conditions, covenants, and restrictions affect that certain real property in the City and County of San Francisco, State of California known as Block 3739, Lot 004 and Block 3739, Lot 007 (as more particularly described in Exhibit A and depicted in Exhibit B attached hereto, referred to herein collectively as the "**Property**") that is owned by Successor Agency. The Property is located within the Transbay Redevelopment Project Area ("**Project Area**") in the City and County of San Francisco ("**City**"), State of California and will be aggregated with other parcels to create Redevelopment Block 2.

WITNESSETH:

WHEREAS, the Owner owns the Property, which is located in the Project Area and covered by the Redevelopment Plan for the Transbay Redevelopment Project Area, filed in the Office of the Recorder of the City and County of San Francisco, State of California, as Document No. 2006I224836, filed on August 4, 2006 ("**Redevelopment Plan**").

WHEREAS, the Owner has an enforceable obligation, as determined by the California Department of Finance under the terms of the Transbay Redevelopment Project Implementation Agreement (January 20, 2005) and California Health and Safety Code Sections 34170 et seq. ("**Redevelopment Dissolution Law**"), to implement the Redevelopment Plan. The Redevelopment Plan incorporates the statutory obligation under Section 5027.1 of the California Public Resources Code that twenty-five percent (25%) of the residential units developed in the Project Area shall be affordable to low- income households whose incomes do not exceed sixty percent (60%) of the area median income ("**AMI**"), that an additional ten percent (10%) of the residential units shall be affordable to households whose incomes do not exceed one-hundred and twenty percent (120%) of the AMI, and that all of these affordable units shall remain affordable for the longest feasible time, but not less than fifty-five years for rental units or forty-five years for owner-occupied units ("**Transbay Affordable Housing Obligation**").

WHEREAS, the TJPA was formed in 2001 as a joint powers agency to plan and construct the Transbay Transit Center to replace the former Transbay Bus Terminal, to serve Caltrain, high speed rail, and local and regional bus lines. By statute, the TJPA has exclusive control with respect to all matters concerning the financing, design, development, construction, and operation of the new Transbay Transit Center. Cal. Public Resources Code § 5027.1(a).

WHEREAS, in 2003, the TJPA, the City, and the State, acting by and through its Department of Transportation ("**Caltrans**"), entered into a Cooperative Agreement, which sets forth the process for the transfer of certain State-Owned Parcels to the TJPA and the City ("**Cooperative Agreement**"). In 2005, the TJPA and the Former Agency entered into the Transbay Redevelopment Project Implementation Agreement ("**Implementation Agreement**") which requires the Former Agency to prepare and sell certain of the State-Owned Parcels and to implement the Redevelopment Plan, including the Transbay Affordable Housing Obligation. In 2008, the TJPA, the City and the Former Agency entered into a Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement ("**Pledge Agreement**"), which describes the City's and the Former Agency's irrevocable pledge to the TJPA of (i) net tax increment revenues attributable to all of the State-Owned Parcels, and (ii) Gross Sales Proceeds (as defined in the Pledge Agreement) from the conveyance of all or a portion of any State-Owned Parcel, for costs associated with construction and design of the Transbay Transit Center. In 2008, the TJPA, the City and the Former Agency entered into an Option Agreement for the Purchase and Sale of Real Property ("**Option Agreement**"), which sets forth the process for the transfer to the Former Agency of certain of the State-Owned Parcels and provides that the Gross Sales Proceeds may include consideration of Transbay Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably effect the fair market value.

WHEREAS, on February 1, 2012, California law dissolved all redevelopment agencies, including the Former Agency, pursuant to California Health and Safety Code Sections 34170 et seq. ("**Redevelopment Dissolution Law**"). By operation of law, the assets and obligations of the Former Agency were transferred to the Successor Agency.

WHEREAS, on April 15, 2013, the California Department of Finance ("**DOF**") finally and conclusively determined, under Cal. Health & Safety Code § 34177.5 (i), that the Pledge Agreement, Implementation Agreement and Transbay Affordable Housing Obligation are continuing enforceable obligations of the Successor Agency under the Redevelopment Dissolution Law.

WHEREAS, to permit the demolition of the former Transbay Bus Terminal and the construction of the new Transbay Transit Center, the TJPA constructed a temporary bus terminal on Transbay Blocks 2, 3, and 4 ("**Temporary Terminal**") for bus service during the construction period. The Temporary Terminal site is bordered by Howard, Main, Folsom, and Beale Streets in the City and County of San Francisco. The Temporary Terminal site consists of State-Owned Parcels (Assessor Parcel Block 3739, Lot 008), and the Property, which is land appurtenant to the State-Owned Parcels within Blocks 2 and 3 (Assessor Parcel Block 3739, Lots 002, 004, 006, and 007) that the TJPA purchased from private owners.

WHEREAS, under the Redevelopment Plan, Pledge Agreement, Implementation Agreement, and Option Agreement, the Successor Agency has been obligated, among other things, to assist the TJPA in funding the construction of the Transbay Transit Center and to fulfill the Transbay Affordable Housing Obligation. To maximize the proceeds and tax increment for the Transbay Transit Center during critical, early phases of its construction, the Successor Agency deferred development of some affordable housing and open space and approved lucrative private development on certain State-Owned Parcels. OCII estimated that this approach of maximizing market-rate development in early stages of plan implementation generated over $100 million more in sales proceeds than if OCII had required the State-Owned Parcels (making up 8 redevelopment blocks) to satisfy the Transbay Affordable Housing Obligation (by imposing 35% affordability). Letter, Mark Zabaneh, TJPA, and Nadia Sesay, Successor Agency to Bijan Sartipi, Caltrans, Re: Approval of Transfer and Relinquishments of Power of Termination for Certain Remaining Parcels under the Cooperative Agreement (Feb. 9, 2018).

WHEREAS, the construction of the Transbay Transit Center started in 2010 and was completed in 2019. Following the completion of the Transbay Transit Center, the TJPA closed the Temporary Terminal. As a result, the State-Owned Parcels within Transbay Blocks 2, 3, and 4 became available for acquisition by the Successor Agency under the Option Agreement. The private parcels acquired by the TJPA and used for the Temporary Terminal, including the Property, also were no longer required by the TJPA.

WHEREAS, the State exercised its Power of Termination for the State-Owned Parcels that makes up Transbay Block 2, effective January 1, 2024, under the Notice of Exercise of Power of Termination and Objection to the Recording of a Relinquishment of Power of Termination, recorded September 11, 2018 in the Official Records of the City as Document No. 2018K671710 ("**Notice of Exercise**"). The Notice of Exercise provided that the State would relinquish its Power of Termination if the TJPA, Successor Agency, or their successors in interest caused the recordation of an irrevocable declaration of site restrictions requiring, among other things, the completion of an affordable housing development and related and ancillary facilities and improvements on the State-Owned Parcels that make up Transbay Block 2 by January 1, 2028 with the affordability, eligibility, and durational restrictions of the Transbay Affordable Housing Obligation.

WHEREAS, Owner has recorded concurrently herewith that certain Declaration of Site Restrictions for the Relinquishment of Power of Termination (Transbay Block 2) in the Official Records of the City, restricting the portion of the State-Owned Parcels that makes up Transbay Block 2 for affordable housing project and public rights-of-way ("**Caltrans Declaration of Restrictions**"), as described in more detail therein.

WHEREAS, Owner or its successor in interest intends to separately divide the portion of the State-Owned Parcels that makes up Transbay Block 2 and the Property to create the following uses consistent with the Notice of Exercise, the Redevelopment Plan, and the Transbay Affordable Housing Obligation: 1) a site for the development of an affordable housing project ("**Affordable Housing Site**"); and 2) a site for related and ancillary facilities and improvements that include a publicly accessible right-of-way to the north of the Affordable Housing Site ("**ROW Site**").

WHEREAS, Under the Redevelopment Plan (Section 1.2), the Affordable Housing Site must comply with the zoning in the Development Controls and Design Guidelines for the Transbay Redevelopment Project ("DCDG"), which require ground floor commercial spaces in buildings along Folsom Street and, in particular, on Block 2 and further require that these spaces conform to general standards and guidelines for ground floor retail development. DCDG at 24-29.

WHEREAS, Owner intends to record a Transfer Map pursuant to City Subdivision Code Section 1312.1 for a Merger and 5 Lot Subdivision Project ("**Final Transfer Map 10327**"). The Tentative Transfer Map is currently under review by the City of San Francisco and is filed as Map No. 10327 on the San Francisco Public Works website. The future lots to be created by Final Transfer Map 10327 are depicted on <u>Exhibit B</u>.

WHEREAS, Owner retained Clifford Advisory Services to appraise the Property and has determined that the value of the Property is zero based on the assumption that the highest and best use of the Property is for an affordable housing project and public rights-of-way consistent with the Caltrans Declaration of Restrictions.

WHEREAS, the TJPA agreed to transfer the Property to Owner pursuant to a Purchase and Sale Agreement dated _________________, 2020 at no cost based on the expectation that the Property would be developed for an affordable housing project and public rights-of-way consistent with the Caltrans Declaration of Restrictions applicable to the State-Owned Parcels that make up Transbay Block 2.

WHEREAS, to ensure that the Property is dedicated to the affordable housing project and public rights-of-way uses contemplated by the Owner and the TJPA at the time of transfer of the Property, the TJPA conditioned its no-cost sale of the Property to Owner on Owner's recordation of this irrevocable declaration of site restrictions to ensure the use of the Property is restricted to affordable housing development and related and ancillary facilities and improvements on the Property, to be completed on terms similar to those set forth in the Caltrans Declaration of Restrictions.

WHEREAS, under this declaration, Owner may not use the Property for uses not authorized by the declaration without amending or terminating this declaration, which amendment or termination shall be within the sole and absolute discretion of the TJPA. It is the expectation of the parties that any such amendment or termination shall be conditioned on the payment of monetary consideration the TJPA reflecting fair market value of the Property after the amendment or termination, in furtherance of the TJPA's public purposes.

WHEREAS, the obligations of Owner under this declaration benefit, touch and concern that certain real property generally located at 425 Mission Street, San Francisco, California (Assessor's Block 3719, Lot 003; Block 3720, Lots 010 and 011; and Block 3721, Lots 006 and 124) owned by the TJPA, as more particularly described in Exhibit C ("**Benefitted Parcel**"), shall affect, relate to, apply to, accrue to benefit of, run with, and be enforceable by any successor owners of the Benefitted Parcel.

WHEREAS, the California Community Redevelopment Law, as amended by the Redevelopment Dissolution Law, authorizes the Owner to establish, consistent with enforceable obligations, restrictions and covenants running with land sold or leased for redevelopment purposes.

NOW, THEREFORE, the Owner hereby declares that the real property described and referred to as the Property is and shall be held, transferred, sold, and conveyed, subject to the covenants, conditions and restrictions, hereinafter set forth:

1. Property Subject to This Declaration.

This Declaration is made with respect to the Property located in the City and County of San Francisco, State of California, and more particularly described in Exhibit A, which shall be held, conveyed, transferred and sold subject to the applicable covenants, conditions and restrictions established in this Declaration.

2. Completion of Construction.

The Owner or its successors in interest shall construct and complete, or cause to be constructed and completed, the affordable housing and related and ancillary facilities and improvements on the Property by January 1, 2028 (the "**Construction Term**").

3. Affordability and Public Use Restrictions.

(a) Affordable Housing Restrictions. The Owner or its successors in interest shall devote the Affordable Housing Site, as depicted as a portion of Lot 5 on Exhibit B, to an affordable housing project consistent with the Notice of Exercise, the Redevelopment Plan and the Transbay Affordable Housing Obligation and these restrictions shall be in a first lien position and not be subordinated to any lien or other encumbrance. The Owner or its successors in interest shall restrict the Property to these uses for a period of time that is consistent with the Transbay Affordable Housing Obligation, namely a duration of not less than fifty-five years for rental units or forty-five years for owner-occupied units from the date that the certificate of final completion and occupancy has been issued for development on the Property (the "**Affordability Term**").

(b) Rights-of-Way Restrictions. The Owner or its successors in interest shall devote the ROW Site, as depicted as a portion of Lot 4 on Exhibit B, to rights-of-way consistent with local regulations for public rights-of-way.

4. Term.

(a) The covenants in Section 2 shall remain in effect for the Construction Term. The covenants in Section 3(a) shall remain in effect for a period of time that meets or exceeds the Affordability Term. The covenants in Section 3(b) shall run with the land on the ROW Site in perpetuity. These covenants shall be binding on all parties and all persons claiming under them as of the date this Declaration is executed.

(b) This Declaration constitutes covenants running with the land and binds successors and assigns of Owner. In the event that Owner fails to comply with this Declaration to the TJPA's satisfaction, in its sole discretion, within thirty (30) days of the Owner's receipt of the TJPA's written notice to so comply or such additional time as the TJPA determines is reasonably necessary to comply, the TJPA, at its option, may exercise any rights available at equity or in law, including, without limitation, instituting an action for specific performance. The Owner shall pay the TJPA's costs in connection with enforcement of the terms of this Declaration, including, without limitation, the TJPA's reasonable attorneys' fees and costs.

5. Severability of Provisions.

If any provision of this Declaration or the application of such provision to any owner or owners or parcel of land is held invalid, the validity of the remainder of this Declaration and the applicability of such provision to any other owner or owners or parcel of land shall not be affected thereby.

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IN WITNESS WHEREOF, the undersigned have caused this instrument to be executed as of the day and year below.

Dated: _________________

OWNER
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: ______________________
Name: ______________________
Its: ______________________

Dated: _________________

Transbay Joint Powers Authority, a California joint powers agency

By: ______________________
Name: ______________________
Its: ______________________

NOTARY CERTIFICATE

EXHIBIT A

Legal Description of Property

EXHIBIT B
Plat Map

EXHIBIT C

Legal Description of Benefitted Parcel

EXHIBIT D-2

FORM OF DECLARATION OF SITE RESTRICTIONS – TRANSBAY BLOCK 3

WHEN RECORDED RETURN TO:

Transbay Joint Powers Authority
425 Mission St., Suite 250
San Francisco, CA 94105
Attn: Executive Director

The undersigned hereby declares this instrument to be exempt from Documentary Transfer Tax (CA Rev. & Tax Code §11922 and S.F. Bus. & Tax Reg Code § 1105) and recording fees per Government Code §27383 and §27388.1.

APN: Block 3739, Lots 002 and 006 Space Above for Recorder's Use Only

DECLARATION OF SITE RESTRICTIONS

THIS DECLARATION OF SITE RESTRICTIONS ("**Declaration**") is made as of the_____day of______, 20_, by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("**Successor Agency**"), hereinafter called the "**Owner**," in favor of the Transbay Joint Powers Authority, a California joint powers agency, and its successors in interest (the "**TJPA**"). The conditions, covenants, and restrictions stated herein shall bind Owner and its successors and assigns and shall be enforceable by the TJPA.

The following conditions, covenants, and restrictions affect that certain real property in the City and County of San Francisco, State of California known as Block 3739, Lot 002 and Block 3739, Lot 006 (as more particularly described in Exhibit A and depicted in Exhibit B attached hereto, referred to herein collectively as the "**Property**") that is owned by Successor Agency. The Property is located within the Transbay Redevelopment Project Area ("**Project Area**") in the City and County of San Francisco ("**City**"), State of California and will be aggregated with other parcels to create Redevelopment Block 3.

WITNESSETH:

WHEREAS, the Owner owns the Property, which is located in the Project Area and covered by the Redevelopment Plan for the Transbay Redevelopment Project Area, filed in the Office of the Recorder of the City and County of San Francisco, State of California, as Document No. 2006I224836, filed on August 4, 2006 ("**Redevelopment Plan**").

WHEREAS, the Owner has an enforceable obligation, as determined by the California Department of Finance under the terms of the Transbay Redevelopment Project Implementation Agreement (January 20, 2005) and California Health and Safety Code Sections 34170 et seq. ("**Redevelopment Dissolution Law**"), to implement the Redevelopment Plan. The Redevelopment Plan includes the construction and funding of major infrastructure improvements, such as new public parks and new pedestrian-oriented alleys and which requires, in Section 3.5.1 and in the Zone 1 Plan Map, that the Property shall be developed as a public park ("**Open Space Obligation**").

WHEREAS, the TJPA was formed in 2001 as a joint powers agency to plan and construct the Transbay Transit Center to replace the former Transbay Bus Terminal, to serve Caltrain, high speed rail, and local and regional bus lines. By statute, the TJPA has exclusive control with respect to all matters concerning the financing, design, development, construction, and operation of the new Transbay Transit Center. Cal. Public Resources Code § 5027.1(a).

WHEREAS, in 2003, the TJPA, the City, and the State, acting by and through its Department of Transportation ("**Caltrans**"), entered into a Cooperative Agreement, which sets forth the process for the transfer of certain State-Owned Parcels to the TJPA and the City ("**Cooperative Agreement**"). In 2005, the TJPA and the Former Agency entered into the Transbay Redevelopment Project Implementation Agreement ("**Implementation Agreement**") which requires the Former Agency to prepare and sell certain of the State-Owned Parcels and to implement the Redevelopment Plan, including the Open Space Obligation. In 2008, the TJPA, the City and the Former Agency entered into a Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement ("**Pledge Agreement**"), which describes the City's and the Former Agency's irrevocable pledge to the TJPA of (i) net tax increment revenues attributable to all of the State-Owned Parcels, and (ii) Gross Sales Proceeds (as defined in the Pledge Agreement) from the conveyance of all or a portion of any State-Owned Parcel, for costs associated with construction and design of the Transbay Transit Center. In 2008, the TJPA, the City and the Former Agency entered into an Option Agreement for the Purchase and Sale of Real Property ("**Option Agreement**"), which sets forth the process for the transfer to the Former Agency of certain of the State-Owned Parcels and provides that the Gross Sales Proceeds may include consideration of Transbay Redevelopment Plan development restrictions, environmental contamination, legally required affordable housing, and other conditions which reasonably effect the fair market value.

WHEREAS, on February 1, 2012, California law dissolved all redevelopment agencies, including the Former Agency, pursuant to California Health and Safety Code Sections 34170 et seq. ("**Redevelopment Dissolution Law**"). By operation of law, the assets and obligations of the Former Agency were transferred to the Successor Agency.

WHEREAS, on April 15, 2013, the California Department of Finance ("**DOF**") finally and conclusively determined, under Cal. Health & Safety Code § 34177.5 (i), that the Pledge Agreement, Implementation Agreement and Transbay affordable housing obligation are continuing enforceable obligations of the Successor Agency under the Redevelopment Dissolution Law.

WHEREAS, to permit the demolition of the former Transbay Bus Terminal and the construction of the new Transbay Transit Center, the TJPA constructed a temporary bus terminal on Transbay Blocks 2, 3, and 4 ("**Temporary Terminal**") for bus service during the construction period. The Temporary Terminal site is bordered by Howard, Main, Folsom, and Beale Streets in the City and County of San Francisco. A portion of Blocks 2 and 3, and all of Block 4 consist of State-Owned Parcels (Assessor Parcel Block 3739, Lot 008), which the TJPA acquired from Caltrans pursuant to the Cooperative Agreement. The remainder of the land within Blocks 2 and 3 (Assessor Parcel Block 3739, Lots 002, 004, 006, and 007) was purchased by the TJPA from private owners.

WHEREAS, under the Redevelopment Plan, Pledge Agreement, Implementation Agreement, and Option Agreement, the Successor Agency has been obligated, among other things, to assist the TJPA in funding the construction of the Transbay Transit Center and to fulfill the Open Space Obligation. To maximize the proceeds and tax increment for the Transbay Transit Center during critical, early phases of its construction, the Successor Agency deferred development of some affordable housing and open space and approved lucrative private development on certain State-Owned Parcels. OCII estimated that this approach of maximizing market-rate development in early stages of plan implementation generated over $100 million more in sales proceeds than if OCII had required the State-Owned Parcels (making up 8 redevelopment blocks) to satisfy the Transbay affordable housing obligation (by imposing 35% affordability). Letter, Mark Zabaneh, TJPA, and Nadia Sesay, Successor Agency to Bijan Sartipi, Caltrans, Re: Approval of Transfer and Relinquishments of Power of Termination for Certain Remaining Parcels under the Cooperative Agreement (Feb. 9, 2018).

WHEREAS, the construction of the Transbay Transit Center started in 2010 and was completed in 2019. Following the completion of the Transbay Transit Center, the TJPA closed the Temporary Terminal. As a result, the State-Owned Parcels within Transbay Blocks 2, 3, and 4 became available for acquisition by the Successor Agency under the Option Agreement. The private parcels acquired by the TJPA and used for the Temporary Terminal, including the Property, also were no longer required by the TJPA.

WHEREAS, the State exercised its Power of Termination for the State-Owned Parcels that makes up Transbay Block 3, effective January 1, 2024, under the Notice of Exercise of Power of Termination and Objection to the Recording of a Relinquishment of Power of Termination, recorded September 11, 2018 in the Official Records of the City as Document No. 2018K671709 ("**Notice of Exercise**"). The Notice of Exercise provided that the State would relinquish its Power of Termination if the TJPA, Successor Agency, or their successors in interest caused the recordation of an irrevocable declaration of site restrictions requiring, among other things, the completion of a public park and related and ancillary facilities and improvements on the State-Owned Parcels that make up Transbay Block 3 by January 1, 2028, restricting their use as a public park for a period of no less than fifteen (15) years after completion of the public park, and providing the State with certain enforceable rights to ensure compliance with these covenants.

WHEREAS, Owner has recorded concurrently herewith that certain Declaration of Site Restrictions for the Relinquishment of Power of Termination (Transbay Block 3) in the Official Records of the City, restricting the portion of the State-Owned Parcels that makes up Transbay Block 3 for public park and public rights-of-way ("**Caltrans Declaration of Restrictions**"), as described in more detail therein.

WHEREAS, Owner or its successor in interest intends to separately divide the portion of the State-Owned Parcels that makes up Transbay Block 3 and the Property to create: 1) a site for the development of a public park ("**Public Park Site**"); and 2) a site for related and ancillary facilities and improvements that include a publicly accessible right-of-way to the north and to the south of Public Park Site ("**ROW Site**"), consistent with the Notice of Exercise, the Redevelopment Plan and the Open Space Obligation.

WHEREAS, Owner intends to record a Transfer Map pursuant to City Subdivision Code Section 1312.1 for a Merger and 5 Lot Subdivision Project ("**Final Transfer Map 10327**"). The Tentative Transfer Map is currently under review by the City of San Francisco and is filed as Map No. 10327 on the San Francisco Public Works website. The future lots to be created by Final Transfer Map 10327 are depicted on Exhibit B.

WHEREAS, Owner retained Clifford Advisory Services to appraise the Property and has determined that the value of the Property is zero based on the assumption that the highest and best use of the Property is for a public park and public rights-of-way consistent with the Caltrans Declaration of Restrictions.

WHEREAS, the TJPA agreed to transfer the Property to Owner pursuant to a Purchase and Sale Agreement dated _________________, 2020 at no cost based on the expectation that the Property would be developed for a public park and public rights-of-way consistent with the Caltrans Declaration of Restrictions applicable to the State-Owned Parcels that make up Transbay Block 3.

WHEREAS, to ensure that the Property is dedicated to a public park and public rights-of-way uses contemplated by the Owner and the TJPA at the time of transfer of the Property, the TJPA conditioned its no-cost sale of the Property to Owner on Owner's recordation of this irrevocable declaration of site restrictions to ensure the use of the Property is restricted to public park and related and ancillary facilities and improvements on the Property, to be completed on terms similar to those set forth in the Caltrans Declaration of Restrictions.

WHEREAS, under this declaration, Owner may not use the Property for uses not authorized by the declaration without amending or terminating this declaration, which amendment or termination shall be within the sole and absolute discretion of the TJPA. It is the expectation of the parties that any such amendment or termination shall be conditioned on the payment of monetary consideration the TJPA reflecting fair market value of the Property after the amendment or termination, in furtherance of the TJPA's public purposes; and

WHEREAS, the obligations of Owner under this declaration benefit, touch and concern that certain real property generally located at 425 Mission Street, San Francisco, California (Assessor's Block 3719, Lot 003; Block 3720, Lots 010 and 011; and Block 3721, Lots 006 and 124) owned by the TJPA, as more particularly described in Exhibit C ("**Benefitted Parcel**"), shall affect, relate to, apply to, accrue to benefit of, run with, and be enforceable by any successor owners of the Benefitted Parcel.

WHEREAS, the California Community Redevelopment Law, as amended by the Redevelopment Dissolution Law, authorizes the Owner to establish, consistent with enforceable obligations, restrictions and covenants running with land sold or leased for redevelopment purposes.

NOW, THEREFORE, the Owner hereby declares that the real property described and referred to as the Property is and shall be held, transferred, sold, and conveyed, subject to the covenants, conditions and restrictions, hereinafter set forth:

1. Property Subject to This Declaration.

This Declaration is made with respect to the Property located in the City and County of San Francisco, State of California, and more particularly described in Exhibit A, which shall be held, conveyed, transferred and sold subject to the applicable covenants, conditions and restrictions established in this Declaration.

2. Completion of Construction.

The Owner or its successors in interest shall construct and complete, or cause to be constructed and completed, the public park and related and ancillary facilities and improvements on the Property by January 1, 2028 (the "**Construction Term**").

3. Public Park and Public Use Restrictions.

(a) Public Park Restrictions. The Owner or its successors in interest shall devote the Public Park Site, as depicted as a portion of Lot 3 on Exhibit B, to a public park consistent with the Notice of Exercise, the Redevelopment Plan and the Open Space Obligation and these restrictions shall be in a first lien position and not be subordinated to any lien or other encumbrance. The Owner or its successors in interest shall restrict the Property to these uses for a period of time that meets or exceeds fifteen (15) years after completion of improvements for the public park (the "**Public Park Term**").

(b) Rights-of-Way Restrictions. The Owner or its successors in interest shall devote the ROW Site, as depicted as a portion of Lots 2 and 4 on Exhibit B, to rights-of-way consistent with local regulations for public rights-of-way.

4. Term.

(a) The covenants in Section 2 shall remain in effect for the Construction Term. The covenants in Section 3(a) shall remain in effect for a period of time that meets or exceeds the Public Park Term. The covenants in Section 3(b) shall run with the land on the ROW Site in perpetuity. These covenants shall be binding on all parties and all persons claiming under them as of the date this Declaration is executed.

(b) This Declaration constitutes covenants running with the land and binds successors and assigns of Owner. In the event that Owner fails to comply with this Declaration to the TJPA's satisfaction, in its sole discretion, within thirty (30) days of the Owner's receipt of the TJPA's written notice to so comply or such additional time as the TJPA determines is reasonably necessary to comply, the TJPA, at its option, may exercise any rights available at equity or in law, including, without limitation, instituting an action for specific performance. The Owner shall pay the TJPA's costs in connection with enforcement of the terms of this Declaration, including, without limitation, the TJPA's reasonable attorneys' fees and costs.

5. Severability of Provisions.

If any provision of this Declaration or the application of such provision to any owner or owners or parcel of land is held invalid, the validity of the remainder of this Declaration and the applicability of such provision to any other owner or owners or parcel of land shall not be affected thereby.

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IN WITNESS WHEREOF, the undersigned have caused this instrument to be executed as of the day and year below.

Dated: _________________

OWNER
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: ______________________
Name: ______________________
Its: ______________________

Dated: _________________

Transbay Joint Powers Authority, a California joint powers agency

By: ______________________
Name: ______________________
Its: ______________________

NOTARY CERTIFICATE

EXHIBIT A

Legal Description of Property

EXHIBIT B
Plat Map

EXHIBIT C

Legal Description of Benefitted Parcel