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San Francisco, CA 94103
Attn: Development Services

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SAN FRANCISCO ASSESSOR RECORDER

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**SECOND AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT
HUNTERS POINT SHIPYARD
PHASE 1**

by and between

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

and

LENNAR-BVHP, LLC,
a California limited liability company
doing business as Lennar/BVHP Partners

**SECOND AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT
HUNTERS POINT SHIPYARD
PHASE 1**

This Second Amendment to Disposition and Development Agreement Hunters Point Shipyard Phase 1 (this "Second Amendment") dated as of October 17, 2006 is entered into by and between the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, exercising its functions and powers and organized and existing under the Community Redevelopment Law of the State of California (together with any successor public agency designated by or pursuant to law, the "Agency"), and LENNAR-BVHP, LLC, a California limited liability company doing business as Lennar/BVHP Partners ("Developer").

RECITALS

This Second Amendment is made with reference to the following facts and circumstances:

A. The Agency and Developer, entered into that certain Disposition and Development Agreement Hunters Point Shipyard Phase 1 dated as of December 2, 2003 and recorded April 5, 2005 as Document No. 2005H932190 at Reel I861, Image 564 in the Official Records of San Francisco County (the "Official Records"), as amended by that certain First Amendment to Disposition and Development Agreement Hunters Point Shipyard Phase 1 dated as of April 4, 2005 and recorded in the Official Records on April 5, 2005 as Document No. 2005H932191 at Reel I861, Image 565 (the "First Amendment") (collectively, the "Phase 1 Horizontal DDA"). The capitalized terms used herein shall have the meaning set forth in the Phase 1 Horizontal DDA, unless otherwise specifically provided herein.

B. Since the December 2, 2003 Effective Date of the Horizontal DDA: (i) certain scrivener's errors and other minor factual inaccuracies have been identified in the Phase 1 Horizontal DDA, and (ii) additional information has become available, both of which require that certain technical changes be made to ensure that the terms of the Phase 1 Horizontal DDA accurately reflect the transaction contemplated thereunder.

C. Since the December 2, 2003 Effective Date of the Phase 1 Horizontal DDA, Parcel A-1 has been received from the United States Department of the Navy (the "Navy") and a portion thereof has subsequently been transferred to Developer, development of the infrastructure has begun, community builder partnerships have been created, architecture and predevelopment activities on portion of the hilltop are underway, and a substantial community benefits program has been prepared. In an effort to continue this forward momentum, the Agency and Developer, in consultation with the Hunters Point Shipyard ("Shipyard") Citizens Advisory Committee, have determined that certain amendments to the residential product mix of for-rent and for-sale housing units at the Shipyard are necessary in order to ensure the financial viability, sustainability and overall success of the Hunters Point Shipyard Redevelopment Project.

D. In order to facilitate the implementation of the Shipyard Redevelopment Plan, the Agency and Developer entered into that certain First Amendment, which included, among other changes, the form of Disposition and Development Agreement Hunters Point Shipyard Vertical Development ("Vertical DDA") to be executed by purchasers of any Lot in Phase I concurrently with the acquisition of such Lot. Though the Vertical DDA, which sets forth numerous guidelines for vertical development of Phase 1 at the Shipyard, will not be entered into until actual Lots are purchased for vertical development, the Agency and Developer have worked

diligently since the December 2, 2003 execution of the Phase 1 Horizontal DDA to create various development entitlements ("Development Entitlements"), intended to benefit the eventual developer/purchasers of such Lots and to govern the development of those Lots. The list of Development Entitlements listed in Exhibit A attached hereto is illustrative of the material documents and instruments governing development of property within the Shipyard Redevelopment Plan Area, but is not intended to be an exhaustive list of all documents, instruments, and/or other matters that may govern development of property within the Redevelopment Plan Area.

E. Developer and the Agency wish to enter into this Second Amendment for the purposes of achieving redevelopment within Phase 1 of the Shipyard and making certain amendments to the Phase 1 Horizontal DDA, all to further effectuate the program of development contemplated by the Redevelopment Plan. The Parties have entered into this Amendment to memorialize their understanding and commitments concerning the matters generally described above. It is understood and agreed by the parties hereto that for ease of use and purposes of continuity, the various provisions in the First Amendment previously approved by the Agency Commission and any approved changes set forth in this Second Amendment, will hereafter be incorporated into an amended and restated Phase 1 Horizontal DDA which will serve as the official and definitive Phase 1 regulatory agreement for horizontal development at the Shipyard.

AGREEMENT

Accordingly, for good and valuable consideration, the amount and sufficiency of which is hereby acknowledged, Developer and the Agency agree as follows:

1. Additional information regarding the Navy's remediation schedule for Shipyard Parcels B-F, has become available. This new information indicates that the remediation of Parcel B-1, which is currently covered by the Phase 1 Horizontal DDA, will be significantly delayed, consequently postponing the delivery of Parcel B-1 to the Agency and subsequently to Developer. In light of this significant change in the transfer schedule, it has been determined that Parcel B-1 shall be removed from the premises covered by the Phase 1 Horizontal DDA and will be included in the regulatory documents governing the next phase of development at the Shipyard. Therefore, all references to Parcel B-1 in the Phase 1 Horizontal DDA, including any attachment thereto and any Phase 1 related ancillary documents (whether or not specifically incorporated by reference) shall be deemed deleted and without effect. Accordingly, the fourth sentence of Recital D is hereby deleted in its entirety and the following is substituted in lieu thereof:

“The portion of the Shipyard subject to this DDA (“Phase 1”) comprises the portions of Parcel A designated by the Navy, including the hilltop area of Parcel A and the south side of the hill (together, “Parcel A-1”). Though various ancillary documents may refer to the hilltop as Parcel A-1 and the hillside as Parcel A-2, for the purposes of this DDA, references to Parcel A-1 shall include both the hilltop and hillside.”

2. The definition of **Schedule of Performance for Agency Housing Parcels** is hereby deleted in its entirety.

3. Section 11 is hereby amended to delete the first sentence in its entirety and the following is substituted in lieu thereof:

“The Agency shall, subject to the provisions herein regarding Unavoidable Delay, Commence Construction on the Agency Parcels in a timely manner once sufficient Tax Increment monies become available to fund such construction. Upon securing sufficient Tax Increment from the Citywide Affordable Housing Tax Increment Fund, and subject to Unavoidable Delay, the Agency shall first Commence Construction of its fifty (50) Agency Affordable Housing Units on Block 54 (as designated on the Land Use Plan at Schedule B of Attachment 2). Thereafter, subject to Unavoidable Delay, as Shipyard Tax Increment funding becomes available, the Agency shall, in an effort to ensure continuity of Lot development during the vertical construction phase, endeavor to develop its Agency Housing Parcels on a schedule that considers issues of adjacency and therefore complements Developer’s, any Affiliate of Developer’s or any Community Developer’s, schedule for construction on its various Lot(s).”

4. Section 12.1 is hereby deleted in its entirety and the following is substituted in lieu thereof:

Arbitration/Mediation of Certain Disputes.

Notwithstanding the provisions of Section 13, disputes arising under Sections 4.1, 4.2, 4.3, 4.4 and 4.5 of this Agreement (excluding, however, disputes in any way relating to the Agency’s failure or refusal to issue a Certificate of Completion) shall be subject to mediation and then to arbitration under Section 12.2 (collectively, “Construction Disputes”) and all disputes regarding payment for services rendered by vendors or subcontractors, regardless of tier (but specifically excluding payments to contractors and subcontractors involved in the construction of the Horizontal and or Vertical Improvements, which payment processes are governed by the terms of Attachment 13 – Prevailing Wage Requirements (Labor Standards)) shall be subject to mediation and then arbitration under Section 12.5 hereunder (“Non-Construction Payment Disputes”). All disputes that are not Construction Disputes will be subject to litigation, except to the extent another form of dispute resolution is specifically provided for herein or in a particular Attachment, e.g., as for Budget Disputes under Attachment 25.

5. Section 12.5 is hereby added at the end of Section 12 of the Horizontal DDA:

In the event, Developer (or any of Developer's vendors, contractors, subcontractors (regardless of tier) or Affiliates) receives a complaint from any vendor or subcontractor (regardless of tier) concerning delayed payment for services rendered, and such payment delay has persisted for a period of 60 days following complainant's submission of (a) documentation setting forth the scope of work completed, (b) proof of current insurance, and (c) required lien releases, then the Developer, contractor, subcontractor or affiliate (as applicable) that is the subject of the complaint, shall meet and confer with the complainant and shall attempt to resolve in good faith the issues presented in the complaint as expeditiously as possible. If the issue cannot be satisfactorily resolved through such meetings within a period of ten (10) business days, Developer or complainant may request the commencement of arbitration proceedings. Such arbitration proceedings shall be governed by the process set forth in Sections 14.1, 14.3 and 14.6 -14.9 (as applicable) of Attachment 13 [Prevailing Wage Requirements – Labor Standards] to the Horizontal DDA.

6. Schedule B (Land Use Plan) to Attachment 2 [Map of Project Site and of Agency Parcels, Showing Agency Housing Parcels and Community Facilities Parcels] of the Phase 1 Horizontal DDA is hereby deleted in its entirety and the document at *Exhibit B* hereto is substituted in lieu thereof.

7. Attachment 10 to the Horizontal DDA [Schedule of Performance For Infrastructure Development] is hereby deleted in its entirety and the document at *Exhibit C* hereto is substituted in lieu thereof.

8. Vertical DDA Attachment F [Affordable Housing Program], Attachment F-Exhibit D [Limited Equity Home Ownership Program Declaration of Restrictions For For-Sale Affordable Housing Units and Option to Purchase Agreement], Attachment F-

Exhibit G [Major Phase Housing Data Table], Attachment F-Exhibit H [Project Housing Data Table], and Attachment F-Exhibit I [Marketing and Operations Guidelines] are each hereby deleted in their entirety and the documents at *Exhibits D-H* hereto are substituted in lieu thereof.

9. Exhibit A to the Equal Opportunity Program and Additional Business, Employment, Construction Assistance/Opportunities and Community Benefits Program (Attachment 24) is hereby amended to delete the second paragraph of Section 6.5 and substitute the following in lieu thereof:

“The consultant team is expected to employ the number of trainees indicated in the following schedule:

<u>Trainees</u>	<u>Consultant Fees</u>
0	\$ 0 - 249,999
1	250,000 - 399,999
2	400,000 - 599,999
3	600,000 - 999,999
4	\$1,000,000 - 1,999,999
5	\$2,000,000 - 2,999,999
6	\$3,000,000 - 3,999,999
7	\$4,000,000 - 4,999,999
8	\$5,000,000 or more

The number of trainees is based on the aggregate Consultant Fee paid to each consultant team member for work related to the implementation of Phase 1 development at the Shipyard, regardless of the number of individual contracts that any one consultant team member may have with the Agency or Developer for various aspects of the Shipyard Phase I implementation. This provision is retroactive to April 5, 2005 for consultant teams working on Phase 1 vertical development, but not otherwise, provided, however, that no trainee hired before the date of this Second Amendment shall be released or terminated as a result of the revised Trainee/Consultant Fee Schedule set forth above.”

10. The first sentence of Section 1.1 to Attachment 23 [Community Ownership, Financing, and Benefits] is hereby deleted in its entirety and the following is substituted in lieu thereof:

“The Community Facilities Parcels (also known as the Community Facility Parcels) are comprised of a total of 1.2 acres of land located at the intersection of Galvez and Donahue Streets in Block 55-E as illustrated on the Land Use Map attached at *Exhibit C* hereto. During the next phase of Shipyard development, at least an additional 4.8 acres of land on Parcel B will be dedicated for use as Community Facilities Parcels, for a minimum total of 6 acres on Parcels A-1 and B. If the next phase of Shipyard development includes parcels in addition to Parcel B, the amount of land set aside for Community Facilities Parcels will take into account the additional development opportunities created for Developer (or its successor) in determining the total acreage for Community Facilities Parcels in Phase 2. In addition to this current provision, the understanding regarding the handling of the Community Facilities Parcels will be memorialized in the Exclusive Negotiations Agreement for Phase 2.”

11. The Financing and Revenue Sharing Plan (Attachment 25 to the Horizontal DDA) is hereby amended to delete the first paragraph of Section 4 in its entirety and substitute the following in lieu thereof:

“Generally distributions of Net Revenues from the Land Proceeds Account will be made monthly. However, no distributions of Net Revenues will be made unless and until there are sufficient reserves in the Land Proceeds Account to fund one hundred percent (100%) of the budgeted operating and capital needs of Phase 1, excluding debt service on the Mello-Roos Bonds, and net of any projected Gross Revenues (both as projected in the then Approved Budget) for the following three (3) month period (the “Operating Reserve”). The final distribution of Net Revenues shall be withheld until all Approved Expenses have been incurred or a reserve account has been established in an amount sufficient to cover one hundred percent (100%) of all anticipated Approved Expenses. Developer shall provide the Agency with an estimate of all anticipated Approved Expenses within One hundred and twenty (120) days after the last land transfer. The amount of this reserve account shall be subject to Agency and Developer approval. If the Operating Reserve requirement is met, then distributions of Net Revenues will be made as follows:”

12. This Second Amendment constitutes a part of the Phase 1 Horizontal DDA and any reference in any document to the Phase 1 Horizontal DDA shall be deemed to include a reference to such Phase 1 Horizontal DDA as amended hereby.

13. Except as otherwise amended hereby, all terms, covenants, conditions and provisions of the Phase 1 Horizontal DDA shall remain in full force and effect.

14. All capitalized terms used but not defined herein shall have the meanings assigned thereto in the Phase 1 Horizontal DDA.


15. This Second Amendment is binding upon and will inure to the benefit of the successors and assigns of the Agency and Developer, subject to the limitations set forth in the Phase 1 Horizontal DDA.

16. This Second Amendment may be executed in any number of counterparts, all of which, together, shall constitute the original agreement.


IN WITNESS WHEREOF, the Agency has caused this Second Amendment to be duly executed on its behalf and Developer has signed or caused this Second Amendment to be signed by duly authorized persons, all as of the day first above written.

Authorized by Agency Resolution No. 141-2006 AGENCY:
adopted October 17, 2006

Approved as to Form:

By: 
James B. Morales
Agency General Counsel

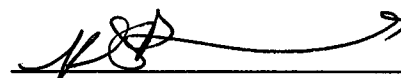
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN
FRANCISCO, a public body, corporate and
politic

By: 
Marcia Rosen
Executive Director

DEVELOPER:

LENNAR-BVHP, LLC, a California limited
liability company

By: Lennar Southland I, Inc., a California
limited liability company, its managing
member

By: 
Name: KOFI BONNER
Title: PRES.

ALL-PURPOSE ACKNOWLEDGMENT

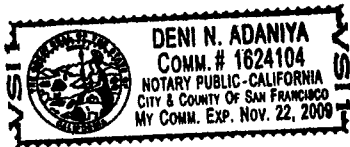
State of California

County of San Francisco } SS.

On October 12, 2006 before me, Deni N. Adaniya,
(DATE) (NOTARY)

personally appeared Kofi Bowner
SIGNER(S)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

[Signature]
NOTARY'S SIGNATURE

OPTIONAL INFORMATION

The information below is not required by law. However, it could prevent fraudulent attachment of this acknowledgment to an unauthorized document.

CAPACITY CLAIMED BY SIGNER (PRINCIPAL)

- INDIVIDUAL
- CORPORATE OFFICER

TITLE(S)

- PARTNER(S)
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

Second Amendment to Disposition's Development Agreement, Hunters Point
TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

10/17/06

DATE OF DOCUMENT

OTHER

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

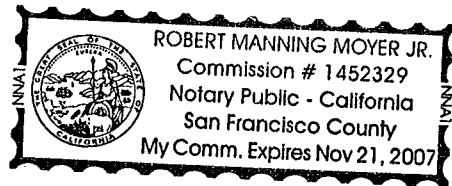
RIGHT THUMBPRINT
OF
SIGNER



STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

On 10/25/06, before me, the undersigned, a Notary Public in and for said State, personally appeared Marvin Rosen, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Robert Manning Moyer Jr.
Signature of Notary Public (Seal)

STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

On _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public (Seal)

**Exhibit A
To
Second Amendment**

List of Entitlements

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project San Francisco, California

San Francisco Board of Supervisors

1. **Resolution adopting environmental findings pursuant to the California Environmental Quality Act, State Guidelines, and Administrative Code Chapter 31 in connection with the Hunters Point Shipyard Redevelopment Plan and related implementing actions
File No. 041533, Resolution No. 751-04
Adopted by the San Francisco Board of Supervisors on December 7, 2004.
with Attachments: CEQA Findings (Attachment A)
Hunters Point F' Mitigation Monitoring and Reporting Program
(Exhibit 1)**
2. **Ordinance amending the San Francisco General Plan to make the General Plan consistent with the Hunters Point Shipyard Redevelopment Plan, and making various findings, including environmental findings and findings of consistency with the General Plan and Planning Code Section 101.1
File No. 041535, Ordinance No. 298-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.
with Attachment: Amendments to Maps of the General Plan**
3. **Ordinance adding Section 3409 to the Building Code to create a code compliance inspection and graduated compliance plan for non-residential buildings and structures at the Naval Station Treasure Island and Hunters Point Shipyard that have been leased or transferred by the Federal government to the City, the Redevelopment Agency, or the Treasure Island Development Authority; to provide that DBI and the Fire Department may charge the City, the Redevelopment Agency or the Treasure Island Development Authority time and material fees as set forth in existing codes for responding to requests for inspection and performing associated tasks; and to provide that Section 3409 shall not go into effect until the graduated compliance plan has been filed with the California Building Standards Commission and will remain in effect until January 1, 2007, or until seven years after the lease or transfer of such buildings or structures, as long as that lease or transfer occurs prior to January 1, 2007, and unless state law extends the time for operation under a graduated code compliance plan
File No. 041536, Ordinance No. 299-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.**
4. **Resolution approving and authorizing a Joint Community Facilities Agreement between the City and County of San Francisco and the Redevelopment Agency of the City and County of San Francisco in furtherance of the adoption and implementation of the Redevelopment Plan for the Hunters Point Shipyard, specifically the Hunters Point Phase One Improvements, and making environmental findings
File No. 041537, Resolution No. 773-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.
with Attachment: Joint Community Facilities Agreement**

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project **San Francisco, California**

5. **Ordinance amending the Public Works Code to add Section 2.3.1, 2.3.2, and 2.3.3 to establish special restrictions for activities on the Hunters Point Shipyard to address potential residual contamination and making specified findings**
File No. 041538, Ordinance No. 300-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.
6. **Ordinance amending Zoning Map Sheets 9 and 9H of the City and County of San Francisco to eliminate the use districts and height and bulk districts within Assessor's Block 4591A, the Hunters Point Redevelopment Plan area, and instead reference the Hunters Point Shipyard Redevelopment Plan; and making various findings, including environmental findings and findings of consistency with the General Plan and Planning Code Section 101.1**
File No. 041539, Ordinance No. 301-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.
7. **Ordinance amending the Building Code to add Section 106.3.2.5 to establish special restrictions for activities on the Hunters Point Shipyard to address potential residual contamination and making environmental findings**
File No. 041540, Ordinance No. 302-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.
8. **Ordinance adding Article 31 to the Health Code and amending the Sections 659, 1120.1 and 1227 of the Health Code to establish special restrictions for activities on the Hunters Point Shipyard to address potential residual contamination and to authorize the Department of Public Health to implement these restrictions and impose penalties; and making environmental findings**
File No. 041541, Ordinance No. 303-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.
9. **Resolution declaring the Intention of the Board of Supervisors to vacate portions of McKinnon Avenue, La Salle Avenue, Kirkwood Avenue, Jerrold Avenue, Innes Avenue, Hudson Avenue, Boalt Street, Coleman Street, Donahue Street, and Galvez Street in Hunters Point Shipyard Parcel "A1" and Oakdale Avenue, Newcomb Avenue, McKinnon Avenue, La Salle Avenue, Fitch Street, and Earl Street in Hunters Point Shipyard Parcel "A2" along with public service easements in the aforementioned locations in the Hunters Point Shipyard; setting the hearing date for all persons interested in the proposed vacation of said street areas and public service easements**
File No. 041542, Resolution No. 734-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.
10. **Ordinance amending the San Francisco Subdivision Code by adding the Hunters Point Shipyard Subdivision Code, Division 3, Article 1-8, Sections 1600 et seq. and making environmental findings**
File No. 041544, Ordinance No. 304-04
Adopted by the San Francisco Board of Supervisors on December 14, 2004.

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project **San Francisco, California**

11. **Ordinance amending the Health Code by adding Section 3108 to authorize the Department of Public Health to charge fees to defray the costs of implementation of Article 31 of the Health Code and making environmental findings
File No. 041664, Ordinance No. 006-05
Adopted by the San Francisco Board of Supervisors on January 4, 2005.**
12. **Ordinance amending the San Francisco Subdivision Code by adding Sections 1615, 1649 and 1664(e) to establish fees to defray the costs of implementation of the Subdivision Code, Division 3, Articles 1-8 and making environmental findings
File No. 041665, Ordinance No. 007-05
Adopted by the San Francisco Board of Supervisors on January 4, 2005.**
13. **Ordinance ordering the vacation of portions of McKinnon Avenue, La Salle Avenue, Kirkwood Avenue, Jerrold Avenue, Innes Avenue, Hudson Avenue, Boalt Street, Coleman Street, Donahue Street, and Galvez Street in Hunters Point Shipyard Parcel "A1" and Oakdale Avenue, Newcomb Avenue, McKinnon Avenue, La Salle Avenue, Fitch Street, and Earl Street in Hunters Point Shipyard Parcel "A2" along with public service easements in the aforementioned locations in the Hunters Point Shipyard; making environmental findings and findings of consistency with the City's General Plan, Planning Code Section 101.1, and the Hunters Point Redevelopment Plan; quitclaiming City's interest in the vacation areas; reserving easement rights for various utilities, including SBC, Pacific Gas and Electric Company, easement holders of record, and the City; accepting Department of Public Works Order No. 175,121; and authorizing official acts in connection with this Ordinance
File No. 041543, Ordinance No. 024-05
Adopted by the San Francisco Board of Supervisors on January 11, 2005.**

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project San Francisco, California

San Francisco Building Inspection Commission

14. Ordinance adopting Building Code amendments to add Section 106.3.2.5 to establish special restrictions for activities on the Hunters Point Shipyard to address potential residual contamination and making environmental findings
Adopted by letter to the Clerk of the San Francisco Board of Supervisors by the San Francisco Building Inspection Commission on December 6, 2004.
15. Ordinance adding Section 3409 to the Building Code to create a code compliance inspection and graduated compliance plan for non-residential buildings and structures at the Naval Station Treasure Island and Hunters Point Shipyard that have been leased or transferred by the Federal government to the City, the Redevelopment Agency, or the Treasure Island Development Authority; to provide that DBI and the Fire Department may charge the City, the Redevelopment Agency or the Treasure Island Development Authority time and material fees as set forth in existing codes for responding to requests for inspection and performing associated tasks; and to provide that Section 3409 shall not go into effect until the graduated compliance plan has been filed with the California Building Standards Commission and will remain in effect until January 1, 2007, or until seven years after the lease or transfer of such buildings or structures, as long as that lease or transfer occurs prior to January 1, 2007, and unless state law extends the time for operation under a graduated code compliance plan
Adopted by letter to the Clerk of the San Francisco Board of Supervisors by the San Francisco Building Inspection Commission on December 6, 2004.
16. Resolution adopting findings pursuant to the California Environmental Quality Act for the Hunters Point Shipyard Redevelopment Project in connection with approval and recommendation of the Hunters Point Shipyard Interagency Cooperation Agreement Phase I Development
Resolution No. ___-04
Adopted (conditioned upon certain exceptions to be met) by the San Francisco Building Inspection Commission on December 6, 2004. – see letters above (Nos. 14 and 15)
[NOTE: Comm'n voted 5-1 to approve conditioned on Mayor allowing supplemental approval of additional department positions, including the requirement to support the ICA and expedition of permits approval]
17. Resolution approving the Hunters Point Shipyard Interagency Cooperation Agreement and recommendation of approval to the Agreement to the Mayor and the Board of Supervisors
Resolution No. ___-04
Adopted (conditioned upon certain exceptions to be met) by the San Francisco Building Inspection Commission on December 6, 2004. – see letters above (Nos. 14 and 15)
[NOTE: Comm'n voted 5-1 to approve conditioned on Mayor allowing supplemental approval of additional department positions, including the requirement to support the ICA and expedition of permits approval]

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project **San Francisco, California**

San Francisco Health Commission

18. **Resolution adopting findings pursuant to the California Environmental Quality Act for the Hunters Point Shipyard Redevelopment Project**
Resolution No. 21-04
Adopted by the San Francisco Health Commission on November 16, 2004.
19. **Resolution approving an ordinance adding Article 31 to the Health Code and amending the Sections 659, 1120.1 and 1227 of the Health Code to establish special restrictions for activities on the Hunters Point Shipyard to address potential residual contamination and to authorize the Department of Public Health to implement these restrictions, impose penalties, and charge fees to defray the costs of implementation and making environmental findings; and approving regulations implementing the proposed ordinance**
Resolution No. 22-04
Adopted by the San Francisco Health Commission on November 16, 2004.
20. **Resolution authorizing the Director of Health to enter into an Interagency Cooperation Agreement in furtherance of the implementation of the Hunters Point Shipyard Redevelopment Plan**
Resolution No. 23-04
Adopted by the San Francisco Health Commission on November 16, 2004.

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project **San Francisco, California**

San Francisco Planning Commission

21. **Motion adopting findings related to the Certification of a Final Environmental Impact Report for the Disposal and Reuse of Hunters Point Shipyard, in San Francisco, consisting of the Hunters Point Shipyard Redevelopment Plan and various other actions necessary to implement the Plan**
Case File No. 1994.061E, Motion No. 14981
Adopted by the San Francisco Planning Commission on February 8, 2000.
22. **Resolution on Intention to initiate Amendments to the General Plan necessary to find in conformity the Redevelopment Plan for the Hunters Point Shipyard Redevelopment Project**
Case File No. 2004.0882M, Resolution No. 16874
Adopted by the San Francisco Planning Commission on October 21, 2004.
with Attachment: Amendments to Maps of the General Plan (Exhibit A)
23. **Motion adopting CEQA Findings in relation to the Hunters Point Shipyard Redevelopment Project**
Case File No. 2004.0882EMZRU, Motion No. 16899
Adopted by the San Francisco Planning Commission on December 2, 2004.
with Attachments: CEQA Findings (Attachment A);
Hunters Point FEIR Mitigation Monitoring and Reporting Program (Exhibit 1)
24. **Resolution adopting General Plan Amendments necessary to find in conformity with the Redevelopment Plan for the Hunters Point Shipyard Redevelopment Project**
Case File No. 2004.0882EMZRU, Resolution No. 16900
Adopted by the San Francisco Planning Commission on December 2, 2004.
with Attachments: Amendments to the Residence Element of the General Plan;
Amendments to the Commerce and Industry Element of the General Plan;
Amendments to the Recreation and Open Space Element of the General Plan;
Amendments to the Transportation Element of the General Plan;
Amendments to the Urban Design Element of the General Plan;
Amendments to the Environmental Protection Element of the General Plan;
Amendments to the South Bay Shore Element of the General Plan;
Amendments to the Land Use Index of the General Plan (Exhibit A)
25. **Resolution adopting Planning Code Amendments to amend Maps 9 and 9H of the Zoning Map necessary to find in conformity with the Redevelopment Plan for the Hunters Point Shipyard Redevelopment Project**
Case File No. 2004.0882EMZRU, Resolution No. 16901
Adopted by the San Francisco Planning Commission on December 2, 2004.
with Attachment: Amended Maps 9 and 9H of the Zoning Map (Exhibit A)

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project
San Francisco, California

26. **Motion adopting General Plan Referral Findings that the Hunters Point Shipyard Redevelopment Plan is in conformity with the General Plan
Case File No. 2004.0882EMZRU, Motion No. 16902
Adopted by the San Francisco Planning Commission on December 2, 2004.
with Attachment: General Plan Referral Findings (Exhibit A)**
27. **Motion endorsing amendments to the Design for Development, Hunters Point Shipyard Redevelopment Plan
Case File No. 2004.0882U, Motion No. 16904
Adopted by the San Francisco Planning Commission on December 9, 2004.
with Attachment: Development for Design, Hunters Point Shipyard Redevelopment Plan (Exhibit A)**
28. **Motion authorizing the Planning Department to enter into an Interagency Cooperation Agreement with the San Francisco Redevelopment Agency and other City Departments to assist in reviewing permits, approvals and agreements within the Hunters Point Shipyard Redevelopment Plan
Case File No. 2004.0882EMZRU, Motion No. 16908
Adopted by the San Francisco Planning Commission on December 9, 2004.**

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project **San Francisco, California**

San Francisco Redevelopment Commission

29. **Resolution finding and certifying that the Hunters Point Shipyard Reuse Final Environmental Impact Report is adequate, accurate and objective**
Resolution No. 11-2000
Adopted by the San Francisco Redevelopment Commission on February 8, 2000.
30. **Resolution adopting environmental findings and a Statement of Overriding Considerations pursuant to the California Environmental Quality Act and State Guidelines in connection with the approval of the Redevelopment Plan, Report on the Plan, Design for Development, and related documents implementing the development program for the Hunters Point Shipyard Redevelopment Project Area**
Resolution No. 12-2000
Adopted by the San Francisco Redevelopment Commission on February 8, 2000.
with Attachment: FEIR Findings (including Exhibit 1)
31. **Resolution authorizing the Executive Director to execute a Disposition and Development Agreement between the Redevelopment Agency of the City and County of San Francisco and Lennar/BVHP LLC, a California limited liability company, doing business as Lennar/BVHP Partners, for the development of Phase 1 of the Hunters Point Naval Shipyard; Hunters Point Shipyard Redevelopment Project Area**
Resolution No. 179-2003
Adopted by the San Francisco Redevelopment Commission on December 2, 2003.
32. **Resolution adopting environmental findings pursuant to the California Environmental Quality Act and authorizing execution of the following documents with the United States Department of the Navy concerning the former Hunters Point Naval Shipyard site: (1) the Conveyance Agreement, (2) the Security Services Cooperative Agreement, and (3) ancillary related documents; and authorizing related actions; Hunters Point Shipyard Redevelopment Project Area**
Resolution No. 50-2004
Adopted by the San Francisco Redevelopment Commission on April 29, 2004.
33. **Resolution adopting environmental findings pursuant to the California Environmental Quality Act and authorizing the Executive Director to accept the Navy's tender of Parcel A of the Hunters Point Naval Shipyard; Hunters Point Shipyard Redevelopment Project Area**
Resolution No. 135-2004
Adopted by the San Francisco Redevelopment Commission on November 16, 2004.
34. **Resolution authorizing the Executive Director to execute and submit to the Board of Supervisors of the City and County of San Francisco a Joint Community Facilities Agreement for infrastructure; Hunters Point Shipyard Redevelopment Project Area**
Resolution No. 136-2004
Adopted by the San Francisco Redevelopment Commission on November 16, 2004.

PROJECT APPROVALS

Hunters Point Shipyard Redevelopment Project **San Francisco, California**

35. Resolution adopting environmental findings pursuant to the California Environmental Quality Act and authorizing the Executive Director to execute a First Amendment to the Disposition and Development Agreement, Hunters Point Shipyard Phase I (DDA), between the Agency and Lennar/BVHP, LLC, and to transfer by quitclaim deed Parcel A-1 and Parcel A-2 of the Hunters Point Naval Shipyard to Lennar/BVHP, LLC upon the satisfaction of conditions to closing under the DDA; Hunters Point Shipyard Redevelopment Project Area
Resolution No. 3-2005
Adopted by the San Francisco Redevelopment Commission on January 18, 2005.
36. Resolution authorizing the Executive Director to execute an Interagency Cooperation Agreement with the City and County of San Francisco; Hunters Point Shipyard Redevelopment Project Area
Resolution No. 4-2005
Adopted by the San Francisco Redevelopment Commission on January 18, 2005.
37. Resolution declaring the intention to establish Community Facilities District No. 7 Hunters Point Shipyard, Phase One Improvements); Hunters Point Shipyard Redevelopment Project Area
Resolution No. 5-2005
Adopted by the San Francisco Redevelopment Commission on January 18, 2005.
38. Resolution declaring the intent to incur bonded indebtedness of the proposed Community Facilities District No. 7 Hunters Point Shipyard, Phase One Improvements); Hunters Point Shipyard Redevelopment Project Area
Resolution No. 6-2005
Adopted by the San Francisco Redevelopment Commission on January 18, 2005.
39. Resolution adopting environmental findings pursuant to the California Environmental Quality Act and authorizing a First Amendment to the Hunters Point Shipyard Design for Development; Hunters Point Shipyard Redevelopment Project Area
Resolution No. 7-2005
Adopted by the San Francisco Redevelopment Commission on January 18, 2005.

**Exhibit B
To
Second Amendment**

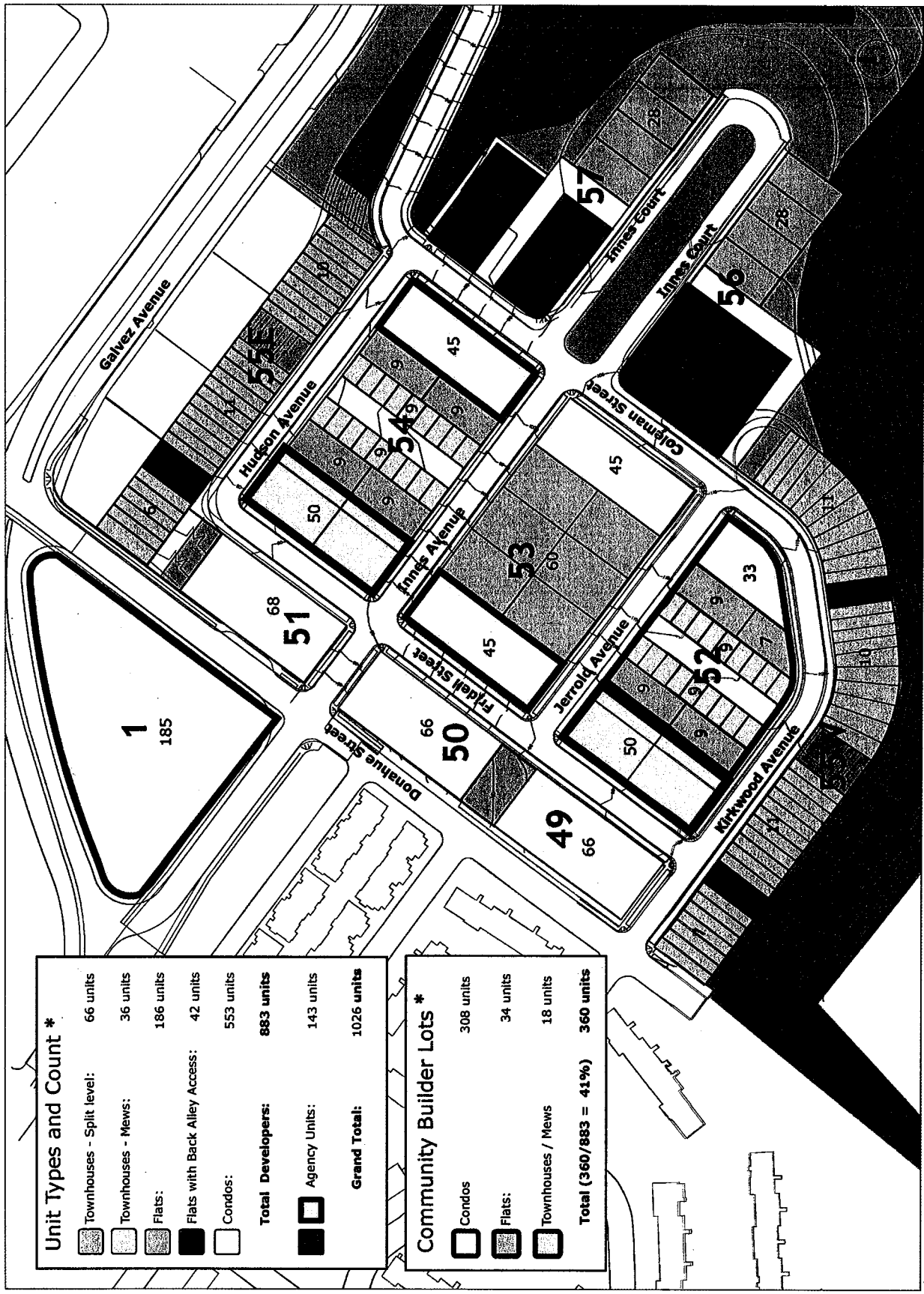
Land Use Plan

Client
Lennar/ BVHP

Team
SMWM

Hunters Point Shipyard - PHASE ONE
Hilltop & Block 1 Units Proposed Revised Distribution
28 September 06

SMWM
Architecture
Interiors
Landscape
Planning
Urban Design
www.smwm.com



Unit Types and Count *

Townhouses - Split level:	66 units
Townhouses - Mews:	36 units
Flats:	186 units
Flats with Back Alley Access:	42 units
Condos:	553 units
Total Developers:	883 units
Agency Units:	143 units
Grand Total:	1026 units

Community Builder Lots *

Condos	308 units
Flats:	34 units
Townhouses / Mews	18 units
Total (360/883 = 41%)	360 units

* Unit distributions by lot and product type are subject to change within the parameters set forth in the Subdivision Ordinance and upon Agency review and approval pursuant to the provisions set forth in the Design Review Documents and the Plan Documents.

**Exhibit C
To
Second Amendment**

Schedule of Performance for Infrastructure Development

ATTACHMENT 10

SCHEDULE OF PERFORMANCE FOR INFRASTRUCTURE DEVELOPMENT

The following capitalized terms have the meanings set forth in this Section, wherever used in this Agreement.

DEFERRED INFRASTRUCTURE ITEMS are composed of the following five items: (1) 2" asphalt concrete wearing surface, (2) plantings, (3) irrigations heads, (4) street furniture, and (5) driveways and sidewalks.

COMPLETE INFRASTRUCTURE CONSTRUCTION means Complete Construction of all items pertaining to Phase 1 work identified in the DDA, Attachment 9, Infrastructure Plan with an exception for Deferred Infrastructure Items.

Activity	Schedule
Blocks 1, 50, 51	
Complete Infrastructure Construction	August 2007
Blocks 1, 50, 51 Deferred Infrastructure Items	90 Calendar Days after substantial completion of vertical construction with respect to adjacency
Blocks 53, 54, 56, 57 & 55E	
Complete Infrastructure Construction	November 2007
Deferred Infrastructure Items	90 Calendar Days after substantial completion of vertical construction with respect to adjacency
Blocks 49, 52, 55W	
Complete Infrastructure Construction	May 2008
Deferred Infrastructure Items	90 Calendar Days after substantial completion of vertical construction with respect to adjacency
Block 48	
Complete Infrastructure Construction	August 2008
Deferred Infrastructure Items	90 Calendar Days after substantial completion of vertical construction with respect to adjacency

OPEN SPACE "BUILD OUT" SCHEDULE OF PERFORMANCE

The following capitalized terms have the meanings set forth in this Section, wherever used in this Agreement.

COMPLETE OPEN SPACE CONSTRUCTION means Complete Construction of all open space component items contemplated in the Open Space and Streetscape Master Plan. At the time this Schedule of Performance for Infrastructure Development is amended, the Open Space Master Plan is at a conceptual level of detail and is required to be developed in accordance with the H-DRDAP. Items of work will be established when the final Construction Documents for the work are permitted.

Complete Open Space Construction	Schedule
Innes Court Park	120 Calendar Days after Innes Avenue from Friedell Street to Coleman Street and all of Innes Court are completed.
a) Hillpoint Park, b) Hilltop ADA Path (From Galvez to Hudson) c) Hilltop Open Space, and d) Galvez Steps	120 Calendar Days after Innes Avenue from Friedell Street to Coleman Street and all of Innes Court are completed.
Two Pocket Parks for Block 55E	24 months after first DBI building permit is obtained for vertical construction on Block 55E.
Parcel G	24 months after first DBI building permit is obtained for vertical construction on Block 55E.
Pocket Park for Blocks 50 and 49	24 months after first DBI building permit is obtained for vertical construction on either Block 50 or Block 49, which ever comes later.
Three Pocket Parks for Block 55W	24 months after first DBI building permit is obtained for vertical construction on Block 55W.
Three Pocket Parks Along Navy Road	24 months after first DBI building permit is obtained for vertical construction on any lots along Navy Road, adjacent to Lots 39 through 53; 54 through 69; 1 through 18, as appropriate.
5 Pocket Parks Along Oakdale	24 months after first DBI building permit is obtained for vertical construction on any lots along Oakdale, adjacent to Lots 70 through 83; 84 through 92; 93 through 109; 110 through 115; 116 through 131, as appropriate.
a) Central Park, b) Hillside ADA Paths, and c) Hillside Open Space	120 Calendar Days after Oakdale Avenue and Navy Road are completed.
Community Facilities Parcel	In accordance with Section 1.2 of Attachment 23 Community Ownership, Financing and Benefits of this Agreement
Interim African Marketplace	TBD in conjunction with SFRA.

**Exhibit D
To
Second Amendment**

Affordable Housing Program

ATTACHMENT F

AFFORDABLE HOUSING PROGRAM

This Affordable Housing Program (the "Program") is attached to and made a part of the Disposition and Development Agreement Hunters Point Shipyard Vertical Development Lot ____ (the "Vertical DDA"), pursuant to that certain Disposition and Development Agreement Hunters Point Shipyard Phase 1, by and between the Redevelopment Agency of the City and County of San Francisco (the "Agency") and Lennar/BVHP, LLC ("Developer") Lot ____ (the "Horizontal DDA"). This Attachment sets forth the rights and obligations of Agency and Vertical Developer in connection with the Program. Agency and Vertical Developer are bound by this Program as part of the obligations they assume, and benefits they receive, under the Vertical DDA.

Section 1 Overview.

1.1 Affordable Units. Pursuant to the Horizontal DDA, Phase 1 will include approximately 1,498 Residential Units. At least twenty seven percent (27%), or four hundred and ten (410) units, and as much as forty percent (40%), or six hundred and two (602) units, of the Residential Units will comprise Affordable Housing for very low-, low- and moderate-income residents.

1.2 Baseline Affordable Housing. The baseline Phase 1 Affordable Housing Units will consist of (a) approximately two hundred eighteen (218) Agency Affordable Housing Units to be built on Agency Housing Parcels and (b) Inclusionary Units comprising fifteen percent (15%, or approximately one hundred ninety-two (192) units) of the total Vertical Developer Residential Units to be built by third-party Vertical Developers, including Developer Affiliates, in Phase 1.

1.3 Option Units. Agency will also have the right to purchase up to an additional fifteen percent (15%, or approximately one hundred ninety-two (192) units) of the total Vertical Developer Residential Units to be built in Phase 1, on the terms and conditions set forth in this Program.

1.4 Income Targets. The median income in the Bayview Hunters Point community is approximately eighty percent (80%) of AMI for the City. For-Sale Inclusionary Units will be priced for households earning between fifty percent (50%) and eighty percent (80%) of AMI. For-Rent Affordable Housing Units will be priced for households earning no more than fifty percent (50%) of AMI. These income targets are approximately twenty percent to fifty percent (20-50%) lower than those typically required for affordable housing units built in the City. Current HUD income levels are available from the Agency.

1.5 Affordable Residential Unit Distribution. Pursuant to the Horizontal DDA, Affordable Housing Units will be evenly distributed throughout Phase 1. The overall Phase 1 housing program will allow that all Vertical Developer Residential Units be For-Sale Residential Units with thirty percent (30%) priced for sale to households earning no more than fifty percent (50%) of AMI For-Rent and seventy percent (70%) priced for sale to households earning no more than eight percent (80%) AMI. The Agency will consider minor variations to this rate so long as the overall weighted average affordability level of the Inclusionary Units does not exceed sixty-eight percent (68%) of AMI (as defined in Section 2 below), and the weighted average of incomes served

by the Inclusionary Units does not exceed seventy-one percent (71%) of AMI. The distribution of Affordable Units within Phase 1 (including the allocation of Affordable Units between For-Rent and For-Sale) consists of a fifteen percent (15%) Inclusionary Unit Requirement for each Residential Project, unless Agency and Developer or Vertical Developer agree otherwise. Inclusionary For-Sale Units priced for 50% of AMI and 80% of AMI shall be dispersed throughout each project in accordance with Section 3.2 (c) below. A Declaration of Rental Use Restriction, restricting Residential Units to For-Rent rather than For-Sale, substantially in the form attached as Exhibit 1, will be recorded against each For-Rent Residential Unit in Phase 1, whether the Residential Unit is Affordable or Market Rate. A Declaration of Restrictions for For-Rent Affordable Housing Units, restricting For-Rent Affordable Residential Units to the specified affordability level, substantially in the form attached as Exhibit 2, will be recorded against each For-Rent Affordable Residential Unit in Phase 1. Each For-Sale Affordable Residential Housing Unit must be sold to qualified members of the public as evidenced by an Affordable Housing Parcel Deed substantially in the form specified in Exhibit 3. A Declaration of Restrictions for For-Sale Affordable Housing Units and Option to Purchase Agreement, restricting For-Sale Affordable Residential Units to the specified affordability level, substantially in the form attached as Exhibit 3, will be recorded against each For-Sale Affordable Residential Unit.

1.6 Buyer Assistance. Vertical Developer or its Affiliate will coordinate with appropriate agencies and financial institutions to provide qualified home buyers with access to down payment assistance, first-time buyer financing programs (from such entities as Fannie Mae, Federal Home Loan Bank, and similar entities) and homeownership counseling services as needed.

Section 2 Definitions.

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

Addendum to Deed of Trust has the meaning set forth in Section 3.3 and is substantially in the form of Appendix C to Exhibit 3.

Affiliate has the meaning set forth in the Agreement as follows: A Person in which Vertical Developer directly or indirectly owns and/or controls (a) twenty five percent (25%) or more (or if such Person is not publicly traded, fifty percent (50%) or more) of each class of equity interests (including rights to acquire such interests), or (b) twenty five percent (25%) or more (or if such Person is not publicly traded, fifty percent (50%) or more) of each class of interests that have a right to nominate, vote for or otherwise select the members of the board or other governing body that directs or causes the direction of substantially all of the management and policies of that Person.

Affordable means, (a) with respect to a For-Rent Residential Unit, a monthly rental charge, including a utility allowance in an amount determined by the San Francisco Housing Authority, which does not exceed thirty percent (30%) of fifty percent (50%) of Area Median Income, based upon Imputed Household Size; and (b) with respect to a For-Sale Residential Unit, a purchase price based on a five percent (5%) down payment and a rate for a thirty (30) year fixed mortgage based on } the higher of 1) the ten-year rolling average interest rate, as calculated by the Agency (or its successor) based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage financing institution, or 2) the current, commercially reasonable rate available through an Agency-approved lender, with a total of annual payments for principal, interest, taxes,

assessments and homeowner's association dues which does not exceed thirty-three percent (33%) of the Program Income Level.

[Agency Affordable Housing Units means the Residential Units constructed on Agency Housing Parcels.]

[Agency Housing Parcels means the parcels to be retained by Agency and designated as Agency Housing Parcels on the map attached as Attachment 2 to the Horizontal DDA.]

Area Median Income (AMI) means the area median income for a household, adjusted solely for actual household size, and not adjusted for other factors, including but not limited to, HUD high cost adjustments, as determined by HUD for the San Francisco Primary Metropolitan Statistical Area, from time to time.

[Business Day has the meaning set forth in the Agreement, as follows: A day other than a Saturday, Sunday or a state or federal holiday.]

City means the City and County of San Francisco, California, a municipal corporation.

Close or Closing for Option Units means the recordation of the deed evidencing the conveyance of Option Units to the Agency.

Complete Construction means the point at which Residential Units have been completed in accordance with approved plans and specifications, as reasonably determined by Agency, and a Certificate of Occupancy has been issued for such Residential Units.

Declaration of Rental Use Restriction has the meaning set forth in Section 3.1 and is substantially in the form attached as Exhibit 1.

Declaration of Restrictions for For-Rent Affordable Housing Units has the meaning set forth in Section 3.3 and is substantially in the form attached as Exhibit 2.

Declaration of Restrictions for For-Sale Affordable Housing Units and Option to Purchase Agreement has the meaning set forth in Section 3.3 and is substantially in the form attached as Exhibit 3.

Design Review and Document Approval Procedure for Vertical Improvements means the document by that name, attached to the Vertical DDA as Attachment __, as it may be amended from time to time.

Developer means LENNAR/BVHP, LLC, a California limited liability company doing business as Lennar/BVHP Partners.

Direct Costs means all costs incurred by Vertical Developer in constructing the Units, excluding Land Cost, Indirect Costs, and Vertical Developer Profit, for each Major Residential Phase. Direct Costs shall include costs and expenses actually incurred and paid for construction of the Units, including fees for inspections and building permits and other permit fees, the fees of engineers, surveyors and architects providing services in connection with the construction of Units

for each Major Phase, and the costs of options and upgrades to the Units, but shall specifically exclude amounts paid to any Affiliate of the Vertical Developer unless Agency gives its prior written approval. Agency will not unreasonably withhold its approval so long as Vertical Developer provides supporting information substantiating that any such payments do not exceed amounts that would be payable to non-related parties in an arms length transaction for similar services within the City. The amount of any Direct Costs is subject to verification and reasonable approval by Agency. Any costs that cannot be reasonably verified through statements and invoices shall not be included as "Direct Costs." Vertical Developer shall timely provide to Agency a schedule specifically identifying and substantiating all Direct Costs claimed, showing in particular the basis on which Direct Costs were allocated to the Units in a particular Major Phase, together with supporting materials, in a form reasonably satisfactory to Agency.

Escrow has the meaning set forth in Section 3.5(h).

For-Rent or Rental means a Residential Unit that is intended at the time of Complete Construction to be occupied subject to a lease, and not offered for sale.

For-Sale or Sale means a Residential Unit that is intended at the time of Complete Construction to be offered for sale, *e.g.*, as a condominium for individual Residential Unit ownership.

Grant Deed has the meaning set forth in Section 3.3.

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

Imputed Household Size means, for Rental units, the total number of bedrooms in a Residential Unit plus one (1), and for For-Sale units, one person for one-bedroom units, and one person per bedroom plus one for all other units.

Inclusionary Unit means an Affordable Residential Unit to be constructed by a Vertical Developer pursuant to this Program and the Vertical DDA.

Indirect Costs means all costs and charges incurred by the Vertical Developer in constructing Units for each Major Phase, excluding Land Cost, Direct Costs and Vertical Developer Profit. By way of example, Indirect Costs shall include without limitation costs and charges such as site indirect costs, overhead or charges for on-site personnel, depreciation of capital expenditures or equipment, real property taxes and assessments, insurance expenses, financing expenses or interest, the cost of performing warranty work and maintaining warranty reserves, legal fees and expenses, general business taxes or licenses, closing costs incurred in connection with sales of Units and other costs customarily treated as "soft costs" in the home building industry; provided that, Indirect Costs shall specifically exclude (a) sales or marketing expenses, since this term is used to calculate the Option Purchase Price and no marketing or sale expenses are required for Option Units and (b) amounts paid to any Affiliate of the Vertical Developer unless the Agency gives its prior written approval. Agency will not unreasonably withhold its approval so long as Vertical Developer provides supporting information substantiating that any such payments do not exceed amounts that would be payable to non-related parties in an arms length transaction for similar services within the City. The amount of any Indirect Costs is subject to verification and reasonable approval by

Agency. Any costs that cannot be reasonably verified through statements and invoices shall not be included as "Indirect Costs." The Vertical Developer shall timely provide to Agency a schedule substantiating all Indirect Costs claimed, showing in particular the basis on which Indirect Costs were allocated to the Units in a particular Major Phase, together with supporting materials, in a form reasonably satisfactory to Agency. The parties agree that irrespective of the Indirect Costs actually incurred, the amount designated as Indirect Costs for purposes of determining the Option Purchase Price shall not exceed twenty percent (20%) of Direct Costs, provided that builder's risk and property insurance costs will be included in the Option Purchase Price even if they cause Indirect Costs to exceed twenty percent (20%) of Direct Costs.

Infrastructure has the meaning set forth in the Horizontal DDA.

Infrastructure Plan means the document by that name, attached to the Horizontal DDA as Attachment 9, as it may be amended from time to time.

Land Cost means the verified cash purchase price allocated among the Residential Units to be developed in the relevant Major Phase. The Land Cost is subject to verification and reasonable approval by Agency. Any costs that cannot be reasonably verified through closing statements and other documentation shall not be included as "Land Cost." The Vertical Developer shall timely provide to Agency a schedule substantiating all Land Costs claimed, showing in particular the basis on which Land Costs were allocated to the Units in a particular Major Phase, together with supporting materials, in a form reasonably satisfactory to Agency.

Lot(s) means Lot(s) _____ as described in the Vertical DDA to be acquired by Vertical Developer pursuant to the Vertical DDA.

Major Phase means a development segment comprising one or more of the numbered parcels or portions of parcels included with a numbered parcel (or a remainder parcel if so approved by Agency pursuant to the Design Review and Document Approval Procedure for Vertical Improvements), as shown on Attachment 2 to the Horizontal DDA containing one or more Residential Projects.

Major Phase Housing Data Table has the meaning set forth in Section 3.6 and is substantially in the form attached as Exhibit 6.

Market Rate or **Market Rate Residential Unit** means a Residential Unit that has no restrictions under this Affordable Housing Program or the Vertical DDA with respect to affordability levels or income restrictions for occupants.

Memorandum of Option has the meaning set forth in Section 3.5(a) and is substantially in the form attached as Exhibit 5 hereto.

Option Purchase Price has the meaning set forth in Section 3.5(e).

Option Units has the meaning set forth in Section 3.5(a).

Owner means the person or entity holding fee title to a parcel or Residential Unit in Phase 1.

Option Unit Exceptions has the meaning set forth in Section 3.5(c):

Phase 1 means that portion of the Hunters Point Shipyard addressed by, and described in, the Horizontal DDA.

Project Housing Data Table has the meaning set forth in Section 3.7 and is substantially in the form attached as Exhibit 7.

Program Income Level means the income that is 5% below the targeted maximum income level for each Inclusionary For-Sale Unit. The Program Income Level for Inclusionary For-Sale Units targeting households at 80% of AMI is 75% of AMI. The Program Income Level for Inclusionary For-Sale Units targeting households at 50% of AMI is 45% of AMI.

Project Site has the meaning set forth in the Vertical DDA.

Promissory Note Secured By Deed of Trust has the meaning set forth in Section 3.3 and is substantially in the form of Appendix A to Exhibit 3.

Qualified Land Buyer has the meaning set forth in the Agreement.

Redevelopment Requirements has the meaning set forth in the Agreement.

Release of Option Rights means the document, substantially in the form attached as Exhibit 5, in which the Agency releases its right to purchase Vertical Developer Residential Units in a specific Residential Project, other than those specific Option Units that Agency has elected to purchase under this Attachment.

Residential Project means a development containing Residential Units and possibly containing other uses permitted under the Redevelopment Plan for the Hunters Point Naval Shipyard and this Affordable Housing Program, which is undertaken by the Vertical Developer through the Vertical DDA or other land transfer agreements, including but not limited to, ground leases.

Residential Unit means a dwelling unit consisting of a room or suite of two (2) or more rooms that is designed for residential occupancy.

Short Form Deed of Trust and Assignment of Rents has the meaning set forth in Section 3.3 and is substantially in the form of Appendix B to Exhibit 3.

Title Company has the meaning set forth in Section 3.5(h).

Title Report has the meaning set forth in Section 3.5(b).

Total Residential Units has the meaning set forth in Section 3.

Vertical Developer(s) has the meaning set forth in the Vertical DDA.

Vertical Developer Inclusionary Unit has the meaning given in the definition for Inclusionary Unit.

Vertical Developer Inclusionary Unit Requirement has the meaning set forth in Section 3.2(a).

Vertical Developer Profit has the meaning set forth in Section 3.5(e).

Vertical Improvements has the meaning set forth in the Agreement.

Section 3 Housing Program Under Horizontal DDA.

Under the Horizontal DDA, up to one thousand four hundred ninety-eight (1,498) Residential Units will be constructed in Phase 1 ("Total Residential Units"). Of the Total Residential Units, approximately two hundred eighteen (218) Affordable Residential Units may be constructed on Agency Housing Parcels. In addition, Vertical Developers will construct one thousand two hundred eighty (1,280) Residential Units, as further described in this Program. All Vertical Developer Residential Units in Phase 1 will be For-Sale Units. Notwithstanding the above, Vertical Developer, with the Agency's consent, may lease the For-Sale Units on an interim basis, prior to sale, for a lease term of up to one year, not to be extended without the Agency's consent. Such For-Sale Units will continue to be identified as For-Sale Units during the lease term and will be sold as For-Sale Units following the expiration of the lease term. At least fifteen percent (15%) of such For-Sale Units will be Inclusionary Units, as further described below. In addition, Agency has the option to purchase up to an additional fifteen percent (15%) with regard to any of Vertical Developer Residential Units in its sole and absolute discretion, as described in Section 3.5. Except as expressly set forth herein, Vertical Developer shall have no obligations under the Horizontal DDA, including, without limitation, performance of the overall affordable housing program pursuant to Attachment ___ thereto, and including, without limitation, any requirement regarding percentage allocation of For-Rent Affordable Units and For-Sale Affordable Units required for the entirety of Phase 1 under the Horizontal DDA.

3.1 Declaration of Rental Use Restriction. As a condition of closing under the Vertical DDA, if such has not already occurred, Vertical Developer will record against any Lot(s) or portions thereof designated for the construction of For-Rent Residential Units a Declaration of Rental Use Restriction substantially in the form attached as Exhibit 1. Vertical Developer will promptly provide to Agency copies of the recorded documents, showing the date of recording and document numbers.

3.2 Vertical Developer Inclusionary Unit Requirement.

(a) Allocation. The Vertical Developer Inclusionary Unit Requirement equals fifteen percent (15%) of the Vertical Developer Residential Units constructed in each Residential Project, unless Agency, Developer and Vertical Developer agree otherwise.

(b) Affordability.

(A) At least fifteen percent (15%) of each Residential Project of the For-Sale Residential Units constructed by Vertical Developer in Phase 1 shall be For-Sale

Inclusionary Units. Approximately 30% of the For-Sale Inclusionary Units must be priced for sale to households earning no more than 50% of AMI. Approximately 70% of the For-Sale Inclusionary Units must be priced for sale to households earning no more than 80% of AMI. The pricing is pursuant to the Agency's Limited Equity Homeownership Program, substantially in the form provided as Exhibit D to this Attachment, as may be amended by the Agency from time to time. The maximum prices shall be set for affordability at an income five percent (5%) below the maximum allowable income for each category (i.e., a For-Sale Inclusionary Unit designated for sale to a household earning up to 50% of AMI shall be priced for sale at no more than 45% of AMI, and a For-Sale Inclusionary Unit designated for sale to a household earning up to 80% of AMI shall be priced for sale at no more than 75% of AMI).

(B) Inclusionary For-Sale Unit Expenses

HOA Dues: Initial HOA dues for Inclusionary For-Sale Units targeting 50% of AMI shall not exceed \$350 per month. Increases in HOA dues for these units shall not exceed increases in AMI for any given year. Inclusionary For-Sale Units targeting 80% of AMI shall not have an initial cap on the HOA dues, but increases in HOA dues for such units shall be limited to the increase in AMI for any given year.

Other assessments: All Inclusionary For-Sale Units shall not be subject to any assessment within Vertical Developer's control.

(c) Design. The design of the Vertical Developer Inclusionary Units shall be substantially equivalent in size, location, amenities and quality and reflect the mix of Residential Unit sizes and room configurations of, and be dispersed among, the Vertical Developer's Market Rate Residential Units in each Residential Project.

(d) Marketing and Operations Guidelines. The Vertical Developer's obligations with respect to the marketing and operation of the Inclusionary Units, including without limitation the rental rates of Rental Units, sales prices of For-Sale Units, tenant qualifications and reporting requirements and the Vertical Developer's obligations with respect to marketing and occupancy preferences for the Vertical Developer Market Rate Residential Units are described in Exhibit 8 to this Program.

3.3 Continued Affordability of Inclusionary Units. In no event later than the first rental of a For-Rent Inclusionary Unit or sale of a For-Sale Inclusionary Unit, if such has not already occurred, Vertical Developer will record against such Unit, as applicable, either the Declaration of Restrictions for For-Rent Affordable Housing Units substantially in the form attached as Exhibit 2 (as the same may be amended from time to time) hereto or the Declaration of Restrictions for For-Sale Affordable Housing Units and Option to Purchase Agreement substantially in the form attached as Exhibit 3 (as the same may be amended from time to time) hereto to ensure

continued affordability for a ninety (90) year period after the initial lease or sale of the Unit. Vertical Developer will promptly provide to Agency a copy of the recorded documents, showing the date of recording and document numbers. Any condominium map for each Vertical Developer Residential Project containing Inclusionary Units shall also reflect the above restrictions. Further, Vertical Developer will upon sale of each For-Sale Affordable Housing Unit, promptly provide to Agency a copy of each recorded grant deed, showing the date of recording and document number. The Owner of the For-Sale Affordable Housing Unit shall execute the Short Form Deed of Trust and Assignment of Rents, the Addendum to Deed of Trust, and the Promissory Note Secured By Deed of Trust, in the forms attached as Appendices to Exhibit 3 hereto. The Vertical Developer or Owner will promptly provide to Agency a copy of the recorded documents, showing the date of recording and document numbers.

3.4 Disability Access. Vertical Developer shall comply with all applicable federal, state and local disability access laws, including without limitation the Americans With Disabilities Act, Section 504 of the Rehabilitation Act, the Fair Housing Amendments Act and any other applicable disability access laws. Vertical Developer is responsible for determining those disability access laws applicable to the Project. In addition, prior to occupancy of the Project, Vertical Developer shall provide to the Agency a written reasonable accommodations policy which indicates how Vertical Developer will respond to requests by disabled individuals for accommodations in Units and common areas of the Project.

3.5 Memorandum of Option; Closing.

(a) Option Units. Subject to overall limitation to fifteen percent (15%) of all Vertical Developer Residential Units in Phase 1 set forth in Section ___ of Attachment ___ to the Horizontal DDA, Agency may purchase up to fifteen percent (15%) of the Vertical Developer Residential Units located on each Major Phase from Vertical Developer (the "Option Units") allocated between For-Rent and For-Sale Units in such proportion as Agency in its sole and absolute discretion elects (the "Option"). As a condition to closing under the Vertical DDA, if such has not already occurred, Vertical Developer will record against all Lots in the Project Site the Memorandum of Option in the form attached as Exhibit 4, evidencing Agency's Option, and promptly provide to Agency a copy of the recorded documents, showing the date of recording and document numbers.

(b) Procedure for Exercise of Option. Promptly after completion of the Design Review and Document Approval Procedure for Vertical Development for each Major Phase containing Residential Units, Vertical Developer will deliver to Agency a written notice informing Agency of such completion. The notice will include a description of the Residential Units approved (as For-Sale or For-Rent, number of bedrooms, amenities) and a preliminary title report covering the Residential Units issued by the Title Company (the "Title Report"), together with copies of all documents relating to title exceptions showing in the Title Report. Agency will have ninety (90) days after receipt of the notice and other required information to exercise its Option by written notice to the Vertical Developer, specifying in its notice the Residential Units it intends to purchase (the "Option Units"). Agency may exercise its Option, in whole or in part, until such time as Agency has purchased up to fifteen percent (15%) of the total Phase 1 Vertical Developer Residential Units. Subject to the foregoing limitation, for each Major Phase including Residential

Units constructed by Vertical Developer, Agency may purchase up to fifteen percent (15%) of the available Vertical Developer Residential Units in that Major Phase.

(c) Due Diligence. During the ninety (90) day period after Agency's receipt of Vertical Developer's notice and other required information under Section 3.5(b), (i) Vertical Developer will permit Agency and its designated representatives, at reasonable times and after reasonable notice, to review all non-privileged reports, plans, specifications and other information relating to the approved Residential Units and to inspect the site where the approved Residential Units will be or are being constructed and (ii) Agency may object to any exception shown on the Title Report, other than Permitted Exceptions as set forth in the Vertical DDA or any other liens or encumbrances agreed to by Agency in the course of Infrastructure or Vertical Improvement development or otherwise contemplated by the Vertical DDA. If Agency fails to so object, then the new exception will be deemed to be a Permitted Exception. If Agency does so object, then the Vertical Developer at its cost will remove any exceptions created by or on behalf of the Vertical Developer prior to the Close of Escrow on the Option Unit, and in its sole discretion may elect to remove any other exception to which Agency objected. If the Vertical Developer does so elect, it will notify Agency within ten (10) days after receipt of Agency's objection. The title exceptions to which Agency did not object, as well as those to which Agency objected but Vertical Developer elected not to remove, or which are otherwise permitted hereunder are the "Option Unit Exceptions."

(d) Release of the Option. Within ten (10) days after Agency exercises its Option but in no event later than the initial marketing of Residential Units in such Major Phase, Agency will record against the Units in each Major Phase which are not Option Units a Release of Option Rights in the form attached as Exhibit 5, evidencing Agency's release of its Option as to such Units, and promptly provide to Vertical Developer a copy of the recorded document, showing the date of recording and document number.

(e) Purchase Price. Agency shall pay Vertical Developer an "Option Purchase Price" that is the lesser of the price offered to the public or a price comprised of the following:

- (1) The Land Cost attributable to each Unit; plus
- (2) Actual Direct Costs and Indirect Costs attributable to each Unit; plus
- (3) Vertical Developer fees and profit equal to ten percent (10%) on the sum of Direct and Indirect Costs (the "Vertical Developer Profit").

(f) Time For Payment. Promptly after Complete Construction of an Option Unit, or a number of Option Units for which Complete Construction occurred reasonably contemporaneously, the Vertical Developer will deliver to Agency a written notice of Complete Construction of the Option Units, together with a copy of a recorded final subdivision map for the Major Phase in which the Option Units are located, showing the date of recording and document number, which creates separate legal parcels for each of the Option Units. The notice will include a calculation of the Option Purchase Price, together with schedules substantiating all Land, Direct and Indirect Costs claimed, showing in particular the basis on which Land, Direct and Indirect Costs were allocated to the Units in a particular Major Phase, together with supporting materials,

in a form reasonably satisfactory to Agency. Agency may object to such calculation within ten (10) days after receipt, specifying the basis for its objection and its corrected calculation. The parties will negotiate in good faith in an attempt to resolve their differences, but if they are unable to do so within ten (10) days after delivery of Agency's objection, then Closing on the Option Unit will proceed on the basis of the midpoint between the Vertical Developer's and Agency's calculation of the Option Purchase Price and the dispute will be resolved pursuant to the binding arbitration procedure in Section 3.5(q). Agency must pay the Option Purchase Price to Vertical Developer through Escrow within thirty (30) days after Agency's receipt of Vertical Developer's notice of Complete Construction (the "Close of Escrow"), subject to extensions of such period for any delay caused by Vertical Developer.

(g) Right of Access. After exercise of Agency's Option, Vertical Developer will continue to permit Agency and its designated representatives, at reasonable times and after reasonable notice, to review all non-privileged reports, plans, specifications and other information relating to the Option Units and to inspect the Option Units under construction.

(h) Escrow. Within five (5) Business Days after Complete Construction of each Option Unit or a number of Option Units for which Complete Construction occurred reasonably contemporaneously, Vertical Developer shall establish an escrow ("Escrow") with Chicago Title Company at _____ ("Title Company") and shall notify Agency in writing of the Escrow number and contact person at the same time it delivers the notice specified in Section 3.5(f).

(i) Title Policy. As a condition precedent to Agency's obligation to accept conveyance of the Option Units, the Title Company shall be irrevocably committed to issue to Agency an CLTA owner's title insurance policy with such endorsements, reinsurance and direct access agreements as Agency shall reasonably designate and the Title Company shall accept. The title policy will be in the amount of the Option Purchase Price, and will insure that fee title to the Option Units and all easements appurtenant thereto are vested in Agency, subject only to the Option Unit Exceptions.

(j) Closing Costs and Prorations. Vertical Developer will pay to the Title Company or the appropriate payee thereof transfer taxes, if any, and the Agency shall pay all title insurance premiums. All other closing costs shall be allocated in accordance with the then current custom in the City and County of San Francisco. Ad valorem taxes and assessments, if any, on the Option Units, shall be prorated as of the Close of Escrow. Any such taxes and assessments, including supplemental taxes and escaped assessments, levied, assessed, or imposed for any period up to recordation of the deed, shall be borne by Vertical Developer.

(k) Escrow Instructions. At least fifteen (15) days prior to the date specified for Close of Escrow, each party will furnish the Title Company with appropriate escrow instructions consistent with, and sufficient to implement the terms of, the Option, and will contemporaneously furnish a copy of these instructions to the other party. At least two (2) Business Days prior to the date specified for Close of Escrow, each party will deposit into Escrow all documents it is obligated to deposit under this Option, and at least one (1) Business Day prior to the date specified for Close of Escrow each party will wire transfer into Escrow all funds it is obligated to deposit under this Option.

(l) Deliveries into Escrow.

(1) Agency will deliver into Escrow:

- (A) the Option Purchase Price; and
- (B) escrow instructions and funds consistent with this Program.

(2) The Vertical Developer will deposit into Escrow:

- (A) a standard title company grant deed for each Option Unit in a form approved by Agency, executed by the Vertical Developer in recordable form; and
- (B) escrow instructions and funds consistent with this Program.

(m) Conditions Precedent to Closing.

(1) Agency Conditions to Closing. The following are conditions precedent to Agency's obligations with respect to the conveyance of the Option Units, to the extent not expressly waived by Agency by written notice to Vertical Developer:

(A) The Title Company shall be irrevocably committed to issue to Agency title insurance required by Section 3.2(i);

(B) Vertical Developer shall have performed all obligations under this Program required to be performed by Vertical Developer prior to the date for Close of Escrow; and

(C) Vertical Developer shall have delivered to Agency or the Title Company, as applicable, all instructions and documents to be delivered to Agency at Close of Escrow under this Program.

(2) Vertical Developer Conditions to Closing. The following are conditions precedent to Vertical Developer's obligations with respect to the conveyance of the Option Units, to the extent not expressly waived by Vertical Developer by written notice to Agency:

(A) Agency shall have performed all obligations under this Program required to be performed by Agency prior to the date for Close of Escrow; and

(B) Agency shall have delivered to Vertical Developer or the Title Company, as applicable, all instructions and documents to be delivered to Vertical Developer at Close of Escrow under this Program.

(n) Closing. Provided that the conditions to Agency's obligations and the conditions to Vertical Developer's obligations with respect to the Option Units have been satisfied, then on the Close of Escrow on the Option Units, the Title Company will record the deed referenced in Section 3.5(1)(2)(A) in the City's official records, issue the title policy referenced in Section 3.5(m)(1)(C), prorate and pay amounts in accordance with Section 3.5(j) and the escrow

instructions, release to Vertical Developer the portion of the Option Purchase Price due to the Vertical Developer and deliver to Agency and the Vertical Developer signed settlement statements.

(o) Expiration of Option. Agency's Option shall automatically expire and all rights and obligations thereunder shall be released and be of no further force and effect after the Agency purchases the full fifteen percent (15%) of Vertical Developer Residential Units located in Phase 1 [located in the Major Phase in question]. [or purchases the full fifteen percent (15%) of Vertical Developer Residential Units]

(p) Cooperation With Agency Requests. Vertical Developer shall reasonably cooperate with Agency requests to be a co-applicant on any Agency tax credit financing application for the financing of the Option Units described in the Memorandum of Option, provided that such reasonable cooperation shall be at no cost to Vertical Developer and Vertical Developer shall assume no liability whatsoever relating to or arising out of Vertical Developer's being a co-applicant.

(q) Binding Arbitration. In the even of a dispute, the Agency and the affected Vertical Developer agree to submit to binding arbitration by an impartial third party pursuant to the applicable provision of Section ___ of the Vertical DDA.

3.6 Submissions for Major Phase Approvals.

In order to verify and to track compliance with the Affordable Housing Program, each Vertical Developer shall submit a Major Phase Housing Data Table as part of the application package for each Major Phase including Residential Units. Such Major Phase Housing Data Table shall be in a form mutually agreed upon by Vertical Developer and Agency and will contain the information described in subsections (a) and (b) below, and as attached in Exhibit 6 hereto. Agency shall review and approve the Major Phase Housing Data Table in accordance with the procedures set forth in the Design Review and Document Approval Procedure, and development of such Major Phase shall proceed in accordance with such approvals. Agency will cooperate with Vertical Developers in providing the information required to complete the following Tables to the extent known by Agency and not known or reasonably discoverable by the Vertical Developer.

(a) Major Phase Data. The Major Phase Housing Data Table shall identify for the entire Major Phase:

- (1) The total acreage of Vertical Developer Residential Projects;
- (2) The total number of Residential Units proposed;
- (3) The total number of Market Rate Residential Units proposed;
- (4) The total number of Inclusionary Units proposed;
- (5) The allocation of Inclusionary Units among 50% AMI and 80% AMI For-Sale Affordable Residential Units for the Major Phase; and

(6) The location of 50% AMI and 80% AMI For-Sale Inclusionary Units within the Major Phase, including a description of such Inclusionary Units in terms of size, number of bedrooms and amenities.

(b) Major Phase Parcel Data. For each parcel identified within a Major Phase, the Major Phase Housing Data Table shall identify the proposed:

- (1) Use (e.g., residential, retail, commercial, office, research and development);
- (2) Parcel acreage;
- (3) Maximum building height;
- (4) Total number of Residential Units; and
- (5) Number of Inclusionary Units, if any.

(c) Major Phase Housing Data Tables for subsequent Major Phases submitted after the first Major Phase Housing Data Table shall include aggregate development data in relation to the total allowable building program, including the data described above for prior Major Phases adjusted for Residential Projects which have received Schematic Design approval.

3.7 Submissions for Project Approvals.

In order to verify and to track compliance with the Affordable Housing Program, Vertical Developer shall submit a Project Housing Data Table as part of the application package at the time each Residential Project is submitted for its Project Basic Concept Design approval, as described in the Design Review and Document Approval Procedure for Vertical Development. Such Project Housing Data Table shall be in a form mutually agreed upon by Vertical Developer and Agency, and will contain the information described in subsections (a) and (b) below, and as attached in Exhibit 7. The Agency shall review and approve the Project Housing Data Table in accordance with the procedures set forth in the Design Review Document Approval Procedure and development of such Project shall proceed in accordance with such approvals.

(a) Major Phase Data. The Project Housing Data Table shall identify the following information with respect to the entire Major Phase in which such Residential Project is located:

- (1) The total number of allowed Residential Units for the Major Phase;
- (2) The total number of acres and the number of Market Rate Residential Units including, for Residential Projects which have received Schematic Design approval, the number of For-Sale and For-Rent Residential Units, and the number of Inclusionary Units projected for the Major Phase, adjusted for Residential Projects which have received Schematic Design approval;

(3) The total number of Vertical Developer Residential Units which have received Schematic Design approval, including the allocation of Inclusionary Units between 50% AMI and 80% AMI For-Sale Residential Units for each Residential Project;

(4) The total number of Vertical Developer Residential Units for which Building Permits have been issued;

(5) The total number of Vertical Developer Residential Units which have received Certificates of Occupancy;

(6) The total number of Vertical Developer Residential Units for which applications for Schematic Design approval are pending;

(7) The total number of the remaining Vertical Developer Residential Units allowed for the Major Phase;

(8) The total number of Inclusionary Units that have been approved in a Residential Project;

(9) The total number of Inclusionary Units approved in the Major Phase;

(10) The remaining total number of Inclusionary Units to be constructed in the Major Phase; and

(11) The allocation of Inclusionary Units between 50% AMI and 80% AMI For-Sale Residential Units;

(12) The total number of Inclusionary Units, and the allocation of 50% AMI and 80% AMI For-Sale Inclusionary Units, that have received Certificates of Occupancy.

(b) Project and Parcel Data. For each parcel within the Major Phase, including the subject Residential Project, the Project Housing Data Table shall identify:

(1) The current Owner;

(2) The current development status, including:

(A) Whether a Residential Project within the Major Phase has received Basic Concept Design and Schematic Design approval, and

(B) Whether a Building Permit, Certificate of Occupancy, and/or Certificate of Completion has or have been issued for a Residential Project and the dates thereof;

(3) The use and, if such Vertical Developer Residential Project has received Schematic Design approval, whether it is a For-Sale or For-Rent Residential Project;

(4) The parcel acreage;

(5) The maximum (or, if a Residential Project has already been constructed in that Major Phase, its actual) building height;

(6) The number of Total Vertical Developer Residential Units (for Projects which have received a Schematic Design approval) or the Major Phase approved number of Residential Units if the Project has not received Schematic Design approval;

(7) The number of 50% AMI and 80% AMI For-Sale Inclusionary Units for Residential Projects which have received Schematic Design approval, or the number of 50% AMI and 80% AMI For-Sale Inclusionary Units for Residential Projects which have not received Schematic Design approval.

Section 4 Agency Affordable Housing Program.

From time to time, the Agency may modify the forms of the documents used to implement its Affordable Housing Program to reflect changes in Agency policy or applicable law, but these changes will not affect the obligations of Vertical Developer as set forth in this Attachment 22.

LIST OF EXHIBITS

- Exhibit A [Reserved]
- Exhibit B Declaration of Rental Use Restriction
- Exhibit C Declaration of Restrictions for For-Rent Affordable Housing Units
- Exhibit D Declaration of Restrictions for For-Sale Affordable Housing Units and Option to Purchase Agreement
- Exhibit E Memorandum of Option
- Exhibit F Release of Option Rights
- Exhibit G Major Phase Housing Data Table
- Exhibit H Project Housing Data Table
- Exhibit I Marketing and Operating Obligations

**Exhibit E
To
Second Amendment**

**Limited Equity Home Ownership Program Declaration of Restrictions for
For-Sale Affordable Housing Units and Option to Purchase Agreement**

Free Recording Pursuant to
Government Code Section 27383 at the
Request of the Redevelopment Agency
of the City and County of San Francisco

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

San Francisco Redevelopment Agency
770 Golden Gate Avenue
San Francisco, California 94102
Attn: Real Estate and Development Services

[site address]

(Space Above This Line for Recorder's Use)

FORM OF LIMITED EQUITY HOME OWNERSHIP PROGRAM
DECLARATION OF RESTRICTIONS FOR FOR-SALE AFFORDABLE HOUSING
UNITS AND OPTION TO PURCHASE AGREEMENT

Section 1. Parties.

THIS DECLARATION OF RESALE RESTRICTIONS AND OPTION TO PURCHASE AGREEMENT ("Declaration") is made as of _____, 20__, (the "Effective Date") by and between _____ as _____ [indicate manner in which owner takes title] ("Owner") and the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, of the State of California ("Agency"). Owner is purchasing that certain real property in the City with a street address of _____, San Francisco, California _____, and more particularly described on Exhibit A to the Grant Deed ("Property"). Capitalized terms used in this Declaration have the meanings given to them in Section 4 below.

Section 2. Recitals.

The following recitals of fact are a material part of this Declaration:

- (a) The Agency has developed a program to provide home ownership opportunities to individuals and families with low and moderate incomes by offering homes for sale at prices which are below those otherwise prevailing in the market;
- (b) The Agency's intent is to preserve the affordability of such homes by restricting the resale price;
- (c) Such homes constitute a valuable community resource; and

(d) It is necessary, proper and in the public interest for the Agency to protect and preserve this resource by administering occupancy and resale controls by means of this Declaration.

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

Section 3. Owner's Affordable Purchase Price.

The Owner's Affordable Purchase Price for the Property described in Section 1, above, is \$ _____. This is the purchase price which is affordable to a household earning 100% of Area Median Income, adjusted for a Household Size of one person for one-bedroom units, and one person per bedroom plus one for all other unit sizes, using a five percent (5%) down payment and a thirty (30)-year, fixed rate mortgage with commercially reasonable points and fees, and with a total annual payment for principal, interest, taxes, insurance and homeowner's association dues which does not exceed 33% of the household's Gross Annual Income. The mortgage interest rate used in the calculation shall be the higher of 1) the ten-year rolling average interest rate, as calculated by the Agency (or its successor) based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage financing institution, or 2) the current, commercially reasonable rate available through an Agency-approved lender.

Section 4. Definitions.

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

(a) "Addendum to Deed of Trust" means the supplemental document to the Deed of Trust, executed by a Qualified Purchaser in favor of the Agency, in the form attached as Exhibit 3.

(b) "Affordable Purchase Price" for Owner is defined in Section 3.

(c) "Agency" is defined in Section 1.

(d) "Agency Note" is the promissory note executed by Owner in favor of the Agency, which is secured by a Deed of Trust executed by Owner in favor of the Agency, in the form attached as Exhibit 1.

(e) "Area Median Income" ("AMI") means the median income for a household, adjusted solely for Household Size, residing in the City, as determined by the Agency pursuant to publications issued by the United States Department of Housing and Urban Development for the San Francisco Primary Metropolitan Statistical Area, from time to time.

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

(g) "Buyer Acknowledgement" means the acceptance of terms and conditions of this Exhibit C, in the Loan Disclosure Information form attached as Exhibit 6.

(h) "Capital Improvements" is defined in Section 10.1.

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

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

(k) "City" means the City and County of San Francisco.

(l) "Closing Costs" means the reasonable and customary costs incurred by Owner in transferring the Property.

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

(n) "Declaration" is defined in Section 1.

(o) "Deed of Trust" means one or more Deeds of Trust on this Property, executed by Owner in favor of the Agency, substantially in the form attached as Exhibit 2.

(p) "Developer" is defined in Section 5.1.

(q) "Domestic Partner" means any person who has or enters into a domestic partnership currently registered with a governmental body pursuant to State or local law authorizing such registration.

(r) "Down Payment Assistance Loan" is a loan of down payment funds made by the Agency to Owner for purchase of the Property.

- (s) “Effective Date” is defined in Section 1.
- (t) “Events of Default” are defined in Section 11.1.
- (u) “Fair Market Value” means the cash purchase price for the Property that a willing buyer would pay to a willing seller at the time of sale, neither being under a compulsion to buy or sell, as determined by an independent, MAI-certified appraiser who has experience in residential appraisals in San Francisco.
- (v) “Household Size” means the number of persons for whom the Property will be a Principal Residence. The Affordable Purchase Price shall be established by using a Household Size that assumes occupancy by one person for one-bedroom units. For all other units, the assumption is occupancy by one person per bedroom plus one. Household Size for occupancy shall be a minimum of one person per bedroom.
- (w) “Grant Deed” is defined in Section 8.1(b).
- (x) “Gross Annual Income” means pre-tax money earned annually by a household including overtime pay, commissions, dividends, and any other source of income.
- (y) “Income Certification” has the meaning set forth in Section 7.1 and is substantially in the form attached as Exhibit 4.
- (z) “Notice” is defined in Section 13.4.
- (aa) “Notice of Proposed Transfer” is defined in Section 7.1.
- (bb) “Occupancy Certificate” is defined in Section 13.3.
- (cc) “OPA” is defined in Section 5.1.
- (dd) “Owner” is defined in Section 1, and upon Owner’s death includes the personal representative administering the Owner’s estate.
- (ee) “Owner Developer” is the Owner referred to in the OPA described in Section 5.1.
- (ff) “Owner’s Proceeds” means the amount due to Owner upon Transfer of the Property to a Qualifying Purchaser or upon exercise of the Agency’s Purchase Option, according to the terms of this Declaration.
- (gg) “Permitted Exceptions,” means those title exceptions that are listed on Exhibit 5.
- (hh) “Principal Residence” means the location at which an individual resides for at least ten (10) months out of each calendar year or such shorter period of time as the Agency, in its sole discretion, shall determine.

(ii) "Property" is defined in Section 1.

(jj) "Purchase Option" is defined in Section 9.1.

(kk) "Purchase Option Assignee" is defined in Section 9.3.

(ll) "Qualifying Purchaser" means persons and families who are first time homebuyers as defined in Internal Revenue Service Code and approved by the Agency whose Gross Annual Income, adjusted for Household Size, does not exceed one hundred percent (100%) of Area Median Income.

(mm) "Repair Costs" means the costs to repair Damage to the Property.

(nn) "Resale Affordable Price" means a purchase price which is affordable to a household earning 100% of current Area Median Income, adjusted for a Household Size of one person for one-bedroom units and one person per bedroom plus one for all other unit sizes, using a five percent (5%) down payment and a thirty (30)-year fixed mortgage with commercially reasonable points and fees, and with a total annual payment for principal, interest, taxes, insurance and homeowner's association dues which does not exceed 33% of the household's Gross Annual Income. The mortgage interest rate used in the calculation shall be the higher of 1) the ten-year rolling average of interest rates, as calculated by the Agency (or its successor) based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage lending institution, or 2) the current, commercially reasonable rate available through an Agency-approved lender.

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

(pp) "Senior Lien" means a single deed of trust for the purpose of securing a loan from the Senior Lender to finance or refinance the purchase of the Property.

(qq) "Transfer" means any voluntary or involuntary sale, assignment or transfer of any interest in the Property.

Section 5. "Unauthorized Transfer" is defined in Section 11. Related Documents.

5.1 Owner Participation Agreement. The Agency and _____, a California limited liability company ("Owner Developer") entered into that certain Owner Participation Agreement, dated for reference purposes only as of _____, 2004 and recorded on _____, 2004 as Document No. _____ in the City's Official Records ("OPA"), including the Limited Equity For-Sale Affordable Housing Program attached thereto as Attachment F to the OPA (the "Housing Program"), concerning the

development of affordable housing units. The OPA, and the Housing Program are on file with the Agency as public records and are incorporated herein by reference. Under the OPA, and the Housing Program, the Property is income and price restricted to be affordable to persons or households earning not more than one hundred percent (100%) of Area Median Income. This Declaration is being executed and recorded in accordance with the OPA and partially satisfies the requirements therein.

[5.2 Western Addition A-2 Redevelopment Plan. The Property is in the City, within the Western Addition Redevelopment Project Area A-2, and is subject to the provisions of the Western Addition A-2 Redevelopment Plan adopted by Ordinance No. 273-64, on October 13, 1964.]

5.3 Agency Note and Deed of Trust. Owner executed an Agency Note in favor of Agency, dated _____, 20___, secured by a Deed of Trust and Addendum to Deed of Trust on the Property.

Section 6. Affordable Restrictions.

6.1 Restrictions. Owner shall own and occupy the Property as Owner's Principal Residence, and Owner shall not lease the Property, or any portion thereof, without the Agency's prior written consent. Owner shall submit to the Agency on an annual basis a certification that Owner has occupied the Property as Owner's Principal residence for at least ten (10) months in the preceding year.

6.2 Term. This Declaration shall remain in effect for forty-five (45) years from the Effective Date until such time as the Property is Transferred pursuant to the terms of this Declaration, at which time a declaration with the same form and substance as this Declaration shall become effective for forty-five (45) years from the effective date of such declaration. Upon the expiration of this Declaration due to completion of the 45-year Term, Owner must repay to the Agency the difference between the Resale Affordable Price and the Fair Market Value, as determined at the completion of the Term. In lieu of this payment to the Agency, Owner may renew the Term of this Agreement for an additional forty-five (45) years.

6.3 Owner Representations and Warranties. In applying to purchase the Property, Owner submitted an Income Certification on the form attached as Exhibit 4. Owner acknowledges that reasonable efforts may be made to verify such Income Certification, including without limitation calling Owner's employers or other sources of income to confirm the income shown. Owner represents and warrants to the Agency that the Income Certification and any financial and other information Owner previously provided to Agency for the purpose of qualifying to purchase the Property was true and correct at the time it was given and remains true and correct as of the date of this Declaration.

Section 7. Transfer Procedures.

7.1 Notice of Proposed Transfer. Except as provided in Sections 7.5 and 7.6(a), if Owner desires to Transfer the Property, Owner shall deliver written notice to Agency ("Notice of

Proposed Transfer”), and Agency shall calculate the Resale Affordable Price and notify Owner of the same.

7.2 Priority to Certificate Holders. An Owner may transfer the Property only to a Qualifying Purchaser or the Agency. The Agency shall give notice to Certificate Holders who shall have priority in purchasing the Property over all other Qualified Purchasers, except for transferees under Section 7.5 and 7.6(a) and the Agency. If no Certificate Holders express interest in purchasing the Property or are not otherwise qualified, then Owner shall market the Property as set forth in Section 7.3 below.

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

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

If Owner and Broker, acting diligently and in good faith, are unable to locate a Qualifying Purchaser after one hundred and fifty (150) days from the date of Agency’s receipt of the Notice of Proposed Transfer, then the percentage of AMI defining Qualifying Purchasers shall be increased to 150% of the AMI defined in Section 4(kk). The Resale Affordable Purchase Price shall remain the same.

7.4 Inspection. Within thirty (30) days after the Agency’s receipt of the Notice of Proposed Transfer, Agency shall have the right to enter and inspect the Property. The Agency shall give Owner twenty-four (24) hours prior written notice before conducting an inspection. The Agency may inspect the Property to determine if any Damage exists. In the event any Damage is noted, the Agency shall determine the Repair Costs and shall deliver written notice to Owner specifying the Damage and the Repair Costs. Owner shall either: (a) repair the Damage at Owner’s cost, or (b) cause the escrow agent at closing to pay the Repair Costs to Agency from Owner’s Proceeds, as provided in Section 8.3. If Owner elects to repair the Damage, the Agency shall have the right to re-inspect the Property under the terms of this Section 7.4 after the repairs are complete. If the Agency determines in the Agency’s sole discretion that Damage still remains, Owner shall cause the escrow agent at closing to pay the remaining Repair Costs to the Agency, but only to the extent such funds are available after payment of the Senior Lien. If Owner elects to repair the Damage, all repairs and the re-inspection shall be completed without extending the closing date, unless extended by mutual written agreement of both the Agency and Owner.

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

7.6 Transfer Upon Owner's Death.

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

(b) Upon the death of Owner and all Agency approved co-Owners, the Property may be Transferred by inheritance, will, or any other function of law to a Qualifying Purchaser. The proposed transferee shall submit an Income Certification, in the form attached as Exhibit 4, and any other information reasonably requested by the Agency to verify that the proposed transferee meets the requirements for a Qualifying Purchaser. The Agency shall have forty-five (45) days after receipt of all required information to determine whether the proposed transferee is a Qualifying Purchaser. If the Agency determines that the proposed transferee is a Qualifying Purchaser, the Property may be Transferred to the proposed transferee for no consideration. The proposed transferee shall execute a new Declaration and any other Agency documents related to the Property by which the proposed transferee shall assume the same rights and responsibilities with respect to those documents as the Owner. If the Agency determines that the proposed transferee is not a Qualifying Purchaser, the Property shall be Transferred pursuant to Sections 7.1 – 7.4, inclusive.

Section 8. Closing.

8.1 Conditions to Closing. Except as provided in Sections 7.5, 7.6(a) and Transfers by foreclosure or the Senior Lender's acceptance of a deed in lieu of foreclosure, all Transfers shall take place through an escrow with a mutually acceptable escrow company. It shall be a condition to closing, other than a Transfer to a co-Owner pursuant to Sections 7.5 or 7.6(a), that the escrow agent involved in the closing has received the following:

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

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

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

(d) An Agency Note secured by a Deed of Trust and Addendum to Deed of Trust, executed by the Qualifying Purchaser on the Agency's standard forms, attached as Exhibit 1, Exhibit 2 and Exhibit 3, which Deed of Trust and Addendum shall be recorded in the City's Official Records; and

(e) A signed copy of the Buyer Acknowledgement contained in the Loan Disclosure Information, attached as Exhibit 6.

8.2 Closing Procedures For Sale to Qualifying Purchaser. At closing, Owner shall convey the Property to the Qualifying Purchaser by Grant Deed. Owner shall cause a mutually acceptable title company to issue to the Qualifying Purchaser a CLTA standard coverage owner's form of title insurance policy in the amount of the Resale Affordable Price insuring title to the Property vested in the Qualifying Purchaser, subject only to standard printed form exceptions, the Agency's Deed of Trust and exclusions, liens for current taxes and assessments not yet due or payable, the new declaration and such other matters as were exceptions to title as of _____ [date of sale to first Owner] or are accepted by the Qualifying Purchaser in writing, as set forth in Exhibit 5. All closing costs and title insurance premiums shall be paid pursuant to the custom in the City.

8.3 Owner's Proceeds. The value of the Owner's Proceeds from a Transfer of the Property shall be calculated as follows. Owner's Proceeds equal:

- (a) The Resale Affordable Price;
- (b) Less the amount necessary to release the Senior Lien;
- (c) Less Closing Costs;
- (d) Less any Repair Costs due to the Agency pursuant to Section 7.4;
- (e) Plus the amortized value of Capital Improvements.

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

Section 9. Agency's Purchase Option.

9.1 Grant of Option. Owner grants to Agency an option to purchase the Property upon the occurrence of an Event of Default under Section 11.1 ("Purchase Option").

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

(a) If the Purchase Option is triggered as a result of an Event of Default under Sections 11.1(a) – (d), then the Agency may exercise the Purchase Option within ninety (90) days after the Agency gives written notice of default to Owner.

(b) If the Purchase Option is triggered as a result of Owner's default under the Senior Lien as defined in Section 11.1(e), then the Agency may exercise the Purchase Option by giving written notice to Owner and Senior Lender at any time prior to five (5) business days before the date of a foreclosure sale, as the same may be postponed from time to time, under the Senior Lien pursuant to California Civil Code § 2924f. Though the Senior Lender shall not be required to do so, the Senior Lender shall endeavor to provide the Agency with a copy of any notice of default that it issues to Owner.

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

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

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

Section 10. Capital Improvements; Maintenance.

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

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

(a) At least thirty (30) days prior to the date of Transfer, Owner shall deliver to the Agency a list of the Capital Improvement(s), if any, made to the Property. The Agency shall determine whether the proposed improvements qualify as Capital Improvement(s), as defined in Section 10.1.

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

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

Section 11. Default and Remedies.

11.1 Events of Default. The occurrence of any one of the following events or circumstances shall constitute an "Event of Default" by Owner under this Declaration.

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

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

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

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

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

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

11.2 Remedies. Upon the occurrence of an Event of Default by Owner, Agency may exercise any or all of the remedies set forth below:

(a) Agency shall have the right to exercise the Purchase Option;

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

(c) Agency shall have the right to institute an action for foreclosure on its Deed of Trust and/or to accept a deed in lieu of foreclosure.

(d) Agency shall have the right to exercise all other remedies permitted by law or at equity.

Section 12. Lender Provisions.

12.1 Purposes of Financing. Subject to the Agency's prior written approval, Owner may encumber title to the Property for the sole purpose of securing (a) purchase money financing, (b) refinancing (but only up to the amount of the original financing), or (c) refinancing up to the amount of the original financing, plus fifty percent (50%) of the value of the Resale Affordable Price less the Owner's Affordable Purchase Price. Refinancing under option (c), above, shall be permitted only for making Capital Improvements to the Property, meeting post-secondary educational expenses incurred by a household member after the date of purchase, meeting the costs of an Owner's or Owner's immediate family member's Catastrophic Illness, or securing funds required to implement a dissolution of marriage or domestic partnership agreement. Owner shall not cause or permit any other mortgages, encumbrances or liens upon the Property. Owner shall submit to the Agency on an annual basis a certification that Owner has not refinanced the Property in violation of this Section 12.1.

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

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

- (a.) cure such default pursuant to Section 12.4;
- (b) exercise its Purchase Option pursuant to Section 9.2(b); or
- (c) foreclose its Deed of Trust on the Property.

Agency's rights under this Section 12.3 shall not prevent the Senior Lender from commencing a judicial or nonjudicial foreclosure of the Senior Lien. If the Agency, in its sole discretion, does not act pursuant to Sections 12.3(a-b) above, and the Senior Lender acquires the Property through foreclosure or acceptance of a deed-in-lieu of foreclosure, future sales of the Property shall not be subject to the resale restrictions provided herein.

12.4 Right to Cure. Although the Agency has no obligation to do so, the Agency may perform any act required of Owner in order to prevent a default under, or an acceleration of the indebtedness secured by, the Senior Lien or the commencement of any foreclosure or other action to enforce the collection of such indebtedness. If the Agency elects to cure any such

default, Owner shall pay the expenses incurred by the Agency in effecting any cure upon demand within thirty (30) days, together with the interest thereon at the maximum interest rate permitted by law. Failure of Owner to timely reimburse the Agency shall constitute an Event of Default under Section 11.1(d).

Section 13. Miscellaneous.

13.1 Damage and Destruction; Condemnation; Insurance. If the Property is condemned or the improvements located on the Property are damaged or destroyed, all proceeds from insurance or condemnation shall be distributed in accordance with this Section 13.1, subject to the requirements of the Senior Lien. Insurance shall be maintained in the types and amounts required under the Senior Lien. Unless Owner, the Agency, and Senior Lender otherwise agree in writing, insurance proceeds shall be applied to restore or repair the Property damaged. If Owner, the Agency and Senior Lender determine that restoration or repair cannot be made, or if the Property is condemned, the insurance or condemnation proceeds shall first be allocated to pay the outstanding value of the Senior Lien and all associated fees of the Senior Lender, with the balance distributed between the Owner and Agency as follows. The proceeds attributable to the Property shall be multiplied by a fraction. The numerator is the Resale Affordable Price as calculated under this Declaration and the denominator is the Fair Market Value of the Property as of the date immediately prior to the damage, destruction or condemnation. The resulting amount shall be allocated to the Owner and the balance shall be allocated to the Agency.

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

13.3 Owner Occupancy Verification. To insure compliance with this Declaration's requirement that Owner use the Property as his/her Principal Residence, Owner shall provide Agency with a completed Occupancy Certificate ("Occupancy Certificate"), to be provided by the Agency by February 1 of each year for the previous calendar year.

13.4 Notices. Any notice, demand or other communication required or permitted to be given under this Declaration (a "Notice") by either party to the other party shall be in writing and sufficiently given or delivered if transmitted by (a) registered or certified United States mail, postage prepaid, return receipt requested, (b) personal delivery, or (c) nationally recognized private courier services, in every case addressed as follows:

If to Agency: San Francisco Redevelopment Agency
770 Golden Gate Avenue
San Francisco, California 94102
Attention: Executive Director

If to Owner: at the Property address

Any such Notice transmitted in accordance with this Section 13.4 shall be deemed delivered upon receipt, or upon the date delivery was refused. Any party may change its address for notices by written Notice given to the other party in accordance with the provisions of this Section 13.4.

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

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

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

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

13.9 Successors and Assigns. This Declaration shall be binding upon and inure to the benefit of the successors and assigns of the Agency. The Agency may assign or transfer its rights under this Declaration upon thirty (30) days written notice to Owner. It is expressly agreed by Owner that Owner may assign his or her rights to this Declaration only by Transfer pursuant to Section 7 or by the Agency's exercise of the Purchase Option pursuant to Section 9.

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

13.11 Time for Performance. Time is of the essence in the performance of the terms of this Declaration. All dates for performance (or cure) shall expire at 5:00 p.m. on the

performance or cure date. Any performance date which falls on a Saturday, Sunday or Agency holiday is automatically extended to the next Agency working day.

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

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

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

13.15 Recordation. Owner shall cause this Declaration to be recorded in the City's Official Records.

IN WITNESS WHEREOF, Owner and the Agency have executed this Declaration as of the date written above.

AGENCY:
Redevelopment Agency of the City and
County of San Francisco

OWNER:

By: _____
Ayisha J. Benham
Deputy Executive Director
Finance and Administration

ALL SIGNATURES MUST BE NOTARIZED.
----- Attach All Purpose California Notary Acknowledgment -----

APPROVED AS TO FORM:
SAN FRANCISCO REDEVELOPMENT AGENCY

By: _____
James B. Morales
Agency General Counsel

Exhibit 1

PROMISSORY NOTE SECURED BY DEED OF TRUST

Date: _____

San Francisco, California

THIS NOTE MAY NOT BE PREPAID

FOR VALUE RECEIVED, the undersigned _____ (“Debtor”), promises to pay to the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, of the State of California, (“Holder” or “Agency”), at 770 Golden Gate Avenue, 3rd Floor, San Francisco, California 94102, or any other place designated in writing by Holder to Debtor, the amount calculated under the formula stated in this Promissory Note (“Note”).

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

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

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

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

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

- a. The difference between (1) the Fair Market Value of the Property as of the Trigger Date and (2) the Resale Affordable Purchase Price as of the Trigger Date, had such Transfer been executed in accordance with the Declaration. Fair Market Value shall be determined by an appraisal of the Property. The appraiser shall be an independent, MAI-certified appraiser who has experience in residential appraisals in San Francisco, and shall be selected by Holder; plus
- b. Any amounts disbursed by Holder under Section 5 of the Deed of Trust to protect Holder’s rights in the real property described in the Declaration and Deed of Trust; plus

- c. Commencing from the Trigger Date, interest on the amounts due at an annual rate of 10%, compounded.

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

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

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

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

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

Debtor – [Name]

Exhibit 2

DEED OF TRUST

Free Recording Requested Pursuant to
Government Code Section 27383 at the
Request of the Redevelopment Agency
of the City and County of San Francisco

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

San Francisco Redevelopment Agency
770 Golden Gate Avenue
San Francisco, California 94102
Attn: Harriet Starkes, Housing Division

----- Space Above This Line for Recorder's Use -----

SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

THIS DEED OF TRUST, made on _____, 20____, between
_____, ("TRUSTOR" or "OWNER"),
whose address is _____, and
_____, a corporation, ("TRUSTEE"), and
the Redevelopment Agency of the City and County of San Francisco, a public body, corporate
and politic, whose address is 770 Golden Gate Avenue, San Francisco, California 94102,
("AGENCY" or "BENEFICIARY"),

WITNESSETH: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to
TRUSTEE IN TRUST, WITH POWER OF SALE, that property in San Francisco County,
California, described as:

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

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

INITIALS _____

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

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

COUNTY BOOK PAGE
San Francisco A332 905

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

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

STATE OF CALIFORNIA
COUNTY OF _____
ON _____ before
me, _____

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

Witness my hand and official seal.

Signature _____

DO NOT RECORD

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

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

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

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

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

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

INITIALS _____

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

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

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

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

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

(10) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the

INITIALS _____

indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such, rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(11) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of *any agreement hereunder*, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this

Deed, said note and all documents evidencing expenditures secured hereby.

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

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

(12) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or

INITIALS_____

Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor,

Trustee and Beneficiary hereunder, the book and pages where this Deed is recorded and the name and address of the new Trustee.

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

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

INITIALS _____

REQUEST FOR FULL RECONVEYANCE

TO: _____, TRUSTEE:

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

Dated: _____

By: _____ By: _____

Please mail Reconveyance to:

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

STATE OF CALIFORNIA
COUNTY OF SAN FRANCISCO

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

WITNESS my hand and official seal.

Signature _____

Exhibit 3

ADDENDUM TO DEED OF TRUST

Free Recording Requested Pursuant to
Government Code Section 27383

When recorded, mail to:
San Francisco Redevelopment Agency
770 Golden Gate Avenue
San Francisco, California 94102
Attn: Harriet Starkes, Housing Division

----- Space Above This Line for Recorder's Use -----

ADDENDUM TO DEED OF TRUST

THIS ADDENDUM TO DEED OF TRUST ("Addendum") is part of the Deed of Trust and Assignment of Rents dated _____, 20__ ("Deed of Trust"), to which it is attached, made on _____, 20__, between _____ ("Trustor" or "Owner"), whose address is _____, and _____, a corporation ("Trustee"), and the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, whose address is 770 Golden Gate Avenue, San Francisco, California 94102 ("Agency" or "Beneficiary"). The following provisions are made a part of the Deed of Trust:

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

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

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

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

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

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

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

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

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

Owner – [Name]

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

Exhibit 4

PERMITTED EXCEPTIONS TO TITLE

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

Exhibit 5

LOAN DISCLOSURE INFORMATION

SAN FRANCISCO

REDEVELOPMENT AGENCY

**LIMITED EQUITY
HOMEOWNERSHIP PROGRAM**

Loan Disclosure Information

MARCH 2004

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I M P O R T A N T

NOTE TO THE READER

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

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

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

I further understand that the Agency's calculation of the resale affordable purchase price for my home will consider, in addition to the current income for a pre-determined AMI level, an interest rate which is the higher of i) the 10-year rolling average of rates as calculated by the Agency (or its successor) and based on data provided by data provided by Fannie Mae,

Freddie Mac, or an equivalent, nationally recognized mortgage lending institution, or ii) the current, commercially reasonable rate available through an Agency-approved lender, and other current housing costs, such as insurance, HOA dues, and taxes. I know that any proceeds I receive from the sale of my home will be affected by the value of these factors, since they will be used to calculate the resale affordable purchase price of my home.

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

PROPERTY ADDRESS: _____

SIGNED: _____ DATE: _____

DATE:

PROGRAM SUMMARY

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

PROGRAM ELEMENTS

#1: Eligibility

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

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

The San Francisco Mayor’s Office of Housing publishes AMI levels for San Francisco annually, based on data published by the U.S. Department of Housing and Urban Development. The AMI target ranges that determine a household’s eligibility to purchase will vary from development to development, based on the amount of subsidy provided by the Agency to the developer. The Agency will qualify all buyers for both initial sales and for resales. Documentation of household income and assets, such as W-2s, tax returns, bank statements, and deferred income balance statements, is required.

#2: Affordable Purchase Prices

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

- **AMI level**: Developers in contract with the Agency are obligated to sell their units at prices affordable to households within a certain AMI “target range.” For example, a developer in 2003 may be obligated to sell his/her units to households making between 75% and 100% of AMI. For a household of 3, this translates to incomes between \$61,765 and \$82,350.
- **Household size**: For the pricing calculation, the Agency assumes a household size of one person for a one-bedroom unit, and, for all other units, one person more than the number of bedrooms. For example, a household of three people is assumed for a two-bedroom unit, four people for a three-bedroom, and so on. (For occupancy, the Agency requires a minimum of one person per bedroom. For example, a single person can apply for a studio or one-bedroom unit only. A two- person household could apply for a studio, one- or two- bedroom unit.)
- **33% “PITI”**: Principal, interest, taxes, and homeowners’ insurance – total housing costs – are assumed to be 33% of a household’s gross monthly income.
- **First mortgage interest rate**: the Agency’s calculation assumes a fixed mortgage interest rate based on the higher of the following: i) a 10-year rolling average of interest rates as calculated by the Agency, or ii) market conditions at the time the homes are offered for sale. The Agency will not permit a variable rate mortgage or an interest only mortgage, as such instruments are contrary to the objectives of long-term affordability and stability of the first time homebuyers program.
- **Owner down payment**: The Agency assumes (and requires at a minimum) that the household will make a cash down payment of 5% of the affordable purchase price.

Once a developer knows, for each unit, what the applicable AMI level is, the household size, the cost of taxes and insurance, and the interest rate, he/she can set the affordable purchase price. For

example, a two-bedroom unit assumes a household of three. If the developer's obligation calls for an AMI level of 80%, the three-person household's income would be \$65,900 in 2003. 33% of that income level is \$21,747, or \$1,812 per month. This figure, \$1,812 is the most the household will pay for PITI at the time of purchase. (This might fluctuate over time.) If the household's insurance costs were \$100 per month, and taxes were \$210 per month, the total monthly income available to pay the first mortgage would be \$1,502 per month. Using an 8% interest rate, the first mortgage value would be \$204,698. Assuming a 5% down payment, the first mortgage would cover 95% of the purchase price, so the affordable purchase price would be \$215,471.

#3: Resale Affordable Purchase Prices

When a household decides to sell its home, it notifies the Agency, and the Agency calculates the resale affordable purchase price, using the same AMI percentage and household size that were used to calculate the seller's affordable purchase price. To follow the example given above, the family of 3 earning 80% of AMI that bought its home for \$215,471 in 2003 might decide to sell the home five years later. The Agency will determine the resale price by taking the income for a 3-person household at 80% of AMI in 2008, limiting payments for PITI to 33% of gross monthly income. The calculation will use the higher of the current mortgage interest rate or the current 10-year rolling average of rates, and current tax and insurance costs, and it will assume a 5% down payment by the new eligible buyer. So, for example, if AMI increased 10% between 2003 and 2008, taxes and insurance increased by 5%, and interest rates held steady, the resale affordable purchase price would be \$239,429. After subtracting the cost of necessary repairs (if any) and closing costs, the seller would be entitled to the difference between the old affordable price and the new affordable price. The example is shown numerically below:

80% AMI, 3-person HH income, 2008 (2003 + 10%):	\$72,490
33% of gross income:	\$23,922

Per month:	\$1,994
Monthly taxes & insurance, 2008 (2003 + 5%)	(\$325)
Monthly income available for 1 st mortgage:	\$1,669
Mortgage (assuming 8% interest, 30-yr fixed)	\$227,457
5% Down payment:	\$11,972
Resale Affordable Purchase Price:	\$239,429
Transactional costs (6%)	(\$14,366)
Repayment of full value of 1 st mort + down payment:	(\$215,471)
Owner's proceeds:	\$9,592*

*In this case, no repairs were required, but closing costs, which came in at 6% of the selling price, were deducted from the resale affordable purchase price. After deducting the full value of the owner's original affordable price, the seller's proceeds equal \$9,592. Note that this limited equity return *is in addition to* all principal paid down on the first mortgage and the return of the owner's original 5% down payment.

By transferring this property from one 80% AMI household to another under the Program, the home remains affordable, the benefits of homeownership are passed along, and all owners have a chance to earn limited equity!

#4: Capital Improvements

As shown above, AMI levels and current housing costs such as interest rates and insurance costs determine affordable prices. Affordable purchase prices alone cannot, therefore, reflect improvements and upgrades that an owner has made to his/her unit, such as new floors and countertops. To avoid discouraging owners from improving their properties, the Agency will allow owners to recover for the amortized value of approved capital improvements.

To qualify, each capital improvement must meet certain criteria:

- It must be a permanent improvement.

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

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

#5: Minimum Resale Value

As described above, the resale affordable purchase price is subject to variable factors that fluctuate over time, such as mortgage interest rates, taxes, and insurance costs. Because of the variability of these factors, *owners assume some risk when they purchase their homes!* For example, if the interest rate used in the pricing calculation increases from the time of initial purchase to time of resale, and increases in AMI over that same time do not compensate for the interest rate increase, a resale affordable purchase price could actually be lower than the original price an owner paid. The Agency's use of the 10-year rolling average of interest rates is intended to minimize the interest rate risk at resale, but there is no guarantee that the available interest rates or the 10-year average will not increase over time. To further minimize the risk owners take when they participate in the Program, the Agency will increase the applicable AMI level on a resale, up to 120% of AMI, when

the original AMI level applicable to that home does not result in a resale affordable price high enough to pay off the original value of the first mortgage.

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

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

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

- Repair costs. When an owner notifies the Agency of its intent to sell, the Agency has the right to inspect the unit, determine if damage exists, and calculate the value of repair. If the owner does not satisfactorily make the itemized repairs, owners will be held responsible for repair costs at the close of escrow.
- Payments due on junior liens and first mortgage equity refinancing. The Agency will only increase a resale affordable purchase price to the original value of the first mortgage. If the owner has refinanced the home and withdrawn equity, the owner is solely responsible for paying off the incremental value of the refinanced mortgage or new, junior liens.
- If the resale affordable purchase price produced using 120% of AMI is still insufficient to pay off the first mortgage, the owner is solely responsible for his/her mortgage debt beyond

that adjusted resale affordable purchase price. Please note that first mortgage lender will not release its lien unless the mortgage is repaid in full. If the first lender does not release its lien because the Owner has not or cannot fully repay it, then the sale will be cancelled or the Owner will be in default.

#6: Owner Refinancing

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

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

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

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

#7: Permissible Transfers & Agency Broker Panel

Owners may only transfer their homes to other Eligible Buyers or the Agency. In order to help owners find new Eligible Buyers when they are ready to sell, the Agency has established a broker panel. These licensed real estate brokers are familiar with the Agency's Program and requirements,

and direct a portion of their marketing to low- and moderate-income clients. Owners are not required to use the Agency's broker panel, but they are required to sell to new Eligible Buyers that only the Agency can qualify as "eligible".

If, after 150 days from the date an owner lists its property for sale and a demonstrated good faith effort on the part of the owner and his/her broker to sell the home, an owner cannot locate a new Eligible Buyer, the Agency will authorize a 50% increase to the AMI level defining "Eligible Buyer" for that particular home. ("Good faith effort" means use of all standard marketing tools, such as a Multiple Listing Service listing, advertised open houses, and other, additional advertising.) For example, if an owner's good faith effort to find an Eligible Buyer at 80% of AMI failed after 150 days, he/she could renew the search and include as potential buyers households earning up to 120% of AMI. The resale affordable purchase price would remain the same (i.e., based on the 80% AMI income), thus enhancing the home's marketability to the higher-income households.

#8: Agency Purchase Option

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

#9: Owner Default and Agency Remedies

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

- A transfer of the property in violation of the Declaration of Resale Restrictions and Option to Purchase;
- Use of the property other than as owner's principal residence (owners must certify that they occupy the home at least 10 months out of every 12 annually);

- Failure to pay required housing costs, such as taxes, homeowner dues, assessments, or insurance;
- Placement of any mortgages, liens or encumbrances on the property that the Agency has not approved;
- Any other violation of the Agency Documents; or
- A default on the first mortgage.

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

#10: Agency Promissory Note and Deed of Trust

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

Financing for the 3-person, 80% AMI household can again illustrate the issue. This household had a resale affordable purchase price of \$239,429. If they defaulted on their loan, and fair market value was, for example, \$550,000, they would owe the Agency \$310,571 (plus default-related costs) under the Agency's promissory note.

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

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

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

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

#12: Term

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

**Exhibit F
To
Second Amendment**

Major Phase Housing Data Table

ATTACHMENT F

Exhibit G

MAJOR PHASE HOUSING DATA TABLE

Submissions for Major Phase Approvals

In order to verify and to track compliance with the Affordable Housing Program, each Vertical Developer shall submit a Major Phase Housing Data Table as part of the application package for each Major Phase including Residential Units. Such Major Phase Housing Data Table shall be in a form mutually agreed upon by the Vertical Developer and the Agency and will contain the information described in subsections (a) and (b) below. Agency shall review and approve the Major Phase Housing Data Table in accordance with the procedures set forth in the Design Review and Document Approval Procedure, and development of such Major Phase shall proceed in accordance with such approvals. Agency will cooperate with Vertical Developers in providing the information required to complete the following Tables to the extent known by Agency and not known or reasonably discoverable by the Vertical Developer.

(a) Major Phase Data. The Major Phase Housing Data Table shall identify for the entire Major Phase:

- (1) The total acreage of Vertical Developer Residential Projects;
- (2) The total number of Residential Units proposed;
- (3) The total number of Market Rate Residential Units proposed;
- (4) The total number of Inclusionary Units proposed;
- (5) The allocation of Inclusionary Units among 50% AMI and 80% AMI For-Sale Affordable Residential Units for the Major Phase; and
- (6) The location of 50% AMI and 80% AMI For-Sale Inclusionary Units within the Major Phase, including a description of such Inclusionary Units in terms of size, number of bedrooms and amenities.

(b) Major Phase Parcel Data. For each parcel identified within a Major Phase, the Major Phase Housing Data Table shall identify the proposed:

- (7) Use (e.g., residential, retail, commercial, office, research and development);
- (8) Parcel acreage;
- (9) Maximum building height;
- (10) Total number of Residential Units; and

(11) Number of Inclusionary Units, if any.

(b) Major Phase Housing Data Tables for subsequent Major Phases submitted after the first Major Phase Housing Data Table shall include aggregate development data in relation to the total allowable building program, including the data described above for prior Major Phases adjusted for Residential Projects which have received Schematic Design approval.

**Exhibit G
To
Second Amendment**

Project Housing Data Table

ATTACHMENT F

Exhibit H

PROJECT HOUSING DATA TABLE

Submissions for Project Approvals

In order to verify and to track compliance with the Affordable Housing Program, each Vertical Developer shall submit a Project Housing Data Table as part of the application package at the time each Residential Project is submitted for its Project Basic Concept Design approval, as described in the Design Review and Document Approval Procedure for Vertical Development. Such Project Housing Data Table shall be in a form mutually agreed upon by the Vertical Developer and the Agency, and will contain the information described in subsections (a) and (b) below. The Agency shall review and approve the Project Housing Data Table in accordance with the procedures set forth in the Design Review Document Approval Procedure and development of such Project shall proceed in accordance with such approvals.

(a) Major Phase Data. The Project Housing Data Table shall identify the following information with respect to the entire Major Phase in which such Residential Project is located:

- (1) The total number of allowed Residential Units for the Major Phase;
- (2) The total number of acres and the number of Market Rate Residential Units including, for Residential Projects which have received Schematic Design approval, the number of For-Sale and For-Rent Residential Units, and the number of Inclusionary Units projected for the Major Phase, adjusted for Residential Projects which have received Schematic Design approval;
- (3) The total number of Vertical Developer Residential Units which have received Schematic Design approval, including the allocation of Inclusionary Units between 50% AMI and 80% AMI For-Sale Residential Units for each Residential Project;
- (4) The total number of Vertical Developer Residential Units for which Building Permits have been issued;
- (5) The total number of Vertical Developer Residential Units which have received Certificates of Occupancy;
- (6) The total number of Vertical Developer Residential Units for which applications for Schematic Design approval are pending;
- (7) The total number of the remaining Vertical Developer Residential Units allowed for the Major Phase;

(8) The total number of Inclusionary Units that have been approved in a Residential Project;

(9) The total number of Inclusionary Units approved in the Major Phase;

(10) The remaining total number of Inclusionary Units to be constructed in the Major Phase; and

(11) The allocation of Inclusionary Units between 50% AMI and 80% AMI For-Sale Residential Units;

(12) The total number of Inclusionary Units, and the allocation of 50% AMI and 80% AMI For-Sale Inclusionary Units, that have received Certificates of Occupancy.

(b) Project and Parcel Data. For each parcel within the Major Phase, including the subject Residential Project, the Project Housing Data Table shall identify:

(1) The current Owner;

(2) The current development status, including:

(A) Whether a Residential Project within the Major Phase has received Basic Concept Design and Schematic Design approval, and

(B) Whether a Building Permit, Certificate of Occupancy, and/or Certificate of Completion has or have been issued for a Residential Project and the dates thereof;

(3) The use and, if such Vertical Developer Residential Project has received Schematic Design approval, whether it is a For-Sale or For-Rent Residential Project;

(4) The parcel acreage;

(5) The maximum (or, if a Residential Project has already been constructed in that Major Phase, its actual) building height;

(6) The number of Total Vertical Developer Residential Units (for Projects which have received a Schematic Design approval) or the Major Phase approved number of Residential Units if the Project has not received Schematic Design approval;

(7) The number of 50% AMI and 80% AMI For-Sale Inclusionary Units for Residential Projects which have received Schematic Design approval, or the number of For-Sale and For-Rent Inclusionary Units for Residential Projects which have not received Schematic Design approval.

**Exhibit H
To
Second Amendment**

Marketing and Operations Guidelines

ATTACHMENT F

Exhibit I

MARKETING AND OPERATING OBLIGATIONS

Section 1. Purpose.

A. This Exhibit I is attached to the Affordable Housing Program (the "Housing Program"), which in turn is attached as Attachment 22 to the Disposition and Development Agreement between the Redevelopment Agency of the City and County of San Francisco (the "Agency") and Lennar/BVHP, LLC ("Developer") dated _____, 2003 (the "DDA"). As provided in the DDA, this Exhibit I will in turn become part of the Vertical DDA and will be imposed on Vertical Developers, as those terms are defined in the DDA. The purpose of this Exhibit I is to set forth the Vertical Developer's marketing and operating obligations with respect to all Residential Units in Phase 1, including For-Rent Affordable Housing Units, For-Sale Affordable Housing Units and For-Sale Market Rate Residential Units.

B. This Exhibit I first sets forth the nondiscrimination requirements applicable to all Affordable and Market Rate Residential Units in Phase 1. It then sets forth the specific marketing, operating and reporting requirements applicable to each Affordable and Market Rate Residential Unit. In addition to this Exhibit I, the Vertical Developer will record against each For-Rent Affordable Housing Unit a Declaration of Restrictions in the form attached as Exhibit C to the Housing Program, and will record against each For-Sale Affordable Housing Unit a Declaration of Restrictions and Option to Purchase Agreement in the form attached as Exhibit D to the Housing Program. Each Declaration of Restrictions sets forth the income requirements and rental or sales price restrictions applicable to the Affordable Housing Units in a particular Residential Project.

C. In the event of any inconsistency between the terms of this Exhibit I and the DDA, including the Housing Program, the DDA and Housing Program shall control. In the event of any inconsistency between this Exhibit I and the Vertical DDA, including the Housing Program, the Vertical DDA and Housing Program shall control.

Section 2. Definitions.

Unless separately defined in this Exhibit I, capitalized terms have the meanings set forth in the DDA, the Vertical DDA and the Housing Program.

Affordable means, (a) with respect to a For-Rent Residential Unit, a monthly rental charge, including a utility allowance in an amount determined by the San Francisco Housing Authority, which does not exceed thirty percent (30%) of fifty percent (50%) of Area Median Income, based upon Imputed Household Size; and (b) with respect to a For-Sale Residential Unit, a purchase price based on a five percent (5%) down payment and a rate for a thirty (30) year fixed mortgage based on the higher of 1) the ten-year rolling average interest rate, as

calculated by the Agency (or its successor) based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage financing institution, or 2) the current, commercially reasonable rate available through an Agency-approved lender, with a total of annual payments for principal, interest, taxes, assessments and homeowner's association dues which does not exceed thirty-three percent (33%) of the Program Income Level.

Agency's Certificate Program means the Property Owner and Occupant Preference Program established in accordance with Section 33410, et seq., of the California Health & Safety Code.

Certificate Holder means an owner or occupant of residential property who meets the following criteria:

(a) The owner or occupant was displaced by either (i) the Agency's acquisition of such residential property, or (ii) the rehabilitation of such residential property where the owner of the property has entered into an owner participation agreement or other similar agreement with the Agency to perform such rehabilitation; and

(b) The Agency has determined that such individual is eligible to receive a Certificate of Preference pursuant to the relocation and replacement housing responsibilities of the Agency pursuant to Article 9, beginning with Section 33410, et seq., of the California Health and Safety Code ; and

(c) The Agency has certified such individual as a holder of a Certificate of Preference pursuant to the Agency's Certificate Program, as such program currently exists or as may be amended within ninety (90) days of the Vertical DDA], and such future amendments.

Certificate of Preference means a certificate issued by the Agency pursuant to the Agency's Certificate Program, to evidence the status of an owner or occupant of residential property as a Certificate Holder. For purposes of this Exhibit I, a Certificate of Preference may be either a "Residential A Certificate" issued to a displaced resident, or a "Residential C Certificate" issued to other members of a Residential A Certificate household.

For-Rent or Rental means a Residential Unit that is intended at the time of Complete Construction to be occupied subject to a lease, and not offered for sale.

For-Sale or Sale means a Residential Unit that is intended at the time of Complete Construction to be offered for sale, e.g., as a condominium for individual Residential Unit ownership.

Income Verification Information means the information required by the United States Department of Housing and Urban Development ("HUD") to determine eligibility for the rental of a For-Rent Affordable Housing Unit, or the purchaser of a For-Sale Affordable Housing Unit.

Lottery means the process the Vertical Developer uses to randomly select from all applications submitted, and develop a Potential Tenant or Potential Purchaser List.

Lottery List is defined in Section 5.1(c)(6).

Marketing Information means the following with respect to each Residential Project:

- (a) A master Residential Unit list which indicates the following:
 - (i) The unit numbers of Residential Units to be offered for Rental or Sale;
 - (ii) The number of bedrooms and baths in each such Residential Unit;
 - (iii) The approximate net square footage of each such Residential Unit;
 - (iv) A list of amenities in each such Residential Unit (*e.g.*, disposal, washer/dryer, etc.); and
 - (v) The initial rent or estimated purchase price, as appropriate, for each such Residential Unit.

- (b) For each For-Rent Affordable Housing Unit, the following additional items will be provided:
 - (i) The estimated itemized cost of utilities to be paid by each tenant household by Residential Unit size;
 - (ii) The amount of any deposit required to reserve a Residential Unit, security deposit and all other fees related to the rental of such unit; and a policy for the deposit, use and return of any such amounts;
 - (iii) The proposed duration of rental agreement or lease; and
 - (iv) copies of rental application and all forms to be used for Income Verification Information.

- (c) For each For-Rent or For-Sale Affordable Housing Unit, the following additional items will be provided:
 - (i) A detailed description of Vertical Developer's rules for tenants (or Covenants Conditions and Restrictions, as appropriate);
 - (ii) The amount of application processing fee, if any; and
 - (iii) A description of application process, and the length of time needed by Vertical Developer to process applications.

- (d) For each For-Sale Affordable Housing Unit the following additional item shall be provided:
 - (i) estimated cost of homeowner's association dues to be paid by Residential Unit size; and
 - (ii) estimated amount of Mello-Roos assessments affecting the unit at the time of initial sale.

Market Rate or Market Rate Residential Unit means a Residential Unit that has no restrictions under the Housing Program or the DDA with respect to affordability levels or income restrictions for occupants.

Occupancy Priorities means the priorities established in this document for occupancy of For-Sale and For-Rent Residential Units.

Potential Purchaser List means those applicants selected in the Lottery by the Vertical Developer to establish the application processing order for For-Sale Residential Units.

Potential Tenant List means those applicants selected in the Lottery by the Vertical Developer to establish the application processing order for For-Rent Residential Units.

Program Income Level means the income that is 5% below the targeted maximum income level for each Inclusionary For-Sale Unit. The Program Income Level for Inclusionary For-Sale Units targeting households at 80% of AMI is 75% of AMI. The Program Income Level for Inclusionary For-Sale Units targeting households at 50% of AMI is 45% of AMI.

Rent Burdened or Assisted Housing Resident means persons who are paying more than 50% of their income for housing or persons residing in public housing or Project-Based Section 8 Housing.

Rent-Up means the period of time from the date when the Residential Units in a Residential Project are first offered for lease until rental agreements have been signed for all such Residential Units in the Residential Project.

Residential Project means a development containing Residential Units.

Residential Unit means a dwelling unit consisting of a room or suite of two (2) or more rooms that is designed for residential occupancy.

San Francisco Residents means a household in which there are one or more persons eighteen (18) years or older residing in San Francisco at the time of the submittal of the housing application or purchase offer.

Second Lien Documents means the Agency Note and the Agency Deed of Trust as those documents are defined in Exhibit D to the Housing Program to be executed by the purchaser of each For-Sale Affordable Housing Unit.

Section 3. Nondiscrimination Requirements.

Vertical Developer acknowledges the goal of achieving a residential population in all Residential Projects developed in Phase 1 that reflects the racial and ethnic diversity of San Francisco. To that end, the Vertical Developer will comply with the affirmative marketing obligations described in this Exhibit I. In addition, in the marketing, operation and rental or sale of the Residential Units in Phase 1 (including the initial and subsequent rentals and sales of all

Affordable Housing Units and all Market Rate Residential Units), the Vertical Developer and any subsequent owner of any such Residential Units shall not discriminate based on race, religion, color, ancestry, national origin, age, sex, sexual orientation, marital status, gender identity, disability, lawful source of income (as defined in Section 3304 of the San Francisco Police Code, including, but not limited to Section 8 or any equivalent rent subsidy), or any other basis prohibited by law. Nothing in this Section shall prohibit the Vertical Developer from applying other lawful standards for resident selection or from exercising its rights in managing property, so long as such standards and rights are equitably applied to prospective and actual residents of both Affordable Housing Units and Market Rate Residential Units.

Section 4. Community Outreach for All Residential Units.

This Section 4 requires all Vertical Developers to comply with the community-based outreach requirements (“Community Outreach”) described below in this section. The Community Outreach requirements must be implemented prior to the Affirmative Marketing Obligations outlined in Sections 5, 6, 7, and 8 (the “Affirmative Marketing Obligations”) for all For-Rent and For-Sale Affordable Housing Units and For-Sale Market Rate Residential Units.

4.1 Notice.

At least thirty (30) days for For-Rent, and ninety (90) days for For-Sale, prior to initiation of the Affirmative Marketing Obligations or other public advertising and marketing of the Residential Units, the Vertical Developer shall provide community-based groups, faith-based organizations, and others in the Bayview Hunters Point area (based on a list developed with and approved by the Agency) with advance notice (the “Advance Notice”) that affordable and/or market rate housing opportunities at the Shipyard will become available (the “Advance Notice Period”). This Advance Notice will include a description of the housing, the qualifications for tenancy or ownership, a copy of the application, and the name of a developer representative who can answer questions and provide additional information about the application process.

4.2 Community Meetings.

During the Advance Notice Period, the Vertical Developer shall conduct at least two (2) informational meetings in the Bayview Hunters Point area to answer questions and provide information to community residents about the housing opportunities that are becoming available at the Shipyard and other related matters described in the Advance Notice required in Section 4.1.

4.3 Community Assistance and Information Services.

The Vertical Developer shall provide Bayview Hunters Point area residents with information and other assistance to enable them to qualify for the For-Rent and For-Sale Residential Units. This information and other assistance, developed in collaboration with, and approved by, the Agency, shall include, but is not limited to, referrals to government agencies, lending institutions, and other organizations that may be able to provide financial and other assistance to qualified applicants.

Section 5. For-Rent Affordable Housing Units.

5.1 Procedures for Initial Rentals of For-Rent Affordable Housing Units.

(a) Affirmative Marketing Obligations.

(1) Prior to the initial rental of For-Rent Affordable Housing Units, the Vertical Developer shall advertise in media directed to different ethnic groups in San Francisco including, but not limited to, Asian Week, Chinese Times, El Bohemio, El Mensajero, Hokubei Mainichi, Horizontes, Korea Times, Metro Reporter Group, New Bayview, New Fillmore, Nichi Bei Times, and Philippine News. The Agency reserves the right to modify this list from time to time to adequately reflect diverse ethnicities and to allow for media which no longer exist; provided, however, that the list of required advertising media shall not exceed fifteen (15) publications. Advertisements shall be published in the predominant language of the ethnic group served by each applicable publication.

(2) Print ads shall be published at least twice in each publication that has a weekly circulation, and at least once in all other publications. Ads must be published prior to the Vertical Developer's conducting the lottery described in Section 5.1(c) below for the initial rental of For-Rent Affordable Housing Units in the applicable Residential Project.

(3) The Vertical Developer shall prepare and provide to the Agency for its review and approval a copy of the proposed advertisement described in Section 5.1(a)(2) above at least sixty (60) days prior to conducting the lottery described in Section 5.1(c) below for the initial rental of For-Rent Affordable Housing Units. The Agency's approval rights are limited to determining compliance with Section 5.1(a)(4) below. The Agency will approve or disapprove the proposed advertisement within five (5) business days of receipt. Failure by the Agency to either approve or disapprove the proposed advertisement within such five (5) day period shall be deemed approval.

(4) Print advertisements shall be no less than four inches (4") by six inches (6") in size. Each print advertisement shall include the U.S. Department of Housing and Urban Development Fair Housing logo and the words "Equal Housing Opportunity." The Vertical Developer shall include models of different races and ethnic background in all its pictorial advertising that includes models.

(b) Occupancy Priorities. In the initial rental of For-Rent Affordable Housing Units, the Vertical Developer shall give the following occupancy priorities (the "Occupancy Priorities"):

- (1) **Hunters Point Certificate Holders.** The Vertical Developer shall give first-priority preference to Certificate Holders of Hunters Point Residential A and C Certificates each in the manner described in Section 5.1(c)(7) below.

- (2) **Western Addition Certificate Holders.** The Vertical Developer shall give second-priority preference to Certificate Holders of Western Addition Residential A and C Certificates, each in the manner described in Section 5.1(c)(7) below.
- (3) **Rent Burdened or Assisted Housing Residents Who Are San Francisco Residents.** The Vertical Developer shall give a third-priority preference to persons paying more than 50% of their income for housing, or persons residing in public housing or Project-Based Section 8 housing, who are San Francisco Residents, in the manner described in Section 5.1(c)(7) below.
- (4) **San Francisco Residents.** The Vertical Developer shall give fourth-priority preference to San Francisco Residents in the manner described in Section 5.1(c)(7) below.
- (5) **Members of the general public.**

(c) **Rental Procedures/Lottery.**

- (1) The Vertical Developer shall determine priority for occupancy of For-Rent Affordable Housing Units according to the Lottery system described in this Section 5.1(c).
- (2) The Vertical Developer shall conduct a separate Lottery for each Residential Project containing For-Rent Affordable Housing Units.
- (3) At least ninety (90) days prior to conducting the Lottery for For-Rent Affordable Housing Units in a Residential Project the Vertical Developer shall provide to the Agency the Marketing Information applicable to such Residential Units, together with a notice stating the date on which the Vertical Developer intends to start leasing such Residential Units.
- (4) The Agency shall assist the Vertical Developer in notifying Certificate Holders of the availability of For-Rent Affordable Housing Units by providing the Vertical Developer a list of the names and addresses of Certificate Holders to notify regarding the housing opportunity and the application and Lottery process. The Vertical Developer shall provide the Agency with a list of all responding Certificate Holders, as well as providing information on each Certificate Holder's status in the application process.
- (5) After completing the Affirmative Marketing Obligations outlined above, but no earlier than three (3) weeks after the first day on

which the Vertical Developer will accept applications, the Vertical Developer shall combine applications from all applicants, including Certificate Holders, if any, Rent Burdened or Assisted Housing Residents, San Francisco Residents, and members of the general public into one Lottery for each Residential Project.

- (6) The Vertical Developer shall select potential tenants at random from the combined pool of applicants by selecting all applicants submitting to the Lottery. Each applicant will be assigned a number in the order selected, . (the "Lottery List").
- (7) The Vertical Developer shall then identify any applicants entitled to an Occupancy Priority and rank all applicant on the Lottery List according to the preference categories in Section 54.1(b) above, and within each category in the order in which their name was selected for the Lottery List. This prioritized list shall be referred to as the "Potential Tenant List." The Vertical Developer shall provide the Agency with the Potential Tenant List within three (3) days of its creation.
- (8) Within thirty (30) days of the creation of the Potential Tenant List, unless otherwise mutually agreed by the Vertical Developer and the Agency, the Vertical Developer shall, determine the eligibility of as many households on the Potential Tenant List as there are available For-Rent Affordable Housing Units in a particular Residential Project (*i.e.*, one household per available For-Rent Affordable Housing Unit) in the order of priority on the Potential Tenant List, taking into account income and household size restrictions for the For-Rent Affordable Housing Units in each Residential Project, and applying all such other Vertical Developer tenant selection criteria consistent with this Exhibit I so as to fill all of the For-Rent Affordable Housing Units. The Vertical Developer shall then inform all eligible tenants so selected of the availability of For-Rent Affordable Housing Units in the particular Residential Project.
- (9) All applicants from the Potential Tenant List, shall have a reasonable opportunity to view either the actual Residential Unit for which the individual/household is qualified, or a model or other Residential Unit in that Residential Project which is substantially similar to the Residential Unit which the individual/household is qualified to occupy. All applicants from the Potential Tenant List shall then have at least three (3) days from and including the reasonable opportunity to view a Residential Unit above within which to notify the Vertical Developer of his/her intention to rent a

For-Rent Affordable Housing Unit and take all other steps necessary in accordance with the Marketing Information to secure such For-Rent Affordable Housing Unit.

(d) Tenant Income Eligibility. The required tenant income levels for each For-Rent Affordable Housing Unit in each applicable Residential Project shall be determined solely according to the requirements of Exhibit C to the Housing Program, which shall be recorded against each such Residential Project in accordance with the Housing Program.

(e) Rental Charge Restrictions. The rental rates for For-Rent Affordable Housing Units in each applicable Residential Project shall be determined solely according to the requirements of Exhibit C to the Housing Program, which shall be recorded against each such Residential Project in accordance with the Housing Program.

5.2 Procedures for Subsequent Rentals of Vacant For-Rent Affordable Housing Units.

(a) Affirmative Marketing Obligations. The Vertical Developer shall make good faith efforts to advertise the periodic vacancy of For-Rent Affordable Housing Units in a manner designed to reach diverse ethnic populations.

(b) Occupancy Priorities.

In the subsequent rental of vacant For-Rent Affordable Housing Units, the Vertical Developer shall give Occupancy Priorities in the order outlined in Section 5.1(b) above, first to persons in each category on the Potential Tenant List and then to persons in each category who request to be included on the waiting list following completion of Rent-Up of such Residential Units.

(c) Disqualification of Person on the Potential Tenant List.

(1) A Certificate Holder, Rent Burdened or Assisted Housing Resident, or San Francisco Resident on the Potential Tenant List or the waiting list of a Residential Project shall no longer be entitled to maintain the individual's/household's priority position on such list upon occurrence of any of the following:

(A) The individual/household is offered, but does not rent a For-Rent Affordable Housing Unit that the individual/household is eligible to occupy (based on income and Household Size);

(B) The income of the individual/household is too high for that individual/household to qualify for any For-Rent Affordable Housing Unit available in the particular Residential Project; or

(C) The individual/household fails to satisfy the Vertical

Developer's tenant selection criteria applicable to the particular Residential Project, applied in accordance with all applicable local, state and federal fair housing laws.

Section 6. For-Sale Affordable Housing Units.

6.1 Procedures for the Initial Sales of For-Sale Affordable Housing Units.

(a) Affirmative Marketing Obligations.

(1) Prior to the initial sale of For-Sale Affordable Housing Units, the Vertical Developer shall advertise in media directed to different ethnic groups in San Francisco including, but not limited to, Asian Week, Chinese Times, El Bohemio, El Mensajero, Hokubei Mainichi, Horizontes, Korea Times, Metro Reporter Group, New Bayview, New Fillmore, Nichi Bei Times, and Philippine News. The Agency reserves the right to modify this list from time to time to adequately reflect diverse ethnicities and to allow for media which no longer exist; provided, however, that the list of required advertising media shall not exceed fifteen (15) publications. Advertisements shall be published in the predominant language of the ethnic group served by each applicable publication.

(2) Print ads shall be published at least twice in each publication that has a weekly circulation, and at least once in all other publications. Ads must be published prior to the Vertical Developer's conducting the lottery described in Section 6.1(c)(6) below for the initial sale of For-Sale Affordable Housing Units in the applicable Residential Project.

(3) The Vertical Developer shall prepare and provide to the Agency for its review and approval a copy of the proposed advertisement described in Section 6.1(a)(2) above at least sixty (60) days prior to accepting applications for the initial sale of For-Sale Affordable Housing Units. The Agency's approval rights are limited to determining compliance with Section 6.1(a)(4) below. The Agency will approve or disapprove the proposed advertisement within five (5) business days of receipt. Failure by the Agency to either approve or disapprove the proposed advertisement within such five (5) day period shall be deemed approval.

(4) Print advertisements shall be no less than four inches (4") by six inches (6") in size. Each print advertisement shall include the U.S. Department of Housing and Urban Development Fair Housing logo and the words "Equal Housing Opportunity." The Vertical Developer shall include models of different races and ethnic background in all its pictorial advertising that includes models.

(b) Occupancy Priorities.

The Vertical Developer shall use the Occupancy Priorities in Section 5.1(b) in the initial sale of For-Sale Affordable Housing Units.

(c) Sales Procedures.

(1) At least one hundred eighty (180) days prior to the initial sale of a For-Sale Affordable Housing Unit, the Vertical Developer shall provide to the Agency the Marketing Information applicable to such Residential Units.

(2) The Agency shall assist the Vertical Developer in informing Certificate Holders of the availability of For-Sale Affordable Housing Units by providing the Vertical Developer a list of the names and addresses of Certificate Holders to notify regarding the housing opportunity and the application and lottery process. The Vertical Developer shall provide the Agency with a list of all responding Certificate Holders, as well as providing information on each Certificate Holder's status in the application process.

(3) The Vertical Developer, in cooperation with the Agency, shall conduct at least two (2) public informational meetings regarding the sale of For-Sale Affordable Housing Units in each Residential Project. Each meeting shall be advertised in conjunction with the advertising required under Section 6.1(a). Each meeting shall be open to persons potentially interested in the purchase of a For-Sale Affordable Housing Unit. At each meeting, the Vertical Developer and the Agency shall describe the following:

- (a) The number and type of For-Sale Affordable Housing Units to be offered;
- (b) The income and purchase price restrictions applicable to each available Residential Unit;
- (c) The resale restrictions applicable to each available Residential Unit, including the Second Lien Documents to be executed by each purchaser;
- (d) The anticipated schedule for marketing and selling such Residential Units; and
- (e) Information on covenants, conditions and restrictions; homeowner's association dues; Mello-Roos assessments; and proposed rules of the homeowners' association applicable to such Residential Units.

(4) The Vertical Developer may, at its discretion, accept pre-applications from interested purchasers and may pre-qualify purchasers of For-Sale Affordable Housing Units according to the occupancy restrictions applicable to a particular Residential Unit and the application of such other tenant selection criteria permitted under this Exhibit I.

(5) The purchase price for each unit type shall be set based on the Affordable Purchase Price for each For-Sale unit no later than three (3) days and no earlier than thirty (30) days prior to the lottery.

(6) The Vertical Developer shall conduct a lottery of all interested purchasers, including any potential purchasers that have been pre-qualified by the Vertical Developer, as follows:

- (a) The Vertical Developer shall conduct a separate lottery for each Residential Project containing For-Sale Affordable Housing Units.
- (b) The Vertical Developer shall combine all Certificate Holders, Rent Burdened or Assisted Housing Residents, San Francisco Residents and applications from members of the general public into one lottery for each Residential Project.
- (c) The Vertical Developer shall select potential purchasers at random from the combined pool of applicants, by selecting all applicants, and shall prioritize potential purchasers in the order selected into an initial list of potential purchasers (the "Lottery List").
- (d) The Vertical Developer shall then prioritize names on the Lottery List according to the Occupancy Priorities in Section 5.1(b). This newly prioritized list shall be referred to as the "Potential Purchaser List." The Vertical Developer shall provide the Agency with the Potential Purchaser List within three (3) days of its creation.
- (e) Within thirty (30) days of the creation of the Potential Purchaser List, unless otherwise mutually agreed by the Vertical Developer and the Agency, the Vertical Developer shall determine the eligibility of enough households on the Potential Purchaser List as there are available For-Sale Affordable Housing Units in a particular Residential Project (*i.e.*, one household per available For-Sale Affordable Housing Unit) in the order of priority on that list, taking into account income and household size restrictions for the For-Sale Affordable Housing Units in each Residential Project, and applying such other purchaser selection criteria consistent with this Exhibit I. The Vertical Developer shall then inform that number of eligible purchasers so selected of the availability of Residential Units in the particular Residential Project. The Vertical Developer's determination of Purchaser Eligibility is subject to a mortgage lender's approval of each potential

purchaser.

(d) Purchaser Income Eligibility and Sales Price Restriction. The income levels for purchasers of, and sales prices for, each For-Sale Affordable Housing Unit in each Residential Project shall be determined solely according to the requirements of Exhibit D to the Housing Program. Exhibit D, indicating the types of For-Sale Affordable Housing Units in each applicable Residential Project, shall be recorded against each Residential Project containing For-Sale Affordable Housing Units in accordance with the Housing Program.

6.2 Procedures for Resales of For-Sale Affordable Housing Units. All obligations of the owners of For-Sale Affordable Housing Units with respect to the resale of For-Sale Affordable Housing Units, including Occupancy Priorities and resale procedures, are contained in the Second Lien Documents. Purchaser income eligibility and sales price restrictions applicable to the resale of For-Sale Affordable Housing Units shall be determined solely according to the requirements of Exhibit D to the Housing Program.

Section 7. For-Sale Market Rate Residential Units.

7.1 Procedures for Initial Sales of For-Sale Market Rate Residential Units.

(a) Affirmative Marketing.

(1) Prior to the initial sale of For-Sale Market Rate Residential Units, the Vertical Developer shall advertise in media directed to different ethnic groups in San Francisco including, but not limited to, Asian Week, Chinese Times, El Bohemio, El Mensajero, Hokubei Mainichi, Horizontes, Korea Times, Metro Reporter Group, New Bayview, New Fillmore, Nichi Bei Times, and Philippine News. The Agency reserves the right to modify this list from time to time to adequately reflect diverse ethnicities and to allow for media which no longer exist; provided, however, that the list of required advertising media shall not exceed fifteen (15) publications. Advertisements shall be published in the predominant language of the ethnic group served by each applicable publication.

(2) Print ads shall be published at least twice in each publication that has a weekly circulation, and at least once in all other publications. Ads must be published prior to the Vertical Developer's acceptance of any applications for the initial rental of For-Sale Market Rate Residential Units in the applicable Residential Project.

(3) The Vertical Developer shall prepare and provide to the Agency for its review and comment only a copy of the proposed advertisement described in Section 7.1(a)(2) above at least thirty (30) days prior to accepting applications for the initial rental of For-Sale Market Rate Residential Units. The Agency's review and comment rights are limited to those items in Section 8.1(a)(4) below.

(4) Print advertisements shall be no less than four inches (4") by six

inches (6") in size. Each print advertisement shall include the U.S. Department of Housing and Urban Development Fair Housing logo and the words "Equal Housing Opportunity." The Vertical Developer shall include models of different races and ethnic background in all its pictorial advertising that includes models.

(b) Occupancy Priorities.

(1) Certificate Holders. In the initial sale of For-Sale Market Rate Residential Units, the Vertical Developer shall give a first-priority preference to Hunters Point Certificate Holders, Western Addition Certificate Holders, and then to San Francisco Residents as further described in Section 8.1(c)(3) below.

(c) Sales Procedures.

(1) The Vertical Developer shall notify the Agency at least one hundred and eighty (180) days prior to accepting applications for the sale of For-Sale Market Rate Residential Units in a particular Residential Project.

(2) The Agency shall assist the Vertical Developer in informing Certificate Holders of the availability of For-Sale Market Rate Residential Units by providing the Vertical Developer a list of the names and addresses of Certificate Holders to notify regarding the housing opportunity. Each Certificate Holder shall be responsible for notifying the Vertical Developer of a desire to purchase a For-Sale Market Rate Residential Unit.

7.2 Procedures for Subsequent Sales of For-Sale Market Rate Residential Units. This Exhibit I does not impose any restrictions on the subsequent sales of For-Sale Market Rate Residential Units.

Section 8. Reporting Requirements.

The Vertical Developer shall comply with the following reporting requirements, in addition to any other requirements imposed by the funding source for the development of Market Rate Residential Units or Affordable Housing Units.

8.1 For-Rent Affordable Housing Units.

(a) Within ten (10) days after the execution of a rental agreement for the last For-Rent Affordable Housing Unit in a particular Residential Project, the Vertical Developer shall provide to the Agency a report on the status of each Certificate Holder on the Potential Tenant List, and a rent roll specifying each Residential Unit number, Residential Unit size, number of occupants, affordability designation, and rent.

(b) The Vertical Developer shall provide to the Agency quarterly reports, no later than the 15th day of the month, which indicate the following information for the preceding quarter:

(1) The number of individuals/households on the waiting list for a particular Residential Project containing For-Rent Affordable Housing Units;

(2) With respect to Certificate Holders, Rent Burdened or Assisted Housing Residents and San Francisco Residents:

(A) The names of current Certificate Holders, Rent Burdened or Assisted Housing Residents, and San Francisco Residents on the waiting list for each such Residential Project and the date on which each such name was added to the waiting list;

(B) The names of Certificate Holders, Rent Burdened or Assisted Housing Residents, and San Francisco Residents who leased Residential Units during the preceding quarter; and

(C) If applicable, the reason why any Certificate Holder, Rent Burdened or Assisted Housing Resident, or San Francisco Resident on the waiting list did not rent an available For-Rent Affordable Housing Residential Unit (*e.g.*, not income-eligible, household size not appropriate for the Residential Unit).

(3) The Residential Unit number and date of leasing of each Residential Unit rented during the preceding quarter.

(4) The number of names added to and removed from each waiting list during the preceding quarter.

(c) The Vertical Developer shall provide to the Agency, in the quarterly report, a current waiting list for each such Residential Project, together with a narrative summary of each case in which a Certificate Holder was denied occupancy of a For-Rent Affordable Housing Unit, and the grounds for such denial (*e.g.*, not income eligible, household size not appropriate for the available Residential Unit size).

8.2 For-Sale Affordable Housing Units. Within ten (10) days following the close of escrow of all For-Sale Affordable Housing Units in a particular Residential Project, the Vertical Developer shall provide to the Agency a report on the status of each Certificate Holder on the Potential Purchaser List, and a sales roll specifying each Residential Unit number, Residential Unit size, number of occupants, affordability designation, and sales price.

8.3 For-Sale Market Rate Residential Units. Within ten (10) days after execution of a purchase agreement for ninety percent (90%) of For-Sale Market Rate Residential Units in a particular Residential Project, the Vertical Developer shall provide to the Agency a report regarding the status of each Certificate Holder who applied for the purchase of any such Residential Unit.

ADDENDUM NO. 2 TO FINAL ENVIRONMENTAL IMPACT REPORT

Date of Publication of Addendum No. 2: July 13, 2006

Date of Publication of Addendum No. 1: November 19, 2003

Date of Certification of Final Environmental Impact Report: February 8, 2000

Lead Agency: Planning Department, City and County of San Francisco
1660 Mission Street, San Francisco, CA 94103

Agency Contact Person: Joy Navarrete

Telephone: (415) 558-5975

Project Title: 2006.0829E – Hunters Point Shipyard Phase I Development Program

Project Sponsor/Contact: Nicole Franklin, SF Redevelopment Agency **Telephone:** (415) 749-2400

Paul Menaker, Lennar/BVHP

Telephone: (415) 559-1770

Project Address: Hunters Point Shipyard

Assessor's Block and Lot: Block 4591A Lot 10

City and County: San Francisco

Remarks:

Background

The San Francisco Redevelopment Agency and Board of Supervisors adopted the Hunters Point Shipyard Redevelopment Plan in 1997. As authorized in CEQA for base closure actions, the San Francisco Planning Commission and Redevelopment Agency Commission subsequently certified a Final Environmental Impact Report (EIR) on February 8, 2000 (File No. 1994.061E). The project analyzed in the Final EIR is the reuse of the Hunters Point Naval Shipyard (HPS) following disposal by the United States Navy under the Base Closure Act, implementing the Hunters Point Shipyard Redevelopment Plan adopted in 1997.

Subsequent to the certification of the Final EIR, refinements to the proposed development program for Phase I development on portions of HPS Parcels A and B required a reevaluation of the project's impacts and an Addendum was prepared in November 2003 (File No. 2003.0241E). The revised project differed from that analyzed in the EIR in that only Phase I development was under consideration at that time. The first Addendum to the Hunters Point Shipyard Reuse Final EIR determined that the conclusions reached in the certified Final EIR remained valid.

Proposed Revisions to Project

Subsequent to the certification of the Final EIR and completion of the first Addendum, the Phase I development program underwent further refinement largely as a result of a delay in the transfer of Parcel B from the Navy to the Redevelopment Agency. The revised project differs from that analyzed in the Final EIR and the first Addendum. The revised Phase I development program eliminates Parcel B' from the original Phase I development program; transfers up to 362 residential units from Parcel B' to Parcel A'; changes the amount of non-residential land uses; revises the Height and Bulk Limitation Map in the Design for Development; changes the development standards for minimum lot widths and lot sizes; changes the off-street loading requirement; changes the requirement for the placement of street trees; changes the requirement for minimum sidewalk width; and changes open space boundaries.

Section 31.19(c)(1) of the San Francisco Administrative Code states that a modified project must be reevaluated and that, "If, on the basis of such reevaluation, the Environmental Review Officer determines, based on the requirements of CEQA, that no additional environmental review is necessary, this determination and the reasons therefor shall be noted in writing in the case record, and no further evaluation shall be required by this Chapter. Notice of any such written determination and the reasons therefor shall be posted in the Planning Department, and shall be mailed to the applicant, the board, commission or department that will carry out or approve the project, to any individual or organization that has commented on the environmental document, and to any other individual or organization requesting such notice in writing."

Analysis of Potential Environmental Effects

See attached analysis and discussion.

Background

The United States Navy (“Navy”) acting jointly with the San Francisco Redevelopment Agency (“Agency”) and the San Francisco Planning Department published a *Draft Environmental Impact Statement/Environmental Impact Report* (“*Draft EIS/EIR*”) for the Disposal and Reuse of Hunters Point Shipyard. The federal action evaluated in the *Draft EIS/EIR* is the Navy disposition of federal property and structures from federal ownership. The local action evaluated is the proposed reuse of the property, as implemented by the *Hunters Point Shipyard Redevelopment Plan* adopted by the San Francisco Board of Supervisors on July 14, 1997.

The *Draft EIS/EIR* was published on November 14, 1997 and distributed to persons requesting the document, to those noted on the distribution list in the *Draft EIR/EIS*, and to public agencies. Four public hearings were held, including two before the San Francisco Planning Commission and the Redevelopment Commission, during the period soliciting written comments (November 14, 1997 to January 20, 1998). Written comments on the *Draft EIS/EIR* informed the preparation of a succeeding document titled the *Revised Draft EIS/EIR* published on November 3, 1998. Subsequent to two public hearings and a period for written comments (November 3, 1998 to January 19, 1999) the San Francisco Planning Department working jointly with the Navy and the Agency decided to prepare a separate *Final EIR* and *Final EIS*.

On February 8, 2000, the *Hunters Point Shipyard Reuse Final Environmental Impact Report* (“*Final EIR*”) was certified as complete and in compliance with the California Environmental Quality Act (CEQA) and the State CEQA Guidelines. On March 3, 2003 the *Final Environmental Impact Statement for Disposal and Reuse of Hunters Point Shipyard* (“*Final EIS*”) was prepared and filed by the Navy with the EPA pursuant to the National Environmental Policy Act (“NEPA”).

In early 1999, the San Francisco Redevelopment Agency entered into an Exclusive Negotiating Agreement with Lennar/BVHP, LLC to prepare a specific development plan to implement the *Hunters Point Shipyard Redevelopment Plan* and negotiate a Disposition and Development Agreement (“DDA”) for transfer of the Shipyard. Lennar/BVHP undertook an extensive community planning process and presented a Preliminary Development Concept (PDC) for Hunters Point Shipyard in late 1999. In 2000-2001, proposed changes to the PDC resulted in the Phase I development program adopted by the San Francisco Redevelopment Agency in 2003 based on the analysis in the *Addendum to the Hunters Point Shipyard Reuse Final EIR*, adopted on November 19, 2003 (“*Addendum No. 1*”).

Under the DDA, Lennar/BVHP will develop infrastructure for the Phase I development program and prepare lots for development by the San Francisco Redevelopment Agency, Lennar/BVHP, and other third party developers. Phase I development would be built in the near term, with completion estimated by 2010. Phase I development includes land uses allowed in the *Hunters Point Shipyard Redevelopment Plan*, and focuses on the portions of the Shipyard that federal and

state environmental regulators have determined or will soon determine suitable for development following completion of environmental cleanup. For purposes of the cleanup program, the Shipyard is divided into six parcels, identified as Parcels A through F. The portions of Parcel A that is planned for development under the revised Phase I development program is identified as Parcel A'.

Proposed Changes to Project

The Navy issued its Final Finding of Suitability to Transfer (FOST) for Parcel A in October 2004. Federal, state and local environmental regulators concurred with this conclusion, and the Agency accepted title in December 2004.¹ Subsequently, the Agency transferred the portions of Parcel A to be privately developed to Lennar/BVHP in April 2005. Construction activities such as grading are currently ongoing on Parcel A'. Parcel B was expected to be the next parcel available for transfer, following the completion of environmental cleanup. The Navy's FOST for Parcel B' has been delayed because remediation of hazardous chemicals in soil and groundwater is taking longer than the projected two to three years.

Lennar/BVHP has proposed changes to the Phase I development program in response to delays in the completion of environmental cleanup on Parcel B'. The residential units and a limited amount of the commercial development planned for Parcel B' are proposed to be transferred to Parcel A' of the Phase I development program. Research and Development/Office (R&D/Office) uses and the community-serving facilities planned for Parcel B' are not proposed to be moved to Parcel A'. The proposed amendments to the Design for Development are needed to accommodate the increase in residential development in Parcel A'. The proposed changes to the development standards include increased dwelling unit densities for the residential blocks on Parcel A', changes to the Height and Bulk Limitation Map for Blocks 53 and 54, clarification of the applicability of the bulk designation for the 45-foot height district, clarification of the off-street loading requirements, changes to the minimum lot widths and minimum lot sizes on the Hilltop and Hillside subareas, changes to the area coverage on Block 48, changes to the common and/or private usable open space requirements on Block 48, revisions to the requirement to provide street trees to be applicable where feasible, clarification of the requirement for minimum 10-foot-wide pedestrian zones, and changes to open space boundaries in the Innes Court area and Blocks 56 and 57.

The proposed elimination of Parcel B' from the Phase I development program due to delays in the environmental cleanup program, the transfer and redistribution of residential and commercial development planned for Parcel B' to Parcel A', and changes to the development standards established in the Design for Development document necessitate preparation of a second

¹ The City will only accept conveyance following certification that the land is clean and safe for development by the U.S. Environmental Protection Agency, the California Environmental Protection Agency Department of Toxic Substances Control, the California Regional Water Quality Control Board, the San Francisco Department of Public Health, and an independent City consultant.

Addendum. Pursuant to CEQA Guidelines Section 15091 (Findings), 15092 (Approvals), and 15164 (EIR Addenda), the decision makers for the approval actions must consider the information contained in this *Addendum No. 2*, *Addendum No. 1*, and the *Hunters Point Shipyard Final EIR*, prior to making a decision on the project.

This *Addendum* summarizes the conclusions presented in *Addendum No. 1* and the *Hunters Point Shipyard Reuse Final EIR* that are relevant to the issues raised by the proposed changes to the Phase I development program, reports on any potential physical environmental impacts resulting from proposed changes to the Phase I development program in light of that information and other information now available, and concludes that the proposed changes to the Phase I development program are within the scope of those environmental analyses, would not result in any new significant environmental effects, and do not require additional environmental review.

A replacement development plan that includes Parcel B' has not been developed. Upon completion of environmental cleanup, Parcel B' will be included in future development plans for the remainder of the Hunters Point Shipyard. These future development plans would be subject to further environmental review in accordance with CEQA.

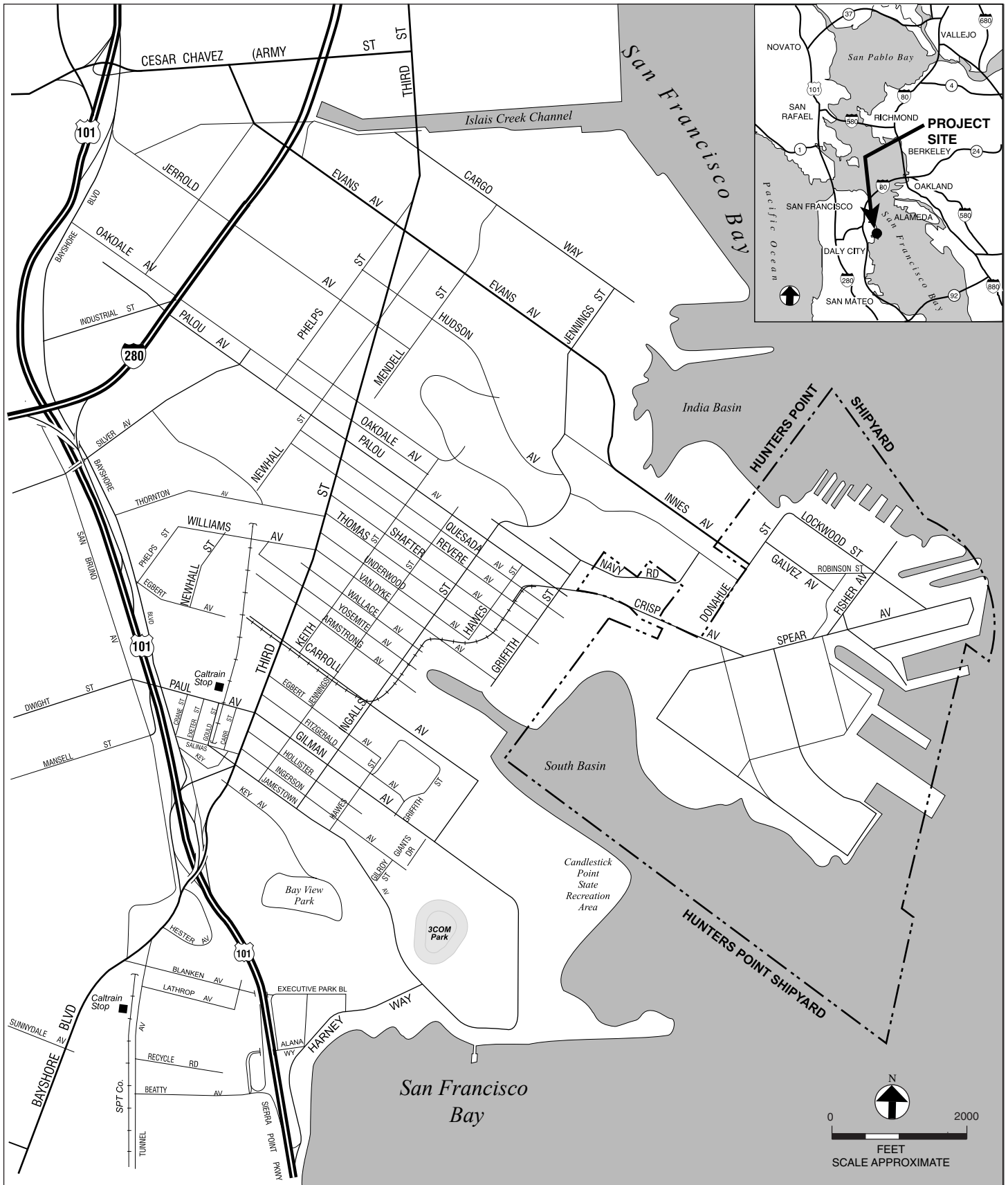
PROJECT DESCRIPTION

Location

The Hunters Point Shipyard Redevelopment Project Area is generally bounded by San Francisco's Bayview Hunters Point community to the west and San Francisco Bay to the north, east, and south (see **Figure 1: Hunters Point Shipyard Location**). The Project Area comprises all of the dry land shown on the Redevelopment Plan boundary map, about 494 acres, plus the surrounding submerged acres that were formerly used as a naval shipyard facility. In recent years the shipyard has been largely vacant and underutilized. The dry land acreage is characterized by deteriorated, obsolete or dysfunctional buildings and deteriorated or obsolete infrastructure. The original Phase I development program included portions of Parcels A and B located in the northwestern portions of the Shipyard (see **Figure 2: Revised Phase I Development Area and Land Use Plan**).

Revised Phase I Development Program

The revised Phase I development program removes Parcel B' from Phase I, transfers up to 362 residential units and up to 60,000 sq. ft. of support retail from Parcel B' to Parcel A', increases the dwelling unit densities for the residential blocks on Parcel A', changes the Height and Bulk Limitation Map for Blocks 53 and 54, clarifies the applicability of the bulk designation for the 45-foot height district, clarifies the off-street loading requirements, changes to the minimum lot widths and minimum lot sizes on the Hilltop and Hillside subareas, changes the area coverage on Block 48, changes to the common and/or private usable open space requirements on Block 48,



SOURCE: Korve Engineering

HUNTERS POINT SHIPYARD PHASE I

FIGURE 1: PROJECT LOCATION



SOURCE: SMWM

HUNTERS POINT SHIPYARD PHASE I

T099

FIGURE 2: REVISED PHASE I DEVELOPMENT AREA AND LAND USE PLAN

revises the requirement to provide street trees to be applicable where feasible, clarifies the requirement for minimum 10-foot wide pedestrian zones, and changes the open space boundaries in the Innes Court area and Blocks 56 and 57.

The total number of residential units to be analyzed would remain at 1,600, because this represents the maximum number of units anticipated for the Phase I development, though fewer units may be developed, depending on final design plans. Infrastructure development would continue to support 1,600 residential units and 132,000 sq. ft. of mixed-use commercial development planned for in the original Phase I development program. Up to 362 residential units originally planned for Parcel B' would transfer to Parcel A' and would be distributed among the residential blocks. Six acres of land located on Parcel B' and on the west side of Galvez Avenue in Parcel A' were identified as community sites and were originally planned to be developed with about 252,000 sq. ft. of community-serving facilities as part of the "mixed-use" space. The 200,000 sq. ft. of community-serving facilities planned for Parcel B' are removed from the revised Phase I development program. The proposed changes would also eliminate 220,000 sq. ft. of R&D/office space and would transfer up to 60,000 sq. ft. of support retail planned for Parcel B' to Parcel A'. The revised Phase I development program for Parcel A' would accommodate up to 1,600 units of housing, an Interim African Market on 1.2 acres, up to 80,000 sq. ft. of neighborhood-serving retail/commercial space, and 52,000 sq. ft. of community-serving facilities.² The proposed land uses are shown in Figure 2: Revised Phase I Development Area and Land Use Plan.

The development program analyzed in the *Final EIR* (assumed to reach buildout in 2010) and the revised Phase I development program for Parcel A' (with completion estimated by 2010) include the same types but different mixes of land uses, as shown in Table 1. The revised Phase I development program proposes approximately 90 percent less commercial development than is analyzed for 2010 in the *Final EIR*. The revised Phase I development program does not include any space devoted to R&D/office, whereas the original Phase I development program included proportionally more space devoted to R&D/office than the amount analyzed in the *Final EIR* for 2010. No industrial use is proposed for the revised Phase I development program.

The total number of residential units in the revised Phase I program is about 300 units more than the 1,300 units assumed to be completed in the *Final EIR* by 2010 (see **Table 1: Comparison of the Revised Hunters Point Shipyard Phase I Development Program (Parcel A' only) to the Original Phase I Development Program (Parcels A' and B') and the Revised EIR Reuse Plan Alternative for the Years 2010 and 2025**), as discussed for the original Phase I development program in *Addendum No. 1*. The revised Phase I program could accommodate all 1,600 residential units in Parcel A'. The *Final EIR* analyzed 800 residential units in Parcel A' by

² Expected uses included non-profit offices, artist studios, art galleries, health and educational services, and other community uses allowable under the Redevelopment Plan.

2010 and about 500 units in Parcel B', totaling 1,300 units.³ Thus, the *Final EIR* included 800 fewer units in Parcel A' by 2010 than proposed in the revised Phase I development program. An increase of 800 residential units on the residential blocks on Parcel A' and the elimination of residential units on Parcel B' represent a redistribution of residential density, and not a substantial change in the total number of units analyzed in the *Final EIR* for 2010. The *Final EIR* includes an additional 300 live/work units in Parcel B' by 2010, bringing the total number of units analyzed in the *Final EIR* to be developed by year 2010 to 1,600.

Table 1: Comparison of the Revised Hunters Point Shipyard Phase I Development Program (Parcel A' only) to the Original Phase I Development Program (Parcels A' and B') and the Revised EIR Reuse Plan Alternative for the Years 2010 and 2025

	Revised Phase I Development Program	Original Phase I Development Program ¹	Revised EIR 2010 ²	Revised EIR 2025
Land Use				
Mixed Use (MU)	132,000	332,000	570,000	1,150,000
R&D/Office	0	220,000	65,000	312,000
Industrial	0	0	385,000	775,000
Cultural/Education	0	0	385,000	555,600
Total Commercial sq. ft.	132,000	552,000	1,355,000	2,792,600
Residential	1,600	1,600 d.u.	1,300 d.u.	1,300 d.u.
Live/Work (l/w)	0	0	300 l/w	500 l/w
Total Residential and Live/Work	1,600	1,600	1,600	1,800

Notes:

1. All development proposed on parts of Parcels A and B was assumed to take place before 2010. No development on the remainder of A and B or on Parcels C and D was specified in *Addendum No. 1*. The 252,000 sq. ft. of community space was included in the Phase I program total for commercial space. Expected uses included non-profit offices, artist studios, art galleries, and other community uses. The authorized Redevelopment Plan commercial land uses in this table included Mixed Use and Support Retail. The Community Sites were reflected in the total for those two land uses.
2. Revised Final Environmental Impact Report for the Hunters Point Shipyard Reuse Plan, October 1998, certified February 2000, p. 2-6, Table 2.2-1. Covers development on all parcels projected through year 2010. The Revised EIR also analyzes full buildout, assumed to occur by 2025.

Sources: Lennar/BVHP, LLC; and Revised Final Environmental Impact Report for the Hunters Point Shipyard Reuse Plan, certified February 2000.

Dwelling Unit Density Standards

The proposed transfer of up to 362 residential units requires an amendment to the existing residential density ranges on the residential blocks of Parcel A' in the Design for Development document. The Design for Development as adopted on September 30, 1997 and last amended on

³ According to pp. 4-40 to 4-43, and Note 2 in Table 4.4-2 on p. 4-41 of the *Final EIR*, approximately 800 residential units would be developed in Parcel A, and 500 mixed use units would be developed in Parcel B, a total of 1,300 units by 2010. These totals do not include an additional 300 live/work units by 2010 and 200 more by 2025.

December 9, 2004, established a range of residential densities. The proposed revisions to the Design for Development text on p. 14 reads as follows with new language underlined and deletions shown in strikeout:

The density of housing dwelling units (DU) per acre shall not exceed:

- 135 DU/acre on Blocks 49, 50, and 51.
- 100 DU/acre on Blocks 1, 2, 4, ~~49, 50, and 51.~~
- 80 DU/acre on Blocks 52, 53 and 54.
- ~~73 DU/acre on Blocks 52, 53 and 54.~~
- 65 DU/acre on Block 48.
- 57 DU/acre on Block 57.
- 54 DU/acre on Blocks 3, 7, 8, 10, 11, 13, 14, 15, 46, 47, ~~48, 56 and 57.~~
- 29 DU/acre on Block 55.

For all residential development in the Project Area, the minimum density shall be 18 DU per acre and the maximum density shall be ~~100~~135 DU per acre. Fractional numbers resulting from the application of the density standards provided above shall be rounded up.

In general, ~~Distribution~~ distribution of units ~~within~~ between a block may result in densities on individual lots exceeding numbers indicated above, provided that the balance for the whole block does not exceed the maximum density for said block. The density determinations on Blocks 49 to 51 shall be established by the total number of residences on the three blocks over the entire area of said blocks.

Thus the proposed amendments to the range of densities established in the Design for Development result in the following set of densities for blocks in Parcel A':

- 135 DU/acre averaged over Blocks 49, 50, and 51.
- 100 DU/acre on Block 1.
- 80 DU/acre on Blocks 52, 53, and 54.
- 65 DU/acre on Block 48.
- 57 DU/acre on Block 57.
- 54 DU/acre on Block 56.
- 29 DU/acre on Block 55.

The proposed changes to the density of housing dwelling units would require an update of *Figure 4: Dwelling Unit Density (Maximum Density Permitted)* on p. 15 of the Design for Development document to reflect the changes indicated above.

Height and Bulk

The proposed revisions to the Height and Bulk Limitation Map do not alter the height limits on Blocks 53 and 54 on Parcel A'. The proposed revisions reconfigure how the existing height and

bulk limits are applied on these blocks and clarify the applicability of the bulk designation for the 45-foot height district. Block 53 is bounded by Innes Avenue on the north, Jerrold Avenue on the south, Friedel Avenue on the west, and Coleman Street on the east. Block 54 is bounded by Hudson Street on the north, Innes Avenue on the south, Friedel Avenue on the west, and Coleman Street on the east. Currently, the Height and Bulk Limitation Map (see Figure 6 on p. 18 of the Design for Development) shows a 55-foot height limit and a bulk designation “A” for all lots on Block 53 and Block 54 that front Innes Avenue and Friedel and Coleman Streets. Block 53’s Jerrold Avenue and Block 54’s Hudson Avenue frontages show a 45-foot height limit and a bulk designation “X”. The proposed changes would amend the Height and Bulk Limitation Map to show a 55-foot height limit and bulk designation “A” for all lots on Blocks 53 and 54 that front Friedel and Coleman Streets (for a depth of 25% of the Block for these street frontages) and to show a 45-foot height limit and bulk designation “X” for all lots on Blocks 53 and 54 that front Hudson, Innes, and Jerrold Avenues (which would correspond to approximately half the length of the Block for these street frontages). The Height and Bulk Limitation Map includes a “Note: See Table 270 in Section 270 of the Planning Code” for the measurement of bulk and provides, among other considerations the height above which the maximum plan dimensions (length and diagonal) apply. For the “A” bulk designation that height is indicated to be 40 feet, which is the prevailing height designation for residential areas through the City. Because the prevailing height limit in Hunters Point is 45 feet, the intentions is to use 45 feet as the height above which the maximum plan dimensions shall apply for all the A bulk districts. This clarification requires that the Note on the Height and Bulk Limitation Map on p. 15 of the Design for Development document be amended to read as follows with new language underlined and deletions struck out:

“Note: See Table 270 in Section 270 of the Planning Code for the determination of the maximum plan dimensions; the height above which the maximum dimensions apply is 45 feet.”

Off-Street Loading

Proposed clarification of the off-street loading requirements established in the Design for Development provides the Agency with flexibility to establish appropriate off-street loading ratios and loading dock sizes. This clarification requires that the language on pp. 16 and 18 of the Design for Development be amended to read as follows with new language underlined and deletions shown in strikeout:

“Off-street loading shall be provided ~~for the following gross~~ per square feet of floor area as indicated in the following chart. A lower ratio may be established by the Redevelopment Agency based on a development-specific loading study:”

- *“Retail Stores, Industry and Live/Work units:
None for 0 to 10,000 sq. ft.
1 for 10,001 to 60,000 sq. ft.
2 for 60,001 to 100,000 sq. ft.
3 for over 100,001 sq. ft.
1 for each additional 80,000 sq. ft.*

(For example 150,000 sq. ft. would require 3 spaces and 200,000 sq. ft. would require 4 spaces)”

- *“All other uses
None for 0 to 100,000 sq. ft.
1 for 100,001 to 200,000 sq. ft.
2 for 200,001 to 500,000 sq. ft.
3 for over 500,001 sq. ft.
1 for each additional 400,000 sq. ft
(For example 700,000 sq. ft. would require 3 spaces and
950,000 sq. ft. would require 4 spaces)”*

*“In the case of any structure or use for which more than one loading space is required, the ratio of smaller spaces to standard spaces shall be 50%.
The first off-street loading space shall be for a smaller vehicle having a minimum width of 10 feet, a minimum length of 25 feet and a minimum vertical clearance, including entry and exit, of 12 feet. The second off-street loading space (standard) shall have a minimum width of 12 feet, a minimum length of 35 feet and a minimum vertical clearance, including entry and exit, of 14 feet”.*

The proposed revisions to the off-street loading requirements maintain the original ratios established in the Design for Development, as indicated in the chart above. The revision provides the Agency with the option of reviewing and adopting different ratios based on development-specific studies.

Lot Widths, Lot Sizes, and Area Coverage

Proposed revisions to the Design for Development development guidelines for building typology and massing on the Hilltop and Hillside subareas focus on minimum lot widths and minimum lot sizes and area coverage on Block 48. The proposed revisions to the text on p. 30 of the Design for Development document related to residential blocks in the Hilltop subarea are as follows with new language underlined and deletions shown in strikeout:

Provide typical block modulations with lot widths or architectural articulation and rhythm ranging from ~~18~~16.5 to ~~32~~240 feet, potentially wider for corner lots (~~18~~16.5 to 25 feet for townhouses, 25 to ~~27~~40 for flats buildings, 32 or more feet for corner buildings). Multiple lot developments will comply with this modulation.

Lot minimum area shall be ~~1,600~~1,485 square feet, except for residential mews where no minimum is required.

The proposed revisions to the text on p. 34 of the Design for Development document related to the Hillside subarea are as follows with new language underlined and deletions shown in strikeout:

Provide typical block modulations with lot widths or architectural articulation and rhythm ranging from 25 to ~~32~~40 feet or wider for corner lots.

Lot minimum area shall be ~~1,800~~1,600 square feet.

The proposed revision to the Area Coverage table on p. 14 of the Design for Development document related to the Hillside subarea is as follows with new language underlined and deletions shown in strikeout:

The percentage of land and/or parking podium that may be covered by residential buildings shall not exceed that indicated in the following table:

<i>Block Number</i>	<i>Area Coverage*</i>
<i>7, 8, 10, 11, 13, 14, 15, 46, 47, 55</i>	<i>65 % of block area</i>
<i>3, 5, 6, 9, 12, 48, 56, 57</i>	<i>70 % of block area</i>
<i>1, 2, 4, 48, 52, 53, 54</i>	<i>75 % of block area</i>
<i>49, 50, and 51</i>	<i>85 % of block area</i>

To the maximum extent feasible, private or common open space shall be provided at ground level. The amount of land coverage for non-residential buildings shall be determined by applying the floor area ratios as shown on Figure 5, "Floor Area Ratio Map."

Block massing and site plan arrangements may result in area coverage on individual lots exceeding the percentages indicated in table above, provided that the balance for the whole block does not exceed the maximum area coverage ratio for said block.

Architecture

Proposed revisions to the General Development Guidelines in the Design for Development document on p. 26 of the Design for Development document are as follows with new language underlined and deletions shown in strikeout:

Provide street trees on all streets, where feasible, with additional trees and benches at the intersection.

Street Design

Proposed revisions to the General Development Guidelines in the Design for Development document focus on the minimum width of sidewalks to clarify discrepancies between the Design for Development document and a draft Streetscape Master Plan (dated November 8, 2004). The draft Streetscape Master Plan shows sections through all the Phase I streets; typically showing 5-foot wide sidewalks adjacent to 8-foot wide landscaped areas. The text in the Design for Development guideline indicates that sidewalks should be, at a minimum, ten feet wide. The proposed revisions to the text on p. 26 of the Design for Development document are as follows with new language underlined and deletions shown in strikeout:

Provide minimum ten foot ~~sidewalks~~ wide pedestrian zone.

Open Space

Changes to the amount and location of open space are proposed in response to comments from the State Lands Commission regarding public accessibility to open space located east of Blocks 56 and 57. Innes Court runs east-west between Blocks 56 and 57 on the northeastern portion of the Hilltop subarea of Parcel A' and terminates at the proposed Hillpoint Park. The Innes Court roadway curb-to-curb widths on both sides of the median are proposed to be widened to provide for on-street parking at State Lands Commission request. The proposed changes would require revisions to *Figure 9: Area # 1: Hilltop Urban Design Plan* on p. 29 of the Design for Development document. The revisions to the graphic would show a slight reduction in the size of the Innes Court median to reflect the widening of Innes Court roadway, and would show shorter alleyways to provide additional open space beside residential lots in exchange for "squaring off" the lowest lots at the south ends of Blocks 56 and 57 on both sides of Innes Court. The net change in the amount of open space as a result of these proposed revisions would be a decrease of about 2,013 sq. ft. of open space; the total of amount of open space would remain approximately 34 acres.

Changes to the standards for common and/or private usable open space provided for each dwelling unit on Block 48 are also proposed. The proposed revisions to the text on p. 19 of the Design for Development document are as follows with new language underlined and deletions shown in strikeout:

Usable, easily accessible open space shall be composed of an outdoor area or areas designed for outdoor living, recreation or landscaping (including ground level yards, decks, balconies, porches and roofs, which are safe and suitably surfaced and screened). It shall be provided for each dwelling unit as follows:

- *Blocks 1, 2, 3, 5, 6, 9, 12, 49, 50, 51, 52, 53 and 54: 80 sq. ft. minimum.*
- *Blocks 4, 7, 8, 10, 11, 13, 14, 46, 47, ~~48~~, 56 and 57: 100 sq. ft. minimum.*
- *Blocks ~~48 and~~ 55: 100 sq. ft. minimum.*

At the developer's choice, open space shall be provided as private or common open space. In the calculation of either private or common usable open space those projections included in these "Development Standards" shall be permitted.

Circulation and Transportation Improvements

Improvements to Fairfax Avenue, Lockwood Street, McCann Street and Donahue Street east of Galvez Avenue in Parcel B' would not occur under the revised Phase I development program. Improvements to existing streets including the Innes Court roadway and the construction of new streets identified in the original Phase I development program for Parcel A' would continue to be part of the development program. The transfer of up to 362 residential units to Parcel A' may require changes in the alignment of streets in Parcel A'.

Utilities

Utilities planned for Phase I development in the Hilltop and Hillside areas of Parcel A' would be developed in streets, as described in *Addendum No. 1*. Realignment of some streets to accommodate larger numbers of units would not result in any changes in utilities planned to serve Parcel A'.

Construction Activities

Construction activities described for Parcel A' in *Addendum No. 1* would not change as a result of the proposed changes to the Phase I development program.

Interim Uses

Interim uses and existing leases on Parcel B' would not be changed by the proposed revisions to the Phase I development program. These activities would continue under the interim lease that transferred caretaking responsibility for those areas of the Shipyard transferred by the Navy to the Redevelopment Agency but not yet conveyed by the Agency to a third party such as Lennar/BVHP. The land uses on Parcel B' described in the *Final EIR*, Chapter 3, Affected Environment would not result in any substantial changes in activity on the Shipyard.

Approvals Required

Major approvals that would need to be taken by the San Francisco Redevelopment Agency, various City commissions and departments, the Board of Supervisors, and the State Lands Commission are listed below.

1. Tentative Map Related Actions

- Department of Public Works – Approval of Tentative Subdivision Map.
- Department of Public Works – Review street vacations and make recommendation to Board of Supervisors.
- Board of Supervisors – Approve ordinance vacating streets.

2. Project Approval Actions

- Design for Development Amendments
 - Planning Commission – Review for consistency with General Plan and approve amendments.
 - SFRA Commission – Review and approve Design for Development amendments.
- SFRA – Review and approve conceptual and schematic design and construction documents pursuant to VDRDAP procedures.
- SFRA Commission – Review and approve Open Space Master Plan and Streetscape Plan.
- Department of Building Inspection – Review and approve Site Permit and Addenda.

3. Transactional Actions

- SFRA Commission – Review and approve amendment to the DDA and associated documents.

COMPARISON OF REVISED PHASE I DEVELOPMENT PLAN TO REUSE PLAN IN FINAL EIR

The revised Phase I development program is consistent with the project analyzed in *Addendum No. 1* and the *Final EIR*. The *Final EIR* analyzed impacts in two future years: partial development in 2010 and full buildout in 2025. For both analysis years, new development was assumed to be located throughout the Shipyard; exact locations were not specified. The revised Phase I development program for Parcel A' is expected to be built out by 2010. Therefore, it is appropriate to compare the impacts of the revised Phase I development program for Parcel A' with those presented in *Addendum No. 1* and the *Final EIR* for the year 2010.

Buildout of the Hunters Point Shipyard Redevelopment Project Area was assumed to occur by 2025 in the *Final EIR*, completing development throughout the Shipyard. The development for the remainder of the Shipyard likely would be consistent with the land uses and development principles set forth in the Redevelopment Plan and Preliminary Development Concept; however, given the uncertainty of the clean-up and transfer schedule for these parcels, it is not possible to establish a precise development program for them. Therefore, the development program assumed in the *Final EIR* for 2025 remains a reasonable presumption for buildout of the Shipyard. The analysis in *Addendum No. 1* discussed the Phase I development program for Parcels A' and B' at the Shipyard and focused mainly on the development anticipated between that time and 2010. *Addendum No. 1* concluded that the analyses conducted and the conclusions reached in the *Final EIR* remained valid. The goal of this subsequent analysis and discussion, *Addendum No. 2*, is to determine whether the *Final EIR* analysis and *Addendum No. 1* analysis adequately address the effects of the revised Phase I development program.

The revised Phase I development program differs from descriptions in the *Hunters Point Shipyard Reuse Final EIR* and *Addendum No 1* as follows:

- Changes in the location and/or density of residential units,
- Changes in the location and/or intensity of non-residential uses,
- Changes to the Height and Bulk Limitation Map for Blocks 53 and 54,
- Clarification of the applicability of bulk designation for the 45-foot height district,
- Clarification of the off-street loading requirements,
- Changes to the minimum lot widths and minimum lot sizes on the Hilltop and Hillside subareas,
- Changes to the area coverage requirements for Block 48,
- Changes to the common and/or private usable open space requirements on Block 48,

- Changes to the requirements for placement of street trees,
- Clarification of the standard for minimum 10-foot-wide pedestrian zones, and
- Changes in the location of open space in response to a State Lands Commission request.

The summaries of each of the major topics in the following section describe these changes in greater detail. On the basis of the available information, the analysis supports the conclusion that a subsequent or supplemental EIR is not required and that an Addendum is the appropriate environmental review document to cover the revised Phase I development program for Hunters Point Shipyard Parcel A'.

ANALYSIS OF PROJECT DESIGN, NEW INFORMATION, AND CHANGES SINCE CERTIFICATION OF THE HUNTERS POINT SHIPYARD *FINAL EIR* AND THE ADDENDUM TO THE HUNTERS POINT SHIPYARD REUSE *FINAL EIR*

The revised Phase I development program for Parcel A' of the Hunters Point Shipyard differs from the proposed project analyzed in the *Final EIR* primarily in the level of detail available. Following is a discussion of each major topic in the *Final EIR* and *Addendum No. 1* in relation to the revised Phase I development program. These discussions provide support for preparing this Addendum to the Hunters Point Shipyard *Final EIR*.

Land Use

A description of the juxtaposition of planned and existing land uses in the short- and medium-term for the reuse of the Shipyard is provided in Section 3.4 of the *Final EIR* (pp. 3-38 to 3-53). The Phase I development program gives specificity to the general nature of the potential land use interactions discussed in the *Final EIR*. *Addendum No. 1* evaluated the potential physical environmental effects associated with the existing and planned land uses under the Phase I development program (pp. 14-16). The analysis indicated that the original Phase I development program would not result in new or different land use interactions than those already analyzed in the *Final EIR*, as stated on p. 16 of the *Addendum*. The proposed transfer of up to 362 residential units and up to 60,000 sq. ft. of support retail planned for Parcel B' to Parcel A' would not require further environmental review beyond that performed in *Addendum No. 1* and the *Final EIR* because it represents a redistribution of residential density and mixed-use commercial development, and not a substantial change in the types of land uses or total number of units analyzed in the *Final EIR* for 2010. The proposed change to the Innes Court roadway and nearby open space would enhance public access to nearby public open space in the median, at the eastern terminus of Innes Court where the Hillpoint Park is proposed to be developed, and below and beside residential lots located on the southern edges of Blocks 56 and 57. The open space location would be slightly different, and the amount of open space would be slightly decreased. The proposed decrease of 25 square feet per dwelling unit in the amount of common and/or private usable open space on Block 48 would continue to provide residents access to open space in their housing areas as well as to public open space planned nearby. These changes to open

space would not result in any new significant land use or open space impacts. Thus, the analysis of the land use changes contained in *Addendum No. 1* and the *Final EIR* remains valid for all development proposed on Parcel A'.

Visual Resources and Aesthetics

The *Final EIR* identified no significant impacts to visual resources or aesthetics (pp. 4-51 to 4-52), based on the development standards and the design guidelines in the Design for Development prepared by the Redevelopment Agency in 1997. The Phase I development program included increased densities and height limits in the Hill Neighborhoods on Parcel A' and increased height limits in the Lockwood Landing area on Parcel B' from those analyzed in the *Final EIR*. The changes to density and height limits for Parcel A' analyzed in *Addendum No. 1* were:

- dwelling unit density in the Hilltop neighborhood originally proposed for 73 or 54 dwelling units per acre was increased to permit up to 100 units per acre,
- dwelling unit density in the Hilltop neighborhood originally proposed for 29 units per acre was permitted at up to 73 units per acre, and
- dwelling unit density in the Hillside neighborhood was increased from 29 dwelling units per acre to 54 units per acre
- height limits for Parcel A' increased by five feet from 50 to 55 feet and 40 to 45 feet.

The changes to density and height limits for Parcel B' analyzed in *Addendum No. 1* were:

- height limits for Parcel B' increased by five feet from 50 to 55 feet for sites south of Donahue Street and from 50 to 55 feet and 40 to 45 feet for the blocks north of Donahue Street, and
- dwelling unit density on Lockwood Landing sites with residential components originally proposed for 54 dwelling units per acre was increased to permit 100 units per acre.

Addendum No. 1 concluded that the visual resources analysis in the *Final EIR* remained applicable to the Phase I development program, and Phase I development would not result in new significant visual effects that would change the conclusions in the *Final EIR*.

Proposed revisions to the Design for Development document for the Phase I development program with the potential to alter visual resources and aesthetics include increased dwelling unit densities, changes to the Height and Bulk Limitation Map for Blocks 53 and 54, clarification of the applicability of the bulk designation for the 45-foot height district, changes to the minimum lot widths and minimum lot sizes in the Hilltop and Hillside subareas, changes to the area coverage requirements on Block 48, changes to the amount of common and/or private usable open space requirements on Block 48, the revision to the requirement to provide street trees to be applicable where feasible, clarification of the requirement for 10-foot-wide pedestrian zones (including sidewalks), and a change in open space boundaries in the Innes Court area and on Blocks 56 and 57.

The proposed changes to the development standards in the Design for Development document would result in an increase of 35 dwelling units per acre (du/acre) on Blocks 49, 50, and 51 from its current maximum of 100 du/acre, an increase of 7 du/acre on Blocks 52, 53 and 54 from its current maximum of 73 du/acre, an increase of 3 du/acre on Block 57 from its current maximum of 54 du/acre, and an increase of 11 du/acre on Block 48 from its current maximum of 54 du/acre. All other dwelling unit densities established in the Design for Development and analyzed in *Addendum No. 1* would remain the same. While the numbers of dwelling units would increase as a result of the proposed changes in densities, the sizes of buildings, controlled primarily by height and bulk limits, would not change substantially. Therefore, the density increases would have no substantial impact on the overall form of new buildings in Parcel A'.

The proposed revisions to the Height and Bulk Limitation Map would amend designations on Blocks 53 and 54 to show a 55-foot height limit and bulk designation "A" for all lots on Blocks 53 and 54 that front Friedel and Coleman Streets and a 45-foot height limit and bulk designation "X" for all lots on Blocks 53 and 54 that front Hudson, Innes, and Jerrold Avenues (for approximately half the length of each street frontage). The proposed Height and Bulk Limitation Map revisions would reconfigure the location of the 45- and 55-foot height districts on Blocks 53 and 54 and would not increase height limits. Proposed revisions to the applicability of bulk controls in the 45-foot and higher height districts indicate that the prevailing height limit in Hunters Point is 45 feet and would clarify the intention to use 45 feet as the height above which the maximum plan dimensions (length and diagonal) shall apply for all the "A" bulk districts.

The proposed revisions to the Height and Bulk Limitation Map would continue to support the urban design concepts that buildings be shaped to reinforce the presence of the hill, accentuate the natural hill shape, and create hierarchy and definition of spaces. The reconfiguration of the 45- and 55-foot height districts on Blocks 53 and 54 would continue to maximize views of the water and accentuate the hill form through the placement of the slender portion of taller buildings near the crown of the hill. The clarification to the applicability of bulk controls would vary the forms of buildings at the upper floors to better accentuate the natural form of the hill and maximize view opportunities from housing units. The key urban design concepts for the Hilltop subarea would remain part of the approach to development in the Hilltop subarea.

The proposed reductions in minimum lot widths and minimum lot sizes on the Hilltop and Hillside subareas, the proposed requirement to construct 10-foot-wide pedestrian zones, and the change in open space boundaries in the Innes Court area and on Blocks 56 and 57 would continue to support the key urban design concepts of the Design for Development document. Among these concepts are the creation of midblock breaks to develop and enhance view opportunities into and through residential blocks, the provision of a diversity in scale and housing types, enhancement of public rights-of-way with special attention to setbacks, building materials, and the location of building entries, and the establishment of a consistent and comprehensive open space network that connects with pedestrian-oriented ways such as alleys and mews. The proposed revisions would

continue to support building architecture, site planning and urban design elements that reinforce the presence of Hunters Point Hill, enhance its natural forms, and provide new visual links through blocks and from terminal points.

Development in Parcel A' under the revised Phase I development program would continue to be consistent with development in nearby residential areas, as discussed in the *Final EIR* on p. 4-52 and *Addendum No. 1* p. 17 and would continue to protect views by maintaining the building heights analyzed in *Addendum No. 1*. Therefore, the visual resources analysis in the *Final EIR* and *Addendum No. 1* remains applicable to the revised Phase I development program and would not result in new significant visual impacts.

Shadow

Changes resulting from the proposed revisions to the Phase I development program include minor changes to the height and bulk limits for Parcel A' lands. The proposed revisions would reconfigure the location of the 45- and 55-foot height limits on Blocks 53 and 54 and alter the bulk controls in the 45-foot and higher districts. There would be no increase in height limits; thus, the effects of shadow analyzed in *Addendum No. 1* remain valid for all development proposed on Parcel A'. The reconfiguration of height limits and the revised applicability of bulk controls in 45-foot and higher districts on Blocks 53 and 54 in Parcel A' would result in slightly longer shadows at the following street intersections: Friedel Street with Hudson, Innes, and Jerrold Avenues and Coleman Street with Hudson, Innes, and Jerrold Avenues. These longer shadows would not be expected to cast additional net new shadow on parks and public open space planned for the Shipyard. Slightly shorter shadows would occur on the midblock sidewalks of Hudson, Innes, and Jerrold Avenues between Friedel and Coleman Streets. While there is planned open space in the Hilltop subarea, these areas are about two blocks from Blocks 53 and 54, and intervening buildings although shorter, would still be expected to intercept shadows cast by any 55-foot-tall buildings at the Friedel and Coleman Street intersections. Therefore no new significant shadow impacts would result from the proposed revisions to the Height and Bulk Limitation Map and clarification of the applicability of bulk controls in the 45-foot and higher districts on Blocks 53 and 54 in Parcel A'.

Transportation

Minor realignments of streets on Parcel A' and the proposed change to the off-street loading requirements would not substantially impact the circulation system on Parcel A' as ample street capacity is planned on-site to handle the changes to on-site circulation patterns resulting from the transfer of up to 362 residential units and up to 60,000 sq. ft. of support retail from Parcel B' to Parcel A'. *Addendum No. 1* concluded that traffic impacts could result from development of

Phase I, but they would be substantially less than the impacts described in the *Final EIR*.⁴ It was determined that Phase I development would not result in new significant impacts at intersections outside the Shipyard beyond those identified in the *Final EIR*. The revised Phase I development would generate fewer daily and p.m. peak hour person trips and vehicle trips than the number estimated to occur in the original Phase I development program and in the *Final EIR* in 2010 under partial development at the Shipyard. This result follows from the limited amount of non-residential development planned for the revised Phase I development program, including eliminating R&D/office uses and sites for community-serving facilities in the revised Phase I development program, in comparison to the original Phase I and the *Final EIR* for 2010.

Thus, the traffic analysis contained in *Addendum No. 1* remains valid for all development proposed on Parcel A'.

Noise

The proposed elimination of Parcel B' and the deferment and/or relocation of its land uses would result in less traffic noise and less construction noise over the short-term. While the addition of up to 362 residential units in the Hill neighborhoods in Parcel A' would result in some additional traffic-generated noise, the amount of additional travel (fewer than 360 vehicle trips in the p.m. peak hour spread throughout the Hill neighborhoods in Parcel A') would not cause noise levels to increase to unacceptable levels. No industrial uses are proposed for Parcel A', so noise from trucks identified in the *Final EIR* would not occur in this area. Proposed changes to the Phase I development program would not change most of the noise analysis or conclusions in the *Final EIR* and *Addendum No. 1*. Truck traffic noise on Donahue Street that was identified in the *Final EIR* would be expected to occur in the future, as described and summarized in *Addendum No. 1*, but would not occur in Phase I. The mitigation measure identified in the *Final EIR* would continue to be inapplicable to Phase I development, as discussed on p. 23 of *Addendum No. 1*. Thus, the analysis contained in the *Final EIR* and *Addendum No. 1* remains valid for all development proposed on Parcel A'.

Air Quality

Changes to the Phase I development program would not result in any increases in traffic-generated emissions or other air emissions compared to those identified in the *Final EIR* or *Addendum No. 1*. Therefore, impacts identified in the previous environmental review documents would remain the same or would be somewhat reduced. No new mitigation measures would be needed.

⁴ As part of the transportation analysis for *Addendum No. 1*, an analysis of daily and p.m. peak hour trip generation, both person trips and vehicle trips generated by development planned in Phase I was prepared and compared with information from the *Final EIR*.

Wind

Because all of the buildings in the development program would be well under 100 feet in height, they would not be expected to cause hazardous wind speeds or to substantially increase wind speeds and turbulence at street level. The *Final EIR* and *Addendum No. 1* concluded that the Redevelopment Plan and the Phase I development program for Parcels A' and B' would not have significant adverse impacts on pedestrian-level winds. The proposed changes to the Phase I development program would not alter this conclusion. Thus, the analysis contained in the *Final EIR* and *Addendum No. 1* remains valid for all development proposed on Parcel A'.

Geology and Soils

Addendum No. 1 concluded that development of Phase I would not result in new significant impacts or require new mitigation measures different from those identified in the *Final EIR*. The proposed elimination of Parcel B' from the Phase I development program does not alter the mix of land uses on Parcel A'. Thus, the analysis contained in the *Final EIR* and *Addendum No. 1* remains valid for all development proposed on Parcel A'.

Hazards

The Navy, after federal, state and local regulatory review, issued a Final Finding of Suitability to Transfer for Parcel A in October 2004. The Agency accepted conveyance following certification that the land was clean and safe for development by the U.S. Environmental Protection Agency, the California EPA Department of Toxic Substances Control, the California Regional Water Quality Control Board, the San Francisco Department of Public Health, and an independent City consultant. Construction activities such as grading and site preparation are currently ongoing on Parcel A'. Parcel B was expected to be the next parcel available for transfer, following the completion of environmental cleanup. Delays in environmental cleanup have resulted in the elimination of Parcel B' from the Phase I development program. The elimination of Parcel B' resulting in the transfer of up to 362 residential units and up to 260,000 sq. ft. of non-residential land uses to Parcel A' would not result in new significant impacts, as new residents and employees would not be exposed to hazardous levels of chemical and other contaminants.

Thus, the hazards analysis contained in *Addendum No. 1* remains valid for all development proposed on Parcel A'.

Water Quality and Hydrology

The revised Phase I development program for Parcel A' would continue to include the planned improvements to and expansion of the separated storm drainage system for the Hilltop housing area. Stormwater from the Hilltop area would continue to be discharged to the Bay under the city's existing National Pollution Discharge Elimination System permit, all as described in *Addendum No. 1* on pp. 35 and 36. The Hillside area would have the same new combined

stormwater and sanitary sewers described in *Addendum No. 1* on p. 37. New separated sewers would not be installed in Parcel B' as part of Phase I, and no new development would occur in that area. Infiltration into old sewers that occurs in Parcel B' would not change until Parcel B' is transferred to the Agency and is available for development; this continues existing conditions and would not result in new significant impacts. As discussed in *Addendum No. 1*, the Hillside and Hilltop areas of Parcel A' would not cause new impacts to water quality in the Bay and would not result in significant amounts of new combined sewer overflows. The impacts identified in the *Final EIR* would still be expected to occur, and the need for future mitigation would remain, but these impacts would not result from development of the entire original Phase I program, and also would not occur for the revised Phase I program, with less development than assumed in *Addendum No. 1*.

Utilities

Minor realignments of streets on Parcel A' would not impact the effectiveness or usefulness of new utilities proposed under the Phase I development program. Impacts related to the construction activities associated with the placement of utilities in project streets would be the same as described in the *Final EIR* and *Addendum No. 1*.

Public Services

The public services analyzed in the *Final EIR* for the Reuse Plan are police, fire, and emergency services. No significant impacts or mitigation measures were identified for any of these services, for both 2010 and 2025 (*Final EIR*, pp. 4-93 to 4-94). *Addendum No. 1* determined that because the Phase I development program was substantially smaller in scale than the Reuse Plan analyzed in the *EIR* for 2010, the analysis and conclusions of the *Final EIR* remained applicable to the original Phase I proposal.

Proposed changes to the Phase I development program would further reduce the scale of the proposed development. Thus, the public service analysis contained in *the Final EIR* remains valid for all development proposed on Parcel A'.

Cultural Resources

The historic architectural resources and historic district identified in the *Final EIR* are not located in the areas identified for development in Phase I and would not be affected by Phase I development. *Addendum No. 1* determined that because none of the identified historic architectural resources would be affected by Phase I development, no significant effects would occur to historic architectural resources or districts. The proposed changes to the Phase I development program do not include information that would indicate the potential for new significant archaeological impacts beyond those identified in the *Final EIR*.

Thus, the cultural resources analysis and conclusions contained in *Addendum No. 1* remain valid for all development proposed on Parcel A'.

Biological Resources

Biological resources identified on the Shipyard, and on Parcel A', as summarized in *Addendum No. 1*, do not include any designated sensitive species. Additional residential units constructed on Parcel A' would not result in any increases in impacts to biological resources, because the same areas are proposed to be developed with slightly higher densities.

After completion and adoption of *Addendum No. 1* and approval of the DDA, to fulfill requirements of the Migratory Bird Treaty Act, Lennar/BVHP implemented protective measures identified in *Addendum No. 1* on p. 42, and field surveys were conducted for active nests during the spring and summer of 2005 prior to removal of trees and initiation of site preparation and grading on Parcel A'. One active nest was found, and appropriate protections were carried out during vegetation removal and grading.

Construction activities on Parcel B' to improve areas near the shoreline for open space use would be deferred to later dates, following completion of remediation activities. Therefore, the impacts and mitigation measures identified in the *Final EIR* and *Addendum No. 1* (see p. 42 of the Addendum) would become applicable at that time, and are not necessary for development of the revised Phase I development program.

Energy

The *Final EIR* identified no significant energy impacts because implementation of the Reuse Plan would be required to comply with state energy efficiency standards in the California Code of Regulations Title 24, which would eliminate wasteful use of energy. The proposed changes to the Phase I development program would not result in a change to the land uses on Parcel A'. The elimination of Parcel B' from the Phase I development program would temporarily defer construction of 220, 000 sq. ft. of R&D/office space. Thus, the revised Phase I development program would have less commercial space than the original Phase I development program and the Reuse Plan analyzed in the *Final EIR* for 2010. Therefore, the conclusions of the *Final EIR* on pp. 4-105 to 4-106 are applicable to the revised Phase I development for Parcel A', and no new significant environmental effects would be expected to result.

Cumulative Impacts

The *Final EIR* analysis of cumulative impacts considered regional population and employment growth projections. When considered in this context, the *Final EIR* concluded that the Reuse Plan would contribute to cumulatively significant and unmitigable traffic and air quality impacts (*Final EIR*, pp. 5-1, 5-2 and 5-7). These conclusions would remain applicable to the revised

Phase I development program, although the amount of non-residential development would be substantially less than that analyzed for 2010 and 2025.

Since adoption of *Addendum No. 1*, the San Francisco Redevelopment Agency and the Board of Supervisors have certified the *Final EIR for the Bayview Hunters Point Redevelopment Projects and Zoning* (Planning Department File No. 1996.546E) and adopted the *Bayview Hunters Point Redevelopment Plan*. This plan has been in preparation and under review for about ten years. Any development and the impacts of that development were generally accounted for in the cumulative analyses in the *Final EIR* and *Addendum No. 1*. The *Final EIR* also analyzed the local cumulative effects of other reasonably foreseeable future projects, including the Mission Bay/UCSF campus, the Giants Ballpark at China Basin, the Candlestick Point Stadium and Retail/Entertainment Complex,⁵ the Third Street Light Rail Project. Therefore, the *Final EIR* addresses major future projects that would cause substantial local changes in circumstances. The results remain applicable for the revised Phase I development program.

Growth Inducement

The Reuse Plan analyzed in the *Final EIR* was not found to have growth-inducing impacts because increases in population, employment and housing would occur in the Bay Area region regardless of development at the Shipyard. Development at the Shipyard provides a location for growth rather than inducing growth (*Final EIR*, pp. 5-11 to 5-12).

The revised Phase I development program would be implemented with the same number of units planned for the original Phase I development program, 1,600, (see **Table 1** on **p. 7**) although fewer units may be developed, depending on final plans and designs. The *Final EIR* concludes that there are a variety of location options for residential development in the region, and the Reuse Plan would affect housing and population growth distribution within the region, but not the amount of growth (*Final EIR*, p. 5-12). This conclusion remains applicable to the revised Phase I development program, and the increase in the number of residential units proposed for Parcel A' would not cause this conclusion to change.

Growth-inducing effects of the revised Phase I development program would be similar to those discussed in the *Final EIR* for 2010 and would not result in new significant environmental impacts.

MITIGATION MEASURES

The *Final EIR* includes mitigation measures for the Reuse Plan which would reduce or eliminate significant impacts. The mitigation measures adopted as part of the final action are included in an

⁵ Currently, there are no formal plans for development of the Candlestick Point Stadium and retail/entertainment use; however, for purposes of environmental analyses most EIRs assume that some level of development will occur on this site by 2025.

adopted Mitigation Monitoring and Reporting Program (MMRP), January 19, 2000.⁶ Appendix A to *Addendum No. 1* provides a table listing mitigation measures applicable to the original Phase I development program and those from the MMRP that are not applicable to Phase I. Proposed changes to the Phase I development program analyzed in this *Addendum No. 2* do not cause significant impacts and no changes to the MMRP are proposed as a result of this analysis.

CONCLUSION

Based on the foregoing, it is concluded that the analyses conducted and the conclusions reached in the *Final EIR* certified on February 8, 2000 remain valid. The proposed revisions to the Phase I development program would not cause new significant impacts not identified in the *Final EIR*, and no new mitigation measures would be necessary to reduce significant impacts. No changes have occurred with respect to circumstances surrounding the proposed project that would cause significant environmental impacts to which the project would contribute considerably, and no new information has become available that shows that the project would cause significant environmental impacts. Therefore, no supplemental environmental review is required beyond this Addendum.

Date of Determination:

I do hereby certify that the above determination has been made pursuant to State and Local requirements.

PAUL E. MALTZER
Environmental Review Officer

cc: Nicole Franklin, SFRA
Maria Pracher, Esq., Sheppard Mullin Richter and Hampton
Paul Menaker, Lennar Communities
Distribution List
V. Byrd/Master Decision File, Bulletin Board

⁶ Hunters Point EIR Mitigation Monitoring and Reporting Program, January 19, 2000.

adopted Mitigation Monitoring and Reporting Program (MMRP), January 19, 2000.¹ Appendix A to *Addendum No. 1* provides a table listing mitigation measures applicable to the original Phase I development program and those from the MMRP that are not applicable to Phase I. Proposed changes to the Phase I development program analyzed in this *Addendum No. 2* do not cause significant impacts and no changes to the MMRP are proposed as a result of this analysis.


CONCLUSION

Based on the foregoing, it is concluded that the analyses conducted and the conclusions reached in the *Final EIR* certified on February 8, 2000 remain valid. The proposed revisions to the Phase I development program would not cause new significant impacts not identified in the *Final EIR*, and no new mitigation measures would be necessary to reduce significant impacts. No changes have occurred with respect to circumstances surrounding the proposed project that would cause significant environmental impacts to which the project would contribute considerably, and no new information has become available that shows that the project would cause significant environmental impacts. Therefore, no supplemental environmental review is required beyond this Addendum.

Date of Determination:

July 13, 2006

I do hereby certify that the above determination has been made pursuant to State and Local requirements.

for 
PAUL E. MALTZER
Environmental Review Officer

cc: Nicole Franklin, SFRA
Maria Pracher, Esq., Sheppard Mullin Richter and Hampton
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¹ Hunters Point EIR Mitigation Monitoring and Reporting Program, January 19, 2000.