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FREE RECORDING REQUESTED PURSUANT TO
GOVERNMENT CODE SECTION 27383

When recorded return to:
MAYOR'S OFFICE OF HOUSING
10 United Nations Plaza, Suite 600
San Francisco, CA 94102
Attn: Alicia Klein

San Francisco Co Recorder's Office
Gregory Joseph Diaz, County Recorder
DOC - 95-F874916-00
Acct 21-Mayor's Office Housing & Econ D
Wednesday, OCT 25, 1995 11:53:06
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18th and Arkansas Streets

SAN FRANCISCO REDEVELOPMENT AGENCY
REGULATORY AND GRANT AGREEMENT

THIS REGULATORY AND GRANT AGREEMENT (the "Agreement")
is entered into this 10th day of May, 1995, between
the REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO,
a public body corporate and politic ("Agency"), and ARTSPACE
DEVELOPMENT CORPORATION, a California nonprofit corporation
("Artspace").

RECITALS

A. Agency is authorized pursuant to California Community
Redevelopment Law (Health and Safety Code, Section 33000 et
seq.), and desires to distribute monies from its tax increment
Low and Moderate Income Housing Fund to certain
neighborhood-based nonprofit corporations for the specific and
special purpose of increasing and maintaining the housing stock
in the City and County of San Francisco for low- and
moderate-income persons.

B. City has advanced Five Hundred Thousand Dollars
(\$500,000.00) in Housing Affordability Funds to Artspace as

evidenced by a Site Acquisition Loan Agreement dated as of January 16, 1990, as amended.

C. Agency has reviewed a letter request for additional funds presented by Artspace, and has relied on the accuracy of the statements contained therein.

D. Artspace has acquired a fee interest in that certain real property located at 18th and Arkansas Streets, San Francisco, California.

E. Artspace has contracted with McKenzie, Rose, and Holliday ("Developer") for Developer to construct on a "turn-key" basis certain artist live-work units, common areas and performance areas.

F. Agency has agreed to advance the amount set forth in this Agreement to be applied towards certain of Artspace's acquisition costs associated with the Project.

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

ARTICLE 1

Definitions

1.1 "Agreement" shall mean this Regulatory and Grant Agreement and all Exhibits hereto.

1.2 "Affordable Ownership Units" shall mean eighteen units in the Project to be sold to Qualifying Buyers at purchase prices described in Sections 6.2-6.3. The Affordable Ownership Units shall be designated in the Use Restriction attached as Exhibit K.

1.3 "Affordable Rental Units" shall mean five units in the

Project to be rented to Qualifying Tenants at rents described in Section 6.4. The Affordable Rental Units shall be designated in the Use Restriction attached as Exhibit K.

1.4 "Agreement Date" shall mean the date first above-written.

1.5 "Area Median Income" shall mean median income for the San Francisco Standard Metropolitan Statistical Area, as determined by the United States Department of Housing and Urban Development and adjusted for household size. Such determination shall be made at the time of a proposed rental or sale.

1.6 "Arts Activities" shall mean those activities specified in San Francisco Planning Code Section 102.2, a copy of which is attached hereto as Exhibit B and incorporated herein by reference.

1.7 "City" shall mean the City and County of San Francisco, a municipal corporation, represented by the Mayor, acting through the Mayor's Office of Housing.

1.8 "Common Areas" shall mean the portions of the Project which are non-residential and not a part of the Performance Area.

1.9 "Fair Market Value" shall mean the appraised value of an Affordable Ownership Unit at the time of a sale of such unit, without regard to the restrictions imposed by this Agreement.

1.10 "Market Rate Buyer" shall mean an individual or household, at least one of which must principally use a portion of a residential unit for Arts Activities.

1.11 "Market Rate Units" shall mean six units in the Project to be sold as provided in Section 6.5 without regard to purchaser income limits. The Market Rate Units shall be designated in the

Use Restriction attached as Exhibit K.

1.12 "Performance Area" shall mean the performance gallery space and multi-media center in the Project.

1.13 "Project" shall mean 29 artist live/work units, including the sale of eighteen Affordable Ownership Units, the rental of five Affordable Rental Units and the sale of six Market Rate Units; and the operation of Common Areas and the Performance Areas.

1.14 "Project Income" means all income and receipts in any form received from the operation of the Affordable Rental Units and the Performance Areas, including without limitation assessments, rents, fees, deposits, reimbursements and other charges paid in connection with those portions of the Project.

1.15 "Qualifying Buyer" shall mean an individual or household earning no more than eighty percent (80%) of Area Median Income, who has not had any ownership interest in a principal residence in the three years prior to the date of purchase of an Affordable Ownership Unit. Such determination shall be made at the time of initial occupancy of an Affordable Ownership Unit. The individual or at least a member of the household must principally use a portion of a residential unit for Arts Activities.

1.16 "Qualifying Tenant" shall mean an individual or household earning no more than fifty percent (50%) of Area Median Income. Such determination shall be made at the time of initial occupancy of an Affordable Rental Unit. The individual, or at least one member of the household, must principally use a portion of a residential unit for Arts Activities.

1.17 "Site" shall mean the real property described in Exhibit A of this Agreement, including the improvements thereon.

1.18 "Table" shall mean the table of sources and uses of funds, financial proforma and the State of California Department of Real Estate approved operating budget for the Project, attached as Exhibit C hereto.

1.19 "Term" shall mean the Term of this Agreement, as specified in paragraph 3.1.

ARTICLE 2

Amount and Purpose of Grant

2.1 The Agency agrees to grant to Artspace the amount of Three Hundred Thirty Thousand Dollars (\$330,000.00) (the "Grant Amount") for the purposes set forth in Paragraph 2.2 of this Agreement. Said amount shall be disbursed according to the terms and subject to the conditions set forth in this Agreement.

2.2 Artspace shall use the funds granted for the purpose of making eighteen units available as Affordable Ownership Units through subsidy of sales prices to Qualifying Buyers and payment of certain costs incurred in development of the Project.

ARTICLE 3

Grant Requirements; Disbursements

3.1 The term of this Agreement (the "Term") shall commence on the Agreement Date and continue until the 50th anniversary of the Agreement Date, regardless of any repayment of the Grant Amount or any other sale, assignment, transfer or conveyance of the Project, unless shortened or extended by the mutual consent

of the parties.

3.2 The Agency's obligation under this Agreement to disburse up to Seventy Five Thousand Dollars (\$75,000) of the Grant Amount is expressly subject to the following conditions precedent. In the event that Artspace does not comply with the conditions of this Paragraph within thirty (30) days from the Agreement Date, the Agency may declare this Agreement to be null and void:

- (A) Artspace shall deliver evidence satisfactory to the Agency that the purchase agreement between Developer and Artspace permits the transactions described in this Agreement.
- (B) Artspace shall provide the Agency with a corporate resolution, expressly authorizing the execution of this Agreement, satisfactory to the Agency and its legal counsel.
- (C) Artspace shall deliver to the Agency an opinion by Artspace's California legal counsel, satisfactory to the Agency and its legal counsel, that Artspace is a duly formed, validly existing non-profit corporation in good standing under the laws of the State of California, has the power and authority to enter into this Agreement, and shall be bound by the terms of this Agreement when executed and delivered, and that addresses such other matters as the Agency reasonably requests.
- (D) Artspace shall deliver to the Agency a marketing plan for sale or rental of the units satisfactory to the

Agency.

3.3 The Agency's obligation to disburse all or any portion of the remaining Two Hundred Fifty Five Thousand Dollars (\$255,000) of the Grant Amount under this Agreement is expressly subject to the following conditions precedent:

- (A) Artspace shall deliver to the Agency a preliminary title report for the Site (the "Preliminary Report"), dated no earlier than thirty (30) days prior to the Agreement Date.
- (B) Artspace shall deliver to the Agency certificates of insurance for the policies described in Article 14.
- (C) Artspace shall provide the Agency with evidence reasonably satisfactory to the Agency that Artspace has obtained any additional financing required by the Agency for acquisition and operation costs associated with the Project.
- (D) The Agency shall record this Agreement and the Use Restriction attached as Exhibit K in the official records of San Francisco County, California, subject only to those exceptions on the Preliminary Report which have been approved by the Agency. The Agency shall notify Artspace of any unacceptable exceptions in the Preliminary Report. Prior to recordation of this Agreement, Artspace shall comply with any reasonable requests by the Agency to remove or subordinate any unacceptable title exceptions.

3.4 The Agency may elect to disburse all or a portion of the Grant Amount directly to Artspace from its own account or

through a depository account established with a financial institution acceptable to both the Agency and Artspace and to which the Agency and Artspace shall be joint signatories, except as provided below (the "Depository Account"). In the event the Agency utilizes a Depository Account, interest earned on funds in that account shall remain in such account and shall be disbursed and applied in the same manner as the Grant Amount. In the event of an uncured default under this Agreement, following the applicable notice and cure periods, the Agency, to the extent permitted by the depository institution, shall have the exclusive right to withdraw funds from the Depository Account.

3.5 The following conditions shall apply to the disbursement of any portion of the Grant Amount, whether directly from the Agency or from the Depository Account:

- (A) At least fifteen (15) days prior to a desired disbursement date, Artspace shall submit to the Agency a written disbursement request which states the purpose of the disbursement and to which Artspace shall attach copies of any documents supporting the request, including receipts, invoices, bids, contracts, schedules, or deeds.
- (B) The Agency shall approve disbursement requests only for the purposes described in Section 2.2 and in accordance with the Table.
- (C) With respect to disbursements for costs not yet incurred by Artspace, at the Agency's request, Artspace shall provide evidence satisfactory to the Agency that the funds disbursed were actually used for the purposes

stated in the disbursement request.

- (D) The Agency shall have no obligation to approve disbursements at any time during which Artspace is in default under this Agreement or to approve disbursements for disapproved or improperly documented expenses. The Agency is not obligated to approve disbursement of the entire Grant Amount unless it receives approved disbursement requests for the entire Grant Amount. The Agency shall not be liable for any delay in disbursement or consequential damages ensuing from delays in approving or disbursing funds or for denials or refusals to disburse funds.
- (E) Artspace agrees to maintain records that accurately and fully show the date, amount, purpose and payee of all expenditures drawn from the Grant Amount and to keep all estimates, invoices, receipts and other documents related to expenditures from the Grant Amount.

3.6 Artspace shall name the Agency as an additional insured on all policies of insurance required under the terms of other financing obtained by Artspace in connection with the Project.

3.7 Artspace shall not cause or permit any voluntary transfer, assignment or encumbrance of any portion of its interest in the Project or the Site, or lease or permit a sublease on all or any part of the Project, other than sales of the Affordable Ownership Units and Market Rate Units and leases of Affordable Rental Units to Qualifying Tenants, all in accordance with this Agreement, without first obtaining the Agency's written consent, which shall not be unreasonably

withheld. All requests for the Agency's consent to a voluntary transfer, assignment, encumbrance, lease or sublease shall be made in writing. Any transfer, assignment, encumbrance, lease or sublease without the Agency's written consent, other than as provided in this Section, shall be voidable and, at the Agency's election, shall constitute a default under this Agreement. No consent to any assignment, encumbrance, lease or sublease shall constitute a consent to any subsequent assignment, encumbrance or lease, or a waiver of any of the Agency's rights under this Agreement.

ARTICLE 4

Partial Reconveyances: Secondary Financing

4.1 The parties acknowledge that this Agreement shall initially be recorded as a lien against the entire Project, and that such lien shall be partially reconveyed as to an Affordable Ownership Unit or Market Rate Unit, together with an undivided interest in the Common Areas, upon the sale of such unit. Notwithstanding such reconveyance, the parties acknowledge that the documents described in Section 4.2 are designed to ensure that subsequent sales of the Affordable Ownership Units and the Market Rate Units are made in accordance with this Agreement.

4.2 Upon the close of a sale of any Affordable Ownership Unit or any Market Rate Unit, together with an undivided interest in the Common Areas, the lien of this Agreement shall be reconveyed, provided that the following conditions are satisfied at or before the close of any such sale:

(A) Artspace shall have delivered to the City all

documents and approvals required by applicable law to permit sales of individual units.

(B) Artspace shall have delivered to the City the following documents, duly executed by the proposed purchaser of the Affordable Ownership Unit or Market Rate Unit:

(1) Documents necessary to confirm that the proposed buyer is a Qualifying Buyer or a Market Rate Buyer, as applicable.

(2) An agreement for sale of the Affordable Ownership Unit or Market Rate Unit executed by the Qualifying Buyer or Market Rate Buyer, respectively, and Artspace.

(C) As to an Affordable Ownership Unit, Artspace shall have delivered to the City the following additional documents, duly executed by the proposed purchaser of the Affordable Ownership Unit:

(1) A promissory note (the "Agency Note") executed by the proposed buyer to the Agency in a principal amount equal to the Fair Market Value of the unit less the restricted sales price of the unit, as determined in accordance with Section 6.2 of this Agreement. The principal amount shall be determined as of the date of sale, and shall accrue interest at a rate of six percent (6%) simple interest per annum from the date of sale. The Agency Note shall provide that (i) upon any sale of the subject unit in accordance with this Agreement, the Agency shall forgive the maker's obligations under the Agency Note; and (ii) upon any sale of the subject unit in violation of this

Agreement, the maker's obligations under the Agency Note shall be immediately due and payable. The Agency Note shall be substantially in the form of Exhibit D.

(2) A deed of trust (the "Agency Deed"), securing the proposed buyer's obligations under the Agency Note. The Agency Deed shall provide that (i) upon any sale of the subject unit in accordance with this Agreement, the Agency shall reconvey the lien of the Agency Deed; and (ii) upon any sale of the subject unit in violation of this Agreement, the Agency shall be entitled to enforce all its rights under the Agency Deed for collection of amounts due under the Agency Note. The Agency Deed shall be substantially in the form of Exhibit E.

(3) A grant of right of first refusal (the "Agency Right of First Refusal" granting to the City and/or the Agency the right of first refusal to purchase or cause a purchase of the Affordable Ownership Unit in accordance with this Agreement. The Agency Right of First Refusal shall be substantially in the form of Exhibit F.

(D) No uncured default shall have occurred and be continuing as of the proposed date of sale, and no event shall have occurred that, with notice or the passage of time, could become an uncured default.

4.3 Following satisfaction of the conditions described in Section 4.2, the close of an initial or subsequent sale of an Affordable Ownership Unit shall comply with the following requirements:

(A) The proposed buyer shall deliver the Agency Note

to the Agency;

(B) The Agency Right of First Refusal, Agency Deed, and Use Restriction shall be recorded against the unit, subject only to those exceptions to title approved by the Agency; and

(C) All escrow, title and other closing costs in connection with such sale shall be paid at no expense to the Agency.

4.4 Following satisfaction of the conditions described in Section 4.2, the close of an initial or subsequent sale of a Market Rate Unit shall comply with the following requirements:

(A) The Use Restriction shall be recorded against the unit, subject only to those title exceptions approved by the Agency; and

(B) All escrow, title, and other closing costs in connection with such sale shall be paid at no expense to the Agency.

4.5 The Agency shall have no obligation to reconvey the lien of this Agreement as to any Affordable Ownership Unit or Market Rate Unit, or to deposit any notice or instrument in escrow for such reconveyance, unless Artspace has fully performed all of its obligations under this Agreement as of that date.

4.6 The acceptance of any payment or issuance of any partial reconveyance by the Agency shall not affect Artspace's obligations under this Agreement or the remaining real property security for this Agreement. If the Agency does not require the satisfaction of all conditions set forth herein before any reconveyance, that action alone shall not be a waiver of such conditions, and Agency reserves the right to require their

satisfaction in full before releasing any further Affordable Ownership Units or Market Rate Units from the lien of the Agreement.

4.7 The City agrees that it may, at its option, provide to a Qualifying Buyer of an Affordable Ownership Unit secondary financing to assist such buyers with the purchase of the unit. Such financing shall be in a principal amount determined by the City prior to the close of any purchase, shall not accrue any interest, and shall be payable upon any transfer of the Affordable Ownership Unit, or as otherwise determined by the City. The financing will be evidenced by documents reasonably required by the City, including but not limited to a promissory note and deed of trust. As a condition to the close of any such sale, the deed of trust shall be recorded as a lien on the Affordable Ownership Unit, subject to the lien of the Agency Deed and any other liens or encumbrances consented to by the City.

ARTICLE 5

Operation of the Project

5.1 Artspace shall at all times maintain or caused to be maintained in full force and effect all state and local licenses required to operate the Project.

5.2 Artspace understands and agrees that it will be monitored by the Agency from time to time to assure compliance with all terms and conditions in this Agreement, and all applicable local, state and federal laws, regulations and promulgated policies. Artspace agrees to use its best efforts to cooperate with said monitoring, and to ensure full access to

necessary information.

ARTICLE 6

Affordability Restrictions

6.1 Artspace covenants that affordability restrictions of this Article will remain in full force and effect for the Term of this Agreement.

6.2 The Affordable Ownership Units shall be sold to Qualifying Buyers, whether upon initial or any subsequent sale. The initial sales prices for the Affordable Ownership Units shall not exceed the amounts indicated in Exhibit G.

6.3 Sales prices for subsequent sales of Affordable Ownership Units shall not exceed the sum of (i) the purchase price of such unit multiplied by the percentage change in the housing component of the Consumer Price Index for the San Francisco Standard Metropolitan Statistical Area, (ii) the actual, verifiable cost of approved capital improvements made to such unit by the current owner, and (iii) any sales commission payable to a licensed real estate broker in connection with such sale.

6.4 The Affordable Rental Units shall be rented to Qualifying Tenants, whether upon initial or any subsequent rental. Initial rental rates for such units, including an allowance for utilities in an amount established by the San Francisco Housing Authority, shall not exceed the amounts indicated in Exhibit H. Subsequent rental rates, including such utility allowance, shall not exceed thirty percent (30%) of fifty percent (50%) of Area Median Income at the time of such rental.

6.5 The Market Rate Units shall be sold to Market Rate Buyers, whether upon initial or any subsequent sale.

6.6 As a condition to occupancy, each person who is intended to be a resident in either the Affordable Ownership Units or the Affordable Rental Units shall be required to sign and deliver to Artspace an income certification (the "Certification") in which the prospective resident certifies that he/she or his/her household is a Qualifying Buyer or Qualifying Tenant, as appropriate. The form of Certification is attached hereto as Exhibit I. In addition, such person shall be required to provide whatever other information, documents or certifications are deemed necessary by the Agency to substantiate the Certification.

6.7 Each Certification shall be maintained on file by Artspace with respect to each Qualifying Buyer and Qualifying Tenant who resides in an Affordable Ownership Unit or Affordable Rental Unit or resided therein during the immediately preceding calendar year, and Artspace shall promptly file copies thereof with the Agency upon request.

6.8 The form of purchase agreement to be utilized by Artspace in selling any Affordable Ownership Units shall provide that any sale to an individual or individuals who fails to qualify as Qualifying Buyer as a result of any material misrepresentation made by such person with respect to the Certification is voidable at the Agency's discretion.

6.9 After the Project is completed and available for occupancy, Artspace shall submit to the City a quarterly report (the "Monitoring Report") executed by Artspace, attesting to the

number of Affordable Ownership Units sold to Qualifying Buyers and Affordable Rental Units rented to Qualifying Tenants during the preceding three month period, an income and expense statement for the Project covering the reporting period; and a statement of balances, deposits, and withdrawals from the accounts described in this Agreement. After the Affordable Ownership Units are fully sold, Artspace shall file a final Monitoring Report with the City with respect to those units. After the Affordable Rental Units have been fully rented, Artspace shall file an annual report with the City with respect to those units.

ARTICLE 7

Maintenance and Management of the Affordable Ownership Units, Market Rate Units and Common Areas

7.1 Prior to the sale of any Affordable Ownership Unit or Market Rate Unit, Artspace will cause to be formed a homeowners association (incorporated non-profit mutual benefit corporation) which shall assume responsibility for maintenance, repair and management of the Affordable Ownership Units, Market Rate Units and Common Areas in accordance with recorded covenants, conditions and restrictions approved by the Agency and the California Department of Real Estate.

ARTICLE 8

Maintenance and Management of the Affordable Rental Units and Performance Area

8.1 Subject to the rights contained in Section 8.2,

Artspace shall retain at all times full responsibility for the management and operation of the Affordable Rental Units and the Performance Areas.

8.2 Artspace may enter into a contract with a management agent for the performance of the services or duties required in Section 8.1. However, such an arrangement shall not relieve Artspace of primary responsibility for performance of those duties. Such management contract shall contain a provision allowing Artspace to terminate the contract without penalty upon no more than thirty (30) days' notice. Upon a determination by the Agency, and notice to Artspace thereof, that the contractor performing the functions required in Section 8.1 has failed to operate and manage the Project in accordance with this Agreement, Artspace, acting through the Board of Directors, shall immediately exercise such right of termination and shall make immediate arrangements, which shall be subject to Agency approval, for continuing performance of the functions required in Section 8.1. Upon determination by the Agency, and notice to Artspace thereof, that Artspace has failed to manage and operate the Affordable Rental Units or Performance Areas in accordance with this Agreement, the Agency may require Artspace to contract with a management agent to perform such functions, or to make such other arrangements as the Agency deems necessary to ensure performance of those functions.

8.3 Artspace agrees that at all time it shall perform its obligations for maintenance, repair and management in a safe and sanitary manner in accordance with local health, building, and housing codes.

8.4 Artspace agrees to make, and to cause the homeowners association to make, all reasonable efforts to keep the Project in good repair and available for occupancy.

8.5 The Performance Area shall be used at all times for providing performance facilities for nonprofit performing arts organizations. The Performance Area shall be used in accordance with the following:

(A) By August 1, 1995, Artspace shall form or cause to be formed an advisory committee to determine appropriate uses of the Performance Area. Advisory committee members shall be individuals not affiliated with Artspace and who have an interest in Arts Activities. By December 31, 1995, the advisory committee shall submit to the City for approval a proposal for the build-out and use of the Performance Area.

(B) By January 1, 1997, the Performance Area shall be operated as approved in the proposal.

(C) In the event of noncompliance with this Section 8.5, Artspace agrees that the City or the Agency may immediately contract with another non-profit entity to manage and operate the Performance Space.

ARTICLE 9

Security Deposits

9.1 Security deposits for the Affordable Rental Units shall be required of residents only in accordance with law and this Agreement.

9.2 Any security deposits collected by Artspace or Artspace's agent shall be segregated from all other funds of the

Project in a trust account with a depository insured by the Federal Deposit Insurance Corporation (F.D.I.C.), or other comparable federal deposit insurance program, and shall be held and disbursed in accordance with California Law. The balance of such account shall at all times equal or exceed the aggregate of all outstanding obligations under said account, plus accrued interest thereon.

ARTICLE 10

Required Reserves with Respect to Affordable Ownership Units, Market Rate Units and Common Areas

10.1 Artspace shall cause the homeowners association to establish a segregated interest-bearing replacement reserve account and a segregated interest-bearing contingency reserve account, each with respect to the Affordable Ownership Units, the Market Rate Units and the Common Areas, and each in the manner required by the State of California Department of Real Estate.

ARTICLE 11

Use of Income from Operations of Affordable Rental Units and Performance Area

11.1 Artspace, or Artspace's management agent, shall promptly deposit all Project Income in a segregated account established exclusively for the Project with an F.D.I.C. or other comparable federally-insured financial institution (the "Operating Income Account").

11.2 Withdrawals from the Operating Income Account shall be made only in accordance with the provisions of this Agreement and

the approved Table, and shall be disbursed, applied, or reserved and set aside for payment when due, in the following priority, to the extent available of the following sums: (1) all charges incurred in the operation of the Affordable Rental Units and the Performance Area, including debt service on loans secured by liens on the Site which are prior to the lien of this Agreement and the proceeds of which are used to finance those portions of the Project, utilities, real estate taxes and assessments, and liability, fire and other hazard insurance; (2) salaries, wages, and any other compensation due and payable to the employees or agents of Artspace employed in connection with the maintenance, administration or operation of those portions of the Project, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees; (3) payments of required interest and principal, if any, on any financing secured by any portion of the Project; (4) all other expenses incurred to cover operating costs, including the fee of any managing agent and any extraordinary expenses, in accordance with the Table or as otherwise approved in advance by the City; (4) any extraordinary expenses, in accordance with the Table or as otherwise approved in writing in advance by the Agency; ; and (5) required deposits to Replacement Reserve Account and Operating Reserve Account, as defined in Article 13. Withdrawals from the Operating Reserve Account for other purposes may be made only with the express written approval of the City.

ARTICLE 12

Required Reserves with Respect to
Affordable Rental Units and Performance Area

12.1 Commencing no later than the end of the second month following the commencement of operation of the Project, or such other date as the City shall designate in writing, Artspace shall establish a segregated interest-bearing replacement reserve account (the "Replacement Reserve Account") in an F.D.I.C. or other comparable federally-insured financial institution. Artspace shall make monthly deposits from Project Income to the Replacement Reserve Account in amounts as specified in the Table. the City may review the adequacy of these monthly deposits on an annual basis, and require adjustments as it deems necessary. Withdrawals from the Replacement Reserve Account shall be made only for capital improvements such as replacing or repairing structural elements, furniture, fixtures or equipment of the Affordable Rental Units and/or Performance Area which are reasonably required to preserve those portions of the Project. The initial Annual Replacement Reserve shall be established at Three Thousand Nine Hundred dollars (\$3,900) and replenished at an annual amount equal to Sixteen percent (16%) of annual Project Income. The City reserves the right to require additional deposits into the Replacement Reserve Account.

12.2 Commencing no later than the end of the second month following the commencement of operation of the Project, or such other date as the City shall designate in writing, Artspace shall establish an operating reserve account (the "Operating Reserve Account") in an F.D.I.C. or other comparable federally-insured financial institution or subaccount within the Operating Income

Account. Artspace may transfer funds from the Operating Reserve Account only to alleviate cash shortages resulting from unanticipated and unusually high maintenance expenses, seasonal fluctuations in utility costs, abnormally high vacancies, and other expenses that vary seasonally or from month to month. Artspace shall not withdraw or transfer funds from the Operating Reserve Account for any other purpose without the prior written approval of the City. Artspace shall make monthly deposits from Project Income to the Operating Reserve Account in amounts as specified in the Table. The initial annual operating reserve shall be established at Two Thousand dollars (\$2,000) and replenished at an annual amount equal to five percent (5%) of annual Project Income. Once the balance of the Operating Reserve Account reaches a level equal to three months of all operating costs for the Affordable Rental Units and the Performance Area, including debt service on all loans related to those portions of the Project, Artspace may discontinue regular deposits into the Operating Reserve Account. Artspace must continue to make periodic deposits into the Operating Reserve Account to maintain this minimum balance. The City reserves the right to require additional deposits into the Operating Reserve Account.

ARTICLE 13

Insurance, Fidelity Bond and Indemnity

13.1 Insurance Requirements for Artspace

- (A) Artspace shall procure and maintain, or cause to be procured or maintained, for the duration of the contract insurance against claims for personal injury

or property damage which may arise from or in connection with the performance of the work from the date of this Agreement hereunder by Artspace, its agents, representatives, employees or subcontractors.

(B) Minimum Scope of Insurance

Coverage shall be at least as broad as:

- (1) Insurance Services Office Commercial General Liability Coverage ("occurrence" form CG 0001.11.88).
- (2) Insurance Services Office form number CA 0001.06.92 covering Automobile Liability, code 1 (any auto).
- (3) Workers' Compensation insurance as required by the Labor Code of the State of California and Employers Liability insurance.
- (4) Property insurance against all risks of direct physical loss to the Project during the course of construction and following completion of construction.

(C) Minimum Limits of Insurance

The amounts of insurance coverage shall not be less than:

- (1) General Liability: One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this Project/Site or the general aggregate limit shall be twice the required occurrence limit.

- (2) Comprehensive automobile liability insurance: One Million Dollars (\$1,000,000) combined single limit for bodily injury and property damage.
- (3) Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the Labor Code of the State of California and Employers Liability limits of not less than One Million Dollars (\$1,000,000) per accident.
- (4) Property insurance:
 - (a) During the course of construction, Full Completed Value of the Project, with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss; and
 - (b) Following completion of construction, Full Replacement Value of the Project with no coinsurance penalty provision, with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss.

(D) Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the Agency. At the option of the Agency, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Agency, the City and their respective officers, agents, employees and Commissioners; or Artspace shall procure a bond guaranteeing payment of losses and related investigation, claim administration and defense expenses.

(E) Other Insurance Provisions

The policies are to contain, or be endorsed to contain,

the following provisions:

(1) General Liability and Automobile Liability
Coverages

- (a) The Agency, the City and their respective officers, agents, employees and Commissioners are to be covered as insured as respects: liability arising out of activities performed by or on behalf of Artspace; products and completed operations of Artspace, premises owned, occupied or used by Artspace; or automobiles owned, leased, hired or borrowed by Artspace. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, the City or their respective officers, agents, employees or Commissioners.
- (b) Artspace's insurance coverage shall be primary insurance as respects the Agency, the City and their respective officers, agents, employees and Commissioners. Any insurance or self-insurance maintained by the Agency, the City or their respective officers, agents, employees or Commissioners shall be excess of Artspace's insurance and shall not contribute with it.
- (c) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Agency, the City and their respective officers, agents, employees or Commissioners.

(d) Artspace's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(2) Workers' Compensation and Employers Liability Coverage: The insurer shall agree to waive all rights of subrogation against the Agency, the City and their respective officers, agents, employees and Commissioners for losses arising from work performed by Artspace for the Agency.

(3) All Coverages: Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to Agency.

(F) Acceptability of Insurers

Insurance is to be placed with insurers with a Best's rating of no less than A:VII.

(G) Verification of Coverage

Artspace shall furnish the Agency with certificates of insurance prior to disbursement of funds and with original endorsements effecting coverage required by this clause. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be received and approved by the Agency before work commences. The Agency reserves the right to require

complete, certified copies of all required insurance policies, at any time.

(H) Subcontractors

Artspace shall include all subcontractors as insured under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

13.2 Fidelity Bond. Artspace shall obtain a blanket fidelity bond from a bonding company acceptable to the Agency covering all officers and employees of Artspace for loss of grant funds caused by dishonesty in an amount not less than \$75,000, and naming the Agency as loss payee.

13.3 Indemnity. Artspace shall indemnify and hold the Agency, the City and their respective officers, agents, employees and Commissioners harmless from and against all claims, liability, costs, expenses, loss or damages of any nature whatsoever, including reasonable attorney's fees, arising out of or in any way connected with this Agreement or the Project. Artspace specifically acknowledges and agrees that it has an immediate and independent obligation to defend the Agency and the City from any claim which actually or potentially fall within this indemnity provision even if such allegation is groundless, fraudulent or false, and at all time before the determination of the validity of any such claim.

ARTICLE 14

Governmental Approvals

Artspace covenants that it has obtained or will obtain all federal, state and local governmental approvals and reviews

required by law to be obtained for management, operation and maintenance of the Project and any related activities.

ARTICLE 15

Records and Documents

15.1 Artspace shall maintain books, records, and other documents relating to the receipt and disbursement of all funds obtained pursuant to this Agreement.

15.2 Upon completion any future construction related to the Project, Artspace shall provide to the Agency the following documents:

- (A) A report on use of minority and women enterprises including race/ethnicity or gender, the type of work and the dollar value of such work;
- (B) A report on the sale of the Affordable Ownership Units and Market Rate Units and rental of the Affordable Rental Units including sale and rental by race, ethnicity, and single-headed household by gender, also indicating the residents by income category; and
- (C) A report demonstrating compliance with all Agency requirements regarding resident displacement and relocation or certification that no such events were reasonably required by the Project.

15.3 Artspace shall maintain or cause to be maintained all records of income, expenses, assets and liabilities with respect to the Project. Such records shall be maintained in accordance with generally accepted accounting principles.

15.4 Within ninety (90) days after the end of each calendar year, Artspace shall deliver to the Agency an annual financial statement in form and substance satisfactory to the Agency,

including without limitation gross income, a detailed rent schedule, operating net annual cash flow, and net proceeds (if applicable) related to the Affordable Rental Units and Performance Area.

15.5 At the request of the Agency, its agents, employees, officers or attorneys, Artspace shall promptly provide information desired from time to time relative to the income, expenses, assets, liabilities, contracts, operations and condition of the Project.

15.6 At the request of the Agency, made through its agents, employees, officers or attorneys, Artspace shall provide the Agency a photocopy of each of the following documents, which photocopies must be certified in writing by the chief executive officer of Artspace to be complete and accurate:

- (A) Copies of any tax returns filed with the United States Internal Revenue Service, the California Franchise Tax Board, or the California State Board of Equalization on behalf of Artspace.
- (B) Copies of all certified financial statements of Artspace, or any affiliate or subsidiary, for the past two years. The accuracy of the financial statements shall be certified by an auditor satisfactory to the Agency.

ARTICLE 16

Access to Project and Records

Artspace agrees that duly authorized representatives of the Agency, shall, at all reasonable times, have access to the Project and access to and the right to inspect, copy, audit, and examine all such books, records, and other documents related to

the Project until two years after the expiration of the Term of this Agreement.

ARTICLE 17

Conflict of Interest

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

17.2 State and Local Requirements. Artspace represents that it is familiar with the provisions of Sections 1090 through 1097

and 87100 through 87103.5 of the California Government Code, all of which relate to prohibited conflicts of interest in connection with government contracts. Artspace certifies that it knows of no facts that constitute a violation of said sections, or any of them, and agrees to notify immediately the Agency if Artspace shall at any time obtain knowledge of facts constituting such a violation.

ARTICLE 18

Hazardous Materials

18.1 Artspace represents and warrants, to the best of Artspace's knowledge, that hazardous materials have not been, are not being, and will not be stored or used on or under the Site or any improvements, and that the Site and any improvements thereon are in compliance with all environmental laws, ordinances and regulations. Artspace shall be solely responsible for and shall indemnify and hold the Agency, the City and their respective Commissioners, officers, agents and employees harmless from and against any loss, cost, expense or liability in connection with hazardous materials. Artspace specifically acknowledges and agrees that it has an immediate and independent obligation to defend the Agency and the City from any claim which actually or potentially fall within this indemnity provision even if such allegation is groundless, fraudulent or false, and at all time before the determination of the validity of any such claim.

ARTICLE 19

Affirmative Action

20.1 Artspace agrees to comply with the Agency's affirmative Action requirements. as applicable. A copy of these requirements

is attached as Exhibit J and incorporated by reference.

ARTICLE 20

Default

20.1 A default shall consist of any breach of any covenant, agreement, provision or warranty contained in this Agreement, including but not limited to:

- (A) An event of default in any agreement executed by Artspace in relation to the Project, including, but not limited to, any financing or regulatory agreement related to the Project, but only following the expiration of any applicable notice and cure periods with respect to such default.
- (B) Failure to achieve occupancy of at least five Affordable Ownership Units by August 31, 1995.
- (C) Failure to achieve occupancy of at least five Affordable Rental Units by August 31, 1995.
- (D) Failure to comply with the affordability and other use requirements set forth herein.
- (E) The use of proceeds realized by operation, conveyance, sale, transfer, syndication, encumbrance, or hypothecation of the Project, or any part thereof, or of the proceeds of the grant, in a manner not permitted by this Agreement.
- (F) In the event that the Project is partially or entirely destroyed and insurance proceeds under this Agreement have been collected, failure of Artspace or other recipients to use proceeds to rebuild the Project as low and moderate income housing in accordance with the requirements of this Agreement within two years after

receipt of such insurance proceeds.

- (G) Failure to maintain the Site and the Project and all equipment related thereto in good repair and condition.
- (H) Failure to operate and maintain the Project in accordance with all applicable laws, rules and regulations.
- (I) The bankruptcy, reorganization, dissolution or liquidation of Artspace.
- (J) The sale, partial sale, refinancing, exchange, transfer, sale under foreclosure, or other disposition of all or any portion of the Site or the Project without the Agency's prior written approval.
- (K) Any representation or warranty made by Artspace in this Agreement proves to have been incorrect in any material respect when made.
- (L) In the event any material adverse change occurs in the financial condition of Artspace, or any event occurs that has a material adverse impact on the Project.

20.2 In the event of any default, the City or the Agency shall provide the defaulting party written notice of said occurrence, and the defaulting party shall have thirty (30) days from the date of such notice to cure the default, or if such default cannot be reasonably cured within thirty (30) days, the defaulting party shall commence to cure within thirty (30) days and thereafter shall diligently complete such cure. However, if said default results from the non-compliance by Artspace with the affordability restrictions set forth in Article 6 of this Agreement, Artspace shall have forty-five (45) days to cure the default, or, if such default cannot reasonably be cured within forty-five (45) days, Artspace shall commence to cure within

forty-five (45) days and Artspace shall thereafter diligently complete such cure.

20.3 It is agreed by Artspace that the injury to the Agency arising from a default under any of the terms of this Agreement would be irreparable and that the amount of compensation which would provide adequate relief to the Agency, in light of its purpose to increase and maintain the housing stock for low and moderate-income persons, would be impossible to ascertain.

20.4 If, after the time provided in Section 20.2, Artspace has not cured the default, the Agency may exercise any one or more of the following Remedies ("Remedies") as it may determine:

- (A) Apply to any court, state or federal, for specific performance of this Agreement or an injunction against any violation of this Agreement, or for the appointment of a receiver to take over and operate the Project in accordance with the terms of this Agreement, or any other remedies at law or in equity or any such other actions as shall be necessary or desirable so as to correct non-compliance with this Agreement.
- (B) Collect all rents and income in connection with the operation of the Affordable Rental Units and Performance Area and use the same and the reserve funds for the operation and maintenance of the Project.
- (C) Take possession of the Affordable Rental Units and Performance Area and bring any action necessary to enforce any rights of Artspace growing out of the operation of the Project, and operate the Affordable Rental Units and Performance Area in accordance with the terms of this Agreement until such time as the Agency, in its sole discretion, determines that

Artspace is again in a position to operate the Affordable Rental Units and Performance Area in accordance with the terms of this Agreement.

- (D) Demand repayment of the amount disbursed by the Agency to Artspace under this Agreement, up to the Grant Amount.
- (E) Any other remedies as may be available at law or equity.

All costs, expenses, charges and advances of the Agency in exercising any such Remedies (including any such amounts that cause the obligations of Artspace pursuant to the Grant Agreement to exceed the Grant Amount) shall be immediately payable by Artspace to the Agency at the request of the Agency.

20.5 The remedies of the Agency hereunder are cumulative, and the exercise of one or more of such remedies shall not preclude the exercise by the Agency of any one or more of its other remedies.

ARTICLE 21

Assignment of Agency's Rights

The Agency retains the right at its sole discretion to assign all or part of its rights under this Agreement, provided that the Assignee agrees to assume all of the Agency's obligations hereunder. In addition, the Agency may designate an agent to act on its behalf in monitoring compliance and enforcing the provisions hereof.

ARTICLE 22

General Provisions

22.1 Nothing contained in this Agreement, nor any act of the

Agency, shall be interpreted or construed as creating the relationship of third party beneficiary, limited or general partnership, joint venture, employer or employee, or principal and agent between Agency, Artspace, Developer or their respective agents, employees or contractors. Artspace shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which it or its agents, or both, performs the services required of it by the terms of this Agreement for the development of the Project. Artspace has and hereby retains full responsibility for the employment, direction, compensation and discharge of all persons assisting in the performance of services hereunder. In regard to the development of the Project, Artspace acknowledges and agrees to be solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding and all other laws and regulations governing such matters, and shall include requirements in each contract that contractors shall be solely responsible for similar matters relating to their employees. Artspace agrees to be solely responsible for its own acts and those of its agents and employees.

22.2 Nothing contained in this Agreement shall create or justify any claim against the Agency by any person Artspace or Developer may have employed or with whom Artspace or Developer may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the development of the Project. Artspace shall include similar requirements in any contracts entered into for the development of the Project.

22.3 This Agreement and the Exhibits to it incorporate the terms of all agreements made by the Agency and Artspace with

regard to the subject matter of this Agreement. No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto. No oral understandings or agreements not incorporated herein shall be binding on the Agency or Artspace.

22.4 The Agency's sole obligation under this Agreement is limited to the providing of funds as described in Paragraph 2.1 of this Agreement, up to the Grant Amount. Under no circumstances, including breach of this Agreement, shall the Agency be liable to Artspace for any special or consequential damages arising out of actions or failure to act by the Agency in connection with this Agreement.

22.5 Artspace shall take all responsibility for its work, and shall bear responsibility for all losses and damages to any individual or entity related to the project resulting from any act, error or omission of Artspace in the performance of this Agreement.

22.6 Artspace warrants that it has not and will not execute any other agreement(s) with provisions contradictory or in opposition to the provisions hereof, and that, in any event, this Agreement is paramount and controlling as to the rights and obligations set forth herein and supersedes any other agreements in conflict therewith.

22.7 Section 22.6 notwithstanding, any provision in this Agreement in conflict with any federal, state or local law or regulation shall be interpreted subject to said law or regulation.

22.8 Artspace shall not, in the operation or use of the Project, discriminate against any person or group of persons because of race, color, creed, national origin, ancestry, age,

sex, sexual orientation, disability or acquired immune deficiency syndrome (AIDS), AIDS related condition (ARC), or gender identity.

ARTICLE 23

Notices

All notices, consents, communications or transmittals required by this Agreement shall be made in writing, and shall be deemed communicated by personal delivery or by United States mail, postage prepaid, of the earlier of actual receipt or seven days from mailing, addressed as follows:

To Agency: Executive Director
 San Francisco Redevelopment Agency
 770 Golden Gate Avenue
 San Francisco, CA 94102

To City: Director, Mayor's Office of Housing
 10 United Nations Plaza, 6th Floor
 San Francisco, California 94102

To Artspace: Executive Director
 Art Space Development Corporation
 513 Valencia Street, Room 10
 San Francisco, CA 94110

or such other address as either party may designate, from time to time, by written notice sent to the other party in like manner.

ARTICLE 24

Miscellaneous Provisions

24.1 Applicable Law. This Agreement shall be governed by California law.

24.2 Parties Bound. Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to

the benefit of the undersigned parties and their heirs, executors, administrators, legal representatives, successors and assigns.

24.3 Attorneys' Fees. If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing party shall have the right to recover its reasonable attorneys' fees and costs of suit from the other party.

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

24.5 Time. Time is of the essence in this Agreement. Artspace agrees to pursue the purpose of this Agreement in an effective and continuous manner and agree to use best efforts to achieve the purpose of this Agreement pursuant to the provisions of this Agreement.

24.6 Covenants. The provisions of this Agreement shall constitute covenants which shall run with the land and be binding upon Artspace and Artspace's successors and assigns, and all parties having or acquiring any right, title, interest in whatever form, including, but not limited to, leasehold interests, in or to any part of the Site, except that the same shall terminate and become void automatically at the expiration of the Term of this Agreement. Any attempt to transfer title or any interest therein in violation of these covenants shall be void.

24.7 Consent of Parties. Except as expressly provided otherwise, whenever consent or approval of either party is required, that party shall not unreasonably withhold such consent or approval.

24.8 Exhibits. All Exhibits referred to in this Agreement

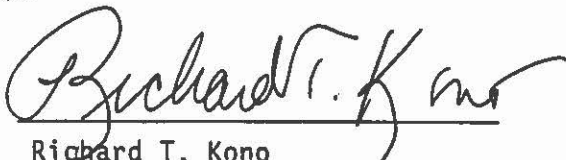
are attached hereto and incorporated herein by reference.

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

AGENCY:

SAN FRANCISCO REDEVELOPMENT
AGENCY

By:



Richard T. Kono
Sr. Deputy Executive Director

RECOMMENDED BY:

CITY:

MAYOR'S OFFICE OF HOUSING

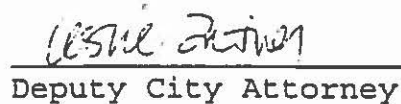
By:


TED DIENSVREY
Director

APPROVED AS TO FORM:

LOUISE H. RENNE
City Attorney

By:


Deputy City Attorney

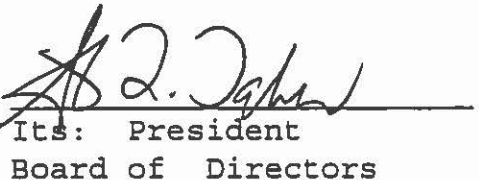
Artspace:

ART SPACE DEVELOPMENT
CORPORATION, a California
nonprofit corporation

By:


Its: Executive Director

By:


Its: President
Board of Directors

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 5907

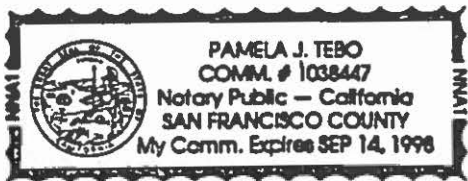
State of California

County of San Francisco

On 10 May 1995 before me, Pamela J. Tebo, Notary Public,
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared *****Richard T. Kono*****,
NAME(S) OF 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 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.

Pamela J Tebo
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- ☐ INDIVIDUAL
☐ CORPORATE OFFICER

TITLE(S)

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

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

DESCRIPTION OF ATTACHED DOCUMENT

18th & Arkansas Streets - SFRA
Regulatory and Grant Agreement

(Duplicate) TITLE OR TYPE OF DOCUMENT

41 plus Exhibits

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER(S) OTHER THAN NAMED ABOVE

are attached hereto and incorporated herein by reference.

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

AGENCY:

SAN FRANCISCO REDEVELOPMENT
AGENCY

By: _____
RICHARD T. KONO
Deputy Executive Director

RECOMMENDED BY:

CITY:

MAYOR'S OFFICE OF HOUSING

By: _____
TED DIENSTFREY
Director

APPROVED AS TO FORM:

LOUISE H. RENNE
City Attorney

By: _____
Deputy City Attorney

Artspace:

ART SPACE DEVELOPMENT
CORPORATION, a California
nonprofit corporation

By: Mark P. Singer
Its: Executive Director

By: As 2. Jaber
Its: President
Board of Directors

STATE OF CALIFORNIA)

County of San Francisco) ss

On this 10th day of August, 1995, before me, the undersigned Notary Public, personally appeared Martha P. Longue

[] 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 entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Nina Zentner
Notary Public



STATE OF CALIFORNIA)

County of San Francisco) ss

On this 10th day of August, 1995, before me, the undersigned Notary Public, personally appeared Stephen L. Tabor

[☒] 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 entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Nina Zentner
Notary Public



Exhibits

- A. Site Description
- B. San Francisco Planning Code Section 102.2
- C. Table of Sources and Uses of Funds and Financial Proforma
- D. Form of Agency Note
- E. Form of Agency Deed
- F. Form of Agency Right of First Refusal
- G. Initial Sales Prices for Affordable Ownership Units
- H. Initial Rental Rates for Affordable Rental Units
- I. Form of Income Certification
- J. Agency Affirmative Action Requirements
- K. Use Restriction

EXHIBIT A
Legal Description of the Land

CITY OF SAN FRANCISCO

LOT NO. 4, AS SHOWN ON THE MAP ENTITLED "PARCEL MAP BEING A RESUBDIVISION OF LOT 1, ASSESSORS BLOCK NO. 4034, ALSO BEING A PORTION OF POTRERO BLOCK NO. 209," WHICH MAP WAS FILED IN THE OFFICE OF THE COUNTY RECORDER OF THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA ON MAY 4, 1992, IN PARCEL MAP BOOK 41, AT PAGE 30, INCLUSIVE.

EXHIBIT B

SAN FRANCISCO PLANNING CODE SECTION 102.2

Policies established above. For any such permit issued or legislation adopted after January 1, 1988 the City shall also find that the project is consistent with the City's Master Plan. (Added by Proposition M, 11/4/86)

SEC. 102. DEFINITIONS. For the purposes of this Code, certain words and terms used herein are defined as set forth in this and the following sections. Additional definitions applicable only to Article 7, Neighborhood Commercial Districts, are set forth in Section 790. Additional definitions applicable only to Article 8, Mixed Use Districts, are set forth in Section 890. Additional definitions applicable only to the Bernal Heights Special Use District are set forth in Section 242. All words used in the present tense shall include the future. All words in the plural number shall include the singular number and all words in the singular number shall include the plural number, unless the natural construction of the wording indicates otherwise. The word "shall" is mandatory and not directory. Whenever any of the following terms is used it shall mean the corresponding officer, department, board or commission of the City and County of San Francisco, State of California, herein referred to as the City: Assessor, Board of Supervisors, Department of City Planning, Department of Public Works, Director of Planning, City Planning Commission, Zoning Administrator. In each case, the term shall be deemed to include an employee of any such officer or department of the City who is lawfully authorized to perform any duty or exercise any power as a representative or agent of that officer or department. (Amended by Ord. 443-78, App. 10/6/78; Ord. 69-87, App. 3/13/87; Ord. 131-87, App. 4/24/87; Ord. 32-91, App. 1/25/91)

SEC. 102.1. ALLEY. A right-of-way, less than 30 feet in width, permanently dedicated to common and general use by the public. (Amended by Ord. 443-78, App. 10/6/78)

SEC. 102.2. ARTS ACTIVITIES AND SPACES. Arts activities shall include performance, exhibition (except exhibition of films), rehearsal, production, post-production and schools of any of the following: Dance, music, dramatic art, film, video, graphic art, painting, drawing, sculpture, small-scale glass works, ceramics, textiles, woodworking, photography, custom-made jewelry or apparel, and other visual, performance and sound arts and crafts. It shall include commercial arts and art-related business service uses including, but not limited to recording and editing services, small-scale film and video developing and printing; titling; video and film libraries; special effects production; fashion and photo stylists; production, sale and rental of theatrical wardrobes; and studio property production and rental companies. Arts spaces shall include studios, workshops, galleries, museums, archives and theaters, and other similar spaces customarily used principally for arts activities, exclusive of theaters subject to Section 221(d), dance halls subject to Section 221(f), adult entertainment subject to Section 221(k) of this Code, and any other establishment where liquor is customarily served during performances. (Added by Ord. 412-88, App. 9/10/88)

SEC. 102.3. BUILDING. Any structure having a roof supported by columns or walls. (Amended by Ord. 443-78, App. 10/6/78; Ord. 412-88, App. 9/10/88)

EXHIBIT C

TABLE OF SOURCES AND USES OF FUNDS AND FINANCIAL PROFORMA

04/18/95

	Initial \$75,000	Second \$255,000	Total Budget
Marketing	\$47,000	\$18,000	\$65,000
Financing	\$5,000	\$95,000	\$100,000
Financial Consultant	\$5,000	\$8,000	\$13,000
Administration	\$5,000	\$42,000	\$47,000
Condo Map	\$10,000	\$0	\$10,000
HOA Insurance		\$3,000	\$3,000
HOA Start-up		\$2,000	\$2,000
Contingency	\$2,000	\$13,000	\$15,000
Working Capital	\$1,000		\$1,000
Change Order		\$50,000	\$50,000
Bldg. Acquisition		\$24,000	\$24,000
Total:	\$75,000	\$255,000	\$330,000

Acquisition & Predevelopment Phase

Sources

MOH Grant	\$500,000
TI Grant	\$330,000
MOH Bridge Loan	\$672,000
Private Bridge Loan	\$2,223,525

Uses

Land Acquisition	\$303,500
Soft Costs/Admin	\$196,500
Bldg. Acquisition	\$2,905,000
Change Order	\$50,000
Marketing	\$65,000
Financing	\$100,000
Financial Consultant	\$13,000
Administration	\$47,000
Condo Map	\$10,000
HOA Insurance	\$3,000
HOA Start-up	\$2,000
Contingency	\$16,000
Transfer tax	\$14,525

Total:\$3,725,525

Total:\$3,725,525

Permanent Phase

Sources

MOH Grant	\$500,000
TI Grant	\$330,000
MOH Seconds	\$360,000
Market Sales	\$1,030,500
Affordable sales	\$1,508,735

Uses

Land Acquisition	\$303,500
Soft Costs/Admin	\$196,500
Bldg. Acquisition	\$2,905,000
Improvements	\$50,000
Marketing	\$65,000
Financing	\$100,000
Financial Consultant	\$13,000
Administration	\$47,000
Condo Map	\$10,000
HOA Insurance	\$3,000
HOA Start-up	\$2,000
Contingency	\$16,000
Transfer tax	\$12,696

Total:\$3,729,235

Total:\$3,723,696

Surplus (Gap): \$5,539

ARTSDECO, 1st YEAR EXPENSES and REVENUES

Function	Apt. Cost	Condo Cost	Total Cost
Administrative:			
Mgmt. Fee	2,700	12,960	15,660
Advertising	375	0	375
Legal/Accounting	552	2,648	3,200
Subtotal	3,627	15,608	19,235
Operating:			
Elevator	1,190	5,710	6,900
Gas	744	4,456	5,200
Electricity	1,287	7,713	9,000
Water and Sewer	1,555	9,320	10,875
Garbage	1,362	6,538	7,900
Insurance	2,449	10,551	13,000
Subtotal	8,587	44,288	52,875
Maintenance:			
Repairs	1,188	0	1,188
Grounds	397	1,903	2,300
Exterminating	1,200	0	1,200
Painting and decorating	1,000	0	1,000
Subtotal	3,784	1,903	5,688
Total Expenses	15,998	61,800	77,798
Per Unit Expenses	3,200	2,575	
Per Unit Revenue	4,800	2,575	

EXHIBIT D
FORM OF AGENCY NOTE

AGENCY NOTE

_____, 19__

San Francisco, California

[Property Address] (the "Property").

1. MAKER'S PROMISE TO PAY

In return for a reduced purchase price that I have received as a result of a grant made by the Redevelopment Agency of the City and County of San Francisco in connection with the development in which the Property is located, I promise to pay U.S. \$_____ (this amount is called "Principal Amount") to the order of the Redevelopment Agency of the City and County of San Francisco, a body corporate and politic, organized and existing under the laws of the State of California ("Lender"). The Lender or anyone who takes this Agency Note by transfer and who is entitled to receive payments under this Agency Note is called the "Agency Note Holder." The Principal Amount is equal to the difference between the appraised market value of the Property as of the date of this Note, and the actual purchase price of the Property as of such date.

2. REGULATORY AND GRANT AGREEMENT

(A) This Agency Note is given in connection with a Regulatory and Grant Agreement dated as of _____, 1995, between Lender and Artspace Development Corporation, a California nonprofit corporation (the "Grant Agreement"). The Grant Agreement was recorded in the official records of San Francisco County on _____, 1995, as Document No. _____.

(B) Maker represents that he/she or his/her household is a "Qualifying Buyer," as defined in Section 1.15 of the Grant Agreement.

3. INTEREST

Interest shall accrue on the Principal Balance of this Agency Note at a rate of 6% simple interest, from the date of this Agency Note through the date of sale of the Property.

4. PAYMENTS

(A) Upon a sale of the Property in accordance with the Grant Agreement, all of Maker's obligations hereunder shall be forgiven.

(B) Upon a sale of the Property in violation of the Grant Agreement, the Principal balance of this Agency Note, together with accrued interest, shall be due and payable within 10 days of the date of such sale. For purposes of this section 4(B), a "sale" shall not include any conveyance of the Property under the First Deed of Trust, including a foreclosure sale or deed in lieu of foreclosure. A "sale" shall include the transfer of all or any portion of Maker's interest on the Property.

5. LOAN CHARGES

If any law which applies to this Agency Note and which sets maximum loan charges is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit.

6. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Default

If I do not pay the full amounts due under section 4(B), above, I will be in default.

(B) Notice of Default

If I am in default, the Agency Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Agency Note Holder may require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is delivered or mailed to me.

(C) No Waiver By Agency Note Holder

Even if, at a time when I am in default, the Agency Note Holder does not require me to pay immediately in full as described above, the Agency Note Holder will still have the right to do so if I am in default at a later time.

(D) Payment of Agency Note Holder's Costs and Expenses

If the Agency Note Holder has required me to pay immediately in full as described above, the Agency Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Agency Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

7. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Agency Note will be given by delivering it or by mailing it by first class mail to me

at the Property Address above or at a different address if I give the Agency Note Holder a notice of my different address.

Any notice that must be given to the Agency Note Holder under this Agency Note will be given by mailing it by first class mail to the Agency Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

8. OBLIGATIONS OF PERSONS UNDER THIS AGENCY NOTE

If more than one person signs this Agency Note, each person is jointly and severally liable for Maker's obligations under this Agency Note. Any person who takes over these obligations is also obligated to keep all of the promises made in this Agency Note. The Agency Note Holder may enforce its rights under this Agency Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Agency Note.

9. WAIVERS

I and any other person who has obligations under this Agency Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Agency Note Holder to demand payment of amounts due. "Notice of dishonor" means the right to require the Agency Note Holder to give notice to other persons that amounts due have not been paid.

10. SECURITY

In addition to the protections given to the Agency Note Holder under this Agency Note, Deed of Trust (the "Agency Deed of Trust"), dated the same date as this Agency Note, protects the Agency Note Holder from possible losses which might result if I do not keep the promises which I make in this Agency Note. The Agency Deed of Trust is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Deed of Trust.

Borrower:

Borrower:

[Sign Original Only]

FORM OF AGENCY DEED

EXHIBIT E

Free Recording Requested Pursuant to
Government Code Section 27383

When recorded, mail to:
Mayor's Office of Housing of the
City and County of San Francisco
25 Van Ness Avenue, Suite 600
San Francisco, California 94102

Attn: Alicia Klein

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

DEED OF TRUST

THIS DEED OF TRUST is made on _____, 1997. The grantor is Tsung-Woo Han ("Owner"). The trustee is Chicago Title Company ("Trustee"). The beneficiary is the City and County of San Francisco, a municipal corporation, represented by the Mayor, acting through the Mayor's Office of Housing, whose address is 25 Van Ness Avenue, Suite 600, San Francisco, California 94102 ("City" or "Beneficiary"). Owner owes the City the principal sum of Fifty-Two Thousand Five Hundred Dollars (U.S. \$52,500.00). This debt is evidenced by Owner's note ("City Note") dated the same date as this Deed of Trust.

The City Note provides for payment of the principal amount of the City Note, together with accrued interest and other charges, as applicable.

In addition to the loan evidenced by the City Note, the Owner obtained a loan (the "First Deed of Trust Loan") from California Federal Bank (the "Senior Lien Holder"), which Loan is secured by a first deed of trust lien on the Property (the "First Deed of Trust"). The documents evidencing or securing the First Deed of Trust Loan are collectively referred to herein as the First Deed of Trust Loan Documents.

This Deed of Trust secures the following obligations of Trustee: (a) the repayment of the debt evidenced by the City Note, with interest and other charges as provided in the City Note, and all renewals, extensions and modifications of the City Note which such documents recite that they are secured by this Deed of Trust; (b) the payment of all other sums, with interest as provided in the City Note, advanced under paragraph 8 to

protect the security of this Deed of Trust; and (c) the performance of Owner's covenants and agreements under this Deed of Trust and the City Note. For this purpose, Owner irrevocably grants and transfers and assigns to Trustee, in trust, with power of sale, subject to the rights of the Senior Lien Holder under the First Deed of Trust, the property located in San Francisco County, California, which has the address of 1695 18th Street, Studio 308, San Francisco, California, 94107 and is further described in Exhibit A attached hereto ("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Deed of Trust. All of the foregoing is referred to in this Deed of Trust as the "Property."

Owner COVENANTS that Owner is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and, except for the First Deed of Trust and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Owner warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

COVENANTS. Owner and City covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Owner shall promptly pay when due the principal of and interest (or any shared appreciation) on the debt evidenced by the City Note.
2. Application of Payments. Unless applicable law provides otherwise, all payments received by City under paragraph 1 shall be applied: first, to interest due, and second, to principal due under the City Note.
3. Prior Deeds of Trust; Charges; Liens. The Owner shall perform all of the 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, and leasehold payments or ground rents, if any.

Except for the lien of the First Deed of Trust, Owner shall promptly discharge any other lien which shall have attained priority over this Deed of Trust unless Owner: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to City; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which, in the City's sole discretion, operate to prevent the enforcement of the lien; or (c) obtains from the holder of the lien an agreement

satisfactory to City subordinating the lien to this Deed of Trust. Except for the lien of the First Deed of Trust, if City determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, City 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 10 days of the giving of notice.

4. Subordination. City and Owner acknowledge and agree that this Deed of Trust is subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Deed of Trust and to all advances heretofore made or which may hereafter be made pursuant to the First Deed of Trust including all sums advanced for the purpose of (a) protecting or further securing the lien of the First Deed of Trust, curing defaults by the Owner under the First Deed of Trust or for any other purpose expressly permitted by the First Deed of Trust or (b) constructing, renovating, repairing, furnishing, fixturing or equipping the Property. The terms and provisions of the First Deed of Trust are paramount and controlling, and they supersede any other terms and provisions hereof in conflict therewith.

5. Effect of Foreclosure. In the event of a foreclosure or deed in lieu of foreclosure of the First Deed of Trust, any provisions herein or any provisions in any other collateral agreement restricting the use of the Property or otherwise restricting the Owner's ability to sell the Property shall have no further force or effect on subsequent owners or purchasers of the Property. Any person, including successors or assigns (other than the Owner or a related entity of the Owner), receiving title to the Property through a foreclosure or deed in lieu of foreclosure of the First Deed of Trust shall receive title to the Property free and clear from such restrictions. The provisions of this section 5 shall apply if and only if (i) the City has been given written notice of a default under the First Deed of Trust and (ii) the City shall not have cured the default under the First Deed of Trust, or diligently pursued curing the default as reasonably determined by the Senior Lien Holder, within 60 days of the date of such notice sent to the City.

6. Hazard or Property Insurance. Owner shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which City requires insurance. This insurance shall be maintained in the amounts and for the periods that City requires. The insurance carrier providing the insurance shall be chosen by Owner subject to City's approval which shall not be unreasonably withheld. If Owner fails to maintain coverage described above, City may, at City's option, obtain coverage to protect City's rights in the Property in accordance with paragraph 8.

All insurance policies and renewals shall be acceptable to City and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be

deemed satisfied if the Owner complies with the insurance requirements under the First Deed of Trust. All original policies of insurance required pursuant to the First Deed of Trust shall be held by the Senior Lien Holder; provided, however, City shall be named as a loss payee as its interest may appear and may be named as an additional insured. If City requires, Owner shall promptly give to City copies of all receipts of paid premiums and renewal notices. In the event of loss, Owner shall give prompt notice to ~~the insurance carrier, the Senior Lien Holder and City. City may make proof of loss if~~ not made promptly by the Senior Lien Holder or the Owner.

Unless City and Owner otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and City's security is not lessened as determined by City in its reasonable discretion. If the restoration or repair is not economically feasible or City's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, whether or not then due, with any excess paid to Owner. If Owner abandons the Property, or does not answer within 30 days a notice from City that the insurance carrier has offered to settle a claim, then City may collect the insurance proceeds. City may use the proceeds to repair or restore the Property or to pay sums secured by this Deed of Trust, whether or not then due. The 30-day period will begin when the notice is given.

Unless City and Owner otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of, or change the amount of, the payments referred to in paragraph 1. If under paragraph 23 the Property is acquired by City, Owner's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to City to the extent of the sums secured by this Deed of Trust immediately prior to the acquisition.

Notwithstanding the above, the City's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holder to collect and apply such proceeds in accordance with the First Deed of Trust.

7. Occupancy, Preservation, Maintenance and Protection of the Property; Owner's Loan Application; Leaseholds. Owner shall occupy, establish, and use the Property as Owner's principal residence within sixty days after the execution of this Deed of Trust. Owner shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Owner shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in City's reasonable judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Deed of Trust or City's security interest. Owner may cure such a default and reinstate, as provided in paragraph 19, by causing the action or proceeding to be dismissed with a ruling that, in City's reasonable determination,

precludes forfeiture of the Owner's interest in the Property or other material impairment of the lien created by this Deed of Trust or City's security interest. Owner shall also be in default if Owner gave materially false or inaccurate information or statements to City (or failed to provide City with any material information) in connection with the purchase of the Property including, but not limited to, representations concerning (i) Owner's occupancy of the Property as a principal residence and (ii) Owner's income.

The Owner acknowledges that this Property is subject to certain use and occupancy restrictions evidenced by a Regulatory and Grant Agreement dated May 10, 1995 and recorded on October 25, 1995 in the official records of San Francisco County as Document No. 95-F874916-00, Reel G494. The use and occupancy restrictions may limit the Owner's ability to rent the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the City to the remedies provided in Section 23 hereof.

8. Protection of City's Rights in the Property. If Owner fails to perform the covenants and agreements contained in this Deed of Trust, or there is a legal proceeding that may significantly affect City's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then City may do and pay for whatever is necessary to protect the value of the Property and City's rights in the Property. City's actions may include paying any sums secured by a lien which has priority over this Deed of Trust (including sums secured by the First Deed of Trust), appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although City may take action under this paragraph 8, City is not required to do so.

Any amounts disbursed by City under this paragraph 8 shall become additional debt of Owner secured by this Deed of Trust. Unless Owner and City agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the interest rate specified in the City Note and shall be payable, with interest, upon notice from City to Owner requesting payment.

Prior to taking any actions under this Section 8, however, City shall notify the Senior Lien Holder of such default in the manner provided in Section 23 of this Deed of Trust, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Deed of Trust. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the First Deed of Trust. In addition, the City agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Any action by City hereunder to foreclose or accept a

deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the First Deed of Trust.

City and Owner further agree that a default hereunder shall constitute a default under the First Deed of Trust. In the event of a default hereunder, the Senior Lien Holder shall have the right to exercise all rights and remedies under the First Deed of Trust.

9. **Mortgage Insurance.** Owner shall pay the premiums required to maintain the mortgage insurance required by the Senior Lienholder, if any. If, for any reason, the mortgage insurance coverage required by City lapses or ceases to be in effect, Owner shall pay the premiums required to obtain coverage substantially equivalent to the mortgage insurance previously in effect, at a cost substantially equivalent to the cost to Owner of the mortgage insurance previously in effect, from an alternate mortgage insurer approved by City. If substantially equivalent mortgage insurance coverage is not available, Owner shall pay to City each month a sum equal to one-twelfth of the yearly mortgage insurance premium being paid by Owner when the insurance coverage lapsed or ceased to be in effect. City will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Loss reserve payments may no longer be required, at the option of City, if mortgage insurance coverage (in the amount and for the period that City requires) provided by an insurer approved by City again becomes available and is obtained. Owner shall pay the premiums required to maintain mortgage insurance in effect, or to provide a loss reserve, until the requirement for mortgage insurance ends in accordance with any written agreement between Owner and City or applicable law.

10. **Inspection.** City or its agent may make reasonable entries upon and inspections of the Property. City shall give Owner notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

11. **Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to City, subject to the terms of the First Deed of Trust.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Deed of Trust, whether or not then due, with any excess paid to Owner. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Deed of Trust immediately before the taking, unless Owner and City otherwise agree in writing, the sums secured by this Deed of Trust shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total

amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Owner. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Owner and City otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Deed of Trust whether or not the sums are then due.

If the Property is abandoned by Owner, or if, after notice by City to Owner that the condemnor offers to make an award or settle a claim for damages, Owner fails to respond to City within 30 days after the date the notice is given, City is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust, whether or not then due.

Unless City and Owner otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payments referred to in paragraph 1 or change the amount of such payments.

12. Owner Not Released; Forbearance By City Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by City to any successor in interest of Owner shall not operate to release the liability of the original Owner or Owner's successors in interest. City shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Owner or Owner's successors in interest. Any forbearance by City in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

13. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Deed of Trust shall bind and benefit the successors and assigns of City and Owner, subject to the provisions of paragraph 18. Owner's covenants and agreements shall be joint and several. Any Owner who co-signs this Deed of Trust but does not execute the Note: (a) is co-signing this Deed of Trust only to mortgage, grant and convey the Owner's interest in the Property under the terms of this Deed of Trust; (b) is not personally obligated to pay the sums secured by this Deed of Trust; and (c) agrees that City and any other Owner may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Deed of Trust or the City Note without that Owner's consent; provided, however, that such modification or accommodation shall not be made without the prior written consent of the Senior Lien Holder.

14. Loan Charges. If the obligations secured by this Deed of Trust are subject to

a law which sets maximum charges, and that law is finally interpreted so that the interest or other charges collected or to be collected in connection with this Deed of Trust exceed the permitted limits, then any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit.

15. Notices. Any notice to Owner provided for in this Deed of Trust shall be ~~given by delivering it or by mailing it by first class mail unless applicable law requires~~ use of another method. The notice shall be directed to the Property Address or any other address Owner designates by notice to City. Any notice to City shall be given by first class mail to City's address stated herein or any other address City designates by notice to Owner. Any notice required to be given to the Senior Lien Holder shall be given by first class mail to the following address:

California Federal Bank
444 Castro Street
San Francisco, California 94114

or such other address the Senior Lien Holder designates by notice to the Owner. Any notice provided for in this Deed of Trust shall be deemed to have been given to Owner or City when given as provided in this paragraph.

16. Governing Law; Severability. This Deed of Trust shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Deed of Trust or the City Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the City Note which can be given effect without the conflicting provision. To this end the provisions of this Deed of Trust and the City Note are declared to be severable.

17. Owner's Copy. Owner shall be given one conformed copy of the City Note and of this Deed of Trust.

18. (A) Obligations Forgiven. Upon a sale of the Property in accordance with the Grant Agreement, Owner's obligations hereunder shall be forgiven, and the lien of this Deed of Trust shall be reconveyed.

(B) Obligations Due. Upon a sale of the Property in violation of the Grant Agreement, the principal balance of the City Note, together with accrued interest, shall be payable within 10 days of the date of sale. For purposes of this section 18(C), a "sale" shall not include any conveyance of the Property under the First Deed of Trust, including a foreclosure sale or deed in lieu of foreclosure. A "sale" shall include the transfer of all or any portion of Owner's interest in the Property.

If City exercises this option under this section 18(B), City shall give Owner and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Owner must pay all sums secured by this Deed of Trust. If Owner fails to pay these sums prior to the expiration of this period, City may invoke any remedies permitted by this Deed of Trust without further notice or demand on Owner.

Notwithstanding City's right to invoke any remedies hereunder, as provided in Section 8(B), City agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice.

The Owner and the City agree that whenever the City Note or this Deed of Trust gives the City the right to approve or consent with respect to any matter affecting the Property (or the construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holder pursuant to the First Deed of Trust, the Senior Lien Holder's approval or consent or failure to approve or consent, as the case may be, shall be binding on the Owner and the City.

19. Owner's Right to Reinstate. If Owner meets certain conditions specified below, Owner shall have the right to have enforcement of this Deed of Trust discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Deed of Trust; or (b) entry of a judgment enforcing this Deed of Trust. Those conditions are that Owner: (a) pays City all sums which then would be due under this Deed of Trust and the City Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Deed of Trust, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as City may reasonably require to assure that the lien of this Deed of Trust, City's rights in the Property and Owner's obligation to pay the sums secured by this Deed of Trust shall continue unchanged. Upon reinstatement by Owner, this Deed of Trust and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 18.

20. Sale of Note; Change of Loan Servicer. The City Note or a partial interest in the City Note (together with this Deed of Trust) may be sold one or more times without prior notice to Owner. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the City Note and this Deed of Trust. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Owner will be given written

notice of the change in accordance with paragraph 15 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

21. No Assignment. Until the Loan secured by the First Deed of Trust has been ~~satisfied in full, the City and the Owner agree that the City Note and the Deed of Trust~~ will not be assigned without the Senior Lien Holder's prior written consent.

22. Hazardous Substances. Owner shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances (as defined below) on or in the Property. Owner shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law (as defined below). The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Owner shall promptly give City written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Owner has actual knowledge. If Owner learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Owner shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Owner shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

As used in this paragraph 22, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 22, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

COVENANTS. Owner and City further covenant and agree as follows:

23. Acceleration; Remedies. City shall give notice to Owner and the Senior Lien Holder prior to acceleration following Owner's breach of any covenant or agreement in this Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Owner (and with respect to the Senior Lien Holder, 60 days from the date the notice is

given to the Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Owner of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Owner to acceleration and sale. If the default is not cured by the Owner on or before the date specified in the notice, and the Senior Lien Holder has not exercised its right to cure the default, then City at its option may require immediate payment in full of all sums secured by this Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding City's right to invoke any remedies hereunder, as provided in Section 8 above, the City agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. City shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 23, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If City invokes the power of sale, City or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Owner, the Senior Lien Holder and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Owner, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. City or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Deed of Trust; and (c) any excess to the person or persons legally entitled to it.

24. Release. Upon payment of all sums secured by this Deed of Trust, City shall release this Deed of Trust without charge to Owner. Owner shall pay any recordation costs.

25. Substitute Trustee. City, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an

instrument recorded in the county in which this Deed of Trust is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

26. Modification of First Deed of Trust Loan Documents. The City consents to any agreement or arrangement in which the Senior Lien Holder waives, postpones, ~~extends, reduces or modifies any provisions of the First Deed of Trust Loan Documents,~~ including any provisions requiring the payment of money.

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

Owner -- Tsung-Woo Han

-----[Space Below This Line for Acknowledgment]-----

Free Recording Requested Pursuant to
Government Code Section 27383

When recorded, mail to:
Mayor's Office of Housing of the
City and County of San Francisco
10 United Nations Plaza, Suite 600
San Francisco, California 94102

Attn: Alicia Klein

____Space Above This Line for Recorder's Use____

SUBORDINATE DEED OF TRUST
AGENCY DEED OF TRUST

THIS SUBORDINATE DEED OF TRUST ("Agency Deed of Trust") is made on _____, 19___. The grantor is _____ ("Owner"). The trustee is _____ ("Trustee"). The beneficiary is the Redevelopment Agency of the City and County of San Francisco, a body politic and corporate organized and existing under the laws of the State of California, and whose address is 770 Golden Gate Avenue, San Francisco, California 94102 ("Agency"). Owner owes Agency the principal sum of _____ Dollars (U.S. \$_____). This debt is evidenced by Owner's note ("Agency Note") dated the same date as this Agency Deed of Trust ("Agency Deed").

The Agency Note provides for payment of the principal amount of the Agency Note, together with accrued interest.

In addition to the Agency Deed, the Owner obtained a deed of trust ^{Loan} Agency Deed (the "First Deed of Trust Loan") from _____ (the "Senior Lien Holder"), which Loan is secured by a first deed of trust lien on the Property (the "First Deed of Trust"). The documents evidencing or securing the First Deed of Trust Loan are collectively referred to herein as the First Deed of Trust Loan Documents.

This Agency Deed of Trust secures to Agency: (a) the repayment of the debt evidenced by the Agency Note, with interest as provided in the Agency Note, and all renewals, extensions and modifications of the Agency Note; (b) the payment of all other sums, with interest as provided in the Agency Note, advanced under paragraph 8 to protect the security of this Agency Deed of Trust; and (c) the performance of Owner's covenants and agreements under this Agency Deed of Trust and the Agency Note. For this purpose, Owner irrevocably grants and transfers and assigns to Trustee, in trust, with power of sale, subject to the rights of the Senior Lien Holder under the First Deed of Trust, the property located in San Francisco County, California, which has the address of _____

[Street] [City]
California, 941XX and is further described in Exhibit ____ attached hereto ("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All ~~replacements and additions shall also be covered by this Agency Deed of Trust. All of the~~ foregoing is referred to in this Agency Deed of Trust as the "Property."

Owner COVENANTS that Owner is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and, except for the First Deed of Trust and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Owner warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

COVENANTS. Owner and Agency covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Owner shall promptly pay when due the principal of and interest (or any shared appreciation) on the debt evidenced by the Agency Note.

2. Application of Payments. Unless applicable law provides otherwise, all payments received by Agency under paragraph 1 shall be applied: first, to interest due, and second, to principal due under the Agency Note.

3. Prior Deeds of Trust; Charges; Liens. The Owner shall perform all of the 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 Agency Deed of Trust, and leasehold payments or ground rents, if any.

Except for the lien of the First Deed of Trust, Owner shall promptly discharge any other lien which shall have attained priority over this Agency Deed of Trust unless Owner: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Agency; (b) 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 (c) obtains from the holder of the lien an agreement satisfactory to Agency subordinating the lien to this Agency Deed of Trust. Except for the lien of the First Deed of Trust, if Agency determines that any part of the Property is subject to a lien which may attain priority over this Agency Deed of Trust, 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 10 days of the giving of notice.

4. Subordination. Agency and Owner acknowledge and agree that this Agency Deed of Trust is subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Deed of Trust and to all advances heretofore made or which may hereafter be made pursuant

to the First Deed of Trust including all sums advanced for the purpose of (a) protecting or further securing the lien of the First Deed of Trust, curing defaults by the Owner under the First Deed of Trust or for any other purpose expressly permitted by the First Deed of Trust or (b) constructing, renovating, repairing, furnishing, fixturing or equipping the Property. The terms and provisions of the First Deed of Trust are paramount and controlling, and they supersede any other terms and provisions hereof in conflict therewith.

5. Effect of Foreclosure. In the event of a foreclosure or deed in lieu of foreclosure of the First Deed of Trust, any provisions herein or any provisions in any other collateral agreement restricting the use of the Property or otherwise restricting the Owner's ability to sell the Property shall have no further force or effect on subsequent owners or purchasers of the Property. Any person, including successors or assigns (other than the Owner or a related entity of the Owner), receiving title to the Property through a foreclosure or deed in lieu of foreclosure of the First Deed of Trust shall receive title to the Property free and clear from such restrictions. The provisions of this section 5 shall apply if and only if (i) the Agency has been given written notice of a default under the First Deed of Trust and (ii) the Agency shall not have cured the default under the First Deed of Trust, or diligently pursued curing the default as reasonably determined by the Senior Lien Holder, within 60 days of the date of such notice sent to the Agency.

6. Hazard or Property Insurance. Owner shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Agency requires insurance. This insurance shall be maintained in the amounts and for the periods that Agency requires. The insurance carrier providing the insurance shall be chosen by Owner subject to Agency's approval which shall not be unreasonably withheld. If Owner fails to maintain coverage described above, Agency may, at Agency's option, obtain coverage to protect Agency's rights in the Property in accordance with paragraph 8.

All insurance policies and renewals shall be acceptable to Agency and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be deemed satisfied if the Owner complies with the insurance requirements under the First Deed of Trust. All original policies of insurance required pursuant to the First Deed of Trust shall be held by the Senior Lien Holder; provided, however, Agency shall be named as a loss payee as its interest may appear and may be named as an additional insured. If Agency requires, Owner shall promptly give to Agency copies of all receipts of paid premiums and renewal notices. In the event of loss, Owner shall give prompt notice to the insurance carrier, the Senior Lien Holder and Agency. Agency may make proof of loss if not made promptly by the Senior Lien Holder or the Owner.

Unless Agency and Owner otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Agency's security is not lessened as determined by Agency in its reasonable discretion. If the restoration or repair is not economically feasible or Agency's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Agency Deed of Trust, whether or not then due, with any excess paid to Owner. If Owner abandons the Property, or does not answer within 30 days a notice from Agency that the insurance carrier has offered to settle a claim, then

Agency may collect the insurance proceeds. Agency may use the proceeds to repair or restore the Property or to pay sums secured by this Agency Deed of Trust, whether or not then due. The 30-day period will begin when the notice is given.

Unless Agency and Owner otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of, or change the amount of, the payments referred to in paragraph 1. If under paragraph 23 the Property is acquired by Agency, Owner's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Agency to the extent of the sums secured by this Agency Deed of Trust immediately prior to the acquisition.

Notwithstanding the above, the Agency's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holder to collect and apply such proceeds in accordance with the First Deed of Trust.

7. Occupancy, Preservation, Maintenance and Protection of the Property; Owner's Loan Application; Leaseholds. Owner shall occupy, establish, and use the Property as Owner's principal residence within sixty days after the execution of this Agency Deed of Trust. Owner shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Owner shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Agency's reasonable judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Agency Deed of Trust or Agency's security interest. Owner may cure such a default and reinstate, as provided in paragraph 19, by causing the action or proceeding to be dismissed with a ruling that, in Agency's reasonable determination, precludes forfeiture of the Owner's interest in the Property or other material impairment of the lien created by this Agency Deed of Trust or Agency's security interest. Owner shall also be in default if Owner gave materially false or inaccurate information or statements to Agency (or failed to provide Agency with any material information) in connection with the purchase of the Property including, but not limited to, representations concerning (i) Owner's occupancy of the Property as a principal residence and (ii) Owner's income.

The Owner acknowledges that this Property is subject to certain use and occupancy restrictions evidenced by a Regulatory and Grant Agreement dated _____ and recorded on _____ in the official records of San Francisco County as Document No. _____. The use and occupancy restrictions may limit the Owner's ability to rent the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the Agency to the remedies provided in Section 23 hereof.

8. Protection of Agency's Rights in the Property. If Owner fails to perform the covenants and agreements contained in this Agency Deed of Trust, or there is a legal proceeding that may significantly affect Agency's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Agency may do and pay for whatever is necessary to protect the value of the Property and Agency's rights in the Property. Agency's actions may include paying any sums secured by a lien which has priority over this Agency Deed of Trust (including sums secured by the First Deed of Trust), appearing in court, paying

reasonable attorneys' fees and entering on the Property to make repairs. Although Agency may take action under this paragraph 8, Agency is not required to do so.

Any amounts disbursed by Agency under this paragraph 8 shall become additional debt of Owner secured by this Agency Deed of Trust. Unless Owner and Agency agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the interest rate specified in the Agency Note and shall be payable, with interest, upon notice from Agency to Owner requesting payment.

Prior to taking any actions under this Section 8, however, Agency shall notify the Senior Lien Holder of such default in the manner provided in Section 23 of this Agency Deed of Trust, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Agency Deed of Trust. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the First Deed of Trust. In addition, the Agency agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Any action by Agency hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the First Deed of Trust.

Agency and Owner further agree that a default hereunder shall constitute a default under the First Deed of Trust. In the event of a default hereunder, the Senior Lien Holder shall have the right to exercise all rights and remedies under the First Deed of Trust.

9. Mortgage Insurance. Owner shall pay the premiums required to maintain the mortgage insurance required by the Senior Lienholder, if any. If, for any reason, the mortgage insurance coverage required by Agency lapses or ceases to be in effect, Owner shall pay the premiums required to obtain coverage substantially equivalent to the mortgage insurance previously in effect, at a cost substantially equivalent to the cost to Owner of the mortgage insurance previously in effect, from an alternate mortgage insurer approved by Agency. If substantially equivalent mortgage insurance coverage is not available, Owner shall pay to Agency each month a sum equal to one-twelfth of the yearly mortgage insurance premium being paid by Owner when the insurance coverage lapsed or ceased to be in effect. Agency will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Loss reserve payments may no longer be required, at the option of Agency, if mortgage insurance coverage (in the amount and for the period that Agency requires) provided by an insurer approved by Agency again becomes available and is obtained. Owner shall pay the premiums required to maintain mortgage insurance in effect, or to provide a loss reserve, until the requirement for mortgage insurance ends in accordance with any written agreement between Owner and Agency or applicable law.

10. Inspection. Agency or its agent may make reasonable entries upon and inspections of the Property. Agency shall give Owner notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

11. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or

for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Agency, subject to the terms of the First Deed of Trust.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Agency Deed of Trust, whether or not then due, with any excess paid to Owner. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Agency Deed of Trust immediately before the taking, unless Owner and Agency otherwise agree in writing, the sums secured by this Agency Deed of Trust shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Owner. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Owner and Agency otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Agency Deed of Trust whether or not the sums are then due.

If the Property is abandoned by Owner, or if, after notice by Agency to Owner that the condemnor offers to make an award or settle a claim for damages, Owner fails to respond to Agency within 30 days after the date the notice is given, Agency is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Agency Deed of Trust, whether or not then due.

Unless Agency and Owner otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payments referred to in paragraph 1 or change the amount of such payments.

12. Owner Not Released; Forbearance By Agency Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Agency Deed of Trust granted by Agency to any successor in interest of Owner shall not operate to release the liability of the original Owner or Owner's successors in interest. Agency shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Agency Deed of Trust by reason of any demand made by the original Owner or Owner's successors in interest. Any forbearance by Agency in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

13. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Agency Deed of Trust shall bind and benefit the successors and assigns of Agency and Owner, subject to the provisions of paragraph 18. Owner's covenants and agreements shall be joint and several. Any Owner who co-signs this Agency Deed of Trust but does not execute the Note: (a) is co-signing this Agency Deed of Trust only to mortgage, grant and convey the Owner's interest in the Property under the terms of this Agency Deed of Trust; (b) is not personally obligated to pay the sums secured by this Agency Deed of Trust; and (c) agrees that Agency and any other Owner may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Agency Deed of Trust or the Agency Note without that Owner's consent; provided,

however, that such modification or accommodation shall not be made without the prior written consent of the Senior Lien Holder.

14. **Loan Charges.** If the obligations secured by this Agency Deed of Trust are subject to a law which sets maximum Agency Deed charges, and that law is finally interpreted so that the interest or other Agency Deed charges collected or to be collected in connection with the Agency Deed exceed the permitted limits, then any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit.

15. **Notices.** Any notice to Owner provided for in this Agency Deed of Trust shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Owner designates by notice to Agency. Any notice to Agency shall be given by first class mail to Agency's address stated herein or any other address Agency designates by notice to Owner. Any notice required to be given to the Senior Lien Holder shall be given by first class mail to the following address:

or such other address the Senior Lien Holder designates by notice to the Owner. Any notice provided for in this Agency Deed of Trust shall be deemed to have been given to Owner or Agency when given as provided in this paragraph.

16. **Governing Law; Severability.** This Agency Deed of Trust shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Agency Deed of Trust or the Agency Note conflicts with applicable law, such conflict shall not affect other provisions of this Agency Deed of Trust or the Agency Note which can be given effect without the conflicting provision. To this end the provisions of this Agency Deed of Trust and the Agency Note are declared to be severable.

17. **Owner's Copy.** Owner shall be given one conformed copy of the Agency Note and of this Agency Deed of Trust.

18. (A) **Obligations Forgiven.** Upon a sale of the Property in accordance with the Grant Agreement, Owner's obligations hereunder shall be forgiven, and the lien of this Agency Deed of Trust shall be reconveyed.

(B) **Obligations Due.** Upon a sale of the Property in violation of the Grant Agreement, the principal balance of the Agency Note, together with accrued interest, shall be payable within 10 days of the date of sale. For purposes of this section 18(C), a "sale" shall not include any conveyance of the Property under the First Deed of Trust, including a foreclosure sale or deed in lieu of foreclosure. A "sale" shall include the transfer of all or any portion of Owner's interest in the Property.

If Agency exercises this option under this section 18(B), Agency shall give Owner and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Owner must pay all sums secured by this Agency Deed of Trust. If Owner fails to pay these sums prior to the expiration of this period, Agency may invoke any remedies permitted by this Agency Deed of Trust without further notice or demand on Owner.

Notwithstanding Agency's right to invoke any remedies hereunder, as provided in Section 8(B), Agency agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice.

The Owner and the Agency agree that whenever the Agency Note or this Agency Deed of Trust gives the Agency the right to approve or consent with respect to any matter affecting the Property (or the construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holder pursuant to the First Deed of Trust, the Senior Lien Holder's approval or consent or failure to approve or consent, as the case may be, shall be binding on the Owner and the Agency.

19. Owner's Right to Reinstate. If Owner meets certain conditions specified below, Owner shall have the right to have enforcement of this Agency Deed of Trust discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Agency Deed of Trust; or (b) entry of a judgment enforcing this Agency Deed of Trust. Those conditions are that Owner: (a) pays Agency all sums which then would be due under this Agency Deed of Trust and the Agency Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Agency Deed of Trust, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Agency may reasonably require to assure that the lien of this Agency Deed of Trust, Agency's rights in the Property and Owner's obligation to pay the sums secured by this Agency Deed of Trust shall continue unchanged. Upon reinstatement by Owner, this Agency Deed of Trust and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 18.

20. Sale of Note; Change of Loan Servicer. The Agency Note or a partial interest in the Agency Note (together with this Agency Deed of Trust) may be sold one or more times without prior notice to Owner. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Agency Note and this Agency Deed of Trust. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Owner will be given written notice of the change in accordance with paragraph 15 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

21. No Assignment. Until the Loan secured by the First Deed of Trust has been satisfied in full, the Agency and the Owner agree that the Agency Note and the Agency Deed of Trust will not be assigned without the Senior Lien Holder's prior written consent.

22. Hazardous Substances. Owner shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances (as defined below) on or in the Property. Owner shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law (as defined below). The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Owner shall promptly give Agency written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Owner has actual knowledge. If Owner learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Owner shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Owner shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

As used in this paragraph 22, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 22, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

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

23. Acceleration; Remedies. Agency shall give notice to Owner and the Senior Lien Holder prior to acceleration following Owner's breach of any covenant or agreement in this Agency Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Owner (and with respect to the Senior Lien Holder, 60 days from the date the notice is given to the Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Agency Deed of Trust and sale of the Property. The notice shall further inform Owner of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Owner to acceleration and sale. If the default is not cured by the Owner on or before the date specified in the notice, and the Senior Lien Holder has not exercised its right to cure the default, then Agency at its option may require immediate payment in full of all sums secured by this Agency Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by

applicable law. Notwithstanding Agency's right to invoke any remedies hereunder, as provided in Section 8 above, the Agency agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Agency shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 23, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Agency invokes the power of sale, Agency or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Owner, the Senior Lien Holder and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Owner, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. Agency or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Agency Deed of Trust; and (c) any excess to the person or persons legally entitled to it.

24. Release. Upon payment of all sums secured by this Agency Deed of Trust, Agency shall release this Agency Deed of Trust without charge to Owner. Owner shall pay any recordation costs.

25. Substitute Trustee. Agency, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Agency Deed of Trust is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

26. Modification of First Deed of Trust Agency Deed Documents. The Agency consents to any agreement or arrangement in which the Senior Lien Holder waives, postpones, extends, reduces or modifies any provisions of the First Deed of Trust Loan Documents, including any provisions requiring the payment of money.

BY SIGNING BELOW, the Owner and the Agency accept and agree to the terms and covenants contained in this Agency Deed of Trust.

Witnesses:

Owner

Social Security Number _____

Owner

Social Security Number _____

-----[Space Below This Line for Acknowledgement]-----

EXHIBIT F

FORM OF AGENCY RIGHT OF FIRST REFUSAL

**Free Recording Requested Pursuant to
Government Code Section 27383**

WHEN RECORDED MAIL TO:

Mayor's Office of Housing
City and County of San Francisco
25 Van Ness Avenue, Suite 700
San Francisco, CA 94102
Attention: Alicia Klein

SPACE ABOVE THIS LINE FOR

RECORDER'S USE

**GRANT OF RIGHT OF FIRST REFUSAL
WITH RESPECT TO PURCHASE OF PROPERTY**

Grant of Right of First Refusal made on _____, 1996, by
_____, buyer of 1695 18th Street, Studio
_____, San Francisco (hereinafter "Buyer"), to the San Francisco Redevelopment Agency (the
"Agency"), through the Director, Mayor's Office of Housing, 25 Van Ness Avenue, Suite 700,
San Francisco, CA 94102 or its designated agent (hereinafter "City").

a. Buyer is acquiring real property (hereinafter the "Unit") located in the City and County
of San Francisco, and described more particularly as follows:

See Exhibit "A" attached hereto and made a part hereof.

b. The Property is not currently being offered for sale, but Buyer recognizes the possibility
that he or she may be offering the Unit for sale at some later date.

c. The Agency may desire to purchase the Unit if and when it is offered for sale.

Agency has provided financial assistance with respect to the Unit pursuant to a Regulatory and
Grant Agreement dated May 10, 1995, and recorded on the official records of San Francisco County on
October 25, 1995, as Document No. 95-F874916-00, Reel G494, Image 0316. As a condition of such
assistance, the purchase price of the Unit is restricted to an amount less than the fair market value of
the Unit.

In partial consideration for the reduced purchase price of the Unit, Buyer grants to the City a
right of first refusal with respect to the Unit, as follows:

1. If Buyer desires to sell the above-described Unit and receives from third party a bona fide offer
for the purchase thereof, Buyer shall disclose the terms of such offer to the City, in writing,
within 10 days following the receipt of the offer by Buyer.
2. City shall have 45 days after receiving notice of the terms of the offer within which to elect to

purchase the property on terms identical to those offered by the third party. Within 15 days thereafter, the parties shall enter into a formal contract of sale containing all terms of the original bona fide offer made to Buyer.

3. If the City fails to give the notice and tender the payment as provided in Paragraph 2, Buyer shall be relieved of all liability to City hereunder and may dispose of the Property as he or she sees fit.

- ~~4. If City fails to enter into a formal and binding contract of sale within the 60 days set forth in, and as provided in paragraph 2, City shall be under no obligation to Buyer with respect to the purchase of the Unit and Buyer may dispose of Unit as he or she sees fit without recourse to City.~~

5. Within 30 days of City's exercise of the right to purchase as set forth herein, Buyer shall obtain evidence of marketable title to the property and submit the same to City for examination. Thereafter, City shall have 10 days within which to notify Buyer as to any defects in or objections to the title as so evidenced, and Buyer shall have the opportunity to remedy any such defects or objections within 30 days. If by the end of the last period specified, Buyer cannot show satisfactory title, City shall have the option of either (a) continuing the transaction with such contract modification as the parties may mutually agree to, or (b) rescinding the contract before the parties.
6. City shall have the right to assign its interests under this Grant of Right of First Refusal and/or to designate an individual or entity to exercise its rights under this Grant of Right of First Refusal.
7. This Grant of Right of First Refusal Shall remain in full force and effect until the City has exercised or waived its right to purchase the Property pursuant to the terms hereof, notwithstanding any prior repayment of the Loan.

Executed at San Francisco, California on this date first written above.

Signature -

Signature -

(THIS DOCUMENT MUST BE NOTARIZED)

grtrfr.frm

CITY NOTE

_____, 1997

San Francisco, California

1695 18th Street, Studio _____, San Francisco, California 94107 (the "Property").

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received from the City and County of San Francisco (the "Loan"), I promise to pay U.S. Twenty Thousand Dollars (\$20,000) (this amount is called "Principal Amount"), plus a "Share of Appreciation" in the value of the Project as provided in Section 6 below, to the order of the Lender. The Lender is the City and County of San Francisco, a municipal corporation organized and existing under the laws of the State of California. The Lender or anyone who takes this City Note by transfer and who is entitled to receive payments under this City Note is called the "City Note Holder."

2. PURPOSE OF LOAN

The Loan evidenced by this City Note is being made in order to assist me in purchasing the Property. The purchase price of the Property is \$_____. The Loan evidenced by this City Note is being made under the Homeownership Assistance Loan Fund, as described in San Francisco Administrative Code Section 10.117-76.

3. SECURITY

This City Note is secured by a deed of trust (the "City Deed of Trust") dated as of the same date as this City Note. As a condition to the Lender's obligation to provide funds under this City Note, the Deed of Trust shall be recorded against the Property, subject only to those liens and encumbrances on the Property approved by the Lender

4. BORROWER ELIGIBILITY

I represent that, as of the date of this City Note:

(a) my income (or the total income of my household, if the Property will be occupied by other individuals) is no more than 80% of median income for the San Francisco Standard Metropolitan Statistical Area, as determined by the United States Department of Housing and Urban Development and adjusted for household size;

(b) I (and any member of my household, if the Property will be occupied by other individuals) have not had any ownership interest in a principal residence for the past three years;

(c) I (or any member of my household, if the Property will be occupied by other

individuals) will principally use a portion of the Property for "Arts Activities" as defined in San Francisco Planning Code Section 102.2; and

(d) I (and all members of my household, if the Property will be occupied by other individuals) will occupy the Property as my primary residence.

5. RESALE REQUIREMENTS

In consideration for the loan made hereunder, I acknowledge the following:

(a) that I may sell the Property at any time, but that the actual sales price of the Property must not exceed the sum of the following: (i) my purchase price of the Property multiplied by the percentage change in the housing component of the Consumer price Index for the San Francisco Standard Metropolitan Statistical Area, (ii) the actual, verifiable cost of approved capital improvements made to the Property while I owned the Property, and (iii) any reasonable sales commission payable by me to a licensed real estate broker in connection with the sale; and

(b) that any proposed purchaser must meet the criteria in Section 4(a)-(d), above.

6. SHARE OF APPRECIATION

The "Share of Appreciation" is equal to the "City's Percentage" multiplied by the "Appreciation" of the Property, as defined below.

(a) "Appreciation" (in the case of any sale of the Property): the sales price of the Property less the Borrower's purchase price of the Property

(b) "Appreciation" (in the case of any rental of the Property, except rental for a period not to exceed six months of a year because of Arts Activities outside of San Francisco and approved by the City; any default under this City Note or the City Deed of Trust, other than a sale in violation of the City Note; upon the Maturity Date or upon the date of any prepayment): the Fair Market Value of the Property less the Borrower's purchase price of the Property.

(c) "City Percentage": a fraction, the numerator of which is \$20,000, and the denominator of which is the Borrower's purchase price of the Property.

(d) "Fair Market Value": the fair market value of the Property as determined by an MAI or SRPA appraiser selected by the Lender. The Borrower has the option, at its sole expense, to select an appraiser to conduct an additional appraisal of the Property. If the two appraisals are not in agreement as to the Fair Market Value, then the Fair Market Value shall be the average of the amounts of the two appraisals.

7. PAYMENTS

(a) The Principal Amount of this City Note, together with the Share of Appreciation of value of the Property, as provided in Section 6, shall be due and payable in full to the City and County of San Francisco at the Mayor's Office of Housing at 25 Van Ness Avenue, Suite 700, San Francisco, California 94102, or at such other place as the City may from time to time designate, upon the earlier of the following:

(i) the date of any sale or transfer of the Property, including a rental of any portion of the Property, except rental for a period not to exceed six months of a year because of Arts Activities outside of San Francisco and approved by the City;

(ii) the occurrence of any default under this City Note or the City Deed of Trust; or

(iii) _____, 2047 [50 years from the date of this City Note] (the "Maturity Date").

(b) For purposes of this Section, a "sale or transfer" includes any transfer of title to the Property, including entering into any installment sales contract giving the purchaser or a third party a right to possess the Property or any portion of the Property before a transfer of title, and including judicial or nonjudicial foreclosure or other involuntary transfer, regardless of whether initiated by the City Note Holder.

(c) For purposes of this Section, a "transfer" does not include any of the following:

(i) a transfer resulting from the death of the Borrower, where the transfer is to a co-Borrower

(ii) a transfer by the Borrower to any person who becomes a co-owner and occupant of the Property, provided the Borrower retains at least a thirty-three percent interest in the Property and the co-owner agrees to become a co-Borrower and occupant of the Property;

(iii) a transfer resulting from a decree of dissolution of marriage or legal separation or from a property settlement agreement incidental to such a decree in which one of the Borrowers becomes the sole owner of the Property;

(iv) a transfer between co-Borrowers; or

(v) a transfer by Borrower into an intervivos trust in which Borrower is the sole beneficiary, where the Borrower continues to occupy the Property as a primary residence.

8. PREPAYMENT

I may prepay the entire Principal Amount and the Share of Appreciation, as of the date of prepayment, at any time, without penalty, provided such prepayment is in whole and not in part.

9. SUBORDINATION

The lien of the City Deed of Trust is subordinate to the lien of a deed of trust (the "Senior Deed of Trust") securing my obligations with respect to a loan made by

_____ in the original principal amount of \$ _____,
the proceeds of which will be used for my purchase of the Property.

10. DEFAULT

(a) In the event I am in default under this City Note or the City Deed of Trust, the Principal Amount and the Share of Appreciation, as defined in Section 6, shall be immediately due and payable.

(b) Even if, at a time when I am in default, the City Note Holder does not immediately enforce my obligation to pay immediately in full as described above, the City Note Holder will still have the right to do so at a later time.

(c) At the written request of the City Note Holder, I must reimburse the City Note Holder for all of its costs and expenses incurred in enforcing this City Note, to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees. Such amounts will be added to the Principal Amount and will bear interest at the same rate and for the same period as the Principal Amount.

11. BORROWER'S FAILURE TO PAY AS REQUIRED

If the City Note Holder has not received the full amount of payments within ten (10) calendar days after the date when due, I will pay a late charge to the City Note Holder. The amount of the charge will be Ten Dollars (\$10.00) per day from the date the City Note was originally due.

12. LOAN CHARGES

In the event that any charges due under this City Note exceed the amount permitted under applicable laws, (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit, and (b) any sums already collected from me which exceeded permitted limits will be refunded to me. The City Note Holder may choose to make this refund by reducing the principal I owe under this City Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial prepayment.

13. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this City Note will be given by delivering it or by mailing it by first class mail to me at

the Property Address above or at a different address if I give the City Note Holder a notice of my different address.

Any notice that must be given to the City Note Holder under this City Note will be given by mailing it by first class mail to the City Note Holder at the address stated in Section 7 above or at a different address if I am given a notice of that different address.

14. OBLIGATIONS OF PERSONS UNDER THIS CITY NOTE

If more than one person signs this City Note, each person is jointly and severally liable for all of the Borrower's obligations under this City Note, which means that each person is fully and personally obligated to keep all of the promises made in this City Note, including the promise to pay the full amount owed. Any person who takes over these obligations is also obligated to keep all of the promises made in this City Note. The City Note Holder may enforce its rights under this City Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this City Note.

15. WAIVERS

I and any other person who has obligations under this City Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the City Note Holder to demand payment of amounts due. "Notice of dishonor" means the right to require the City Note Holder to give notice to other persons that amounts due have not been paid.

16. UNIFORM SECURED CITY NOTE

This City Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the City Note Holder under this City Note, the Deed of Trust (the "City Deed of Trust"), dated the same date as this City Note, protects the City Note Holder from possible losses which might result if I do not keep the promises which I make in this City Note. The City Deed of Trust is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Senior Deed of Trust. The City Deed of Trust describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this City Note.

Borrower:

Signature

_____[Typed or Printed Name]

Borrower:

Signature

_____[Typed or Printed Name]

EXHIBIT G

INITIAL SALES PRICES FOR AFFORDABLE OWNERSHIP UNITS

04/19/95

MAXIMUM INITIAL SALES PRICES: AFFORDABLE OWNERSHIP UNITS 04/18/95

Median Income	Family Size	Unit Size*	Unit Count	Annual Income	Sales Price	33% of Monthly Income	Taxes	HOA Fees	Maximum Debt Serv.	Max. Mortgage @6%	5% Down	Sales Revenue	Price per Sq. Ft.
64%	1	485	3	26,336	93,430	724	90	216	418	69,759	4,672	280,291	193
65%	1	495	2	26,748	95,066	736	92	216	428	71,313	4,753	190,132	192
70%	1	568	1	28,805	100,962	792	98	233	461	76,914	5,048	100,962	178
73%	1	607	2	30,040	106,220	826	102	233	491	81,909	5,311	212,440	175
74%	1	620	2	30,451	107,153	837	103	238	496	82,796	5,358	214,307	173
70%	1.5	636	8	30,870	108,825	849	105	238	506	84,384	5,441	870,603	171

Average Median Income 69.22%
 Median Income - 1 pers. 41,150
 Median Income - 2 pers. 47,050
 Average Sales Price \$103,819
 Average Price per s.f. 178
 Average Mortgage \$79,628
 Total Mortgages \$1,433,298

Total Revenue: 1,868,735

Less Seconds: (360,000)

Net Revenue: 1,508,735

Unit Size	Unit #s	Sales Prices
485	314, 413, 415	\$93,430
495	312, 416	\$95,066
568	306	\$100,962
607	317, 417	\$106,220
620	311, 411	\$107,153
636	307, 308, 309, 310, 407, 408, 409, 410	\$108,825

EXHIBIT H

MAXIMUM RENTAL RATES FOR AFFORDABLE RENTAL UNITS

Median <u>Income</u>	Family <u>Size</u>	Unit <u>Size</u>	Unit <u>Count</u>	Annual <u>Income</u>	Monthly Rent <u>(not incl. util.)</u>
50%	1	490	5	\$20,600	\$485

EXHIBIT I

FORM OF INCOME CERTIFICATION

Goalman2: An Integral Arts Habitat

Applicant Name: _____ S.S.# _____

Co-Applicant Name: _____ S.S.# _____

Address: _____ Phone: _____

Landlord /Mortgage (Bank)Name and Phone: _____ Loan# _____

Are you applying for a market rate loft? Y N Or a subsidized loft? Y N (see attached description.)

Dependents: _____

Employed By: _____ Self- Employed Y N

Address: _____ Phone: _____

How Long? _____ Salaried? Y N Position or Title: _____

Gross Yearly Income:\$ _____

If Self-Employed, Adjusted Gross Income 1994 \$ _____ 1993 \$ _____

Previous Employment: _____ Dates: _____ Yrly Income\$ _____

Co-Applicants Employment: _____ Yrly Income \$ _____

Other Income Which Can Be Verified: \$ _____ Source: _____

ASSETS:

Bank Checking\$ _____ Savings \$ _____ Auto(s) \$ _____

Investments \$ _____ Real Estate \$ _____

Furniture \$ _____ Misc. \$ _____

Source of Funds for Down Payment: \$ _____

LONG TERM OBLIGATIONS WITH OVER 6 MONTHS DUE (Credit Cards, Loans)

Indicate (*) if to be Paid Off

Payable To	Purpose of Loan	Mo. Payment	Current Balance
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
TOTAL:		\$ _____	\$ _____

OFFICE

Total Monthly Income\$ _____

New Home Payment: _____ PITI

Less Monthly Payments\$ _____

Effective Income\$ _____

Qualifying Multiplier _____

Required Income\$ _____

Additional Comments:

1994 ANNUAL TENANT INCOME STATEMENT FORM

ADDRESS OF PROPERTY _____ APT. # _____

NAME OF TENANT _____ PHONE _____
(Please Print)

1. How Long have you occupied this unit? Since: _____, 19____
month year

2. What is the term of your present lease?

a. month to month? _____ Yes _____ No
b. from _____ to _____
(month/year) (month/year)

3. What is the monthly rental charged? \$ _____

4. When was the last rent increase? _____, 19____

5. Do you pay your own utilities? _____ Yes _____ No

If yes, do you pay:
gas _____
electric _____
water _____
garbage _____

6. How many bedrooms are there in your unit? _____

7. How many persons are living in this unit? Include yourself in the count. _____

8. # of adults (over 18) _____ # of children (under 18) _____

9. My household income is:

\$ _____ per month x 12 = \$ _____ per year

The following information is requested solely for the purpose of determining compliance with Federal Civil Rights Law:

10. I am _____ White (not Hispanic origin)
(Check one) _____ Black (not Hispanic origin)
_____ Hispanic
_____ Asian or Pacific Islander
_____ American Indian or Alaskan Native
_____ Other

(Check if applicable) _____ Female head of household
_____ 62 years of age or older

11. I certify that all statements made in this statement are true to the best of my knowledge. I fully understand that it is a Federal crime and punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts about my family's income.

Signature of Tenant

Date

THE ABOVE INFORMATION IS FURNISHED IN STRICT CONFIDENCE. THANK YOU FOR YOUR COOPERATION

THIS SECTION MUST BE COMPLETED BY THE STAFF OF THE HOUSING DEVELOPMENT CORPORATION OR PROPERTY OWNER.

1. After reviewing the Tenant Income Statement Form, I hereby verify the household size is _____ and annual income is _____ for unit # _____.

1994 INCOME BY HOUSEHOLD SIZE
SAN FRANCISCO PSMA

	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person
0-30% MEDIAN INCOME	\$0 - 12,090	\$0 - 13,830	\$0 - 15,555	\$0 - 17,280	\$0 - 18,660	\$0 - 20,040
31-50% MEDIAN INCOME	\$12,493 - 20,150	\$14,291 - 23,050	\$16,074 - 25,925	\$17,856 - 28,800	\$19,282 - 31,100	\$20,708 - 33,400
51-60% MEDIAN INCOME	\$20,553 - 24,180	\$23,511 - 27,660	\$26,444 - 31,110	\$29,376 - 34,560	\$31,722 - 37,320	\$34,068 - 40,080
61-80% MEDIAN INCOME	\$24,583 - 32,240	\$28,121 - 36,880	\$31,629 - 41,480	\$35,136 - 46,080	\$37,942 - 49,760	\$40,748 - 53,440
81% + MEDIAN INCOME	\$32,643 +	\$37,341 +	\$42,000 +	\$46,656 +	\$50,382 +	\$54,108 +

2. Based on the above table the household income for the unit is between _____ % and _____ % Median Income for the San Francisco PSMA.
3. The tenant is _____ elderly;
_____ disabled.

I hereby declare that the above information was furnished by the tenant presently residing in Unit # _____

_____ and to the best of my knowledge the
(address of property)
information is accurate.

Information obtained by: _____

Date information obtained: _____

(Prepared by)

(Date)

(Title)

Note:

Information furnished in this form shall be summarized in the City of San Francisco's Annual Rental Property Status Report.

(B-17) Total No. of Units: _____

(B-19) Racial/Ethnic Composition Totals:

... 20): Borrower's Certification:

(B-21): Sponsoring Agency Verification:

DATE	BORROWER	PHONE
11/11/11	JOHN DOE	555-1234
11/12/11	JANE SMITH	555-5678
11/13/11	BOB JONES	555-9012
11/14/11	ALICE BROWN	555-3456
11/15/11	CHARLIE WHITE	555-7890
11/16/11	DAVID GREEN	555-2345
11/17/11	EVE BLACK	555-6789
11/18/11	FRANK GRAY	555-0123
11/19/11	GRACE HILL	555-4567
11/20/11	HELEN LEE	555-8901
11/21/11	IRVING KING	555-2345
11/22/11	JACK LYNN	555-6789
11/23/11	JILL MANN	555-0123
11/24/11	JOHN NIXON	555-4567
11/25/11	JANE OLSON	555-8901
11/26/11	BOB PERKINS	555-2345
11/27/11	ALICE QUINN	555-6789
11/28/11	CHARLIE ROSS	555-0123
11/29/11	DAVID STONE	555-4567
11/30/11	EVE TAYLOR	555-8901
12/01/11	FRANK UHLMANN	555-2345
12/02/11	GRACE VANDERBILT	555-6789
12/03/11	HELEN WATSON	555-0123
12/04/11	IRVING WYATT	555-4567
12/05/11	JACK ZIMMERMAN	555-8901

DATE _____ PREPARED BY _____

DATE _____ BORROWER _____ PHONE _____

DATE _____ PREPARED BY _____

EXHIBIT J

AGENCY AFFIRMATIVE ACTION REQUIREMENTS

EXHIBIT J

AFFIRMATIVE ACTION PROGRAM

This Exhibit J sets forth the Developer's affirmative action and equal opportunity obligations and requirements pursuant to this Loan Agreement.

~~The Developer agrees to the following.~~

- I. PURPOSES The Agency and the Developer agree that the purposes of this Exhibit J and its accompanying Schedules and Exhibits are to ensure:
- A. that persons and businesses, that enter into Agreements with the Agency, that plan, design or construct improvements on sites initially purchased and assembled with Agency funds, or that occupy a site after its completion, provide equal opportunities to and do not discriminate against minority group persons, women, or business enterprises owned by minority group persons or women.
 - B. that the Developer, its Prime Contractor, all subcontractors, and retail tenants of the Developer recruit, employ and contract with all qualified individuals and businesses which are part of the work force and business community in San Francisco and the Bay Area.
 - C. that employment and contracting opportunities be provided to residents of the project area in accordance with the policies enunciated by Section 3 of the Housing and Urban Development Act of 1968, as amended.
- II. DEFINITIONS The following definitions apply to this Exhibit J and its accompanying schedules:
- A. "Agency" means the staff of the Redevelopment Agency of the City and County of San Francisco responsible for insuring that these Affirmative Action Provisions are implemented.
 - B. "Consultant" means a person or business which is a party to a professional service contract.
 - C. "Contract" means any agreement in excess of \$10,000 between the Developer, the general contractor, any prime contractors or any subcontractor (regardless of tier) and a person to provide or procure labor, materials, supplies or services, including a purchase order that requires installation of materials upon the Site covered by the Agreement. A "contract" does not include a loan transaction.
 - D. "Contractor" means the Developer general contractor, all prime contractors and all subcontractors (regardless of tier having a contract or subcontract in excess of \$10,000 and who employ persons in a trade at the Site.

- E. "Controlled", for purposes of determining whether a business is an MBE or a WBE, means that the minority group person(s), the woman or a combination of minority group persons and women, as the context requires, shall (1) possess legal authority and power to manage business assets, good will and daily operations of the business; and (2) actively and continuously exercise such authority and power in determining the policies and in directing the operations of the business.
- F. "Economically Disadvantaged" means that once a business reaches the three-year average size gross income threshold for the applicable industry the business ceases to be economically disadvantaged, it is not an eligible M/WBE and it will not be counted towards meeting M/WBE goals.

<u>Industry</u>	<u>Gross Income</u>
Construction	\$14,000,000
Professional or Personal Services	2,000,000
Suppliers	2,000,000

- G. "First Consideration" means to make a genuine effort to consider local M/WBEs before looking elsewhere. Non-Local M/WBEs should be used to satisfy participation goals only if Local M/WBEs are not available or qualified, or if their bids or fees are significantly higher than those of non-local M/WBEs.
- H. "Job category" means a group of similar jobs such as food and beverage supervisors, room cleaners and related workers, etc.
- I. "Joint Venture" means two or more businesses acting as a contractor and performing or providing services on a contract, in which each joint venturer combines property, capital, skill and/or knowledge.
- J. "Local M/WBE" means an economically disadvantaged, independent and continuing minority or woman-owned business that: (a) has fixed offices located within the geographic boundaries of the City and County of San Francisco; (b) is listed in the Permits and License Tax Paid File with a San Francisco Business Street address; and (c) possesses a current Business Tax Registration Certificate. Post office box numbers or residential addresses alone shall not suffice to establish a firm's status as local. To qualify as a local firm, the firm must have been located and doing business in San Francisco for at least six months prior to the date that the Developer enters into exclusive negotiations with the Agency.
- K. "Minority" or "minority group person" means:
1. American Indian or Alaskan Native, which includes Alaskan Indians, Inuits and Aleuts, (any person having origins in the indigenous peoples of North America and who is an enrolled member of a federally-recognized tribe);

2. Asian (any person of Chinese, Japanese, Korean, Pacific Islander, Samoan, Filipino, Asian-Indian or south East Asian origins);
3. Black (any person having origins in any of the black racial groups of Africa); or
4. Latino (any person of Spanish culture with origins in Mexico or other Spanish speaking countries in Central or South America or the Caribbean Islands).

~~I. "Minority-owned Business Enterprise (MBE)" means an economically disadvantaged, independent, continuing and for-profit business, which performs a commercially useful function, and is owned and controlled by one or more minority group persons residing in the United States or its territories.~~

- M. "Owned", for purposes of determining if a business is an MBE or a WBE, means that the minority group persons or women as the context requires, possess an ownership interest of at least 51 percent of the business, possess incidents of ownership, such as an interest in profit and loss, equal at least to the required ownership interest percentage, and contribute capital, equipment and expertise to the business equal to at least the required ownership percentage.
- N. "Person" includes one or more individuals, partnerships, associations, organizations, corporations, cooperatives, and legal representatives.
- O. "Project Area" for purposes of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u and 25 C.F.R. 135 means the City and County of San Francisco.
- P. "Retail tenant" means a business at the Site, whether run by tenants, operators or concessioners, and which supplies commodities or services to customers on its premises, including, but not limited to, stores, shops, hotels and eating and drinking businesses such as restaurants and bars.
- Q. "San Francisco resident (other than a person previously employed by the Developer or retail tenant)" means a person who establishes that s/he has lived in San Francisco for at least one week prior to submitting her/his initial application for employment with the Developer.
- R. "San Francisco resident (a person employed by the Developer or retail tenant prior to assignment to the Site)" means a person who had lived in San Francisco for at least six months prior to the date s/he applied for a transfer to a position at the Site or the date s/he was assigned to work at the Site, whichever is earlier; or a person who establishes, to the satisfaction of the Agency, that s/he lived in San Francisco prior to applying for or being considered for a position with the Developer or retail tenant at the Site.
- S. "To give first consideration for employment" means to offer a permanent position to individuals who are qualified for that position and who live in San Francisco prior to offering the position to a qualified individual who does not live in San Francisco.

- T. "Trade" means all skilled construction trades, laborers and security guards.
- U. "Woman-owned Business Enterprise (WBE)" means an economically disadvantaged, independent, continuing and for-profit business, which performs a commercially useful function, and is owned and controlled by one or more women residing in the United States or its territories.
- V. "Woman/Minority-owned Business Enterprise (W/MBE)" means an economically disadvantaged, independent, continuing and for-profit business, which performs a commercially useful function, and is owned and controlled by one or more women and minority group persons residing in the United States or its territories.

III. AREAS COVERED. In addition to the matters directly addressed in this Exhibit J, the affirmative action, equal opportunity obligations and requirements established herein cover:

- A. The construction work force for the original buildings and improvements at the Site, any additions or changes thereto, and all tenant improvements performed by or at the behest of the Developer. Training and employment of lower income residents of the Project Area and awarding of contracts for work on Site to businesses located in or owned by persons residing in the Project Area as required by Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. section 1701u and 25 C.F.R. 135. These obligations and requirements are set forth in Schedule A attached hereto and incorporated herein by reference.
- B. Minority and woman owned business enterprises. These obligations and requirements are set forth in Schedule B attached hereto and incorporated herein by reference.

IV. OBLIGATION TO INCORPORATE IN OTHER CONTRACTS Each contract between the Developer and a consultant, a general contractor, a prime contractor or a subcontractor (regardless of tier) shall physically incorporate and make binding on the parties to the contract §§I, II, III, IX and XI of this Exhibit J and Schedule A and B to this Exhibit.

V. DEVELOPER'S HIRING OBLIGATIONS

- A. This §V applies only to the workforce of the Developer which is involved with the Site but not employed at the improvements on the Site.
- B. The Developer shall make a good faith effort to fill vacancies in each job category in its work force (whether filled by new hire or promotion) at a rate which reflects the ethnic and gender composition of the City and County of San Francisco.
- C. The Developer shall give first consideration in employment to residents of the City and County of San Francisco; provided that if a conflict arises, the Developer obligation under paragraph B shall take precedence over its obligation to give first consideration in employment under this paragraph.

D. During the period between the issuance of the Request for Proposals and the execution of this Agreement, the Developer hired as follows:

<u>Job Category</u>	<u>Total</u>	<u>Am Ind</u>	<u>Asian</u>	<u>Black</u>	<u>Latino</u>	<u>Women</u>	<u>SF Res</u>
1. Marketing Mgr	1					1	1
2.							
3.							
4.							

E. The Developer shall submit quarterly reports to the Agency which show, for each job category of its employees, the total new hires, the ethnicity (each minority group) of the new hires, the gender of the new hires, and the residence of new hires (San Francisco/non-San Francisco).

F. The Agency or the Developer may take any dispute concerning the interpretation, implementation or alleged breach of this section to arbitration pursuant to §IX of this Exhibit J.

VI. DEVELOPER'S DESIGN AND OTHER PROFESSIONAL SERVICES CONSULTANTS

A. Participation Goals. The Agency has made a finding that discrimination has occurred against businesses owned by women and minority group persons. Accordingly, the Developer and all Professional and Personal Services Contractors with contracts in excess of \$10,000 shall make good faith efforts to achieve the following goals, which have been designed to correct the effects of past discrimination:

MBE	20 percent
WBE	18 percent

Only firms certified as MBEs, WBEs or W/MBEs (a combination of MBEs and WBEs) in accordance with §VI of Schedule B to this Exhibit J will be counted toward meeting the above participation goals.

B. The Developer and its Contractors shall give first consideration to local M/WBEs and comply with the good faith effort steps set forth in §IV of said Schedule B to ensure that minority-owned and woman-owned business enterprises have an equal opportunity to compete for and participate in contracts for the planning and design of the buildings and improvements and all tenant improvements thereafter performed by or at the behest of the Developer on the Site. This obligation covers all contracts involved in the improvements and such tenant improvements, including professional service contracts, consultant contracts and contracts and subcontracts. The prime contractors are responsible for ensuring that each of their subcontractors meets these requirements.

C. Developer total consultant costs are expected to amount to \$52,000.

D. Prior to the execution of the Agreement, the Developer has selected the following consultants:

	<u>Firm & Address</u>	<u>Ethnicity and Gender of Owners</u>	<u>Telephone</u>	<u>Work Product</u>	<u>Contract Amount</u>
1.	John Denton Development Advsr 915 Cole St., #328 S. F., CA 94117	Caucasian/ Male	415/386-5546	Financial	\$ 13,000
2.	Paul Zeger 3701 Buchanan St. S. F., CA 94123	C/M	415/929-7100	Broker	15,000
3.	James E. Shypertt 1549 Vancouver Ave. Burlingame, CA 94010	C/M	415/347-6640	Land Survey	7,500
4.	Rae Brizzi CA Assoc. Insurance 390 Fourth St. S. F., CA 94107	Caucasian/ Woman	415/543-0890	Insurance	2,400
5.	Lee, Quan, Ho & Li 180 Montgomery St. S. F., CA 94104	O/M	415/986-8389	Audit	3,000
6.	Rafael Olivas Mythos Creative Media	O/M	415/824-5858	Graphic Design	500
7.	Lynn Law Express Printing	O/W	415/928-7865	Printing	2,000
8.	Beverly Ashworth	C/W	415/566-1105	Bookkeeping	2,000
9.	Alma Robinson Art House, CA Lawyers for the Arts Ft. Mason, Bldg. C S. F., CA 94125	Non- Profit	415/775-7200 Ext. 762	Tenant Selection Process	500
10.	Anita Blumenthal Subdivision Consultants 31 Sequoia Court San Carlos, CA 94020	C/W	415/508-1515	Dept. of RE Application	2,500

VII. DEVELOPER'S CONSTRUCTION CONTRACTS

- A. Participation Goals. The Agency has made a finding that discrimination has occurred against construction firms owned by women and minority group persons. Accordingly, the Developer and all construction Contractors with contracts in excess of \$10,000 shall make good faith efforts to achieve the following goals, which have been designed to correct the effects of past discrimination:

MBE	31 percent
WBE	10 percent

Only firms certified as MBEs, WBEs or W/MBEs (a combination of MBEs and WBEs) in accordance with §VI of Schedule B to this Exhibit J will be counted toward meeting the above participation goals.

- B. The Developer and all such Contractors shall give First Consideration to local M/WBEs and comply with the good faith effort steps set forth in §IV of said Schedule B to ensure that minority-owned and woman-owned business enterprises have an equal opportunity to compete for and participate in contracts for the construction of the buildings and improvements and all tenant improvements thereafter performed by or at the behest of the Developer on the Site. This obligation covers all construction contracts and subcontracts involved in the improvements and such tenant improvements, including ancillary professional service contracts, consultant contracts and and subcontracts. The prime contractors are responsible for ensuring that each of their subcontractors meets these requirements.
- C. Developer total cost of its construction contracts for improvements on the Site are expected to amount to \$25,000.
- D. Prior to the execution of the Agreement, the Developer has selected the following construction contractors (including general contractors):

	<u>Firm & Address</u>	<u>Ethnicity and Gender of owners</u>	<u>Telephone</u>	<u>Work Product</u>	<u>Contract Amount</u>
1.	J. Gibbs & Sons 465 Tehama St. S.F., CA 94103	Caucasian/ Male	415/397-5000	Plumbing	\$ 12,582
2.	Aire Sheet Metal 1973 E. Bayshore Rd. Redwood City, CA 94063	B/M	415/364-8081	Ventilation	1,500
3.	Thompson Electric P. O. Box 7 San Ramon, CA 94583	C/M	415/837-5100	Electrical Wiring	1,000
4.	A & B Painting 110 Mendell St. S. F., CA 94124	S/M	415/282-3404	Painting	1,500

<u>Firm & Address</u>	<u>Ethnicity and Gender of owners</u>	<u>Telephone</u>	<u>Work Product</u>	<u>Contract Amount</u>
5. H. L. Heggstad 485 O'Neill Belmont, CA 94002	C/M	415/593-1074	Sheetrock	\$ 2,000
6. Devcon Construction 355 Los Coches St. Milpitas, CA 95035	C/M	408/942-8204	Floor Covering	1,000

VIII. USE AND OCCUPANCY OF THE SITE

A. Program for Attracting MBE/WBE Tenants

1. The Developer shall make good faith efforts to lease space in the improvements constructed upon the Site covered by this Agreement to minority-owned (MBE) and woman-owned (WBE) business enterprises; provided that the Developer shall retain the sole right to make final selection decisions on retail tenant-mix, rental rates, terms and conditions, financial qualifications, and experience.
2. Program for Generating M/WBE Interest. The Developer commits to the following process to ensure good faith consideration of M/WBE retail tenants for utilization of the Site:
 - a. Ninety (90) days prior to accepting applications from tenants, invite representatives of the the San Francisco Minority Business Development Center, U.S. Small Business Administration (SBA), Minority Enterprise Small Business Investment Corporations (MESBICs), Neighborhood Economic Development Corporations (NEDOs), San Francisco Economic Development Corporation, minority chambers of commerce and the Economic Development Division of the Agency to a meeting to discuss the business opportunity being offered including information about the amount of space being offered, the type of tenant desired and the leasing agent, if any. The invitations should state the fact that the Developer is seeking applications from M/WBEs.
 - b. Publicize the availability of space and/or the business opportunity by such actions as participating in minority and woman-oriented radio and television talk shows; making presentations to minority chambers of commerce or holding a special meeting for the minority chambers of commerce, and periodically issuing press releases to media oriented to ethnic minority group persons and women. Publicize the availability of the space and/or the type of business opportunity by placing notices in the city's *Bid and Contract Opportunities* and advertisements in the Small Business Exchange.
 - c. M/WBEs that do not initially meet the Developer business criteria will be referred to one or more of the providers of management and technical assistance referred to above.

- d. Notify the Agency when space is rented or leased to an M/WBE. The notification shall be submitted to the Agency within one (1) month of the date of execution of the lease or contract and shall include the following:

- i. name, title, ethnicity and gender of principals;
- ii. name and address of business;
- iii. nature of business;
- iv. amount of space and length of lease.

~~Meet periodically with each M/WBE retail tenant to discuss any operating issues of concern to the M/WBE, to the Developer or to both.~~

B. Reports

1. Annually, on the anniversary date of the leasing of the first premises on the Site, the Developer shall provide the Agency with a report showing, for each retail tenant, the name, square footage leased and whether the tenant is an MBE or a WBE.
2. Proof, as required by the Agency, that a tenant claiming to be an MBE or a WBE is in fact an MBE or a WBE.
3. The name and square footage leased to each tenant who qualified under the Business Preference Program.

- C. Arbitration of Disputes. The Agency and the Developer may take any dispute concerning the interpretation, implementation or alleged breach to arbitration pursuant to the arbitration provisions set forth in §IX of this Exhibit J, provided that any matter subject to enforcement of Article V, §5.03 of this Agreement may be enforced pursuant to that section.

- D. Term. The Use and Occupancy provisions of this §VIII shall remain in effect so long as the Developer is in the business of leasing space in the Site.

IX. ARBITRATION OF DISPUTES

- A. Agency's right of enforcement. For purposes of enforcement, the Agency is and shall be the beneficiary of the obligations, requirements and agreements established by this Exhibit J, Schedules A, B and C, and any affirmative action plan created or developed pursuant to the Schedules. The Agency is the beneficiary for itself, in its own right, and also for purposes of protecting the interest of the community, and other parties, public or private, in whose favor and for whose benefit such obligations, requirements or agreements have been provided. Accordingly, the Agency shall have the right to enforce said obligations, requirements and agreements against the Developer, the Prime Contractor, any consultant, any retail tenant, any subcontractor (regardless of tier), or any material supplier of the prime contractors or any subcontractor, as well as any party who by contract also has the responsibility for enforcement of said obligations, requirements or agreements, e.g., breaching sub-subcontractor against the subcontractor, the prime contractors and the Developer.

- B. Initiating arbitration, Request for Arbitration. Arbitration, as provided for in this Exhibit J and its accompanying Schedules, shall be the exclusive procedure for resolving any dispute concerning the interpretation, implementation or alleged breach of this Exhibit J or its Schedules. The Agency, the Developer, its consultant, prime contractor, any subcontractor (excluding all contractors or consultants who were not awarded a contract) or any retail tenant may take any such dispute to arbitration by filing a Request for Arbitration with any member of the panel of arbitrators attached hereto as Exhibit 1. Prior to filing the Request, the complaining party may determine by telephone if a particular arbitrator is available to hear the matter. Where the Agency is not the complaining party, the Request shall be served on the Agency. Where the Agency is the complaining party, the Request shall be served on the Developer and the noncompliant party (if not the Developer) if such service can be achieved with reasonable effort. The Request shall be filed and served either by hand delivery or by registered or certified mail. The Request shall identify the entities involved in the dispute (e.g., the specific subcontractor), and state the exact nature of the dispute and the relief sought. If the complaining party seeks a temporary restraining order and/or a preliminary injunction, the Request shall so state in the caption of the Request.
- C. Effect of Service on the Developer. Service on the Developer of the Request for Arbitration or any notice provided for by this Exhibit J or any accompanying schedule shall constitute service of the Request or notice on all consultants, prime contractors, subcontractors, and retail tenants who are identified as being in alleged noncompliance in the Request for Arbitration. The Developer shall promptly serve the Request or notice, by hand delivery or registered or certified mail, on all such consultants, prime contractors, subcontractors or retail tenants.
- D. Parties' participation. The Developer shall require, by contract, that each of its consultants, all prime contractors, all subcontractors, and all retail tenants participate in any arbitration proceedings in which it is identified in the Request for Arbitration, and that each shall be bound by the outcome, including the decision of the arbitrator.
- E. Arbitrator's ability to act. Except where a temporary restraining order is sought, the arbitrator with whom the Request was filed shall notify the Agency and Developer by telephone within 48 hours if s/he is not available to act as arbitrator. Where a temporary restraining order is sought, such notice shall be provided within 24 hours. If the arbitrator is not available, s/he shall immediately designate one of the other members of the panel appearing on Exhibit 1 hereto to be the arbitrator.
- F. Negotiations prior to arbitration. Prior to the filing and service of a Request for Arbitration, the parties to any arbitrable dispute shall meet and confer in an attempt to resolve the dispute. After the filing and the service of a Request for Arbitration, the parties shall negotiate in good faith for a period of 10 business days in an attempt to resolve the dispute; provided that the complaining party may proceed immediately to arbitration, without engaging in such a conference or negotiations, if the facts could reasonably be construed to support the issuance of a temporary restraining order or a preliminary injunction (temporary relief). Whether the facts reasonably supported the issuance of

temporary relief shall be determined by the arbitrator and shall not, under any circumstances, be determined by a court.

- G. Setting of arbitration hearing. If the dispute is not settled within 10 business days, a hearing shall be held within 90 days of the date of the filing of the Request for Arbitration, unless otherwise agreed by the parties or ordered by the arbitrator upon a showing of good cause; provided, that if the complaining party seeks a temporary restraining order, the hearing on the motion for a temporary restraining order shall be heard not later than two (2) business days after the filing of the ~~Request for Arbitration, and provided further, if a party seeks a pre-~~liminary injunction, such motion shall be heard on 15 days' notice. The arbitrator shall set the date, time and place for the arbitration hearing(s) within the proscribed time periods by giving notice by hand delivery to the Agency and the Developer; except, where a temporary restraining order is sought, the arbitrator may give notice of the hearing date, time and place to the Agency and the Developer by telephone.
- H. Discovery. In arbitration proceedings hereunder, discovery shall be permitted in accordance with Code of Civil Procedure §1283.05.
- I. Arbitration remedies and sanctions. Except as may otherwise be expressly provided in the Schedules incorporated herein, the arbitrator may impose only the remedies and sanctions set forth below and only against the noncompliant party(ies):
1. Order specific, reasonable actions and procedures, in the form of a temporary restraining order, preliminary injunction or permanent injunction, to mitigate the effects of the noncompliance and/or to bring the Developer and/or its noncompliant consultants, prime contractors, subcontractors, or retail tenants into compliance.
 2. Require the Developer, consultants, prime contractors or subcontractors to refrain from entering into new contracts related to work covered by the Agreement, or from granting extensions or other modifications to existing contracts related to work covered by the Agreement, other than those minor modifications or extensions necessary to enable completion of the work covered by the existing contract, with any noncompliant consultant, the prime contractors or subcontractor until such consultant, prime contractors or subcontractor provides assurances satisfactory to the Agency and the Developer of future compliance with the applicable provisions of this Agreement.
 3. Direct the Developer, consultants, prime contractors, or subcontractors to cancel, terminate, suspend or cause to be cancelled, terminated or suspended, any contract or lease or portion(s) thereof for failure of the consultants, prime contractors, subcontractors or retail tenant to comply with any of the affirmative action/equal opportunity provisions of this Agreement. Contracts or leases may be continued upon the condition that a program for future compliance is approved by the Agency.
 4. Order conveyance of the Site where the Agency has refused to convey the Site pursuant to §X of this Exhibit J. The arbitrator may condition conveyance on the Developer completing specific remedial ac-

tions or agreeing to take specific remedial actions after the conveyance.

5. Award back and front pay to those who were not hired or lost hours of work as a result of the failure of the Developer, any consultant, prime contractors or any subcontractor to make the required good faith efforts to meet the employment goals established herein. No front pay award shall extend beyond the period that the noncompliant party performs work at the Site.
 6. If the Developer, a consultant, the general contractor, a prime contractor, a subcontractor or a retail tenant is found to be in willful breach of its obligations hereunder, impose financial penalties not to exceed \$50,000 or 10 percent of the base amount of the contract, whichever is less, for each such breach on the party responsible for the willful breach; provided that in determining the amount of any financial penalty to be assessed, the arbitrator shall consider the financial capacity of the breaching party. No penalty shall be imposed pursuant to this paragraph for the first willful breach of this Exhibit J or its Schedules unless the breaching party has failed to cure after being provided notice and a reasonable opportunity to cure. Penalties may be imposed for subsequent willful breaches by the Developer, consultant, contractor or retail tenant whether or not the breach is subsequently cured. For purposes of this paragraph, "willful breach" means a knowing and intentional breach.
 7. Direct that the Developer, consultants, general contractor, any prime contractors, any subcontractor, or retail tenant to produce and provide to the Agency any records, data or reports which are necessary to determine if a violation has occurred and/or to monitor the performance of the Developer, consultant, prime contractors, any subcontractor, or retail tenant.
- J. Arbitrator's Decision. The arbitrator shall make his/her award within 20 days of the date that the hearing is completed; provided that where a temporary restraining order is sought, the arbitrator shall make his/her award not later than 24 hours after the hearing on the motion. The arbitrator shall send the decision by certified or registered mail to the Agency, the Developer and the noncompliant consultant, prime contractors, subcontractor, or retail tenant, if any.
- K. Default award; no requirement to seek an order compelling arbitration. The arbitrator may enter a default award against any party (e.g., prime contractor, subcontractor) who fails to appear at the hearing; provided said party received actual notice of the hearing. In a proceeding seeking a default award against a party other than the Developer, the Developer shall provide proof of service on the party as required by paragraph C of this §IX. If the Developer fails to provide proof of service, the Developer shall pay \$2,500, as liquidated damages, to the Agency, provided that no such damages shall be assessed if the Developer demonstrates that it made good faith efforts to serve the party. In order to obtain a default award, the complaining party need not first seek or obtain an order to arbitrate the controversy pursuant to Code of Civil Procedure §1281.2.

- L. Arbitrator lacks power to modify. The arbitrator shall have no power to add to, subtract from, disregard, modify or otherwise alter the terms of this Agreement, this Exhibit J, the Schedules incorporated herein or any other agreement between the Agency and the Developer, or to negotiate new agreements or provisions between the parties.
- M. Jurisdiction/entry of judgment. The inquiry of the arbitrator shall be restricted to the particular controversy which gave rise to the request for arbitration. A decision of the arbitrator issued hereunder shall be final and binding upon the Agency, the Developer, noncompliant consultants, ~~prime contractors, subcontractors and retail tenants, if any,~~ sent by mail to the Agency, the Developer and the noncompliant consultant, prime contractors, subcontractor, or retail tenant, if any. The losing party shall pay the arbitrator's fees and related costs of arbitration. If a consultant, prime contractor or subcontractor is the losing party and fails to pay said fees within 30 days of the decision, the Developer shall pay the fees. Each party shall pay its own attorneys' fees provided that fees may be awarded to the prevailing party if the arbitrator finds that the Request for Arbitration was frivolous or that the arbitration action was otherwise instituted or litigated in bad faith. Judgment upon the arbitrator's decision may be entered in any court of competent jurisdiction.
- N. Delays due to enforcement. In the event that the Developer does not timely perform its obligations under this Agreement because of an arbitrator's order against a party other than the Developer, the time for any performance by the Developer shall be extended for a period commensurate with the period of said cessation of work; provided, however, that the Developer shall take all actions reasonably necessary to minimize any delays.
- O. Exculpatory clause. The Developer, consultants, general contractor, prime contractors, subcontractors (regardless of tier), and retail tenants of the Developer expressly waive any and all claims against the Agency for damages, direct or indirect, including, but not limited to claims relative to the commencement, continuance and completion of construction. The Developer, consultants, prime contractors, all subcontractors (regardless of tier), and retail tenants acknowledge and agree that the procedures set forth herein for dealing with alleged breaches or failure to comply with the obligations and requirements of this Exhibit J and the affirmative action, equal opportunity obligations of this Agreement are reasonable and have been anticipated by the parties in securing financing, in inviting, submitting and receiving bids for the planning, design and construction of the improvements or Site, and in determining the times for commencement and completion of the planning, design and construction or related work.
- P. California law applies. California law, including the California Arbitration Act, Code of Civil Procedure §§1280 through 1294.2, shall govern all arbitration proceedings.
- Q. Additional arbitration provisions in Schedules. The arbitration provisions contained in this Exhibit J are subject to the specific arbitration provisions, if any, set forth in Schedules A through C.

- R. Designation of agent for service. Not later than five (5) days after the execution of this Agreement, the Developer shall designate a person or business, residing or located in the City and County of San Francisco, as its agent for service of a Request for Arbitration and all notices provided for herein. If the Developer has an office located in San Francisco, it may designate itself as agent for service. The designation shall be served on the Agency and shall include the address of the agent.
- S. NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.



Agency



Developer

X. CONDITION PRECEDENT

- A. If the Agency determines that the Developer, its consultants, general contractor or any prime contractor is in breach of this Exhibit J or any of its Schedules, the Agency may require, as a condition precedent to the Agency's obligation to convey the Site, that the Developer cure the alleged breach.
- B. If the Developer disagrees with the Agency's determination that it is in breach, the Developer, as its exclusive remedy, may take the dispute to arbitration pursuant to §IX of this Exhibit J.

- XI. SEVERABILITY The provisions of this Exhibit J and each Schedule incorporated herein are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section or portion of this Exhibit J or any Schedule, or the invalidity of the application thereof to any person or circumstance shall not affect the validity of the remainder of this Exhibit J and/or Schedule(s), or the validity of their application to other persons or circumstances.

EXHIBIT K
USE RESTRICTION

Free Recording Pursuant to
Government Code Section 27383

RECORDING REQUESTED BY
And When Recorded Mail to

City and County of San Francisco
Mayor's Office of Housing
10 United Nations Plaza, 6th Floor
San Francisco, California 94102
Attn: Alicia Klein

Space Above This Line for Recorder's Use
USE RESTRICTION

This Use Restriction is executed as of _____, 1995, by Artspace Development Corporation, a California nonprofit corporation ("Artspace"), with respect to the property described on Exhibit A attached hereto and incorporated herein by reference (the "Property").

Artspace and the Redevelopment Agency of the City and County of San Francisco ("Agency") have entered into a Regulatory and Grant Agreement ("Agreement") dated as of _____, 1995. The Agreement was recorded in the Official Records of San Francisco County on _____, 1995, as Document No. _____. Capitalized terms used in this Use Restriction and not otherwise defined shall have the meanings set forth in the Agreement.

As a condition of the Grant Agreement, this Use Restriction is to be recorded as a lien on the Property to ensure use of the Property in accordance with the Grant Agreement.

The Property is subject to the following restrictions:

1. All Market Rate Units, Affordable Ownership Units and Affordable Rental Units (collectively, "Units") in the Property shall be used for "Arts Activities," as defined in Section 102.2 of the San Francisco Planning Code.
2. The following six units are designated as "Market Rate Units" within the building, as defined in the Grant Agreement, and the initial and any subsequent sale of any such unit is subject to the use restrictions contained in the Grant Agreement: 205, 301, 302, 303, 304 and 305.

3. The following eighteen units are designated as "Affordable Ownership Units" within the building, as defined in the Grant Agreement, and the initial and any subsequent sale of any such unit is subject to the owner income, purchase price and other restrictions contained in the Grant Agreement: 306, 307, 308, 309, 310, 311, 312, 314, 317, 407, 408, 409, 410, 411, 413, 415, 416 and 417.
-
4. The following five units are designated as "Affordable Rental Units" within the building, as defined in the Grant Agreement, and the initial or any subsequent rental of such units is subject to the tenant income, rental rate and other restrictions contained in the Grant Agreement: 313, 315, 316, 412 and 414.

The provisions of this Use Restriction shall be binding upon Artspace and its successors and assigns, including any owner of a Market Rate Unit or Affordable Ownership Unit and any tenant of an Affordable Rental Unit. This Use Restriction may not be revoked or amended without the written consent of the Director of the Mayor's Office of Housing or his/her designee. This Use Restriction shall not be affected by any sale or rental of any Unit or any partial or complete reconveyance of the Grant Agreement. Any violation of this Use Restriction, whether by Artspace or any successor or assignee, or any owner or tenant of a Unit, shall constitute a default under the Agreement.

These Use Restrictions shall automatically expire, without further action or approval, on _____, 2045. The expiration of these Use Restrictions shall in no way affect the validity of any other document executed or recorded in connection with the Property, including the "Notice of Special Restrictions Under the City Planning Code" recorded against the Property on _____, 1995, as Document No. _____.

DATED: _____ at San Francisco, California

Owner: _____

By: _____
Its _____

State of California)
County of San Francisco)

On _____, _____ before me,
_____, a Notary Public in
and for said County and State, personally appeared

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 on behalf of which the
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)