SUMMARY REPORT PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33433 ON A DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE CITY OF SAN MATEO; AH BESPOKE LP, A CALIFORNIA LIMITED PARTNERSHIP; AND DTSM HOUSING, LLC, A DELAWARE LIMITED LIABILITY COMPANY.

Introduction

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 ("Section 33433"). Section 33433 requires that, prior to the sale, lease, or other disposition of real property acquired with redevelopment funds, the conveying entity must prepare a report summarizing the financial and development-related terms of the proposed transaction. The Summary Report describes details of the Disposition and Development Agreement ("DDA" or "Agreement") between the City of San Mateo (City); DTSM Housing, LLC, a Delaware limited liability company (Commercial Developer); and Alta Housing Bespoke LP, a California Limited Partnership (Residential Developer). The DDA requires the City to enter into a ground lease for the parcels located at 445 South B Street ("Site"), with Assessor's Parcel Numbers 034-179-050 and 034-179-060.

The proposed development is a mixed-use project, currently titled "Bespoke." Per the Agreement, the developers are required to develop 162,000 square feet of office and retail space, a 137-space underground parking garage, and a 71-unit multifamily building. Apart from one staff/manager's unit, 70 units will be income-restricted to households earning 70 percent of Area Median Income (AMI) or below. The affordable housing building and a portion of the shared underground garage will be located on the Site, while the office building and the remainder of the underground garage will be constructed on adjacent parcels that are privately held and are not the subject of this report.

The Site was acquired in 1985 by the City of San Mateo for $554,509 and conveyed to the former Redevelopment Agency (RDA) in 1989. The Site was acquired with property tax increment funds. According to the Long Range Property Management Plan, the Site was leased back to the City of San Mateo in 1989 to be utilized for public parking. Its current use is as a surface parking lot. At this time, the City intends to convey the Site to the Residential Developer to implement the project as described.

The purpose of the Agreement is to implement the City's objective of improving and increasing the supply of affordable housing in the City of San Mateo. Due to the funding sources used to acquire the Site, the proposed conveyance of the Site to the Developer is subject to the reporting requirements imposed by Section 33433.

The following Summary Report is based upon the information contained within the Agreement, and contains the following details required by Section 33433:

1. **Cost of Agreement to the Agency**, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreements.
2. **Estimated Value at Highest and Best Use**, as permitted under the redevelopment plan. This presents the Site's value at its highest and best use (fair market value), as determined by independent appraisal.
3. **Estimated Reuse Value**, or the value of the Site, determined at the use and with the conditions, covenants, and development costs required by the Agreements.
4. **Blight Elimination** requirement, or an explanation on how the sale/lease of the Site supports elimination of blight or provides affordable housing, an allowable alternative for meeting this requirement.
5. A copy of the proposed sale or lease, provided in Appendix A.

The information presented in this Summary Report was prepared by Economic & Planning Systems, Inc. based on relevant documentation and data provided by the City of San Mateo in April 2026.

Project Description

This section provides an overview of the Site, developers, and proposed development.

Site

The Site is located at 4th and Railroad Avenue in San Mateo with Assessor Parcel Numbers (APNs) of 034-179-050 and 034-179-060. The Site is 0.38 acres and currently used as a surface parking lot. The Site is zoned as CBD/R, Central Business District with a Residential Overlay, which allows for development and re-use of existing downtown structures as a center for retail, cultural, entertainment, and community service uses, while simultaneously encouraging residential development as part of a mixed-use development.

These parcels were acquired by the City in 1985 for approximately $554,509 to provide downtown public parking as part of the Central Parking and Improvement District (CPID). The site was conveyed to the former RDA in 1989 and leased back to the City to continue providing 50 parking spaces. The City operated and maintained the lot through the CPID. The CPID today continues its operations as a special district and collects parking revenues in a special revenue fund to maintain adequate parking supply throughout the district.

In 2021, the City followed the State of California's Surplus Land Act process to issue a Notice of Availability of Surplus Land to solicit residential development for the site, through which they selected the developers out of those who submitted letters of interest to the City.

Developer

The project is a public-private partnership between the City and Alta Housing, Harvest Properties, and Prometheus Real Estate Group. AH Bespoke LP/Alta Housing is the Residential Developer and has prepared plans to construct 71 units of housing. Alta Housing is a non-profit housing developer and operator based in Palo Alto, California. DTSM Housing LLC, a special purpose entity formed for this project by Harvest Properties and Prometheus Real Estate Group, is serving as the Commercial Developer to construct the office and retail space, plus the underground parking garage.

Proposed Development

The proposed development is a mixed-use project, currently titled "Bespoke," which will include both residential and commercial improvements, plus an underground parking garage shared between both uses. The Bespoke project covers six parcels in total across a 1.16-acre lot that spans a city block and includes both the City-owned Site and adjacent privately-owned properties on the same block (see Appendix B). This Summary Report will focus on the City-owned portion, unless otherwise noted.

For the residential development, Alta Housing will construct 71 units of 100% below market-rate housing, built entirely on top of the City-owned Site. These units will be priced at the following affordability levels, which are subject to change based on financing received, but in no event will exceed 70% of Area Median Income (AMI):

- 14 units at 30% Area Median Income (AMI)
- 36 units at 50% AMI
- 12 units at 60% AMI
- 8 units at 70% AMI
- 1 staff unit (unrestricted)

There will also be 5,600 square feet of ground-floor space occupied by the non-profit Self-Help for the Elderly to provide services and support to the local senior population.

Commercial improvements are to include approximately 150,000 square feet of commercial office space and 12,000 square feet of retail space. These will be constructed entirely on the adjacent privately-owned parcels that comprise the rest of the Bespoke project. The Commercial Developer will additionally construct an underground parking garage with 137 spaces spanning the entire block. This garage will dedicate 37 spaces exclusively for the residential development's use. The Commercial

Developer shall primarily own and operate/maintain the garage but with shared expenses as outlined in a Reciprocal Easement Agreement. Under a shared parking agreement that includes the Residential Developer and the City, spaces will be reserved for on-site affordable housing residents and also made available to the general public during designated hours.

Summary of the Proposed Agreements

This section describes key definitions and provisions of the proposed DDA that are relevant to the proposed development and the value of the property, as well as other legal agreements that supplement the DDA.

In summary, the City agrees to ground lease the Site to the Residential Developer for a term of 99 years at a rate of $1 per year for the provision of 70 units of income-restricted affordable housing, 1 staff/manager's unit, and 5,600 square feet of space for a community-oriented non-profit organization. Alta will own and manage the improvements and provide the units at the stated income mix. The City additionally agrees to contribute $3 million in permanent construction financing in the form of a loan. The Commercial Developer will construct an underground parking garage with 137 spaces and dedicate 37 spaces to the residential development. Under a shared parking agreement, all three entities have shared use of the parking garage, with 37 spaces available to the public during non-business hours. The Commercial Developer will also provide a $2.9 million contribution to the City, which will be used for predevelopment expenses for the affordable housing.

City Responsibilities

As articulated in the DDA, the City's key responsibilities are:

- Ground leasing the site to the Residential Developer for a period of 99 years at a lease rate of one dollar ($1.00) per year. The improvements on the property will be owned by the Residential Developer or a successor residential owner/operator for the duration of the lease.
- Contributing financing in the form of loans to the affordable development, including a $2.9 million loan (reimbursed by Commercial Developer) and $3 million permanent construction loan.

Developer Responsibilities

As articulated in the DDA, Alta Housing/Residential Developer's key responsibilities are:

- Securing funding required for the project beyond the City loan.
- Paying the costs of escrow and closing, including but not limited to: title insurance, document preparation, recordation fees, and transfer tax, as applicable.

- Constructing the residential project in accordance with the requirements in the Agreement, including 71 units of housing and 5,600 square feet of ground-floor community space.
- Offering 70 units of BMR housing as defined in the DDA and Density Bonus requirements.
- Operating the project and maintaining it in good and livable condition.
- Paying all taxes, operating expenses, insurance costs, utility expenses, charges, and impositions associated with the property for the term of the lease.
- Paying all applicable developer impact fees.
- Repaying the affordable housing loan funded by the City in accordance with the Agreement.

Cost of Agreements to the City

Estimated City Revenue

The City will receive ground lease payments from the Residential Developer, which total $99 from annual payments of $1 for 99 years. The City will also receive a contribution of $2.9 million from the Commercial Developer, which will be used to provide a Predevelopment Loan to the Residential Developer.

Estimated City Cost

There are two types of costs incurred by the City for the development of the City-owned Site:

- **Property-Related Costs**, including original acquisition costs and any expenses identified in the DDA.
- **City Financial Assistance** to fund the development as identified in the DDA, including loans or grants.

Table 1 details these costs, as well as the direct revenue the City shall receive from the project. **Combined with total costs of $3,554,509, the net cost of the Agreement to the City is $3,554,410**.

Table 1 Revenues and Costs of Agreement to the City

Item	Estimated Total Cost
Revenues	
Ground Lease	$99
Commercial Developer Equity Contribution	$2,900,000
Total Revenues	**$2,900,099**
Costs	
Property Related Costs	
Site Acquisition	$554,509
City Financial Assistance	
City Predevelopment Loan[1]	$2,900,000
City Permanent Loan	$3,000,000
Total Costs	**$6,454,509**
Net Costs	**$3,554,410**

[1] Matches the Commercial developer equity contribution of $2.9 million, such that net cost is $0.

Source: Economic & Planning Systems

The only property-related cost that the City has for the Site is its original 1985 purchase amount of $554,509. Per the DDA, the Residential Developer is responsible for paying the costs of title insurance, document preparation, recordation fees, transfer tax, if any, and any additional recording costs to close the escrow for the Site, as well as all ad valorem taxes as applicable. The City has no obligation for these costs.

The City has committed financial assistance to the Residential Developer, which allows the project to bridge financing gaps. This financial assistance includes:

- City Permanent Loan of $3,000,000 for the permanent financing and construction of residential improvements, provided that the Residential Developer's financing plan reasonably demonstrates that the amount is necessary to enable the construction of the residential improvements. The loan has a 57-year term and a 3 percent simple interest rate.
- City Predevelopment Loan of $2,900,000, for predevelopment expenses associated with the residential improvements, which is funded by a contribution of $2,900,000 to the City from the Commercial Developer, resulting in a net cost of $0 to the City. The Predevelopment Loan shall be used for entitlement, architectural, design, engineering, permitting, and related costs incurred prior to construction. The loan agreement terminates at commencement of construction and accrues no interest.

Estimated Value at Highest and Best Use

California Health and Safety Code Section 33433 requires the City to identify the value of the interests being conveyed at the highest use permitted under current zoning. The valuation must assume that the property is vacant, and that near-term development is required. The valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the City.

The Site is currently zoned CBD/R, which allows for mixed-use development, but is used as surface parking and managed by the CPID. In an appraisal dated April 30, 2026, Valbridge Property Advisors (Appraiser) concluded that the fair market value of the Site to be conveyed at the highest use permitted under the zoning in place is **$4,510,000**. The appraisal report is provided in Appendix C.

Estimated Fair Reuse Value

The reuse value is the value of the Site given the allowable development program and the reuse restrictions associated with the properties given the conditions, covenants, and development obligations that are required in the DDA and associated agreements regarding the lease and development of the Site as affordable housing, community or commercial space, and parking.

The reuse value estimated in this Summary Report uses a residual land value analysis that assumes the proposed development program and reuse restrictions from the draft DDA and related agreements as of April 2026. Economic & Planning Systems, Inc. (EPS) prepared this analysis of the Site based on the DDA and the financial terms and conditions proposed therein.

Estimated Development Revenues

Table 2 supplies the development revenues of the project based on rental income generated from the 70 affordable units, and net operating income (NOI) after accounting for vacancy and operating expenses. Under the maximum rents that can be charged for each affordable unit provided, less operating expenses and vacancy losses, the NOI is $966,214. At this level of NOI, EPS estimates that the project would be worth approximately $16,104,000, assuming a market-standard return on cost of 6.0 percent. This figure represents the amount of total project costs that can be funded by the rental income generated by the project itself; the remainder must be funded through grants, loans, or at-risk developer equity.

Table 2 Estimated Project Net Operating Income and Supportable Project Costs

Item	# of Units	Amount
Rental Income (annual)		
30% AMI	14	$452,040
50% AMI	36	$844,872
60% AMI	12	$385,344
70% AMI	8	$301,920
Total Rental Income	**70**	**$1,984,176**
Misc. Income[1]		$10,224
less vacancy[2]		($99,720)
Effective Gross Income		**$1,894,680**
less operating expenses[3]		($928,466)
Net Operating Income		**$966,214**
Capitalization Rate[4]		6%
Supportable Project Cost based on NOI		**$16,103,567**

[1] Miscellaneous income assumed from on-site laundry service and vending machines
[2] Assumes 5% vacancy
[3] Includes administrative/management costs, utilities, insurance, maintenance, resident services, replacement reserve, etc.
[4] EPS standard assumption

Source: Alta Housing; Economic & Planning Systems

Estimated Development Costs

Based on the financing plan provided by the Residential Developer, **the total development cost for the proposed project is $85,780,210, excluding land.** This includes $61.3 million in construction hard costs, $23.4 million in construction soft costs (including $8 million in developer fees), $1 million in project financing costs, and $35,000 in legal costs associated with the property acquisition. Costs are summarized in **Table 3**.

Residual Land Value (Reuse Value)

Reuse value is the value of the Site given the allowable development program and the reuse restrictions placed on the property. It is estimated as the residual land value of the site.

The development funding plan (pro forma) shows that the supportable debt implied by the NOI is considerably less than the cost of development, and therefore the project is not financially feasible without additional subsidies.

As shown in **Table 3**, EPS' analysis concludes that the fair reuse value of the Site is approximately -$70 million. The requirements of the Agreement reduce the value of the site from $4,510,000 at the highest use to the estimated fair reuse value of -$69,676,643.

Table 3 Fair Reuse Value of Site

Item	Amount
Project Value	
Supportable Cost based on NOI	**$16,103,567**
Estimated Development Costs	
Property Related Costs	$35,000
Hard Costs	$61,303,332
Soft Costs	$23,359,315
Project Financing Costs	$1,082,563
Total	**$85,780,210**
Residual Land Value or Fair Reuse Value	**-$69,676,643**

Source: Alta Housing; Economic & Planning Systems

Justification for the City Loan and Financial Assistance

The Developer's construction and operation of the Development for households of Lower Income are not financially feasible without financial assistance from the City.

The City is not the only financial contributor to the project; other planned financing sources include contributions from San Mateo County (Affordable Housing Fund), State of California (Housing and Community Development Multifamily Housing Program), or grants (Affordable Housing Program). The project intends to receive tax credit financing through the Low-Income Housing Tax Credits (LIHTC) program.

Blight Elimination or Affordable Housing

The ground lease places restricts the use of the site to multifamily affordable housing for 99 years, and the development will materially contribute to increasing the supply of affordable housing within the City. In accordance with California Redevelopment Law, as portrayed in the California Health and Safety Code Section 33433, the conveyance of property that results in the provision of housing for low- or moderate-income persons satisfies the blight elimination criteria imposed by Section 33433. Thus, the scope of development required by the Agreement fulfills the blight elimination requirement.

Conclusion

The Site is retained by the City and leased to Alta Housing in order to provide 71 units of housing, with 70 units provided below market-rate rents. The provision of affordable housing on the Site will help the City meet its housing obligations in the City's Housing Element and its Regional Housing Needs Allocation, as well as meet the former Redevelopment Agency's revitalization goals.

This Summary Report identifies the property's reuse value to be -$70 million. Given the restricted revenues from rental of the affordable apartments, the rental incomes can only support about $16 million in project value, or just 19 percent of the total development costs. Without funding resources, including the City's contributions, to support the affordable housing, the project would not be able to overcome its negative reuse value and be constructed.

Appendices

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Appendix B: Project Site Map

Appendix C: Appraisal or Valuation Report by Valbridge

APPENDIX A

DISPOSITION AND DEVELOPMENT AGREEMENT

BETWEEN

THE CITY OF SAN MATEO,

AH BESPOKE LP,
a California limited partnership

AND

DTSM HOUSING, LLC,
a Delaware limited liability company

[_____], 2026

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Exhibit F:	Form of Lot Tie Agreement
Exhibit G:	Form of REA
Exhibit H:	Site Plan
Exhibit I:	Construction Easement
Exhibit J:	Memorandum of Disposition and Development Agreement
Exhibit K:	Form of City Predevelopment Loan Documents
Exhibit K-1:	Form of City Permanent Loan Documents
Exhibit L:	Insurance Coverage

DISPOSITION AND DEVELOPMENT AGREEMENT

This Disposition and Development Agreement (the "Agreement") is entered into as of _____, 2026 (the "Effective Date"), by and among the City of San Mateo, a California charter city (the "City"), AH Bespoke LP, a California limited partnership (the "Residential Developer") and DTSM Housing, LLC, a Delaware limited liability company (the "Commercial Developer"), who may individually be referred to as a "Party" and collectively be referred to as the "Parties," with reference to the following facts, understandings and intentions of the Parties.

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Article 1 of this Agreement. The Parties intend to refer to those definitions in connection with the use of capitalized terms in these Recitals.

B. The City owns certain real property located at 4th and Railroad Avenue, as more particularly described in Exhibit A attached to this Agreement (the "Residential Site" or the "Residential Property" or the "Property"). The APNs for the Property are as follows: 034-179-050 and 034-179-060.

C. On January 7, 2021, the City issued a Notice of Availability of Surplus Land to solicit proposals to develop on the Residential Site an affordable housing development consistent with the California Surplus Land Act (California Government Code Section 54220-54234). On May 27, 2021, DTSM Housing, LLC submitted a letter of intent to the City.

D. After careful consideration, the City selected DTSM Housing, LLC and its affiliates for exclusive negotiations for development of the Property, due to DTSM Housing, LLC's and its affiliates' unique qualifications and ability to execute the project. Accordingly, the City has approved Commercial Developer, DTSM Housing, LLC, as the developer of the Commercial Development. The City received a letter from the Department of Housing and Community Development on August 23, 2021, stating that they had reviewed and approved the City's selection of the Commercial Developer in accordance with the California Surplus Lands Act.

E. On _____, the City approved entitlements consisting of the following: _____ [TO REFERENCE CITY COUNCIL MEETINGS, RESOLUTIONS AND OTHER ENTITLEMENT DETAILS](the "Entitlements"). The City, the Commercial Developer and the Residential Developer desire for the Development to include the Property in a mixed-use development that incorporates the adjacent parcels on the block (as shown in the Development Plan in Exhibit B attached to this Agreement) (which are partially owned or controlled by the Parties), and includes the improvements described in the Entitlements, including (i) improvements consisting of approximately 14 units available to households at or below 30% of AMI, 36 units available to households at or below 50% of AMI, 12 units available to households at or below 60% of AMI, 8 units available to households at or below 70% of AMI and one (1) unrestricted staff unit, and approximately [5,000] square feet of ground floor community space located on the airspace of the Property (which improvements are referred to as the "Residential Improvements"), (ii) improvements consisting of approximately 150,000 square feet of

commercial office space and approximately 12,000 square feet of ground floor retail space located on the airspace of the portion of the Commercial Property (as herein defined), (which improvements are herein referred to as the "Commercial Improvements") and (iii) the Underground Parking Garage (as herein defined) that will span the entire Development site.

F. The Commercial Developer, the Residential Developer and the City intend that the Residential Developer will construct and own the Residential Improvements and that the Commercial Developer will construct the Underground Parking Garage and the Commercial Improvements and own the Commercial Improvements located on the Commercial Property.

G. The City will enter into a lot tie agreement in the form substantially similar to that of Exhibit F attached hereto (the "Lot Tie Agreement") and a reciprocal easement agreement in a substantially similar form of Exhibit G attached hereto (the "REA") with the Commercial Developer and any other fee owner of a portion of the Commercial Property to allow for (i) the construction of the Underground Parking Garage to span multiple assessors' parcels, (ii) the construction of the Commercial Improvements to span multiple assessor's parcels and (ii) the establishment of certain reciprocal easements and the allocation of responsibilities and cost sharing relating to facilities (e.g., the Underground Parking Garage) to be shared by the Residential Improvements and the Commercial Improvements. The City and the Residential Developer will also enter into a ground lease of the Property to allow for the development of the Residential Improvements by the Residential Developer on the air rights above the portion of the Underground Parking Garage owned by the City. The Ground Lease will be subordinated to the Lot Tie Agreement, the Shared Parking Agreement and the REA.

H. The City has determined that the Commercial Developer and the Residential Developer each have the necessary expertise, skill and ability to carry out their respective commitments set forth in this Agreement and that this Agreement is in the best interests and will materially contribute to increasing the supply of low income housing available at affordable housing cost within the City.

I. The Residential Developer's construction and operation of the Residential Development is not financially feasible without the City's financial assistance. The City therefore desires to provide the Residential Developer with the City Loans to provide preconstruction and construction funding in consideration for the Residential Developer's agreement to construct and operate the Residential Development, as applicable, consistent with this Agreement and the Regulatory Agreement, including (without limitation) the occupancy and affordability restrictions. The amount of the City Loans provided pursuant to this Agreement does not exceed the amount of City's assistance necessary to make the Residential Developer's acquisition of the leasehold interest in the Property and the construction and operation of the Residential Development, as applicable, as restricted by this Agreement, financially feasible.

J. To strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the Legislature of the State of California enacted California Government Code § 65864 *et seq.* ("Development Agreement Statute"), which authorizes the City to enter into an agreement with any person having a legal or equitable interest in real property regarding the development of such property.

K. The City (in its capacity as "lead agency") has approved the entitlement application for the Development (as herein defined) and, in accordance with the California Environmental Quality Act and the National Environmental Policy Act, has adopted a mitigated negative declaration and finding of no significant impact for the Development.

NOW THEREFORE, for and in consideration of the foregoing Recitals which are hereby incorporated into this Agreement by this reference, and for other good and valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, the City, Residential Developer and Commercial Developer hereby agree as follows:

ARTICLE 1.
SUBJECT OF AGREEMENT

Section 1.1 Recitals.

The Parties hereby confirm the accuracy of the foregoing Recitals which are incorporated herein by this reference.

Section 1.2 Purpose.

The purpose of this Agreement is to provide the terms and conditions under which the Commercial Developer shall prepare or cause to be prepared all required documents necessary to receive all required permits and approvals to construct the Commercial Development and the Residential Developer shall prepare or cause to be prepared all required documents necessary to receive all required permits and approvals to construct the Residential Development and Commercial Development, to obtain either title or irrevocable access until construction completion to the Property, as applicable, to complete construction of their respective Development (as herein defined) and to establish how the respective parties shall allocate responsibility for the maintenance of shared facilities pursuant to the REA (as herein defined). Furthermore, this Agreement shall provide the terms and conditions under which the City shall ground lease the Property to the Residential Developer and under which the City will contribute certain funds for the development of the Property. Furthermore, this Agreement provides the terms under which the Development vests its rights under the Government Code Section 65868.

Section 1.3 Parties to this Agreement.

(a) The City of San Mateo, a California charter city. The office of the City is located at 330 West 20th Avenue, San Mateo, California 94403;

(b) DTSM Housing, LLC, a Delaware limited liability company, which is the Commercial Developer. For purposes of this Agreement, the principal address of the Commercial Developer is 180 Grand Avenue, Suite 1400, Oakland, California 94612, c/o Harvest Properties; and

(c) AH Bespoke LP, a California limited partnership, which is the Residential Developer. For purposes of this Agreement, the principal address of the Residential Developer is 3460 West Bayshore Road, Suite 104, Palo Alto, California 94303/ Attn: Vice President, Real Estate Development.

Section 1.4 Term.

The term of this Agreement (the "Term") shall commence upon the Effective Date and shall expire, unless terminated, modified or extended, as provided herein, (i) with respect to the Residential Development upon delivery of the Residential Development Certificate of Occupancy, at which time this Agreement shall terminate and be of no further force and effect as to the Residential Development, and (ii) with respect to the Commercial Development, the date on which the final Certificate of Occupancy for the Residential Development is obtained, at which time this Agreement shall terminate and be of no further force and effect as to the Commercial Development. Notwithstanding the foregoing, those provisions of this Agreement that recite that they survive termination of this Agreement shall all remain in full force and effect. After termination of this Agreement, the Parties agree to execute any documents necessary at that time to satisfy the Title Company and any lenders that this Agreement has been terminated (with respect to the Residential Development and/or the Commercial Development, as applicable) and is of no further force and effect.

Section 1.5 Definitions.

In addition to the terms defined elsewhere in this Agreement, the following definitions shall apply throughout this Agreement.

(a) "Additional Deposit" shall have the meaning set forth in Section 5.3(b).

(b) "Agreement" means this Disposition and Development Agreement, including the attached Exhibits and all subsequent operating memoranda and amendments to this Agreement.

(c) "AMI" means the area median gross yearly income, adjusted for household size, in the County of San Mateo, California, as determined by TCAC and HCD in accordance with the Density Bonus Requirements (it being agreed and acknowledged that pursuant to the Density Bonus Requirements 20% of the affordable units shall be subject to rent and income requirements of HCD and the remainder shall be subject to the rent and income requirements of TCAC). In the event that such income determinations are no longer published or are not updated for a period of at least eighteen (18) months, the City shall provide the Developer with other income determinations which are reasonably similar with respect to methods of calculation to those previously published by the California Tax Credit Allocation Committee.

(d) "Annual Operating Expenses" with respect to a particular fiscal year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Residential Development to the extent that they are consistent with the annual budget for the Residential Development, approved by the City pursuant to the Regulatory Agreement and with an annual independent audit performed by a certified public accountant, reasonably acceptable to the City, using generally accepted accounting principles:

(1) Property taxes and assessments imposed on the Residential Development;

(2) Debt service currently due on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Residential Development) on loans associated with construction of the Residential Development and approved by the City in the Financing Plan pursuant to Section 6.3.

(3) Property management fees and reimbursements, not to exceed fees and reimbursements which are standard in the industry, and pursuant to a management contract approved by the City;

(4) Premiums for property damage and liability insurance;

(5) Utility services not paid for directly by tenants, including water, electrical, sewer, and trash collection;

(6) Maintenance and repair (including any maintenance and repair costs relating to the Underground Parking Garage allocated to the Residential Development pursuant to the REA and the Shared Parking Agreement);

(7) Any annual license or certificate of occupancy fees required for operation of the Residential Development;

(8) Security services;

(9) Advertising and marketing costs;

(10) Cash deposited into reserves for capital replacements of the Residential Development in an amount to be approved by the City as part of the Financing Plan or as otherwise required by Residential Developer's senior lender and/or tax credit equity investor;

(11) Cash deposited into an operating reserve in an amount to be approved by the City as part of the Financing Plan or as otherwise required by Residential Developer's senior lender and/or tax credit equity investor;

(12) Resident services fees and expenses;

(13) Any previously unpaid portion of the developer fee due (without interest) not exceeding a cumulative amount of the developer fee in an amount to be approved by the City as part of the Financing Plan;

(14) An annual partnership management fee(s) of not less than Twenty-Five Thousand Dollars per year ($25,000) adjusted annually at three percent (3%) (which shall accrue if not paid) and other fees approved by Senior Lenders included in the approved Financing Plan;

(15) An annual audit fee;

(16) Extraordinary operating costs necessitated by force majeure events or as otherwise specifically approved in writing by the City as part of the annual budget approval process pursuant to the Regulatory Agreement;

(17) Payments of deductibles in connection with casualty insurance claims not normally paid from reserves;

(18) Fidelity bond premiums;

(19) The amount of uninsured losses actually replaced, repaired or restored, and not normally paid from reserves; and

(20) Other ordinary and reasonable operating expenses approved in the Financing Plan or as otherwise approved in writing by the City and not listed above.

(21) Annual Operating Expenses shall exclude the following: depreciation, amortization, depletion or other non-cash expenses; initial deposits to establish the operating reserve and the replacement reserve paid for from development sources and any amount expended from a reserve account; and any capital cost with respect to the Development not otherwise listed above, as determined by the accountant for the Residential Development.

(e) "Approved Financing" shall be limited to all of the funds acquired by the Residential Developer and approved by the City for the purpose of financing the Residential Development and listed in the approved Financing Plan. For the avoidance of doubt, the City shall not have any approval right over financing obtained by the Commercial Developer with respect to the financing of the Commercial Development.

(f) "Certificate of Occupancy" means the final certificate of occupancy issued by the City, or comparable City sign-off on the completion of construction of the Residential Development, as applicable.

(g) "City" has the meaning set forth in the first paragraph of this Agreement.

(h) "City Council" means the City Council of the City of San Mateo.

(i) "City Documents" shall mean, collectively, this Agreement, the Ground Lease, the City Predevelopment Loan, the City Loan, the Promissory Notes, the Leasehold Deed of Trust, the Regulatory Agreements, the Lot Tie Agreement, the REA, the Shared Parking Agreement, the Construction Easement and all other documents required by the City to be executed by the Commercial Developer and/or Residential Developer in connection with the transaction contemplated by this Agreement.

(j) "City Event of Default" has the meaning set forth in Section 12.3(a).

(k) “City Permanent Loan” shall have the meaning set forth in Section 3.1(a)(2).

(l) “City Predevelopment Loan” shall have the meaning set forth in Section 3.1(a)(1).

(m) "City Loans" shall have the meaning set forth in Section 3.1(a).

(n) "Closing Date" means the date of recording in the Official Records of San Mateo County the Memorandum of Ground Lease and Leasehold Deed of Trust.

(o) "Commercial Construction Commencement Conditions" has the meaning set forth in Section 1.11.

(p) "Commercial Developer" means DTSM Housing, LLC, a Delaware limited liability company (and its permitted successors and assigns), and its permitted successors and assigns, who will be responsible for obtaining the financing for, and constructing the Underground Parking Garage and the Commercial Improvements.

(q) "Commercial Developer Event of Default" has the meaning set forth in Section 12.4(b).

(r) "Commercial Development" means the Commercial Improvements and the Underground Parking Garage.

(s) "Commercial Development Financing" means any financing obtained by the Commercial Developer in connection with the Commercial Development.

(t) " Commercial Development Financing Interest" has the meaning set forth in Section 13.8.

(u) "Commercial Improvements" has the meaning set forth in Recital E, above.

(v) "Commercial Property" shall mean the Development Site but excluding the Residential Property

(w) "Construction Commencement Failure" shall have the meaning set forth in Section 5.4.

(x) "Construction Easement" shall have the meaning set forth in Section 1.10.

(y) "Construction Plans" means all construction documentation upon which the Commercial Developer or the Residential Developer, as applicable, and their respective contractors, shall rely in building each and every part of the Improvements (including landscaping, parking, and common areas) and shall include, but not necessarily be limited to, architectural drawings, landscaping plans and specifications, final elevations, building plans and specifications (also known as "working drawings") and a time schedule for construction. For the purposes of this Agreement, "Construction Plans" shall refer to the individual construction plans for the Residential Development or the Commercial Development, or both collectively, as applicable.

(z) "Density Bonus Requirements" means the income and rent limitations set forth in California Government Code Sections 65915(b)(1)(G) and 65915(c)(1).

(aa) “Deposit” shall have the meaning set forth in Section 5.3(b).

(bb) "Developer" means the Commercial Developer and/or the Residential Developer, as applicable.

(cc) “Developer Equity Contribution” shall have the meaning set forth in Section 5.1.

(dd) "Development" means the Residential Development and/or the Commercial Development, as applicable.

(ee) “Development Plan” means the Development Plan described in Exhibit B attached hereto.

(ff) “Development Site” means the parcels shown in Exhibit B upon which the Underground Parking Garage, the Residential Improvements, and the Commercial Improvements will be constructed and is inclusive of the Residential Property that is the subject of this Agreement.

(gg) “Entitlements” shall mean all discretionary permits and approvals that need to be issued by the City and any other necessary governmental authority(ies) with jurisdiction in order for the Development to be developed.

(hh) “Entitlements Date” shall mean the date on which the Entitlements are effective and the dates for any appeals or challenges have lapsed without such appeal or challenge being commenced or, if commenced, then such appeal or challenge has been finally resolved in a manner satisfactory to the Commercial Developer, the Residential Developer and the City, in their respective sole and absolute discretion.

(ii) "Escrow" means the escrow established with the Title Company for the purpose of completing the transactions contemplated by this Agreement, including ground leasing the Residential Property from the City to the Developer.

(jj) “Financing Commitment” shall have the meaning set forth in Section 5.3(d).

(kk) "Financing Plan" has the meaning set forth in Section 6.3(b).

(ll) “Force Majeure Events” has the meaning set forth in Section 14.4.

(mm) "Ground Lease" means the ground lease, between the City and the Residential Developer, whereby the Residential Developer shall lease the Residential Property from the City, in substantially the form attached to this Agreement as Exhibit E, incorporated herein by this reference.

(nn) "Hazardous Materials" means

(1) any "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14)) or Section 25281(d) or 25316 of the California Health and Safety Code as amended from time to time;

(2) any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5 or 25501(j) of the California Health and Safety Code as amended from time to time;

(3) any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA (42 U.S.C. Section 9601 et seq.), Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), Safe Drinking Water Act (42 U.S.C. Section 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clear Air Act (42 U.S.C. Section 7401 et seq.), California Health and Safety Code (Section 25100 et seq., Section 39000 et seq.), or California Water Code (Section 13000 et seq.) as amended from time to time; and

(4) Any additional wastes, substances or materials which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Development.

The term "Hazardous Materials" shall not include: (i) construction materials, gardening materials, household products, office supply products or janitorial supply products customarily used in the construction, operation, or maintenance, of residential developments, or typically used in office or residential activities; or (ii) certain substances which may contain chemicals listed by the State of California pursuant to California Health and Safety Code Sections 25249.8 et seq., which substances are commonly used by a significant portion of the population living within the region of the Development, including, but not limited to, alcoholic beverages, aspirin, tobacco products, nutrasweet and saccharine.

(oo) "Hazardous Materials Claims" means any claims or actions pending or threatened against the City, Residential Developer, the Property, or the Improvements by any governmental entity or agency or any other person or entity relating to Hazardous Materials or pursuant to any Hazardous Materials Laws, or arising from claims of nuisance, or damage to property or personal injury relating to Hazardous Materials associated with the Property or the Improvements thereon.

(pp) "Hazardous Materials Laws" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Development or any portion thereof.

(qq) "HCD" means the California Department of Housing and Community Development.

(rr) "HUD" means the United States Department of Housing and Urban Development.

(ss) "Improvements" means the Commercial Improvements and the Residential Improvements.

(tt) “Initial Deposit” shall have the meaning set forth in Section 5.3(a).

(uu) “Interim Contingent Payments” shall have the meaning set forth in Section 5.4.

(vv) "Investor" means a tax credit investor limited partner entity admitted to the Residential Developer for purposes of syndicating federal low-income housing tax credits established pursuant to Section 42 of the Internal Revenue Code of 1986.

(ww) "Leasehold Deed of Trust" means a leasehold deed of trust that will encumber the Residential Developer's leasehold interest in the Residential Property to secure repayment of the Promissory Note for the City Permanent Loan, in a form to be agreed to by the City and the Residential Developer.

(xx) “Lot Tie Agreement” has the meaning in Recital G.

(yy) “Lower Income” means households whose income does not exceed that as defined in Health and Safety Code section 50079 for the County of San Mateo as published annually by the California Department of Housing and Community Development, as adjusted for household size.

(zz) "Memorandum of Disposition and Development Agreement" means the memorandum of the Disposition and Development Agreement to be recorded in the Official Records of San Mateo County against the Commercial Property and the Property pursuant to Section 1.11(c), in the form attached hereto as Exhibit J.

(aaa) "Memorandum of Ground Lease" means the memorandum of the Ground Lease to be recorded in the Official Records of San Mateo County against the Residential Developer's leasehold interest in the Residential Property at the Closing Date, in a form to be agreed to by the City and the Residential Developer.

(bbb) "Parties" and “Party” have the meanings set forth in the first paragraph of this Agreement.

(ccc) "Partnership Agreement" means an agreement of limited partnership and related documents (including, without limitation, a budget for the use of capital contributions, any funding agreement, and any option and/or right of first refusal for Alta Housing, or an affiliate thereof, to repurchase the Residential Development from the Residential Developer) governing the Residential Developer.

(ddd) “Podium Completion” means the completion of such portion of the Underground Parking Garage as is necessary in order to allow vertical construction of the Residential Improvements to commence, as confirmed by an engineer’s certification and approval by the City Building Official.

(eee) "Promissory Notes" shall mean the promissory notes that will evidence the Residential Developer's obligation to repay the City Loans as set forth in this Agreement.

(fff) “REA” has the meaning in Recital G.

(ggg) "Regulatory Agreement" means the Regulatory Agreement that will be recorded against the Residential Developer's leasehold interest in the Residential Property upon execution of the Ground Lease and will restrict the Residential Project to affordable housing, in a form to be agreed to by the City and the Residential Developer.

(hhh) "Residential Developer Event of Default" has the meaning set forth in Section 12.4(a).

(iii) "Residential Development" means the Residential Property and the Residential Improvements.

(jjj) "Residential Developer" means AH Bespoke LP, a California limited partnership, an affiliate of Alta Housing, who will be responsible for financing and constructing the Residential Improvements.

(kkk) "Residential Improvements" has the meaning as set forth in Recital D, above.

(lll) "Residential Improvements Certificate of Completion" has the meaning set forth in 8.8.

(mmm)"Residential Property" has the meaning set forth in Recital B. above.

(nnn) "Residential Property Management Agent" means Alta Housing, or a management agent retained by the Residential Developer and approved by the City to manage the Residential Development

(ooo) "Schedule of Performance" means the summary schedule of actions to be taken by the Parties pursuant to this Agreement to achieve leasing of the leasehold interest in the Residential Property to the Residential Developer and the construction of the Residential Improvements. The Schedule of Performance is attached hereto as Exhibit C.

(ppp) "Security Financing Interest" has the meaning set forth in Section 13.1.

(qqq) "Shared Parking Agreement" has the meaning set forth in Section 1.9(d).

(rrr) "Tax Credits" means federal low-income housing tax credits established pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

(sss) "TCAC" means the California Tax Credit Allocation Committee.

(ttt) "Tax Credit Funds" means the proceeds generated from the sale of limited partnership interest in the Residential Developer to the Investor in the anticipated amount set forth in the Financing Plan, or such other amount as may be approved by the City in an amended Financing Plan.

(uuu) "Term" shall have the meaning set forth in Section 1.4.

(vvv) "Title Company" means the office of First American Title Company located at 1850 Mt. Diablo Blvd., Walnut Creek, CA 94596, Attn: Patrick Lough (plough@firstam.com), unless modified pursuant to Section 7.3.

(www) "Transfer" has the meaning set forth in Section 11.1.

(xxx) "Underground Parking Garage" means the subterranean parking spaces and all associated appurtenances and related improvements to be constructed by the Commercial Developer that span the Development Site and comprise the parking that will be dedicated to the Residential Development and the Commercial Development.

(yyy) "Unit" means each of the residential units to be constructed on the Residential Property.

Section 1.6 Exhibits. TO BE INSERTED

The following exhibits are attached to and incorporated in the Agreement:

Exhibit A-1 and A-2:	Legal Description of the Property
Exhibit B:	Development Plan
Exhibit C:	Schedule of Performance
Exhibit D:	Initial Financing Proposal
Exhibit E:	Form of Ground Lease
Exhibit F:	Form of Lot Tie Agreement
Exhibit G:	Form of REA
Exhibit H:	Site Plan
Exhibit I:	Construction Easement:
Exhibit J:	Memorandum of Disposition and Development Agreement
Exhibit K:	Form of City Predevelopment Loan Documents
Exhibit K-1:	Form of City Permanent Loan Documents
Exhibit L:	Insurance Coverage

Section 1.7 Project Structure.

The Development is divided into three components, (i) the "Underground Parking Garage" to be completed as part of the Commercial Development by the Commercial Developer and which will span the Development Site, (ii) the "Residential Improvements" to be completed as the Residential Development by the Residential Developer located on the Residential Property, and (iii) the "Commercial Improvements" to be completed as part of the Commercial Development by the Commercial Developer and located on the Commercial Property. These three improvements make up the Development, as approved and to be entitled by the City.

Section 1.8 Residential Improvements.

The Residential Improvements consist of no less than seventy-one (71) units, including one (1) unrestricted staff unit, of multi-family rental housing, to be made available to and occupied by low, very low and extremely low income households, and including all common areas, amenities, plans, entitlements, appurtenances, improvements easements, buildings and

fixtures associated with the Residential Property. It is currently anticipated that the Residential Improvements shall consist of the following income and unit mix:

	30% AMI	50% AMI	60% AMI	70% AMI	Staff	Total
Studio	4	1				5
1 Bedroom	4	17				21
2 Bedroom	3	10	6	4		23
3 Bedroom	3	8	6	4	1	22
Total	14	36	12	8	1	71

The Parties agree and acknowledge that the income and unit mix of the Residential Improvements is subject to change in the discretion of the Residential Developer and such changes shall be permitted, subject to City approval which shall not be unreasonably withheld, conditioned or delayed, so long as the income and unit mix of the Residential Improvements comply with the Density Bonus Requirements, the City's Inclusionary Ordinance, and units remain affordable to Lower Income households. On-site amenities include a laundry room, community space, and an interior courtyard. The Residential Improvements will include an approximately 6,000 square foot community space on the ground floor dedicated for non-profit use intended to be initially leased by Self Help for the Elderly.

(a) The Residential Improvements shall be owned, maintained, and operated by the Residential Developer.

(b) Monthly rents will be calculated based on the household income, adjusted for household size in accordance with the Density Bonus Requirement.

(c) A live or work preference for the City of San Mateo will be applied to all units to the extent permitted by law and the other Residential Project funding sources.

(d) Residential Developer and City shall discuss set-asides and focused outreach and marketing to special needs groups identified in the City's Housing Element to the extent permitted by applicable federal, state and/or local fair housing law and applicable tax credit rules and regulations.

(e) The Residential Developer shall maintain the portion of the Underground Parking Garage located within the Property to the extent provided in the REA. In addition, as soon as reasonably possible after the Entitlements Date, the Parties intend to negotiate and enter into a garage maintenance agreement allocating certain obligations and responsibilities among the Parties with respect to the portion of the Underground Parking Garage utilized by the City and/or the Residential Developer (or their respective tenants, guests and invitees).

Section 1.9 Commercial Improvements.

The Commercial Improvements consist of the construction of an underground parking garage with approximately one hundred and thirty-seven (137) parking stalls located across the entire Development site and approximately 150,000 square feet of office development and approximately 12,000 square feet of ground floor retail development; and potentially combined public art.

(a) The Commercial Improvements shall be owned, maintained and operated by the Commercial Developer.

(b) The Commercial Developer will dedicate no less than thirty-seven (37) parking spaces for exclusive use of the Residential Development for the term of the Ground Lease in the location specified on the site plan attached hereto as Exhibit H.

(c) Twenty-five (25) parking spaces shall be available to the Residential Development during non-peak hours on weekday evenings and generally available on weekends as more particularly described in the REA (the "Off-Hours Parking Spaces").

(d) All parking spaces in the Underground Parking Garage (excluding parking spaces for the exclusive use of the Residential Development, the Off-Hours Parking Spaces, parking spaces for the exclusive use of the Commercial Development (no more than 10), and parking spaces with 28 mechanical stackers) shall be made available to the general public during non-peak hours on weekday evenings and generally available on weekends as more particularly described in the REA and a shared parking agreement between the Commercial Developer and the City that shall be negotiated and entered into as soon as reasonably possible after the Entitlement Date and not later than the date of Podium Completion (the "Shared Parking Agreement").

Section 1.10 Construction Phasing.

The Commercial Development will commence construction first in order to complete the Underground Parking Garage that will span the entire Development site. Once Podium Completion has been achieved, then the Residential Development will be constructed on top of the Underground Parking Garage in the airspace of the Residential Property, in accordance with the Schedule of Performance attached hereto as Exhibit C. For the avoidance of doubt and notwithstanding anything to the contrary contained in this Agreement, in no event shall the Commercial Developer be obligated to commence construction of the Commercial Improvements and neither the construction nor occupancy of the Commercial Development shall be conditioned on the commencement, completion or occupancy of all or any portion of the Residential Development. In connection with the development of the Underground Parking Garage on the Residential Property, the City shall enter into a temporary construction easement with the Commercial Developer in the form attached hereto as Exhibit I, which construction easement shall be recorded in the Official Records of the County of San Mateo (the "Construction Easement").

Section 1.11 Execution of Disposition and Development Agreement, Lot Tie Agreement, REA, Shared Parking Agreement and Construction Easement.

Within ten (10) days after the Entitlements Date, the Parties shall take the following actions (the "Commercial Construction Commencement Conditions"):

(a) The City, the Commercial Developer and any other fee owner of any portion of the Commercial Property shall execute and acknowledge the Lot Tie Agreement and the REA allowing for the construction, maintenance and operation of the Underground Parking Garage and construction of the Commercial Development across multiple assessor's parcels and

the Parties shall cause the Lot Tie Agreement and the REA to be recorded in the Official Records of San Mateo County. On or before the Podium Completion, the City, the Commercial Developer and any other fee owner of any portion of the Commercial Property shall execute and acknowledge the Shared Parking Agreement and cause the Shared Parking Agreement to be recorded in the Official Records of San Mateo County. Notwithstanding anything to the contrary contained herein, upon execution of the Lot Tie Agreement and the REA and the Shared Parking Agreement, then to the extent the terms of this Agreement are in conflict with the terms of the Lot Tie Agreement and/or the REA and/or the Shared Parking Agreement, the requirements of the Lot Tie Agreement and/or the REA and/or the Shared Parking Agreement, as applicable, will prevail.

(b) The Commercial Developer and the Residential Developer shall each provide the City with a certified copy of an authorizing resolution, approving this Agreement, the Lot Tie Agreement, the REA, the Shared Parking Agreement and the conditions and covenants set forth in this Agreement.

(c) The Parties shall execute and acknowledge the Memorandum of Disposition and Development Agreement and cause the Memorandum to be recorded in the Official Records of San Mateo County.

(d) The City and the Commercial Developer shall execute and acknowledge the Construction Easement and cause the Construction Easement to be recorded in the Official Records of San Mateo County.

ARTICLE 2.
INTENTIONALLY DELETED

ARTICLE 3.
CITY FINANCIAL ASSISTANCE TO RESIDENTIAL DEVELOPMENT

Section 3.1 City Loan.

The City shall provide financial assistance to the Residential Developer in the form of two loans ("City Loans"):

(a) A loan to pay expenses incurred with respect to the predevelopment of the Residential Development ("City Predevelopment Loan") in a principal amount up to Two Million Nine Hundred Thousand Dollars ($2,900,000). The City Predevelopment Loan shall have a 57 year term, accrue no interest, and shall be payable in full upon maturity. The Residential Developer's obligation to repay the City Predevelopment Loan shall be evidenced by a Promissory Note and secured by an Assignment of Plans (the City Predevelopment Loan, Promissory Note and Assignment of Plans are collectively the "City Predevelopment Loan Documents"). The source of the Predevelopment Loan is the Developer Equity Contribution and City shall not be obligated to fund any amount of the City Predevelopment Loan in excess of the amount of Developer Equity Contribution actually received or prior to receipt of the Developer Equity Contribution. The City Predevelopment Loan Documents shall be in a form substantially similar to that in Exhibit K.

(b) A loan to the Residential Developer as construction and permanent financing for the Residential Development ("City Permanent Loan") in the principal amount of Three Million Dollars ($3,000,000), provided the Financing Plan reasonably demonstrates that the amount requested as the City Permanent Loan is necessary to enable the construction of the Residential Improvements contemplated by this Agreement. The City Permanent Loan shall have a 57 year term, accrue simple interest at three percent (3%) per annum on the principal amount except during the occurrence and continuation of a Residential Developer Event of Default, whereupon interest shall accrue from and after the date of the Promissory Note for the City Permanent Loan until paid at the lower of five percent (5%), or the highest rate permitted by law. The Residential Developer's obligation to pay the City Permanent Loan shall be evidenced by a Promissory Note and secured by a Leasehold Deed of Trust (the City Permanent Loan, Promissory Note, Leasehold Deed of Trust, and Regulatory Agreement are collectively the "City Permanent Loan Documents"). The Leasehold Deed of Trust shall be subordinate to the Lot Tie Agreement, REA, and Shared Parking Agreement. The City Permanent Loan Documents shall be in a form substantially similar to that in Exhibit K-1.

Section 3.2 Ground Lease.

The Ground Lease for the Residential Property will be provided to the Residential Developer for a term of 99 years at the rate of $1 per year for the duration of the term, in a form substantially similar to that in Exhibit E.

ARTICLE 4.
INTENTIONALLY DELETED

ARTICLE 5.
COMMERCIAL DEVELOPMENT CONTRIBUTION TO RESIDENTIAL DEVELOPMENT; DEPOSITS

Section 5.1 Commercial Developer Equity Contribution

Following the Entitlements Date, but subject to satisfaction of the Commercial Construction Commencement Conditions, the Commercial Developer shall make a contribution to the City in the amount of $2,900,000 (the "Developer Equity Contribution") within 120 days after the Entitlements Date. The Developer Equity Contribution shall be held by the City and shall be disbursed to the Residential Developer to pay architectural, design, and engineering expenses incurred with respect to the pre-development and vertical development plans of the Residential Project, as approved by the Community Development Director, or designee. The City, Commercial Developer and Residential Developer acknowledge and agree that the Commercial Developer has submitted a draw request in the amount of $____ for expenses incurred by the Commercial Developer in connection with the Residential Development and the City agrees to distribute such amount from the Developer Equity Contribution to the Residential Developer for subsequent distribution to the Commercial Developer, in each case promptly (but not more than ten (10) business days) after (i) receipt by the City of the Developer Equity Contribution, with respect to such distribution by the City to the Residential Developer, and (ii) receipt by the Residential Developer of such distribution from the City, with respect to the distribution by the Residential Developer to the Commercial Developer. For the avoidance of

doubt, the Developer Equity Contribution is the only financial contribution that the Commercial Developer is required to provide with respect to the development of the Residential Development and is in addition to expenditure of funds for the development and construction of the Underground Parking Garage and Deposits identified in Section 5.3, regardless of whether there is sufficient other financing or equity available to commence and/or complete the Residential Development. The Developer Equity Contribution will be advanced to the Residential Developer from time to time pursuant to the Predevelopment Loan negotiated between the City and the Residential Developer prior to the satisfaction of the Commercial Construction Commencement Conditions. The City shall have no obligation to return to the Commercial Developer any unexpended funds from the Developer Equity Contribution. If the Residential Development does not receive a Building Permit by the latest date specified in the Schedule of Performance, then the City may only utilize the Developer Equity Contribution for the purpose of funding (in a manner consistent with industry standards and best practices) the development on the Residential Property of an affordable or market rate housing project, or may apply the funds to other programs or projects that support affordable housing in the City. Neither the payment of the Developer Equity Contribution to the City nor the disbursement of the Developer Equity Contribution to the Residential Developer shall be deemed to give the Commercial Developer any ownership interest in the Residential Developer nor, except as otherwise provided in this Section 5.1, shall the Residential Developer have any obligation to return any amount of the Developer Equity Contribution which has been disbursed to the Residential Developer to the Commercial Developer.

Section 5.2 Contribution of Parking to the Residential Development.

The Commercial Developer shall bear the sole responsibility to finance and construct the approximately one hundred thirty-seven (137) space Underground Parking Garage and will provide thirty-seven (37) parking spaces for the exclusive use of the Residential Improvements and the Off-Hours Residential Parking Spaces at no cost to the Residential Development. Notwithstanding the foregoing, nothing in this Agreement shall obligate the Commercial Developer to develop the Commercial Development.

Section 5.3 Deposits.

(a) Prior to the issuance of the first building permit for the construction of the Underground Parking Garage, the Commercial Developer shall deposit with the City funds in the amount of Three Million Dollars ($3,000,000) (the "Initial Deposit"). The Initial Deposit shall be held in trust by the City in an interest bearing account and shall be disbursed as provided in Section 5.3(c). The Initial Deposit shall be in addition to, and not in lieu of, the Developer Equity Contribution.

(b) If, as of the date that the Commercial Developer seeks to obtain the first occupancy permit for office space within the Commercial Improvements, the Financing Commitment has not yet been obtained, then prior to issuance of such occupancy permit, the Commercial Developer shall deposit with the City additional funds in the amount of Three Million Five Hundred Thousand Dollars ($3,500,000) (the "Additional Deposit;" and, together with the Initial Deposit, the "Deposit"). The Additional Deposit shall be held in trust by the City in an interest bearing account and shall be disbursed as provided in Section 5.3(c).

(c) If the Financing Commitment has not been obtained by the last date for obtaining the Financing Commitment as shown on the Schedule of Performance (subject to Force Majeure Events), then the City may utilize all or a portion of the Deposit for the sole purpose of funding (in a manner consistent with industry standards and best practices) the development on the Residential Property of an affordable housing project substantially similar to the Residential Development described in the Development Plan, or may apply the funds to other programs or projects that support affordable housing in the City. At such time, if any, as the Financing Commitment is obtained (even if after the date shown on the Schedule of Performance), then any unused Deposit shall be returned by the City to the Commercial Developer within ten (10) business days after the Financing Commitment is obtained. Any interest accruing on the Deposit shall become a part of the Deposit.

(d) For the purposes hereof, "Financing Commitment" shall mean the receipt of the following: (i) a preliminary reservation of federal and/or state low income housing tax credits, (ii) to the extent applicable, an allocation of tax exempt private activity volume cap, (iii) a fully executed commitment letter or similar documentation evidencing the agreement of a tax credit equity investor to make an investment in Residential Developer, and (iv) a fully executed commitment letter or similar documentation evidencing the agreement(s) by one or more lenders to fund the portion of the cost of constructing the Residential Improvements required to be funded by third party lenders (other than the City) each as contemplated by the Finance Plan, which allocations and commitment letters or similar documentation may be subject to customary conditions and requirements consistent with those conditions and requirements contained in commitments or similar documentation for affordable housing projects in the San Francisco Bay Area. Notwithstanding anything to the contrary set forth herein, the Financing Commitment shall not be deemed to have been obtained prior to the date on which Podium Completion occurs.

Section 5.4 Interim Contingent Payments.

Commercial Developer shall pay the City, as interim payments (the "Interim Contingent Payments") an amount equal to One Hundred Thousand Dollars ($100,000) per year, with the first such payment due within ten (10) days after the Entitlements Date and with each additional payment due on the one (1) year anniversary of the Entitlements Date until the earlier of (i) the date on which the City delivers a written notice to Commercial Developer pursuant to Section 12.4(f) terminating this Agreement, (ii) the date on which Commercial Developer delivers to the City a written notice notifying the City that the Commercial Developer does not intend to commence construction of the Underground Garage and is electing to terminate this Agreement (the events described in clauses (i) and (ii) each being herein referred to as a "Construction Commencement Failure"), and (iii) the commencement of construction of the Underground Garage (and upon the occurrence of any of the events described in clauses (i), (ii) and (iii), the obligation to make additional Interim Contingent Payments shall terminate). The Interim Contingent Payments shall be held by the City in an interest bearing account and the funds shall remain in such account and the City shall not be entitled to access such funds until (x) if this Agreement terminates as a result of a Construction Commencement Failure, the City shall be entitled to retain the Interim Contingent Payments (plus any interest accruing thereon) and may use them for any purpose, as determined by the City in its sole discretion, or (y) if the Commercial Developer commences construction of the Underground Garage on or before the termination of this Agreement as a result of a Construction Commencement Failure, then the

City shall return the Interim Contingent Payments (plus any interest accruing thereon) to Commercial Developer within ten (10) days after the commencement of construction of the Underground Garage.

ARTICLE 6.
PREDISPOSITION REQUIREMENTS

Section 6.1 Conditions Precedent to Conveyance of Property.

The requirements set forth in this Article are conditions precedent to the City's obligations to lease the Property to the Residential Developer pursuant to the Ground Lease. The City's obligation to lease the Property to the Residential Developer shall be subject to the satisfaction of all such conditions precedent, unless otherwise waived by the City.

Section 6.2 Government Approvals; Schedule of Performance.

(a) The City shall cooperate with the Commercial Developer and the Residential Developer on obtaining any approvals from other governmental entities and public utilities, provided the City shall not be obligated to incur any costs associated with obtaining such permits and approvals.

(b) The Parties shall reasonably cooperate in order to achieve the timing set forth in the Schedule of Performance (but subject to Force Majeure Events and the provisions of Sections 1.10 and 5.2).

(c) Without limiting the provisions of Section 14.4, the dates set forth in the Schedule of Performance are subject to potential extensions described as "buffers." If the Commercial Developer or the Residential Developer, as applicable, in its reasonable discretion, requires such an extension, the applicable party shall provide written notice to the City (and to the Developer not requesting such extension) indicating the reasons why such extension is required, and such request shall be subject to the reasonable approval of the City Manager or his or her designee, which approval shall not be unreasonably conditioned, delayed or withheld and a determination shall be made by the City within thirty (30) calendar days after the City's receipt of such request. If the extension request is approved, then the applicable time for performance under the Schedule of Performance shall be extended by the extension period described in the applicable "buffer" (and all other unperformed items contained in the Schedule of Performance shall also automatically be extended for the same period of time). For the avoidance of doubt, (i) all provisions in this Agreement that provide for performance by a Party by a date set forth in the Schedule of Performance shall be construed to mean that such date is subject to potential extension by the applicable "buffers" regardless of whether a reference to such "buffers" is expressly included in the applicable provision, and (ii) the "buffers" shall be additive such that if task #1 utilizes its 30-day buffer period due to delays and task #2 has an initial 30-day buffer period, then task #2's buffer period would increase to 60 days (i.e., the 30-day delay/buffer period from task #1 is added to the 30-day buffer period for task #2), and all subsequent tasks would have an additional 60 days added to their respective buffer periods. Notwithstanding anything to the contrary, the City Manager may, in its sole discretion, provide additional time extensions beyond the "buffers" articulated in the Schedule of Performance, provided that the

deadline to complete construction remains as specified in the Schedule of Performance and is not extended beyond any utilized "buffers".

(d) The Commercial Developer and the Residential Developer each acknowledge that execution of this Agreement by the City does not constitute approval by the City of any required or additional permits, applications, or allocations, if any, and in no way limits the discretion of the City in the permit allocation and approval process.

Section 6.3 Financing Plan.

(a) The Residential Developer intends to finance the Residential Development with sources that may include but are not limited to the City Loans, Tax Credit Funds, and other public financing and private lender construction and permanent financing. As of the Effective Date, the City has approved the Residential Developer's preliminary financing proposal attached to this Agreement as Exhibit D (the "Financing Proposal"). The City and the Residential Developer acknowledge that the Residential Developer may pursue additional funding options and the list of funding sources described above is not intended to be a limitation on the sources that the Residential Developer may utilize to finance the construction and operation of the Residential Development. The Financing Proposal shall be in effect until a Financing Plan is approved by the City pursuant to subsection (c) below. The City shall approve updates to the Financing Proposal and the Financing Plan and any amendments thereto, provided any such alternate funding options are reasonable, and the Residential Developer and the City agree to replace the Initial Financing Proposal with the approved Financing Plan for the Residential Development, which shall meet the requirements of subsection (b) below.

(b) By the time specified in the Schedule of Performance, the Residential Developer shall have submitted for City review a financing plan (the "Financing Plan") containing the following: (1) a "sources and uses" breakdown of the costs of constructing the Residential Improvements, and (2) an operating proforma for the Residential Development. Such sources and uses breakdown and operating proforma shall reflect the Residential Developer's then current expectations for funding sources, development costs, and Annual Operating Expenses (including the Residential Developer's expense burden relating to the Underground Parking Garage). The purpose of the City review shall be to determine (i) whether the Residential Developer's estimates of costs and net operating income indicate that the construction and operation of the Residential Development will be done in accordance with this Agreement and the proposed Ground Lease, and (ii) if the development and operating budgets for the Residential Development meet the City's underwriting criteria.

(c) Upon receipt by the City of the proposed Financing Plan, the City shall promptly review the Financing Plan and shall approve or disapprove it within fifteen (15) business days after submission if it conforms to the provisions of this Agreement. If the City does not respond within fifteen (15) days following the City's receipt of the complete Financing Plan either approving or disapproving the Financing Plan it shall be deemed approved. The City's review of the Financing Plan shall be limited to determining if the contemplated financing will be reasonably available, if the financing contemplated in the Financing Plan would provide sufficient funds to undertake and complete the development and construction of the Residential Improvements and determining if it is consistent with the terms of this Agreement, Ground Lease, and City's underwriting criteria.

(d) If the Financing Plan is not approved by the City, the City shall notify the Residential Developer in writing of the reasons therefor. The Residential Developer shall thereafter resubmit a revised Financing Plan to the City for its approval within fifteen (15) days after the City's notification of disapproval. The City will either approve or disapprove the revised Financing Plan within fifteen (15) days after resubmission by the Residential Developer.

Section 6.4 Other Approved Financing.

(a) As set forth in the Schedule of Performance all financing necessary to construct the Residential Improvements, as required and approved by the City in the Financing Plan, shall be closed by the Residential Developer prior to, or simultaneously with, the execution of the Ground Lease by the City. The Residential Developer shall also submit to the City evidence reasonably satisfactory to the City that any conditions to the release or expenditure of funds described in the approved Financing Plan as the sources of funds to pay the costs of constructing the Residential Improvements have been met or will be met upon the execution of the Ground Lease and subject to the Residential Developer's satisfaction of standard disbursement preconditions allowing for the construction of the Residential Development.

(b) In the event after making a good faith effort, Residential Developer is unable to obtain financing mutually acceptable to the Residential Developer and the City by the time set forth in the Schedule of Performance, subject to the provisions of Section 12.4(d), the Residential Developer or the City may terminate this Agreement with respect to the Residential Developer and the Residential Development only, by providing written notice to the other Parties and Residential Developer shall have no continuing liability or obligation to the City or the Commercial Developer.

Section 6.5 HUD Requirements.

The City agrees that if the Residential Developer obtains financing subject to an FHA insurance program of HUD, the City shall modify the Loan Agreement and City Documents (other than the REA, the Lot Tie Agreement, and the Construction Easement) unless such modifications are approved by the Commercial Developer and all other parties to the REA, the Lot Tie Agreement and the Construction Easement, in their respective sole discretion) to conform to HUD requirements.

Section 6.6 Residential Tenant Selection.

By the time specified in the Schedule of Performance, the Residential Developer shall provide to the City, for its review and approval the Residential Developer’s written tenant selection plan and a marketing plan for marketing the Residential Development to income-eligible households as required pursuant to this Agreement, including information on affirmative marketing efforts and compliance with fair housing laws and the City’s Housing Element goals and policies (subject to all applicable laws and tax credit rules and regulations).

ARTICLE 7.
LEASE OF PROPERTY

Section 7.1 Ground Lease.

Provided the pre-disposition requirements set forth in ARTICLE 6 and the additional closing conditions set forth in Section 7.4 have been satisfied, the City shall lease to the Residential Developer the Property pursuant to the Ground Lease. If the parties are unable to negotiate the terms of a Ground Lease or a Regulatory Agreement, this Agreement may be terminated with respect to the Residential Developer only, as set forth in Section 12.2 below. Notwithstanding anything to the contrary contained herein, upon execution of the Ground Lease, then to the extent the terms of this Agreement are in conflict with the terms of the Ground Lease, the requirements of the Ground Lease shall prevail.

Section 7.2 Form of Ground Lease.

The City and the Developer agree that the Ground Lease to be executed by the Parties will be substantially consistent with the terms of the form of Ground Lease attached hereto as Exhibit E (as such may be further negotiated).

Section 7.3 Opening Escrow.

The Parties shall establish the Escrow with the Title Company. The Parties shall execute and deliver all written instructions to the Title Company to accomplish the terms hereof, which instructions shall be consistent with this Agreement. Upon request by the Commercial Developer, the Title Company may be changed to a company requested by the Commercial Developer, provided: (a) the Commercial Developer makes the request prior to the opening of Escrow; and (b) the new title company is approved by the City, which approval shall not be unreasonably withheld.

Section 7.4 Closing.

The Closing Date shall occur within thirty (30) days following the date on which all conditions precedent to conveyance set forth in ARTICLE 6 have been satisfied or waived by the City. In addition to the conditions precedent to execution of the Ground Lease as set forth in ARTICLE 6 (including but not limited to the closing of the financing set forth in the approved Financing Plan), the following conditions shall be satisfied or waived prior to or concurrently with, and as conditions of, execution of the Ground Lease:

(a) The Residential Developer shall provide the City with a certified copy of an authorizing resolution, approving the Ground Lease.

(b) The Commercial Developer and the Residential Developer, as applicable, shall have furnished the City with evidence of the insurance coverage meeting the general insurance requirements set forth in Exhibit L.

(c) The Residential Developer shall have executed and delivered to the City the City Documents to be executed by the Residential Developer (to the extent not previously executed and delivered), and any other documents and instruments required to be executed and delivered by the Residential Developer pursuant to this Agreement, all in a form and substance reasonably satisfactory to the City, the Commercial Developer and the Residential Developer (except that if a City Document is attached as an exhibit to this Agreement, then such document shall be in substantially the form attached to this Agreement).

(d) The Memorandum of Disposition and Development Agreement, the Memorandum of Ground Lease, the Leasehold Deed of Trust, and the Regulatory Agreement, shall have been recorded against the Residential Developer's interest in the Property as a lien subject only to the exceptions authorized by the City.

(e) City has approved the final Financing Plan in accordance with Section 6.3.

(f) Podium Completion shall have occurred.

(g) There shall exist no Residential Event of Default under this Agreement.

(h) All representations and warranties of the Residential Developer contained in any part of this Agreement shall be true and correct in all material respects.

Section 7.5 Condition of Title.

On the Closing Date, the Residential Developer shall have an insurable leasehold interest to the Property which shall be free and clear of all liens, encumbrances, clouds and conditions, rights of occupancy or possession, except:

(a) Applicable building and zoning laws and regulations;

(b) The provisions of the Ground Lease;

(c) The provisions of the Lot Tie Agreement;

(d) The provisions of the Regulatory Agreement;

(e) Any lien for current taxes and assessments or taxes and assessments accruing for periods subsequent to recordation of the Memorandum of the Ground Lease;

(f) The liens of any loan approved by the City in the Financing Plan;

(g) The REA;

(h) The Shared Parking Agreement; and

(i) Permitted exceptions reasonably acceptable to the Residential Developer.

Section 7.6 Condition of Property.

(a) In fulfillment of the purposes of Health and Safety Code Section 25359.7(a), the City represents and warrants that it has no further knowledge, and no reasonable cause to believe, that any Hazardous Materials are located on or beneath the Property, except as disclosed in the Phase I Environmental Site Assessment for Development site, including the Property, dated April 21, 2023 prepared by Langan Engineering and Environmental Services, Inc.

(b) The physical condition, possession or title of the Property shall be delivered from the City to the Residential Developer in an as is condition, with no warranty expressed or implied by the City, including without limitation, the presence of hazardous materials or condition of the soil, its geology, the presence of known or unknown faults, or the suitability of the Residential Parcel for the Residential Development. Notwithstanding the previous sentence, the Residential Developer and the Commercial Developer shall be indemnified by the City from liability due to any environmental issues not identified in the Phase I Environmental Site Assessment described in Section 7.6(a).

Section 7.7 Costs of Escrow and Closing.

All ad valorem taxes for the Property, if any, shall be prorated as of the Closing Date. The Residential Developer shall pay the cost of title insurance, document preparation, recordation fees, transfer tax, if any, and any additional recording costs to close the Escrow for the Property.

ARTICLE 8.
CONSTRUCTION OF IMPROVEMENTS

Section 8.1 Construction Pursuant to Plans.

Unless modified by operation of Section 8.7, (i) the Residential Developer shall be responsible for constructing the Residential Improvements substantially in accordance with the Development Plan and the Construction Plans applicable to the Residential Improvements and the applicable terms and conditions of the land use permits and approvals and building permits, including any variances granted for the Development, as they all may be amended from time to time, and (ii) the Commercial Developer shall be responsible for constructing the Underground Parking Garage substantially in accordance with the Development Plan and the Construction Plans applicable to the Underground Parking Garage and the applicable terms and conditions of the land use permits and approvals and building permits, including any variances granted for the Development, as they all may be amended from time to time.

Section 8.2 Construction Contracts.

(a) At least ten (10) days prior to the commencement of construction of the Underground Parking Garage, the Commercial Developer shall submit to the City for its limited approval the sections of the proposed separate construction contract for the Underground Parking Garage which are necessary for the City's limited review as provided in this Section 8.2(a) and as necessary to confirm Podium Completion. The City's review and approval shall be limited exclusively to a determination whether the construction contract contains provisions consistent with the requirements of Section 8.9 below.

(b) No later than the date set forth in the Schedule of Performance, the Residential Developer shall submit to the City for its limited approval the proposed separate construction contract for the Residential Improvements. The City's review and approval shall be limited exclusively to a determination whether: (1) the guaranteed maximum construction cost set forth in the relevant construction contract is consistent with the approved Financing Plan; and

(2) the construction contract contains provisions consistent with the requirements of Section 8.9 below.

(c) Upon receipt by the City of a proposed construction contract (or the relevant sections thereof), the City shall promptly review the same and approve each of the contracts, within ten (10) business days of submission if it satisfies the limited criteria set forth above. If the submitted construction contract is not approved by the City, the City shall set forth in writing and notify the Residential Developer or the Commercial Developer, as applicable, of the City's reasons for withholding such approval. The applicable Developer shall thereafter submit a revised construction contract for City approval, which approval shall be granted or denied in five (5) business days in accordance with the criteria and procedures set forth above. Any construction contract executed by the Residential Developer for the Residential Improvements shall be in the form approved by the City. Any construction contract executed by the Commercial Developer for the Underground Parking Garage shall be in the form approved by the City as it relates solely to the matters described in Section 8.9 below. If the City fails to approve or disapprove the Residential Developer's or the Commercial Developer's form of construction contract within the foregoing ten (10) business day or five (5) business day, as applicable, review period, the applicable form of construction contract shall be deemed approved by the City.

Section 8.3 Underground Parking Garage Construction Bonds.

Prior to building permit issuance for construction of the Underground Parking Garage, the Commercial Developer shall obtain (directly or through Commercial Developer's general contractor) one (1) labor and material bond and one (1) performance bond for construction of the Underground Parking Garage, each in an amount equal to one hundred percent (100%) of the scheduled cost of construction under the construction contract for the Underground Parking Garage. Each bond shall name the City as co-obligee and shall be issued by a reputable insurance company licensed to do business in California, reasonably acceptable to the City. The surety company or its parent company shall have and maintain an acceptable credit rating as set forth below:

(1) Standard and Poors Insurer Financial Strength Rating of A or better rating, or

(2) A.M. Best Company, Financial Strength Rating of B+ or better rating.

The form of the labor and material bonds and the performance bonds shall be subject to the City's prior review and written approval, which shall not be unreasonably withheld or delayed.

Section 8.4 Residential Improvements Construction Bonds.

No later than the date set forth in the Schedule of Performance, the Residential Developer shall obtain (directly or through Residential Developer's general contractor) one (1) labor and material bond and one (1) performance bond for construction of the Residential Improvements, each in an amount equal to one hundred percent (100%) of the scheduled cost of construction under the construction contract for the Residential Development. Each bond shall name the City

as co-obligee and shall be issued by a reputable insurance company licensed to do business in California, reasonably acceptable to the City. The surety company or its parent company shall have and maintain an acceptable credit rating as set forth below:

(1) Standard and Poors Insurer Financial Strength Rating of A or better rating, or

(2) A.M. Best Company, Financial Strength Rating of B+ or better rating.

The form of the labor and material bonds and the performance bonds shall be subject to the City's prior review and written approval, which shall not be unreasonably withheld or delayed.

Section 8.5 Commencement of Residential Improvements.

The Residential Developer shall commence construction of the Residential Improvements no later than the date set forth in the Schedule of Performance.

Section 8.6 Completion of the Residential Improvements.

The Residential Developer shall diligently prosecute to completion the construction of the Residential Improvements no later than the date set forth in the Schedule of Performance.

Section 8.7 Change in Construction of Residential Improvements or Underground Parking Garage.

(a) If the Residential Developer desires to make any material change in the Residential Improvements which are not substantially consistent with the Construction Plans for the Residential Development, the Residential Developer shall submit the proposed change to the City for its approval. No change which is required for compliance with building codes or other government health and safety regulations shall be deemed material. If the Residential Improvements, as modified by any such proposed change, do not materially alter the approved planning application and will conform to the requirements of this Agreement, and the Construction Plans for the Residential Development, the City Manager or their designate shall approve the change by notifying the Residential Developer in writing within ten (10) business days. For purposes of this Section 8.7(a), a "material change" shall mean any change which is expected to substantially alter the external appearance of the Residential Development (including any color change) or which is expected to result in an individual change of One Hundred Thousand Dollars ($100,000) or a cumulative change of Two Hundred and Fifty Thousand Dollars ($250,000), or more, in the cost of construction of the Residential Improvements.

(b) If the Commercial Developer desires to make any material change in the Underground Parking Garage which is not substantially consistent with the Construction Plans for the Underground Parking Garage, the Commercial Developer shall submit the proposed change to the City and the Residential Developer for their respective approval. No change which is required for compliance with building codes or other government health and safety regulations shall be deemed material. If the Underground Parking Garage, as modified by any such

proposed change, does not materially alter the approved planning application and will conform to the requirements of this Agreement and the Construction Plans for the Underground Parking Garage, then the City Manager or his or her designee (on behalf of the City) and the Residential Developer shall each approve the change by notifying the Commercial Developer in writing within ten (10) business days, which approval shall not be unreasonably withheld. For purposes of this Section 8.7(b), a "material change" shall mean any change which is expected to result in a material impact to the design, functionality, constructability or development cost of the Residential Development and/or the number, location or availability of the parking spaces designated for use by the Residential Development or public in the REA and Shared Parking Agreement.

(c) Unless a proposed change is rejected by the City or the Residential Developer, as applicable, within ten (10) business days, it shall be deemed approved by the applicable party. If rejected within such time period, the previously approved Construction Plans for the Residential Development or the Underground Parking Garage, as applicable, shall continue to remain in full force and effect. If the City or the Residential Developer, as applicable, rejects a proposed change, it shall provide the Residential Developer or the Commercial Developer, as applicable, with the specific reasons therefore.

(d) The approval of changes in the Construction Plans for the Residential Development or the Underground Parking Garage, as applicable, by the City pursuant to this Section shall be in addition to any approvals required to be obtained from the City pursuant to building permit requirements.

Section 8.8 Certificate of Completion.

Within thirty (30) days after completion of the construction of the Residential Improvements, in accordance with those provisions of this Agreement relating solely to the obligations of the Residential Developer to construct the Residential Improvements (including the dates for beginning and completing construction of the Residential Improvements), as set forth below, the City shall provide an instrument so certifying the completion of the construction of the Residential Improvements (the "Residential Improvements Certificate of Completion"). The Residential Improvements Certificate of Completion shall be a conclusive determination that the covenants in this Agreement with respect to the obligations of the Residential Developer to construct the Residential Improvements have been met. The certification shall be in such form as will enable such certificate to be recorded in the Official Records. These certifications and determinations shall not constitute satisfaction of any obligation of the Residential Developer to any holder of a Security Financing Interest, shall not be deemed a notice of completion under the California Civil Code, nor a certificate of occupancy and shall neither hinder nor convey any rights to occupy any portion of the Improvements.

Section 8.9 Compliance with Applicable Law; Prevailing Wage Requirement.

(a) Each Developer shall cause all construction with respect to such Developer's respective Development to be performed in compliance with:

(1) All applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter.

(2) All directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after the payment of all applicable fees, procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and each Developer shall be responsible to the City for the procurement and maintenance thereof, as may be required of the Developer with respect to such Developer's Development and all entities engaged in work on the Property.

(b) Each Developer shall pay and shall cause its respective contractors and subcontractors to pay prevailing wages in the construction of the Development as those wages are determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices as required by California Labor Code Sections 1777.5 et seq., and the implementing regulations of the Department of Industrial Relations (the "DIR") to the extent applicable to that Developer's component of the Development. In addition, as applicable, each Developer shall cause its respective contractors and subcontractors in the construction of the applicable Development to do all the following: (1) all calls for bids, bidding materials and the construction contract documents for the applicable Development must specify that (A) no contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for the applicable Development unless registered with the DIR pursuant to Labor Code Section 1725.5, and (B) the applicable Development is subject to compliance monitoring and enforcement by the DIR; (2) each Developer is required to provide the City all information required by Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within 2 days of the award of the contract (https://www.dir.ca.gov/pwc100ext/); (3) each Developer shall cause its respective contractors to post job site notices, as prescribed by regulation by the DIR; or (4) each Developer shall cause its respective contractors to furnish payroll records required by Labor Code Section 1776 directly to the Labor Commissioner, at least monthly in the electronic format prescribed by the Labor Commissioner. Each Developer shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including the applicable Developer, its contractor and subcontractors) to pay prevailing wages in accordance with the terms of this Agreement as determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices pursuant to California Labor Code Section 1777.5 et seq., and implementing regulations of the DIR or to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the construction of the applicable Developer's Development. The requirements in this Subsection survive the repayment of the City Loans and the reconveyance of the Leasehold Deeds of Trust.

(c) Each Developer shall defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including the applicable Developer, its contractor and subcontractors) to pay prevailing wages in accordance with this Agreement as determined pursuant to Labor Code Sections 1720 et seq., and implementing

regulations of the Department of Industrial Relations or comply with the other applicable provisions of Labor Code Sections 1720 et seq., to employ apprentices pursuant to Labor Code Sections 1777.5 et seq., and implementing regulations of the Department of Industrial Relations in connection with the construction, pursuant to this Agreement, of the applicable Developer's Development, and shall indemnify and hold the City harmless against any damages, compensation, fines, penalties or other amounts resulting from the successful prosecution of such claim.

(d) Each Developer shall construct its respective Development to comply with all applicable federal and state disabled persons accessibility requirements including but not limited to the Federal Fair Housing Act, Section 504 of the Construction Act of 1973, Title II and/or Title III of the Americans with Disabilities Act of 1990, Title 24 of the California Code of Regulations and the Uniform Federal Accessibility Standards. To the extent required by the funding sources for the Residential Developer, in compliance with Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794, et seq.), a minimum of 11 units in the Residential Development shall be constructed by the Residential Developer to be readily accessible and usable by households with a mobility impaired member and a minimum of 8 units shall be constructed and to be readily accessible and usable by households with a hearing or visually impaired member.

(e) For the avoidance of doubt and without affecting any other limitations on liability contained in this Agreement, neither the Residential Developer nor the Commercial Developer shall have any obligation, liability or responsibility for any breach of the provisions of this Section 8.9 by the other Developer, including, without limitation, any payment or indemnity obligations contained in this Section 8.9.

Section 8.10 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or the Residential Improvements or a stop notice affecting the City Loans is served on the City or any other lender or other third party in connection with the Residential Development, then the Commercial Developer (to the extent said lien arises in connection with the construction of the Underground Parking Garage or the Commercial Improvements) or the Residential Development (to the extent said lien arises in connection with the construction of the Residential Improvements shall, within thirty (30) days after such filing or service, either pay or fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the City a surety bond from a surety acceptable to the City in sufficient form and amount, or provide the City with other assurance satisfactory to the City that the claim of lien or stop notice will be paid or discharged.

(b) If the Residential Developer fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section or obtain a surety bond, then in addition to any other right or remedy, the City may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at the Residential Developer's expense. Alternatively, the City may require the Residential Developer to immediately deposit with the City the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The City may use such deposit to satisfy any claim or lien that is adversely determined against the Residential Developer.

(c) The Residential Developer shall file a valid notice of cessation or notice of completion upon cessation of construction of the Development for a continuous period of thirty (30) days or more and take all other reasonable steps to forestall the assertion of claims of lien against the Property and/or Residential Improvements. The Residential Developer authorizes the City, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that the City deems necessary or desirable to protect its interest in the Residential Development and Property.

Section 8.11 Equal Opportunity.

During the construction of the Residential Development there shall be no discrimination on the basis of race, color, creed, religion, sex, sexual orientation, gender identity, marital status, national origin or ancestry, or source of income, in the hiring, firing, promoting or demoting of any person engaged in the construction work.

Section 8.12 Inspections.

The Residential Developer shall permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection at the Residential Development by the City and by public authorities during reasonable business hours upon forty-eight (48) hours' written notice for the purposes of determining compliance with this Agreement.

Section 8.13 Information.

The Residential Developer shall provide any information reasonably requested by the City in connection with the Residential Development.

Section 8.14 Records.

(a) The Residential Developer shall maintain complete, accurate, and current records pertaining to its interests in the Residential Development for a period of five (5) years after the creation of such records and shall permit any duly authorized representative of the City to inspect and copy records upon reasonable notice to the Residential Developer. Such records shall include all invoices, receipts, and other documents related to expenditures from City Loan funds. Records must be kept accurate and current.

(b) The City shall notify the Residential Developer of any records it deems insufficient. The Residential Developer shall have thirty (30) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the City in such notice, or if a period longer than thirty (30) days is reasonably necessary to correct the deficiency, then the Residential Developer shall begin to correct the deficiency within thirty (30) days and complete the correction of the deficiency as soon as reasonably possible.

ARTICLE 9.
ONGOING RESIDENTIAL DEVELOPER OBLIGATIONS

Section 9.1 Applicability.

The conditions and obligations set forth in this ARTICLE 9 shall apply from the date Residential Developer obtains a leasehold interest in the Property and throughout the term of the Ground Lease, unless a different period of applicability is specified for a particular condition or obligation.

Section 9.2 Use.

(a) The Residential Developer hereby agrees that, for the entire term of the Ground Lease, the Residential Development (other than with respect to the Community Space) will be used only for residential use consistent with the Ground Lease and the Regulatory Agreement.

(b) The Regulatory Agreement shall require that a portion of the Units shall be affordable to and occupied by low, very low and extremely low income households as those terms are defined in the Regulatory Agreement in accordance with the Density Bonus Requirements.

Section 9.3 Maintenance.

(a) The Residential Developer agrees, for the entire term of the Ground Lease, to maintain all interior and exterior improvements, including landscaping, of the Residential Development in condition, repair and sanitary condition (and, as to landscaping, in a healthy condition) and in accordance with a management plan, as the same may be amended from time to time, and all applicable laws, rules, ordinances, orders, and regulations of all federal, state, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials.

(b) In the event that the Residential Developer breaches any of the covenants contained in this section and such default continues for a period of fifteen (15) days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance or thirty (30) days after written notice from the City with respect to landscaping and building improvements, then the City, in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Residential Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the City shall be permitted (but is not required) to enter upon the Residential Property and perform all acts and work necessary to protect, maintain, and preserve the Residential Improvements and landscaped areas on the Residential Property, and to attach a lien on the Residential Property, or to assess the Residential Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a ten percent (10%) administrative charge, which amount shall be promptly paid by the Residential Developer to the City upon demand.

Section 9.4 Residential Property Management Agent.

The Residential Development shall at all times be managed by an experienced management agent reasonably acceptable to the City, with demonstrated ability to operate residential facilities like the Residential Development in a manner that will provide decent, safe, and sanitary housing. For any change in the Residential Property Management Agent, the

Residential Developer shall submit for the City's approval the identity of any proposed Residential Property Management Agent. The Residential Developer shall also submit such additional information about the background, experience and financial condition of any proposed Residential Property Management Agent as is reasonably necessary for the City to determine whether the proposed Residential Property Management Agent meets the standard for a qualified Residential Property Management Agent set forth above. If the proposed Residential Property Management Agent meets the standard for a qualified Residential Property Management Agent set forth above, the City shall approve the proposed Residential Property Management Agent by notifying the Residential Developer in writing. The City hereby pre-approves Alta Housing, as the initial Residential Property Management Agent.

Section 9.5 Taxes, Assessments and Development Impact Fees.

(a) The Residential Developer shall pay all real and personal property taxes, assessments and charges and all franchise, income, employment, old age benefit, withholding, sales, and other taxes assessed against it, or payable by it, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Property or the Residential Developer's leasehold interest in the Property; provided, however, that the Residential Developer shall have the right to contest in good faith any such taxes, assessments, or charges. In the event the Residential Developer exercises its right to contest any tax, assessment, or charge against it, the Residential Developer, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges and interest.

(b) The Residential Developer will pay those City impact fees that are determined to apply to this project, in accordance with Government Code Section 66007. The fees associated with the Commercial Development will be due by the Commercial Developer to the City in the amount(s) and at the time(s) set forth in the separate development agreement between the City and the Commercial Developer. The fees associated with the Residential Development will be due by the Residential Developer to the City at the time of issuance of a certificate of occupancy or the date of final inspection, whichever occurs first.

Section 9.6 Hazardous Materials.

(a) Remedial Action. The City, in its role as landowner, will fully and completely cooperate with Commercial Developer in Commercial Developer’s obligations (i) to comply with the Construction Easement; (ii) to comply with the conditions of approval of the Entitlements; (iii) to comply with the REA; and (iv) to remediate Hazardous Materials conditions encountered on the Property from and after the date on which Commercial Developer commences construction of the Underground Parking Garage until the date on which Podium Completion occurs in a manner consistent with the Property’s reasonably anticipated use. For the avoidance of doubt, Commercial Developer shall not be required to (i) commence any remediation at the Property until the Commercial Developer commences construction of the Underground Parking Garage, or (ii) remediate the Property with respect to Hazardous Materials first introduced to the Property from and after the date on which Podium Completion occurs. Except as otherwise provided in this Agreement, Commercial Developer’s remediation of Hazardous Materials encountered in the construction of the Underground Parking Garage shall be at no cost or expense to the City. The Residential Developer shall not take any remedial

action in response to the presence of any Hazardous Materials on, under, or about the Residential Development (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims without the City's prior written consent, which shall not be unreasonably withheld or delayed.

(b) Indemnification. Commercial Developer hereby agrees to and shall indemnify, defend (with counsel approved by the City for Claims against the City and counsel approved by Residential Developer for Claims against the Residential Developer) and hold harmless the City and its elected and appointed representatives, officers, agents, and employees ("City Indemnified Parties") and Residential Developer and its representatives, officers, agents, and employees ("Residential Developer Indemnified Parties") from any loss, liability, fines, penalties, forfeitures, costs, and damages (whether in contract, tort, or strict liability, including but not limited to personal injury, death, and property damage) and from any and all claims, demands, and actions in law or equity (including attorneys' fees and litigation expenses), and Hazardous Materials Claims ("Claims") to the extent arising out of or in any way related to the development and implementation of remedial actions required pursuant to Section 9.6(a) or otherwise required by Project Entitlements conditions of approval or other public agency oversight of remediation required pursuant to Section 9.6(a) and Project Entitlements. The provisions of this Section shall survive expiration of the Term or other termination of this Agreement.

(c) Reserved.

Section 9.7 Audits.

The Residential Developer shall make available for examination at reasonable intervals and during normal business hours to the City all books, accounts, reports, files, and other papers or property with respect to all matters covered by this Agreement, and shall permit the City to audit, examine, and make excerpts or transcripts from such records. The City may make audits of any conditions relating to this Agreement.

ARTICLE 10.
INSURANCE REQUIREMENTS

Each Developer will maintain, at their sole cost and expense (but subject to any agreements among or between the Parties allocating such costs and expenses in a different manner, including, without limitation, the REA and the Shared Parking Agreement, if applicable), the insurance coverage described in Exhibit L for itself and its applicable Improvements.

ARTICLE 11.
ASSIGNMENT AND TRANSFERS

Section 11.1 Definitions.

As used in this Article, the term "Transfer" means:

(a) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to this Agreement or of the Residential Development or any part thereof or any interest therein or any contract or agreement to do any of the same;

(b) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to any ownership interest in Residential Developer or any contract or agreement to do any of the same;

(c) Any merger, consolidation, sale or lease of all or substantially all of the assets of the Residential Developer; or

(d) The leasing of part or all of the Residential Property or the Residential Improvements thereon; provided, however, that leasing of the Units included within the Residential Improvements to tenant occupants in accordance with the Regulatory Agreement shall not be deemed a Transfer for purposes of this Article.

Section 11.2 Purpose of Restrictions on Transfer.

(a) This Agreement is entered into solely for the purpose of the development and operation of the Development and its subsequent use in accordance with the terms hereof. Each Developer recognizes that the qualifications and identity of such Developer are of particular concern to the City, in view of:

(1) The importance of the development of the Property to the general welfare of the community;

(2) The land acquisition assistance and other public aids that have been made available by law and by the government for the purpose of making such development possible;

(3) The reliance by the City upon the unique qualifications and ability of the Developer to serve as the catalyst for the development of the Property and upon the continuing interest which the Developer will have in the Residential Improvements and Underground Garage to assure the quality of the use, operation and maintenance deemed critical by the City in the development of the Property;

(4) The fact that a change in ownership or control of the owner of the Residential Improvements or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in ownership or with respect to the identity of the parties in control of the Developer or the degree thereof is for practical purposes a transfer or disposition of the Property;

(5) The fact that the Property is not to be acquired or used for speculation, but only for the Residential Development and Underground Garage and operation by the Developer of the Residential Development and Underground Garage in accordance with the Agreement and the REA; and

(6) The importance to the City and the community of the standards of use, operation and maintenance of the Property.

(b) The Developer further recognizes that it is because of such qualifications and identity that the City is entering into this Agreement with the Developer and that Transfers are permitted only as provided in this Agreement.

Section 11.3 Prohibited Transfers.

(a) The limitations on Transfers set forth in this Section shall apply until the end of the Term. Except as expressly permitted in this Agreement, each Developer represents and agrees that such Developer has not made or created and will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law without the prior written approval of the City.

(b) Any Transfer made in contravention of this Section shall be void and shall be deemed to be a default under this Agreement whether or not the Developer knew of or participated in such Transfer.

Section 11.4 Permitted Transfers.

(a) Notwithstanding the provisions of Section 11.3, the following Transfers shall be permitted and are hereby approved by the City:

(1) Any Transfer creating a Security Financing Interest permitted pursuant to the approved Financing Plan;

(2) Any Transfer directly resulting from the foreclosure of a Security Financing Interest or the granting of a deed in lieu of foreclosure of a Security Financing Interest or as otherwise permitted under ARTICLE 13;

(3) The leasing of residential units and Community Space within the Residential Development in accordance with the Regulatory Agreement;

(4) The granting of easements or permits to facilitate the development of the Property;

(5) A loan to refinance the financing identified in the approved Financing Plan.

(b) The City hereby approves a Transfer of a limited partnership interest in the Residential Developer, or to an affiliate of the Investor (provided such affiliate provides documentation reasonably acceptable to the City that the affiliate has sufficient financial capability to provide the capital contributions set forth in the Financing Plan) and future transfers of such interest.

(c) The Parties agree and acknowledge that Alta Housing shall remain sole member and manager of the managing general partner of the Residential Developer throughout the term of the Ground Lease unless otherwise consented to by the City. In the event the general

partner of the Residential Developer is removed by the limited partner of the Residential Developer for cause following default under the Partnership Agreement, the City hereby approves the transfer of the general partner interest to a 501(c)(3) tax-exempt nonprofit public benefit corporation that is selected by the limited partner and approved in advance and in writing by the City, which approval shall not be unreasonably withheld.

(d) The City also hereby approves Transfer of the Property or partnership interest from the Residential Developer to a limited liability company or limited partnership, the managing member or partner of which is Alta Housing, or a nonprofit public benefit corporation affiliated with Alta Housing, or any combination thereof.

(e) For the avoidance of doubt, there shall be no restrictions on Transfers with respect to the Commercial Developer following the date on which Podium Completion occurs.

Section 11.5 Effectuation of Certain Permitted Transfers.

(a) No Transfer of this Agreement permitted pursuant to Section 11.4 (other than (i) Transfers with respect to the Commercial Developer following building permit issuance for the Residential Development, and (ii) Transfers pursuant to Sections 11.4(a)(1) and (3)-(5), which Transfers shall not be subject to the provisions of this Section 11.5) shall be effective unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an instrument in writing prepared by the City and in form recordable among the land records, shall expressly assume the obligations of the applicable Developer under this Agreement and agree to be subject to the conditions and restrictions to which the applicable Developer is subject arising during this Agreement, to the fullest extent that such obligations are applicable to the particular portion of or interest in the Development conveyed in such Transfer. Anything to the contrary notwithstanding, the holder of a Security Financing Interest or a Commercial Development Financing Interest, as applicable, whose interest shall have been acquired by, through or under a Security Financing Interest or Commercial Development Financing Interest, as applicable, or shall have been derived immediately from any holder thereof shall not be required to give to City such written assumption until such holder or other person is in possession of the Property or the Commercial Property, as applicable, or entitled to possession thereof pursuant to enforcement of the Security Financing Interest or the Commercial Development Financing Interest, as applicable.

(b) In the absence of specific written agreement by the City, no such Transfer, assignment or approval by the City shall be deemed to relieve the applicable Developer or any other party from any obligations under this Agreement.

Section 11.6 Other Transfers with City Consent.

The City may, in its sole discretion, approve in writing other Transfers as requested by the Developer. In connection with such request, there shall be submitted to the City for review all instruments and other legal documents proposed to effect any such Transfer. If a requested Transfer is approved by the City such approval shall be indicated to the Developer in writing. Such approval shall be granted or denied by the City within ninety (90) days of receipt by the City of Developer's request for approval of a Transfer. In the event the City does not respond either granting or denying the request within ninety (90) days the request shall be deemed

approved. Upon such approval, if granted, the transferee, by an instrument in writing prepared by the City and in form recordable among the land records, shall expressly assume the obligations of the Developer under this Agreement and agree to be subject to the conditions and restrictions to which the Developer is subject arising during this Agreement, to the fullest extent that such obligations are applicable to the particular portion of or interest in the Development conveyed in such Transfer.

ARTICLE 12.
DEFAULT AND REMEDIES

Section 12.1 General Applicability.

The provisions of this Article shall govern the parties' remedies for breach or failure of this Agreement.

Section 12.2 No Fault of Parties.

(a) The following events constitute a basis for the City or the Residential Developer to terminate this Agreement as to the Residential Developer and the Residential Development only prior to the Closing Date without the fault of the other:

(1) The Residential Developer, despite good faith and diligent efforts, is unable to satisfy all of the conditions precedent to the City's obligation to execute the Ground Lease set forth in ARTICLE 6 by the dates set forth in the Schedule of Performance, subject to any applicable "buffers" and Force Majeure Events;

(2) The City and the Residential Developer, despite good faith and diligent efforts, are unable to execute the Ground Lease by the dates set forth in the Schedule of Performance, subject to any applicable "buffers" and Force Majeure Events;

(b) Residential Developer and Commercial Developer agree to cooperate with each other in the development of the plans and specifications required in order for the Commercial Developer to obtain a building permit for the Underground Parking Garage within the time periods outlined in the Schedule of Performance and for the Residential Developer to obtain a building permit ready for issuance letter for the Residential Development within the time periods outlined in the Schedule of Performance. If Residential Developer fails to provide such cooperation, then, without limiting any of Commercial Developer's remedies under this Agreement, Commercial Developer may send a written notice to Residential Developer, with a copy of such notice sent to the City at the same time, stating with reasonable specificity the nature of such failure and requesting that the Residential Developer and the Commercial Developer meet and confer for a period of twenty (20) days to attempt to resolve such failure. If the Commercial Developer and the Residential Developer are unable to resolve such failure within such twenty (20) day period (as such period may be extended by the written agreement of such parties or as may be necessary for the Residential Developer to exercise remedies against non-performing consultants), then for so long as the Residential Developer continues to fail to cooperate, the Commercial Developer may proceed to prepare such plans and specifications on behalf of the Residential Developer (in accordance with all requirements of this Agreement and

law, rules and regulations applicable to the Residential Development) without Residential Developer's input as to any matters as to which Residential Developer has failed to cooperate. If the Commercial Developer elects to proceed to prepare such plans and specifications on behalf of the Residential Developer, the Commercial Developer shall use commercially reasonable efforts to prepare the plans and specifications in a manner consistent with the prior work of the Residential Developer and not in a manner which would materially impact the cost or constructability of the Residential Development to the extent reasonably feasible. Commercial Developer shall provide notice to the City within five (5) business days if it has elected to prepare plans and specifications on behalf of the Residential Developer.

(c) Upon the happening of any of the events described in Sections 12.2(a) and at the election of either the City or the Residential Developer, the electing party shall first notify the non-electing party (and the Commercial Developer shall also be notified) in writing of the electing party's intention to terminate this Agreement, giving the non-electing party (and the Commercial Developer) thirty (30) days from receipt of such notice to cure or, if cure cannot be accomplished within thirty (30) days, to commence to cure such breach, failure, or act. In the event the non-electing party (or the Commercial Developer) does not then so cure within said thirty (30) days, or if the breach or failure is of such a nature that it cannot be cured within thirty (30) days, and thereafter diligently completes such cure within a reasonable time thereafter but in no event later than ninety (90) days, then, subject to Section 12.4(c), this Agreement may be terminated. After termination, neither party shall have any rights against or liability to the other under this Agreement. Notwithstanding the foregoing, a termination of this Agreement pursuant to Section 12.2(a) shall only result in a termination of this Agreement with respect to the Residential Developer and shall not result in a termination of this Agreement with respect to the Commercial Developer and in such event, this Agreement shall remain in full force and effect as between the City and the Commercial Developer with neither the City nor the Commercial Developer having any further right or remedy against Residential Developer.

Section 12.3 Fault of City.

(a) Except as to events constituting a basis for termination under Section 12.2, the following events each constitute a "City Event of Default" and a basis for the Commercial Developer and/or the Residential Developer, as applicable, to take action against the City:

(1) The City, without good cause, fails to lease the Property to the Residential Developer within the time and in the manner set forth in ARTICLE 7 and the Residential Developer is otherwise entitled by this Agreement to such conveyance;

(2) The City fails to make a City Loan in accordance with Section 3.1 of this Agreement; or

(3) The City breaches any other material provision of this Agreement.

(b) Upon the happening of any of the events described in Section 12.3(a), the Residential Developer (with respect to the City Events of Default in Sections 12.3(a)(1) and (2)), or the Residential Developer and/or the Commercial Developer, as applicable (with respect to the City Event of Default in Section 12.3(a)(3)) shall first notify the City in writing of its purported breach or failure, giving the City forty-five (45) days from receipt of such notice to cure or, if

cure cannot be accomplished within forty-five (45) days, to commence to cure such breach, failure, or act. In the event the City does not then so cure within said forty-five (45) days, or if the breach or failure is of such a nature that it cannot be cured within forty-five (45) days, the City fails to commence to cure within such forty-five (45) days and thereafter diligently completes such cure within a reasonable time thereafter but in no event later than one hundred twenty (120) days, then the applicable Developer(s) shall be afforded the following remedies: (1) terminating in writing this Agreement (provided, however, that those provisions of this Agreement that recite that they survive termination of this Agreement shall all remain in full force and effect) and, if applicable, the Ground Lease; provided, however, in no event shall any such termination affect the REA, the Lot Tie Agreement, the Shared Parking Agreement or the Construction Easement if construction of the Underground Parking Garage has commenced; and (2) prosecuting an action for specific performance and for damages. However, in the event of the default described in section (a)(2) above, Residential Developer's remedy is limited to City's repayment of Residential Developer's third party pre-development costs for the Residential Development incurred prior to applying for tax credits. Notwithstanding the foregoing, subsequent to Podium Completion, (i) only Residential Developer shall have the right to declare the City in default pursuant to this Agreement (except with respect to any claim that Commercial Developer shall have with respect to the Deposit), (ii) only Residential Developer shall have the right to cause the termination of this Agreement, (iii) Commercial Developer shall have no right to cause the termination of this Agreement, and (iv) without limiting Commercial Developer's rights set forth in this Agreement, the termination of this Agreement as to any Party for any reason whatsoever shall not affect Commercial Developer's right to develop the Commercial Project or to enforce its rights under the REA, the Lot Tie Agreement, the Shared Parking Agreement and/or the Construction Easement. For the avoidance of doubt, if this Agreement terminates due to a City Event of Default, then Developer Equity Contribution that has not been disbursed or committed to be disbursed pursuant to the City Predevelopment Loan and Deposit shall be returned to Commercial Developer. A copy of any default notice or notice terminating this Agreement pursuant to this Section 12.3 shall be given by the notifying Developer to the other Developer at the same time that such notice is provided to the City. Notwithstanding anything to the contrary in this Section 12.3(b), a termination of this Agreement by Residential Developer pursuant to this Section 12.3(b) prior to Podium Completion shall only result in a termination of this Agreement with respect to the Residential Developer and shall not result in a termination of this Agreement with respect to the Commercial Developer and in such event, this Agreement shall remain in full force and effect as between the City and the Commercial Developer with neither the City nor the Commercial Developer having any further right or remedy against Residential Developer.

Section 12.4 Fault of Developer.

(a) Residential Developer Event of Default. Except as to events constituting a basis for termination under Section 12.2, the following events each constitute a "Residential Developer Event of Default" and a basis for the City to take action against the Residential Developer:

(1) The Residential Developer fails to exercise good faith and diligent efforts to satisfy one or more of the conditions precedent to the City's obligation to convey the leasehold interest in the Property to the Residential Developer pursuant to the Ground Lease;

(2) The Residential Developer refuses to execute the Ground Lease within the time periods and under the terms set forth in ARTICLE 7;

(3) The Residential Developer constructs or attempts to construct the Residential Improvements in violation of ARTICLE 8;

(4) A Transfer by the Residential Developer occurs, either voluntarily or involuntarily, in violation of ARTICLE 11;

(5) A court having jurisdiction shall have made or entered any decree or order (1) adjudging the Residential Developer to be bankrupt or insolvent, (2) approving as properly filed a petition seeking its reorganization of the Residential Developer or seeking any arrangement for the Residential Developer under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of the Residential Developer in bankruptcy or insolvency or for any of their properties, or (4) directing the winding up or liquidation of the Residential Developer, if any such decree or order described in clauses (1) to (4), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days unless a lesser time period is permitted for cure under any other mortgage on the Property, in which event such lesser time period will apply under this subsection (a)(5) as well; or the Residential Developer shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (1) to (4), inclusive;

(6) The Residential Developer shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within ninety (90) days after such event (unless a lesser time period is permitted for cure under any other mortgage on the Property, in which event such lesser time period shall apply under this subsection (a)(6) as well) or prior to sooner sale pursuant to such sequestration, attachment, or execution;

(7) The Residential Developer shall have been dissolved or shall have voluntarily suspended its business; or

(8) The Residential Developer breaches any other material provision of this Agreement.

(b) Liquidated Damages. In the event that this Agreement terminates as a result of a Construction Commencement Failure prior to the date on which Commercial Developer has commenced construction of the Underground Garage, Commercial Developer and City agree that City's actual damages would be impracticable or extremely difficult to determine as of the date of this Agreement and that the amount of the Interim Contingent Payments then held by the City represents the Commercial Developer and City's reasonable estimate of such damages. The impracticability and difficulty of determining actual damages are caused, without limitation, by the fact that the affordable housing development would not be able to proceed without the completion of the Underground Garage and Podium, leaving the City with a deficit of anticipated affordable housing necessary to provide housing for the community and for the

City to meet its Regional Housing Needs Allocation obligations in the sixth cycle Housing Element, having removed the Property from the market, and City expenditures in both staff time and consultant costs in negotiating a future agreement to effectuate the development goals for the Property. In the event this Agreement terminates as a result of a Construction Commencement Failure prior to the date on which Commercial Developer has commenced construction of the Underground Garage, as the City's sole and exclusive remedy, the City may retain, as liquidated damages, the amount of the Interim Contingent Payments then held by the City (together with interest accruing thereon). For the avoidance of doubt, a Commercial Developer Event of Default that occurs after the commencement of construction of the Underground Garage shall be governed by Section 12.4(c), below, and shall not be subject to the provisions of this Section 12.4(b). Further, in accordance with Section 5.1, the City shall not be required to return to the Commercial Developer any unexpended funds from the Developer Equity Contribution. City and Commercial Developer acknowledge that they have read and understand the provisions of this Section 12.4(b) and by their initials immediately below agree to be bound by its terms.

Commercial Developer _____ City _____

(c) Commercial Developer Event of Default. Except as to events constituting a basis for termination under Section 12.2, the following events each constitute a "Commercial Developer Event of Default" and a basis for the City to take action against the Commercial Developer as expressly provided in Section 12.4(e) below:

(1) The Commercial Developer fails to make the Developer Equity Contribution, Deposits (if applicable) or make the required number of parking spaces available in violation of ARTICLE 5;

(2) The Commercial Developer constructs the Underground Parking Garage and Podium Completion in material violation of ARTICLE 8;

(3) The Commercial Developer fails to complete construction of the Underground Parking Garage and podium in accordance with the Schedule of Performance, once construction has commenced (subject to any applicable "buffers" and Force Majeure Events);

(4) A Transfer by the Commercial Developer occurs, either voluntarily or involuntarily, in violation of ARTICLE 11;

(5) A court having jurisdiction shall have made or entered any decree or order (1) adjudging the Commercial Developer to be bankrupt or insolvent, (2) approving as properly filed a petition seeking its reorganization of the Commercial Developer or seeking any arrangement for the Commercial Developer under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of the Commercial Developer in bankruptcy or insolvency or for any of their properties, or (4) directing the winding up or liquidation of the Commercial Developer, if any such decree or order described in clauses (1) to (4), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or the Commercial Developer shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (1) to (4), inclusive;

(6) The Commercial Developer shall have been dissolved;

(7) Prior to Podium Completion (and without limiting the rights of any lender providing financing to the Commercial Developer as provided in this Agreement, including, without limitation, the provisions of Section 12.8 and Article 13) , title of the Commercial Property is transferred through any: (a) judicial or non-judicial foreclosure; (b) trustee's sale; (c) deed, transfer, assignment, or other conveyance in lieu of foreclosure; (d) other similar exercise of rights or remedies under any security instrument; or (e) transfer of operation of or through any bankruptcy proceeding;

(8) The Commercial Developer is not in compliance with the Schedule of Performance (to the extent it applies to the Commercial Developer's responsibilities) subject to any applicable "buffers" and Force Majeure Events; or

(9) The Commercial Developer breaches any other material provision of this Agreement.

(d) Upon the happening of a Residential Developer Event of Default, the City shall first notify the Residential Developer (with a simultaneous copy of such notice to the Commercial Developer) in writing of its purported breach, failure or act above described, giving the Residential Developer in writing sixty (60) days from receipt of such notice to cure, or, if cure cannot be accomplished within said sixty (60) days, to commence to cure such breach, failure, or act. In the event the Residential Developer fails to cure within said sixty (60) days, or if such breach is of a nature that it cannot be cured within sixty (60) days, Residential Developer fails to commence to cure within said sixty (60) days and diligently complete such cure within a reasonable time thereafter but in no event later than one hundred twenty (120) days, then the City shall be afforded all of its rights at law or in equity by taking any or all of the following remedies:

(1) Termination of this Agreement (with respect to the Residential Developer only) and the Ground Lease by written notice to the Residential Developer (and the Commercial Developer), subject to the terms and conditions of the Ground Lease;

(2) Prosecuting an action for damages against the Residential Developer (but specifically excluding lost profits, punitive damage, special damages and consequential damages);

(3) Any of the other remedies specified in this Agreement with respect to the Residential Developer; and

(4) Acceleration of a City Loan.

Notwithstanding the foregoing, the occurrence of a Residential Developer Event of Default shall not result in a termination of this Agreement with respect to the Commercial Developer and, in such event, this Agreement shall remain in full force and effect as between the City and the Commercial Developer.

(e) Notwithstanding anything to the contrary contained in this Agreement, if the City (with respect to the Residential Developer) or the Residential Developer has elected to terminate this Agreement pursuant to this ARTICLE 12, then prior to such termination becoming effective, Commercial Developer shall have the right to request that the City replace the then current Residential Developer by providing written notice to the City within thirty (30) days after receipt of the applicable termination notice notifying the City that the Commercial Developer would like to replace Residential Developer (a "Replacement Notice"). If Commercial Developer delivers a Replacement Notice to the City within such thirty (30) day period, then the Commercial Developer shall have an additional sixty (60) days to propose to the City a replacement Residential Developer, and such termination shall not become effective. A replacement Residential Developer must be a nonprofit entity and demonstrate at least ten (10) years of experience in developing and operating affordable housing projects, and shall be subject to the approval of the City, which approval shall be at the City's sole discretion. If City does not approve the proposed replacement Residential Developer, Commercial Developer may propose an alternative replacement Residential Developer within another sixty (60) day period. In addition, the City, Commercial Developer and the replacement Residential Developer shall renegotiate the Schedule of Performance to account for the delays resulting from having to replace the Residential Developer and all time periods under the then existing Schedule of Performance shall be tolled pending agreement on such renegotiated Schedule of Performance. Renegotiation of the Schedule of Performance must occur within a sixty (60) day period (as such period may be extended as reasonably agreed to by City, Commercial Developer, and replacement Residential Developer). Any renegotiation of the Schedule of Performance will require approval by the City Council. If this Agreement terminates as to the Residential Developer prior to Podium Completion and there is no replacement Residential Developer identified within six (6) months (as such period may be extended as reasonably agreed by the City and the Commercial Developer) after the date on which this Agreement would have terminated but for delivery of a Replacement Notice (provided, that such period shall be automatically extended for an additional three (3) month period if at the end of such period there are active negotiations among the Commercial Developer, the City and a potential replacement Residential Developer), then, subject to the provisions of Section 13.8, the Agreement shall terminate and Commercial Developer shall assign to the City, without warranty and subject to any third party required consents, the Commercial Developer's interest in the plans and specifications for the Underground Parking Garage located on the Property and the portion of the Underground Parking Garage located on the Property, by mutually acceptable assignment documents; provided, that such assignment shall be on a non-exclusive basis to the extent Commercial Developer needs to use such plans and specifications with respect to the Commercial Development.

(f) Upon the happening of a Commercial Developer Event of Default, the City shall first notify the Commercial Developer in writing of its purported breach, failure or act above described, giving the Commercial Developer in writing sixty (60) days from receipt of such notice to cure, or, if cure cannot be accomplished within said sixty (60) days, to commence to cure such breach, failure, or act. In the event the Commercial Developer fails to cure within said sixty (60) days, or if such breach is of a nature that it cannot be cured within sixty (60) days, Commercial Developer fails to commence to cure within said sixty (60) days and diligently complete such cure within a reasonable time thereafter but in no event later than one hundred

twenty (120) days, then the City, as its sole and exclusive remedies at law and in equity and may take any or all of the following remedies:

(1) Termination of this Agreement by written notice to the Commercial Developer and to retain the Developer Equity Contribution and any Deposits made by Commercial Developer; provided, that notwithstanding anything to the contrary contained in this Agreement, if the applicable Commercial Developer Event of Default is due to a Construction Commencement Failure, then the City's sole and exclusive remedy shall be to terminate this Agreement and retain the Interim Contingent Payments as liquidated damages and unexpended funds from the Developer Equity Contribution; and

(2) If construction of the Underground Parking Garage has commenced, then the City may pursue its rights under any bonds provided by the Commercial Developer and to retain the Developer Equity Contribution and any Deposits made by Commercial Developer;

(3) Commencing after the date of Podium Completion, the City may bring an action for specific performance to require Commercial Developer to perform its obligations and covenants under this Agreement which are to be performed after the date of Podium Completion; and

(4) Any other remedies expressly specified in this Agreement (but for the avoidance of doubt, in no event shall the City be entitled to bring an action for damages or, subject to Section 12.4(f)(3), an action for specific performance against the Commercial Developer with respect to a failure by Commercial Developer to perform any of its obligations and covenants under this Agreement; provided, that the foregoing restriction shall not affect the City's right to retain the Interim Contingent Payments as liquidated damages pursuant to Section 12.4(b), if applicable).

Notwithstanding the foregoing, the occurrence of a Commercial Developer Event of Default subsequent to Podium Completion shall not result in a termination of this Agreement with respect to the Residential Developer and, in such event, this Agreement shall remain in full force and effect as between the City and the Residential Developer.

(g) For the avoidance of doubt, but without limiting the provisions of the Lot Tie Agreement, the REA, the Shared Parking Agreement or the Construction Easement, the termination of this Agreement shall not result in a termination of the Lot Tie Agreement, the REA, the Shared Parking Agreement or the Construction Easement, unless construction of the Underground Parking Garage has not commenced as of the date of such termination, in which case the Lot Tie Agreement, the REA, the Shared Parking Agreement and the Construction Easement shall terminate.

Section 12.5 Right to Cure at Residential Developer's Expense.

The City shall have the right to cure any monetary default by the Residential Developer under a loan secured by the Property or the Residential Improvements in connection with the Residential Development. However, if the Residential Developer is in good faith contesting a claim of default under a loan and the City's interest under this Agreement is not imminently

threatened by such default, in the City's sole judgment, the City shall not have the right to cure such default. The Residential Developer agrees to reimburse the City for any funds advanced by the City to cure a monetary default by Residential Developer upon demand therefore, together with interest thereon at the lesser of the rate of five percent (5%) per annum or the maximum rate permitted by law from the date of expenditure until the date of reimbursement.

Section 12.6 Remedies Cumulative.

Except as otherwise expressly provided in this Agreement, including, without limitation, the provisions of Section 12.4(f), no right, power, or remedy given by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given by the terms of any such instrument, or by any statute or otherwise. Neither the failure nor any delay to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy expressly provided in this Agreement.

Section 12.7 Waiver of Terms and Conditions.

No waiver of any default or breach by the Developer hereunder shall be implied from any omission by the City to take action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the waiver, and such waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term, or condition contained in this Agreement shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition. The consent or approval by the City to or of any act by the Developer requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

Section 12.8 Rights of Mortgagees.

Any rights of the City under this Article shall not defeat, limit or render invalid any Security Financing Interest permitted by this Agreement or any rights provided for in this Agreement for the protection of holders of Security Financing Interests.

Section 12.9 No Cross Default.

Notwithstanding anything to the contrary contained in this Agreement, in no event shall a default or breach by the Commercial Developer be treated as a default or breach by the Residential Developer and in no event shall a default or breach by the Residential Developer be treated as a default or breach by the Commercial Developer.

Section 12.10 Assignment of Work.

Upon termination of this Agreement pursuant to Section 12.2(a) or 12.4(a), the Residential Developer shall assign its rights, title, and interest in the plans, specifications, work

product, and documents related to the Residential Development, by mutually agreeable assignment documents without representation or warranty.

ARTICLE 13.
SECURITY FINANCING AND RIGHTS OF HOLDERS

Section 13.1 No Encumbrances Except for Residential Development Purposes.

Notwithstanding any other provision of this Agreement, mortgages and deeds of trust, or any other reasonable method of security are permitted to be placed upon the Residential Developer's leasehold interest in the Property but only for the purpose of securing loans approved by the City pursuant to the approved Financing Plan. Mortgages, deeds of trust, or other reasonable security instruments securing loans approved by the City pursuant to the approved Financing Plan are each referred to as a "Security Financing Interest." The words "mortgage" and "deed of trust" as used in this Agreement include all other appropriate modes of financing real estate construction, and land development. The provisions of this Section 13.1 (except Section 13.8) shall not apply to the Commercial Property.

Section 13.2 Holder Not Obligated to Construct.

The holder of any Security Financing Interest authorized by this Agreement is not obligated to construct or complete any Residential Improvements or to guarantee such construction or completion; nor shall any covenant or any other provision in the Ground Lease be construed so to obligate such holder. However, nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Property or any portion thereof to any uses, or to construct any improvements thereon, other than those uses of Improvements provided for or authorized by this Agreement.

Section 13.3 Notice of Default and Right to Cure.

Whenever the City pursuant to its rights set forth in ARTICLE 12 of this Agreement delivers any notice or demand to the Residential Developer with respect to the commencement, completion, or cessation of the construction of the Residential Improvements, the City shall at the same time deliver to each holder of record of any Security Financing Interest creating a lien upon the Residential Developer's leasehold interest in the Property or any portion thereof, and the Investor, a copy of such notice or demand. Each such holder shall (insofar as the rights of the City are concerned) have the right, but not the obligation, at its option, within ninety (90) days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default or breach affecting the Property which is subject to the lien of the Security Financing Interest held by such holder and to add the cost thereof to the security interest debt and the lien on its security interest. Any such holder properly completing such Residential Improvements pursuant to this paragraph shall assume all rights and obligations of Residential Developer under this Agreement and shall be entitled, upon completion of such cure and written request made to the City, to a certificate of completion from the City, in a form reasonably acceptable to such holder and the City.

Section 13.4 Failure of Holder to Complete Improvements.

In any case where six (6) months after default by the Residential Developer (and the expiration of all applicable cure periods) in completion of construction of the Residential Improvements under this Agreement, the holder of record of any Security Financing Interest, having first exercised its option to construct, has not proceeded diligently with construction, the City shall be afforded those rights against such holder it would otherwise have against Residential Developer under this Agreement.

Section 13.5 Right of City to Cure.

In the event of a default or breach by the Residential Developer of a Security Financing Interest prior to the completion of the Residential Development, and the holder has not exercised its option to complete the Residential Development, the City may cure the default, prior to the completion of any foreclosure. In such event the City shall be entitled to reimbursement from the Residential Developer of all costs and expenses incurred by the City in curing the default. The City shall also be entitled to a lien upon the Property or any portion thereof to the extent of such costs and disbursements. The City agrees that such lien shall be subordinate to any Security Financing Interest, and the City shall execute from time to time any and all documentation reasonably requested by Residential Developer to effect such subordination.

Section 13.6 Right of City to Satisfy Other Liens.

After the conveyance of title to the Property or any portion thereof and after the Residential Developer has had a reasonable time to challenge, cure or satisfy any liens or encumbrances on the Property or any portion thereof, the City shall have the right to satisfy any such lien or encumbrances; provided, however, that nothing in this Agreement shall require the Residential Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Residential Developer in good faith shall contest the validity or amount therein and so long as such delay in payment shall not subject the Property or any portion thereof to forfeiture or sale.

Section 13.7 Holder to be Notified.

The provisions of this Article shall be incorporated into the relevant deed of trust or mortgage evidencing each Security Financing Interest to the extent deemed necessary by, and in form and substance reasonably satisfactorily to the City, or shall be acknowledged by the holder of a Security Financing Interest prior to its coming into any security right or interest in the Property.

Section 13.8 Commercial Developer Financing.

If the Commercial Developer obtains Commercial Development Financing that is secured, in whole or in part, by a mortgage, deed of trust or other security instrument with respect to Commercial Developer's rights under this Agreement and/or any of the City Documents, including, without limitation, the Construction Easement, the REA, the Shared Parking Agreement and/or the Lot Tie Agreement (the interests secured by any such mortgage, deed of trust or other security instrument being herein referred to as a "Commercial Development Financing Interest"), then the following provisions shall apply to such Commercial Development Financing:

(a) The holder of any Commercial Development Financing Interest is not obligated to construct or complete any of the Commercial Development, including, without limitation, the Underground Parking Garage, or to guarantee such construction or completion or to perform any of Commercial Developer's obligations under any of the City Documents; nor shall any covenant or any other provision in this Agreement be construed so to obligate such holder. However, nothing in this Agreement shall be deemed to permit or authorize any such holder to construct any Improvements on the Property, other than those Improvements provided for or authorized by this Agreement or the City Documents.

(b) Whenever the City pursuant to its rights set forth in ARTICLE 12 of this Agreement delivers (i) any notice or demand to the Commercial Developer that the Commercial Developer has not performed any action which is the responsibility of the Commercial Developer within the applicable time period for such performance (taking into account all extension periods applicable to such performance) or (ii) a notice terminating all or any portion of this Agreement, the City shall at the same time deliver to each holder of record of any Commercial Development Financing Interest, a copy of such notice or demand. Each such holder shall (insofar as the rights of the City are concerned) have the right, but not the obligation, at its option, within thirty (30) days after the receipt of the notice or demand, to notify the City that it is electing to cure or remedy or commence to cure or remedy the failure giving rise to such notice or demand (including, without limitation, the right to identify a substitute Residential Developer, subject to the City's reasonable approval rights) and to add the cost thereof to the security interest debt and the lien on its security interest. Any such holder properly remedying such failure (to the extent it is required to remedy such failure) pursuant to this paragraph may elect to assume all rights and obligations of Commercial Developer under this Agreement and shall be entitled, upon completion of such cure and written request made to the City, to a certificate of completion from the City, in a form reasonably acceptable to such holder and the City. Such holder shall have until the later of (A) sixty (60) days after the date such failure is required to be cured by Commercial Developer and (B) sixty (60) days after such holder is given notice of such failure, to cure or remedy such failure; provided, however, that if a failure is not capable of being cured or remedied by such holder within such time period, such holder shall have such greater period of time as is necessary to cure or remedy such default if such holder shall: (i) commence to cure or remedy the failure within such time period and shall diligently continue to prosecute such cure or remedy to completion, or (ii) if possession of any of the collateral securing the applicable Commercial Development Financing is required in order to cure or remedy such failure, institutes judicial or non-judicial foreclosure proceedings within such sixty (60) day period and diligently prosecutes such proceedings in order to obtain possession directly or through a receiver, and, upon obtaining such possession, commences promptly to cure or remedy the failure and diligently prosecutes the same to completion, provided that, during the period in which such action is being taken and any foreclosure proceedings are pending, all of the other obligations of Commercial Developer under this Agreement, to the extent they are reasonably susceptible to being performed by such holder, shall be performed. Notwithstanding the foregoing, such holder shall not be required to cure or remedy any failure that is not susceptible of cure or remedy by such holder (including, without limitation, any default under Sections 12.4(c)(4)-(7)) and taking into account any extensions of time to which the Commercial Developer would have been entitled pursuant to this Agreement. If such holder fails to cure or remedy any failure to the extent provided in this Section 13.8(b),

then the City shall be afforded those rights against such holder it would otherwise have against Commercial Developer under Section 12.4(e) of this Agreement.

(c) Any rights of the City under ARTICLE 12 shall not defeat, limit or render invalid any Commercial Development Financing Interest or any rights provided for in this Agreement for the protection of holders of Commercial Development Financing Interests.

ARTICLE 14.
GENERAL PROVISIONS

Section 14.1 Notices, Demands and Communications.

(a) Formal notices, demands, and communications between the City and a Developer shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, overnight delivery using a nationally recognized overnight courier, or delivered personally, to the principal office of the City and such Developer as follows:

City: City of San Mateo
320 W. 20th Avenue
San Mateo, CA 99403
Attn: Community Development, Housing Manager

Commercial Developer:
DTSM Housing, LLC
c/o Harvest Properties
180 Grand Avenue, Suite 1400
Oakland, CA 94612
Attn: Preston O'Connell

With a copy to:
Prometheus Real Estate Group, Inc.
1 N. B Street, Suite 4000
San Mateo, California 94401
Attn: _____

With a copy to:
Morrison & Foerster LLP
755 Page Mill Road
Palo Alto, CA 94304
Attn: Philip J. Levine, Esq.

Residential Developer:
c/o AH Bespoke LP
3460 West Bayshore Road, Suite 104
Palo Alto, CA 94303
Attn: Carlos Castellanos

With a copy to:

Bocarsly Emden Cowan Esmail & Arndt LLP
633 West Fifth Street, Suite 5880
Los Angeles, CA 90071
Attn: Kyle Arndt

(b) Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected party may from time to time designate by mail as provided in this Section. Each Party shall give a copy to each other Party of any notice sent by such Party to another Party.

Section 14.2 Non-Liability of City Officials, Employees and Agents.

No member, official, employee or agent of the City or the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Developer or successor or on any obligation under the terms of this Agreement.

Section 14.3 Non-Liability of Developer, Employees and Agents.

No member, director, employee or agent of the Developer or the Developer shall be personally liable to the City, or any successor in interest, in the event of any default or breach by the Developer or for any amount which may become due to the City or successor or on any obligation under the terms of this Agreement.

Section 14.4 Forced Delay.

In addition to specific provisions of this Agreement, performance by a Party hereunder shall not be deemed to be in default (and the time for performance, including, without limitation, the time for performance under the Schedule of Performance, shall be extended) where delays or failure in performance of any obligation under this Agreement are due to, and are outside the reasonable control of, and at the time of entering into this Agreement are not known and cannot be anticipated by Developer: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; disruptions to supply chains; failure of utility providers to timely provide the applicable service; or acts of the public enemy (collectively, "Force Majeure Events"). Times of performance under this Agreement may also be extended in writing by the City and the applicable Developer with respect to the Commercial Development or the Residential Development, as applicable. In order to claim a delay under this Section 14.4, a Party must notify the other applicable Party of such delay claim within fifteen (15) business days after the claiming Party has actual knowledge of such delay and the delay will be deemed granted if not rejected by the other Party within fifteen (15) business days after receipt of the notice. In no event shall the cumulative delays exceed one hundred eighty days (180), unless otherwise agreed to in writing by the Parties, or unless to the extent that physical damage to improvements impacted by a Force Majeure Event cannot reasonably be repaired within the remaining days within the 180-day cumulative limit as reasonably determined by the applicable Developer and its contractor. If a Force Majeure Event occurs, the applicable Developer agrees to establish a construction schedule as soon after such occurrence as is commercially reasonably possible and thereafter to diligently proceed to complete the repair work. In addition to the

foregoing provisions, if the City does respond to any permit submission from a Developer within twenty (20) business days from the date of such submission, there shall be an automatic day for day Force Majeure Event for each day beyond such twenty (20) business day period until the City provides a response with respect to the applicable submission.

Section 14.5 Inspection of Books and Records.

Upon written request from the City, Residential Developer shall permit the City to inspect at reasonable times those books, records and all other documents of Residential Developer reasonably necessary to determine Residential Developer's compliance with the terms of this Agreement. Residential Developer and Commercial Developer have the right at all reasonable times to inspect the books, records and all other documentation of the City pertaining to its obligations under this Agreement.

Section 14.6 Provision Not Merged with Lease.

None of the provisions of this Agreement are intended to or shall be merged by any Ground Lease transferring title to any real property which is the subject of this Agreement from City to Residential Developer or any successor in interest, and any such Ground Lease shall not be deemed to affect or impair the provisions and covenants of this Agreement, prior to the termination hereof.

Section 14.7 Title of Parts and Sections.

Any titles of the articles, sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any part of its provision.

Section 14.8 General Indemnification.

(a) Except as otherwise provided in this Agreement, the Ground Lease and/or the Lot Tie Agreement and/or the REA and/or the Shared Parking Agreement, each Developer (for itself and not on behalf of the other Developer) agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the City) the City, its elected and appointed officials, employees, and agents, from all suits, actions, claims, causes of action, administrative proceeding, arbitrations, enforcement actions, costs, demands, judgments and liens to the extent arising out of such Developer's performance or non-performance under this Agreement, or any other agreement executed by such Developer pursuant to this Agreement, or to the extent arising out of acts or omissions of any of such Developer's contractors, subcontractors, or persons claiming under any of the Developer’s contractors or subcontractors, except to the extent directly caused by the City's or its elected and appointed officials, employees, and agents willful misconduct or gross negligence. The provisions of this Section shall survive expiration of the Term or other termination of this Agreement and shall remain in full force and effect for claims based on events occurring prior to the expiration or termination of this agreement.

(b) Except as otherwise provided in this Agreement, the Ground Lease and/or the Lot Tie Agreement and/or the REA and/or the Shared Parking Agreement, the City agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the

applicable Developer) each Developer, its partners, members, officers and board members, employees, and agents, from all suits, actions, claims, causes of action, administrative proceeding, arbitrations, enforcement actions, costs, demands, judgments and liens to the extent arising out of the City's performance or non-performance under this Agreement, or any other agreement executed pursuant to this Agreement, or to the extent arising out of acts or omissions of any of the City's contractors, subcontractors, or persons claiming under any of the City's contractors or subcontractors, except to the extent directly caused by the applicable Developer's or its officers and board members, employees, and agents willful misconduct or gross negligence. The provisions of this Section shall survive expiration of the Term or other termination of this Agreement and shall remain in full force and effect for claims based on events occurring prior to the expiration or termination of this agreement..

(c) Responsibility for Actions and Claims. Without limiting the provisions of Sections 14.8(a) and 14.8(b), the Commercial Developer shall be solely responsible for any actions or claims to the extent arising out of the construction, use, maintenance, and/or operations of the Commercial Improvements and the Residential Developer shall be solely responsible for any actions or claims to the extent arising out of the construction, use, maintenance and/or operation of the Residential Improvements. The Commercial Developer shall be solely responsible for any actions or claims to the extent arising out of the construction of the Underground Parking Garage. The Commercial Developer and/or the Residential Developer, as applicable, shall be responsible for any actions or claims to the extent arising out of the use, maintenance, and/or operation of the Underground Parking Garage to the extent set forth in the REA. The provisions of this Section shall survive expiration of the Term or other termination of this Agreement.

Section 14.9 Applicable Law.

This Agreement shall be interpreted under and pursuant to the laws of the State of California.

Section 14.10 No Brokers.

Each Party represents to each other Party that it has not had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any real estate broker or other person who can claim a right to a commission or finder's fee except as agreed to in writing by the City and each of the Developers. If any broker or finder makes a claim for a commission or finder's fee based upon a contact, dealings, or communications (including any such claim by a party against the City with respect to the actions of Commercial Developer with respect to the Commercial Property), the Party through whom the broker or finder makes this claim shall indemnify, defend with counsel of the indemnified party's choice, and hold the indemnified party harmless from all expense, loss, damage and claims, including the indemnified party's attorneys' fees, if necessary, arising out of the broker's or finder's claim. For the avoidance of doubt, except as expressly provided in the immediately preceding sentence, this Section 14.10 shall not apply to any transactions applicable to the Commercial Property. The provisions of this Section shall survive expiration of the Term or other termination of this Agreement and shall remain in full force and effect.

Section 14.11 Severability.

If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 14.12 Venue.

In the event any legal action is commenced to interpret or to enforce the terms of this Agreement or to collect damages as a result of any breach thereof, the venue for such action shall be the Superior Court of the County of San Mateo, or where otherwise appropriate, exclusively in the United District Court, Northern District, San Francisco, California.

Section 14.13 Binding Upon Successors.

This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest and assigns of each of the Parties hereto except that there shall be no Transfer of any interest by any of the Parties hereto except pursuant to the terms of this Agreement. Any reference in this Agreement to a specifically named party shall be deemed to apply to any successor, heir, administrator, executor or assign of such party who has acquired an interest in compliance with the terms of this Agreement, or under law.

Section 14.14 Parties Not Co-Venturers.

Nothing in this Agreement is intended to nor does establish the Parties as partners, co-venturers, or principal and agent with one another.

Section 14.15 Time of the Essence.

In all matters under this Agreement, the Parties agree that time is of the essence.

Section 14.16 Action by the City.

Except as may be otherwise specifically provided in this Agreement or another City Document, whenever any approval, notice, direction, finding, consent, request, waiver, or other action by the City is required or permitted under this Agreement or another City Document, such action may be given, made, or taken by the City Manager, or by any person who shall have been designated in writing to the Residential Developer and the Commercial Developer by the City Manager, without further approval by the City Council. Any such action shall be in writing.

Section 14.17 Identity and Authority of Developer.

Each Developer hereby represents and warrants to the City (with respect to such Developer only) as follows:

(a) Organization. The Developer is a duly organized, validly existing entity and is in good standing under the laws of its state of formation and has the power and authority to own its property and carry on its business as now being conducted.

(b) Authority of Developer. The Developer has full power and authority to execute and deliver this Agreement, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Developer, and all actions required under the Developer's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

(d) Valid Binding Agreements. This Agreement and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of the Developer enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on the Developer, or any provision of the organizational documents of the Developer, or will conflict with or constitute a breach of or a default under any agreement to which the Developer is a party, or will result in the creation or imposition of any lien upon any assets or property of the Developer, other than liens established pursuant hereto.

(f) Compliance with Laws; Consents and Approvals. The construction of the Residential Improvements (with respect to the Residential Developer) and the construction of the Underground Parking Garage (with respect to the Commercial Developer) will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency.

(g) Pending Proceedings. The Developer is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of the Developer, threatened against or affecting the Developer, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to the Developer, materially affect the Developer's ability to develop the Residential Improvements (with respect to the Residential Developer) and the construction of the Underground Parking Garage (with respect to the Commercial Developer).

Section 14.18 Complete Understanding of the Parties.

This Agreement is executed in duplicate originals each of which is deemed to be an original. This Agreement and the attached exhibits constitute the entire understanding and agreement of the parties with respect to the matters set forth in this Agreement.

Section 14.19 Entry by the City.

The applicable Developer shall permit the City, through its officers, agents, or employees, at all reasonable times to enter into the Residential Development and, prior to Completion, the portion of the Underground Parking Garage located on the Residential Property (a) to inspect the work of construction to determine that the same is in conformity with the requirements of this Agreement, and (b), following completion of construction of the Residential Project, to inspect the ongoing operation and management of the Residential Development to determine that the same is in conformance with the requirements of this Agreement. Each Developer acknowledges that the City is under no obligation to supervise, inspect, or inform the applicable Developer of the progress of construction, or operations and neither Developer shall rely upon the City therefore. Any inspection by the City during the construction is entirely for its purposes in determining whether the applicable Developer is in compliance with this Agreement and is not for the purpose of determining or informing the applicable Developer of the quality or suitability of construction. Each Developer shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers.

Section 14.20 Discretion Retained by the City.

The City's execution of this Agreement does not constitute approval by the City and in no way limits the discretion of the City in the permit, entitlement, and approval process in connection with Development of the Improvements.

Section 14.21 Conflict of Interest.

No member, official, employee or agent of the City shall make any decisions relating to this Assignment which affects their personal interests or the interest of any corporation, partnership, association in which they are directly or indirectly interested in.

Section 14.22 No Third-Party Beneficiaries.

No person or entity other than the City, the Commercial Developer or the Residential Developer and their permitted successors and assigns shall have the right of action under this Agreement.

Section 14.23 Amendments.

The Parties can amend this Agreement only by means of a writing executed by all Parties; provided, that (i) the Commercial Developer and the City can amend this Agreement by a written amendment to the extent such amendment does not have an adverse effect on the Residential Developer or Residential Development upon not less than ten (10) Business Day's prior written notice to Residential Developer and (ii) the Residential Developer and the City can amend this Agreement by a written amendment to the extent such amendment does not have an

adverse effect on the Commercial Developer upon not less than ten (10) Business Day's prior written notice to Commercial Developer or Commercial Development. If this Agreement is amended pursuant to clause (i) or (ii), the City shall promptly deliver a copy of such amendment to the Residential Developer (in the case of an amendment pursuant to clause (i) or to the Commercial Developer (in the case of an amendment pursuant to clause (ii).

Section 14.24 Implementation Agreements.

The Parties acknowledge that the provisions of this Agreement require a close degree of cooperation and that new information and future events may demonstrate that changes are appropriate with respect to the details of performance of the Parties under this Agreement. The Parties desire, therefore, to retain a certain degree of flexibility with respect to the details of performance for those items covered in general terms under this Agreement. If and when, from time to time, the Parties find that refinements or adjustments are desirable, such refinements or adjustments shall be accomplished through operating memoranda or implementation agreements approved by the Parties which, after execution shall be attached to this Agreement as addenda and become a part hereof. Operating memoranda or implementation agreements may be executed on the City's behalf by the Executive Director, or the Executive Director's designee. In the event a particular subject requires notice or hearing, such notice or hearing shall be appropriately given. Notwithstanding the foregoing, nothing in this Section shall be deemed to require a party to consider any request by another party for a waiver of any particular obligation as set forth herein.

Section 14.25 Multiple Originals; Counterparts.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, but all of which, taken togethr, shall constitute one and the same Agreement. For purposes of execution, facsimile signatures and signature pages sent through electronic mail (including electronic signatures) shall be cosnidered effective and binding and shall have the same legal effect as physically delivered original signatures. .

Section 14.26 City Council Appeal; Mediation.

(a) With respect to the City Manager's approval rights contained in Sections 4.3(a)(7), 6.2(c), 8.7(a) and/or 8.7(b) of this Agreement, if the City Manager does not approve the applicable action (or fails to respond within any applicable time period for providing such approval), then the applicable Developer may appeal such decision to the City Council by providing written notice to the City within ten (10) business days from the date on which the City Manager provides its disapproval (or was required to have done so, if applicable) and the City shall be required to cause such appeal to be heard by the City Council during one of the next two City Council meetings immediately following delivery of such appeal notice (provided, that a City Council meeting scheduled within seven (7) days after the date that the applicable Developer provides its appeal notice shall not be counted in such determination).

(b) Should any dispute arise out of this Agreement that is not described in Section 14.26(a)(including, without limitation, a dispute arising from any action or failure to act by the City Manager under the authority granted to the City Manager pursuant to Section 14.16), any party may request that it be submitted to mediation. The parties shall meet in mediation with

thirty days (30) days of a request, and such mediation shall be limited to one (1) day of mediation. The mediator shall be agreed to by the mediating parties. In the absence of an agreement, the parties shall each submit one name from mediators listed by either the American Arbitration Association, the State Mediation and Conciliation Service, or other agreed-upon service. The mediator shall be selected by a blind draw. The cost of mediation (other than attorneys' fees of each party) shall be borne equally by the parties. Neither party shall be deemed the prevailing party. No party shall be permitted to file a legal action without first meeting in mediation and making a good faith attempt to reach a mediated settlement. The mediation process, once commenced by a meeting with the mediator, shall last until agreement is reached by the parties, but not more than sixty (60) days from when such process is commenced, unless the maximum time is extended by mutual written agreement executed by both parties.

Section 14.27 Litigation.

The City may request the Commercial Developer and/or the Residential Developer to testify, if litigation is brought against City in connection with this Agreement, to the extent that they are considered a material witness to the action being litigated. Unless the action is brought by such Commercial Developer and/or the Residential Developer, or is based upon such Commercial Developer and/or the Residential Developer 's wrongdoing, City shall compensate the testifying party for all reasonable attorneys' fees, and for preparation of testimony and travel at such Developer's standard hourly rates at the time of actual testimony. Notwithstanding the foregoing, a party's election to testify shall be made in such Developer's sole discretion.

Section 14.28 Minimum Wages.

Residential Developer and Commercial Developer shall comply with the City of San Mateo local minimum wage requirements as set forth in San Mateo Municipal Code Chapter 5.92.

[Signatures on following page]

IN WITNESS WHEREOF, the City, the Commercial Developer and the Residential Developer have executed this Agreement in triplicate on or as of the date first above written.[1]

COMMERCIAL DEVELOPER:

DTSM Housing, LLC , a Delaware limited liability company

By: _____
Its: _____

RESIDENTIAL DEVELOPER:

AH Bespoke LP,
a California limited partnership

By: AH Bespoke LLC,
a California limited liability company
its managing general partner

By: Alta Housing, a California nonprofit
public benefit corporation,
its manager

By: _____
Name: _____
Title: _____

CITY:

CITY OF SAN MATEO, a California charter city

By: _____
Alex Khojikian, City Manager

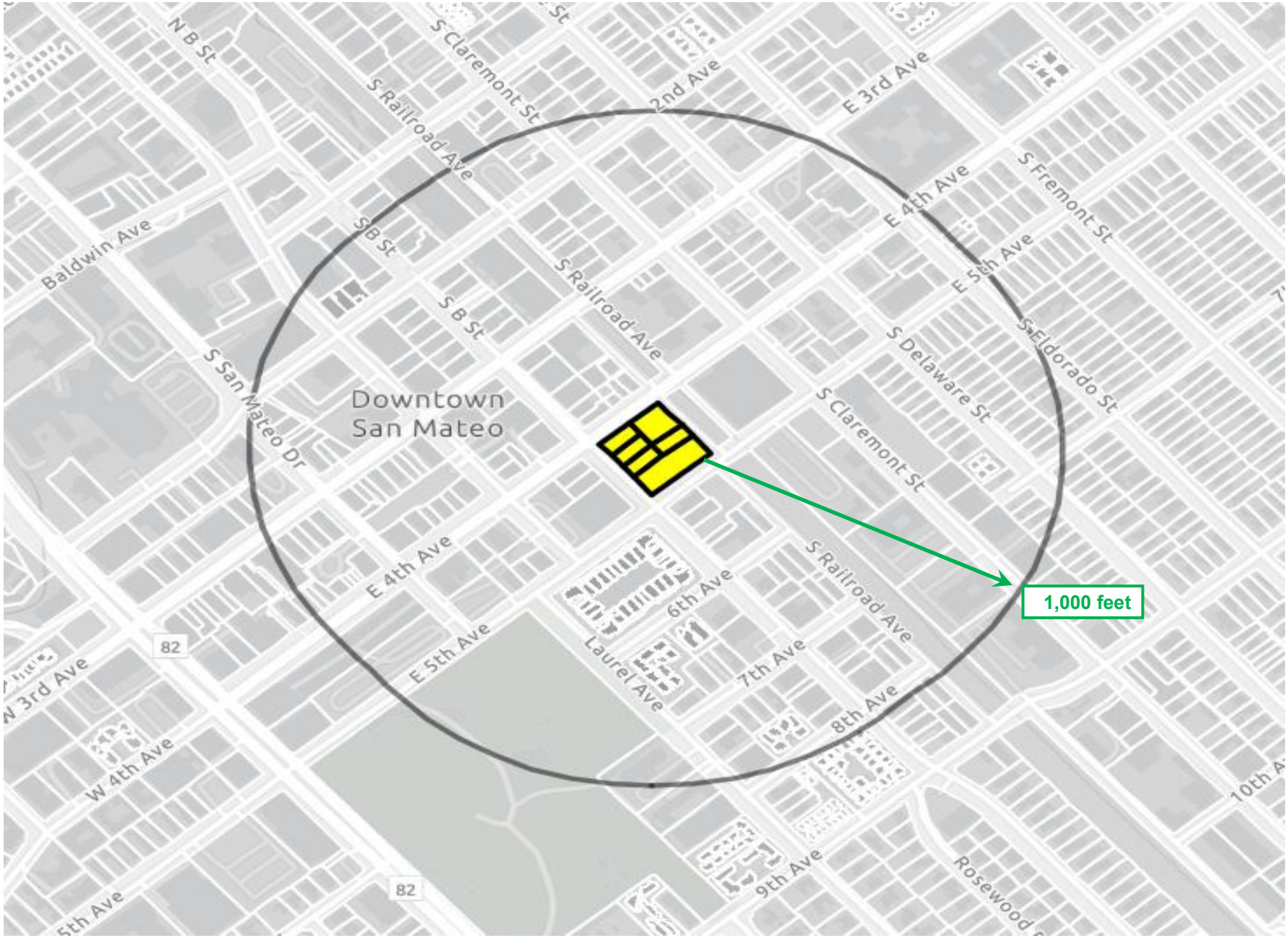
Approved to as form and legality

Mazarin Vakharia, Assistant City Attorney

[1] NOTE: Signature blocks to be updated.

APPENDIX B

PA-2023-012 / 034179010, -020, -030, -040, -050, -060 / 445 B ST / SPAR + SDPA + TENT MAP / BESPOKE / MARCH 2026



FOR REFERENCE ONLY

Valbridge
PROPERTY ADVISORS

Restricted Appraisal Report

A Residential Site
4th Avenue and Railroad Avenue
San Mateo, San Mateo County, California 94401

Report Date: May 1, 2026



FOR:

Mr. Darin Smith
Economic & Planning Systems
1330 Broadway, Suite 450
Oakland, CA 95612

Valbridge Property Advisors | Northern California
1530 The Alameda, Suite 100
San Jose, CA 95126
408 772 9134 phone
408-279-3428 fax
valbridge.com

Valbridge File Number:
CA02-26-0216

PROPERTY IDENTIFICATION

Report Date	May 1, 2026
Property Name	A Residential Site
Property Type	Land
Property Subtype	Multi-Family
Street Address	4th Avenue and Railroad Avenue San Mateo, California 94401
Owner Name	City of San Mateo
Client	Economic & Planning Systems
Client Contact	Mr. Darin Smith

Value Conclusion

Component	As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	April 14, 2026
Value Conclusion	**$4,510,000**
	$279.83 PSF

PREMISE OF THE APPRAISAL

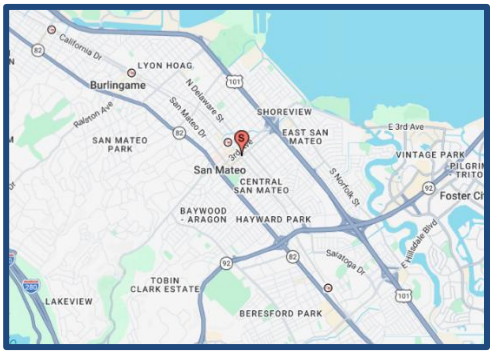
Report Option and Use Disclosure	This report was prepared in accordance with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. Use of the report is limited to the client only. It is assumed that the client understands the restricted utility of the Restricted Appraisal Report. The opinions and conclusions set forth in this report may not be understood properly without additional information held in the work file. However, to meet the requirements for an evaluation according to the Interagency Appraisal and Evaluation Guidelines, this report has been supplemented with additional information about the subject property and its market, as well as the data, reasoning, and analyses that were used in the analysis.
Intended User	Economic & Planning Systems
Intended Use	The City of San Mateo's redevelopment report
Extraordinary Assumptions	• None
Hypothetical Conditions:	• None

SCOPE OF WORK & INTENDED USE

Scope of Work	This analysis was prepared for Economic & Planning Systems and is presented in a Restricted Appraisal Format as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(b). Market data research including market area, property-specific, and listing/transaction data was completed, and the data was analyzed. Appraisers develop an opinion of property value with three distinct methods of data analysis: The Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. All approaches to value were considered. The applicability of each approach was assessed within the context of the characteristics of the subject property. Based on this assessment the Land Sales Comparison was developed. The Cost and Income Approaches are not used because there are an adequate number of land sales to determine the property value. The scope of research and analysis is adequate to produce a credible value conclusion. The appraiser(s) maintains a specific, coherent work file in support of this Restricted Appraisal Report. The contents of the work file include sufficient information to indicate that the appraiser(s) complied with the requirements of STANDARD 1 and for the appraiser(s) to produce an Appraisal Report.
Inspection of the Subject	An inspection of the subject property was completed on April 14, 2026.
Intended User and Intended Use	The client in this assignment is Economic & Planning Systems and the intended user of this report is The sole intended user of this report is Economic & Planning Systems.. This report is to be used for internal use by the client only and is confidential between Valbridge Property Advisors and the client. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report: I. The borrower(s) on any loans or financing relating to or secured by the subject property, II. Any guarantor(s) of such loans or financing; or III. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors. Use of the report is limited to the client and any named intended user(s). This report may not contain supporting rationale for all of the opinions and conclusions set forth in the report. The findings and conclusions are further contingent upon the previously defined extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results.
Market Value Definition	The Market Value definition utilized is from the following source: *FIRREA Code of Federal Regulations, Title 12, Part 34 Subpart C - 34.42, 1990; also Interagency Appraisal and Evaluation Guidelines, Federal Register / Vol.75, No. 237, 2010* and is located in the Addenda.

SUBJECT DATA

Aerial View and Location Map



Location Map



Aerial View

Site Overview

Property Name	A Residential Site	**Zoning Designation**	CBD/R - Central Business District/Residential Overlay District
Street Address	4th Avenue and Railroad Avenue		
Gross Land Area (GLA)	0.37 Ac. / 16,117 SF		

Site Remarks

The site consists of two contiguous parcels located on 4th Avenue and Railroad Avenue in downtown San Mateo, California. The site is of a rectangular shape with a corner lot configuration. 4th Avenue has approximately 110 feet of frontage with two curb cuts. Railroad Avenue has approximately 167 feet of frontage. The site has good access and visibility.

The underlying site contains approximately 16,506 square feet or 0.37 acres according to public records. The site is currently not improved, with current use as a parking lot. The zoning for the property is Central Business District/Residential Overlay District (CBD/R). The General Plan land use designation is Mixed Use High. Overall, the site is well suited to a variety of mixed uses.

The property is very near approval of entitlements for a new mixed-use development including 71 affordable housing units. The project totals 239,628 square feet and consists of one seven-story, 76,072 square-foot affordable housing building and one six-story, 162,926 square-foot office/commercial building. The proposed project includes the entire block where the subject is located. That includes the additional properties APN 034-179-010, -020, -030, and -040. The total land area is 1.16 acres and given the mixed-use nature of the project, the proposed density is only 61 units per acre. However, this is understated given the office component of the project. Generally, the site is appropriate for development of a residential project at a density at about 120 units per acre. That forms the basis of my valuation with respect to density.

Ownership and Sales History

Ownership Changed Within Last 3 Years?	No	**Source of Information**	Public Record

Flood Zone Data

Flood Map Panel	060816063002	**Flood Area %**	0%
Flood Map Eff. Date	04-13-2026		

Highest and Best Use

As Vacant	High-density residential development as demand dictates

Likely Buyer and Exposure time

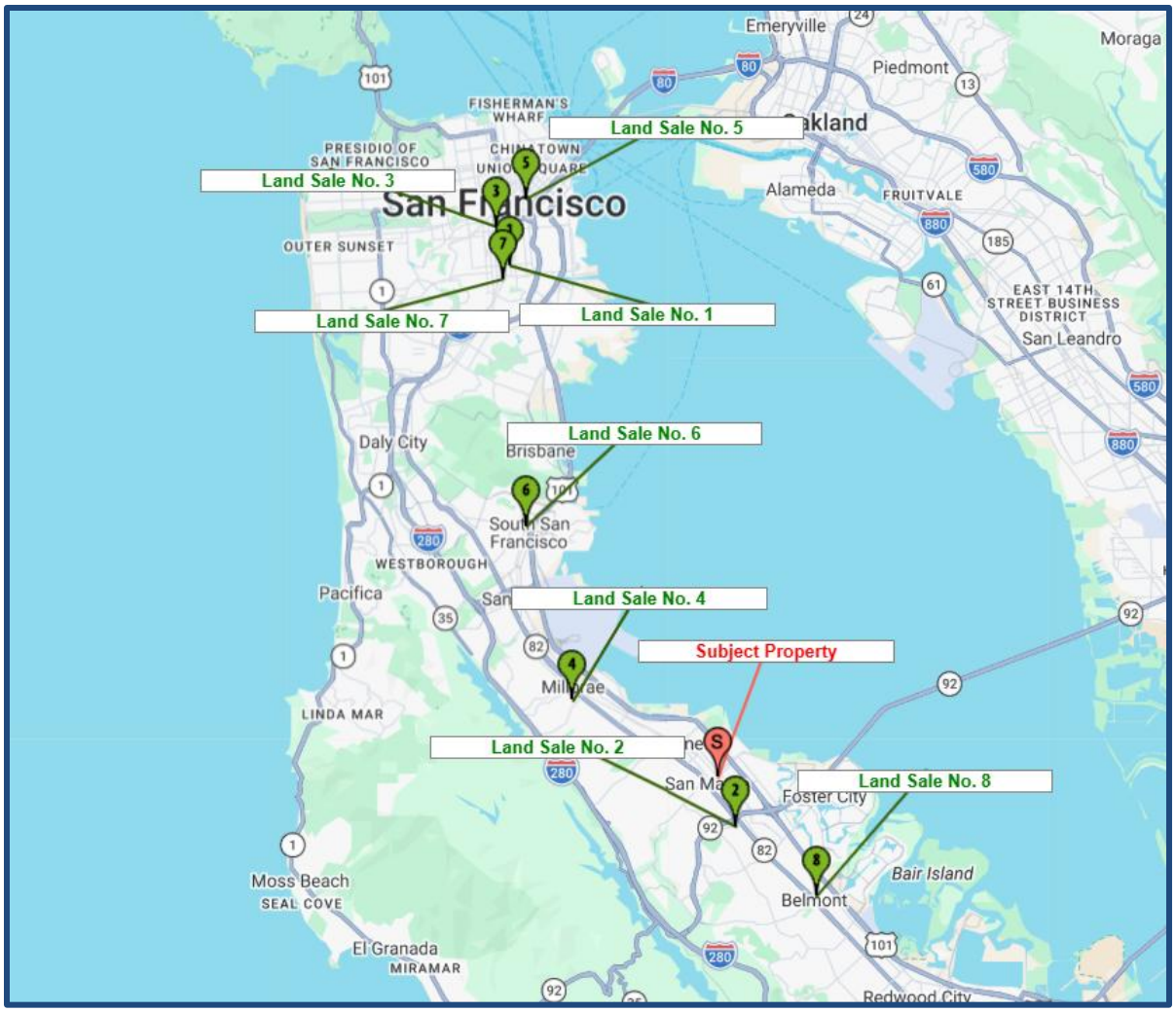
Most Probable Buyer	Regional developer	**Exposure Time**	3 to 9 months

LAND VALUATION

Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location		Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	October-25	0.103	3230 24th St.	San Francisco, California	NCT	Multi-Family	$1,150,000	$257.39
2	June-25	0.444	2015 Pioneer Court	San Mateo, California	R1-1 / H4	Townhomes	$5,650,000	$292.31
3	October-24	0.231	1721-1729 15th St.	San Francisco, California	Valencia Street NCT 55'	Multi-Family	$3,550,000	$352.08
4	September-24	0.898	1870 Ogden Drive	Burlingame, California	PD	Multi-Family	$14,800,000	$378.16
5	August-24	0.143	280 7th St. / 79 Langton St.	San Francisco, California	WMUG 65'	Multi-Family	$1,600,000	$256.00
6	June-24	0.958	500-522 Linden Avenue	South San Francisco, California	LNC	Affordable Housing	$10,500,000	$251.68
7	May-24	0.420	1633 Valencia Street	San Francisco, California	NC-3, 50-X	Affordable Housing	$5,694,000	$311.23
8	February-24	0.361	678 Ralston Avenue	Belmont, California	VCMU	Affordable Housing	$4,550,000	$289.50

LAND SALE COMPARABLES MAP



	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6	Sale # 7	Sale # 8
Sale ID		1843669	1836283	1822782	1784101	1822784	1786022	1783358	1784097
Date of Value & Sale	April-26	October-25	June-25	October-24	September-24	August-24	June-24	May-24	February-24
Unadjusted Sales Price		$1,150,000	$5,650,000	$3,550,000	$14,800,000	$1,600,000	$10,500,000	$5,694,000	$4,550,000
Usable Acres	0.370	0.103	0.444	0.231	0.898	0.143	0.958	0.420	0.361
Unadjusted Sales Price per Usable Sq. Ft.		**$257.39**	**$292.31**	**$352.08**	**$378.16**	**$256.00**	**$251.68**	**$311.23**	**$289.50**
Transactional Adjustments									
Property Rights Conveyed	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*
Adjusted Sales Price		$257.39	$292.31	$352.08	$378.16	$256.00	$251.68	$311.23	$289.50
Financing Terms	*Cash to Seller*	*Cash to Seller*	*Cash to Seller*	*Cash to Seller*	*Cash*	*Cash to Seller*	*Conventional*	*Typical*	*Construction Loan*
Adjusted Sales Price		$257.39	$292.31	$352.08	$378.16	$256.00	$251.68	$311.23	$289.50
Conditions of Sale	*Typical*	*Typical*	*Typical*	*Typical*	*Typical*	*Typical*	*Typical*	*Typical*	*Typical*
Adjusted Sales Price		$257.39	$292.31	$352.08	$378.16	$256.00	$251.68	$311.23	$289.50
Expenditures after Sale				*$150,000*	*$263,460*	*($200,000)*			*$28,850*
Adjustment		-	-	4.2%	1.8%	-12.5%	-	-	0.6%
Adjusted Sales Price		**$257.39**	**$292.31**	**$366.95**	**$384.89**	**$224.00**	**$251.68**	**$311.23**	**$291.33**
Market Conditions Adjustments									
Elapsed Time from Date of Value		*0.48 years*	*0.82 years*	*1.48 years*	*1.54 years*	*1.64 years*	*1.85 years*	*1.90 years*	*2.17 years*
Market Trend Through	April-26	-	-	-	-	-	-	-	-
Analyzed Sales Price		**$257.39**	**$292.31**	**$366.95**	**$384.89**	**$224.00**	**$251.68**	**$311.23**	**$291.33**
Physical Adjustments									
Location	*4th Avenue and Railroad Avenue San Mateo, California*	*3230 24th St. San Francisco, California*	*2015 Pioneer Court San Mateo, California*	*1721-1729 15th St. San Francisco, California*	*1870 Ogden Drive Burlingame, California*	*280 7th St. / 79 Langton St. San Francisco, California*	*500-522 Linden Avenue South San Francisco, California*	*1633 Valencia Street San Francisco, California*	*678 Ralston Avenue Belmont, California*
Adjustment		-15.0%	-	-15.0%	-10.0%	-15.0%	-	-5.0%	-
Size	*0.370 acres*	*0.103 acres*	*0.444 acres*	*0.231 acres*	*0.898 acres*	*0.143 acres*	*0.958 acres*	*0.420 acres*	*0.361 acres*
Adjustment		-	-	-	-	-	-	-	-
Zoning / Density	*+/- 120 upa*	*341 upa*	*23 upa*	*225 upa*	*134 upa*	*139 upa*	*154 upa*	*348 upa*	*180 upa*
Adjustment		-10.0%	-15.0%	-10.0%	-	-	-	-	-
Entitlements	*Close to Approval*	*None*	*None*	*Entitled*	*Entitled*	*Entitled*	*None*	*Entitled*	*Entititled*
Adjustment		15.0%	15.0%	-	-	-	15.0%	-	-
Net Physical Adjustment		-10.0%	-	-25.0%	-10.0%	-15.0%	15.0%	-5.0%	-
Adjusted Sales Price per Usable Square Foot		**$231.65**	**$292.31**	**$275.22**	**$346.40**	**$190.40**	**$289.43**	**$295.67**	**$291.33**

Land Sale Statistics

Metric	Unadjusted	Analyzed	Adjusted
Min. Sales Price per Usable Square Foot	$251.68	$224.00	$190.40
Max. Sales Price per Usable Square Foot	$378.16	$384.89	$346.40
Median Sales Price per Usable Square Foot	$290.90	$291.82	$290.38
Mean Sales Price per Usable Square Foot	$298.54	$297.47	$276.55

Land Valuation Conclusion

Land Value Conclusion

Market Value Opinion (Rounded)

0.370 acres	x	**$280.00 psf**	=	**$4,510,000**

Land Valuation Remarks

Although Sale 2 reflects a significantly lower density, downward adjustment is supported by the fact that sites with "townhome" density are more appealing to developers under current market conditions due to the much higher costs of constructing a higher-density project. There are very few buyers, other than affordable housing developers, seeking high-density sites under current conditions as market-rate developments do not presently yield a requisite profit.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This restricted appraisal report is subject to the following general assumptions and limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Northern California will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Northern California is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.

14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Northern California and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.

15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.

16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Northern California.

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.

18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.

20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.

21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.

23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.

25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.

26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.

27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.

31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.

32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.

33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.

34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Northern California both agree that any dispute over matters in excess of $5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Northern California and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Northern California or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Northern California for this assignment, and under no circumstances shall any claim for consequential damages be made. Any claim must be made within two years from the date of delivery of our work product.

36. Valbridge Property Advisors | Northern California shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Northern California. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Northern California and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Northern California harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Northern California in such action, regardless of its outcome.

37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Sacramento. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.

38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.

40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

41. The California state government has passed a number of laws in recent years that have expanded local land use rights beyond existing zoning and general plan limitations. While we make every effort to stay current with legislation, we are not land use attorneys and we refer the client to qualified legal counsel should additional analysis be desired.

Certification – Gene Williams, MAI, CCIM

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Gene Williams has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Gene Williams, MAI, CCIM
Managing Director
California Certified License #AG015954

ADDENDA

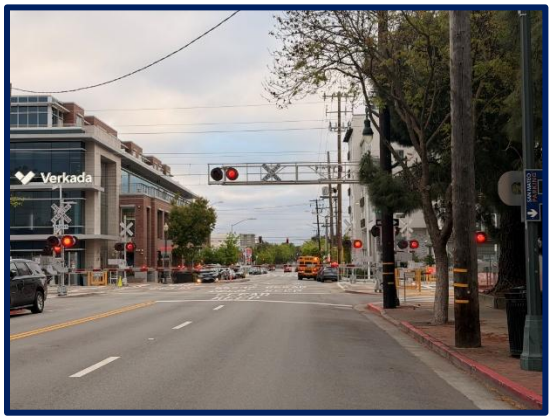
Definition of Market Value

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

- *buyer and seller are typically motivated;*
- *both parties are well informed or well advised, and acting in what they consider their own best interest;*
- *a reasonable time is allowed for exposure in the open market;*
- *payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale*[1]

[1] *FIRREA Code of Federal Regulations, Title 12, Part 34 Subpart C - 34.42, 1990; also Interagency Appraisal and Evaluation Guidelines, Federal Register / Vol.75, No. 237, 2010*

Additional Subject Photos



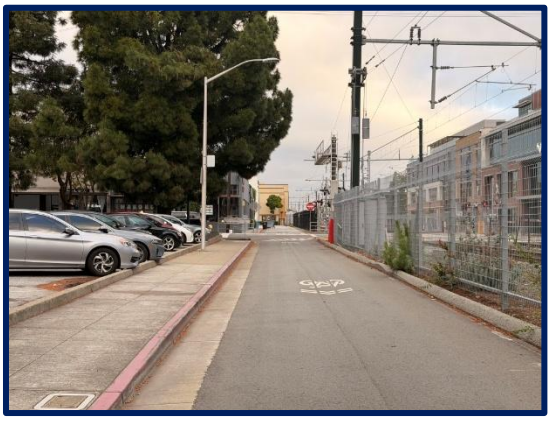
4th Avenue facing East, subject property to the right



4th Avenue facing South, subject property to the left



Railroad Avenue facing Southeast, subject property to the right



Railroad Avenue facing West, subject property to the left



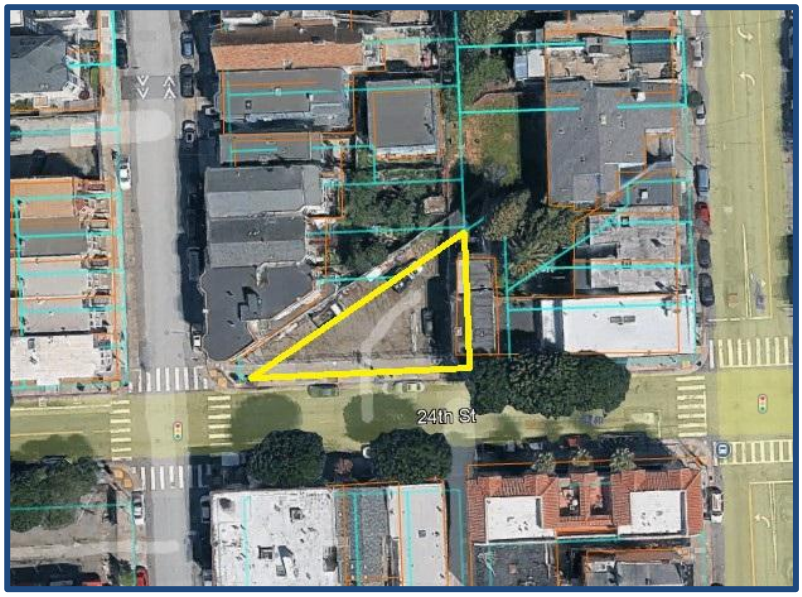
Subject parking lot



Subject parking lot

Land Sale Comparables

LAND COMPARABLE 1



Property Identification	
Property Name	A Residential Site
Address	3230 24th St.
City County State Zip	San Francisco, San Francisco County, California 94110
MSA	San Francisco
Tax ID	3642-096
VPA Property/Sale ID	11574183/1843669

Transaction Data	
Sale Status	Recorded
Sale Date	October 17, 2025
Grantor/Seller	Galu Realty
Grantee/Buyer	Kaufman & Logan LLP
Recording Number	087259
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical
Sales Price	$1,150,000

Adjusted Sales Price Indicators	
Price per Usable Acre	$11,211,855
Price per Usable SF	$257.39
Price per Unit	$32,857

Verification	
Confirmed By	Gene Williams
Confirmation Source	Public Records, City of San Francisco, Deed

Property Description

Proposed Use	Multi-Family
Gross Land Area	0.10 Acres/4,468 SF
Usable Land Area	0.10 Acres/4,468 SF
Proposed Units	35
Density (Units/Acre)	341.23
Visibility	Good
Corner/Interior	Corner
Shape	Triangular
Topography	Level
Utilities	All available
Zoning Code	NCT Neighborhood Commercial Transit
General Plan	Mission Area Plan

Remarks

Developer purchase of an unentitled site totaling 0.10 acres at a price of $257/SF of land area. The site was used for parking at the time of sale. Shortly after the sale, the buyer submitted plans for a 35-unit, eight-story building that is consistent with the allowed uses under the zoning.

LAND COMPARABLE 2



pioneer

Property Identification	
Property Name	A Townhome Site
Address	2015 Pioneer Court
City County State Zip	San Mateo, San Mateo County, California 94403
MSA	San Francisco
Tax ID	039-060-860
VPA Property/Sale ID	10661010/1836283

Transaction Data	
Sale Status	Recorded
Sale Date	June 13, 2025
Grantor/Seller	McKenna Family Trust
Grantee/Buyer	David Boyajian
Recording Number	049911
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical
Sales Price	$5,650,000

Adjusted Sales Price Indicators	
Price per Usable Acre	$12,732,968
Price per Usable SF	$292.31
Price per Unit	$565,000
Price per SF of GBA	$205.12

Verification	
Confirmed By	Gene Williams
Confirmation Source	Public records, Costar, reliable third party

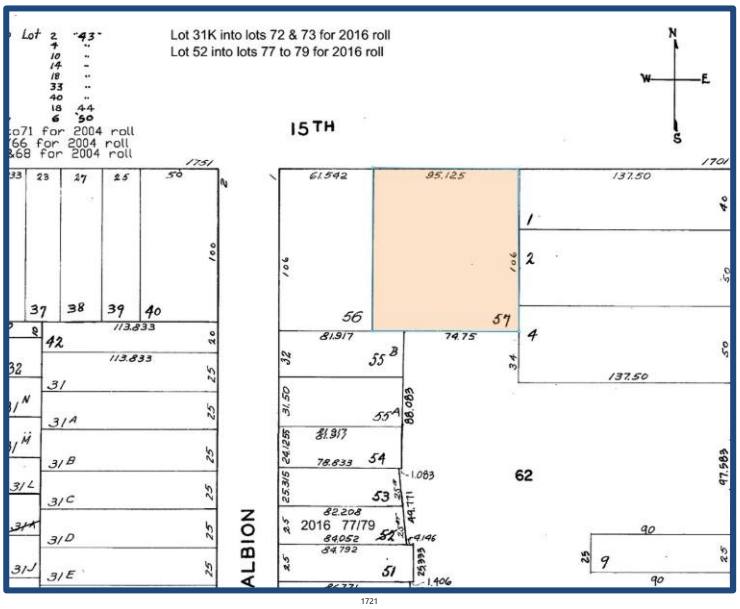
Property Description

Proposed Use	Townhomes
Gross Land Area	0.44 Acres/19,329 SF
Usable Land Area	0.44 Acres/19,329 SF
Proposed Bldg SF	27,545
Proposed Units	10
Density (Units/Acre)	22.54
Visibility	Average
Corner/Interior	Mid-Block
Utilities	All available
Zoning Code	R1-1 / H4 Medium Density Residential
General Plan	Residential Medium II

Remarks

Sale of an unentitled site zoned for medium-density residential use. The buyer applied for project approvals in mid-2025, but the property remains unentitled. Revised plans for the property with 10 townhome units were most recently submitted in December 2025. The proposed project reflects a density of 22.5 units per acre with an FAR based on the livable area of the units of 1.43x. The sale price amounts to $565,000 per unit or $292/SF of land area. The property was listed for sale by WJ Britton & Co. The buyer's broker was not disclosed

LAND COMPARABLE 3



Property Identification	
Property Name	A Multi-Family Site
Address	1721-1729 15th St.
City County State Zip	San Francisco, San Francisco County, California 94103
MSA	San Francisco
Tax ID	3555-057
VPA Property/Sale ID	11543438/1822782

Transaction Data	
Sale Status	Recorded
Sale Date	October 16, 2024
Grantor/Seller	The Evergreen Advantage
Grantee/Buyer	The Toboni Group
Recording Number	082205
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical
Days on Market	356
Sales Price	$3,550,000

Adjusted Sales Price Indicators	
Price per Usable Acre	$15,984,793
Price per Usable SF	$366.95
Price per Unit	$71,154

Verification	
Confirmed By	Gene Williams
Confirmation Source	Public records, Costar, reliable third party

Property Description

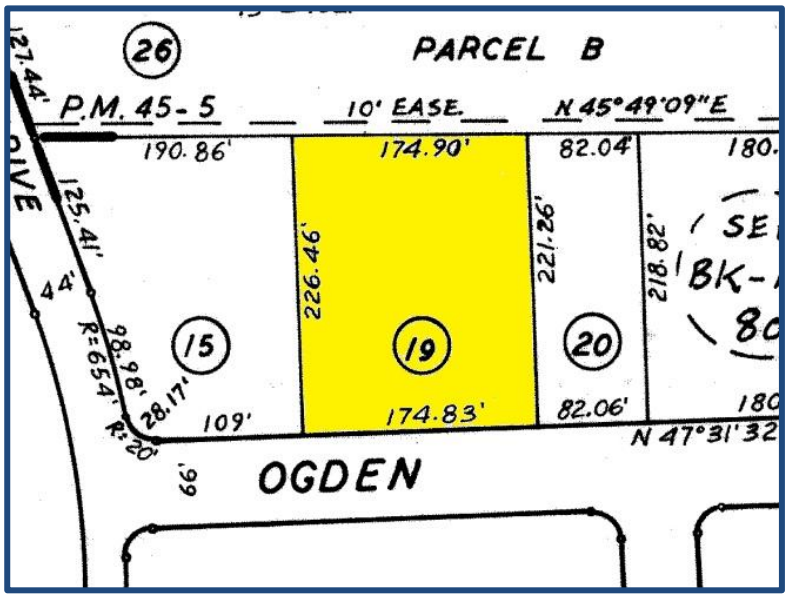
Proposed Use	Multi-Family
Gross Land Area	0.23 Acres/10,083 SF
Usable Land Area	0.23 Acres/10,083 SF
Proposed Units	52
Density (Units/Acre)	224.65

Visibility	Average
Corner/Interior	Mid-Block
Shape	Rectangular
Topography	Level
Utilities	All available
Zoning Code	Valencia Street NCT 55' Residential

Remarks

Developer purchase of a site that was entitled with a Tentative Map for redevelopment with a six-story residential building consisting of 52 units. The seller entitled the property and the BMR requirement is 11.5%, with the remaining units to be leased at-market. The buyer assumed approximately $150,000 in soil remediation costs. The seller was represented by Avid Commercial Real Estate and the buyer did not have a broker.

LAND COMPARABLE 4



Ogden

Property Identification	
Property Name	Entitled Condominium Land
Address	1870 Ogden Drive
City County State Zip	Burlingame, San Mateo County, California 94010
MSA	San Francisco
Submarket	Burlingame
Tax ID	025-121-190
VPA Property/Sale ID	11486502/1784101

Transaction Data	
Sale Status	Recorded
Sale Date	September 26, 2024
Grantor/Seller	GREEN BANKER LLC
Grantee/Buyer	NEW HORIZONS DEVELOPMENT LLC
Recording Number	52335
Property Rights	Fee Simple
Financing	Cash
Conditions of Sale	Typical
Sales Price	$14,800,000

Adjusted Sales Price Indicators	
Price per Usable Acre	$16,765,866
Price per Usable SF	$384.89
Price per Unit	$125,529
Price per SF of GBA	$89.01

Verification

Property Description

Proposed Use	Multi-Family
Gross Land Area	0.90 Acres/39,137 SF
Usable Land Area	0.90 Acres/39,137 SF
No. of Lots	1
Proposed Bldg SF	169,232
Proposed Units	120
Density (Units/Acre)	133.56

Street Access	Average
Visibility	Average
Corner/Interior	Mid-Block
Shape	Rectangular
Topography	Level
Utilities	All available to the site
Flood Hazard Zone	X
Zoning Code	PD Planned Development

Remarks

This property is condominium land in Burlingame on Ogden Drive. The site contains 39,137 square feet, has a rectangular shape, level topography and all utilities are available.

NEW HORIZONS DEVELOPMENT LLC purchased the property in October of 2024 for the recorded consideration of $14,800,000 or $123,333 per proposed unit. The property sold entitled for a 120 unit (6 affordable) development that, according to the City of Burlingame website, was given final approval on March 15, 2021. The property appears to have been fully entitled at the time of sale because of the work of the seller.

LAND COMPARABLE 5



280 7th

Property Identification	
Property Name	A Multi-Family Site
Address	280 7th St. / 79 Langton St.
City County State Zip	San Francisco, San Francisco County, California 94103
MSA	San Francisco
Tax ID	3730-290
VPA Property/Sale ID	11543440/1822784

Transaction Data	
Sale Status	Recorded
Sale Date	August 20, 2024
Grantor/Seller	Hutachinda Trust
Grantee/Buyer	262 7TH STREET LLC
Recording Number	064604
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical
Sales Price	$1,600,000

Adjusted Sales Price Indicators	
Price per Usable Acre	$9,757,457
Price per Usable SF	$224.00
Price per Unit	$70,000
Price per SF of GBA	$54.56

Verification	
Confirmed By	Gene Williams
Confirmation Source	Public records, SF YIMBY

Property Description

Proposed Use	Multi-Family
Gross Land Area	0.14 Acres/6,250 SF
Usable Land Area	0.14 Acres/6,250 SF
Proposed Bldg SF	25,659
Proposed Units	20
Density (Units/Acre)	139.39

Visibility	Average
Corner/Interior	Mid-Block
Shape	Rectangular
Topography	Level
Utilities	All available
Zoning Code	WMUG 65' Western SOMA Mixed-Use General

Remarks

Developer purchase of a property that was fully entitled for development of a five- to six-story residential building containing 20 units and 861 SF of ground floor commercial space. The seller entitled the property and paid $200,000 in building permit fees, which is considered to be included in the price paid by the buyer.

LAND COMPARABLE 6



500-522 Linden

Property Identification	
Property Name	Affordable Housing Land
Address	500-522 Linden Avenue
City County State Zip	South San Francisco, San Mateo County, California 94080
MSA	San Francisco
Tax ID	012-175-010, -260
VPA Property/Sale ID	11489356/1786022

Transaction Data	
Sale Status	Recorded
Sale Date	June 5, 2024
Grantor/Seller	Liberty Bank
Grantee/Buyer	ROTARY PLAZA INC
Recording Number	29102
Property Rights	Fee Simple
Financing	Conventional
Conditions of Sale	Typical
Sales Price	$10,500,000

Adjusted Sales Price Indicators	
Price per Usable Acre	$10,963,081
Price per Usable SF	$251.68
Price per Unit	$70,946

Verification	
Confirmation Source	Listing broker

Property Description

Proposed Use	Affordable Housing
Gross Land Area	0.96 Acres/41,720 SF
Usable Land Area	0.96 Acres/41,720 SF
No. of Lots	2
Proposed Units	148
Density (Units/Acre)	154.53

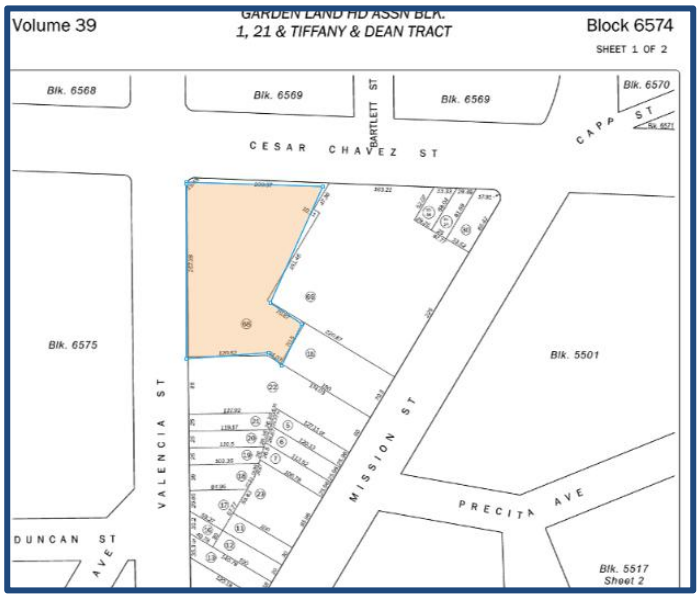
Visibility	Good
Corner/Interior	Double Corner
Shape	Square
Topography	Level
Zoning Code	LNC Linden Neighborhood Center
General Plan	Linden Neighborhood Center

Remarks

The property is a former bank branch and parking lot that are planned to be redeveloped into affordable housing in South San Francisco. Each site is a standalone corner lot bisected by 6th Lane. The site contains a total of 41,720 square feet, is two square parcels, has a level topography and all utilities are available. The site directly south is be developed with an affordable housing project.

ROTARY PLAZA INC purchased the property in June of 2024 for the recorded consideration of $10,500,000 ($70,946 per proposed unit / ~$252 per square foot of land). The buyer purchased the property unentitled with the intent of developing a two-phase, affordable housing development. According to the City of South San Francisco File 23-746, the developer was seeking $7,500,000 in funding for the project from the City. In the Summer of 2023, the Rotary Club approached the City with development partner, Beacon Development, about developing the project. The first phase would be an 83-unit senior housing complex and the second would be a 65-unit multi-family building. Demolition costs are estimated to be $15 per square foot of improved area or $166,425 because of the second site being a paved parking lot. The LNC zoning allows for 40 to 80 units per acre in allowed residential density with 90% max. lot coverage.

LAND COMPARABLE 7



1633 Valencia, SF

Property Identification	
Property Name	An Affordable Housing Site
Address	1633 Valencia Street
City County State Zip	San Francisco, San Francisco County, California 94110
MSA	San Francisco
Tax ID	6874-068
VPA Property/Sale ID	11485305/1783358

Transaction Data	
Sale Status	Recorded
Sale Date	May 17, 2024
Grantor/Seller	Sequoia Living Inc
Grantee/Buyer	Mercy Housing California 108 Lp
Recording Number	039536
Property Rights	Fee Simple
Financing	Typical
Conditions of Sale	Typical
Sales Price	$5,694,000
Sale Conditions Adj.	$0

Adjusted Sales Price Indicators	
Price per Usable Acre	$13,557,143
Price per Usable SF	$311.23
Price per Unit	$39,000

Verification	
Confirmation Source	Press release and previous owner Brad Koch

Property Description

Proposed Use	Affordable Housing
Gross Land Area	0.42 Acres/18,295 SF
Usable Land Area	0.42 Acres/18,295 SF
No. of Lots	1
Proposed Units	146
Density (Units/Acre)	347.62
Street Access	average
Rail Access	No
Water/Port Access	No
Visibility	Average
Corner/Interior	Corner
Shape	Irregular
Topography	Level
Utilities	All available to the site
Drainage	Assumed adequate
Flood Hazard Zone	X
Zoning Code	NC-3, 50-X Neighborhood commercial

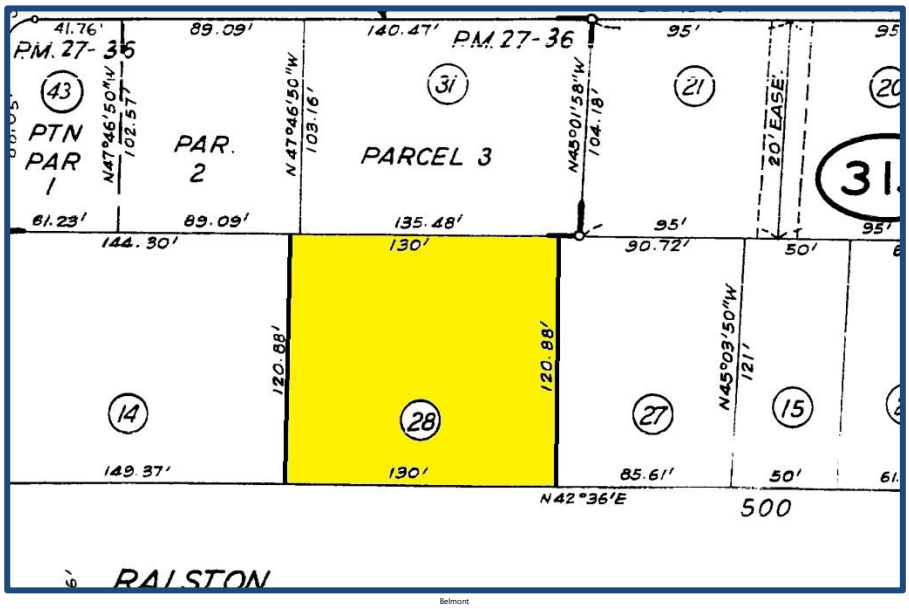
Remarks

Sequoia Living sold this 0.42-acre lot of land to Mercy Housing, Inc. for $5,694,000 for a multi-family development project. The property was formerly a parking lot. It sold on May 17, 2024. The buyer plans to develop a 146-unit affordable housing building. The site is entitled for 146 affordable housing units. The property was originally one parcel that was owned by KLW Investments LLC and known as APN: 6574/001A. In 2017, the parcel underwent a lot split into two parcels (APN: 6574-068 & 6574-069). One of the parcels (APN: 6874-068) was later sold to SEQUOIA LIVING INC from VALENCIA HOUSING GROUP LLC in August 2022 for $13,500,000.The parcel was an acre in total. Recently around 0.42 acres was sold to Mercy Housing, Nonprofit housing provider Sequoia Living offered Mercy Housing the opportunity to develop this project on a portion of a larger one-acre site previously acquired in 2022, ahead of constructing its own 126-unit, low-income senior housing development alongside 1633 Valencia, which will break ground in 2026.

Located on a former Sears parking lot between Cesar Chavez and Mission Street and overlooked by the CPMC Mission Bernal Sutter medical campus, 1633 Valencia is served by a number of neighborhood-serving businesses, including a grocery store and pharmacy. The development, one of eight new 100% affordable housing projects that have broken ground in the Mission since 2018, is also served by several MUNI bus lines and is less than a 10-minute walk from the 24th Street Mission BART station. Construction is slated for completion in December 2025, with residents moving in by May 2026.

Utilizing philanthropic and private funding, the per-unit cost of building the $84.6 million project is at least 20% less than comparable permanent supportive housing and senior developments. 1633 Valencia is financed through a combination of 4% Low Income Housing Tax Credits, tax-exempt bonds from CalHFA, and a $16 million below-market permanent loan provided through the newly launched Bay Area Housing Innovation Fund.

LAND COMPARABLE 8



Belmont

Property Identification	
Property Name	Entitled Affordable Housing Land
Address	678 Ralston Avenue
City County State Zip	Belmont, San Mateo County, California 94002
MSA	San Francisco
Tax ID	040-313-280
VPA Property/Sale ID	11486495/1784097

Transaction Data	
Sale Status	Recorded
Sale Date	February 8, 2024
Grantor/Seller	NELSON CAPITAL LLC
Grantee/Buyer	CRP AFFORDABLE HSNG & CMNTY DEV CA
Recording Number	11234
Property Rights	Fee Simple
Financing	Construction Loan
Conditions of Sale	Typical
Sales Price	$4,550,000

Adjusted Sales Price Indicators	
Price per Usable Acre	$12,690,474
Price per Usable SF	$291.33
Price per Unit	$70,444

Verification

Property Description

Gross Land Area	0.36 Acres/15,717 SF
Usable Land Area	0.36 Acres/15,717 SF
Depth	121
No. of Lots	1
Proposed Units	65
Density (Units/Acre)	180.15
Street Access	Average
Rail Access	No
Water/Port Access	No
Visibility	Average
Corner/Interior	Mid-Block
Shape	Square
Topography	Level
Utilities	All available to site
Drainage	Appears Adequate
Flood Hazard Zone	X
Zoning Code	VCMU Village Corridor Mixed Use

Remarks

The property is an affordable housing site. The site fronts Ralston Avenue in Belmont and contains 15,717 square feet. The site has a square shape, level topography and all utilities are available. It has a retail building of 2,885 sf.

CRP AFFORDABLE HSNG & CMNTY DEV CA purchased the property in March of 2024 for the recorded consideration of $4,550,000 or $70,000 per proposed unit. The buyer plans to redevelop the property with a 65 unit affordable housing complex via SB-35. The property was originally marketed in 2022. The sale appears to have been contingent upon obtaining entitlements which the buyer appears to have earned at their time and expense. The sale was financed by $3,000,000 from the HOUSING ENDOWMENT AND REG.

Valbridge
PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is North America's largest independent commercial appraisal firm.
- Valbridge provides custom appraisal reports in the U.S., Canada, and Puerto Rico.
- Valbridge specializes in appraising all types of real property.
- Valbridge provides independent valuation services. We are NOT owned by a brokerage firm or investment company.
- Every Valbridge office is overseen by a Senior Managing Director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by local offices.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market, and other bulk-property engagements.

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Daphne, AL 36526
(251) 929-9090

4245 Balmoral Dr. SW, Unit #201
Huntsville, AL 35801
(256) 210-1555

4732 Woodmere Blvd.
Montgomery, AL 36106
(334) 277-5077

CALIFORNIA

3160 Crow Canyon Pl.
San Ramon, CA 94583
(925) 327-1660

17822 17th St., Ste. 211
Tustin, CA 92780
(714) 449-0852

1530 The Alameda, Ste. 100
San Jose, CA 95126
(408) 279-1520

COLORADO

5345 Arapahoe Ave., Ste. 6
Boulder, CO 80303
(303) 867-1935

FLORIDA

301 Almeria Ave., Ste. 350
Coral Gables, FL 33134
(305) 639-8029

3780 Burns Rd., Ste. 4
Palm Beach Gardens, FL 33410
(561) 833-5331

3033 Riviera Dr., Ste. 106
Naples, FL 34103
(239) 514-4646

IDAHO

3910 S. Yellowstone Hwy., Ste. B5
Idaho Falls, ID 83402
(208) 534-5505

1875 N. Lakewood Dr., Ste. 100
Coeur d'Alene, ID 83814
(208) 292-2965

INDIANA

6801 Lake Plaza Dr., Ste. C-301
Indianapolis, IN 46220
(317) 687-2747

KANSAS

10990 Quivira Rd., Ste. 100
Overland Park, KS 66210
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