SECTION	PROPOSED ADDITION OR REVISION TO PARKMERCED DEVELOPMENT AGREEMENT:
Add new text to end of § 3.4.1:	***(a) Require first Replacement Units be built on identified vacant land; (b) Require that existing blocks of tenants be kept together; and (c)Provide certain existing garden units not be demolished until the end of the Project and allow certain long-term tenants, facing a relocation, to elect to move into such garden apartments upon a vacancy.*** (a) First Development Sites. The Parties acknowledge that the construction of Replacement Units before the demolition of any Existing Units is a key requirement of this Agreement and is intended to ensure that the Existing Tenants are protected from displacement. Therefore, notwithstanding anything to the contrary above, no demolition shall occur and no other buildings shall be constructed on the Project Site until Replacement Units have been Completed on one of the three sites identified on Exhibit V. (b) Phasing of Tenant Relocation. The Parties also understand that the Existing Tenants may have strong social and community bonds with each other, and the Parties seek to respect and maintain those social and community bonds. Accordingly, Relocating Tenants residing within the same existing numerically-identified blocks as shown in Exhibit W shall have the right in connection with the exercise of their relocation options pursuant to Article 4 to elect to be collectively moved to Replacement Units within the same new block (subject to the rights of Existing Tenants to move on an interim basis and the rights of individual Relocating Tenants as described in Article 4) such that Relocating Tenants will remain neighbors within the same block notwithstanding their relocation. For the purposes of this Agreement, blocks 37W and 37E shall be considered separate blocks. (c) Interim Replacement Units; Long-Term Resident Protection. In order to provide Replacement Units with the same style and quality of life as the existing garden apartments, the City shall not approve a Development Phase Application that would result in demolition of the apartment buildings located on the three (3) existing blocks identified on Exhibit X (the "Interim Replacement Units") until the earlier of (i) the date upon which development of all other residential parcels have been Completed or (ii) twenty (20) years from the Effective Date of the Agreement. The Interim Replacement Units shall be offered to Existing Tenants that have occupied an Existing Unit for more than ten (10) years (a "Long-Term Existing Tenant") as of the Effective Date. Within sixty (60) days of the Effective Date of this Agreement, Developer shall deliver written notice to all Long-Term Existing Tenants (the "Long-Term Existing Tenant Notice"). The Long-Term Existing Tenant Notice shall request that the Long-Term Existing Tenant complete and return an attached response form that notifies Developer of the Long-Term Existing Tenant's interest in relocating to an Interim Replacement Unit, as an alternative to being relocated to a Replacement Unit before the Building Vacancy Date for their existing building. The purpose of such response

	form is solely to provide information to Developer in order to plan for and facilitate the future relocation process to an Interim Replacement Unit. Existing Tenant's response indicating interest in accepting or rejecting an Interim Replacement Unit shall be non-binding and delivery or lack of delivery of such response form shall have no legal effect on an Existing Tenant's ability to later request an Interim Replacement Unit or a Replacement Unit in accordance with this Agreement. Long Term Existing Tenants shall have the additional option to request relocation to an Interim Replacement Unit anytime after receipt of an Existing Tenant Notice and before receipt of the Relocation Notice. Upon request to relocate to an Interim Replacement Unit, Developer shall move such Long-Term Existing Tenant to a vacant Interim Replacement Unit and Developer shall be responsible for all Relocation Costs for consistent with Section 4.4.8(a). Long Term Existing Tenants will be allowed to stay in the Interim Replacement Unit until such time as the Interim Replacement Units receive a Relocation Notice or, if the Long Term Existing Tenant rejects a Replacement Unit, until the applicable Building Vacancy Date, consistent with Article 4.
Amend § 3.10.2:	***Require Developer to enter into a lease addendum with each Existing Tenant at the time of relocation into a Replacement Unit (and include this addendum in all future leases of the Replacement Units) to incorporate the tenant protections of the DA, including rent control on the Replacement Unit and the Existing Tenant's right to a lifetime lease subject to the provisions of Rent Ordinance.*** Notwithstanding anything to the contrary set forth above, in any subdivision or condominium map placed on the Project Site, the Replacement Units shall not be subdivided into separate condominium units so as to ensure that the Replacement Units remain rental units, under common ownership for each such building, for the life of each such building in which a Replacement Unit is located. Developer shall record restrictions running with the land, in form and substance satisfactory to the Planning Director and the City Attorney (the "Recorded Restrictions"), binding upon Developer and successor owners of all or part of the Replacement Units, that shall, without limitation: (i) require that the Replacement Units remain rental for the life of the buildings in which they are located, and require that the language set forth in Exhibit Y be included in all leases for each Replacement Unit; (ii) waive any and all rights to evict tenants under the Ellis Act and any other laws or regulations that permit owner move-in evictions; (iii) apply the terms of Rent Ordinance to the Replacement Units, and acknowledge the non-applicability of the Costa-Hawkins Act, and provide the City and each tenant in a Replacement Unit the express right to enforce these provisions and collect attorneys fees and costs in any enforcement action, and expressly include the remedies set forth in Sections 12.8 and 12.9 of this Agreement if rent control under the Rent Ordinance is deemed not to apply to the Replacement Units for any reason; and (iv) waive any other laws or regulations that would limit the ability of the City or any tenant to enforce the rental-only requirements and the other benefits and amenities relative to the Replacement Units under this Agreement. Developer, on behalf of itself and successor owners, agrees that it

	shall not seek to challenge the applicability or enforceability of the Recorded Restrictions. Without limiting the City's rights and remedies as set forth in this Agreement, the Parties acknowledge and agree that the City shall have the right of specific performance to enforce the Recorded Restrictions against Developer and all successor owners. The City would not be willing to enter into this Agreement, permit the demolition of Existing Units, or approve a subdivision or condominium map, without the agreement and understanding as set forth above.
Delete § 4.3.1(c):	***Permit Existing Tenants to petition the Rent Board for a reduction in service due to the loss of a patio or balcony by deleting the following language in the DA.*** (c) While some of the Existing Units have patios or balconies, the Replacement Units may or may not have patios or balconies. The City agrees that, because of the improvement in the size and quality of the open space proposed by the Project compared to the existing open space at the Project Site, and due to the Project's provision of amenities in the Replacement Units that are not present in the existing units (such as a washing machine, dryer, and dishwasher), the lack of a patio or balcony in a Replacement Unit shall not violate the Rent Ordinance.
Amend § 4.3.3:	***Conforming change; same lease addendum language as above (requiring the addendum for all future leases of the Replacement Units).*** Right of Existing Tenants to Relocate to Replacement Units. Each Existing Tenant shall have the right to relocate from an Existing Unit to a Replacement Unit in accordance with terms of this Article 4; *provided*, *however*, that if more than one person occupies an Existing Unit, the persons occupying the Existing Unit shall collectively be entitled to relocate to only one (1) Replacement Unit as further described in Section 4.4.3. Developer shall lease to each Existing Tenant who elects to and does relocate to a Replacement Unit in accordance with the terms of this Section 4.3 (each, a "Relocating Tenant") a Replacement Unit under the same terms and provisions as the Relocating Tenant's existing lease; *provided*, *however*, that (i) the date of initial occupancy shall continue to be the date of the existing lease for all purposes except for calculating future rent increases, as set forth in Section 4.3.6 below, (ii) such existing lease shall be amended to reflect the changed location of the leased premises (and the changed location of any parking space, if applicable), and (iii) such existing lease shall be amended to add the language set forth in Exhibit Y, which language shall also be included in all future leases for each Replacement Unit and (iv) no other amendments to the lease shall be made (including but not limited to any provision regarding the permissibility of pets).
Add text to end of §4.4.1(a):	***Conforming change; require existing blocks of tenants to remain together upon relocation.*** Each Tenant Relocation Plan shall ensure that Relocating Tenants within an

	existing block (as shown in Exhibit W) shall be provided the opportunity to move to Replacement Units located on the same block, so that the Relocating Tenants can remain neighbors of the same block despite their relocation.
Amend § 4.4.5(a):	***Add time(from 20 days to not less than 45 days) for Existing Tenants to select a Replacement Unit.*** Each Existing Tenant desiring to exercise his or her right to relocate to a Replacement Unit must, within the latter of (i) twenty (20) days following the last of the three dates provided in the Replacement Unit Availability Notice for the Existing Tenant's visit of the model Replacement Unit or (ii) forty-five (45) days from receipt of the Replacement Unit Availability Notice (collectively, the "Selection Period"), deliver written notice to Developer of (i) his or her decision to relocate or not to relocate to a Replacement Building, and (ii) for Existing Tenants choosing to relocate, their selection of all available Replacement Units (of the unit type for which they qualify), ranked in the order of preference in accordance with the Tenant Relocation Plan (the "Replacement Unit Preference Notice"). Delivery of the Replacement Unit Preference Notice to Developer shall determine which Existing Tenants become Relocating Tenants and which remain Existing Tenants qualifying for Relocation Payment Benefits under this Agreement.
Replace §4.4.8(a):	***Provide for either Developer payment of all costs of relocation, including packing costs, using one or more bonded and licensed moving companies, or allow Existing Tenants to arrange for its own move and be paid a moving allowance equal to amounts payable under State Relocation Law.*** (a) Relocation Obligations. Developer shall be responsible at Developer's cost for moving the possessions of each Relocating Tenant (including the packing and unpacking of such possessions) from the Relocating Tenant's Existing Unit to the applicable Replacement Unit ("Developer's Move"). Developer shall contract with one or more licensed and bonded moving companies, and shall pay all costs and fees to such moving companies. Alternatively, each Relocating Tenant shall have the right to a dislocation allowance, as set forth in Government Code section 7262(b), equal to the Residential Moving Expense and Dislocation Allowance Payment Schedule established by Part 24 of Title 49 of the Code of Federal Regulation ("Dislocation Allowance"). Developer shall, upon request, inform Relocating Tenants of the Dislocation Allowance amount. If the Relocating Tenant consists of more than one person and such persons are not able to collectively agree on whether to select the Developer's Move or the Dislocation Allowance, then the person with the highest seniority shall make the selection. For Existing Tenants that choose the Dislocation Allowance, then Developer shall pay the Dislocation Allowance directly to the Existing Tenant within thirty (30) days following such selection, and the Existing Tenant shall then be responsible for completing the move to the Replacement Unit at its sole cost.

Add new § 4.6:	***Allow tenants to petition for a rent reduction based upon construction impacts. Also, if significantly adversely affected by construction, then provide for relocation payments under Rent Ordinance to allow tenant to move off site or for Developer to move the tenant to other areas of the Project Site at Developer's cost.*** 4.6 Construction Noise and Disruption. 4.6.1 Rent Abatement. Any tenant legally occupying a residential unit at the Project Site shall have the right to petition the Rent Board for a finding of a reduction in service as a result of adverse construction impacts in accordance with the Rent Ordinance. Any such petition shall be determined in accordance with the standard practices and procedures of the Rent Board applied on a Citywide basis pursuant to the Rent Ordinance. 4.6.2 Additional Remedies. The Rent Board has advised the Parties that the Rent Ordinance does not permit remedies other than rent abatement if a tenant experiences adverse construction impacts. The Parties acknowledge that rent abatement may be an insufficient remedy in the event that construction creates significant adverse impacts to tenants. For the purposes of this Agreement, "significant adverse construction impacts" shall mean construction noise or disruption that a resident of the City would not reasonably expect to experience in an urban environment. Accordingly, persons legally occupying an Existing Unit on the Effective Date may, if significantly and adversely impacted by construction from the Project, may request either (i) Relocation Payment Benefits or (ii) relocation to an equivalent unit on the Project Site. To receive these remedies , (i) the persons must demonstrate by substantial evidence to Developer or the Rent Board that they are suffering significant adverse impacts from construction exposure that merit the right to vacate the Existing Unit, and (ii) all of the persons legally occupying the Existing Unit must be willing to vacate the Existing Unit (the "Impact Findings"). Relocation Payment Benefits. If the persons occupying the Existing Unit requested Relocation Payment Benefits and Developer or the Rent Board makes the Impact Findings, then such persons shall vacate the Existing Unit within ninety (90) days and upon such vacation Developer shall pay to such persons the Relocation Payment Benefits (less any rent due and owing from such persons). Any persons who subsequently occupy an Existing Unit vacated under this Section 4.6.2 shall be deemed a New Tenant, and shall not have the right to a Replacement Unit or the right to Relocation Payment Benefits so long as Developer includes in each written lease the No Relocation Benefits Statement. Relocation to an Equivalent Unit. If the persons occupying the Existing Unit request relocation on the Project Site and the Rent Board or Developer makes the Impact Findings, then such persons shall have the right to select an equivalent residential unit on the Project Site (either a Tower Unit or an Alternate Existing Unit) from those identified by Developer as vacant. The persons shall have the right to occupy the equivalent residential unit under the same terms of their existing lease, subject to the Rent Ordinance and the lease revisions set forth in

	Section 4.3.3. Such persons shall be moved to the selected residential unit at Developer's cost. For purposes of this Section 4.6.2, an "equivalent residential unit" shall mean a residential unit on the Project Site with the same number of bedrooms and bathrooms as the Existing Tenant's Existing Unit and acceptable to the Existing Tenant in its sole discretion. An Existing Tenant may, but shall not be required to, accept a smaller or larger residential unit subject to such adjustments in rent as may be agreed upon by the Existing Tenant and Developer. (a) If an Existing Tenant elects to move into a Tower Unit under this Section 4.6.2, then such Existing Tenant will have the right to stay in the Tower Unit under their existing lease (with the lease revisions set forth in Section 4.3.3) and shall no longer qualify for the Relocation Payment Benefits or for a Replacement Unit under Article 4. (b) If an Existing Tenant elects to temporarily move into a different Existing Unit under this Section 4.6.2 (an "Alternate Existing Unit"), then such Existing Tenant will have the right to relocate into a Replacement Unit in the same manner and the time frame, with the same notices, as if the Existing Tenant never left the Existing Unit but (i) the notices to such Existing Tenant shall be triggered by the date of demolition of the Alternate Existing Unit instead of the Existing Unit, and (ii) the Existing Tenant's date of initial occupancy shall not change but the Existing Tenant's seniority, for purposes of selecting a Replacement Unit, shall be determined in relation to the other Existing Tenants in the To-Be-Replaced Building in which the Alternate Existing Unit is located. No person shall have the right to more than two (2) temporary relocations under this Section 4.6.2. If the Existing Tenant moves to an Alternate Existing Unit and rejects or is deemed to reject the Replacement Unit as set forth in Section 4.4.7, then the Existing Tenant shall not become a Relocating Tenant but instead shall have the right to remain in the Alternate Existing Unit under the terms of their existing lease, subject to the Rent Ordinance, until the Building Vacancy Date, and shall (A) no longer qualify for a Replacement Unit, but (B) shall continue to qualify for Relocation Payment Benefits as an alternative to the Replacement Unit.
Add new § 12.8 and 12.9:	***Provide express remedies for Developer's or future owner's failure to honor rent control provisions (a "Reneging Owner") or for a final judicial determination of unenforceability. For a Reneging Owner, City has immediate right to terminate DA and receive Rent Control Liquidation Amount plus maximum interest permitted under law. Rent Control Liquidation Amount is the net present value of the difference between the units with and without rent control plus 20%.*** ***For judicial determination before construction starts, City can terminate entire DA. For judicial determination after construction starts, the parties will meet and confer to maintain benefit of bargain and to protect tenants, and Developer/Owner cannot take any adverse action against tenants (including increase rents or evictions) until the matter is resolved or Developer/Owner pays the Rent Control Liquidation Amount. Developer/Owner must either voluntarily continue to apply rent control rents or pay the Rent Control Liquidation Amount for the life of the Replacement Unit. City (acting through***

	MOH) will use payment to provide vouchers to affected tenants to cover the difference between rent control rent and rent charged by Developer/Owner. Tenants have separate rights of enforcement for all of rent control provisions. City has right of first refusal for all of the Replacement Units, for the benefit of City and its designee (i.e., Existing Tenants). ***Rent Control Liquidation Amount will be determined using CBRE methodology (currently estimated at approximately $160M). It the Parties fail to agree on the amount, then baseball arbitration.*** 12.8 Disputes Relating to the Rent Ordinance. As set forth in Article 4, the Parties would not have entered into this Agreement without rent control under the Rent Ordinance applying to all of the Replacement Units for the life of the Replacement Buildings. Accordingly, notwithstanding anything to the contrary above, the Parties agree to the following rights and remedies relative to the Rent Ordinance and the Replacement Units: 12.8.1 If, notwithstanding the clear intent of the Parties as set forth in this Agreement, Developer or its Affiliates sues or takes other action (against City or any tenant) to challenge the applicability of rent control under the Rent Ordinance to any of the Replacement Units (such Developer and its Affiliates shall be referred to collectively as a "Reneging Owner" and such action shall be referred to as a "Reneging Act"), then such Reneging Act shall be deemed an Event of Default, which may be cured within thirty (30) days of such Reneging Act if the Reneging Act was made by mistake or inadvertence. Without limiting City's other rights and remedies under this Agreement, each Reneging Owner shall pay the Rent Control Liquidation Amount immediately upon the taking of a Reneging Act, and such amount shall accrue interest at the highest rate permitted by law from the date of the Reneging Act to the date of payment. If a Reneging Owner fails to cure the Event of Default within 30 days (if applicable, as set forth above), the City shall have the immediate right to terminate this Agreement against the Reneging Owner and to take such additional actions and pursue such additional remedies as may be permitted by law or in equity, including but not limited to specific performance of the rent control requirements and limitations as set forth in Article 4. Affected tenants also have the right to pursue all rights and remedies against a Reneging Owner. Notwithstanding anything in this Agreement to the contrary, upon the Reneging Act (or the Owner's failure to cure the Reneging Act as set forth above), the Planning Director shall have the right to send a notice of termination which will become effective and terminate this Agreement as to the Reneging Owner upon delivery. This termination right shall apply to the Reneging Owner only, and not to other Developers that continue to recognize and abide by the terms of this Agreement. 12.8.2 In addition, upon publication of a decision by a court of competent jurisdiction (after the Board adopts the Enacting Ordinance) relating to the application of rent control under a development agreement that, in the reasonable opinion of the City Attorney, directly jeopardizes the enforceability of rent

	control as applied to the Replacement Units under this Agreement, the City shall have the right to issue a notice of suspension and immediately halt the issuance of demolition permits and tenant relocations, but shall not have the right to halt other development work at the Project Site (except against a Reneging Owner). Upon delivery by City of a notice of suspension, the Parties (not including a Reneging Owner) agree to meet and confer for a period of not less than sixty (60) days, as such period may be extended by mutual agreement or, if the matter has been submitted to a court, until the matter has been finally adjudicated beyond any and all appeal periods (the "Meet and Confer Period"). The term of this Agreement shall be extended on day to day basis for each day of the Meet and Confer Period. During the Meet and Confer Period the Parties will use good faith efforts to maintain the benefit of the bargain to both Parties and to protect all tenants. If the Parties are able to reach agreement on an acceptable approach to maintain the mutual benefit of the bargain and to protect tenants during the Meet and Confer Period, they shall memorialize such agreement in writing. Any such agreement that amends the terms of this Agreement shall be subject to the prior approval of the City's Board of Supervisors, acting by ordinance and in its sole discretion, as an amendment to this Agreement. Any such amendment shall be recorded against the applicable portions of the Project Site. The Parties may also agree to mediation during the Meet and Confer Period to assist with identifying solutions that maintain the benefit of the bargain for both Parties and to protect tenants. Either Party may seek judicial relief to determine their respective rights and obligations under this Agreement if the Parties fail to reach agreement during the Meet and Confer Period. 12.8.3 If the Parties are not able to reach agreement during the Meet and Confer Period or if the Board of Supervisors does not approve the proposed amendment to this Agreement, or if a court with jurisdiction reaches a final, binding, and non-appealable determination (meaning that the appeal period for a decision has expired without an appeal or the decision can no longer be appealed to a higher court) that rent control under the Rent Ordinance does not apply to the Replacement Units notwithstanding the clear language of this Agreement and the applicable leases (each, a "Rent Control Rejection"), then Developer shall still be required to build a Replacement Building before demolishing a To-Be-Replaced Building and to comply with all provisions of Article 4, including the Existing Tenant relocation and payment provisions (but excluding the rent control provisions that have been determined by a court to be unenforceable) for so long as this Agreement remains in effect, and: (a) If the Rent Control Rejection occurs before commencement of substantial construction of any building or Community Improvement on the Project Site, then the City shall have the immediate right to terminate this Agreement in its entirety, without cost or liability, by written notice to Developer. Upon delivery of such notice to Developer and subject to a hearing by the Board of Supervisors to validate such termination, this Agreement will terminate and the City shall have the right, acting alone, to record a notice of termination.

	(b) If the Rent Control Rejection occurs at any time after commencement of substantial construction of any building or Community Improvement on the Project Site, then each Developer (other than a Reneging Owner) may prevent a termination of this Agreement by the City and have the right to proceed with its rights and obligations under this Agreement, including the right to demolish To-Be-Replaced Buildings, by performing all of its obligations under Article 4, including the construction, relocation, and payment provisions but excluding any rent control provisions that have been declared unenforceable, and either paying the Rent Control Liquidation Amount as set forth in subsection (c) below (the "Rent Control Liquidation Option") or (ii) voluntarily continue to perform and abide by all of the requirements of Article 4, including the application of rent control under the Rent Ordinance to the Replacement Units (the "Voluntary Rent Control Option") and thereby not pay the Rent Control Liquidation Amount for so long as it continues the Voluntary Rent Control Option for all of its Replacement Units; provided under either option Developer shall also be required to pay the Relocation Payments Benefit to any Existing Tenant that vacates its Replacement Unit as a result of a Rent Control Rejection within ninety (90) days following any increase in rent above that which would be permitted under the Rent Ordinance. Following a Rent Control Rejection, each Developer or owner of an existing Replacement Building shall notify the City in writing of its election to proceed under the Voluntary Rent Control Option or the Payment Option. Any election of the Voluntary Rent Control Option shall be (i) made in writing and in recordable form approved by the City and (ii) included in any Assignment and Assumption Agreement for the applicable portion of the Project Site. If a Developer chooses to proceed under the Voluntary Rent Control Option but then subsequently takes a Reneging Act at any time during the remaining life of the Replacement Unit, then that Developer shall be required to immediately pay the Rent Control Liquidation Amount to the City at that time, and such amount shall accrue interest at the highest rate permitted by law from the date of the Reneging Act to the date of payment. (c) The Rent Control Liquidation Amount shall be equal to one-hundred and twenty percent (120%) of the net present value of the difference between (i) the amount of rent that the tenant would have paid for his or her Replacement Unit under the Rent Ordinance as required by the terms of this Agreement and (ii) the amount of rent the that tenant would be expected to pay for his or her Rent-Controlled Replacement Unit at the prevailing market rate of rent, using the same methodology (including the number of years used to calculate net present value) as was used by CBRE in its document entitled Parkmerced Pro Forma Review & Public Benefits Analysis dated January 1, 2011. Following a Rent Control Rejection, Developer shall, unless it agrees to the Voluntary Rent Control Option as set forth above, promptly provide to the City a detailed analysis, with backup documentation, of its determination of the Rent Control Liquidation Amount. The Parties will meet and confer for a period of not less than 30 days (as such period may be extended by mutual agreement) to reach agreement on the Rent Control Liquidation Amount. If the Parties are not able to reach agreement on the Rent Control Liquidation Amount, then either Party shall have the right to initiate

	arbitration to determine the Rent Control Liquidation Amount in accordance with Section 12.9 below. With respect to a Reneging Owner, the Rent Control Liquidation Amount shall be determined by the court that adjudicates the dispute between the City and the Reneging Owner. (d) By entering into this Agreement, and notwithstanding any subsequent Reneging Act, each Developer agrees that it will accept rent from all tenants in a Replacement Unit at the amounts permitted under the Rent Ordinance, and will not attempt to evict any tenant for failing to pay any higher amount, before payment of the Rent Control Liquidation Amount and, if the matter is being litigated, before the matter is finally adjudicated and upheld beyond any and all appeal periods. (e) After negotiation, the Parties have agreed to the Rent Control Liquidation Amount as the damages that the City will suffer in the event that the Rent Ordinance does not apply to the Replacement Units, and such amount will be used by the City as set forth in subsection (f) below. The added twenty percent (20%) is designed to cover City's administrative and other costs in operating the tenant protection programs described in subsection (f) below. Developer further acknowledges and agrees that any collection of the Rent Control Liquidation Amount shall not (i) release or otherwise limit the liability of Developer for default or violation of this Agreement or limit any of City's other rights and remedies in this Agreement, (ii) release or otherwise limit the requirement of Developer to complete each Replacement Building before demolishing a To-Be-Replaced Building, or (iii) release or otherwise limit the requirement of Developer to relocate each Existing Tenant and/or pay the Relocation Benefits Payments as set forth in Article 4 or in subsection (b) above. BY PLACING THEIR RESPECTIVE INITIALS BELOW, EACH PARTY SPECIFICALLY CONFIRMS THAT IT HAS AGREED TO THE TERMS AND PROVISIONS OF THIS SECTION, INCLUDING THE METHODOLOGY FOR CALCULATING THE RENT CONTROL LIQUIDATION AMOUNT, AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THIS LIQUIDATED PAYMENT PROVISION. INITIALS: City _____ Developer _____ (f) City shall deposit all payments of the Rent Control Liquidation Amount into a Tenant Protection Fund to be administered by MOH (or any successor City agency). MOH shall use the funds in the Tenant Protection Fund to provide vouchers to tenants in Replacement Units to pay the difference between the rent that is charged for that Replacement Unit following a Reneging Act and the rent that would have been charged under the Rent Ordinance as applied to that Replacement Unit (the "**Rent Assistance**"). After four (4) years or more of Rent Assistance to a tenant, MOH shall have the right, but not the obligation, to discontinue paying Rent Assistance to that tenant if its household income exceeds one-hundred and twenty (120%) of the area median income for San Francisco, as

	determined by MOH in accordance with its BMR program. MOH shall continue to pay the Rent Assistance from the Tenant Protection Fund for each tenant in a Replacement Unit for so long as that tenant remains in the Replacement Unit, subject to the right (but not obligation) to eliminate payments for tenants above one-hundred and twenty (120%) area median income as set forth above. Upon MOH's determination that sufficient funds are available to pay the Rent Assistance to tenants as provided above, MOH shall also have the right to use any excess funds in the Tenant Protection Fund to pay for a first time homebuyer program, to pay for additional housing vouchers, or to purchase increased affordability for existing BMR Units at the Project Site. In no event shall the City or Developer be liable for any payments above the amounts available in the Tenant Protection Fund. (g) Following a Rent Control Rejection, and unless Developer has elected the Voluntary Rent Control Option for the benefit of the Relocating Tenants, City shall have a one-time right of first refusal (the "ROFR"), for itself or its designee (including Existing Tenants), to rent each Replacement Unit. Developer shall first offer the Replacement Unit to City at the same rent, and under the same conditions and terms, as Developer is willing to accept from a third party (collectively, the "Rental Terms"). The Rental Terms shall be contained in a written notice (the "First Refusal Notice") from Developer to City, which notice shall include a copy of the proposed lease. City or its designee shall have the right to lease one or more of the Replacement Units by providing to Developer a notice of acceptance within sixty (60) days following City's receipt of the First Refusal Notice, together with the leases as signed by the City or its designee. Notwithstanding anything to the contrary in the Rental Terms, Developer shall not have the right to impose or require a new security deposit on an Existing Tenant, and shall instead transfer any existing security deposit to the new lease. If City or its designee does not deliver an acceptance notice for a Replacement Unit with the signed lease within sixty (60) days, then Developer shall have the right to lease that Replacement Unit to a third party on the Rental Terms for a period of up to one-hundred and eighty (180) days. If Developer leases the Replacement Unit on the Rental Terms during this one-hundred and eighty (180) day period, then the City's ROFR for that Replacement Unit shall terminate. If the Replacement Unit is not leased within 180 days, or if Developer is willing to lower the rent or otherwise change the Rental Terms for a Replacement Unit, then City's ROFR shall continue and Developer shall provide to City a new First Refusal Notice specifying the new Rental Terms that that Developer is willing to accept. Once a Replacement Unit has been leased under the terms set forth above (to either City or its designee, or to a third party), then City's ROFR shall terminate and be of no further force or effect. 12.9 Arbitration for Rent Control Liquidation Amount. 12.9.1 Appointment. Each Party shall appoint one (1) appraiser within thirty (30) days after the notice that the arbitration provisions of this Section have been invoked. Upon selecting its appraiser, each Party shall promptly notify the other party in writing of the name of the appraiser selected. Each such appraiser shall

	be competent, licensed, qualified by training and experience in the City and County of San Francisco, and shall be a member in good standing of the Appraisal Institute and designated as a MAI, or, if the Appraisal Institute no longer exists, shall hold the senior professional designation awarded by the most prominent organization of appraisal professionals then awarding such professional designations. Each such MAI appraiser may have a prior working relationship with either or both of the Parties, provided that such working relationship shall be disclosed to both Parties. Without limiting the foregoing, each appraiser shall have at least ten (10) years' experience valuing multi-family real estate in the City and County of San Francisco. If either Party fails to appoint its appraiser within such thirty (30)-day period, the appraiser appointed by the other party shall individually determine the Rent Control Liquidation Amount in accordance with the provisions hereof. 12.9.2 Instruction and Completion. Each appraiser will make an independent determination of the Rent Control Liquidation Amount. Each appraiser will be provided with a copy of the CBRE analysis entitled Parkmerced Pro Forma Review & Public Benefits Analysis dated January 1, 2011, and shall use the same methodology as contained in such CBRE analysis to determine the Rent Control Liquidation Amount. The appraisers may share and have access to objective information in preparing their appraisals, but they will independently analyze the information in their determination of the Rent Control Liquidation Amount. Neither of the appraisers shall have access to the appraisal of the other (except for the sharing of objective information contained in such appraisals) until both of the appraisals are submitted in accordance with the provisions of this Section. Neither party shall communicate with the appraiser appointed by the other party regarding the instructions contained in this Section before the appraisers complete their appraisals. If either appraiser has questions regarding the instructions in this Section, such appraiser shall use his or her own professional judgment and shall make clear all assumptions upon which his or her professional conclusions are based, including any supplemental instructions or interpretative guidance received from the party appointing such appraiser. There shall not be any arbitration or adjudication of the instructions to the appraisers contained in this Section. Each appraiser shall complete, sign and submit its written appraisal setting forth the Rent Control Liquidation Amount to the Parties within sixty (60) days after the appointment of the last of such appraisers. If the higher appraised Rent Control Liquidation Amount is not more than one hundred ten percent (110%) of the lower appraised Rent Control Liquidation Amount, then the Rent Control Liquidation Amount shall be the average of such two (2) Rent Control Liquidation Amount figures. 12.9.3 Potential Third Appraiser. If the higher appraised Rent Control Liquidation Amount is more than one hundred ten percent (110%) of the lower appraised Rent Control Liquidation Amount, then the first two appraisers shall agree upon and appoint an independent third appraiser within thirty (30) days after both of the first two (2) appraisals have been submitted to the Parties, in accordance with the following procedure. The third appraiser shall have the minimum qualifications as required of an appraiser set forth above. The two

	appraisers shall inform the parties of their appointment at or before the end of such thirty (30)-day appointment period. Each Party shall have the opportunity to question the proposed third appraiser, in writing only, as to his or her qualifications, experience, past working relationships with the Parties, and any other matters relevant to the appraisal. Either Party may, by written notice to the other Party and the two appraisers, raise a good faith objection to the selection of the third appraiser based on his or her failure to meet the requirements of this Section. In such event, if the two (2) appraisers determine that the objection was made in good faith, the two (2) appraisers shall promptly select another third appraiser, subject again to the same process for the raising of objections. If neither Party raises a good faith objection to the appointment of the third appraiser within ten (10) days after notice of his or her appointment is given, each such Party shall be deemed to have waived any issues or questions relating to the qualifications or independence of the third appraiser or any other matter relating to the selection of the third appraiser under this Agreement. If for any reason the two appraisers do not appoint such third appraiser within such thirty (30)-day period (or within a reasonable period thereafter), then either Party may apply to the Writs and Receivers Department of the Superior Court of the State of California in and for the County of San Francisco for appointment of a third appraiser meeting the foregoing qualifications. If the Court denies or otherwise refuses to act upon such application within sixty (60) days from the date on which the Party first applies to the Court for appointment of the third appraiser, either Party may apply to the American Arbitration Association, or any similar provider of professional commercial arbitration services, for appointment in accordance with the rules and procedures of such organization of an independent third appraiser meeting the foregoing qualifications. 12.9.4 Baseball Appraisal. Such third appraiser shall consider the appraisals submitted by the first two appraisers as well as any other relevant written evidence which the third appraiser may request of either or both of the first two appraisers. If either of the first two appraisers shall submit any such evidence to such third appraiser, it shall do so only at the request of the third appraiser and shall deliver a complete and accurate copy to the other Party and the appraiser such Party selected, at the same time it submits the same to the third appraiser. Neither Party, nor the appraisers they appoint, shall conduct any ex parte communications with the third appraiser regarding the subject matter of the appraisal. Within thirty (30) days after his or her appointment, the third appraiser shall select the Rent Control Liquidation Amount determined by one or the other of the first two (2) appraisers that is the closer, in the opinion of the third appraiser, to the actual Rent Control Liquidation Amount. The determination of the third appraiser shall be limited solely to the issue of deciding which of the determinations of the two appraisers is closest to the actual Rent Control Liquidation Amount. The third appraiser shall have no right to propose a middle ground or to modify either of the two appraisals, or any provision of this Agreement. 12.9.5 Conclusive Determination. Except as provided in California Code of Civil Procedure Section 1286.2 (as the same may be amended from time to time),

	the determination of the Rent Control Liquidation Amount by the accepted appraisal shall be conclusive, final and binding on the Parties. Neither of the first two (2) appraisers nor the third appraiser shall have any power to modify any of the provisions of this Agreement and must base their decision on the definitions, standards, assumptions, instructions and other provisions contained in this Agreement. Subject to the provisions of this Section, the Parties will cooperate to provide all appropriate information to the appraisers and the third appraiser. The appraisers and the third appraiser will each produce their determination in writing, supported by the reasons for the determination. 12.9.6 Fees and Costs; Waiver. Each Party shall bear the fees, costs and expenses of the appraiser it selects. The fees, costs and expenses of the third appraiser shall be shared equally by City and Developer. If there is more than one Developer at the time the arbitration process begins, then the Developer with the most seniority under this Agreement (i.e., the Developer that is the first to enter into this Agreement with City) shall have the right to determine the Rent Control Liquidation Amount and to participate in the arbitration as set forth in this Section 12.9, and upon determination the Rent Control Liquidation Amount shall apply to all Developers at that time. The City shall not be required or permitted to charge different Rent Control Liquidation Amounts for different Developers; provided, if a Developer agrees to the Voluntary Rent Control Option but then subsequently takes a Reneging Act (by attempting to impose rents above the amount that would be permitted under the Rent Ordinance) at any time during the remaining life of the Replacement Unit, then that Developer shall be required to immediately pay the Rent Control Liquidation Amount, as determined at that time (and by arbitration at that time, if required).
Revise §12.2:	***Make clear that all persons occupying Existing Units are third party beneficiaries of the Agreement, and shall have the right to not only enforce the requirements of Article 4, but also the right to confirm the validity and enforceability of Article 4 at any time from and after the adoption of the Enacting Ordinance.*** 12.2 Private Right of Action. In addition to the options available to the City to enforce this Agreement, ~~the Existing Tenants~~ all persons occupying Existing Units shall have, immediately on the Effective Date, a private right of action against the Developer and any successor owner, but not against the City, to enforce the Replacement Unit requirements set forth in Article 4 of this Agreement, including but not limited to ~~the Rent Ordinance and the required~~ rent control provisions required under the Rent Ordinance thereunder, with attorneys' fees and costs awarded to the prevailing party in any enforcement action. The Parties recognize and agree that such persons shall be express third party beneficiaries of the requirements set forth in Article 4, with the right to enforce to the greatest extent under law and equity, and confirm the validity and enforceability of, the requirements in Article 4 at any time from and after adoption of the Enacting Ordinance.

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