

INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: To update the Commission on the status of the Fillmore Heritage Center at the corner of Fillmore and Eddy Streets in the former Western Addition Redevelopment Project Area A-2

PURPOSE OF INFORMATION

The purpose of this Informational Memorandum is to update the Commission on the status of the Fillmore Heritage Center at the corner of Fillmore and Eddy Streets in the former Western Addition Redevelopment Project Area A-2. The Fillmore Heritage Center is an \$80.5 million public-private partnership that includes: (1) 80 condominiums, (2) about 50,000 square feet of commercial space, including a 28,000-square-foot entertainment venue/restaurant and a 6,000-square-foot restaurant/music lounge, and (3) a 112-space public parking garage. Currently, the 28,000-square-foot entertainment venue/restaurant is vacant and the Office of Community Investment and Infrastructure (“OCII”), as the owner of the commercial space and the garage, and the City and County of San Francisco (“City”), as the master tenant of the commercial space, are working (1) to stabilize the commercial space as quickly as possible and (2) to ultimately sell both the commercial space and the garage as required by Redevelopment Dissolution Law.

BACKGROUND

The Fillmore Heritage Center is an \$80.5 million public-private partnership that was financed with \$28.4 million of public funds from the City and the former San Francisco Redevelopment Agency (the “Former Agency”). The public investment of dollars built the public parking garage and the commercial space, which was intended to help revitalize the lower Fillmore Street commercial corridor. The Former Agency also contributed the land, and allowed the developer to pay the \$6.6 million purchase price for the land over time. Part of the public investment also included two tenant improvement loans totaling about \$10.4 million from the Former Agency to the two tenants in the commercial space.

The Fillmore Heritage Center can be divided into three components: (1) the residential units, which were entirely privately financed, (2) the commercial space, which was financed with both private and public funds, and (3) the public parking garage, which was entirely publicly financed. Each of these components is discussed in more detail below.

- **Residential Units.** The Fillmore Heritage Center includes 80 condominiums, including 12 affordable condominiums. The construction of these units was completely privately financed with about \$35 million from a pension fund. No public dollars went into the residential component of the Fillmore Heritage Center. All the units have been sold to individual homeowners, and the proceeds were used to pay back the private construction

lender and the Former Agency for a portion (\$3.5 million) of the \$6.6 million land value. The condominium owners operate a homeowners' association, which manages the residential space, a separate residential garage, and the common areas within the Fillmore Heritage Center (the "HOA"). All the condo owners pay common area maintenance ("CAM") fees to the HOA.

- **Commercial Space.** The Fillmore Heritage Center also includes about 50,000 square feet of commercial space on the ground floor of the building that is now owned by the Office of Community Investment and Infrastructure ("OCII") as the successor agency to the Former Agency. The City financed the construction of the commercial space. To do this, the City, acting through the Mayor's Office of Housing and Community Development ("MOHCD"), borrowed \$5.5 million from the U.S. Department of Housing and Urban Development ("HUD") in the form of a securitized Section 108 loan, which is backed by the City's federal Community Development Block Grant ("CDBG") fund allocation. The City then loaned these federal dollars to Fillmore Development Commercial ("FDC"), an affiliate of the developer, Fillmore Development Associates, so that FDC could build the commercial space. The Former Agency also contributed about \$10.4 million in loan funds for the tenant improvements, as detailed later in this memorandum.

The Former Agency master leased the entire 50,000 square feet of commercial space to FDC. The ground lease structure was used as a financing mechanism to allow the developer to pay the \$6.6 million purchase price for the land over time instead of in one lump sum upfront (explained in more detail later in this memorandum). FDC, as master tenant, subleased the commercial space to two tenants: (1) Yoshi's San Francisco, a 28,000-square-foot jazz club and restaurant and (2) Food for Soul, which operates a 6,000-square-foot restaurant/music lounge known as "1300 on Fillmore." These subtenants were supposed to pay rent and common area maintenance fees to FDC, who was supposed to (a) pass the rent through to the City as a debt service payment on the FDC Loan, and (b) pass the CAM payments through to the HOA. This process did not happen on a regular basis. FDC fell in arrears on the FDC Loan with the City (which is explained more fully below) and its common area maintenance payments to the HOA. Under the ground lease, FDC was required to pay the CAM charges to the HOA, but OCII was ultimately liable for these charges, as owner of the commercial space, under a separate project document. OCII has been paying the outstanding amount to the HOA with reserve balances and new property tax funds authorized by the Oversight Board and the California Department of Finance ("DOF").

- **Public Parking Garage.** The Fillmore Heritage Center also includes a 112-space public parking garage. The Former Agency financed the construction of this garage using \$5.6 million in tax exempt bond proceeds. The Former Agency also used about \$860,000 in federal grant funds for site preparation/environmental remediation. OCII owns the garage and operates it through a garage management agreement with a private garage operator. The garage also pays common area maintenance fees to the HOA. The garage's performance is very dependent on the performance of the commercial tenants in the Fillmore Heritage Center.

In sum, the public investment went into the land, site preparation, the public parking garage, and the commercial space. The Former Agency contributed the land, which was valued at about \$6.6 million, and accepted a payback plan on the purchase price of the land over time (\$3.5 million has been paid to date). The Former Agency contributed an additional \$5.6 million in grant funds for garage construction, and about \$16 million in Former Agency/City loan funds went into building the commercial space. These investments are explained in more detail below.

Investment by the City

As mentioned, in an effort to finance the construction of the commercial space, the City borrowed \$5.5 million from HUD (the “HUD Loan”) and then loaned that money to FDC to build the commercial space (the “FDC Loan”). The HUD Loan is fully amortized at an interest rate of 5.54% with semi-annual interest payments and annual principal payments due through August 2025. MOHCD has no ability to alter the terms of the HUD Loan. The FDC Loan is fully amortized at an interest rate of 6.54% with monthly payments due through August 2025, and is secured by a deed of trust on FDC’s leasehold interest in the commercial space, among other things. Under this structure, FDC was required to make its debt service payments to the City using rental income from the commercial space, and then the City used that money to make its debt service payments to HUD. However, since the term of the FDC Loan started, FDC has missed scheduled loan repayments at various points in time. The City has had to find other money (i.e., CDBG funds used to serve the City’s low- and moderate-income residents) to make its debt service payments to HUD.

In December 2010, FDC was eight months in arrears, owing the City about \$360,000. At that time, instead of foreclosing on the FDC Loan, MOHCD agreed to amend the loan terms and extend FDC’s repayment of the \$360,000 under separate repayment terms. FDC agreed to pay an additional \$5,500 per month to the City through August 2013, with the balance of the delinquent \$360,000 due as a balloon payment in August 2013. FDC made only nine of the thirty-six additional payments due under the work-out and did not make the balloon payment.

Additionally, during this time period, the amount FDC owed under the FDC Loan skyrocketed because the City’s tax collector was taking the rental income from the commercial space (rental income that would normally have gone to service the FDC Loan) to pay approximately \$570,000 in delinquent property taxes and penalties FDC owed on its leasehold interest in the commercial space. Because that rental income went to the City’s tax collector instead of to MOHCD, MOHCD had to service the HUD Loan using other funds (i.e., CDBG program dollars).

Over the last several years, MOHCD continued to engage with FDC and its investors related to its inability to make timely loan payments and ultimately agreed to a loan restructuring as part of the settlement of the Yoshi’s San Francisco bankruptcy, as discussed later in this memorandum.

Investment by the Former Agency

The Former Agency invested about \$6.6 million in land value and about \$16 million in public funds in the Fillmore Heritage Center. The Former Agency’s total investment took the form of deferred land payments, grants and loans. These are briefly discussed below:

- **Deferred Land Payments (\$6.6 million).** The Former Agency owned the land on which the Fillmore Heritage Center sits. At the time the property was being developed, it was valued at \$6.6 million. The developer did not have \$6.6 million to pay the Former Agency for the land. Instead, the Former Agency agreed to “finance” the land acquisition through a ground lease structure on the commercial space. Under the ground lease, the developer agreed to pay the Former Agency the \$6.6 million using proceeds from the sale of the condominiums and rental income from the commercial space (after the FDC Loan with the City was paid off). The developer paid the Former Agency \$3.54 million of the \$6.6 million acquisition price using proceeds from the sale of the condominiums. The remaining balance of \$3.1 million was supposed to be paid from the rental income from the commercial space (after the FDC Loan with the City was paid off).
- **Grants (\$5.6 million).** This money (tax exempt bond proceeds) paid for construction of the public parking garage, which OCII still owns. The state’s environmental protection agency also contributed an additional \$860,000 in grant funds to complete environmental remediation at the project site.
- **Loans (\$10.4 million).** The City’s \$5.5 million FDC Loan paid for the core and shell of the commercial space, but additional money was needed to finish the space for occupancy. The Former Agency loaned Yoshi’s jazz club and restaurant \$7.2 million and Food for Soul (doing business as “1300 on Fillmore”) \$2.6 million. The Former Agency also loaned Food for Soul an additional \$624,000 in working capital. These loans are discussed further below.

Yoshi’s Loan. In 2004, Yoshi’s tenant improvements were estimated to be \$7.4 million. By the time Yoshi’s opened, however, that cost had doubled to \$15 million. Yoshi’s financed that cost with \$7.8 million in private equity and debt and \$7.2 million in loan funds from the Former Agency. The loan was secured with a deed of trust recorded against Yoshi’s leasehold interest, and further secured by a \$500,000 guaranty from the developer and a \$500,000 from Yoshi’s Oakland. Repayment of this loan was to come from a percentage of the club’s net operating income. No payments were received. The bankruptcy filing of Yoshi’s San Francisco is discussed later in this memorandum.

Food for Soul Loans. As mentioned, Food for Soul has two loans with OCII: (1) a \$2.6 million tenant improvement loan, and (2) a \$624,000 working capital loan. Repayment of the \$2.6 million tenant improvement loan comes from a percentage of the restaurant’s net operating income, and repayment of the \$624,000 working capital loan is an amortized quarterly payment. Food for Soul had been unable to make any payments under the tenant improvement loan that was first executed in 2004, due to a reported lack of net operating income. Food for Soul has been making small payments (\$500 a month) on its \$624,000 working capital loan since December 2011, which is a small fraction of the amortized quarterly payment due. Both loans are currently out of compliance with the existing loan terms and will require some kind of future amendment consistent with Redevelopment Dissolution Law, as discussed later in this memorandum.

Bankruptcy Filing of Yoshi's San Francisco

In November 2012, Yoshi's San Francisco filed a petition for Chapter 11 bankruptcy in U.S. Bankruptcy Court, Northern District of California. Subsequently, there were mediation talks (under the supervision of the bankruptcy court) with Yoshi's San Francisco, FDC and its investor group, and other creditors to devise a path forward. OCII and the City were involved in the mediation talks because Yoshi's San Francisco owed OCII the \$7.2 million tenant improvement loan and FDC owed the City the FDC Loan. The mediations talks focused on workout agreements that included replacing Yoshi's San Francisco with a new club/restaurant.

On March 3, 2014, as part of the mediation talks, OCII and the City executed a non-binding term sheet with FDC and its investors, which presented the terms under which the City would agree to changes to the FDC Loan, and OCII would agree to changes to the ground lease and the tenant improvement loan (see Exhibit A). In regards to the City's FDC Loan, the City agreed to, among other things, forgo existing late charges (approximately \$127,000 at that time) and reduce the interest rate for existing late payments from 10% to 6.25%. The City, in turn, required FDC to make the past due payments on a quarterly schedule, and pay all delinquent property taxes by June 1, 2014. In regards to OCII's tenant improvement loan, OCII agreed to forgo the portion of the loan (66.7% or \$4.8 million) attributable to Yoshi's San Francisco as a result of the bankruptcy, and renegotiate the terms of the remaining portion of the loan (33.3% or \$4.8 million) attributable to FDC and its investors. OCII also agreed to renegotiate the terms of the ground lease to extend the term of the land repayment. OCII, in turn, required FDC and its investors to make regular loan payments and repay any CAM charges OCII had paid on its behalf. The term sheet was intended to serve as the basis for negotiating and drafting final documents requiring approval from the Commission, the Oversight Board, and DOF.

On June 24, 2014, the federal bankruptcy court approved a global settlement agreement under which Yoshi's San Francisco and its creditors agreed to restructure their debts and sell the Yoshi's San Francisco business to FDC and its investor group. Under this bankruptcy court-approved settlement agreement, FDC and its investor group committed to the repayment terms in the term sheet with OCII and MOHCD, took over the Yoshi's San Francisco business, and on July 1, 2014, began operating a music venue/restaurant, subsequently renamed The Addition.

DISCUSSION

Closure of The Addition

OCII worked with FDC and its investors beginning in July 2014 to draft amendments to the tenant improvement loan and the ground lease that incorporated the terms of the term sheet. Items that still needed to be negotiated included the security that FDC was willing to provide for the tenant improvement loan, and a community benefits package. In addition, FDC had to be current on all payments agreed to under the term sheet. FDC made loan payments to OCII from July to October 2014, but stopped paying in November 2014. During this time frame, FDC did not make any CAM payments to the HOA or the City for the FDC Loan or delinquent property taxes. As a result, the draft amendments were never finalized. On January 14, 2015, FDC ceased operations of The Addition.

OCII/City Actions Taken to Cure Default

On February 20, 2015, OCII issued a Notice of Default to FDC and its investors under the terms of the ground lease, citing among other things, (1) the closure of The Addition, (2) security and life safety issues, including unauthorized and unmonitored use of the commercial parcel and failure to maintain the life safety system, and (3) failure to pay both property taxes (approximately \$140,000) and CAM charges (approximately \$250,000), and provided FDC with 30 days to cure these defaults (see Exhibit B). On that same date, the City also issued a Notice of Default to FDC under the FDC Loan, citing \$1.59 million in missed regular payments and \$498,000 in interest and penalties (see Exhibit C). An estimated summary of FDC's outstanding obligations to OCII and the City is attached as Exhibit D.

FDC and its investor group requested and received additional time from the City and OCII so that it could bring in a new investor group capable of recapitalizing the commercial space, reopening it as an entertainment venue, and taking over its day-to-day operations. Unfortunately, FDC was unable to come to terms with the new investor group and unable to cure its defaults under the ground lease and the FDC Loan. Accordingly, on June 5, 2015, OCII issued a Notice of Termination of Ground Lease to FDC and its investors, which terminated the ground lease (see Exhibit E) but did not waive any of OCII's and/or the City's rights to collect on amounts owed under the ground lease, the tenant improvement loan, or the FDC loan. The City, as a "mortgagee" under the ground lease, immediately stepped in as the master tenant of the commercial space (see Exhibit F).

Impact of Closure on Commercial Corridor

The bankruptcy and closure of Yoshi's San Francisco and the subsequent closure of The Addition have negatively impacted the lower Fillmore Street commercial corridor overall and in particular the financial health of 1300 on Fillmore and the Fillmore Heritage Center garage, which have seen dramatic declines in their patronage. Although 1300 on Fillmore has been trying to increase business through catering and on-line ordering and promotions, it has been forced to reduce its menu and inventory and lay-off staff and is unable to make its rent payments. Before bankruptcy proceedings started, the garage was about breaking even. Since the closure of The Addition, the monthly operating deficit of the garage has increased to approximately \$10,000. OCII has been backfilling this deficit with property tax funds authorized by the Oversight Board and DOF.

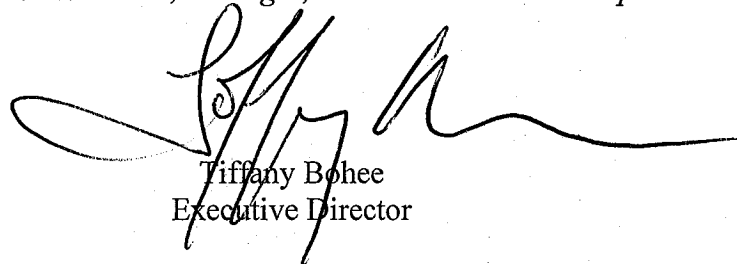
Next Steps

In order to stabilize the commercial property as quickly as possible, OCII (as owner and landlord) and the City (as master tenant) are currently exploring ways to activate the commercial space on a short term basis and restructure the obligations of 1300 on Fillmore so that it can remain open. Ultimately, however, Redevelopment Dissolution Law, California Health and Safety Code Section 34191.5(c)(2), requires OCII to sell both the commercial parcel and the garage for fair market value. OCII accordingly proposed selling the commercial parcel and the garage under its Long-Range Property Management Plan ("PMP"), which this Commission approved, by Resolution No. 53-2013 (November 19, 2013), and the Oversight Board approved by Resolution No. 12-2013 (November 25, 2013). OCII submitted the PMP to DOF for approval

in November 2013; DOF is still reviewing the PMP. OCII cannot sell the commercial parcel or the garage until DOF approves OCII's PMP.

There will be two community meetings hosted by Supervisor Breed over the next month to hear the community's concerns about the Fillmore Heritage Center and the lower Fillmore Street commercial corridor in general, and solicit feedback from the community on stabilizing and retenanting the space in the both the near and the long term. The first meeting will be held on July 13, 2015 at 6:30 p.m. at West Bay Community Center. The second meeting will be held on July 27, 2015 at 6:30 p.m., also at the West Bay Community Center. The feedback received from the community will then be used to inform a request for proposals to be prepared by the City and OCII for the sale of the properties.

(Originated by Christine Maher, Manager, Real Estate and Development Services)



Tiffany Bohee
Executive Director

- Exhibit A: Non-Binding Term Sheet
- Exhibit B: Notice of Default under Ground Lease dated February 20, 2015
- Exhibit C: Notice of Default under the FDC Loan dated February 20, 2015
- Exhibit D: Summary Estimate of FDC's Outstanding Obligations
- Exhibit E: Notice of Termination of Ground Lease dated June 5, 2015
- Exhibit F: City Option to Assume Ground Lease dated June 5, 2015

Exhibit A

Non-Binding Term Sheet

TERM SHEET
FOR THE RESTRUCTURING OF CERTAIN DEBTS AND OBLIGATIONS
RELATED TO THE COMMERCIAL PARCEL AT THE FILLMORE HERITAGE CENTER
AT 1310 FILLMORE STREET (ASSESSOR'S BLOCK 0732, LOT 033)

This non-binding term sheet for the restructuring of certain debts and obligations related to the Fillmore Heritage Center at 1310 Fillmore Street (the "Term Sheet"), dated as of March 3, 2014, is hereby agreed to by the following parties: (1) the Office of Community Investment and Infrastructure, the successor agency to the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic of the State of California ("OCII" or the "Successor Agency"), (2) the City and County of San Francisco, acting by and through the Mayor's Office of Housing and Community Development (the "City"), (3) Fillmore Development Commercial LLC, a California limited liability company ("FDC"), (4) SN Fillmore LLC, a California limited liability company ("SN Fillmore"), (5) Fillmore Jazz Club, LLC, a California limited liability company ("FJC"), and (6) Fillmore Entertainment Group LLC, a California limited liability company ("NewCo"), (together, the "Parties"). This Term Sheet summarizes certain basic terms related to the restructuring of OCII's ground lease with FDC (the "Ground Lease"), OCII's tenant improvement loan with FJC (the "TI Loan"), and the City's loan with FDC (the "Section 108 Loan"). This Term Sheet is non-binding on the Parties, but rather serves as the basis for negotiating and drafting final documents requiring approval from the Successor Agency Commission, OCII's Oversight Board, and the State Department of Finance ("DOF"). Accordingly, in light of the foregoing, the Parties wish to describe their understanding about final agreements that they are willing to negotiate in good faith regarding the potential restructuring of the Ground Lease, the TI Loan, and the Section 108 Loan.

TERMS

Section 1: Joint OCII/City Deal Points

1. Initial FJC equity (\$1.683 million) does not receive priority repayment, and is not included in workout deal.
2. No six-month grace period for forgiveness of City/OCII debts in exchange for deed-in-lieu (that is a one-time, now-or-never offer).
3. Revenue and expenditure budgets as prepared by FDC and agreed to by City/OCII (attached).
4. FDC will deposit into escrow a Release of Ground Lease Rights which will be exercised automatically if the any scheduled payments are missed and not cured within 60 days. Scheduled payments include payments due to the City, OCII, property taxes, and CAM charges due to the HOA.
5. NewCo will assume the CBT and Key Bank tenant improvement loans.
6. Come to joint agreement on legal issues associated with Release of Ground Lease Rights, subleases, and additional liens.

Section 2: City Deal Points

1. City will forgo the existing late charges due under the current Section 108 Loan, approximately \$127,000. City will also reduce the interest rate for existing missed payments under the current Section 108 Loan from 10% to 6.25%, approximately \$63,000. This results in an estimated past-due amount of approximately \$1.304 million.
2. Interest rate will remain 6.25%.

3. Payments to the City on the past-due amount will follow the quarterly payment schedule prepared by FDC (attached). As part of this schedule, FDC agrees to the full repayment of the Section 108 Loan delinquency by December 2017.
4. All property taxes due for FDC and its subtenants will be paid no later than June 1, 2014.
5. FDC will make a good faith effort to refinance the HUD Section 108 Loan by the end of 2017.

Section 3: OCII Deal Points

1. TI Loan

- Terms have changed. Oversight Board and DOF approval required.
- Loan is converted from a % of NOI loan to a fixed payment loan
- Interest rate stays the same at 3.25% (simple interest)
- Security is given – new UCC-1 filing on tenant improvements
- The % of the loan attributable to Kaz is lost in the bankruptcy (66.7%, or \$4.8 million)
- The % of the loan attributable to FJC will be repaid (33.3%, or \$2.4 million)
 - NewCo portion of loan (\$1.74 million, which represents FJC's % interest in NewCo)
 - NewCo will make fixed, above-the-line, payments of \$5,000 a month (\$60,000) a year for five years, then 100% of NOI until loan plus interest is paid in full
 - NewCo will pay interest of 3.25% (simple interest)
 - Full payment estimated to be in eight years (by 2021)
 - FDC portion of loan (\$660,000)
 - FDC will pay 100% of NOI after City second mortgage is paid in full
 - FDC will pay interest of 3.25% (simple interest)
 - Full payment estimated to be in 14 years (by 2027)
- Any missed loan payment triggers the reverter
- FDC will also pay back any CAM charges paid by OCII (As of February 2014, that amount is \$175,108) with 100% of FDC NOI (see waterfall below)

2. Ground Lease

- Terms have changed. Oversight Board and DOF approval required.
- OCII gets paid 100% of FDC cash flow after City second mortgage is paid off (estimated to be in Year 4 (2017))
- OCII will use the cash flow:
 - FIRST, to pay off CAM charges paid by OCII (as of Feb 2014 = \$175,108), and
 - SECOND to pay off FDC's portion of TI loan (\$660,000, plus interest), and
 - THIRD to pay off \$3,006,328 balance on ground lease.
- Once \$3,006,328 is paid in 18 years, FDC will own the commercial parcel (by 2031)

Exhibit A: FDC and NewCo Cash Flows Reflecting Term Sheet

Acknowledged and Accepted:

THE SUCCESSOR AGENCY:




Tiffany Boone, Executive Director
Office of Community Investment,
Successor Agency to the Redevelopment Agency
of the City and County of San Francisco, a public body,
corporate and politic of the State of California

Date:

3-3-14

THE CITY:




Olson Lee, Director
Mayor's Office of Housing and Community Development,
City and County of San Francisco, California

Date:

3/3/14

Acknowledged and Accepted:

FDC:


Date: 3/4/14
Fillmore Development Commercial LLC, a California limited liability company
By MICHAEL E. JOHNSON
Its MANAGING MEMBER

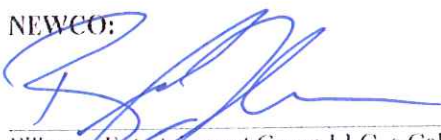
SN FILLMORE:

STEVEN MAYER Director Date: 3-4-14
SN Fillmore LLC, a California limited liability company
By STEVEN MAYER
Its DIRECTOR

FJC:


Date: 3/4/14
Fillmore Jazz Club, LLC, a California limited liability company
By MICHAEL E. JOHNSON
Its MANAGING MEMBER

NEWCO:


Date: 3/4/14
Fillmore Entertainment Group LLC, a California limited liability company
By Bradford Flewellan
Its CO-MANAGING MEMBER

FILLMORE DEVELOPMENT COMMERCIAL, LLC - CASHFLOW PROJECTION

3/3/2014

Year:

	1 May - Dec 2014	2 Jan - Dec 2015	3 Jan - Dec 2016	4 Jan - Dec 2017	5 Jan - Dec 2018	6 Jan - Dec 2019	7 Jan - Dec 2020	8 Jan - Dec 2021	9 Jan - Dec 2022	10 Jan - Dec 2023
New Co Base Rent	44,000 \$	528,000 \$	528,000 \$	528,000 \$	528,000 \$	543,840 \$	543,840 \$	543,840 \$	543,840 \$	543,840 \$
1300 Rent Base Rent	10,000 \$	120,000 \$	120,000 \$	120,000 \$	120,000 \$	123,600 \$	123,600 \$	123,600 \$	123,600 \$	123,600 \$
Gallery Rent (New Tenant)	1,000 \$	18,000 \$	18,000 \$	18,000 \$	18,000 \$	18,540 \$	19,096 \$	19,669 \$	20,259 \$	20,867 \$
Total Rent	\$	666,000 \$	666,000 \$	666,000 \$	666,000 \$	685,980 \$	688,536 \$	687,109 \$	687,699 \$	688,307 \$
New Co CAM Charges	76%	108,150	111,395	114,736	118,178	121,724	125,375	129,137	133,011	137,001
1300 CAM Charges	16%	16,579	22,768	24,155	24,879	25,626	26,395	27,186	28,002	28,842
Gallery CAM Charges	8%	8,289	11,385	11,726	12,440	12,813	13,198	13,594	14,002	14,422
Total CAM	100%	132,818	145,548	150,969	155,498	160,163	164,968	169,917	175,014	180,265
New Co Property Tax Share	76%	66,120	68,104	70,147	72,251	74,419	76,651	78,951	81,319	83,759
1300 Property Tax Share	16%	13,920	14,338	14,768	15,211	15,667	16,137	16,621	17,120	17,633
Gallery Property Tax Share	8%	6,960	7,169	7,384	7,605	7,834	8,069	8,311	8,560	8,817
Total Property Tax Collected	100%	87,000	89,610	92,298	95,067	97,919	100,857	103,883	106,999	110,209
TOTAL REVENUE:	630,618	897,913	904,870	912,036	919,417	947,000	955,387	964,025	972,923	982,087
Total Operating Expenses (Taxes, CAM)	(190,618)	(231,913)	(238,870)	(246,036)	(253,417)	(261,020)	(268,850)	(276,916)	(285,223)	(293,780)
FDC Management Expenses	(12,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,720)	(18,720)	(18,720)	(18,720)	(18,720)
Net Operating Income:	\$	648,000 \$	648,000 \$	648,000 \$	648,000 \$	667,260 \$	667,816 \$	668,389 \$	668,979 \$	669,587 \$
Mortgage Amount: (First Mortgage)	\$	(360,151) \$	(540,227) \$	(540,227) \$	(540,227) \$	(540,227) \$	(540,227) \$	(540,227) \$	(540,227) \$	(540,227) \$
Cumulative First Mortgage Payments:	\$	(360,151) \$	(540,227) \$	(1,080,454) \$	(1,620,681) \$	(2,160,908) \$	(2,701,135) \$	(3,241,362) \$	(3,781,589) \$	(4,321,816) \$
Mortgage Amount: (Second Mortgage)	\$	(44,000) \$	(66,000) \$	(66,000) \$	(66,000) \$	(66,000) \$	(66,000) \$	(66,000) \$	(66,000) \$	(66,000) \$
Cumulative Second Mortgage Payments:	\$	(44,000) \$	(110,000) \$	(176,000) \$	(242,000) \$	(308,000) \$	(374,000) \$	(440,000) \$	(506,000) \$	(572,000) \$
Total Debt:	\$	(404,151) \$	(606,227) \$	(606,227) \$	(606,227) \$	(606,227) \$	(606,227) \$	(606,227) \$	(606,227) \$	(606,227) \$
AVAILABLE CASHFLOW:	\$	23,849 \$	41,773 \$	41,773 \$	41,773 \$	107,773 \$	127,033 \$	127,589 \$	128,162 \$	129,360 \$

Mos.

Share to City/Mayor's Office (100%) Until Paid in Full
Share to FDC (0%) Until City is Paid in Full

CUMULATIVE PAYMENTS TO CITY:

FDC Ballon Payment:

Valuation at Year 1 & 5:

Cap Rate:

Cashflow To OCII to Acquire Leasehold Interest Fee:

Cumulative Payments to OCII:

Cashflow to FDC:

\$ 149,168
\$ 177,058

\$ 7,200,000

100% 4,013,036 (1)

0%

\$ 107,773 \$ 127,033 \$ 127,589 \$ 128,162 \$ 128,752 \$ 129,360
\$ 107,773 \$ 234,806 \$ 362,395 \$ 490,557 \$ 619,309 \$ 748,669
\$ - \$ - \$ - \$ - \$ - \$ -

Cummulative Payments to FDC:

Year:	11	12	13	14	15	16	17	18	19	20
	Jan - Dec 2024	Jan - Dec 2025	Jan - Dec 2026	Jan - Dec 2027	Jan - Dec 2028	Jan - Dec 2029	Jan - Dec 2030	Jan - Dec 2031	Jan - Dec 2032	Jan - Dec 2033
New Co Base Rent	\$ 560,155	\$ 560,155	\$ 560,155	\$ 560,155	\$ 560,155	\$ 576,960	\$ 576,960	\$ 576,960	\$ 576,960	\$ 576,960
1300 Rent Base Rent	\$ 127,308	\$ 127,308	\$ 127,308	\$ 127,308	\$ 127,308	\$ 131,127	\$ 131,127	\$ 131,127	\$ 131,127	\$ 131,127
Gallery Rent (New Tenant)	\$ 21,493	\$ 21,493	\$ 21,493	\$ 21,493	\$ 21,493	\$ 22,138	\$ 22,138	\$ 22,138	\$ 22,138	\$ 22,138
Total Rent	\$ 708,956	\$ 708,956	\$ 708,956	\$ 708,956	\$ 708,956	\$ 730,225	\$ 730,225	\$ 730,225	\$ 730,225	\$ 730,225
New Co CAM Charges	76% 141,111	145,345	149,705	154,196	158,822	163,587	168,494	173,549	178,755	184,118
1300 CAM Charges	16% 29,707	30,598	31,516	32,462	33,436	34,439	35,472	36,536	37,632	38,761
Gallery CAM Charges	8% 14,854	15,300	15,759	16,232	16,719	17,220	17,737	18,269	18,817	19,382
Total CAM	100% 185,673	191,243	196,980	202,890	208,976	215,246	221,703	228,354	235,205	242,261
New Co Property Tax Share	76% 88,860	91,526	94,271	97,099	100,012	103,013	106,103	109,286	112,565	115,942
1300 Property Tax Share	16% 18,707	19,269	19,847	20,442	21,055	21,687	22,338	23,008	23,698	24,409
Gallery Property Tax Share	8% 9,354	9,634	9,923	10,221	10,528	10,843	11,169	11,504	11,849	12,204
Total Property Tax Collected	100% 116,921	120,428	124,041	127,762	131,595	135,543	139,609	143,798	148,112	152,555
TOTAL REVENUE:	1,011,550	1,020,627	1,029,978	1,039,608	1,049,528	1,081,014	1,091,537	1,102,377	1,113,541	1,125,041
Total Operating Expenses (Taxes, CAM)	(302,594)	(311,671)	(321,021)	(330,652)	(340,572)	(350,789)	(361,312)	(372,152)	(383,316)	(394,816)
FDC Management Expenses	(19,469)	(19,469)	(19,469)	(19,469)	(19,469)	(20,248)	(20,248)	(20,248)	(20,248)	(20,248)
Net Operating Income:	\$ 689,487	\$ 689,487	\$ 689,487	\$ 689,487	\$ 689,487	\$ 709,977	\$ 709,977	\$ 709,977	\$ 709,977	\$ 709,977
Mortgage Amount: (First Mortgage)	\$ (540,227)	\$ (540,227)	\$ (540,227)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cummulative First Mortgage Payments:	\$ (5,402,270)	\$ (5,942,497)	\$ (6,482,724)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage Amount: (Second Mortgage)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt:	\$ (540,227)	\$ (540,227)	\$ (540,227)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AVAILABLE CASHFLOW:	\$ 149,260	\$ 149,260	\$ 149,260	\$ 689,487	\$ 689,487	\$ 709,977	\$ 709,977	\$ 709,977	\$ 709,977	\$ 709,977
Mos.	12	12	12	12	12	12	12	12	12	12
Valuation at Year 14 & 20:				\$ 7,660,970						\$ 7,888,636
Cap Rate:	9%									
Cashflow To OCII to Acquire Leasehold Interest Fee:	100% \$ 149,260	\$ 149,260	\$ 149,260	\$ 689,487	\$ 689,487	\$ 709,977	\$ 709,977	\$ 17,657	\$ -	\$ -
Cummulative Payments to OCII:	\$ 897,929	\$ 1,047,190	\$ 1,196,450	\$ 1,885,937	\$ 2,575,425	\$ 3,285,402	\$ 3,995,379	\$ 4,013,036	\$ -	\$ -
Cashflow to FDC:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 692,321	\$ 709,977	\$ 709,977
Cummulative Payments to FDC:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 692,321	\$ 1,402,298	\$ 2,112,275

[1] Amount equals:

- \$175,108 CAM
- \$660,000 @ 3.25% over 8 Years
- \$3,006,328 Towards Ground Lease Purchase

3/3/2014

14 2027 (12 Months)	15 2028 (12 Months)	16 2029 (12 Months)	17 2030 (12 Months)	18 2031 (12 Months)	19 2032 (12 Months)	20 2033 (12 Months)
\$ 14,685,337.13	\$ 15,125,897.25	\$ 15,579,674.17	\$ 16,047,064.39	\$ 16,528,476.32	\$ 17,024,330.61	\$ 17,535,060.53
1.03	1.03	1.03	1.03	1.03	1.03	1.03
85.3%	85.3%	85.3%	85.3%	85.3%	85.3%	85.3%
\$ 12,532,728.19	\$ 12,908,710.04	\$ 13,295,571.34	\$ 13,694,850.48	\$ 14,105,695.99	\$ 14,528,866.87	\$ 14,964,732.88

\$ 560,155.20	\$ 560,155.20	\$ 576,959.86	\$ 576,959.86	\$ 576,959.86	\$ 576,959.86	\$ 576,959.86
\$ 155,077.16	\$ 159,729.47	\$ 164,521.36	\$ 169,457.00	\$ 174,540.71	\$ 179,776.93	\$ 185,170.24
\$ 66,120.00	\$ 66,120.00	\$ 66,120.00	\$ 66,120.00	\$ 66,120.00	\$ 66,120.00	\$ 66,120.00

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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\$ 1,371,256.58	\$ 1,431,182.54	\$ 1,476,101.61	\$ 1,539,677.06	\$ 1,605,159.76	\$ 1,672,606.95	\$ 1,742,077.56
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\$ 1,371,256.58	\$ 1,431,182.54	\$ 1,476,101.61	\$ 1,539,677.06	\$ 1,605,159.76	\$ 1,672,606.95	\$ 1,742,077.56
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\$ 1,371,257	\$ 1,431,183	\$ 1,476,102	\$ 1,539,677	\$ 1,605,160	\$ 1,672,607	\$ 1,742,078
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,075,065	\$ 2,075,065	\$ 2,075,065	\$ 2,075,065	\$ 2,075,065	\$ 2,075,065	\$ 2,075,065
\$ 1,371,257	\$ 1,431,183	\$ 1,476,102	\$ 1,539,677	\$ 1,605,160	\$ 1,672,607	\$ 1,742,078
\$ 8,022,856	\$ 9,455,038	\$ 10,931,140	\$ 12,470,817	\$ 14,075,977	\$ 15,748,584	\$ 17,490,661
14	15	16	17	18	19	20
2027	2028	2029	2030	2031	2032	2033

Exhibit B

Notice of Default under Ground Lease dated February 20, 2015

**Office of Community
Investment and Infrastructure**
(Successor to the San Francisco
Redevelopment Agency)

One South Van Ness Avenue
San Francisco, CA 94103
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair
Marily Mondejar
Darshan Singh
Miguel Bustos

Tiffany Bohee, Executive Director

Certified Mail Return Receipt and Electronic Mail

**NOTICE OF EVENT OF DEFAULT
FILLMORE HERITAGE CENTER**

February 20, 2015

108-0062015-004

Fillmore Development Commercial, LLC
c/o UrbanCore Development, LLC
4096 Piedmont Avenue, Box 313
Oakland, CA 94611

mjohnson@urbancorellc.com

Attn: Michael Johnson
Members

Re: Ground Lease Agreement entered into as of August 23, 2005, by and between the Office of Community Investment and Infrastructure, as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("OCII") and Fillmore Development Commercial, LLC ("Tenant") (the "Ground Lease")

Dear Mr. Johnson and Members of Tenant:

NOTICE IS HEREBY GIVEN that you are in default of your obligations under the following sections of the Ground Lease:

- Section 21.1(i), Abandonment of Premises Under Certain Conditions, which provides that the Premises must not be abandoned or cease to be used for the uses permitted under the Ground Lease.
 - Section 18.1 of the Ground Lease requires that the Tenant "continuously use the Premises for permitted uses and for no other purposes." As of January 14, 2015, Tenant closed the nightclub and ceased commercial activity in the nightclub portion of the Premises. Previously, the sublease by and between the Tenant and Yoshi's San Francisco, LLC (the "Sublessee"), dated as of May 6, 2005, was terminated when the Sublessee ceased operations at the Premises on July 1, 2014 and the sublease was not assigned to a new operator.

- Section 18.2 prohibits certain uses on the Premises in the absence of the Landlord's consent. Information received from the property manager of the Fillmore Heritage Center indicates that the Tenant has been allowing the unauthorized and unmonitored use of the Commercial Parcel. OCII has not had the opportunity to review and/or consent to any of these activities, as required by the Ground Lease.
- Section 21.1 (k), Failure to Comply with Lease Terms Under Certain Conditions (Waste).
 - Section 8.1 of the Ground Lease requires the Tenant to covenant not to do or suffer any waste or damage, disfigurement or injury to the Premises. On January 23, 2015, OCII was notified that the utilities serving the nightclub portion of the Premises had been turned off and the life safety system was operating on back-up battery. This action caused life safety, security, and liability concerns for both the Commercial Parcel and the Housing Parcel. At Landlord's request, the City and County of San Francisco has since restored the utilities under its emergency authority.
- Section 21.1 (k), Failure to Comply with Lease Terms Under Certain Conditions (Failure to pay Impositions).
 - Section 4.1 of the Ground Lease requires the Tenant to pay all Impositions, which include, among other things, "any and all taxes on the assessed value of the Commercial Parcel" as well as "all assessment levied under the provisions of the Reciprocal Easement Agreement ("REA"). The Ground Lease further provides that the Tenant covenants to pay the Impositions before delinquency and before any fine, penalty, interest or cost is added thereto for nonpayment. As of this date, Tenant owes approximately \$145,000 in delinquent property taxes to the City and County of San Francisco, which amount includes the principal tax amount due and penalties, and approximately \$37,400 in delinquent Common Area Maintenance Charges ("CAM" Charges) to the Fillmore Heritage Homeowners Association pursuant to the terms of the REA. The current amount of delinquent CAM Charges is in addition to the approximately \$210,000 of delinquent CAM Charges that the OCII, as the legal owner of the Commercial Parcel, has already paid on behalf of the Tenant after numerous failed attempts to collect CAM Charges from the Tenant itself.
- Section 21.1(a), Failure to Pay Ground Rent Within Certain Time Period, which provides that Tenant must pay any Ground Rent, in the manner prescribed in Section 2.2 of the Lease, when due to Landlord within five (5) days after notice thereof from Landlord.
 - Section 2.2 of the Ground Lease provides that "Ground Rent will commence on the sixth (6th) year of the Commercial Term." The Commercial Term commenced in November 2007; accordingly, Ground Rent became due starting in November 2012. Tenant has paid no Ground Rent to date.

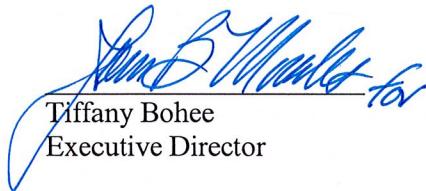
BE ADVISED THAT THE FAILURE TO COMPLY WITH THE COVENANTS OF THE GROUND LEASE CONSTITUTES AN EVENT OF DEFAULT UNDER THE GROUND LEASE. YOU ARE HEREBY NOTIFIED THAT YOU HAVE FIVE (5) DAYS FROM

THE DATE OF THIS NOTICE IN WHICH TO CURE THE DEFAULT UNDER SECTION 21.1(A) ABOVE AND THIRTY (30) DAYS FROM THE DATE OF THIS NOTICE IN WHICH TO CURE THE DEFAULTS LISTED UNDER SECTIONS 21.1(i) AND 21.1(k) ABOVE. UPON FAILURE TO CURE THE DEFAULTS, OCII INTENDS TO EXERCISE AVAILABLE REMEDIES UNDER THE GROUND LEASE, INCLUDING, BUT NOT LIMITED TO, TERMINATION OF THE GROUND LEASE.

As a result of the above-described cessation of a Permitted Use, the unauthorized use of a portion of the Commercial Parcel, and the compromise to the life safety system, on February 12, 2015, OCII notified the Tenant that it intended to take immediate action under Section 7.1 of the Ground Lease to secure the Commercial Space; subsequently, OCII had the Commercial Space rekeyed.

We write this letter without waiving any rights.

Successor Agency to the Redevelopment Agency of the City and County of San Francisco,
a public body, organized and existing under the laws of the State of California



Tiffany Bohee
Executive Director

cc: Olson Lee, Director, Mayor's Office of Housing and Community Development
Heidi Gewertz, City Attorney's Office
California Bank and Trust, 2399 Gateway Oaks Drive, Suite 110, Sacramento, CA,
95833
U.S. Small Business Administration, c/o 1050 Iron Point Road, Folsom, CA, 95630

Attachment C

Notice of Default under the FDC Loan dated February 20, 2015

**MAYOR'S OFFICE OF HOUSING
AND COMMUNITY DEVELOPMENT
CITY AND COUNTY OF SAN FRANCISCO**



EDWIN M. LEE
MAYOR

OLSON LEE
DIRECTOR

February 20, 2015

Michael Johnson
Fillmore Development Commercial, LLC
c/o UrbanCore Development, LLC
4096 Piedmont Ave, Box 313
Oakland, CA 94611

mjohnson@urbancorellc.com

Sent via Certified Mail Return Receipt and Electronic Mail

Re: Notice of Default under the Loan Agreement entered into as of August 29, 2005, by and between the City and County of San Francisco ("City") and Fillmore Development Commercial, LLC ("FDC" or "Borrower"), as amended by the First Amendment to Loan Agreement and Promissory Note dated as of December 8, 2010 (the "Loan Agreement"), for a loan in the original principal amount of Five Million Five Hundred Thousand Dollars (the "Loan")

Dear Mr. Johnson:

The City, acting through the Mayor's Office of Housing and Community Development ("MOHCD"), provided a \$5.5 million construction loan to FDC for the construction of tenant improvements at the Fillmore Heritage Center Project (the "Project"). The Loan is secured by the leasehold estate pursuant to the Borrower's ground lease with the Successor Agency to the Redevelopment Agency of the City and County of San Francisco. The Loan is fully amortized at an interest rate of 6.54 percent with monthly payments due through August 2025. To fund this loan, MOHCD borrowed \$5.5 million from the U.S. Department of Housing and Urban Development ("HUD") in the form of a securitized Section 108 loan. Section 108 loans are backed by the City's federal Community Development Block Grant ("CDBG") fund allocation.

Since the Loan began, the Borrower has missed scheduled loan repayments at various points in time. In August 2010, Borrower was 8 months in arrears on its original Loan, owing \$360,150 in missed payments. At the time, MOHCD agreed to a work-out plan, rather than foreclose on the ground lease, whereby MOHCD amended the original loan and agreed to a longer repayment schedule. In separating the delinquent amount in a first amendment to the loan, MOHCD agreed to no longer consider the loan delinquent and forgo collecting any late fees or penalties unless Borrower missed subsequent payments.

The repayment of the delinquent amount was structured with payments of \$5,500 per month through August 2013, with the balance of the delinquent amount due as a balloon payment in August 2013. To date, Borrower has only made nine of thirty-six payments due under this first amendment and has not made the balloon payment. MOHCD agreed to this work-out plan in good faith in recognition of a challenging economic climate and was led to believe that the Project's tenants had gotten behind on their rent payments. Subsequent information has shown that the tenants were making timely rent payments but that Borrower got behind in passing along those revenues to service the debt. Furthermore, SN Fillmore, as a subordinate lender, was repaid from Yoshi's rental income, ahead of MOHCD in violation of MOHCD's agreement with the Borrower.

Over the last three years, MOHCD has engaged in negotiations with Borrower related to the Borrower's inability to make timely loan payments due to obligations owed the City Tax Collector and due to Yoshi's San Francisco's bankruptcy proceedings. Throughout these negotiations, the Borrower was not able to successfully implement a timely repayment plan for the loan amount past due nor for unpaid Unsecured Personal Property taxes owed the City.

On June 24, 2014, the federal bankruptcy court approved a global settlement agreement under which Yoshi's San Francisco and its creditors agreed to restructure their debts and sell the Yoshi's San Francisco business to FDC and its investor group. Under the global settlement agreement, FDC and its investor group took over the Yoshi's San Francisco business and the Yoshi's San Francisco sublease of 28,000 square feet in the Fillmore Heritage Center and began operating a music venue/restaurant, The Addition, in the space on July 1, 2014.

Subsequent to July 1, 2014, FDC remains in default under the Loan. Borrower is currently 27 months behind in making payments on the Loan. Amounts past due at this time include \$1.59 million in regular payments and \$498,000.00 in interest and penalties. The current principal balance on the Loan, without applying any late charges, is \$5 million dollars.

Borrower's failure to pay amounts due under the Loan results in a direct loss of CDBG funds that the City's nonprofit community relies on to serve low-income communities. The City has an obligation to protect and garner its CDBG funds for this critical work. At a time when the City is facing significant demands for its CDBG program, this office is faced with setting aside additional CDBG funds to repay HUD while the Loan default remains uncured. Accordingly, if Borrower is not able to cure the payment default plus subsequent missed payments, accrued interest and loan fees totaling **\$2,087,022.79** before **March 2, 2015**, we intend to exercise available remedies, including foreclosure on the leasehold deed of trust. We write this letter without waiving any rights.

Sincerely,



Olson Lee
Director

cc: Tiffany Bohee, Executive Director, Office of Community Investment and Infrastructure
Heidi Gewertz, City Attorney's Office
California Bank and Trust, 2399 Gateway Oaks Drive, Suite 110, Sacramento, CA, 95833
U.S. Small Business Administration, c/o 1050 Iron Point Road, Folsom, CA, 95630

Exhibit D

Summary Estimate of FDC's Outstanding Obligations

Obligation	Amount	Payable To
FDC Loan - Arrearage	\$2,300,000	City
FDC Loan – Principal Balance	\$5,000,000	City
Property Taxes	\$143,000	City
Utility Costs	\$16,000	City
Deferred Land Payment for Commercial Parcel	\$3,100,000	OCII
Yoshi's Tenant Improvement Loan	\$7,200,000	OCII
Common Area Maintenance Charges	\$295,000	OCII
Total	\$18,054,000	

Exhibit E

Notice of Termination of Ground Lease dated June 5, 2015

**Office of Community Investment
and Infrastructure**

(Successor to the San Francisco
Redevelopment Agency)

One South Van Ness Avenue
San Francisco, CA 94103
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair
Marilyn Mondejar
Darshan Singh
Miguel Bustos

Tiffany Bohee, Executive Director

Sent via Certified Mail Return Receipt

**NOTICE OF TERMINATION OF GROUND LEASE AND
THE RIGHT OF POSSESSION OF THE PREMISES
FILLMORE HERITAGE CENTER**

June 5, 2015

108-0202015-004

Michael Johnson
Fillmore Development Commercial, LLC
c/o UrbanCore Development, LLC
4096 Piedmont Ave., Box 313
Oakland, CA 94611

Attn: Michael Johnson
Members

Re: Notice of Termination of Ground Lease Agreement entered into as of August 23, 2005, by and between the Office of Community Investment and Infrastructure, as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("OCII" or "Landlord") and Fillmore Development Commercial, LLC ("Tenant") (the "Ground Lease") and Termination of Right of Possession

Dear Mr. Johnson and Members of Tenant:

NOTICE IS HEREBY GIVEN that, as of the date of this notice, the Ground Lease is terminated and all Tenant's rights of possession are terminated (the "Termination") pursuant to Ground Lease Section 23.1(e), following the Event of Default occurring under the Ground Lease.

Tenant received a Notice of Default from OCII, dated February 20, 2015, as attached hereto (the "Notice"), which Notice included, among other defaults, a default under Ground Lease Section 21.1(a), Failure to Pay Ground Rent Within Certain Time Period, which provides that Tenant must pay Ground Rent, in the manner prescribed in Section 2.2 of the Ground Lease, when due to Landlord within five (5) days after notice thereof from Landlord. Tenant failed to cure such default under Section 21.1(a) within five (5) from the date of receipt of the Notice and therefore an Event of Default has occurred under the Ground Lease. In addition, no cures have been made for any of the other defaults included in the Notice, and as such Notice is attached hereto, and accordingly all other defaults listed in the Notice remain outstanding as of the date of this Notice of Termination even though over three (3) months have passed since the Notice was sent, which time period extended far beyond the maximum five (5) day cure period

for a default under Section 21.1(a) and the maximum thirty (30) day cure period for the other defaults listed in the Notice.

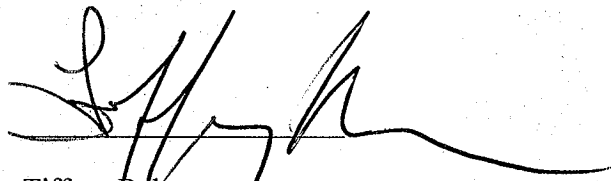
Please be advised that Ground Lease Section 23.1(g) provides that in the event Landlord terminates Tenant's right to possession of the Premises pursuant to Section 23.1, Tenant waives all rights to recover possession under any rights of redemption, including, without limitation, those rights under Ca. Code of Civil Procedure Sections 1174 and 1179.

Please also be advised that Ground Lease Section 23.2, Continuation of Subleases and Other Agreements, provides that following such Termination the Landlord has the right to take over all subleases as well as licenses and agreements, which rights include transfer of the existing liquor license from Tenant to Landlord. Accordingly, the Tenant is required to take steps to transfer the liquor license and all other licenses and agreements as requested by OCII. Accordingly, Tenant will be required to cooperate with OCII and respond in a timely manner to any requests from OCII to take steps necessary for Landlord's assumption of such licenses and agreements.

Additionally, Article 24 of the Ground Lease provides that Tenant's liabilities and obligations arising under the Ground Lease prior to termination survive such expiration (the "Tenant Obligations"). Such Tenant Obligations include any outstanding Common Area Maintenance Charges or outstanding property tax owed to the City and County of San Francisco, in addition to any other outstanding Tenant Obligations. As of this date, Tenant owes approximately \$143,000 in delinquent property taxes to the City and County of San Francisco, which amount includes the principal tax amount due and penalties, and approximately \$45,000 in delinquent Common Area Maintenance Charges ("CAM Charges") to the Fillmore Heritage Homeowners Association pursuant to the terms of the REA. The current amount of delinquent CAM Charges is in addition to the approximately \$250,000 of delinquent CAM Charges that OCII, as the legal owner of the Commercial Parcel, has already paid on behalf of the Tenant after numerous failed attempts to collect CAM Charges from the Tenant itself.

We write this letter without waiving any rights.

Office of Community Investment and Infrastructure, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public body, organized and existing under the laws of the State of California



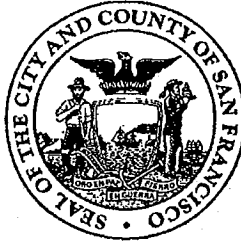
Tiffany Bohue
Executive Director

cc: Olson Lee, Director, Mayor's Office of Housing and Community Development
Heidi Gewertz, San Francisco City Attorney's Office
California Bank and Trust, 2399 Gateway Oaks Drive, Suite 110, Sacramento, CA, 95833

Attachment: Notice of Default dated February 20, 2015

**Office of Community
Investment and Infrastructure**
(Successor to the San Francisco
Redevelopment Agency)

One South Van Ness Avenue
San Francisco, CA 94103
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair
Marily Mondejar
Darshan Singh
Miguel Bustos

Tiffany Bohee, Executive Director

Certified Mail Return Receipt and Electronic Mail

**NOTICE OF EVENT OF DEFAULT
FILLMORE HERITAGE CENTER**

February 20, 2015

108-0062015-004

Fillmore Development Commercial, LLC
c/o UrbanCore Development, LLC
4096 Piedmont Avenue, Box 313
Oakland, CA 94611

mjohnson@urbancorellc.com

Attn: Michael Johnson
Members

Re: Ground Lease Agreement entered into as of August 23, 2005, by and between the Office of Community Investment and Infrastructure, as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("OCIP") and Fillmore Development Commercial, LLC ("Tenant") (the "Ground Lease")

Dear Mr. Johnson and Members of Tenant:

NOTICE IS HEREBY GIVEN that you are in default of your obligations under the following sections of the Ground Lease:

- Section 21.1(i), Abandonment of Premises Under Certain Conditions, which provides that the Premises must not be abandoned or cease to be used for the uses permitted under the Ground Lease.
 - Section 18.1 of the Ground Lease requires that the Tenant "continuously use the Premises for permitted uses and for no other purposes." As of January 14, 2015, Tenant closed the nightclub and ceased commercial activity in the nightclub portion of the Premises. Previously, the sublease by and between the Tenant and Yoshi's San Francisco, LLC (the "Sublessee"), dated as of May 6, 2005, was terminated when the Sublessee ceased operations at the Premises on July 1, 2014 and the sublease was not assigned to a new operator.

- Section 18.2 prohibits certain uses on the Premises in the absence of the Landlord's consent. Information received from the property manager of the Fillmore Heritage Center indicates that the Tenant has been allowing the unauthorized and unmonitored use of the Commercial Parcel. OCII has not had the opportunity to review and/or consent to any of these activities, as required by the Ground Lease.
- Section 21.1 (k), Failure to Comply with Lease Terms Under Certain Conditions (Waste).
 - Section 8.1 of the Ground Lease requires the Tenant to covenant not to do or suffer any waste or damage, disfigurement or injury to the Premises. On January 23, 2015, OCII was notified that the utilities serving the nightclub portion of the Premises had been turned off and the life safety system was operating on back-up battery. This action caused life safety, security, and liability concerns for both the Commercial Parcel and the Housing Parcel. At Landlord's request, the City and County of San Francisco has since restored the utilities under its emergency authority.
- Section 21.1 (k), Failure to Comply with Lease Terms Under Certain Conditions (Failure to pay Impositions).
 - Section 4.1 of the Ground Lease requires the Tenant to pay all Impositions, which include, among other things, "any and all taxes on the assessed value of the Commercial Parcel" as well as "all assessment levied under the provisions of the Reciprocal Easement Agreement ("REA"). The Ground Lease further provides that the Tenant covenants to pay the Impositions before delinquency and before any fine, penalty, interest or cost is added thereto for nonpayment. As of this date, Tenant owes approximately \$145,000 in delinquent property taxes to the City and County of San Francisco, which amount includes the principal tax amount due and penalties, and approximately \$37,400 in delinquent Common Area Maintenance Charges ("CAM" Charges) to the Fillmore Heritage Homeowners Association pursuant to the terms of the REA. The current amount of delinquent CAM Charges is in addition to the approximately \$210,000 of delinquent CAM Charges that the OCII, as the legal owner of the Commercial Parcel, has already paid on behalf of the Tenant after numerous failed attempts to collect CAM Charges from the Tenant itself.
- Section 21.1(a), Failure to Pay Ground Rent Within Certain Time Period, which provides that Tenant must pay any Ground Rent, in the manner prescribed in Section 2.2 of the Lease, when due to Landlord within five (5) days after notice thereof from Landlord.
 - Section 2.2 of the Ground Lease provides that "Ground Rent will commence on the sixth (6th) year of the Commercial Term." The Commercial Term commenced in November 2007; accordingly, Ground Rent became due starting in November 2012. Tenant has paid no Ground Rent to date.

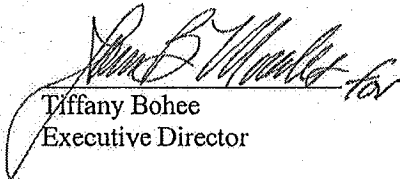
BE ADVISED THAT THE FAILURE TO COMPLY WITH THE COVENANTS OF THE GROUND LEASE CONSTITUTES AN EVENT OF DEFAULT UNDER THE GROUND LEASE. YOU ARE HEREBY NOTIFIED THAT YOU HAVE FIVE (5) DAYS FROM

THE DATE OF THIS NOTICE IN WHICH TO CURE THE DEFAULT UNDER SECTION 21.1(A) ABOVE AND THIRTY (30) DAYS FROM THE DATE OF THIS NOTICE IN WHICH TO CURE THE DEFAULTS LISTED UNDER SECTIONS 21.1(i) AND 21.1(k) ABOVE. UPON FAILURE TO CURE THE DEFAULTS, OCII INTENDS TO EXERCISE AVAILABLE REMEDIES UNDER THE GROUND LEASE, INCLUDING, BUT NOT LIMITED TO, TERMINATION OF THE GROUND LEASE.

As a result of the above-described cessation of a Permitted Use, the unauthorized use of a portion of the Commercial Parcel, and the compromise to the life safety system, on February 12, 2015, OCII notified the Tenant that it intended to take immediate action under Section 7.1 of the Ground Lease to secure the Commercial Space; subsequently, OCII had the Commercial Space rekeyed.

We write this letter without waiving any rights.

Successor Agency to the Redevelopment Agency of the City and County of San Francisco,
a public body, organized and existing under the laws of the State of California



Tiffany Bohee
Executive Director

cc: Olson Lee, Director, Mayor's Office of Housing and Community Development
Heidi Gewertz, City Attorney's Office
California Bank and Trust, 2399 Gateway Oaks Drive, Suite 110, Sacramento, CA,
95833
U.S. Small Business Administration, c/o 1050 Iron Point Road, Folsom, CA, 95630

Exhibit F

City Option to Assume Ground Lease dated June 5, 2015

**Office of Community Investment
and Infrastructure**

(Successor to the San Francisco
Redevelopment Agency)

One South Van Ness Avenue
San Francisco, CA 94103
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair
Marily Mondejar
Darshan Singh
Miguel Bustos

Tiffany Bohee, Executive Director

June 5, 2015

108-0212015-120

Mr. Olson Lee
Director
Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Re: Termination of Tenant's Ground Lease and Right of Possession for the Fillmore
Heritage Center Project and City Option to Assume Ground Lease

Dear Olson:

As you are aware, the Office of Community Investment and Infrastructure ("OCII" or "Landlord"), as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, issued a Notice of Event of Default on February 20, 2015 (the "Notice") to Fillmore Development Commercial, LLC (the "Tenant") under the Ground Lease Agreement entered into as of August 23, 2005, by and between the OCII and the Tenant, and as attached hereto (the "Ground Lease"). The Notice included a list of defaults and required that the Tenant cure such defaults within the applicable cure periods. As the defaults were not cured within the time period required, OCII issued a Notice of Termination of Ground Lease and Right of Possession of the Premises, dated June 5, 2015, pursuant to Ground Lease Section 23.1, and as attached hereto (the "Termination Notice").

Section 42.11(d) of the Ground Lease, provides that in the event of termination of the Ground Lease prior to expiration of the Commercial Term (as defined in the Ground Lease), the Landlord shall serve notice to the Mortgagee of the termination, including all amounts then due under the ground lease (as included in the Notice and Termination attached hereto), and the Mortgagee shall then have the option to assume the lease in accordance with the terms and conditions provided therein, as long as the Mortgagee exercises such option within thirty (30) days after receiving Mortgagee's request to assume the lease.

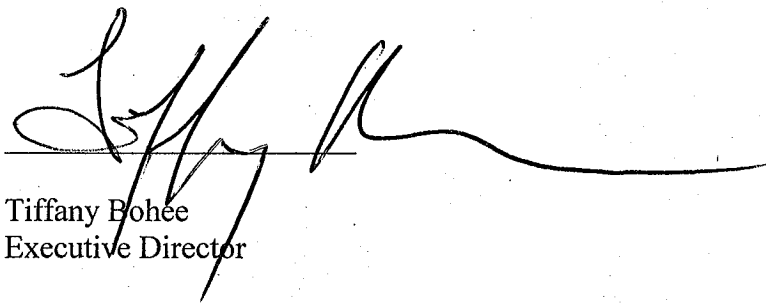
As the City and County of San Francisco, acting through the Mayor's Office of Housing and Community Development (the "City" or "Mortgagee") is the only mortgagee of the leasehold through its Section 108 Loan Agreement with the Tenant, entered into as of August 29, 2005, and as amended by that certain First Amendment dated as of December 8, 2010, OCII is now, through this letter, providing notice to the City of the termination and requesting the City to indicate its interest, if any, in assuming the Ground Lease.

Please be advised that Ground Lease Section 42.11(f) allows the Landlord to also assign and transfer to the Mortgagee all subleases in effect at time of the execution of the assigned Ground Lease with the Mortgagee. In addition, Ground Lease Section 23.2 provides that following such termination the Landlord has the right to take over all licenses and agreements, which rights include transfer of the existing liquor license from Tenant to Landlord. Accordingly, OCII will require the Tenant to take steps to transfer the liquor license and all other licenses and agreements as requested by OCII or the City.

Please indicate the City's interest in exercising its rights to assume the Ground Lease under Section 42.11(d) of the Ground Lease by signing below and returning a signed copy to me.

OCII looks forward to working with the City on preserving this valuable asset. Please contact me with any questions.

OCII, Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public body, organized and existing under the laws of the State of California



Tiffany Bohee
Executive Director

The City and County of San Francisco, acting through the Mayor's Office of Housing and Community Development, as Mortgagee of the Leasehold Interest of the Fillmore Heritage Center under the Ground Lease between OCII and Fillmore Development Corporation, LLC, entered into as of August 23, 2005, does hereby agree to assume the Ground Lease pursuant to the terms and conditions of the Ground Lease.



Date: _____

Olson Lee
Director
Mayor's Office of Housing and Community Development

Attachment A: Notice of Termination of Ground Lease and Right of Possession of the Premises

**Office of Community Investment
and Infrastructure**

(Successor to the San Francisco
Redevelopment Agency)

One South Van Ness Avenue
San Francisco, CA 94103
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair
Marily Mondejar
Darshan Singh
Miguel Bustos

Tiffany Bohee, Executive Director

Sent via Certified Mail Return Receipt

**NOTICE OF TERMINATION OF GROUND LEASE AND
THE RIGHT OF POSSESSION OF THE PREMISES
FILLMORE HERITAGE CENTER**

June 5, 2015

108-0202015-004

Michael Johnson
Fillmore Development Commercial, LLC
c/o UrbanCore Development, LLC
4096 Piedmont Ave., Box 313
Oakland, CA 94611

Attn: Michael Johnson
Members

Re: Notice of Termination of Ground Lease Agreement entered into as of August 23, 2005, by and between the Office of Community Investment and Infrastructure, as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("OCII" or "Landlord") and Fillmore Development Commercial, LLC ("Tenant") (the "Ground Lease") and Termination of Right of Possession

Dear Mr. Johnson and Members of Tenant:

NOTICE IS HEREBY GIVEN that, as of the date of this notice, the Ground Lease is terminated and all Tenant's rights of possession are terminated (the "Termination") pursuant to Ground Lease Section 23.1(e), following the Event of Default occurring under the Ground Lease.

Tenant received a Notice of Default from OCII, dated February 20, 2015, as attached hereto (the "Notice"), which Notice included, among other defaults, a default under Ground Lease Section 21.1(a), Failure to Pay Ground Rent Within Certain Time Period, which provides that Tenant must pay Ground Rent, in the manner prescribed in Section 2.2 of the Ground Lease, when due to Landlord within five (5) days after notice thereof from Landlord. Tenant failed to cure such default under Section 21.1(a) within five (5) from the date of receipt of the Notice and therefore an Event of Default has occurred under the Ground Lease. In addition, no cures have been made for any of the other defaults included in the Notice, and as such Notice is attached hereto, and accordingly all other defaults listed in the Notice remain outstanding as of the date of this Notice of Termination even though over three (3) months have passed since the Notice was sent, which time period extended far beyond the maximum five (5) day cure period

for a default under Section 21.1(a) and the maximum thirty (30) day cure period for the other defaults listed in the Notice.

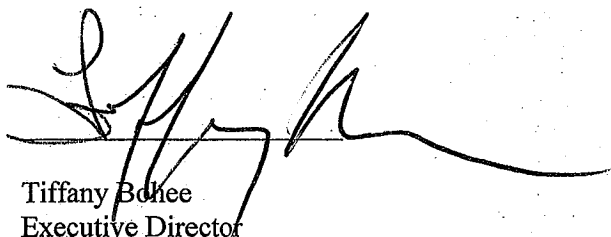
Please be advised that Ground Lease Section 23.1(g) provides that in the event Landlord terminates Tenant's right to possession of the Premises pursuant to Section 23.1, Tenant waives all rights to recover possession under any rights of redemption, including, without limitation, those rights under Ca. Code of Civil Procedure Sections 1174 and 1179.

Please also be advised that Ground Lease Section 23.2, Continuation of Subleases and Other Agreements, provides that following such Termination the Landlord has the right to take over all subleases as well as licenses and agreements, which rights include transfer of the existing liquor license from Tenant to Landlord. Accordingly, the Tenant is required to take steps to transfer the liquor license and all other licenses and agreements as requested by OCII. Accordingly, Tenant will be required to cooperate with OCII and respond in a timely manner to any requests from OCII to take steps necessary for Landlord's assumption of such licenses and agreements.

Additionally, Article 24 of the Ground Lease provides that Tenant's liabilities and obligations arising under the Ground Lease prior to termination survive such expiration (the "Tenant Obligations"). Such Tenant Obligations include any outstanding Common Area Maintenance Charges or outstanding property tax owed to the City and County of San Francisco, in addition to any other outstanding Tenant Obligations. As of this date, Tenant owes approximately \$143,000 in delinquent property taxes to the City and County of San Francisco, which amount includes the principal tax amount due and penalties, and approximately \$45,000 in delinquent Common Area Maintenance Charges ("CAM Charges") to the Fillmore Heritage Homeowners Association pursuant to the terms of the REA. The current amount of delinquent CAM Charges is in addition to the approximately \$250,000 of delinquent CAM Charges that OCII, as the legal owner of the Commercial Parcel, has already paid on behalf of the Tenant after numerous failed attempts to collect CAM Charges from the Tenant itself.

We write this letter without waiving any rights.

Office of Community Investment and Infrastructure, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public body, organized and existing under the laws of the State of California



Tiffany Bohne
Executive Director

cc: Olson Lee, Director, Mayor's Office of Housing and Community Development
Heidi Gewertz, San Francisco City Attorney's Office
California Bank and Trust, 2399 Gateway Oaks Drive, Suite 110, Sacramento, CA, 95833

Attachment: Notice of Default dated February 20, 2015

**Office of Community
Investment and Infrastructure**
(Successor to the San Francisco
Redevelopment Agency)

One South Van Ness Avenue
San Francisco, CA 94103
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair
Marily Mondejar
Darshan Singh
Miguel Bustos

Tiffany Bohee, Executive Director

Certified Mail Return Receipt and Electronic Mail

**NOTICE OF EVENT OF DEFAULT
FILLMORE HERITAGE CENTER**

February 20, 2015

108-0062015-004

Fillmore Development Commercial, LLC
c/o UrbanCore Development, LLC
4096 Piedmont Avenue, Box 313
Oakland, CA 94611

mjohnson@urbancorellc.com

Attn: Michael Johnson
Members

Re: Ground Lease Agreement entered into as of August 23, 2005, by and between the Office of Community Investment and Infrastructure, as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("OCIP") and Fillmore Development Commercial, LLC ("Tenant") (the "Ground Lease")

Dear Mr. Johnson and Members of Tenant:

NOTICE IS HEREBY GIVEN that you are in default of your obligations under the following sections of the Ground Lease:

- Section 21.1(i), Abandonment of Premises Under Certain Conditions, which provides that the Premises must not be abandoned or cease to be used for the uses permitted under the Ground Lease.
 - Section 18.1 of the Ground Lease requires that the Tenant "continuously use the Premises for permitted uses and for no other purposes." As of January 14, 2015, Tenant closed the nightclub and ceased commercial activity in the nightclub portion of the Premises. Previously, the sublease by and between the Tenant and Yoshi's San Francisco, LLC (the "Sublessee"), dated as of May 6, 2005, was terminated when the Sublessee ceased operations at the Premises on July 1, 2014 and the sublease was not assigned to a new operator.

- Section 18.2 prohibits certain uses on the Premises in the absence of the Landlord's consent. Information received from the property manager of the Fillmore Heritage Center indicates that the Tenant has been allowing the unauthorized and unmonitored use of the Commercial Parcel. OCII has not had the opportunity to review and/or consent to any of these activities, as required by the Ground Lease.
- Section 21.1 (k), Failure to Comply with Lease Terms Under Certain Conditions (Waste).
 - Section 8.1 of the Ground Lease requires the Tenant to covenant not to do or suffer any waste or damage, disfigurement or injury to the Premises. On January 23, 2015, OCII was notified that the utilities serving the nightclub portion of the Premises had been turned off and the life safety system was operating on back-up battery. This action caused life safety, security, and liability concerns for both the Commercial Parcel and the Housing Parcel. At Landlord's request, the City and County of San Francisco has since restored the utilities under its emergency authority.
- Section 21.1 (k), Failure to Comply with Lease Terms Under Certain Conditions (Failure to pay Impositions).
 - Section 4.1 of the Ground Lease requires the Tenant to pay all Impositions, which include, among other things, "any and all taxes on the assessed value of the Commercial Parcel" as well as "all assessment levied under the provisions of the Reciprocal Easement Agreement ("REA"). The Ground Lease further provides that the Tenant covenants to pay the Impositions before delinquency and before any fine, penalty, interest or cost is added thereto for nonpayment. As of this date, Tenant owes approximately \$145,000 in delinquent property taxes to the City and County of San Francisco, which amount includes the principal tax amount due and penalties, and approximately \$37,400 in delinquent Common Area Maintenance Charges ("CAM" Charges) to the Fillmore Heritage Homeowners Association pursuant to the terms of the REA. The current amount of delinquent CAM Charges is in addition to the approximately \$210,000 of delinquent CAM Charges that the OCII, as the legal owner of the Commercial Parcel, has already paid on behalf of the Tenant after numerous failed attempts to collect CAM Charges from the Tenant itself.
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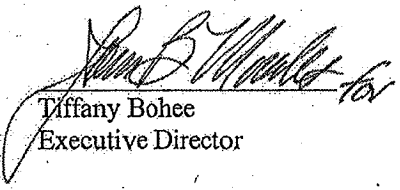
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