

SECOND AMENDMENT TO LAND LEASE

THIS SECOND AMENDMENT TO LAND LEASE (this “**Second Amendment**”) is entered into as of _____, 2025, by and between the SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SOUTH SAN FRANCISCO, a public body, corporate and politic (“Agency”), and MAGNOLIA SSF, LP, a California limited partnership (“Magnolia”). Magnolia and Agency are collectively referred to herein as the “**Parties.**”

RECITALS

A. Agency is the Successor Agency to the former Redevelopment Agency of the City of South San Francisco (“**Landlord’s Predecessor in Interest**”), and is the fee owner of that certain real property located in the City of South San Francisco, California (the “**City**”), as more particularly described in Exhibit “A” attached hereto (the “**Land**”).

B. Agency’s Predecessor in Interest and South San Francisco Magnolia Plaza Associates, a California limited partnership (“**SSMPA**”) entered into that certain Land Lease dated as of May 1, 1987 (“**Original Lease**”), which was recorded in the official records of San Mateo County on May 28, 1987 as Instrument No. 87080910, and of which a short form was recorded in the official records of San Mateo County on May 20, 1987 as Instrument No. 87078328.

C. Pursuant to an Assignment and Assumption of Land Lease dated as of December 10, 2021 (the “**Assignment**”), which was recorded in the official records of San Mateo County on December 16, 2021 as Instrument No. 2021-172432, SSMPA assigned all of its right, title and interest as tenant under the Original Lease to Magnolia, and Magnolia agreed to assume the Original Lease for the balance of the term thereof and to perform all of the covenants, duties, and obligations of SSMPA as tenant under the Original Lease, from and after the effective date of the Assignment. Agency, having consented to the Assignment, has acknowledged Magnolia as the tenant under the Lease.

D. Agency and Magnolia entered into a First Amendment to Land Lease dated April 22, 2022, and recorded in the official records of San Mateo County on _____, 2022 as Instrument No. _____. The Original Lease, as amended by the First Amendment, is referred to herein as the “**Lease.**”

E. The term of the Lease currently expires on May 1, 2062, and the parties desire to extend the term of the Lease to December 31, 2080 in connection with Magnolia’s refinancing of its leasehold estate in the Land, and to make other changes as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the Parties agree to amend the Lease as follows:

1. Term. The date of expiration of the Term of the Lease, as set forth in Sections 1.1(x) and 2.2 of the Lease, is hereby revised to December 31, 2080.

2. Elderly Household Definition. The definition of “Elderly Household,” as set forth in Section 1.1(i) of the Lease, is hereby revised as follows:

“(i) ‘Elderly Household’ means a household containing at least one senior citizen, and which may also contain a qualified permanent resident, permitted health care resident or other person permitted to occupy the Dwelling Unit pursuant to California Civil Code Section 51.3 or successor statute.”

3. Use of Development. Paragraphs (a), (b) and (c) of Section 2.4 of the Lease are hereby revised to read as follows:

(a) Elderly Households. The Development and the Land are to be used by Magnolia for housing solely for Elderly Households and related ancillary uses, except that up to two units of the Development may be set aside, one for a resident manager and one for an assistant resident manager, whose households need not qualify as Elderly Households (the “Manager’s Units”).

(b) Compliance with Other Regulatory Agreements. Magnolia shall meet any requirements of any regulatory agreement executed by Magnolia which regulatory agreement shall enforce the requirements of any program or instruments of tax-exempt financing, low income housing tax credits, loans or grants, or other assistance to the Development provided by the County of San Mateo, the City of South San Francisco, the State of California, California Tax Credit Allocation Committee, or any other governmental agency.

(c) Affordable Housing Requirements.

(i) Affordable Units. During the Term, Magnolia shall rent seventy-five (75) Dwelling Units in the Development to, and ensure that these Units are occupied or, if vacant, available for occupancy by, Low- Income Households with incomes at or below 80% of the Area Median Income.(the “Affordable Units”).

(ii) Allowable Rent. Magnolia shall charge Tenants of Affordable Units no more than the Allowable Housing Expenses for such Affordable Unit. Allowable Housing Expenses shall not exceed one-twelfth (1/12) of thirty percent (30%) of sixty percent (80%) of Area Median Income for a Household Size Appropriate for the Unit. For purposes hereof:

“Allowable Housing Expenses” includes rent and a Reasonable Allowance for Utilities, as well as all monthly payments made by the Tenant to the lessor in connection with use and occupancy of the housing unit and land and facilities associated therewith, including any separately charged fees, utility charges, or service charges assessed by the lessor and payable by the tenant.

“Household Size Appropriate for the Unit” means one person for a zero bedroom dwelling unit, two persons for a one bedroom dwelling unit, three persons for a two-bedroom dwelling unit, four persons for a three-bedroom dwelling unit, and five persons for a four-bedroom dwelling unit.

“Reasonable Allowance for Utilities” means the utility allowance published by the Housing Authority of the County of San Mateo from time to time.

“Utilities” means garbage collection, sewer, water, electricity, gas and other heating, cooling, cooking and refrigeration fuels for a dwelling unit. Utilities does not include telephone, cable or internet service.

(iii) Increased Income of Tenants

Non-Qualifying Households in Affordable Units. If, upon recertification of the income of a Tenant of an Affordable Unit, Magnolia determines that a former Low- Income Household’s Adjusted Income has increased and exceeds the income limit for a Low- Income Household as defined above, upon sixty (60) days’ written notice to Tenant, such Tenant’s rent may be increased to 30% of the Tenant’s actual monthly household income or to a comparable rent for Low- Income Households occupying units of comparable size. If such an increase is expressly prohibited under a deed restriction of a lienholder, or federal IRS tax credit regulations applicable to the Property at the time, the rent shall remain at the then-current Low- Income Rent Limit, and the number of Low-Income Units occupied by Tenants with incomes over the Low- Income limit shall be reported to the Agency on an annual basis in Magnolia’s annual reports to the Agency as required herein.

(iv) Over Income Households. Notwithstanding anything to the contrary contained herein, if any household’s income has been determined to be at or above 120% AMI for two consecutive annual income certifications, Magnolia may terminate such Tenant’s lease with a six month notice to vacate.

(v) Termination of Occupancy. Upon termination of occupancy of an Affordable Unit by a Low-Income Tenant, such Affordable Unit shall be deemed to be continuously occupied by a Low-Income household, until such Affordable Unit is reoccupied, at which time the status of the Affordable Unit shall be determined based on the income level of the new Tenant.

(vi) Lottery for Applications/ Waitlist.

- a. Listing of units on Doorway Housing Portal. Magnolia or its designee shall list all Affordable Housing Units on the Doorway Housing Portal (<https://housingbayarea.mtc.ca.gov/>), the regional affordable housing application platform administered by the Bay Area Housing Finance Authority (BAHFA). All public marketing, applications, and tenant selection for the Affordable Units shall be conducted through the Doorway system, unless otherwise approved in writing by the Agency.
- b. Lotteries through Doorway. The Owner or Owner’s designees shall use the Doorway platform to conduct a lottery for lease-up of the Affordable Units. The lottery shall be randomized and in accordance with an applicable Agency-approved

Marketing Plan. Following the lottery, Doorway will generate a ranked list of applicants to determine the order of consideration for unit offers.

- c. Live/ Work Preference. In order to ensure that there is an adequate supply of affordable housing within the City for City residents and employees of businesses located within the City, to the extent permitted by fair housing laws and other applicable laws, and consistent with the program regulations for funding sources used for development of the Project, at initial lease up, Magnolia shall give a preference in the Development to households that include at least one member who lives or works in the City of South San Francisco. Magnolia will implement any preferences in the rental of Inclusionary Units in the Development pursuant to a preference plan approved by the Agency.

Magnolia shall implement a preference policy prioritizing the selection of applicants who meet any of the following requirements:

1. At least one member of the applicant household performs at least 20 hours of work within each calendar week for an employer within the City;
2. At least one member of the applicant household currently resides within the City;
3. At least one member of the applicant household has previously resided in the City;
4. At least one member of the applicant household has received and accepted a bona fide offer of employment within the City.

(vii) Income Certification. Magnolia shall obtain, complete, and maintain on file, immediately prior to initial occupancy and annually thereafter, income certifications from each Tenant renting any of the Affordable Units. Magnolia shall cause each Tenant in an Affordable Unit to execute a Certification of Tenant Eligibility in the form attached as Exhibit C. Magnolia shall fill out the "Development Owner" portion of the Certification of Tenant Eligibility and provide it to the Agency along with supporting documentation collected by Magnolia. Magnolia shall make a good faith effort to verify the accuracy of the income provided by all applicants or all members of the occupying household, as the case may be, in the income certification. To verify the information Magnolia shall take two or more of the following steps: (a) obtain pay stubs for the most recent two months; (b) obtain an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain an income verification form from the applicant's current employer verifying employment for the last two months; (e) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, verifying assistance for the last two months; or (f) if the applicant is unemployed and does not have a tax return, obtain another form of independent verification. Copies of the Certifications of Tenant Eligibility and accompanying documentation must be submitted to the Agency annually for each of the Affordable Units.

(viii) Annual Report to the Agency. Magnolia shall submit to the Agency: (a) not later than the ninety (90th) day after the close of each calendar year, or such other date as may be requested by the Agency, a signed copy of the Certification of Program Compliance in the form attached as Exhibit B; and (b) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Agency in order to comply with reporting requirements of HUD, the State of California, and the Agency; including but not limited to reports, records, surveys evidencing compliance with the Agreement.

(ix) Additional Information. Magnolia shall provide any additional information reasonably requested by the Agency to the Agency. The Agency shall have the right to examine and make copies of all books, records or other documents of Magnolia which pertain to the Project.

(x) Records. Magnolia shall maintain complete, accurate and current records pertaining to the Development, and shall permit any duly authorized representative of the Agency to inspect records, including records pertaining to income and household size of Tenants and Rent charged to such Tenants. All Tenant lists, applications and waiting lists relating to the Development are to be at all times: (a) separate and identifiable from any other business of Magnolia; (b) maintained as required by the Agency, in a reasonable condition for proper audit; and (c) subject to examination during business hours by representatives of the Agency. Magnolia shall retain copies of all materials obtained or produced with respect to occupancy of the units for a period of at least five (5) years. The Agency may audit, examine and make copies of all books, records or other documents of Magnolia that pertain to the Development.

(xi) On-site Inspection. The Agency may perform, or cause to be performed, an on-site inspection of the Development (including Affordable Units, subject to the rights of Tenants) at least one (1) time per year during all business hours and upon reasonable notice (if such inspection includes entering any occupied Affordable Unit, then twenty-four hours' notice shall be considered reasonable) to monitor compliance with this Regulatory Agreement and any other requirements of the Agreement. Magnolia shall cooperate in making the Development available for such inspection.

After the completion of an inspection the Agency shall deliver a copy of the inspection report to Magnolia. If the Agency determines as a result of such inspection that there are any life-threatening health and safety related deficiencies, Magnolia has the obligation to correct such deficiencies immediately. If the Agency determines as a result of the inspection that there are any deficiencies for any of the inspectable items in the Development, Magnolia shall correct such deficiencies within fifteen (15) days from the delivery of the inspection report or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Magnolia must begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible. In addition, Magnolia acknowledges that the Agency may re-inspect the Development to verify all deficiencies have been corrected or rely on third party documentation submitted by Magnolia for non-hazardous deficiencies.

4. No Modification or Waiver. Except as otherwise expressly set forth herein, all other terms and conditions of the Lease shall remain in full force and effect.

5. Counterparts. This Second Amendment may be executed in any number of identical counterparts (including by facsimile and by “.pdf” or other digital format), each of which shall be deemed to be an original, and all of which shall collectively constitute a single agreement.

6. Capitalized Terms. Capitalized terms used without definition herein have the meaning ascribed to such terms in the Lease.

7. Successors and Assigns. This Second Amendment shall be binding upon Agency and Magnolia and their respective successors and assigns. In the event that Agency transfers ownership of the Land to the City or to the City of South San Francisco, as Housing Successor to the former Redevelopment Agency of the City of South San Francisco (“Housing Successor”), and assigns its rights under the Lease to the City or to the Housing Successor, Magnolia hereby consents to such transfer and assignment.

IN WITNESS WHEREOF, the Parties have executed this Second Amendment as of the date first written above.

LESSOR:

**SUCCESSOR AGENCY TO THE
FORMER REDEVELOPMENT AGENCY
OF THE CITY OF SOUTH SAN FRANCISCO,**
a public body, corporate and politic

By: _____
Sharon Ranals,
Executive Director

ATTEST:

By: _____
Rosa Govea Acosta,
Successor Agency Clerk

APPROVED AS TO FORM:

By: _____
Sky Woodruff,
Successor Agency Attorney

LESSEE:

MAGNOLIA SSF, LP,
a California limited partnership

By: _____

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EXHIBIT A
LEGAL DESCRIPTION
[To Be Attached]

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EXHIBIT B

INITIAL/ANNUAL CERTIFICATE OF PROGRAM COMPLIANCE

[To Be Attached]

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EXHIBIT C

FORM OF CERTIFICATION OF TENANT ELIGIBILITY

[To Be Attached]

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public