

GUIDELINES FOR RESIDENTIAL AUCTION LOT SELECTION

1. As stated in Section 5.5.3, “The distribution and selection of the Residential Auction Lots shall be based on a principle of nondiscrimination. The selected Residential Auction Lots shall be generally representative of the average advantages and disadvantages of the Market Rate Lots to be developed in that Major Phase. Factors to be considered in such selection include, but are not limited to, parcel size, views, proximity to parks, proximity to the transit center, proximity to the Job Corps site, proximity to the Bay Bridge, proximity to the retail core and exposure to wind.”
2. The Navy, Authority, and Developer recognize that the factors to be considered are qualitative in nature and that each lot has both advantages and disadvantages relative to other lots. The Parties acknowledge that the Auction Lots cannot be “average” in each and every single qualitative respect, but that each lot will be average when considering the totality of all of the factors.
3. The Parties acknowledge that each product type (as defined below) has its own inherent characteristics and that the combination of factors that combine to create an “average” lot must be considered within the context of each product type. For example, the views of a townhome lot will be compared against the views of other townhome lots, not against the views offered by a high-rise lot.
 - a. For purposes of this exhibit, the product types will be grouped into the following categories:
 - i. Townhome
 - ii. Low-Rise (Less than 70’ in height)
 - iii. Mid-Rise (Between 70’ and 125’ in height)
 - iv. Towers (Greater than 125’ in height)
4. The Parties acknowledge that while the goal is to distribute the auction of 20% of all market-rate units evenly among product types and Major Phases, it is not possible to achieve an exact 20% in any single Major Phase or for a given product type given the relatively small number of lots in each Major Phase and the relatively small number of Market Rate Lots slated for certain product types. The parties also acknowledge that an auction lot that is acquired by the Developer following an unsuccessful auction as described in Section 5.5 may not be used as a comparable sale in the Appraisal Process, unless agreed to by the Parties.

5. The Parties agree to the following:
- a. The share of market-rate units to be auctioned in any single Major Phase may range from 10%-30% of the market-rate units in that Major Phase, so long as
 - i. the first Major Phase contains Residential Auction Lots that total at least 15% of the market-rate units in the first Major Phase
 - ii. the cumulative total of market-rate units identified for auction across all approved Major Phases is at least 15%, and
 - iii. the Developer demonstrates that the 20% market-rate unit auction threshold can reasonably be achieved by the end of the Project.
 - b. Each Major Phase will contain at least one (1) Residential Auction Lot of each product type programmed in that Major Phase, so long as at least three (3) Market Rate Lots of that product type are programmed within that Major Phase. Should a Major Phase contain fewer than three (3) Market Rate Lots of a certain product type, no auction is required for that product type within the Major Phase if the following conditions have been met:
 - i. That product type has been subject to a lot auction in a previous Major Phase; and
 - ii. The total share of auction units identified within the current Major Phase is within the guidelines established for Major Phase auction site selection in 5.a above.