

GENERAL INFORMATION FOR BUYERS AND SELLERS OF RESIDENTIAL REAL PROPERTY IN SAN FRANCISCO (DISCLOSURES AND DISCLAIMERS ADVISORY)

(This form is a supplement to the California Association of REALTORS® Form SBSA, “Statewide Buyer and Seller Advisory”)

This Advisory is intended for use in San Francisco

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INTRODUCTION

This Advisory contains important information regarding the purchase of real property located in San Francisco. This Advisory was last revised in December 2017. The information in this Advisory will change over time, new issues will develop, and laws and regulations will change at the federal, State, or City and County level. Where available, links to government websites are provided to allow Buyers and Sellers to update themselves as to any such changes.

Some of the issues that are covered in this Advisory are point-of-sale requirements, or retrofit requirements that may also be triggered by remodeling efforts or efficiency requirements. In addition, there are many laws, regulations and ordinances which may impact Buyer's plans for remodel, expansion or change of use after the purchase, which are too detailed to be covered in this Advisory. Buyers should be aware of the fact that the apparent or current use of a property is not a guarantee that such use complies with applicable laws, including zoning ordinances. Buyers must investigate the applicability of these requirements to the past, present and future sale, purchase, ownership, use and/or development of the Property.

Buyers must bear in mind that a Property may contain defects and deficiencies of which neither Sellers nor Brokers are aware. Buyers should also recognize that not all issues or conditions can be objectively determined - even by professional investigations. Further, some issues can have varying impacts on different people since some people may be more sensitive than others to certain factors such as sounds and odors.

Although licensed to list, sell and lease real estate, Brokers may not have expertise on any or all of the topics discussed in this Advisory. Given Buyer's legal duty to exercise reasonable care to protect themselves regarding facts that are known to or within the diligent attention or observation of a buyer, Buyer is urged to investigate, without limitation, (a) all public records which may affect the Property; (b) neighborhood conditions which may affect the Property; (c) the items detailed in this Advisory; (d) the condition of the foundation, roof, plumbing, heating, air conditioning, electrical, mechanical, energy/water efficiency, security, appliances/personal property, pool/spa, and all other systems and components of the Property; and (e) all laws, regulations, and ordinances that may affect Buyer's intended use or development of the Property. Broker will not be investigating these issues for Buyer, unless agreed to in writing.

The San Francisco Association of REALTORS® does not warrant or guarantee the accuracy of the information contained in this Advisory or the adequacy of the information as it relates to a specific real property transaction. Any representations about the issues in this Advisory made by third parties have not been verified by Brokers and need to be independently confirmed by Buyer.

A. GENERAL ADVISORIES

1. CONTRACT CONTINGENCIES

Buyers should protect themselves either by obtaining a thorough understanding of the condition of a Property in advance, or by conditioning their purchase on inspections and the ability to obtain any necessary financing. Buyers who decide to enter into a contract without either or both of these contingencies to make their offer more attractive to the Seller assume major risks. For example, if after entering into a contract without a physical inspection contingency, Buyer becomes aware of a problem with the foundation, roof or mechanical systems before the close of escrow, the contract may require Buyer to nonetheless close escrow, or forfeit the deposit.

A lender's approval of financing includes the determination that (a) the Buyer is creditworthy, (b) can afford to make the mortgage payments, and (c) that the Property appraises for at least the principal amount of the loan. Even if a Buyer has obtained a pre-qualification or pre-approval letter from a lender, the lender may still not approve the specific loan requested by Buyer. Denial of a loan may result from a variety of factors, including but not limited to, changes in

federal lending regulations, changes in the lender's policies, changes to the Buyer's employment or financial status, or because an appraiser determines that the Property's fair market value is insufficient for the lender to approve the loan amount requested. If there is no financing contingency and the Property does not "appraise", the Buyer may not be able to make up the difference between the loan amount applied for and the loan amount actually offered by the lender. Under those circumstances, the Buyer may not be able to perform their contractual obligations. This could result in a determination that the Buyer is in breach of the contract and must pay damages to the Seller. It is a serious risk for any Buyer to forego including a financing contingency in any offer if they intend to secure a loan to purchase the Property.

2. PROBATE SALES

The Representative of a decedent's estate (i.e., the executor or administrator) may sell real property of an estate if it is in the best interests of the estate to do so. The sale of probate property is typically subject to Probate Court Confirmation (see the next Section).

The Independent Administration of Estates Act ("IAEA") provides a simplified method of probating estates with limited court supervision. Under the IAEA the Representative may list real property with a broker for a period not to exceed 90 days without prior court approval and to sell the Property without court confirmation. The Representative's ability to sell without court supervision or approval under IAEA is not absolute and is conditioned upon there being no objections by interested persons (generally, the heirs) who are given the right to object. If there is an objection, Court Confirmation will be necessary.

Probate property is always sold "As-Is" and the Representative is not required to complete or sign a Real Estate Transfer Disclosure Statement. However, the Representative must nonetheless disclose all actual knowledge of material facts affecting the value or desirability of the Property. Real Estate licensees who are involved in the listing or sale of Probate Property are obligated to conduct a reasonably diligent visual inspection of accessible areas of the Property and provide a disclosure based upon that inspection.

3. COURT CONFIRMATION OF CERTAIN SALES

Whenever the sale of real property is subject to open competitive bidding, as in the case of a probate, conservatorship, guardianship, receivership or bankruptcy sale, it is strongly recommended that Buyers be in court when their offer is scheduled for confirmation. Buyers should understand that in sales requiring court confirmation, the Property may continue to be marketed by the broker and others, and that their broker and others may represent other competitive bidders prior to and at the court confirmation hearing. Different types of courts have their own rules for how to handle the possibility of over-bids including whether initial deposits need to be in a certain amount or whether the amount of an over-bid needs to be a specific percentage above the original offer. Questions regarding the specific rules for the court where the confirmation hearing is to be held should be directed to the clerk of that court, or if legal advice regarding property subject to court confirmation is needed, then it is strongly recommended that a qualified real estate attorney who is knowledgeable about sales regarding court confirmation be consulted. Real estate brokers/agents are not qualified to provide legal advice.

4. TITLE INSURANCE AND PRELIMINARY REPORT

Buyers will receive a Preliminary Report ("Prelim") from a title company as a part of Buyer's investigation and due diligence regarding the Property. A Prelim is only an offer of title insurance and may not contain every item affecting title. Title companies today will provide an electronic Prelim ("ePre") that has hyperlinks to those underlying documents, many of which are important for full review of conditions. Buyers should be aware that a Prelim on paper may not have the underlying documents attached and any hyperlink may not be highlighted. Real estate brokers and agents strongly encourage Buyers to review all matters affecting title and to purchase title insurance at the close of escrow.

5. EXISTING HOUSING STOCK

Properties in this area have been built under different building codes. Regardless of the age of the Property, Buyers should have the Property inspected by a competent inspector and have additional inspections recommended in any

inspection report, or as may be necessary to determine the actual condition of the Property. The Property's components, appliances, fixtures, systems and materials will have varying degrees of remaining useful life and are subject to failure without notice. In addition, components, improvements and fixtures of the Property may not comply with current codes, zoning, health and safety, setback requirements, religious or cultural preferences. Some homes contain appliances, products or manufactured materials, such as dry wall from China, which may be defective, create problems with the use of aspects of the home and may be subject to manufacturer or governmental recall and/or a class action lawsuit. All homes include components which require ongoing maintenance. Deferred maintenance decreases the lifespan and functionality of many of these components. Buyers should seek reliable advice from appropriate professionals and plan for future maintenance and repairs.

6. FLOORS AND WALLS

The personal property of the Seller may make a visual inspection of floors and walls difficult. Certain types of flooring (e.g., carpeting and rugs), certain types of wall coverings (e.g., wallpaper and paneling), as well as furniture may prevent inspectors and brokers from inspecting the condition of the floors and walls beneath those materials. When exposed, these areas may exhibit a different pattern of wear or shade of color. If the Buyer desires to determine the condition of the floors and walls beneath such coverings, Buyer will need to secure the written authorization of Seller to conduct investigations with appropriate professionals since removal of floor coverings may be required.

7. TEMPERED GLASS

Many homes contain glass that is NOT tempered in locations where tempered glass IS now required by building codes. Buyer is advised to have a contractor's inspection to identify the presence of any glass that is not tempered before removing a physical inspection contingency on a prospective purchase of real property. Buyer should consider replacing any non-tempered glass with tempered glass to reduce the risk of injury.

8. CONDOMINIUMS, COOPERATIVES AND HOMEOWNERS ASSOCIATIONS

Properties located in a Common Interest Development (or "CID," which is a broad term commonly used to describe a condominium, cooperative, planned unit development, etc.) are usually managed by a Homeowners' Association, ("HOA"), pursuant to a Declaration of Covenants, Conditions and Restrictions ("CC&Rs") which govern the use of the Property, assessments and costs for maintaining the HOA and common areas. The Seller should request that the Homeowners' Association provide certain required documents regarding the HOA operation and expenses to meet the Seller's disclosure obligations under Civil Code Section 1368.

It is strongly recommended that Buyers receive the current HOA documents from the HOA rather than from an earlier transaction. Buyers need to carefully examine all of the documents that are provided regarding the HOA and compare them with a list of required or potential disclosures. If any documents are missing, Buyer should send a written request to the Seller that the Seller provide the missing documents. Buyers should retain the services of experts, such as attorneys, accountants or others who specialize in reviewing HOAs to determine the adequacy of the reserves and assessments. In reviewing the adequacy of assessments and reserves, Buyers should also request and obtain any available information about intended maintenance, repairs or improvements that are planned by the HOA.

Due to noise transmission and other factors, the CC&Rs and Rules and Regulations of the HOA may restrict the use, the type of alterations/improvements, floor and/or wall materials that can be used in units and the number, size and/or type of pets. Buyers should carefully review the CC&Rs and other HOA documents and contact the HOA Board to determine whether or not the Property can be used for Buyer's intended purposes. Buyer should also determine whether or not the Property meets Buyer's subjective personal preferences.

Many CIDs have been or are presently involved in litigation regarding the design, construction, maintenance and/or condition of all or a part of the Development. Whether or not these lawsuits are successful, litigation is expensive and the cost of such legal actions may impact not only the adequacy of the HOA reserves but also the amount of current or future assessments. When an HOA is involved in a lawsuit, it can make it very difficult to obtain financing on a unit.

Therefore, Buyers are urged to investigate the existence of any pending lawsuits.

Occasionally issues arise in the purchase of Property in a CID regarding parking and/or storage spaces associated with a single interest or unit in the Development. Parking spaces and storage spaces, if any, may be described in a Condominium Map/Plan or in the Preliminary Report issued by a Title Company. In some cases the HOA reassigns parking and storage spaces after a sale. Buyers should determine for themselves whether or not the allocated parking spaces are adequate to park Buyers' vehicles by actually parking in those spaces. The actual markings, striping and numbering of these spaces may be in conflict with the spaces designated in the recorded documents. It is therefore crucial that Buyer personally determine that the parking and storage spaces that are designated in the recorded documents are actually being transferred to Buyer and that those spaces are acceptable for Buyers' needs.

Many HOAs prohibit or limit new owners from renting or leasing units, depending on when the prohibition or restriction was enacted. An existing owner in a CID may be exempt from any such limitation. However, generally any exemption will not apply to a prohibition that was in effect before the owner acquired title to his or her unit. Investor Buyers in a CID should be sure to check whether rent prohibitions are in effect; and inquire of the HOA if they are planning on implementing any such prohibitions which might go into effect prior to the close of escrow.

The existence of HOA insurance does not necessarily mean that there is insurance coverage for any given single interest or unit in the Development, an owner's remodeling or upgrade efforts and/or the owner's contents.

A "Coop" (or more formally "Stock cooperative") means a development in which a corporation is formed primarily for the purpose of holding title to improved real property, and all or substantially all of the shareholders of the corporation receive a right of exclusive occupancy in a portion of the real property typically by a lease. The owners' interest in the corporation, whether evidenced by a share of stock, a certificate of membership, or otherwise is a form of common interest development.

9. NEW CONSTRUCTION WARRANTIES, DEFECTS AND LAWSUITS: The Real Estate Transfer Disclosure Statement ("TDS") asks Sellers to disclose if there are any lawsuits by or against the Seller threatening or affecting this real property. It then goes on to ask questions related to construction defects and references Civil Code Sections 900, 903, 910 and 914. These code sections are part of a law that is widely known as SB800 or Title 7, which generally applies to residential real property built by a "Builder" (as defined in Section 911) and sold for the first time after January 1, 2003. Section 900 provides for a limited one year warranty from the Builder. Section 901 et seq. refers to "enhanced protection agreements," which are sometimes provided by the Builder and may extend the warranty period. Other provisions (see Section 907 et al.) require the homeowner to follow all reasonable maintenance obligations and schedules communicated in writing by the Builder and product manufacturers, as well as commonly accepted maintenance practices. Failure to do so may provide a defense against a homeowner claim (see Section 944). Sections 910 and 914 refer to pre-litigation procedures and remedies in the event of a claim against the Builder. Sellers who have questions about how to answer this TDS question should consult with a California real estate attorney for advice. Likewise, if lawsuits or claims are disclosed by Seller, Buyers should investigate such disclosures with a California real estate attorney. Brokers are not qualified to give you advice on these matters.

10. RE-KEYING

Buyer is advised that all locks should be re-keyed immediately upon close of escrow for the Buyer(s)' safety and security of their person(s) as well as their personal belongings. Alarms, if any, should be serviced by professionals and codes should be changed. Garage door openers and remotes should be re-coded.

11. ONLINE PHOTOGRAPHS/VIDEOS

Advertising photographs/videos of property that is included in the Multiple Listing Service and/or in a Broker's websites are commonly uploaded into other brokers' websites and various national listing aggregation sites such as Realtor.com, Zillow, and others. From there, photographs/videos may be copied to other websites with or without the

permission of the host site. After the close of escrow, or termination of a listing, Sellers and Buyers are advised that it is not possible for Brokers to remove these images from websites that they do not control.

12. PERSONAL PROPERTY AND STAGING ITEMS

In order to show a property in its best light, Sellers and their Brokers/Agents often engage the services of "Staging" companies to assist in the presentation of the property during the sales process. The furniture, furnishings and accessories provided by the staging company are removed prior to close of escrow and do not transfer to the Buyer.

As stated in the Purchase Agreement, NO personal property is included in the sale unless specifically designated in the Agreement or an Addendum. Therefore NONE of the staged furniture or other staging items (e.g., window sheers, drapes, artwork, mirrors, rugs, lamps, planters and plants, etc.) are included in the sale. If Buyer wishes to purchase any of the staging items, Buyer should enter into a separate written contract directly with the staging company.

Note that the MLS entry, flyers and other marketing materials are NOT part of the Purchase Agreement. Only the Agreement specifies the inclusion or exclusion of fixtures and personal property.

13. FAIR HOUSING AND SERVICE/COMPANION ANIMALS

When properties are offered to the public for lease or sale, the owner and Real Estate Licensees must act in compliance with all federal and State Fair Housing laws including but not limited to providing unrestricted access (including open houses and other showings) to potential purchasers and tenants who have service/companion animals. Landlords are also required under the Fair Housing laws to provide a "reasonable accommodation" for tenants with disabilities which includes allowing tenants to occupy the rented residence with the service/companion animal. Landlords may not charge a "pet deposit" or otherwise charge tenants who have service/companion animals in any manner that is different from what is charged to tenants without an animal. Any property owner who rents their property should consult with a California real estate attorney specializing in landlord/tenant and Fair Housing issues for advice on any matters related to Fair Housing and service/companion animals.

14. CRIME: The existence of crime is a fact of life. Because of the ever-changing nature of statistics and information regarding crime, neither Seller nor Brokers will independently investigate criminal activity in the area of any property being purchased by any means including, but not limited to, contacting the police or reviewing any internet databases. If criminal activity is a factor in the decision to purchase a property in a particular neighborhood, Buyers are urged to check with the local law enforcement agencies and online information, prior to removing their inspection contingency.

15. RESIDENTIAL FIREPLACE DISCLOSURE: Residential wood burning is the leading source of wintertime air pollution in the Bay Area and studies have confirmed there are significant health impacts from exposure to the fine particulate matter found in wood smoke. The Bay Area Air Quality Management District ("Air District") established the Wood Smoke Rule, Regulation 6, Rule 3 to reduce wintertime smoke pollution and protect public health. The Wood Smoke Rule requires anyone selling, renting or leasing a property in the Bay Area to disclose the health impacts from air pollution caused from burning wood. Fine particulate matter, also known as PM_{2.5}, can travel deep into the respiratory system, bypass the lungs and enter the bloodstream. Exposure can cause short term and long term health effects, including eye, nose and throat irritation, reduced lung function, asthma, heart attacks, chronic bronchitis, cancer and premature deaths. Exposure to fine particulates can worsen existing respiratory conditions. High PM_{2.5} levels are associated with increased respiratory and cardiovascular hospital admissions, emergency department visits, and even deaths. Children, the elderly and those with pre-existing respiratory or heart conditions are most at risk from negative health effects of PM_{2.5} exposure. The Buyer should consult with a licensed professional to inspect, properly maintain, and operate a wood burning stove or fireplace insert according to manufacturer's specifications to help reduce wood smoke pollution. The Air District encourages the use of cleaner and more efficient, non-wood burning heating options such as gas-fueled or electric inserts to help reduce emissions and exposure to fine particulates.

When the Air District issues a Winter Spare the Air Alert during the winter season from November 1 through the end

of February, it is illegal to burn wood, manufactured fire logs, pellets or any solid fuels in fireplaces, wood stoves or outdoor fire pits. To check when a Winter Spare the Air Alert is issued and it is illegal to burn wood, please call 1-877-4NO-BURN or visit www.baaqmd.gov or www.SpareTheAir.org.

This information was provided by the Bay Area Air Quality Management District.

16. WET WEATHER CONDITIONS

At times, this area may have months with heavier than usual rainfall. During these times, hillside properties may be susceptible to earth movement and drainage problems. Properties on flatlands may be susceptible to flooding. Properties which may not have experienced water intrusion into or under the Property in the past may experience these conditions as a result of weather-related phenomena. Sellers are obligated to disclose to Buyers those material defects or conditions known to them which affect the value or desirability of the Property; however, not all Sellers may be aware of recent changes in the conditions of the Property or its improvements caused by unusually wet weather. Because of these factors, it is recommended that, in addition to a home inspection, Buyer have such additional inspections by inspectors or engineers regarding these conditions as Buyer may desire.

B. SAN FRANCISCO SPECIFIC ADVISORIES

17. SAN FRANCISCO CLIMATE CONDITIONS

The San Francisco area exhibits several microclimates. Buyer is advised that these areas are subject to frequent strong winds, wind-driven rain, fog, salty sea air and mist, and direct sunlight, any of which, alone or in combination, can affect the condition of the land as well as prematurely age the interior and exterior of structures. Erosion, warping and cracking of surfaces, failed seals on dual-paned windows, deterioration of roofing material, and water intrusion, among other problems, are not uncommon with such properties, and thus these properties require regular, thorough maintenance. Buyer is advised to fully investigate these conditions and the increased maintenance and repairs that may be needed for any Property located in these coastal areas.

In 2018, the San Francisco Public Utilities Commission updated its “100-Year Storm Flood Risk Map” to warn of the potential for significant flooding in the event of an intense storm. According to the map, approximately 1% (2,100) of the City's parcels are located in the “100-Year Storm” zone. Homes in this zone are likely to experience “deep and contiguous flooding” during a “100-Year Storm” - defined as flooding at least 6 inches deep and spanning an area of at least the size of one half of a city block. The map, along with suggested preventative measures and procedures, is available at: <https://www.sfwater.org/index.aspx?page=1229>. Buyer is advised, if purchasing a property within the designated zone, to consult Buyer's lender and insurance carrier to discuss the present or future potential impact on the availability of financing and property insurance.

In 2019, the San Francisco Board of Supervisors passed an ordinance amending the Police Code to require sellers or landlords of real property in San Francisco to disclose to buyers or tenants that the property is located within the flood risk zone delineated on the San Francisco Public Utilities Commission's 100-Year Storm Flood Risk Map; amending the Housing Code to require that the Department of Building Inspection's Report of Residential Building Record (3R) include a disclosure statement for properties located within the flood risk zone; and affirming the Planning Department's determination under the California Environmental Quality Act.

18. SAN FRANCISCO BAY REGULATIONS

The San Francisco Bay Conservation and Development Commission (“BCDC”) is charged with the responsibility of restoring Bay wetlands and marshes, preventing wetlands and mudflats from being filled, and supporting the continued and productive use of salt ponds. Properties abutting San Francisco Bay, its tidelands and marshes may be subject to the jurisdiction of the BCDC, which may limit building and impose other requirements on property owners. Buyers of such property are urged to contact BCDC at 415-352-3600.

19. NEW CONSTRUCTION AND DEVELOPMENT IMPACT

New construction of many residential and commercial buildings is underway and much more is in the planning/approval process. The planning process is unpredictable, with projects introduced, modified or eliminated regularly. Buyers should independently research public records and real estate news websites, and contact appropriate City departments to determine whether existing, planned or potential developments could affect views, traffic, noise, or access to sunlight, cause other nuisances from construction, or have an impact on property use, desirability and value.

Reports have surfaced of sinking and tilting of a modern high-rise building in the South of Market area. A substantial portion of that area and of other San Francisco neighborhoods, such as the Marina, have land that was filled historically. Not far below ground is Bay mud, and bedrock can be hundreds of feet down. Buyers are urged to carefully review the Natural Hazard Disclosure Report and all other available information and conduct their own investigation before purchasing a home in filled land locations. This includes, without limitation, contacting all potential sources of information and reviewing documents. Buyers are encouraged to contact and make inquiry of any relevant HOA, and engage independent qualified experts, such as a structural engineer, a geotechnical engineer, an attorney or an appraiser, to answer any questions, provide advice and otherwise aid in the investigation of the construction of the property. Brokers/Agents are not qualified to, and will not, investigate such issues.

20. SUBTERRANEAN ISSUES

Many of San Francisco's hills include active or potentially active landslide areas. The geologic forces which have shaped California are still active today. The only way to determine the nature of the soil and bedrock under a structure, and how these forces may affect the structure, is with a geologic or geotechnical inspection and report.

Before natural gas was available as an energy source, gas for light, heating and cooking was manufactured for use in San Francisco using coal and oil. While that practice ended by the 1930s, byproducts remain underground. Sites are identified at the PG&E website referenced below, including some in the Marina, North Beach and Fisherman's Wharf areas. According to PG&E, the gas plant sites in San Francisco present no health risks. More information in this regard can be obtained by calling PG&E at 866-247-0581 or at www.pge.com/mgp.

Much of the City's underground sewer lines date back over 100 years. Fractures in major pipes have caused ground collapses in parts of the City. Individual clay sewers from properties can also crack over time due to pressure from tree roots. A sewer-lateral inspection should be considered for older properties, particularly those with old growth trees nearby.

Property owners are generally responsible for maintaining the sidewalk in front of their property. Both tree roots and seismic events can damage and uplift the sidewalk, thereby requiring maintenance and repair.

21. REAL PROPERTY TAXES AND ASSESSMENT DISTRICTS

California allows each county to collect an annual ad valorem tax on real property. The tax is payable in two installments for the tax year, July 1 to June 30. The first payment is due on November 1 and delinquent after December 10, and the second is due on the following February 1 and delinquent after April 10.

Under Proposition 13, passed by California voters in 1976, the ad valorem tax rate is set at one percent of the assessed value of real property. This limitation, however, does not apply to special assessments levied for the purpose of paying interest and redemption charges on bonded indebtedness approved by county voters. The assessed value of real property is subject to being increased by two percent each year, or by a larger amount upon change of ownership. The real property tax due for any property can be calculated by multiplying the assessed value of the Property by the real property tax rate for the county in which the Property is located. The current property tax rate for San Francisco can be found by calling the county tax assessor's office at 415-554-5596 or visiting this website: www.tinyurl.com/SFPropertyTax.

Buyers should be aware that the assessed value of real property is adjusted upon change of ownership to an amount that is presumed by law to be equal to the purchase price of the Property. However, that presumption may be rebutted by the tax assessor and a higher value assessed, where the assessor can establish the higher value by a preponderance of the evidence using accepted methods of valuation. Also, under many circumstances, the construction of improvements to an existing property can trigger an adjustment to the assessed value of the Property.

22. REAL PROPERTY TRANSFER TAXES AND PRIVATE TRANSFER FEES

Buyers should be aware that all counties in California impose a transfer tax of at least 0.11 percent (55 cents per \$500 of value) on the purchase price of real property whenever a property changes hands. Transfers of leaseholds with a remaining term of 35 years or more are also subject to a transfer tax.

Cities may increase the transfer tax rate to generate additional local revenue. Some cities, such as San Francisco, have adopted tiered rates. San Francisco's rates can be found at this link: [link: www.tinyurl.com/SFTfrTax](http://www.tinyurl.com/SFTfrTax) or by calling the county tax assessor's office at 415-554-5596.

Since most transfer tax ordinances do not specify whether the tax is to be paid by the Buyer or the Seller, the custom that prevails in the jurisdiction in which the real property is located usually dictates who will pay the tax. In San Francisco, it is the custom for the Seller to pay the transfer tax. One common exception is in new construction sales, where the buyer usually pays the transfer tax.

However, the SBSA includes a paragraph referring to Community Enhancement and Private Transfer Fees. Although not commonplace, such fees are charged occasionally in San Francisco. For example, in Mission Bay, a Community Enhancement Fee which is customarily paid by the Buyer upon resale.

23. REPORT OF RESIDENTIAL BUILDING RECORD ("3R")

Local law requires that owners of one or more dwelling units obtain and deliver to Buyers a Report of Residential Building Record ("3R") prior to selling the Property. The Records Management Division of DBI will issue a 3R upon request using the following online order form: www.tinyurl.com/3RAApplication. The fee for the report is shown on the form. The time to produce the report can be several weeks.

Seller is advised to instruct their Broker/Agent to order a 3R report on their behalf, as soon as the Listing Agreement is signed. Review and approval of the 3R by the Buyer is a condition of the Purchase Agreement.

The body of the report purports to list all building permits for the Property, dating back to the original construction. However, if the original construction was prior to the April 1906 earthquake, that permit will not be shown, as the Building Department lost its records in the fire which followed. The 3R report does not include permits for electrical or plumbing work. Those DBI departments maintain their own permit history.

The codes on the line items are explained on the second page of the report. Note, however, that all permits prior to 1950 will show as 'N' (New), rather than 'C' (Completed), as the City did not issue Job Cards or record the Final Completion of permitted work prior to that time. The report also shows the Original and Current Permitted Use of the building, as an "n-Family Dwelling." The Current Permitted Use shown on a 3R has more credence with the Planning Department than the Assessor's records for the Property. If the Permitted Use is missing or "Unknown," Buyer should contact the Planning Department and inquire whether or not this can be corrected or otherwise addressed prior to removing Buyer's inspection contingencies.

The accuracy of 3R reports is less than 100%, as records have been lost, misfiled, or not copied accurately over the years. If the existence or absence of a particular permit is important, then Buyer should retain a qualified permit researcher to investigate further. The 3R report is not a guarantee that the work performed under any of the listed permits was done in compliance with applicable laws. Therefore, Buyer should conduct his or her own investigation regarding such work.

24. PERMIT ISSUES

Some improvements to property such as repairs, remodels and additions may have been done without a required permit. One such example would be where an additional living unit (an “in-law”) is being rented by the Seller but the required permits were not obtained for it. An improvement that is made without the required permit can, among other things, have a negative impact on value, lending or appraisals; require a retrofit; impact habitability; preclude insurance coverage; and result in fees, penalties, and government and/or civil enforcement actions.

There are also significant restrictions affecting an owner's right to construct or improve garages in San Francisco. Therefore, if Buyer intends to build a garage or alter an existing one, Buyer is strongly advised to consult a qualified architect, engineer and/or contractor before removing any inspection contingencies.

25. NONCONFORMING ROOMS, ALTERATIONS OR ADDITIONS

Buyers are advised that any rooms, alterations or additions to the Property that were made or constructed without necessary permits or certificates of completion (“nonconforming improvements”) may be subject to fines, permit costs, construction costs and other expenses to bring into conformity. In some cases, nonconforming improvements may be subject to removal by local building inspection and code enforcement agencies. Nonconforming rental units may be required to be vacated and possibly removed. It might not be possible to legalize such nonconforming improvements because of zoning or permit issues and/or other legal or regulatory limitations. San Francisco Department of Building Inspection and code enforcement agencies may conduct random inspections of properties for permit, code and other violations while the Property is being marketed. Such nonconforming improvements may also be discovered when anyone applies for a new permit to do work on the Property. Whenever nonconforming uses are discovered, the current owner could face expensive repairs, permit fees and other costs and/or even removal of the nonconforming improvement.

While Sellers are obligated to disclose any known nonconforming improvements, the Seller may not be aware of some or all illegal improvements or uses, especially those that were made prior to the Seller's ownership of the Property. In addition, real estate Brokers and agents are not required by law to inspect public records and cannot determine the legal status of improvements based solely on their required visual inspection of the property. For these reasons, Buyers are strongly urged to investigate possible nonconforming improvements by contacting the local building inspection and code enforcement agencies as well as obtaining the advice of contractors, architects, engineers or other professionals regarding the status and condition of the Property prior to removing inspection contingencies.

26. CODE COMPLIANCE AND ENFORCEMENT

If this Property is not new, some aspects, components and structures may not meet current codes. This may be because codes have changed since the improvements were first constructed or, in some cases, the improvements did not meet the codes in effect at the time they were built. Real estate brokers/agents are not qualified to identify code violations. If the San Francisco Department of Building Inspection (DBI) discovers code violations, whether as part of a random inspection or an application to perform new work, or in response to a complaint, the current owner may be required to bring the Property into compliance or remove or demolish the portion of the Property that is in violation. Prior to removal of the inspection contingency, Buyers should have the home inspected by a qualified home inspector who can comment on local codes, regulations and enforcement practices.

27. RENT AND EVICTION CONTROL ORDINANCE

On June 13, 1979, the San Francisco Residential Rent Stabilization and Arbitration Ordinance (“Rent Ordinance”) was signed into law, which re-established rent control in San Francisco. Buildings constructed after that date were exempted (in order not to discourage new construction), owner-occupied buildings of four units or less were exempt, and an annual rent increase limit was intended to be set annually by the Board of Supervisors in the range of 4% to 7%. Those last two provisions were changed by the passing of a ballot measure in November 1992, so that now *all* pre-June 13, 1979 buildings are included, whether owner-occupied or not, and annual rent increases are limited to 60% of the Bay Area Consumer Price Index. The allowable annual rent increases are published by the San Francisco Residential Rent

Stabilization and Arbitration Board (“Rent Board”) on its website at www.sfrb.org.

In addition to limiting the amounts of rent increases, the Rent Ordinance also limits the right of a landlord to terminate a tenancy to circumstances where a “just cause” reason is present. There are 16 “just cause” reasons authorized by the Rent Ordinance, including, without limitation, the non-payment of rent, the breach of a lease covenant, creating or permitting a nuisance, an owner-move-in, or the invocation of the Ellis Act. Terminating the tenancy of a rent-controlled tenant in San Francisco can be very difficult, and landlords can incur significant liability for wrongful endeavors to do so. Therefore, if the Property is occupied by tenants, Buyer is urged to consult with a qualified California real estate attorney who specializes in landlord/tenant issues in San Francisco.

The Rent Ordinance also requires that a Seller of a building containing two or more residential units, one or more of which will be delivered vacant at the close of escrow, disclose the legal grounds for the termination of the tenancy in each vacant unit and whether the unit was occupied by an elderly or disabled tenant at the time the tenancy was terminated. (See SFCA form VUDIS-SF). Because such terminations can affect the use of vacant rental units even after the sale, Buyer is again urged to consult a qualified real estate attorney for advice on such issues.

The Rent Ordinance makes it unlawful for a landlord to raise the rent for the purpose of effecting a tenant vacancy. Such an increase is deemed to be in “bad faith” constituting unlawful “tenant harassment” and subjecting the landlord (or the agent) to criminal and civil penalties. Factors considered and presumed to constitute “bad faith” include (among others) the following: (1) the rent increase was substantially in excess of market rates for comparable units; and (2) the rent increase was within six months after an attempt to recover possession of the unit; and (3) such other factors as a court or the Rent Board may deem relevant.

The Rent Ordinance is further refined by a set of Rules and Regulations established and updated regularly by the Rent Board. The Rent Ordinance and the Rules and Regulations can be found on the Rent Board's website at www.sfrb.org. However, since this is a complex area and the penalties for not following the established laws can include triple damage payments, Buyers and Sellers are advised to consult a qualified attorney when negotiating the sale or purchase of rental property.

The above-described limitations do not constitute an exhaustive list of all the restrictions imposed by the Rent Ordinance or its Rules and Regulations. Real estate brokers/agents are not qualified to explain all ramifications of the applicable State and local law. Therefore, Buyers are strongly advised to seek the advice of a qualified California real estate attorney who specializes in landlord/tenant issues in San Francisco.

28. TENANT SECURITY DEPOSITS

Landlords may collect a “security deposit” from tenants, not to exceed two months' rent for unfurnished units and three months' rent for furnished units. All amounts held, whether described as key deposits, last month's rent, pet deposit, etc., are included in the definition of security deposit. The handling of security deposits is primarily governed by State Law. Upon departure of the tenant, the security deposit must be returned within 21 days. Any deductions (for example, for damages or additional cleaning) must be itemized and made pursuant to specific procedures that should be followed carefully to avoid potentially significant penalties for the wrongful withholding of a security deposit.

Additionally, in San Francisco, local law requires landlords to pay simple interest on all security deposits held for at least one year at a rate determined annually by the Rent Board and published on their website. (Also see SFCA form SDC-SF).

29. APARTMENT LICENSE FEES AND RENT ORDINANCE FEES

DBI recovers part of its costs by charging an Apartment License Fee to owners of 3-unit or larger apartment buildings and condominiums. This fee is added to the property tax bill annually. The fee varies according to the age of the building (pre- or post-June 13, 1979) and the number of units and can be found at www.sfdbi.org.

The Rent Board recovers part of its operating costs through a per-unit fee charged to landlords for each residential dwelling unit subject to the Rent Ordinance. This fee is also added to the property tax bill annually. Fifty percent of the fee may be charged to the tenant living in the unit on November 1 of each year, either billed to them or deducted from their security deposit interest. (More information on the Rent Board fee and the history of the amounts charged can be found on the Rent Board's website and on SFCA form SDC-SF).

30. OWNER AND RELATIVE MOVE-IN EVICTIONS

The Rent Ordinance authorizes an owner to evict a tenant from a rental unit in order to live there as his/her principal place of residence. However, the Rent Ordinance restricts the right of an owner to do so in a number of material respects, and also sets forth stringent legal and notice requirements, related to which Buyer is strongly recommended to consult with a qualified real estate attorney specializing in San Francisco landlord-tenant law.

For example, the Owner Move-In eviction (“OMI”) requires that an owner intend to occupy the unit as his or her principal place of residence for at least 36 continuous months. Also, the Rent Ordinance generally only allows an OMI eviction from one unit in the Property. If there has been a prior OMI eviction, Buyer generally may not do an OMI eviction after December 18, 1998, from any unit in the Property except the one specific unit that was the subject of the prior eviction. The Rent Ordinance also generally prohibits an owner from doing an OMI eviction if any tenant in the unit: (1) is 60 years of age or older and has lived in the unit for at least ten (10) years; (2) is disabled, qualified to receive SSI/SSP payments, and has lived in the unit for at least ten (10) years; or (3) is catastrophically ill and has lived in the unit for at least five (5) years. This type of tenant is commonly referred to as a “Protected Tenant.” The Rent Ordinance provides further definitions on what does and does not qualify an occupant as a protected tenant for purposes of an OMI. There are many other limitations on evictions, including but not limited to provisions governing the timing of an eviction notice when a minor child is in occupancy, and the above is not intended to be an exhaustive list.

In addition to authorizing OMI evictions, the Rent Ordinance allows Relative Move-In (“RMI”) evictions in certain circumstances. The RMI eviction is also subject to a number of significant restrictions, as well as legal and notice requirements. For example, an RMI can generally only be done for certain relatives (the landlord's grandparents, grandchildren, parents, children, brother, sister, or the landlord's spouse or the spouses of such relations) who intend to occupy the unit as their principal residence for at least 36 continuous months. Further, an RMI can generally only be done if the owner either lives in the Property or is simultaneously pursuing an OMI eviction to evict a tenant from another unit in the Property. There are many additional limitations on an owner's right to pursue an RMI eviction, including but not limited to provisions governing the timing of the RMI eviction notice when a minor child is in occupancy, and the above is not intended to be an exhaustive list.

When proceeding with either an OMI or an RMI eviction, the owner is required to pay relocation payments to the displaced tenants (see Paragraph 31).

Given the complexities involved with OMI and RMI evictions, it is strongly recommended that Buyer request from Seller a copy of the “Request for Protected Tenant Status Information and Tenant Declaration Regarding Protected Status” (SFCA form RFIUS-SF), which form should be completed and signed by any tenants then in possession of the Property before removal of Buyer's contingencies. It is likewise recommended that Buyer review the completed forms carefully, and obtain the advice of a qualified California real estate attorney who specializes in landlord/tenant issues in San Francisco, with respect to the OMI/RMI restrictions and how they may apply given the content of the completed RFIUS-SF forms. Buyer is advised to obtain such advice before removing the applicable contingencies.

Once an OMI or RMI eviction is completed, the owner will have limitations on re-rental and certain reporting requirements. If the owner seeks to re-rent the unit during the five-year period after the OMI/RMI notice was served, the evicted tenant has a right of first refusal to re-rent the unit at the same rent he/she would have paid had he/she remained in occupancy. If an owner seeks to re-rent within five years of service of the eviction notice and the prior

tenant does not want to re-rent the unit, the unit may be offered to the public, but for no more than the rental amount the former tenant would have paid if he/she had remained in occupancy. Furthermore, the Rent Board requires that an owner annually file a statement stating, among other things, the date of the recovery of the premises, and whether the owner or relative is living in the premises, with supporting documentation. The penalty for failure to comply starts at \$250 for the first violation and eventually increases to \$1,000 per violation.

31. RELOCATION PAYMENTS AND TENANT BUYOUTS

Under the Rent Ordinance, landlords are required to pay certain relocation payments to tenants who are evicted for: owner/relative move-in under Section 37.9(a)(8); demolition or permanent removal from housing use under Section 37.9(a)(10); substantial rehabilitation under Section 37.9(a)(12); or the Ellis Act under Section 37.9(a)(13). Landlords had also historically been obligated to pay these amounts to tenants temporarily evicted for capital improvement work under Section 37.9(a)(11); however, a State law has been passed superseding that provision in certain situations depending on the duration of the temporary displacement. Buyer is advised to consult a qualified California real estate attorney who specializes in landlord/tenant law in San Francisco about such issues.

The amounts of relocation payments are adjusted each year by the Rent Board and can be found at the following link: <http://tinyurl.com/RelocationPayment> and for Ellis Act evictions at: <http://tinyurl.com/EllisActPayment> or by calling the Rent Board at 415-252-4602.

San Francisco has adopted an ordinance governing “Buyout Agreements” (agreements by which a landlord pays a tenant money or provides other consideration to vacate a rental unit). In addition, the ordinance dictates a detailed multi-step process for “Buyout Negotiations” (any discussion or bargaining, oral or written, between a landlord and tenant regarding the possibility of entering into a Buyout Agreement). SFCA form TBLA-SF provides a partial summary of the ordinance. The full text may be found at: www.tinyurl.com/SFBuyouts.

Broker is not qualified to give any legal advice regarding evictions, relocation payments or tenancy buyouts. Buyer is advised to seek the advice of a qualified California real estate attorney who specializes in landlord/tenant issues in San Francisco.

32. ELLIS ACT EVICTIONS

As an alternative to continuing to rent units in the Property, Buyer can choose to terminate the tenancies of all occupied rental units by invoking the provisions of California Government Code Sections 7060 - 7060.7 (the “Ellis Act”). Section 37.9(a)(13) of the Rent Ordinance provides that the Ellis Act is a just cause for eviction. However, as with an OMI/RMI, there are many limitations on the Ellis Act process, and invoking the Ellis Act can have significant impacts on the use and value of the Property in the future.

Generally, those limitations prevent or restrict the re-rental of units for specific time periods and provide certain re-rental rights for tenants who were evicted pursuant to the Ellis Act. The duration of these restrictions, the amount of rent that can be charged upon a re-rental and whether prior occupants have a right to return are all complex issues about which Buyer is advised to obtain the advice of a qualified California real estate attorney who specializes in landlord/tenant issues in San Francisco.

The limitations imposed by the Rent Ordinance for Ellis Act evictions also include the obligation to pay relocation expenses. The obligation to pay those expenses is similar to, but does not exactly overlap, that discussed above in the preceding Section. If Buyer is contemplating the use of the Ellis Act as a means of recovering possession of units at the Property, Buyer is advised to seek the advice of a qualified California real estate attorney who specializes in landlord/tenant issues in San Francisco on the relocation payment obligations and how they are distinct from those discussed above.

Furthermore, as restrictions imposed by the Ellis Act continue to affect a property even after sale, Buyer is advised to

obtain any and all available records from Seller and the Rent Board about any prior Ellis Act evictions at the Property. Failure to comply with the re-rental restrictions of the Ellis Act and Rent Ordinance can subject the owner to significant liability claims by evicted tenants or the City and County of San Francisco; therefore, **Buyer is urged to consult a qualified California real estate attorney who specializes in landlord/tenant issues in San Francisco to fully appreciate and understand the effects of the Ellis Act on the Property.**

33. SHORT-TERM RESIDENTIAL RENTALS

San Francisco regulates what are supposed to be short-term residential rentals facilitated by companies such as Airbnb. Currently, that law allows property owners and tenants to conduct short-term residential rentals without violating the requirements of the City's Residential Unit Conversion and Demolition Ordinance (Administrative Code Chapter 41A) or the Planning Code, subject to many requirements. A short-term residential rental for purposes of that law is a rental of all or a portion of a residential unit for periods of less than 30 nights. To engage in such rentals under this law, eligible Permanent Residents (owners and tenants) must apply to place their residential unit on the "Office of Short-Term Rentals' Short-Term Residential Rental Registry." Further information can be found at this link: <http://www.ShortTermRentals.sfgov.org> or by calling 415-575-9179.

34. SELLER OCCUPANCY AFTER CLOSE OF ESCROW

Under the Rent Ordinance, a Seller of real property who continues to occupy the property after the close of escrow may acquire tenants' rights, which may make it difficult for the Buyer to recover possession of the newly purchased property if a dispute arises before the Seller vacates. If Buyer is considering whether to allow Seller to occupy the Property after the close of escrow, Buyer is urged to consult with a qualified California real estate attorney who specializes in landlord/tenant issues in San Francisco to assess the risks and benefits of such an arrangement.

35. CONDOMINIUM CONVERSION ORDINANCE

Since 1982, local laws in San Francisco have severely limited the conversion of apartment buildings to condominiums. In summary, no buildings containing 7 or more residential units could be converted, and a lottery system was in place allowing no more than 200 units to be created annually from 2-6 unit apartment buildings (the "Lottery"). The only exceptions to the Lottery system were 2-unit buildings with both units owner-occupied. Such buildings could bypass the Lottery and begin the conversion process after both units had been simultaneously owner-occupied for a year.

In June 2013 a new ordinance was passed suspending the Lottery system for 10 to 12 years and further restricting entry into it, if and when it does resume. Those restrictions include eliminating all buildings with more than 4 residential units and increasing the owner-occupancy requirements for 3- and 4-unit buildings, such that any building entering the lottery can have only one unit with a tenant in place. In the interim, a schedule of permissions to convert for buildings which have met the prior requirements to enter the Lottery has been created. New conversion fees of as much as \$20,000 per unit are charged and lifetime leases must be offered to non-purchasing tenants.

Certain buildings are ineligible for condominium conversion based on past tenant "No-Fault Evictions." ("No Fault Evictions" include OMI, RMI, Ellis Act, permanent removal of rental units and capital improvement evictions.) Buyer is advised to investigate past No-Fault Evictions if the Property is being purchased with any intention to convert the units to condominiums. Because the conversion restrictions apply regardless of whether the evictions were done by Seller or a prior owner, if Buyer intends to convert the Property to condominiums, Buyer is also urged to consult a qualified California real estate attorney who specializes in landlord/tenant issues and condominium conversions in San Francisco before removing the applicable contingency.

36. TENANCIES-IN-COMMON (TICs)

A Tenancy-in-Common (TIC) is a form of ownership in which all of the owners of the Property (the "co-tenants" or "tenants-in-common") own undivided interests in the entire property, in percentages set forth in their respective deeds. By agreement, the owners may assign to one another specific occupancy and other rights. Usually, all of the owners are fully liable for the mortgage, unless each owner has secured an individual loan for their TIC interest, and the mortgage

generally cannot be modified without the consent of the lender and all of the owners. These are extremely complex relationships requiring, among other matters, a carefully written TIC agreement setting forth the rights and responsibilities of all of the owners, including rights of exclusive occupancy of specific units, parking or storage spaces, financial obligations, restrictions on use, use of common areas, restrictions on subsequent sales and dispute resolution mechanisms. Brokers are not qualified to review and analyze TIC agreements. Prior to purchasing a TIC property, Buyer is strongly urged to seek the advice of a qualified California real estate attorney to review any existing TIC agreement, and to otherwise advise Buyer regarding the nature of this unique form of real estate ownership in general, and specifically this particular TIC arrangement. See SFCA form TICFDS-SF.

37. SQUARE FOOTAGE DISCLOSURE

Measurements of a property vary from source to source and often conflict. There is no official source and no agreed upon method of calculation. For instance, appraisers often include the thickness of exterior walls; surveyors of condominium units typically measure the space between interior walls and around obstructions, such as fireplace flues; and floor-plan designers employ a wide variety of methods. Tax records are often out of date and may fail to reflect various structural modifications. Measurements may or may not include some 'finished' or 'unfinished' space and may not make a determination of the 'legality' of the space. Different sources of building or interior square feet can include the following: the San Francisco Assessor's tax records, condominium maps or plans, floor plans by graphic artists, architectural drawings and appraisal diagrams.

Buyer may perform their own measurement prior to entering into a contract or during their due diligence contingency period. Any figures which quote a "price per square foot" for properties are broad estimates only, and the accuracy of any such figures should be independently verified by Buyer.

If the interior square footage or lot size of the Property is an important consideration in Buyer's decision to purchase or the price to pay, Buyer is advised to conduct and rely solely on Buyer's own independent determination of its size.

38. HOMEOWNERS AND NEIGHBORHOOD ONLINE SITES

Homeowner and neighborhood associations often maintain authorized websites, chat rooms, Google groups, blogs or other forums. Other unauthorized, interested-party sites may be found as well. Critical information that can significantly affect a purchase decision is regularly found on these sites, such as important notices and documents pertaining to the governance of the HOA. Some sites also allow readers to express opinions and air complaints, or to gossip, speculate or spread rumors, making it difficult to determine what is factual and what is not.

The Seller and agents may not be aware of such sites, nor will they conduct a search for them. Buyers should conduct an independent online search for all sites relevant to a Property, then access and review the content thoroughly prior to removal of inspection contingencies. Buyers are advised to engage a qualified real estate attorney with related questions.

39. AFFORDABLE HOUSING ENCUMBRANCES

The City and County of San Francisco offers various affordable housing programs for low- to moderate-income buyers. These restrictions typically prohibit a buyer from reselling the Property at market price. Instead, such a buyer at the time of resale must comply with various requirements that ensure another qualified low- to moderate-income person is buying the Property, and that person gets the benefit of a controlled, below market price. (An example of one of these restrictions is reprinted below.) The Buyer of a property subject to such a special program is bound by it, regardless of whether they knew about the restrictions or not. Thus, any such Buyer needs to be duly informed of these restrictions.

In some instances, a Seller and the Brokers/Agents involved in a transaction may have no actual knowledge that any such restrictions apply. This could happen, for example, where the Seller was not informed of the restrictions when they bought the Property, or the owner is deceased and the Property is sold in probate. In such instances, an unsuspecting Buyer could pay market price, which would be well over what may otherwise be allowed under the applicable San

Francisco affordable housing program.

To protect against non-disclosure in this regard, local government requires recordation with the County Recorder of documents describing the special restrictions. In some instances, there are special instruments pertaining to a particular unit. In other instances, the only document is the subdivision map for the entire condominium project. But at present, it is unclear if all title companies in their Preliminary Reports (Prelims) are describing such restrictions in a manner that makes it easy for Buyers to recognize them. For example, it has come to the Association's attention that some title companies, for example, may be providing Prelims that (a) first reference the San Francisco affordable housing restrictions in the "exceptions" along these lines: "*Recitals as shown under "General Notes" on that certain map recorded [Month/Day/Year], in Condominium Map Book XX, at Pages XXI-XX4, of Official Record*"; and, (b) then attach and incorporate in the Prelim less than sharp copies of the entire subdivision map for the condominium project with the pertinent disclosure for the unit for sale in print as small as 6-point type. (6-point type, for example, looks like this: SPECIAL NOTE: UNITS XXX and XXX SHOWN ON THIS MAP HAVE BEEN DETERMINED TO BE PART OF THE CITY'S LOW AND MODERATE INCOME HOUSING STOCK, SUBJECT TO MAXIMUM SALES PRICE, PRICE INCREASE RESTRICTIONS AND RESALE PROVISIONS OF SECTION 1385 OF THE SUBDIVISION CODE....

Information on San Francisco's "Below-Market Rate ('BMR') Condominium Conversion" Program can be found at <http://sfmohch.org/BMR-Condo-Conversion-Program> or by calling 415-701-5500. Section 1385 of the San Francisco Subdivision Code can be found at: <http://tinyurl.com/SubdivisionCode>.

Buyers and Sellers who receive Prelims with "exceptions" similar to the above example, or who otherwise are concerned that a special housing program may affect the Property for sale, are urged to engage a qualified real estate attorney. A broker/agent is not qualified to provide advice in this regard or answer any related legal questions.

40. WATER HEATERS

Under State law, all water heaters must be braced, anchored or strapped to resist falling or horizontal displacement due to earthquake motion, and a Seller of Property must certify to a Buyer that the bracing requirement has been satisfied. In addition, water heaters which are newly installed or moved must be raised so their ignition point is 18 inches off the ground. Many other plumbing code requirements may also apply, e.g., gas venting, pipe wrapping, temperature and pressure relief valves, drain valves and bollard protection in garages.

41. SMOKE AND CARBON MONOXIDE DETECTORS

California Health and Safety Code §13113.8 and San Francisco Ordinance 386-84 require smoke detectors in residential property. If a TDS is required, the Seller certifies that the Property has (or will have prior to Close of Escrow) operable smoke detectors which are approved and installed in compliance with the State Fire Marshal's regulations and applicable local standards. In addition, DBI requires smoke detectors in all bedrooms of residential property before it will issue a Certificate of Completion for any permitted contracting work costing \$1,000 or more.

State law requires carbon monoxide detectors in living areas for all residential properties that have fossil fuel burning appliances, even if those are several floors below, such as, furnaces in the basement of a condominium building.

42. RESIDENTIAL ENERGY AND WATER CONSERVATION ORDINANCES

The San Francisco Residential Energy Conservation Ordinance requires a Seller to notify a Buyer of the requirements of the ordinance. Delivery of an informational brochure entitled, *What You Should Know About San Francisco's Residential Energy and Water Conservation Requirements* satisfies this requirement. The brochure is available online at: <http://tinyurl.com/SFEnergyWaterBrochure>

Prior to the transfer of title of any residential building the Seller or their Broker must: (a) obtain a valid energy inspection by a qualified energy inspector; (b) install all required conservation measures as itemized in a form specified by DBI; (c) furnish to the Buyer a copy of the completed inspection form, showing compliance with required energy conservation measures; and (d) record a certificate of completion with the county recorder's office no later than the transfer of title.

However, this inspection is not required when a proof of compliance has been recorded already with DBI and the county recorder's office. No Seller is required to spend more than one percent of the purchase price or one percent of the assessed value of the building, whichever is greater, to comply with the energy ordinance. Further, in the case of one or two-unit buildings, the cost of compliance shall not be greater than \$1,300. Exemptions from the energy ordinance include residential buildings permitted after July 1, 1978, live/work lofts, transfers pursuant to a court order, and transfers between co-owners, spouses, registered domestic partners or certain relatives.

The responsibility for compliance with the ordinance may be transferred from Seller to Buyer provided that before transfer of title (a) a valid energy inspection has been performed; (b) a written agreement is signed by Seller and Buyer wherein Buyer agrees that the energy conservation measures will be installed within 180 days after transfer; and (c) Seller agrees that funds equal to one percent of the purchase price will be deposited in escrow. Further information on this ordinance can be obtained from DBI at (415) 558-6088.

43. WATER CONSERVATION

Unlike the energy ordinance, water conservation inspections are required prior to each sale of most residential buildings, regardless of prior energy and water compliance certification. Exemptions are more limited than for energy compliance, but include transfers pursuant to a court order, and transfers between co-owners, spouses, registered domestic partners or certain relatives. Unless exempt, the following water conservation measures are required:

- Low-Flow Showerheads: Any showerhead with a maximum flow of more than 2.5 gallons per minute must be replaced. All showers may have no more than one showerhead per valve.
- Faucet Aerators: An aerator with a flow rate of 2.2 gallons per minute or less must be installed on all sink faucets.
- Toilets: All toilets with a water consumption of more than 1.6 gallons per flush must be replaced. Modifications to toilets with a rated water consumption greater than 1.6 gallons per flush no longer comply. An exemption may be granted if the historical integrity of the building would be compromised by the replacement.
- Leak Repair: All plumbing leaks must be located and repaired.

Contact the Water Department at (415) 551-3000 for more detailed information regarding compliance and exempt properties and transfers.

44. BOILER ORDINANCE

Some homes in San Francisco contain boilers, which generate steam for heat or for domestic hot water production. Homeowners who have boilers on their property must maintain their boiler in safe operating condition and also maintain a current "Permit to Operate Boiler." The permit must be renewed annually and displayed near the boiler. For more information, visit: <http://tinyurl.com/SFBoiler>.

45. UNDERGROUND STORAGE TANKS (USTs)

Tanks buried in front of residential properties were used for the storage of oil for steam heat systems, beginning in the late 1800s. They can be identified by a number of indicators -- a filler cap in the sidewalk; a breather spout attached to an exterior building wall (which allowed air to be displaced from the tank as it was filled); a fire-brick enclosed boiler room in the basement; and, sometimes still in place, an electrical box on a wall in the boiler room labeled "Oil Burner." The tanks were abandoned when the fuel source was replaced with piped natural gas. Article 21 of the San Francisco Health Code requires owners, within 30 days of discovering a disused underground tank, to file a plan to "close" it by either removing it, or filling it with concrete and taking out a license, to be renewed annually, to continue to own it in place. Removal is the preferred approach, but can become expensive if the tank has deteriorated and oil has leaked into the soil below, thereby causing contamination and requiring remediation. California Health and Safety Code §25280 establishes the standards for removal and remediation. A professional inspection is recommended if a Buyer suspects that a UST may still be in place and has not been given any evidence to the contrary. Owners of real property in San Francisco are advised to retain prior UST inspection reports and, if a tank has been removed, the closure documentation.

46. UNREINFORCED MASONRY AND SOFT-STORY BUILDINGS

In 1992, a San Francisco Ordinance required that Unreinforced Masonry Buildings (UMBs), identified as such by DBI, be retrofitted to a minimum “bolts-plus” standard. By now most of the brick buildings identified on DBI’s “UMB list” have been so retrofitted. Further information may be found at <http://sfdbi.org/SoftStory>.

“Soft-Story” buildings have been determined by the City and County of San Francisco to pose a risk of collapse during a major earthquake. Accordingly, local law now requires the owners of such buildings to seismically strengthen them.

A Soft-Story building is defined under local law as any structure that (a) was constructed or had a permit application for its construction submitted before 1978; (b) has 3 or more stories (or 2 stories over a basement or underfloor area that has any portion extending above grade) and 5 or more dwelling units (whether the dwelling unit is legally approved for residential use or not), including condominium buildings, and residential or tourist hotels (whether or not all guestrooms have kitchens); and (c) which has not had certain seismic strengthening work completed in compliance with applicable building codes. Generally, but not always, such buildings will also have first story perimeter walls with large openings for garage doors or windows, few interior partitions, and/or construction materials that have deteriorated over time.

The seismic retrofit work necessary to comply with this law can result in substantial costs. Real estate brokers and agents are not qualified to provide cost estimates, evaluate any prior seismic work for compliance with the law, or otherwise opine as to the law's requirements, and they do not investigate public records, such as at the San Francisco Department of Building Inspection. Before removing contingencies, it is strongly recommended that Buyers of “Soft Story” buildings (or a condominium unit in such a building) engage qualified construction or design professionals to fully investigate the Property, including without limitation, the costs to complete any necessary retrofit work.

Additional information on Soft-Story buildings can be obtained from the San Francisco Director of Earthquake Safety at (415) 554-5404, by visiting City Hall, Room 362, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or at this web page: <http://sfdbi.org/SoftStory>. The City has created a list of buildings that the City “believes, to the best of our knowledge, to be within the scope of the Mandatory Seismic Retrofit Ordinance. These are not necessarily unsafe buildings, but rather buildings that need to be screened to ascertain if they are within this program or not.” That list can be found at: <http://sfdbi.org/Soft-Story-Properties-List>. The law can be found at: <http://tinyurl.com/SoftStoryLaw>.

47. SAFETY INSPECTION – DECKS AND APPENDAGES

For apartment buildings and residential condominiums of 3 or more units, and hotels, San Francisco Housing Code Section 604 requires periodic inspection of all building "appendages", defined as "all wood and metal decks, balconies, landings, exit corridors, stairway systems, guardrails, handrails, fire escapes, or any parts thereof in weather-exposed areas – but NOT including interior building areas." The inspection must be performed by either a licensed general contractor, structural pest control licensee, or a licensed professional architect or engineer, for the purpose of verifying that the exit system, corridor, balcony, deck, or any part thereof is in general safe condition, in adequate working order, and free from hazardous dry rot, fungus, deterioration, decay, or improper alteration.

Property owners shall provide proof of compliance with this Section by submitting a mandated affidavit, with verification (if applicable) completed and signed by the licensed professional who inspected the building. Completed affidavits must be submitted to the Housing Inspection Services Division every 5 years at the following address: San Francisco Department of Building Inspection Housing Inspection Services Division, Attn: Section 604 H.C. Affidavit Filing, 1660 Mission Street, 6th Floor San Francisco, CA 94103-2414. The affidavit and full text of the requirements can be found at: <http://sfdbi.org/DeckSafety>.

48. TREES AND VEGETATION

According to the Department of Public Works, there are about 100,000 street trees in the city of San Francisco. The City is responsible for maintaining trees in the public sidewalk area next to properties, as well as the sidewalk around those trees. It is important to note that a property owner must obtain a permit to either plant or remove a tree. Removing a tree without a permit can subject the owner to a fine. For more information, see: <http://www.sfdpw.org>.

49. HOUSEHOLD AND HAZARDOUS WASTES

San Francisco residents must divide household waste into three bins: recycling, compost and landfill waste. In addition to that, there are several types of hazardous waste that must be handled separately: batteries are to be placed in a plastic bag and left on top of one of the collection bins; cooking oil should be poured into leak-proof containers and delivered to a collection site; old medications are accepted at most pharmacies for disposal; paint can be disposed of at Recology's Hazardous Waste Collection Facility or many hardware stores in the city; syringes and needles can be dropped off in a "sharps" container at most pharmacies in San Francisco, and fluorescent light bulbs and tubes can be dropped off at neighborhood collection sites, which can be found here: <http://www.RecycleWhere.org/>.

In 1986 San Francisco enacted ordinance 253-86 relating to hazardous wastes in soil. Also known as the "Maher Ordinance", it is primarily concerned with land in San Francisco where fill was placed near the bay after the 1906 earthquake. It addresses the risk that such fill may have hazardous levels of organic or inorganic constituents that may pose a health and safety risk to the public and requires a notice to Buyers of such land regarding the contents of the ordinance. Applicants for building permits which involve the disturbance of 50 cubic yards of soil or more may be affected. SF Health Code Sections 1219 - 1237 apply and Building Code Section 106A.3.2.4 contains a full explanation of the ordinance. A map identifying its scope can be found at the following link: www.tinyurl.com/SFMaherMap.

C. SUPPLEMENTS TO THIS ADVISORY AND INFORMATION ON RECENT DEVELOPMENTS

Local laws affecting San Francisco real property often change during the year. While it is beyond the scope of this Advisory to provide a comprehensive and up to date report on all new local laws, the latest additions to this Advisory and a summary of general information on recent developments compiled by the San Francisco Association of REALTORS® can be found at: www.SFARAdvisories.com. Buyers and Sellers should engage a qualified real estate attorney who is knowledgeable about San Francisco's local laws for advice regarding a specific real estate transaction.

D. RECOMMENDATION TO RETAIN A QUALIFIED ATTORNEY AND ACCOUNTANT

In addition to the professional service providers you will retain to inspect and analyze the Property you are purchasing or selling, you may need legal, tax or financial advice. Brokers are not qualified to give any such advice, for example in the manner of holding title. A situation may arise during the course of your transaction that requires you to make an important decision or select a plan of action that could result in significant legal consequences and substantial impact on your personal finances. The most prudent and best plan is for you to identify a certified public accountant and qualified real estate attorney, in advance of the sale or purchase of your property. That way, you can quickly contact and seek the proper financial, legal advice and guidance needed during the transaction. If you are considering an IRS 1031 exchange, contact an exchange accommodator to discuss the proper method, timing and documentation of the exchange.

In these and all other matters referred to in this General Information (Disclosures and Disclaimers Advisory), Buyer and Seller are advised to seek any desired assistance from appropriate qualified professionals. Nothing Broker/Agent may say will change the terms or effect of this Advisory.

THE UNDERSIGNED ACKNOWLEDGE RECEIPT OF THIS ADVISORY.

Buyer _____ Date: _____ Buyer _____ Date: _____

Seller _____ Date: _____ Seller _____ Date: _____

BROKERS/AGENTS CAN ADVISE ON REAL ESTATE TRANSACTIONS ONLY. FOR LEGAL OR TAX ADVICE, CONSULT A QUALIFIED ATTORNEY OR CPA.